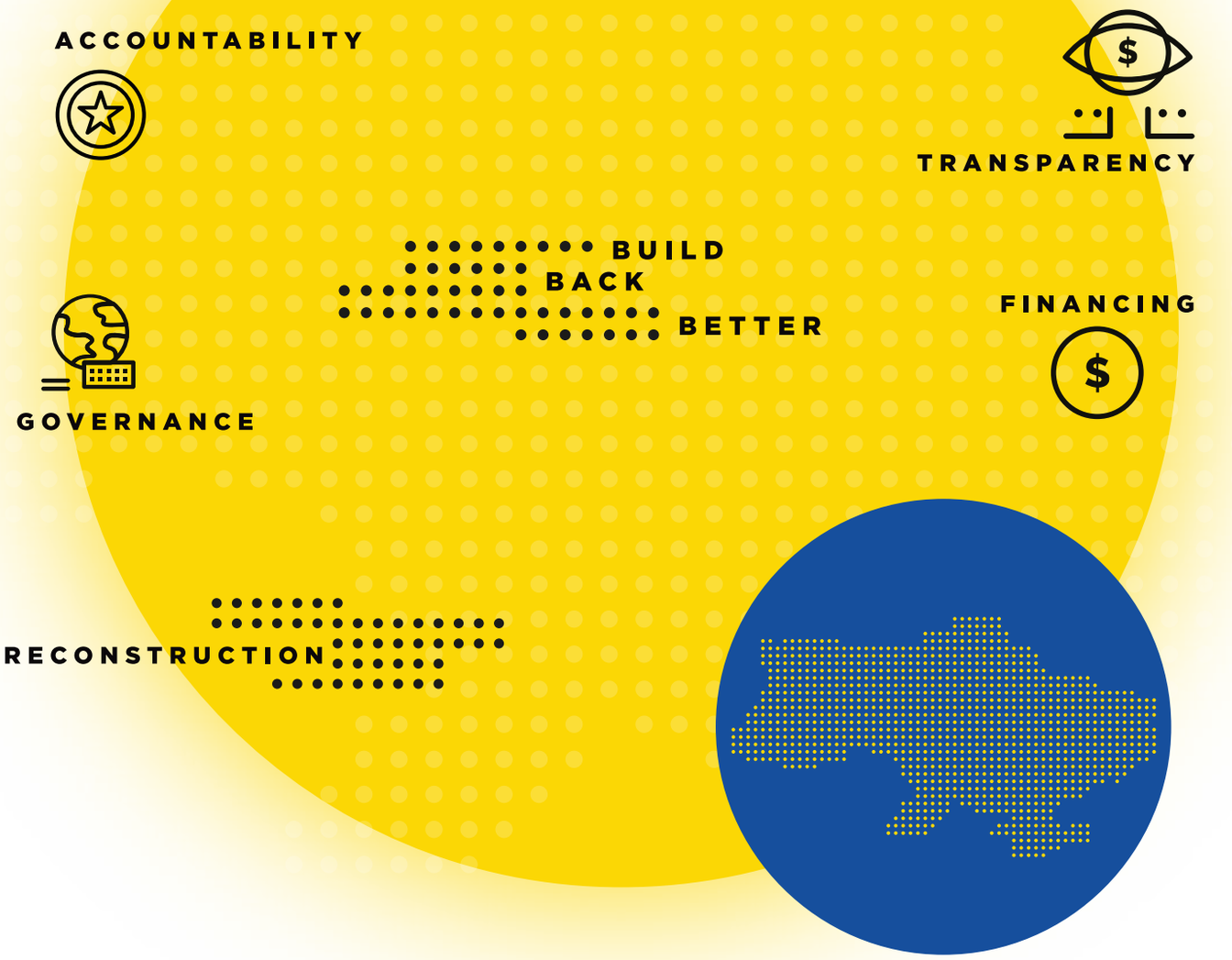
EU4Reconstruction

SHADOW REPORT

RISE UKRAINE

UKRAINE'S RECONSTRUCTION ARCHITECTURE



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Abstract

This diagnostic report provides an independent civil-society assessment of Ukraine's reconstruction architecture amid the ongoing full-scale war. Prepared by experts affiliated with member organisations of the RISE Ukraine Coalition, the report examines how reconstruction governance operates across institutions, financing instruments, public investment management, transparency and accountability systems, civil society engagement, human-capacity constraints, the Build Back Better agenda, and selected sectoral case studies.

The report follows the logic of a shadow report. In the absence of a single regular official assessment of Ukraine's reconstruction architecture, this work consolidates publicly available evidence, civil society monitoring findings, expert knowledge, and practical experience from reconstruction-related work. The assessment focuses on whether the current system enables coherent planning, transparent prioritisation, effective financing, accountable implementation, meaningful public participation, and alignment with EU principles and standards.

The report shows that Ukraine has made significant progress in developing digital tools, public investment management procedures, reconstruction financing instruments, and civil-society oversight mechanisms. At the same time, the reconstruction architecture remains fragmented by institutional overload, unstable mandates, uneven local capacity, incomplete data, uncoordinated donor efforts, limited public participation, and the absence of a fully operationalised Build Back Better framework.

The reportaims to contribute constructively to the wider debate on Ukraine's reconstruction. It offers practical recommendations for the Government of Ukraine, local authorities, international partners, and civil society to strengthen reconstruction governance, improve transparency and accountability, support hromadas, align reconstruction with EU integration, and ensure that reconstruction investments are resilient, inclusive, and sustainable.

Key Authors:

Oleksandra Betliy, Institute for Economic Research and Policy Consulting (IER)

Anna Ackermann, Center for Environmental Initiatives Ecoaction / International Institute for Sustainable Development (IISD)

Vyacheslav Kurylo, Institute of Analytics and Advocacy (IAA)

Yuriy Romashko, Institute of Analytics and Advocacy (IAA)

Max Nefyodov, NGO "Technology of Progress" (ToP)

Andriy Shvadchak, Transparency International Ukraine (TI Ukraine)

Dmytro Lebedyev, Better Regulation Delivery Office (BRDO)

Bohdan Serebrennikov, Victoriya Kovalenko, Andriy Ursta, Andriy Bilous, Yevhen Mahlovanny, and Anton Antonenko, DiXi Group

Nataliia Kolesnichenko, Centre for Economic Strategy (CES)

Viktor Zagreba, Vision Zero

Roman Puchko, ReThink

Yaroslav Teleshun, WWF-Ukraine

Vladlena Martsynkevych, Center for Environmental Initiatives Ecoaction / CEE Bankwatch Network

RISE Ukraine Board members:

Disclaimer

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Executive Summary

- The scale of Ukraine's reconstruction is extraordinary. RDNA5 estimates direct damage to infrastructure at EUR 165 bn, economic losses at EUR 565 bn, and total reconstruction needs at EUR 498 bn over ten years. These needs are not simply the cost of replacing destroyed assets. They include higher construction costs, insurance costs, and reconstruction guided by Build Back Better principle, which includes modernisation, energy efficiency and sustainability standards. To ensure efficient and effective reconstruction, Ukraine needs a capable and efficient governance structure.

- This diagnostic report provides an independent civil-society assessment of Ukraine's reconstruction architecture amid the ongoing full-scale war. Prepared by experts affiliated with RISE Ukraine Coalition member organisations, discussed with Coalition members, and endorsed by the RISE Ukraine Board as a Coalition level contribution to the public debate, the report examines how reconstruction governance operates across institutions, financing instruments, public investment management, transparency and accountability systems, civil society engagement, human-capacity constraints, the Build Back Better agenda, and selected sectoral case studies (energy, transport and buildings).

- The report follows the logic of a civil-society shadow report. Since there is no single, regular, official assessment of Ukraine's reconstruction architecture, the report provides an independent, structured, and constructive review of how the system functions across institutions, financing flows, public investment management, digital tools, transparency safeguards, civil-society engagement, and sectoral implementation.

Reconstruction architecture and governance

- Ukraine's reconstruction architecture has evolved from initial ad hoc planning arrangements towards a more formalised institutional system led by the Ministry for Development and implemented by the Agency for Restoration (SARDI). This shift has helped create more identifiable centres of responsibility. However, the system remains affected by institutional overload, while some functions and implementation approaches are not yet clearly defined.

- The Ministry for Development has a broad portfolio covering regional policy, infrastructure, transport, housing-related instruments, heating, waste management, and parts of reconstruction coordination. Such a broad portfolio creates risks to strategic focus, policy coherence, and effective implementation. This makes it important to ensure that the Ministry has sufficient institutional capacity, analytical support, and coordination tools to develop reconstruction policy, guide implementation, and advance the EU integration agenda within its areas of responsibility.

- SARDI plays an operational role in implementing reconstruction projects, including housing, water pipelines, schools, hospitals, roads, bridges, and critical infrastructure protection. Yet the Agency's institutional model remains problematic. Its regional services are separate legal entities, which limits central oversight, complicates standardisation, and creates risks of fragmentation, regional influence, inconsistent procurement approaches, and weaker accountability. A single legal-entity model with territorial units could improve institutional control, but only if accompanied by clearer

functions, stronger central capacity, unified procedures, and improved project implementation standards.

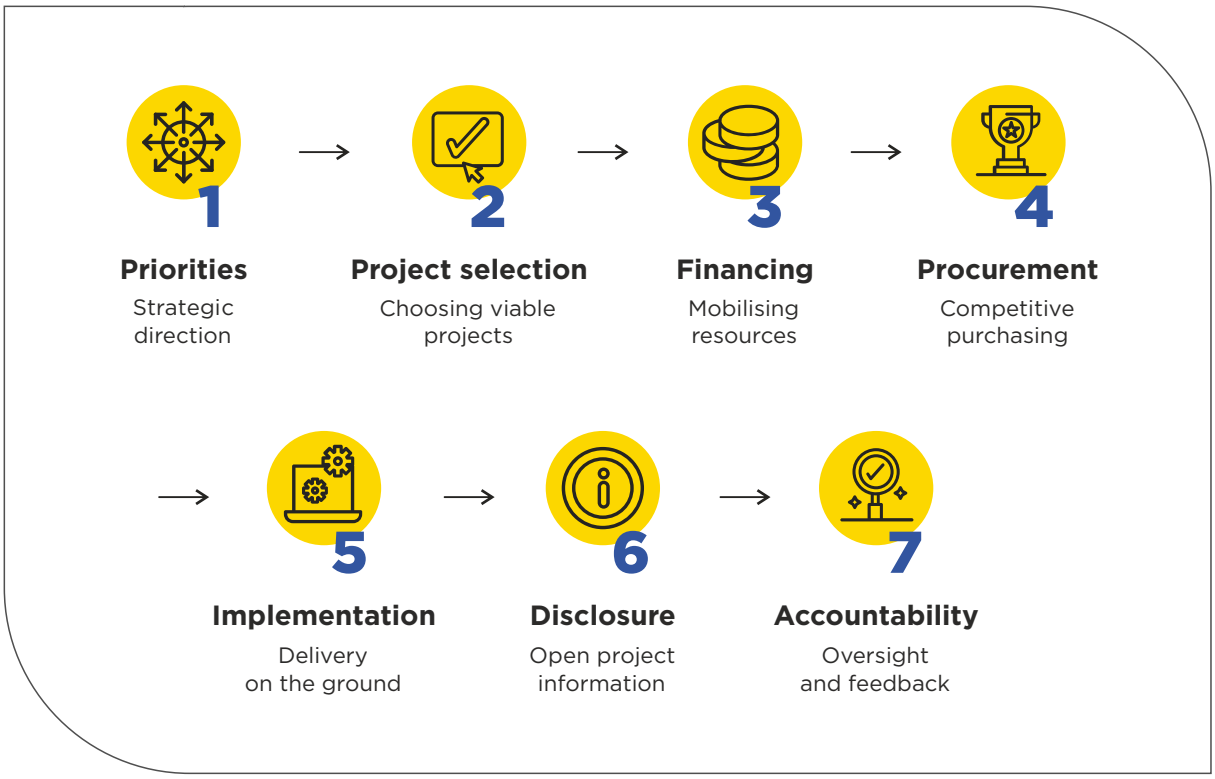
- The report does not advocate centralisation or decentralisation as a model. Its core argument is functional, with a clear definition of national-level strategic priorities, standards, financing rules, data systems, and oversight that should be strengthened, while hromadas should have greater ownership, capacity, and support for project preparation and implementation. Reconstruction governance should therefore combine national strategic alignment with stronger local implementation capacity.

- The sectoral case studies confirm that many reconstruction bottlenecks are governance-related rather than purely technical sectoral problems. Energy, transport, and building reconstruction differ in their technologies, financing sources, and implementation models, yet they reveal similar systemic risks: unclear allocation of responsibilities, weak project preparation, limited implementation oversight, inconsistent application of standards, and gaps between national priorities and local execution capacity. This means that sectoral reconstruction cannot be managed effectively solely through sector-specific decisions; it requires a stronger cross-government architecture to set priorities, apply standards, monitor implementation, and correct deviations.

- The energy case illustrates this governance challenge particularly clearly. Ukraine must reconstruct heavily damaged energy infrastructure while simultaneously moving towards a more decentralised, low-carbon, secure, and EU-aligned energy system. This requires not only financing and technical solutions, but also consistent implementation of the National Energy and Climate Plan as a governance and investment framework, alignment of municipal and regional energy planning with national priorities, application of the Energy Efficiency First principle, predictable regulation for investors, and integrated digital coordination of international assistance, including through the AidEnergy platform and the Ukraine Energy Support Fund. Ukraine has made significant progress in approximating EU energy acquis through legislation that also supports reconstruction, but some policy decisions remain inconsistent with EU best practices and may weaken investor confidence. Similar lessons apply across other sectors: reconstruction decisions should connect urgent service restoration with long term resilience, EU integration, transparency, and implementation capacity.

- The key governance lesson is that reconstruction quality depends on the entire decision-making chain: from strategic priorities and project selection to procurement, implementation, public disclosure, and ex-post accountability. Emergency procedures may be justified in wartime, but they should remain exceptional, documented, time-bound, and subject to verification. At the same time, hromadas and implementing agencies need more practical support to prepare bankable projects, use Build Back Better principle, and manage implementation. Strengthening this full chain would help ensure that national frameworks and digital tools translate into more consistent reconstruction outcomes across sectors and territories.

Figure 1. The reconstruction quality chain



- Civil-society engagement is already significant but uneven. Many CSOs monitor reconstruction, analyse procurement, support hromadas, and advocate for transparency, helping to identify risks that may not be visible through formal administrative reporting alone. This engagement strengthens accountability and can improve the quality of reconstruction decisions, especially when civil society is involved early enough to influence priorities, project design, and implementation approaches. However, participation remains unsystematic: public consultations are not yet embedded at all levels of policy development and strategic planning, and CSO inputs are not always reflected in final decisions. In addition, there is no official complaints mechanism for civil society regarding public investment projects, which limits the ability of CSOs to formally flag concerns and seek a structured response. As a result, civil society often plays a corrective or monitoring role after key choices have already been made, rather than being treated as a regular partner in reconstruction governance.

Financing, prioritisation and implementation

- For 2026, priority reconstruction financing needs are estimated at around EUR 13 bn, while confirmed budget and partner funding covers only part of this amount, leaving a substantial financing gap. As in previous years, reconstruction financing remains heavily dependent on international partners and IFIs, given the scale of needs and Ukraine's fiscal constraints. This makes coordination particularly important, as procedures, timelines, reporting formats, eligibility rules, transparency requirements, and feedback mechanisms may differ depending on the source of financing or the specific reconstruction programme. Stronger alignment with Ukraine's public investment management cycle and budget process would help reduce fragmentation, make funding more accessible for hromadas, and improve transparency around decision-making and accountability.

- Public investment management reform is one of the most important structural changes within the reconstruction architecture. It creates a pathway from strategic priorities to project selection, budgeting, implementation, and monitoring. If implemented properly, it can help Ukraine move away from fragmented project lists towards a more disciplined system of investment planning. It can also prepare hromadas for future work with EU structural and cohesion funds by building practical skills in strategy-based planning, project pipelines, multi-year budgeting, monitoring, and results-based reporting.

- However, PIM reform is being implemented in a "learning by-doing" environment. Local authorities face new requirements while often lacking qualified staff, technical guidance, and timely feedback from central authorities. Many hromadas struggle with feasibility studies, financial modelling, cost-benefit analysis, environmental and climate assessments, and the preparation of bankable project documentation. DREAM is an important tool, and its further development, rollout, and integration should continue. It should be better integrated into the wider PIM and budget architecture and made easier to use for project updates and monitoring.

- Reconstruction financing also requires stronger fiscal discipline. Emergency instruments such as the State Reserve Fund are necessary during wartime, but they should not replace predictable budget planning for recurrent or foreseeable infrastructure expenditure. Planned road maintenance, repair, and construction should be financed through stable and transparent budget programmes, except in cases of genuinely unforeseen damage or urgent security needs.

- IFIs are central actors in financing and implementing reconstruction, given Ukraine's fiscal constraints and the scale of reconstruction needs. They provide financing, technical assistance, procurement rules, safeguards, project preparation capacity, and monitoring frameworks. However, better coordination among IFIs and donors, the Government, and hromadas is needed to avoid duplication, reduce transaction costs, and support coherent reconstruction pipelines.

- IFI financing should be more closely aligned with Ukraine's PIM reform, budget process, DREAM, and sectoral strategies. Support should focus not only on financing physical assets but also on project preparation, institutional capacity, local-level technical expertise, data systems, supervision, monitoring, and mechanisms for applying Build Back Better principles, including inclusiveness, sustainability, climate resilience, and circular-economy approaches.

Demographic challenges and human-capacity constraints

- Demographic decline, displacement, mobilisation, migration, and skills shortages are cross-cutting risks for reconstruction governance. They affect every level of the system: hromadas' ability to prepare projects, contractors' ability to deliver works, public institutions' ability to supervise implementation and develop integrated policies, and communities' ability to use and maintain reconstructed infrastructure. Reconstruction policy should therefore be linked to a broader human-capital agenda, including conditions that support voluntary return and retention of people in affected communities.

- Reconstruction planning should therefore include human-capacity analysis, not only physical damage assessments. A project may be formally justified, financed, and included

in a pipeline, yet still fail or be delayed if there is no available engineering, architectural, project management, procurement, construction, municipal staff, or supervisory capacity. The gap between approved project pipelines and actual implementation capacity may become one of the most significant bottlenecks in the coming years. This also means prioritising human-centric infrastructure, in particular, housing, offline education, child-care, healthcare, and basic municipal services, where it can help sustain communities and make return more feasible.

- Human-capacity constraints should be integrated into PIM, territorial prioritisation, donor programming, BBB implementation, and sectoral reconstruction strategies. This means that reconstruction decisions should consider not only where damage is greatest, but also where implementation capacity exists, where it can be built, and where investments are needed to sustain communities and public services over the long term.

Transparency and accountability

- Transparency and accountability are among the strongest pillars of Ukraine's reconstruction architecture, yet they remain incomplete. DREAM offers an unprecedented opportunity to track projects throughout the reconstruction cycle and to link project data to financing, implementation, and oversight. Prozorro, Spending.gov.ua, open data tools, and civil-society monitoring also provide a strong foundation for public scrutiny.

- Yet several important gaps remain. Some key datasets are unavailable, restricted, incomplete, or insufficiently linked across systems. The Register of Damaged and Destroyed Property remains particularly important for fair planning, resource allocation, and verification, but access restrictions limit its value for public accountability. Data restrictions should be lawful, proportionate, clearly justified, time-bound, and subject to review.

- Transparency should extend beyond procurement to implementation. For major reconstruction contracts, public oversight requires information not only on tenders and contracts but also on work acceptance certificates, cost changes, physical progress, amendments, delays, and final delivery. This is essential for assessing value for money and comparing contracted works with actual results.

- Experimental reconstruction mechanisms may remain justified under wartime conditions, but they require clearer accountability frameworks. They should be based on explicit criteria, be time-limited, properly documented, and accompanied by disclosure of implementation results and by financial controls.

The Build Back Better principle

- Build Back Better is widely invoked as a principle in reconstruction rhetoric by Ukrainian government and international partners, but it has not yet been operationalised as a binding governance framework. In practice, many projects are labelled BBB because they involve new construction or the replacement of damaged assets. However, true BBB implies systematic assessment of long-term resilience and sustainability outcomes in reconstruction decisions. It requires particular attention to issues such as energy efficiency and resilience, accessibility, environmental sustainability, climate risks, lifecycle costs, social inclusion, and long-term service quality.

- The report identifies several barriers to BBB implementation. They include the lack of an operational national framework and benchmarks; slow adoption and implementation of European norms and standards; fragmented governance; weak integration with climate and environmental planning; limited influence of strategic documents on actual projects; capacity and technical constraints at the local level.

- The report highlights the importance of scaling successful practices and strengthening institutional capacity. Pilot projects at local level could be used to demonstrate BBB in practice and then expanded into national programmes through standardised tools, financing instruments, and partnerships with donors and international financial institutions.

Summing up

- Ukraine has made substantial progress in laying the foundations for a modern reconstruction system. Important elements are already in place: public investment management reform, the DREAM digital ecosystem, sectoral and territorial planning processes, donor-financed instruments, civil-society monitoring practices, and new mechanisms for prioritising reconstruction projects. Together, these elements create a basis for a more transparent and disciplined reconstruction model than Ukraine had before the full-scale invasion.

- At the same time, the current architecture remains fragmented and unevenly implemented. Institutional mandates remain unstable, several key bodies are overloaded, coordination between national and local levels is inconsistent, donor financing is not always aligned with domestic planning cycles, and local authorities often lack the staff and technical capacity to prepare and implement high quality projects. The core risk is that Ukraine may formally develop advanced rules and digital systems, while on-the-ground implementation remains constrained by weak coordination, limited capacity, incomplete data, fragmented and not always transparent donor financing, and insufficient public participation.

Key recommendations

- **Strengthen reconstruction governance by clarifying mandates, and improving coordination** among the Ministry for Development, the Ministry of Finance, the Ministry of Economy, SARDI, sectoral ministries, oblast authorities, and hromadas. Consider reforming the Agency for Restoration into a single legal entity with territorial units, and revising its functions, management procedures, oversight mechanisms, and implementation standards.

- **Make PIM the backbone of reconstruction planning and financing.** Align donor financing cycles with Ukraine's PIM and budget cycles; strengthen feedback to hromadas; simplify procedures for smaller projects where appropriate; finalise sectoral strategies; and ensure DREAM is fully deployed and integrated into budgeting, implementation, and monitoring.

- **Invest in local institutional capacity.** Support hromadas with project preparation, feasibility studies, cost-benefit analyses, environmental assessments, procurement, supervision, and public consultations. Capacity building should also cover the State Treasury, the State Audit Service, sectoral ministries, local CSOs, and implementing agencies.

- **Improve IFI and donor coordination around national systems.** IFIs and international partners should align their support with PIM, DREAM, sectoral strategies, BBB, and local needs. They should consider financing not only assets but also project preparation, technical expertise, institutional capacity, supervision, and monitoring.

- **Transform transparency from a procurement-stage principle into a full-cycle accountability system.** Ensure the reliable operation of public digital tools, remove unlawful or unjustified data restrictions, disclose key implementation documents for major contracts, strengthen public access to project progress data, and use DREAM as a practical tool for official monitoring and civil society oversight including formal complaints management. Existing civil-society tools, including BRP.org.ua, can support coordination of civil monitoring of public investment projects.

- **Operationalise Build Back Better through clear national sector-specific criteria, benchmarks, guidance, and monitoring indicators.** BBB should be embedded across PIM, project design, procurement, technical documentation, financing decisions, and reporting. It should particularly address resilience, energy efficiency, accessibility, environmental sustainability, lifecycle costs, and social inclusion issues.

- **Strengthen governance of energy reconstruction as a key sectoral test of the reconstruction architecture.** The NECP should anchor reconstruction and long-term transformation of Ukraine's energy and adjacent sectors with Municipal Energy Plans and Regional Resilience Plans aligned under a single multi-tier governance system. This should be supported by digital monitoring tools, open data on financing and implementation, predictable regulation, and the Energy Efficiency First principle. It also requires more proactive procurement of critical equipment with long production lead times, decentralised strategic reserves, and financing instruments that support distributed energy resources, decarbonisation, affordability, and private investment.

- **Strengthen the role of businesses in reconstruction.** Businesses are essential for project implementation, local supply chains, job creation, and long term economic resilience. Their stronger involvement can help reduce excessive dependence on external financing and ensure that reconstruction resources support domestic economic capacity. This requires transparent and competitive public procurement, predictable regulation, proportionate qualification requirements, timely payments, fair access to reconstruction opportunities, and safeguards against market capture.

- **Integrate human-capacity constraints into reconstruction decisions.** Project pipelines should reflect not only damage and needs but also implementation capacity, labour availability, municipal staffing, contractor markets, supervisory capacity, and the long-term sustainability of reconstructed infrastructure.

- **Strengthen discipline in reconstruction financing.** Emergency funds should be reserved for genuinely urgent and unforeseen needs, while predictable infrastructure expenditure should be financed through stable budget programmes. Confiscated russian assets should become a more practical and predictable source of financing, supported by stronger domestic capacity to identify, manage, and allocate them transparently.

CONTENT

List of abbreviations

ACER	Agency for the Cooperation of Energy Regulators
ACU	Accounting Chamber of Ukraine
API	Application Programming Interface
ARMA	Asset Recovery and Management Agency
BBB	Build Back Better
BESS	Battery Energy Storage System
BRP	Big Recovery Portal
CEF	Connecting Europe Facility
CMU	Cabinet of Ministers of Ukraine
CPO	Centralised Purchasing Organisation
CSO	Civil Society Organisation
DBN	State Building Norms
DED	Design and Estimate Documentation
DNSH	'Do No Significant Harm' principle
DREAM	Digital Restoration Ecosystem for Accountable Management
EBRD	European Bank for Reconstruction and Development
EIA	Environmental Impact Assessment
EIB	European Investment Bank
EU	European Union
EUACI	EU Anti-Corruption Initiative
GHG	Greenhouse Gas
GIS	Geographic Information System
IDP	Internally Displaced Person
IFC	International Finance Corporation
IFI	International Financial Institution
IMF	International Monetary Fund
MEP	Municipal Energy Plan

MTBF	Medium-Term Budget Framework
NACP	National Agency on Corruption Prevention
NECP	National Energy and Climate Plan
NEFCO	Nordic Environment Finance Corporation
NEURC	National Energy and Utilities Regulatory Commission
NZEB	Nearly Zero-Energy Building
OCHA	United Nations Office for the Coordination of Humanitarian Affairs
OECD	Organisation for Economic Co-operation and Development
PIM	Public Investment Management
PIP	Public Investment Project
PSO	Public Service Obligation
RDNA	Rapid Damage and Needs Assessment
RES	Renewable Energy System
RST	Reform Support Team
SARDI	State Agency for Restoration and Infrastructure Development of Ukraine
SAS	State Audit Service
SLA	Service Level Agreement
SME	Small and Medium-sized Enterprise
SOE	State-Owned Enterprise
SPP	Single Project Pipeline
SRDS	State Regional Development Strategy
TEN-T	Trans-European Networks for Transport
UDP	Ukraine Donor Platform
UIF	Ukraine Investment Framework
UNDRR	United Nations Office for Disaster Risk Reduction
URC	Ukraine Recovery Conference
USAID	United States Agency for International Development
WSS	Water Supply and Sanitation

1. Introduction

- This diagnostic report, prepared by the RISE Ukraine Coalition, provides a comprehensive assessment of Ukraine's reconstruction architecture amid the ongoing full-scale invasion. As of early 2026, the estimated damage to infrastructure has reached EUR 165 bn, necessitating a strategic approach to long term recovery, with spending needs approaching EUR 500 bn. The report treats reconstruction as a cross-cutting agenda rather than a standalone sector. Reconstruction is a complex governance challenge that requires integrated coordination among numerous stakeholders at the international, national, and local levels. By focusing on the institutional framework, the authors aim to identify systemic bottlenecks that hinder efficient resource allocation and effective project implementation. This independent assessment serves as a practical reference point for both Ukrainian decision-makers and international partners to ensure that reconstruction efforts are transparent and sustainable.

- The report follows the logic of a civil-society shadow report. As there is no single regular official report that systematically assesses Ukraine's reconstruction architecture, this report seeks to fill the evidence gap by offering an independent, structured, and constructive civil-society assessment. Though it does not substitute official reporting, it complements existing government and donor information by consolidating expert knowledge, identifying systemic risks, and formulating practical recommendations for strengthening reconstruction governance.

- A central focus of this study is the governance of reconstruction, reflecting a dedicated effort to analyse how authorities, responsibilities, and resources are distributed within the system. The analysis examines the mandates of key institutions, the effectiveness of coordination mechanisms, and the safeguards necessary for accountable management. There is a critical need for a unifiedyet decentralised governance model. The quality of governance will determine the success of Ukraine's alignment with European Union integration requirements.

- The primary objective of this report is to analyse the functional capacity of the reconstruction system, with a focus on mandates, financing modalities, and digital oversight. The scope covers the physical restoration of critical, social, and transport infrastructure, as well as the housing sector, which remains a significant challenge. Key stakeholders, including the State Agency for Restoration and local hromadas, are evaluated on their ability to deliver results within the current legal framework. The study also examines the role of the DREAM ecosystem and its integration into the broader Public Investment Management (PIM) reform.

- The methodology for this shadow report draws on the authors' extensive subject-matter expertise and deep professional knowledge of Ukraine's economic and regulatory landscape. The report does not rely on a representative survey or a formal interview campaign; however, it draws on targeted consultations, expert discussions, and the practical experience of RISE members. This evidence-based approach ensures that the findings are grounded in discussions, available evidence, and internationally recognised benchmarks. The authors have utilised their long-standing experience in policy analysis to interpret complex data sets and financial estimates provided by the RDNA5. This

collaborative process within the RISE Ukraine Coalition ensures a multidisciplinary perspective on the most pressing challenges of the reconstruction process.

- To illustrate how different governance approaches operate in practice, the report includes case studies from the energy, transport, and building sectors. These case studies are essential because reconstruction methodologies and challenges can vary significantly across sectors and local contexts. By analysing these practical examples, the report identifies where general policies succeed and where localised barriers require tailored solutions. This sectoral deep dive provides a more nuanced understanding of risks, particularly regarding transparency and technical standards. These practical insights bridge the gap between theoretical frameworks and the reality of rebuilding on the ground.

- The report is structured into thematic chapters that guide the reader through the full cycle of reconstruction, from initial needs assessment to final oversight. Following the methodology, Chapter 3 details the financial requirements for 2026, while subsequent chapters focus on the legal framework and transparency safeguards. Significant attention is given to PIM reform and the financing modalities that link strategic priorities to actual budget expenditures. Section 8 provides deep discussion on Build Back Better as an essential principle of reconstruction. The report concludes with a comprehensive set of recommendations specifically designed for international donors and the Government of Ukraine. Each section aims to provide a concise summary of findings to facilitate rapid decision-making in a high-pressure environment as well as outline key recommendations.

2. Methodology

- **This Report is prepared as an independent civil society assessment of Ukraine's reconstruction architecture, governance arrangements, and institutional setup.** It reflects the views of members of the RISE Ukraine coalition, which was established in 2022. The report is devoted to the topics of physical reconstruction of infrastructure (including critical and social) and buildings. As such ,it does not include topics related to the broader recovery of the economy, industries, the environment, and access to public services.

- **The Report applies the shadow-report approach as an independent civil society assessment of Ukraine's reconstruction architecture.** Traditionally, shadow reports are prepared as alternative assessments to official government reporting. In the case of Ukraine's reconstruction, however, there is no single regular official report that would systematically assess the governance architecture of reconstruction across institutions, financing flows, public investment management, digital tools, transparency safeguards, public participation, and sectoral implementation. The absence of such a comprehensive official reference point is itself an important governance gap. Therefore, this report uses the shadow report methodology not to respond to one specific official document, but to provide an independent, structured assessment of the reconstruction system based on publicly available information, expert knowledge, civil society monitoring and field experience of RISE members working on reconstruction projects.

- The benchmark for this assessment is formed by Ukraine's declared reconstruction commitments, EU integration objectives, principles of transparency and accountability, the Build Back Better approach, public investment management reform, and the practical needs of hromadas and implementing institutions. The report assesses whether the current reconstruction architecture enables coherent planning, transparent prioritisation, effective financing, meaningful public participation, accountable implementation, and alignment with EU principles and standards.

- **The methodology ensures that findings are evidenee based and comparable across sectors and levels of government.** The approach combines structured desk research with practical experience gained by RISE Ukraine Coalition members through reconstruction monitoring, strategic planning, policy analysis, support to hromadas, and participation in public consultations and expert discussions. The report also draws on targeted qualitative inputs, including consultations with key stakeholders, expert discussions, and insights from civil-society monitoring initiatives. It does not rely on a representative survey or a formal interview campaign.

- Each chapter of the report is based primarily on desk research. The authors review relevant laws, by-laws, and official procedures that define mandates, coordination mechanisms, planning requirements, procurement and implementation rules, integrity safeguards, and access-to-information provisions. The objective is to identify formal responsibilities ("who is supposed to do what"), detect overlaps or gaps in mandates, and assess whether the regulatory framework enables coherent, coordinated reconstruction aligned with the EU and building-back-better principles.

- The reconstruction is also in the focus of a few official national, sectoral, and cross-cutting strategies, as well as regional and local planning documents where available. The role of

these documents and their transposition into plans and decisions is reviewed in each chapter. Where possible, there is an attempt to explore the possible changes required under the EU integration framework.

- Currently, reconstruction projects and programs are mostly financed by the IFIs. Therefore, the report also shortly explores IFI strategies, implementation and financing modalities, and monitoring frameworks relevant to reconstruction.

- While all stakeholders emphasise the need to 'Build back better', the reality is different: the discussion on the BBB concept and its meaning is absent. As a result, the report reviews available approaches to BBB and aims to contribute to a more operational discussion of the concept in Ukraine.

- The assessment is also based on qualitative instruments, such as in-depth interviews and consultations with key stakeholders. Insights from discussions and debates on reconstruction are also considered.

- **The report was prepared by a group of experts affiliated with different civil society organisations that are members of the RISE Ukraine Coalition.** The authors bring expertise in public finance, reconstruction monitoring, anti-corruption policy, open data, infrastructure governance, environmental and climate policy, energy, transport, housing, public investment management, and local development. This multidisciplinary authorship allows the report to combine sector-specific knowledge with a broader governance perspective.

- **The preparation process was organised as a coalition-based exercise.** The draft report was circulated among all members of the RISE Ukraine Coalition for written comments. In addition, a dedicated discussion was organised with interested Coalition members to review the key findings, identify gaps, and discuss recommendations. This process ensured that all members of the Coalition had an opportunity to contribute to the report, provide comments, challenge the findings, and suggest additional evidence or recommendations.

- **The report reflects the consolidated expert assessment of the authors and the inputs received from RISE Ukraine Coalition members** during the consultation process. It does not necessarily represent the institutional position of every individual member organisation on each specific issue.

- **The report was also reviewed and appraised by the Board members of the RISE Ukraine Coalition.** The Board confirmed the report's relevance as a Coalition-level contribution to the public debate on reconstruction governance, while the analytical findings and recommendations remain the authors' responsibility.

3. Financial needs for the reconstruction

3.1. RDNA5 estimates

- **The Fifth Rapid Damage and Needs Assessment (RDNA5) report[1], released in February 2026, estimates EUR 165.3 bn[2] in direct damage to the Ukrainian infrastructure and EUR 565 bn in economic losses**. Reconstruction needs are estimated at EUR 498.1 bn over 10 years (~270% of Ukrainian GDP in 2025), with EUR 13 bn in priorities for 2026, as identified by line ministries. Needs do not equal the sum of damage and losses, as they include a build-back-better (BBB) premium, such as improvements for energy efficiency, modernisation, and sustainability standards, as well as factors such as inflation, surge pricing due to the volume of construction, higher insurance premiums, etc.

Damage: *Direct costs of destroyed or damaged physical assets and infrastructure.*

Losses*: Changes in economic flows resulting from russia's invasion of Ukraine, including disrupted services, increased operating costs, loss of revenue for authorities and the private sector, and debris removal.*

Needs*: Costs for repair, restoration, and reconstruction, including building back better (BBB - see below) through energy efficiency, modernisation, and sustainability standards, as well as factors such as inflation, surge pricing due to construction volume, higher insurance premiums, etc.*

- **More than half of the reconstruction needs (EUR 295.3 bn) and a significant share of the losses were estimated based on RDNA1 findings**, particularly due to massive destruction. However, the war continues, the extent of the destruction is increasing, and losses and needs are still rising. The estimate does not account for losses and damages on the temporary occupied territory.

- As of the end of 2025, **the lion's share of recovery needs is concentrated in the social services (34% or EUR 169.8 bn) and infrastructure (37% or EUR 185.5 bn) sectors.** Within the social sector, the highest needs are for housing reconstruction (EUR 76.1 bn), driven by extensive destruction of the housing stock. In the infrastructure sector, the highest needs are for transport infrastructure reconstruction (EUR 81.6 bn) due to significant damage to roads, railways, bridges, and logistics infrastructure, and for energy infrastructure (EUR 76.1 bn), reflecting damage to electricity generation, transmission, and distribution systems, as well as to gas production and gas networks. By region, the highest funding needs for reconstruction are in the frontline regions – Donetsk (19%),

[1] *Ukraine Fifth Rapid Damage And Needs Assessment Rdna5 Main Report, February 2022-December 2025*, February 2026, the World Bank, the Government of Ukraine, the European Union, the United Nations, available at: https://documents1.worldbank.org/curated/en/099022026094036395/pdf/P514499-22f93f3a-4278-42bc-b907-db9553d12069.pdf

[2] The RDNA5 provides assessment in USD. Here and below, these figures have been converted to EUR at the exchange rate as of April 17, 2026 (1.18 USD/EUR).

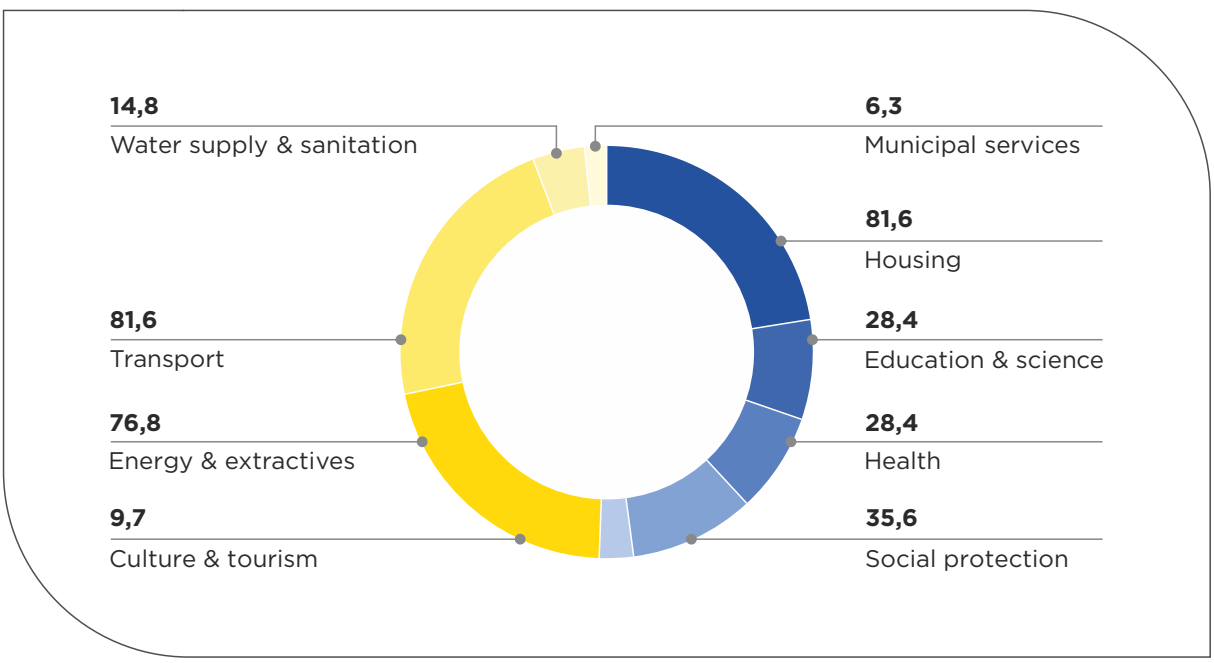
Kharkiv (13%), Zaporizhzhia (11%), Kyiv (7%), Luhansk (6%), and Kherson (6%) regions. According to RDNA5, up to 40% of the needs over the next 10 years could be met by the private sector.

- **The RDNA reports still do not fully incorporate costs of losses and damsages, e.g. environmental damage**. Ukraine announced that it will file a claim under the Environmental Damage category of the Register of Damage for Ukraine, part of the International Claims Mechanism. Using a social cost of carbon of USD 185 per tCO2e, the total climate damage claim exceeds USD 57 billion. The intensified attacks on energy infrastructure during the winter of 2025–2026 not only generated directemissions but will also produce substantial emissions during reconstruction. Materials like concrete and steel, both carbon-intensive, are expected to account for over 80% of future emissions from rebuilding efforts.

- According to RDNA5, **between 2022 and 2025, the Ukrainian government, the private sector, and international partners have allocated EUR 17.2 bn to reconstruction** (however, this represents only 3.5% of total needs). Funds were primarily allocated to housing repairs (EUR 5.3 bn), educational institutions (EUR 2 bn), healthcare facilities (EUR 0.5 bn), transport infrastructure (EUR 1.8 bn), trade and industry (EUR 4.7 bn), and agriculture (EUR 1.3 bn).

- **Social and infrastructure sector needs**[3] **are enormous.** This includes housing, education and healthcare, which are essential for the lives of people and for the decisions stay, leave, and return.

Figure 3.1: Needs assessment, EUR bn



Source: RDNA5

[3] It is very difficult to distinguish pure reconstruction and rebuilding projects from soft intervention in the sector, as well as not all needs are covered in the RDNA5, therefore, we provide an overall assessment according to the RDNA5.

Box: Needs assessment by categories

Housing (EUR 81.6 bn): Housing recovery must balance urgent needs with long term, inclusive housing solutions led by both the public and private sectors. All housing recovery needs cover physical rehabilitation and improved access to housing by vulnerable groups. Housing reconstruction requires incorporation of climate- and disaster-proofing, modernisation to meet EU laws and Eurocodes, and embedding priorities such as energy efficiency, accessibility, and inclusion. Immediate priorities include debris removal, technical inspections, strengthening operational capacity, and establishing project delivery mechanisms. Housing reconstruction needs may be met through government programmes, donor support, and regional and local repair efforts.

Education and science (EUR 28.4 bn): Recovery needs include the reconstruction of educational institutions, concentrated mainly in the frontline territories, covering asset repair and replacement. Immediate priorities include the construction and refurbishment of bomb shelter to ensure in-person education.

Health (EUR 28.4 bn): Reconstruction needs will support the restoration and redevelopment of the primary care and hospital sectors, the strengthening of rehabilitation and mental health, and health emergency preparedness and response (including war-related aspects).

Social protection (EUR 35.6 bn): Despite essential needs, the largest share is allocated to labour market recovery measures, and restoration needs are estimated at EUR 1.1 bn. The estimates indicate Odesa, Donetsk and Kharkiv regions are the most affected.

Culture & tourism (EUR 9.7 bn): Needs are concentrated in frontline areas and major urban regions. Some needs have been partially met through the public budget and donor emergency funds. There are also small-scale private efforts, and select priorities are reflected in the 2026 budget. Immediate priorities include urgent repairs to partially damaged assets. Hard interventions cover asset stabilisation, repair, and replacement across networks and facilities (i.e., digital and social infrastructure).

Energy & extractives (EUR 76.8 bn): Reconstruction needs are driven primarily by the large-scale reconstruction of the power system (EUR 60 bn) and the district heating systems, gas and oil infrastructure, the development of decentralised generation, renewable energy deployment, the restoration of flexible capacity, and the physical protection of critical assets. Immediate priorities to pass the heating season during cold season include repairing damaged facilities, ensuring access to emergency equipment, securing gas imports, and accelerating project preparation and financing mechanisms to enable large scale reconstruction and private-sector participation.

Transport (EUR 81.6 bn): Needs are heavily concentrated in frontline and industrialised regions, notably Donetsk, Kharkiv, Zaporizhzhia and Kherson, which together account for about 60% of transport sector needs. Immediate priorities include hard interventions to repair, rehabilitate, and replace damaged assets, and to invest in protective and safety systems for critical infrastructure across transport networks. Investments will progressively shift towards EU-oriented network modernisation of border infrastructure, Danube ports, and standard-gauge rail connections and interoperable systems. These investments will be structured around Ukraine's Trans-European Networks for Transport (TEN-T), complementarity with the Connecting Europe Facility (CEF), and the deployment of European standard-gauge rail in Ukraine. Some needs have been partially met through public budgets, donor-financed emergency works, and enterprise level efforts. Significant financing and implementation gaps remain.

Water supply and sanitation (EUR 14.8 bn): The largest needs are concentrated in Luhansk, Kharkiv, Donetsk, Zaporizhzhia, Chernihiv, and Ivano-Frankivsk regions. Meeting these needs requires an integrated, green, resilient, and inclusive approach that restores service delivery, rebuilds infrastructure in line with BBB principles, and strengthens institutions in line with EU accession requirements. Immediate priorities include repairing and reconstructing critical assets to restore and improve service quality and reliability and strengthening water utilities' capacity. Hard interventions focus on restoring and replacing water supply and wastewater systems, including water and wastewater treatment plants and pumping stations. There is a significant financing gaps for WSS sector reconstruction and modernisation.

Municipal services (EUR 6.3 bn): The total needs include the planned expenses for priority public investments. To guide effective recovery and reconstruction, it is essential to plan, prioritise and sequence investments based on technical assessments.

3.2. Priority projects financing in 2026

- As stated in the RDNA5 report, funding for priority projects in 2026 is estimated at EUR 13 bn (~7% of 2025 GDP), which is slightly higher than the consolidated budget's capital expenditures in 2025 (nearly EUR 9.3 bn). Of this amount, EUR 9.6 bn is envisaged for public investment projects and programmes, and another EUR 3.4 bn for non-investment programs.

- Project planning is based on the Public Investment Management (PIM) reform, meaning that the projects selected from the list submitted by hromadas have sufficient maturity and readiness for implementation, and align with sectoral and strategic priorities.

- Budget funding and confirmed partner funding are expected to cover approximately EUR 4.9 bn; the total funding gap is approximately EUR 8.1 bn, which is more than 60% of the priority needs for 2026. The level of needs coverage varies significantly: 91% in healthcare, 33% each in transportation and energy, 9% in housing, and only 1% in heat supply.

4. Reconstruction Architecture and governance

4.1. Governance and stakeholders

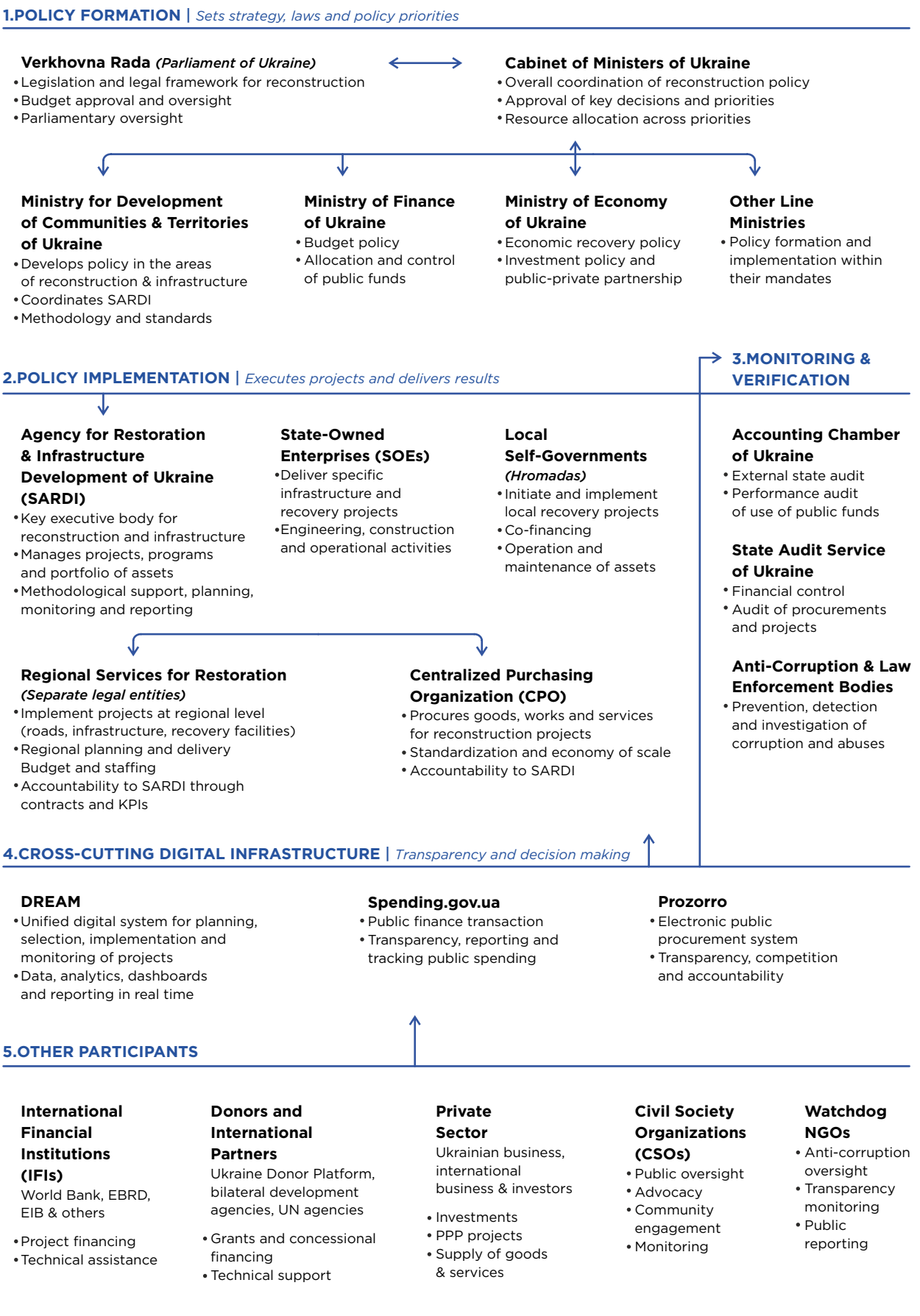
- Following the full-scale invasion, the initial management of reconstruction began with the creation of the **National Council for the Recovery of Ukraine from the Consequences of War** in April 2022 by the decree of the President of Ukraine. Functioning as a consultative and advisory body under the President, the Council coordinated hundreds of experts to develop the Ukraine Recovery Plan presented at the July 2022 Lugano Ukraine Recovery Conference (URC). However, this body largely acted as an ad hoc institution for the initial planning phase, and the resulting **Recovery Plan** was never formally adopted by the government, remaining a project draft rather than a binding roadmap. The Council ceased its real functions almost immediately after URC2022, and in March 2026,it was officially dissolved by decree of the President of Ukraine.

- In December 2022, the Ministry of Infrastructure and the Ministry of Regional Deve lopment, Building and Housing were merged into one Ministry dubbed the ***Ministry for Development of Communities, Territories and Infrastructure of Ukraine*** (Ministry for Restoration). In 2024, the Ministry for Restoration received a new adjusted name – the **Ministry for Development of Communities and Territories of Ukraine** (Resolution of the Cabinet of Ministers of Ukraine).

- Currently, the **Ministry for Development** serves as the lead central executive entity for reconstruction. The Ministry is mandated to formulate and implement public policy in infrastructure sectors, including roads, railways, waterways, ports, commercial transport services, transport, as well as heating, waste management, and regional policies. Its role involves coordinating the vast reconstructionlandscape, including housing compensation (e-Recovery), selection of reconstruction projects to be financed at the expense of the State Regional Development Fund and the European Investment Bank, and coordination of physical protection of energy and heating infrastructure.[4] In addition, the Ministry is one of the key participants in the PIM reform. The Ministry's coordinating role is further reinforced by the fact that the minister also serves as a Deputy Prime Minister, which may strengthen cross-government coordination but also increases the importance of clear institutional mandates, sufficient analytical capacity, and effective coordination tools.In our view, such an extensive portfolio of broad responsibilities poses risks to the Ministry's effective exercise of its powers.

[4] Despite already extensive range of responsibilities, in early 2025, the Government assigned the Ministry the authority to support internally displaced persons, facilitate the reintegration of temporarily occupied territories, and protect deported persons, thereby further expanding its scope of responsibility. These responsibilities were then taken from the Ministry in mid-2025.

Figure 4.1. Reconstruction governance architecture in Ukraine (as of May 2026)



- The Ministry for Development is positioned in Ukraine's Chapter 22 architecture as the key central executive body for the EU's cohesion policy-like regional programming, coordination, and territorial development oversight for the regional development dimensions. While Ukraine is not yet operating within the formal framework of EU cohesion policy, it will have to advance it as part of the EU accession process. For example, the Ministry for Development should serve as the Managing Authority for the State Targeted Just Transition Programme as part of the Public Investment Management (PIM) programs. Thus, the Ministry eventually will have to be capable of coordinating transformation of coal regions within the applicable rules, ensuring operations are selected based on transparent criteria, and that programme implementation is properly monitored, verified, and reported.

- To operationalise reconstruction projects, the government created the **State Agency for Restoration and Infrastructure Development of Ukraine** (**SARDI**). The Agency was formed by merging the State Agency of Automobile Roads (Ukravtodor) and the State Agency for Infrastructure Projects, aiming to centralise project implementation and reduce planning fragmentation. It should be noted that SARDI received a broad implementation mandate before its strategic role, internal governance model, and accountability arrangements were fully defined. From a civil-society perspective, this broad implementation portfolio, combined with existing capacity constraints, creates risks of institutional overload, fragmented prioritisation, and uneven implementation quality.

- SARDI is positioned as the key operational and implementation central executive entity in the areas of reconstruction, repairs and infrastructure protection. The Agency manages the practical execution of reconstruction projects, including housing, water pipelines, school and hospital buildings, and critical facilities, as well as the construction of physical protection for selected energy facilities. While it reports to the Ministry for Development, its creation via the reorganisation of the State Road Agency was criticised for lacking a pre-defined strategic role prior to establishment. The Regulation on the Agency was drafted only after the Cabinet of Ministers had taken the decision to create it by merging two other state entities. As a result, in view of civil society organisations, SARDI **is overloaded with too many projects and priorities across multiple sectors considering existing capacity constraints**. At the same time, financing for reconstruction projects, including road networks, remains insufficient. In the beginning of 2026, the Government had to approve ad hoc decisions to allocate more financing for road maintenance as well as construction of physical infrastructure on energy networks from the Reserve Fund.

- At the same time, one of the key structural problems in SARDI 's operations remains the operational model of its **Regional Services for Restoration**. Although the Restoration Services formally belong to the Agency's system, they are registered as separate legal entities. This model **limits the central body's ability to effectively manage, supervise, and standardise approaches to project implementation**, while also creating space for regional influence, conflicts of interest, and fragmentation in decision-making processes. Similar problems have been observed in other areas of public administration, particularly before the reform of the tax administration system, when numerous separate legal entities complicated coordination, increased administrative fragmentation, and reduced institutional accountability. Importantly, the reform of the State Tax Service of Ukraine, which introduced a single legal entity model, was identified as a structural benchmark under Ukraine's cooperation programme with the IMF, further highlighting the importance of institutional coherence and centralised governance for improving the effectiveness of state institutions.

- In early 2025, the EUACI also highlighted separate legal entities limiting central oversight. In its statements, EUACI pointed to **limited institutional capacity, fragmentation, and risks including delayed approvals and inconsistent quality standards**. Among the proposed solutions were thecentralisation of functions, the introduction of corporate governance approaches, and the development of unified coordination mechanisms and tools, including the establishment of a Central Coordination Office. In this context, we propose considering transforming SARDI system into a single legal-entity model with regional branches operating without separate legal-entity status. At the same time, such a reform should not be reduced to a merely formal consolidation of the structure. To achieve a meaningful effect, it is also necessary to revise management approaches, the distribution of functions and responsibilities, strengthen centralised oversight and coordination, introduce unified procedures and project implementation standards, and enhance the institutional capacity of the Agency's central office.

- **These governance risks have also been reflected in external audit findings.** In 2026, the Accounting Chamber conducted an audit of the pilot project for the restoration of de-occupied territories and identified a lack of an adequate strategic and organisational framework, delays in planning, and inconsistencies in the division of responsibilities among coordinators. These findings may indicate that the significant number of functions assigned to the Ministry for Development and SARDI potentially hinder the effective coordination and implementation of reconstruction policy. In a separate audit of road infrastructure reconstruction, the Accounting Chamber also pointed to insufficient ministerial leadership in setting strategic priorities for SARDI and in monitoring the Agency's performance in 2022–2025. These findings suggest that the key issue is not only the workload of individual institutions, but also the insufficiently clear division of functions, decision-making procedures, and accountability lines between the Ministry for Development, the Agency for Restoration, and other actors involved in reconstruction.

- Disparities in procurement approaches among these regional services led to the decision in April 2025 to create a **Centralised Purchasing Organisation (CPO)** under the Agency for Restoration to unify standards and minimise corruption and management risks as well as centralise procurement of works and simplify and standardise the procurement process for the end customer. The creation of the Centralised Purchasing Organisation was assisted by the EUACI to ensure adherence to international transparency standards. According to a report by the director of the CPO, 12 centralised procurement procedures were conducted from the time of the organisation's establishment through the end of 2025. Among the key results was a total budget savings of UAH 28.8 m[5]. At the same time, the institution faces a few structural challenges, including insufficient funding and a critical shortage of qualified personnel, which limits its capacity to standardise and scale procurement processes. Additional risks include the experimental nature of the model, the dependence of outcomes on theprocedural design, and challenges associated with a potential increase in procurement volumes and the concentration of responsibility at the central level, which may create additional pressure on the management system. In our view, the establishment of the CPO is an important step toward improving the efficiency, transparency, and professionalism of procurement in the reconstruction sec-

[5] *Director`s report on the activities of the Centralized Procurement Organisation of the State Enterprise "Infrastructure Projects" for the period from 01 April 2025 to 31 December 2025, and on development prospects, https://cpo.gov.ua/wp-content/uploads/2026/02/1_Report-on-the-Activities-of-the-CPO-1.pdf*

tor, particularlyfor complex infrastructure projects. This model has the potential to ensure better standardisation of procedures, enhance competition, and reduce corruption risks by centralising expertise and procurement processes. At the same time, to ensure the effective and sustainable operation of the CPO in the long term, it is necessary to address the challenges, particularly those related to insufficient institutional capacity, limited funding, a shortage of qualified personnel, and risks associated with scaling and managing the model.

- **The Ministry of Finance** plays a critical role in the financing of reconstruction projects. The Ministry of Finance is also essential to PIM reform, and the IMF calls for it to serve as a guardian of the reform implementation. The Ministry, in fact, links the medium-term plan of public investment priorities, approved by the Strategic Investment Council, with the medium-term Budget Declaration It then envisages financing for public investment projects in the budget. The Ministry also puts together the budget requests from all key spending units, including the Ministry for Development, conducts an iteration discussion on spending limits, and in the final version, affects the allocation of funds in the State Budget Law.

- **The Ministry of Economy, Environment and Agriculture** of Ukraine (MinEc) plays an essential role in the strategic and prioritisation framework. The Ministry is also one of the key players in PIM reform. It is responsible for putting together Medium-term public investment priorities as well as the formulation of the Single Project Pipeline. Moreover, the Ministry of Economy is the National coordinator and the single contact point between the state authorities and the European Commission ensuring the overall coordination under Ukraine Facility (Pillars I, II and III).

- Following the merger of the three ministries in July 2025, the Ministry of Economy has faced capacity constraints due to staff reductions alongside a significantly expanded mandate. The merger has also raised concerns about potential conflicts of interest, as economic development, deregulation and investment promotion functions are now institutionally combined with environmental protection and sustainability objectives, prompting criticism regarding the weight given to environmental considerations in reconstruction policies.

- **The Verkhovna Rada of Ukraine (Parliament)** approves legislative decisions that relate to reconstruction. The Committee on State Power, Local Self-Governance, Regional Development, and Urban Planning is a responsible committee involved in all work on the relevant laws on reconstruction topics, including eRecovery, housing policy, etc. At the same time, the Budget Committee wasresponsibl e for processing Amendments to the Budget Code that incorporated the PIM system into the budget legislation.

- **The State Audit Service (SAS) and the Accounting Chamber of Ukraine (ACU)** are responsible for the financial control and oversight. The SAS is more concentrated on monitoring of public procurement, including in reconstruction. It is also the oversight entity of the spending of funds received via Ukraine Facility from the EU. The ACU is particularly vital for auditing the use of domestic sources as well as international grants and loans, and current ACU reforms aim to expand its independence and mandate to include auditing local budgets. It conducted audits of the Fund of Liquidation of Con-

sequences of russian Aggression as well as financing and implementation of complex reconstruction projects.[6]

- **Local hromadas (territorial communities) and regional/military administrations** are the primary beneficiaries and implementers of reconstruction projects at the local level, responsible for developing comprehensive reconstruction programs and preparing technical documentation for projects. However, experts and hromada representatives have repeatedly emphasised that local hromadas are overburdened with the large number of strategic and planning documents they must elaborate and approve. Overall, there are more than 20 such documents, which are not fully aligned with each other. Moreover, the strategies and budget are often not interlinked. In 2024, the Ministry for Development, in collaboration with experts from the SURGe Project, began work on a Concept for Updating the Architecture of Planning Documents. Today, this process continues as part of the public investment reform. At the same time, many hromadas face low institutional capacity and a shortage of qualified staff[7], which limits their ability not only to prepare strategic documents but also to identify, design, manage, and implement high-quality reconstruction and public investment projects. As a result, hromadas often rely on external technical assistance and consultants throughout the entire project cycle — from preparation and feasibility assessment to procurement and implementation. This highlights the need to strengthen project management capacity at the local level and to provide more practical, implementation-oriented support alongside broader strategic planning reforms.

- **State-owned enterprises (SOEs)** play an important role in Ukraine's reconstruction, particularly in the energy sector and in protecting critical infrastructure. Entities such as NPC Ukrenergo, Naftogaz, and Energoatom ensure the stability of the energy system, the restoration of networks and generation capacity, and the implementation of solutions to enhance resilience against attacks. In the field of security and the defence industry, a key role is played by Ukroboronprom, which coordinates state-owned defence enterprises and contributes to strengthening the country's defence capabilities. At the same time, in the implementation of infrastructure projects, an important function is performed by SOE Infrastructure Projects, which have been designated as a central procurement organisation responsible for centralising and improving the efficiency of procurement in the reconstruction process.

- **The Ukraine Donor Platform and International Financial Institutions (IFIs)** include many international partners, e.g., the G7, the World Bank, the EBRD, and the EIB, which provide the bulk of reconstruction financing and technical support. Coordination is managed through the Ukraine Donor Platform to align financial support with Ukraine's reform agenda. However, coordination gaps persist as different donors often employ their own unique methodologies and reporting requirements, which can overwhelm local authorities and lead to a fragmented distribution of resources across regions.

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[6] **Accounting Chamber of Ukraine.** 1) *"Report on the Results of the Compliance Audit: Recovery of Settlements Affected by the Armed Aggression of the russian federation,"* 2026. 2)*"Report on the Results of the Performance Audit: Emergency Credit Programme for Recovery of Ukraine (ECPRU),"* 2025. 3)*"Report on the Results of the Compliance Audit of the Distribution Process of the Armed Aggression Aftermath Liquidation Fund,"* 2024.

[7] Recovery and development of de-occupied communities: financing, governance, human capacity, IAA, https://iaa.org.ua/en/portfolio/de-occupied-communities/

- **Civil Society Organisations (CSOs)** act as intermediaries, monitors, and expert contributors to the reconstruction process (see below section 4.3 for more details).

- **Business** is one of the key stakeholders in Ukraine's reconstruction, acting both as a driving force of reconstruction and as a direct object of it. Private companies are actively involved in financing and implementing infrastructure projects, supporting local hromadas, and participating in public procurement for reconstruction and in implementing projects financed under the eRecovery program. At the same time, they regularly suffer significant losses due to ongoing russian attacks. Companies in the energy sector, such as DTEK Group, and logistics operators like Nova Post, have repeatedly been targeted by strikes, resulting in damage or even the complete destruction of their facilities. Under such conditions, businesses are not only rebuilding their own capacities but also ensuring the continuity of critical services, demonstrating resilience and playing a vital role in the broader reconstruction process.

- **DREAM**, originally developed as Digital Recovery Ecosystem for Accountable Management, is an IT system that follows the "everyone sees everything" logic. It was originally developed with the support of civil society organisations, primarily members of the RISE Ukraine coalition. Local and central government entities uploaded reconstruction projects there, and some state and donor financing was allocated through the projects at DREAM. However, DREAM's initial "experimental" legal status meant its use was not mandatory for all reconstruction projects, which created a transparency gap where some reconstruction efforts and activities remained outside the system. Since 2025, DREAM has undergone a change to become a state IT ecosystem for public investment management. However, as of end-May 2026, there was still no clarity whether it will play a role of Single Information PIM System

- **Overall,** the development of Ukraine's reconstruction architecture has transitioned from ad hoc planning bodies to a centralised model of a "Big Ministry for Development" and a dedicated Agency for Restoration. Yet the system remains fragmented, marked by persistent organisational shifts, disconnects between national policy and local and regional policies and severe shortages of both human and financial resources to implement ambitious reconstruction mandates.

Key recommendations

- The Ministry for Development plays a central role in reconstruction governance, regional policy, infrastructure, transport, housing-related instruments, heating, waste management, and coordination of selected reconstruction instruments. This wide scope of responsibilities makes institutional capacity essential, particularly in areas linked to reconstruction governance and EU cohesion-policy-like functions, including regional programming, territorial development, infrastructure coordination, monitoring, and alignment with EU integration requirements.

- The current legal disconnect between the central Agency for Restoration and its Regional Services, which are registered as separate legal entities, hinders the implementation of a consolidated national reconstruction policy. This fragmentation limits the Agency's ability to exercise effective management and control over regional implementation. Reorganising the Agency into a single legal entity with dedicated territorial units (without separate legal status) would improve institutional control, unify standards, and increase overall accountability.

- Both the Ministry and the Agency face significant challenges regarding personnel and funding. High qualification requirements, paired with relatively low public-sector salaries, have resulted in staffing shortages. Furthermore, the architecture's structure has been hampered by budget constraints.

- Insufficient institutional and human resource capacity at the local level hinders the initiation of high-quality projects and the effective absorption of funds. The lack of project management specialists and practical experience leads to challenges at all stages of the project cycle — from project preparation to implementation. As a result, hromadas often rely on external technical assistance and consultants, which slows down implementation. This underscores the need to strengthen practical project management capacity at the local level.

- The Ukrainian government, led by the Prime Minister, must assume political leadership and strategic responsibility for ensuring that the Build Back Better (BBB) agenda remains at the heart of the country's reconstruction efforts. As proposed in the dedicated chapter of this report, BBB should be clearly defined and operationalised.

- The government should ensure that environmental and climate criteria are fully integrated into the prioritisation of reconstruction projects within the PIM framework, in a way that is workable at both national and local levels. At the same time, given its broad mandate following the 2025 merger and the resulting functional overload, the government should pursue institutional solutions and consider the re-establishment of the Ministry of Environment (like those proposals above for the Ministry for Development).

- The reconstruction architecture suffers from chronic structural instability, characterised by frequent reorganisations and leadership changes that occur without competitive selection procedures due to martial law. These constant shifts divert human and time resources away from the implementation ofactual reconstruction toward administrative realignment. Strengthening institutional capacity requires a transition back to merit-based, transparent selection processes for key positions and a commitment to institutional stability to ensure long-term policy consistency.

- There is a stark disparity between national reconstruction mandates and the actual capacity of local and regional authorities to implement them. Many municipalities lack the qualified personnel, such as architects, lawyers, and project managers, necessary to prepare high-quality project documentation or engage with complex donor requirements. Systemic change must include establishing a robust "Project Preparation Facility" and advisor networks to provide technical assistance directly to hromadas, reducing their dependence on ad hoc consultancy.

- Current donor efforts remain fragmented, with different international partners often employing unique methodologies that overlap or duplicate one another at the local level. To improve efficiency, the government and donors should launch a centralised coordination portal that provides real-time data on the distribution of assistance, KPIs for project execution, and updated needs assessments. This would ensure a more equitable distribution of resources across regions and prevent the concentration of funding in a few "high-profile" municipalities.

- Despite legislative regulation of the DREAM system's use in public investment management, it is advisable to expand the mandatory application of the system to all reconstruction projects, regardless of their source of financing. This would help to ensure a proper regulatory framework for unified project accounting, greater transparency and public accountability, as well as to minimise the risks of double financing. Currently, the DREAM system has been designated by the Government as a temporary tool for managing public investment projects—until the Ukrainian Government's regulatory act establishing the operating procedures and components of the Unified Information System for Managing Public Investment Projects comes into effect. According to information from consultations with government representatives, the concept for such a Unified Information System has already been prepared and may be approved soon. At the same time, it is important to note that DREAM has already been effectively implemented, is technically mature, and is familiar to users at the hromada level. In this context, its further refinement and integration into the new PIM architecture are a more resource-efficient approach than building a system from scratch, and they reduce both the financial and time costs of fully implementing the reform.

4.2. The Legal Framework for Ukraine's Reconstruction

- The current Ukrainian legislation provides for a multi-level system of strategic planning and reconstruction documents at the national, regional, and local levels: ranging from the State Strategy for Regional Development to regional strategies and comprehensive reconstruction and development plans, as well as local development strategies and reconstruction plans.

- In August 2024, the Cabinet of Ministers of Ukraine updated the **State Regional Development Strategy for 2021–2027** (hereinafter — the SRDS). The revision of the SRDS was driven by the need to take into account the consequences of russia's full-scale armed aggression against Ukraine and its impact on territorial hromadas and regions, as well as the increased importance of security and resilience to external factors. At the end of

2025, amendments were introduced to the SRDS, adapting state regional policy to new security realities and challenges related to the war. They provide for an update of regional development priorities until 2027, as well as a clear definition of frontline and temporarily occupied territories. This decision aligns state regional policy with the European Union's approaches to cohesion policy and allows for better consideration of each region's specific characteristics, particularly in terms of security.

- During the years of the full-scale war, several legal and regulatory acts have been adopted that establish the requirement for local-level reconstruction planning. In early 2024, the Government approved a decision requiring hromadas to develop **reconstruction plans and programmes.** The idea was that these documents should clearly define the priorities for reconstruction and specify the list of reconstruction projects. The financing was supposed to be allocated for the projects embedded in the Plans. For some hromadas, however, the preparation, and even more so the implementation, of locally developed reconstruction documents became a significant challenge,[8] particularly due to their limited institutional capacity. Later in 2024 and in the beginning of 2025, the donors and CSOs supported many hromadas in the preparation of reconstruction-related documents. However, already in 2025, their importance diminished, as in January 2025, one of the criteria for the allocation of money under EIB financing was the existence of the Territorial Development Strategy of Hromada. According to the Ministry for Development, as of March 2024, more than 90% of hromadas were either drafting or had already approved strategic development documents.

- In 2024, Ukraine attempted to establish a new legislative framework for recovery policy by developing the draft Law "On the Principles of Ukraine's Recovery." The document aimed to define the principles of state policy in the field of reconstruction, the powers of public authorities, financing and oversight mechanisms, and to introduce a systematic approach to reconstruction planning. However, the draft law faced significant criticism from the expert hromada and local self-government bodies, particularly due to the need for further refinement of certain provisions and a lack of comprehensiveness. As of early 2026, it has not been adopted.

- Ukraine has adopted European standards for construction materials and components in 2025 by implementing the Law 850-IX aligned with the EU Construction Products Regulation (CPR) 305/2011. This significantly simplifies the use of construction materials, components, or other products that are certified in the EU.

- To improveplanning and ensure targeted support aligned with the actual needs of territories, the Ministry for Development has developed and approved an approach to classifying functional types of territories (recovery territories, growth poles, sustainable development territories, and others). In our view, these changes make it possible to move away from a piecemeal approach and toward a more systematic approach to hromada development based on data regarding their actual conditions and needs. This model creates conditions to account for the unique characteristics of each hromada—its infrastructure, demographic challenges, and economic potential. As a result, this will contribute to more targeted and balanced territorial development, increasing the effec-

[8] https://hromady.org/wp-content/uploads/2024/09/NP_Analitical_Report_1_UA_revII_.pdf

tiveness of state reconstruction policies and the long term development potential of hromadas.

Key recommendations

- The architecture of planning documents at the local level is complex and includes more than 20 strategic and planning documents. This results in a heavy administrative burden on local hromadas, who are forced to develop redundant or overlapping documents. The legal framework must be harmonised to create a single, unified architecture for planning that synchronises strategic, budgetary, and spatial requirements.

4.3. CSO engagement in reconstruction

- **Scale and Scope of Involvement:** According to the Chatham House survey of CSOs,[9] in 2024, approximately 69% of Ukrainian civil society organisations were actively involved in recovery and reconstruction efforts. While their engagement initially focused on immediate humanitarian relief, such as supporting internally displaced persons (IDPs) and vulnerable groups, it has increasingly shifted toward systemic tasks, such as post-war recovery planning with local authorities and educational research. Nationwide, CSOs identify their primary value as fostering social cohesion, resilience, and acting as independent "watchdogs" to maintain integrity and prevent corruption.

- According to the 2026 Survey, **64.9% of respondents were engaged in recovery and reconstruction activities, while another 26.9% planned to do so**. So, as previously, civil society engagement in recovery remains broad and relatively stable, even though the forms of engagement have diversified from emergency support to service provision, planning, monitoring, advocacy, and direct implementation of reconstruction projects.

- The 2026 survey provides a stronger local perspective than previous waves: **63.3% of respondents represented organisations working at the regional level, 27.3% at the national level and 9.4% at the local level.** The survey covered CSOs working across the country, including organisations active in occupied territories or regions close to the frontline. This is important for reconstruction governance, as CSOs operating closer to affected communities often have more direct knowledge of local needs, implementation bottlenecks, and capacity gaps.

[9] Here and below numbers in this subsection are reported from the survey results published in Orysia Lutsevych, *Mobilizing 'Team Ukraine' for a successful recovery: How the state, communities and citizens can rebuild the country together*, Research Paper (London: Royal Institute of International Affairs, July 2025), https://doi.org/10.55317/9781784136567 and figures for 2025 are provided according to the survey conducted by Chatham House in November-December 2025, and presented in IRF, Kyiv, on 21 April 2026: Orysia Lutsevych, *Role and Vision of CSO on Recovery Process.*

- **Over 50 Ukrainian CSOs working in the field of reconstruction have united in the RISE Ukraine Coalition** to promote integrity, sustainability, and transparency in reconstruction. The Coalition plays an important role in policy advice in the area. It also serves as a platform for formulating a "joint opinion" and has been a primary driver for institutionalising digital solutions like the DREAM ecosystem. Overall, DREAM became a flagship initiative initiated by CSOs, specifically Transparency International (TI) Ukraine, BRDO, and Open Contracting Partnership – the founders of RISE Ukraine Coalition. It was designed to ensure that "everyone sees everything" in the reconstruction process, providing a single digital pathway for all reconstruction projects. Still, many CSOs in 2025 found the system's efficiency for active engagement to be limited, with only 11% surveyed by Chatham House organisations rating it as an efficient tool for public participation.

- At the local level, **CSOs play a critical role in assisting local government entities that often lack the institutional capacity to design complex reconstruction strategies**. Approximately 46% of national-level CSOs and 33% of regional groups reported direct cooperation with local authorities in 2025 for drafting recovery and development plans or comprehensive reconstruction programs. At the same time, the institutional capacity of CSOs at the local level is another challenge. A sociological study[10] on civil society in Ukraine during wartime, conducted by the Kyiv International Institute of Sociology, shows that only 9.3% of local organisations consider their capabilities to be "very high."

- **The 2026 Chatham House survey confirms that working relations with local authorities are generally more positive than with higher levels of government.** Around 45.8% of respondents assessed cooperation with local authorities in the provision of social services as good or very good, while 27.8% assessed cooperation with oblast military administrations as good or very good. At the same time, a significant share of answers was situational or not applicable, suggesting that cooperation remains uneven and depends heavily on local context, personalities, and the capacity of both local authorities and CSOs.

- **CSOs have been structurally integrated into specific government recovery programs**. For instance, national legislation mandates that representatives of the public (e.g., CSOs) comprise up to 30% of the commissions operating under the "e-Recovery" program, which provides compensation for damaged or destroyed housing. This is one of the most widespread formats for direct civic participation in local reconstruction.

- **Civil society also acts as an independent monitoring and oversight force for reconstruction tenders, project selection and implementation.** TI Ukraine and other anti-corruption CSOs monitor public procurement related to reconstruction, while local CSOs increasingly monitor not only tenders, but also the actual implementation of works on the ground. In 2024–2025, the Recovery Spending Watchdog Project[11], supported by the EU,

[10] The sociological study "Civil Society in Ukraine During Wartime 2025", https://home.ednannia.ua/analytics/data-catalog/491

[11] The Center for Economic Strategy (CES), the Institute for Economic Research and Policy Consulting (IER) and the NGO "Technologies of Progress" (TP) implelemted project "Recovery Spending Watchdog ", funded by the European Union, in June 2023- May 2025.

used a sub-granting mechanism to strengthen oversight of local reconstruction. Through this component, local CSOs monitored reconstruction projects and reconstruction-related procurement in their communities, including project documentation, procurement procedures, contract implementation, compliance with accessibility and quality requirements, and communication with responsible authorities. The results of this monitoring were published through the Big Recovery Portal (BRP), which helped consolidate evidence from different communities, improve coordination among watchdog-organisations, and make local-level findings visible for national stakeholders and donors.

- Importantly, this model of civic oversight is not limited to adversarial monitoring. **In many hromadas, local CSOs worked in dialogue with local authorities, contractors and beneficiaries, helping to identify implementation problems early, clarify documentation, improve communication with residents, and strengthen local accountability.** Such experience shows that civic monitoring can function as a practical governance tool, helping detect risks and supporting better project implementation, especially in hromadas with limited administrative and technical capacity.

- **Civil society also acts as an independent monitoring (oversight) force for reconstruction tenders and project implementation**. TI Ukraine and some other anti-corruption CSOs monitor public procurements related to reconstruction. In 2024-2025, a sub-granting component of the Recovery Spending Watchdog Project, administered by the IER, provided grants to 35 local CSOs to monitor reconstruction and related procurements at the local level, the results of which are available at BRP.

- **CSOs are actively showcasing and promoting the "build back better" principle in reconstruction efforts**. For example, since 2022, several CSOs, including Ecoaction, have supported hromadas in implementing renewable energy projects for critical infrastructure such as hospitals and water utilities. ReThink has piloted circular solutions and innovative projects using green building materials. Through this work, CSOs gain first-hand insights into on-the-ground conditions, identify gaps and challenges, and advocate for necessary policy changes at the national level. More than 50 organisations from Ukraine and across Europe are currently coordinating their efforts through the Build Ukraine Back Better CSO Platform.

- Despite high levels of activity, **the quality of CSO engagement with state institutions remains uneven.** According to the 2026 Chatham House survey, only around 39.3% of respondents assessed civil society as actively or very actively involved in recovery by public authorities, while 53.7% considered it weakly involved and 7% not involved at all. This confirms the pattern identified in the previous survey wave, which indicated that civil society remains broadly active in recovery, but still insufficiently embedded in national-level decision-making.

- A **significant concern within the sector is that government led engagement often becomes formalistic or personality-driven rather than systemic.** There is a noted risk of "co-optation," where authorities may prioritise engagement with "loyal" or "pocket" CSOs, which were created or were controlled by local or national officials, to create a facade of public support while sidelining independent watchdogs.

- **CSO perceptions of reconstruction risks also underline the importance of meaningful civic oversight.** In the 2026 Chatham House survey, the two most frequently identified risks for Ukraine's reconstruction were the misuse or embezzlement of financial resources, named by 71.5% of respondents, and the continuation of hostilities and the high intensity of missile attacks, named by 68.4% of respondents. Low competence of public officials was also seen as a significant risk, especially at the national level, where it was mentioned by 39.3% of respondents. These findings reinforce the need to treat civil society not only as a beneficiary or occasional consultee, but as an accountability actor in reconstruction governance.

- **The main barriers to more effective CSO engagement remain largely the same as those identified in 2025.** In the 2026 survey, 61.0% of respondents named the lack of political will at the highest levels of government to involve civil society among the three main obstacles, 56.2% pointed to unstable CSO funding, 46.8% to the active phase of hostilities and martial law, and 40.4% to the lack of information on state reconstruction planning and financing. This shows that the problem is not only wartime restrictions, but also the absence of predictable institutional channels for participation and insufficient transparency of planning.

- **The CSO sector remains heavily dependent on external financial support.** According to the 2026 Chatham House survey, 42.8% of respondents reported direct support from international donors, and 43.8% reported funding through international non-governmental organisations among the sources of financing for their reconstruction projects. At the same time, the role of Ukrainian philanthropy is also increasing: 18.7% reported support from Ukrainian charitable foundations, 21.0% from individual donations by Ukrainian citizens, and 14.4% from donations by Ukrainian businesses. This diversification is important, but it does not eliminate the structural vulnerability of CSOs to donor funding cycles and abrupt changes in international assistance. Therefore, stronger CSOs' contribution requires support from international donors. The withdrawal of USAID from Ukraine threatened the activities of many CSOs, including those working in the reconstruction ecosystem[12].

- **EU Member States and the European Commission utilise public participation in accordance with the European Code of Conduct on Partnership**. The partnership principle is obligatory for the EU Cohesion policy funds and will be obligatory for all funding in the next EU Multiannual Financial Framework from 2028. Engaging public authorities, economic and social partners, and civil society organisations at national, regional, and local levels throughout the entire programme cycle, which consists of preparation, implementation, monitoring, and evaluation, would foster closer cooperation and empower all parties. The implementation of the partnership principle through monitoring committees must be reinforced and supported by technical assistance from international institutions and donors at both the national and regional levels.

[12] RISE Ukraine Coalition conducted the survey of members in February 2026. About 80% of CSOs were heavily impacted by the termination of USAID financing.

- Beyond the roles in policy advocacy and monitoring, **Ukrainian CSOs have become critical "hands-on" implementers of physical reconstruction projects.** Supported primarily by international donor funding, these organisations execute a wide range of practical reconstruction tasks, ranging from manual debris removal and emergency "fast repairs" to complex capital reconstruction of social and critical infrastructure. This direct involvement is particularly vital in hromadas where local government capacity is overstretched or temporarily incapacitated. The scope of CSO-led physical reconstruction includesinstalling windows, repairing roofs, and comprehensively restoring schools, kindergartens, and healthcare facilities. Organisations such as *SavED* focus specifically on creating and restoring educational spaces for children in areas where offline learning is otherwise impossible. Others, like *Brave to Rebuild*, have undertaken the restoration of more than 12 schools using donor funds, as well as repairing over 150 private homes. **CSOs often act as the primary vehicle for attracting and managing international resources for smaller or liberated communities**.[13]

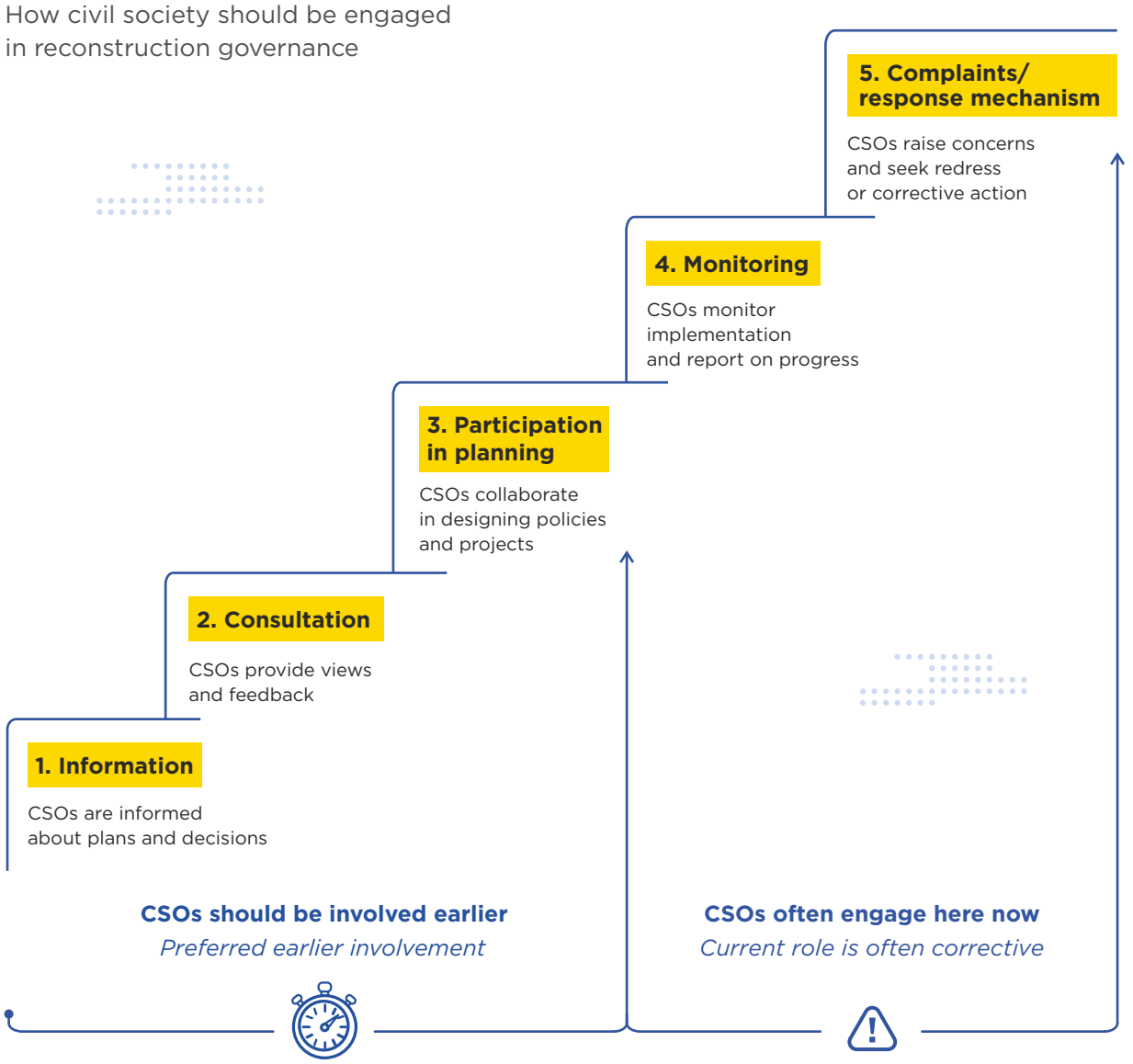
- **The 2026 survey also shows that many CSOs contribute to recovery through social, educational and medical services, which are directly relevant for human capital and social resilience.** The largest group of respondents identified the provision of social, educational or medical services to specific groups of citizens as their main recovery activity, while more than half of those providing such services reported offering mental health and psychosocial support. This suggests that CSO engagement in reconstruction should not be understood solely as monitoring or advocacy: in many communities, CSOs are also helping to maintain the social infrastructure needed for return, reintegration, and long-term recovery.

- **The "implementer" role of CSOs is larg ely sustained by international technical assistance and grants**, as non-state actors rarely secure access to domestic government reconstruction contracts. Donors increasingly view CSOs as capable and agile partners who can bypass bureaucratic hurdles and deliver results faster than official state institutions in urgent situations. However, this leads to a high dependency of CSOs on external finance, with many organisations calling for more direct allocation of donor funds to local CSOs to further scale up these implementing activities.

- **Overall,** Ukrainian civil society is a vital, multi-functional stakeholder in the reconstruction process, contributing through policy advocacy, direct implementation, and rigorous monitoring. However, the potential for an inclusive, citizen-led reconstruction is currently hindered by fragmented state coordination, a lack of consistent political will for engagement, and a severe funding imbalance.

[13] A vibrant ecosystem of CSOs has emerged to manage these physical projects. Furthermore, Organisations like *Ekoclub* and *Greenpeace* collaborate on reconstruction projects that prioritize sustainability and long-term resilience, demonstrating that civil society can implement "Build Back Better" principles directly on the ground.

Figure 4.3. Participation ladder
How civil society should be engaged in reconstruction governance



Key recommendations

- **Civil society must be seen as the partner** in the reconstruction at all decision-making levels (expert groups, councils, monitoring committees) that can help tackle the capacity issues at all levels if meaningfully involved, maintain the institutional memory, help ensure local ownership and oversight.

- **Institutionalise the participation of CSOs in the reconstruction process** by establishing mandatory consultation mechanisms at all levels of planning and decision making, with public consideration or reasoned rejection of their proposals. The law on public consultations, passed in June 2024, could have resolved this issue, but it willtake effect

only one year after martial law is lifted or repealed. However, many important decisions are elaborated and approved already during the full-scale war. Under these circumstances, additional consultations with civil society organisations while martial law remains in effect could significantly improve the quality and practicality of such decisions by ensuring better public feedback and considering the needs of various groups .

- **Improve digital engagement tools, particularly DREAM,** by adding a dedicated public-feedback and monitoring module that allows CSOs and residents to submit comments on projects, upload monitoring findings, flag implementation risks, and track whether responsible authorities have reviewed and responded to these inputs.

- Along with the EU accession process and Chapter 22 implementation, Ukraine can improve the planning, selecting, and monitoring of public investment projects by **adopting the partnership principle and practice of monitoring committees** from EU funds. As of now, the concept of a monitoring committee is being discussed for the State Targeted Just Transition Program. In the times of the Ministry for Development, capacity constraints, and following the practices of some EU Member states, NGOs can support the monitoring committee with the 'Secretariat' or a similar structure. It can serve as a pilot for future applications to other programs and funds within public investment, making them more cohesion-policy-aligned.

5. Financing, Prioritisation & Implementation

5.1. Financing and implementation

- **Reconstruction funding in Ukraine is constrained by the primary need to finance national defence and security, alongside other protected expenditures such as public-sector salaries in the education and health sectors.** Consequently, the government relies heavily on specialised revenue streams, confiscated russian assets, and substantial support from international financial institutions to cover most of its reconstruction needs.

- The transition of funding mechanisms has been clearly visible since the 2022 invasion, moving from early reliance on the state budget's Reserve Fund to the creation of the specialised Fund for Liquidation of Consequences of russian Aggression in 2023 and eventually to large-scale projects funded through financing of official partners, primarily EIB. The enormous need for reconstruction financing necessitates an extremely high degree of efficiency in resource management. **This vast financial requirement is met through a complex, multi-tiered architecture involving direct state expenditures, local budgets, and international grants or loans.** The ultimate success of these efforts is contingent upon the capacity of both national and local authorities to administer these funds effectively amid ongoing hostilities.

- **The Fund for Liquidation of Consequences of russian Aggression (Liquidation Fund) was a central domestic instrument for reconstruction in 2023-2024, i**nitially drawing significant revenue from the National Bank of Ukraine's profits and confiscated assets. In 2023, these sources provided a substantial UAH 62 bn, but by 2024 theF und's operational capacity became increasingly dependent on carryover balances from previous years.[14] Accounting Chamber Audit findings[15] indicate that while nearly 95% of the Fund's resources for 2024 were allocated by government decisions, actual cash expenditures often lagged, reaching approximately 73% of the planned amounts. This discrepancy highlights significant administrative bottlenecks and delays in project implementation, hampering the pace ofreconstruction across the country. A notable strategic concen- tration occurred in 2024, where approximately 45% of verified expenditures were di-rected towards constructing main water pipelines following the destruction of the Kakhovka hydroelectric plant. However, the tendency to process a huge volume of payments in the final days of December raised serious concerns for ACU regarding oversight and the quality of project planning. Such-end of-year spending spikes are often indicative of a rush to utilise allocations rather than of completed works, as well as of a lack of strategic planning and of limiting expenditures to one fiscal year.

[14] Recovery Spending Monitors prepared under the project 'Recovery Spending Watchdog' by CES and IER, https://brp.org.ua/en/analytics

[15] Report on the Results of the Compliance Audit of the Process of Allocating Funds from the Fund for the Liquidation of the Consequences of Armed Aggression (Звіт про результати аудиту відповідності процесу розподілу коштів фонду ліквідації наслідків збройної агресії), 3 July 2024, ACU report. https://www.rp.gov.ua/upload-files/Activity/Collegium/2024/32-3_2024/Zvit_32-3_2024.pdf

- **The prioritisation methodology for the Liquidation Fund was initially established by Resolution No. 118** (February 2023), **which outlined broad criteria, including expediency, efficiency, and the satisfaction of primary public needs**. However, official Methodological Recommendations intended to govern these decisions were not approved until October 2023, meaning they were largely absent during the critical distribution of more than UAH 60 bn in 2023. In practice, the Ministry for Development and the Inter-Agency Working Group often relied on an unapproved methodology developed by TI Ukraine and RISE Ukraine Coalition, which introduced a "prioritisation coefficient" to rank project requests. Overall, less than half of the Fund's total resources were allocated through actual competitive processes, while the remainder was distributed via separate government decrees for high-scale strategic projects. ACU's audits eventually concluded that such "manual" management mode undermined transparency and failed to consistently apply objective socio-economic criteria to all potential applications.

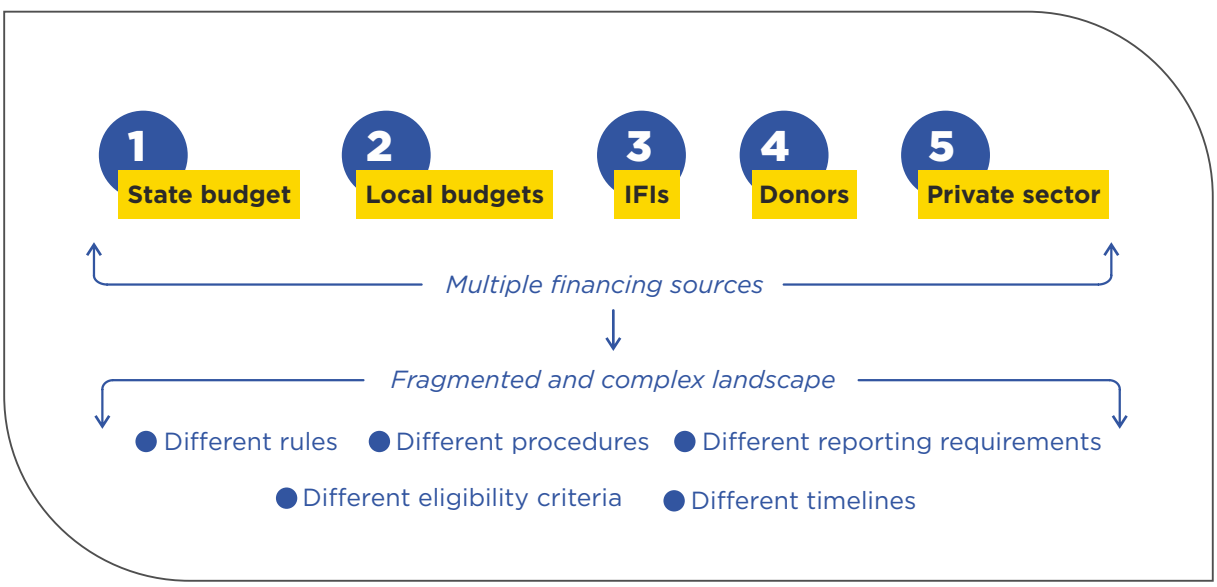
- **Decentralised reconstruction has seen significant evolution, with local budget expenditures for restoration growing from UAH 0.4 bn in 2023 to UAH 1.28 bn in 2024, and further in 2025.**[16] This increase reflects a shift from immediate crisis management to more systematic reconstruction efforts managed directly by hromadas. The number of funded objects more than doubled during this period, illustrating a broader scale of local initiatives despite the overarching challenges of martial law and limited revenue. Geographically, these expenditures remain highly concentrated, with Kyiv alone accounting for 45% of all local reconstruction spending in 2024. There has also been a noticeable shift in sectoral priorities at the local level, moving away from educational facilities towards the restoration of the residential sector and critical communal services. Many of these local projects are small-scale, focusing on rapid repairs such as window replacements and roof restorations, which can be completed without complex centralised approvals. Nevertheless, the lack of unified data standards between local budgets and central platforms remains a barrier to full transparency and accountability.

- **Ukraine Early Recovery Programme, supported by a loan from the European Investment Bank, has encountered significant implementation hurdles since its restructuring in 2022.** Although the programme was designed to restore critical social infrastructure, only a small fraction of the available loan was utilised in 2024, leaving substantial balances on project accounts. More financing was allocated in 2025. The ACU audit revealed that the full-scale invasion severely impacted the programme's portfolio. Consequently, the programme has seen five separate extensions of its final implementation deadline, which is now set for the end of 2026. These delays are often attributed to the limited capacity of local beneficiaries to provide technical supervision and to the need to frequently revise project documentation. Effective coordination between the Ministry for Development and local authorities is essential to prevent further financial losses from debt servicing on idle funds.

[16] Assessment made by the Fiscal Policy Research Center, https://fiscalcenter.org/en/analytics/

- According to the ACU, **a recurrent finding across multiple state audits is the systemic lack of a firm strategic foundation for reconstruction projects, which often proceed without approved "Comprehensive Recovery Programmes"**[17]. This leads to a non-transparent selection process in which projects have been added to or removed from funding lists through frequent government amendments rather than by objective socio-economic criteria. In the case of experimental settlement reconstruction projects, the audit noted that not even one of the 242 objects planned for 2024 was completed by the year's end. The absence of clear institutional roles and the fragmentation of responsibility between ministries and the Agency for Restoration further increase these implementation delays. Furthermore, the lack of a unified digital tracking system means that many projects are selected without verifying their actual status in the Registry of Damaged and Destroyed Property. Such administrative gaps not only slow down the physical rebuilding process but also risk undermining the trust of international donors who require rigorous accountability. Without a move towards automated, criteria-based prioritisation, the reconstruction process will remain vulnerable to discretionary and inefficient decision-making. DREAM is supposed to become a system that allows tracking, but it will require the modernisation of DREAM as well as obligations of projects' initiators to submit respective information to the Platform.

Figure 5.1. Financing sources map
Ukraine's reconstruction financing landscape is fragmented



- **The eRecovery (єВідновлення) programme represents a vital shift towards providing direct financial assistance to individual households for the repair and replacement of damaged housing.** This is indeed the social program for households whose housing was damaged or destroyed. However, it also then means reconstruction of the damaged housing, which is not always efficient. Supported primarily by the World Bank and the Council of Europe Development Bank, this mechanism allows citizens to receive digital certificates or direct payments for construction materials and services. This approach is

[17] Accounting Chamber of Ukraine, *"Report on the Results of the Performance Audit: Emergency Credit Program for Recovery of Ukraine (ECPRU),"* 2025.

highly valued for its speed and direct impact on the population's living conditions, bypassing many of the bureaucratic layers involved in large-scale infrastructure projects. Nevertheless, integrating these payments with regional reconstruction funds requires careful accounting to prevent double funding of the same residential blocks.

- **The audit of reconstruction processes highlights the importance of maintaining an up-to-date and verified Registry of Damaged Property** to ensure that compensation reaches those most in need. Maintaining public trust in this programme is essential for encouraging displaced persons to return to their original hromadas.

- **Procurement practices during the reconstruction efforts have also come under significant liberalis ation and simplification, with a high percentage of contracts being awarded outside of competitive electronic systems.** While martial law allows for simplified procedures to ensure speed, audits and monitoring of state entities and CSOs have identified instances of overpayments for unperformed works and technical supervision. Such findings suggest that internal control mechanisms within implementing agencies are often formalistic rather than truly functional. The proliferation of small-scale contracts also makes it difficult for central authorities to monitor every transaction, creating opportunities for contract splitting to avoid stricter oversight.

- **Enhancing the transparency of the DREAM platform to include more detailed financial verification data** and integrating with Prozorro data on procurement for specific projects is seen as a critical step in addressing these integrity risks. Moreover, standardising the cost-estimation process forreconstruction projects could help prevent the price variations currently observed between different regions and implementing agencies.

- **International technical assistance and off-budget donor grants provide a massive, though often less visible, layer of support for Ukraine's reconstruction.** These projects are particularly important because they often fund non-construction needs, such as medical equipment or training for civil servants, which are not covered by state reconstruction funds. However, because these funds do not flow through the national Treasury system, they are not always reflected on the DREAM platform, which can lead to duplication of effort.

- **Cooperation with specific partner nations, such as Denmark's extensive support for the Mykolaiv region, serves as a successful model for targeted regional reconstruction and direct international partnership.** Integrating this off-budget support into a more unified national planning framework is necessary to ensure equitable resource distribution across all affected regions. The continued development of digital tools is intended to bridge this gap, though its effectiveness currently depends on the voluntary cooperation of various international partners.

- **The quality of data management and financial reporting remains one of the most significant barriers to an efficient reconstruction process in Ukraine.** There is an urgent need to unify the classification and tracking of reconstruction objects across both state and local budgets to prevent data fragmentation. Standardising reporting forms and ensuring real-time data integration with the Treasury is essential for maintaining accountability to both the public and international donors. Without these reforms, the reconstruction effort will continue to suffer from analytical gaps that prevent managers

from identifying and rectifying systemic delays. Automated prioritisation and digital oversight must become the cornerstones of the next phase of Ukraine's reconstruction.

- The governance problems identified in the financing instruments above point to the need for a stronger PIM framework, are discussed in the next section. Reconstruction financing should move from ad hoc allocation and programme-specific rules toward a unified project pipeline, transparent prioritisation, and digital traceability across financing sources.

Key recommendations:

- Strengthen efforts to confiscate russian assets and channel them into reconstruction through transparent, rules-based mechanisms. This should include removing bureaucratic bottlenecks, improving the effectiveness and coordination of the Ministry of Justice and ARMA. The joint efforts should ensure that confiscated assets are converted into financing for priority reconstruction needs in a timely and accountable manner.

- Improve the predictability and transparency of reconstruction financing. Budget allocations, donor funds, confiscated russian assets, and other financing sources should be linked to clearly identified reconstruction priorities, implementation schedules, and project readiness criteria, rather than distributed through ad hoc decisions. The Government should consider the possibility of creating a Reconstruction fund for channelling such financing, as well as increasing the efficiency of the state budget program "State Regional Fund for Development".

- Ensure adequate and disciplined use of the state Reserve Fund. Reserve Fund resources should be used primarily for urgent, unforeseen, and objectively unavoidable expenditures caused by war or emergencies. Planned reconstruction activities, regular infrastructure maintenance, sectoral programmes, or politically discretionary initiatives should not be financed from the Reserve Fund, as such spending should be covered through regular budget programmes or medium-term public investment planning.

- Secure stable and predictable financing for the road sector. Construction, repair, and maintenance of roads should be financed through regular, planned, and properly justified budget lines, based on a clear assessment approach. The role of roads in defence should also be recognised. So, road maintenance and construction should not depend on emergency allocations from the Reserve Fund, unless they relate to genuinely unforeseen damage or urgent wartime needs.

- Support bilateral partnerships between Ukrainian cities and cities, regions, and governments in other countries. Such partnerships should be used not only as a source of financing, but also as a channel for technical expertise, project preparation support, institutional learning, and long-term cooperation in rebuilding local infrastructure.

- Improve coordination between the Government, donors, IFIs, and local authorities. Reconstruction financing should be better aligned with national priorities, local needs, PIM procedures, and donor programming cycles to avoid overlaps, gaps, and excessive administrative burden on hromadas.

5.2. Public investment management reform: from strategies to priorities

- **The emergency reconstruction projects in 2022-2023 showed that reconstruction is rather fragmented and that prioritisation is inefficient.** As a result, the need to prepare for large-scale infrastructure and to increase all stakeholders' capacity to use EU structural funds, when available, underscored the necessity of introducing public investment management reform. The reform is aimed at ensuring efficient and effective, transparent, and accountable public investments, which support growth through financing areas, defined according to proper prioritisation.

- **The reform of the Public Investment Management (PIM) system in Ukraine was initiated with the approval of a comprehensive roadmap in December 2023, marking the start of a multi-year transition toward a unified investment framework**[18]**.** Throughout 2024, the government established the institutional foundation by creating the Strategic Investment Council (SIC) in May and setting prioritisation criteria for the 2025 investment cycle (Medium-term Public Investment Priorities), which led to the approval of the first Single Project Pipeline (SPP) identifying priority sectors for both state and international funding. However, the projects that were included in SPP already in 2024 were not always thoroughly prepared as the Government tried to move forward with the reform in a quick manner.

- **A critical legislative milestone was reached in January 2025 with the adoption of amendments to the Budget Code,** which legally defined the public investments management system and key terminology. They also mandated that all projects be submitted through a digital platform (currently DREAM).[19] On 28 February, 2025, the government adopted unified procedures for managing Public Investment Projects (PIPs) and programs at both the state and local levels, facilitating a standardised approach to the entire project lifecycle, though the document became available only months later. Medium-term priority public investment plans are approved at the state, regional and individual hromada levels and updated annually in sync with budget planning. The public investment projects are to be approved and included in the Single Project Pipelines (SPP) of the state or hromada, respectively. SPPs are to be updated quarterly.

[18] Monitoring the implementation of the IMF programme and EU assistance (January 2024), special topic "PIM reform", https://rrr4u.org/en/analytics/monitoring-the-implementation-of-the-imf-programme-and-eu-assistance-january-2024/

[19] Recovery Spending Monitors and PIM monitoring prepared under the project 'Recovery Spending Watchdog' and "Public Investments Watchdog"by CES and IER, https://brp.org.ua/en/analytics

- **This evolution has seen the DREAM ecosystem transition from its initial role as a transparent reconstruction platform into a comprehensive IT system for PIM management.** It now serves as the central "Single Information System" for the entire project pipeline, where data on infrastructure needs and project evaluations are open to citizens and donors to stimulate quality preparation and public control. But indeed, currently there is no clarity whether DREAM will fully become a comprehensive Single IT PIM System due to contradictory points of view of key Ministries.

- **Under the new PIM framework, the IMF programs identify the Ministry of Finance as the one with a central "gatekeeper" role**, providing financial oversight and fiscal risk management. Projects must now be explicitly aligned with the Medium-Term Budget Framework (MTBF) and established expenditure ceilings to ensure that investment decisions are integrated with the state's broader financial planning.

- **In 2025, the Government introduced the full cycle of the PIM system with the approval of Medium-term Public Investment Priorities (MPIP) and adopted a new Single Project Pipeline of the state.** At the state level, the reform is currently focused on synchronising sectoral strategies with the national investment cycle to prevent the chaotic or random distribution of budget funds (sectoral strategies are to be approved by the end of 2026). In March 2026, the Strategic Investment Council updated the state Single Project Pipeline (SPP) to include 146 projects and 64 programs, with a priority given to energy infrastructure following the impacts of russian drone and missile strikes earlier in the year.

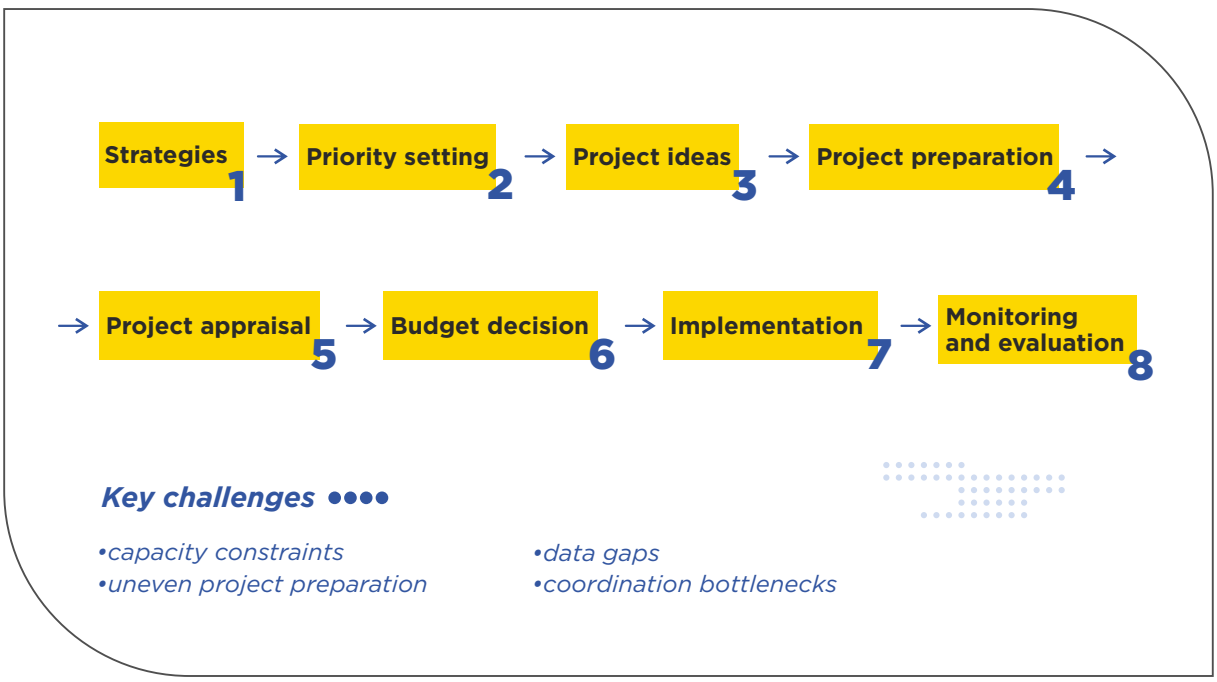
- **Funding mechanisms are increasingly tied to these PIM rules, even when some spending is not indeed a public investment project, but rather capex**. As a result, only hromadas with corresponding projects in their Medium-term Public Investment Priorities (MPIP) and the DREAM system are eligible for these funds. This system requires that every PIP, defined as a complex set of organisational, financial, and engineering measures for assets with a useful life exceeding one year, is backed by a 5-case model assessment covering strategic, economic, commercial, financial, and managerial justifications. However, the assessment of PIPs on DREAM shows that this is far from reality. Hromadas and also line ministries often do not have sufficient capacity to prepare and submit good PIPs.

- **Local and regional implementation has achieved significant coverage, with 24 regions and 904 hromadas having adopted their medium-term investment plans by February 2026.** As of May, the DREAM system hosted about 14 thous. projects, of which almost 12 thous. have undergone evaluation. However, institutional capacity remains highly uneven. Frontline regions show significantly lower activity and higher project rejection rates due to the ongoing impact of the war and limited administrative resources. Furthermore, many hromadas missed the initial 2025 deadlines for submitting their MPIPs and must now wait for the next annual review cycle to qualify for state funding, highlighting the rigidity of the annual planning calendar. But overall, the DREAM reflects the situation when all project owners submitted all information and projects they had without thinking about priorities.

- **Human-capacity constraints should beincorporated into public investment planning.** The prioritisation of reconstruction projects should consider not only damage, urgency, strategic relevance, and available financing, but also implementation capacity. This

includes the project owner's capacity to prepare documentation, conduct procurement, supervise works and maintain the asset after completion, as well as the availability of qualified contractors, engineers and technical supervisors in the relevant sector and region. Integrating these factors into project appraisal and sequencing would make the Single Project Pipeline more realistic and reduce the risk that formally prioritised projects remain partially implemented.

Figure 5.1. Financing sources map
Ukraine's reconstruction financing landscape is fragmented



- Despite these structural achievements, **the reform faces significant challenges rooted in its learning-by-doing implementation style,** which often lacks a pilot phase and requires rapid adaptation to changing regulations. A major issue is the terminology trap, in which local authorities often conflate PIPs with standard capital expenditures or technical design documentation, leading to errors in project classification and system entry. Additionally, while the government has set the procedural framework, many sectoral ministries have yet to update their specific sectoral strategies, leaving hromadas without the necessary strategic benchmarks to align their local plans effectively.

- **Institutional and technical barriers also remain a primary concern for the successful long-term sustainability of the reform.** Many hromadas report a severe shortage of qualified personnel and the expertise needed to complete complex feasibility studies, particularly in financial modelling, cost-benefit analysis, and environmental impact assessments. The DREAM system, while revolutionary, is currently perceived as somewhat inflexible because it does not allow easy adjustments to projects once entered, often forcing users to delete and recreate entries to reflect updates.

- **There is a noted lack of systematic feedback from central regulators and a mismatch between donor funding cycles and the official PIM cycle,** which complicates the synch-

ronisation of international aid with state investment priorities. So, there is a clear need to synchronise international donor funding cycles with the official national PIM cycle and Budget Code requirements to prevent administrative bottlenecks and ensure the timely implementation of reconstruction projects.

Key recommendations:

- **Prioritise proactive and timely communication with local hromadas** to ensure they are adequately prepared for upcoming regulatory and technical changes in the public investment management system. It is recommended to establish a unified knowledge base or portal that provides clear instructions, detailed case studies, and links to all available training programs to better coordinate efforts across international and national support initiatives.

- Expand capacity building efforts beyond local authorities to include personnel from the State Treasury, the State Audit Service, and sectoral ministries to ensure a consistent understanding of project evaluation and monitoring across all levels of government. The project management cycle should be clear to all stakeholders to ensure the smooth introduction of PIM reform.

- **Explore options to simplify the preparation and evaluation procedures for smaller projects,** as the vast majority of current proposals are valued below the thresholds required for full feasibility studies. Establishing a mechanism for systematic, high-quality feedback from central regulators to project initiators is also crucial, as hromadas currently report a lack of specific comments and recommendations on their unsuccessful submissions.

- **Strengthen strategic coordination between the Ministry of Finance, the Ministry of Economy, and the Ministry for Development** to provide unified leadership and a more coherent regulatory framework during this learning by-doing phase. This coordination must include the rapid completion of updated sectoral strategies to provide local hromadas with the necessary benchmarks for aligning their local investment plans with national development goals. Furthermore, the reform should actively involve the civil sector by providing specialised training for non-governmental organisations and activists on project design and monitoring to enhance transparency and public accountability at the local level.

- **Where feasible, the Information System for public investment management should capture not only financial and procurement data but also basic information on project readiness and implementation bottlenecks, including delays caused by missing documentation, insufficient supervisory capacity, or a lack of qualified contractors**.

- **Introduce a transparent mechanism for prioritising reconstruction projects.** Prioritisation should take into account regional and local development strategies, the level of destruction, security risks, population needs, economic potential of hromadas, project readiness, and expected social and economic impact. The methodology should be public, consistently applied, and integrated into the public investment management framework.

- **Consider the possibility of establishing a National PIM Agency, which will be responsible for the methodological topics as well as capacity building programs.** This would help reduce tensions among different stakeholders.

- **Strengthen the link between reconstruction priorities, the Single Project Pipeline, DREAM, and the budget process.** Projects selected for financing should be traceable from the identification of needs and prioritisation to budget allocation, procurement, implementation, and completion. This would reduce the risks of fragmented decisions, duplication of financing, and weak accountability.

- **Ensure transparency in reconstruction financing by improving DREAM as a tool for tracking project preparation, financing, procurement, implementation, and monitoring.** DREAM should contain complete, timely, and verified data on reconstruction projects, including information on financing sources, implementation status, project documentation, procurement links, and changes during implementation. DREAM should become a comprehensive IT PIM platform.

- **Strengthen data verification and quality control in DREAM.** The government should establish clear responsibilities for data entry, moderation, correction, and verification, including minimum data-quality standards, update timelines, and mechanisms for flagging incomplete or inconsistent information.

- **Expand support for local authorities through advisers engaged by the Project Preparation Facility.** Such advisers should help hromadas prepare high-quality project documentation, conduct feasibility assessments, meet donor and PIM requirements, manage procurement and implementation, and strengthen project management capacity within local administrations.

6. Demographic challenges and human-capacity constraints for reconstruction governance

- **The full-scale war of russia against Ukraine brought devastating demographic impact.** Internal and external migration increased due to security reasons. The ageing and shrinking population, which was a typical pattern for Ukraine, was enforced by the war. Employers in all sectors face a shortage of workers due to migration and skills mismatches.

- **Demographic change is not only a social or labour market challenge, but also a core governance constraint for reconstruction.** The ability of Ukraine's reconstruction architecture to function depends on the availability of people who can identify needs, prepare project documentation, conduct procurement, supervise works, monitor implementation, operate rebuilt infrastructure and maintain public services after projects are completed. Population decline, displacement, skills shortages, and the uneven territorial distribution of human capital directly affect prioritisation, public investment management, donor absorption, local ownership, and the quality of implementation. Without integrating human-capacity constraints into reconstruction governance, Ukraine risks preparing project pipelines that are formally aligned with strategies but cannot be delivered in practice.

- **Overall, human capital constraints are felt by most, if not every, stakeholder in reconstruction**. Hromadas, regional administrations, line ministries, audit institutions and procurement bodies require professionals capable of conducting all functions and implementing all tasks related not only to reconstruction, but also a wide scope of other tasks, including implementing the EU integration agenda.

- **The shortage of architects, engineers, lawyers, procurement specialists, financial analysts, and project managers limits the ability of public institutions and hromadas to develop high-quality investment projects**, effectively use donor funding, and ensure proper implementation control.[20] As a result, even a well-designed institutional architecture for reconstruction may fail to deliver the practical implementation of reconstruction priorities without sufficient human capital. Therefore, **labour shortages** are not only a sectoral labour market problem but also **an implementation risk for reconstruction**. Plans and project pipelines may face delays, cost escalation and quality risks without enough professionals. Therefore, there is need for proper project sequencing, donor programming and implementation planning.

- **The data reveal that Ukraine is currently navigating a period of high demographic uncertainty in the environment, especially considering that the last census was conducted in 2001.** Even the number and structure of the population in the country

[20] Reconstruction at Risk: Do We Need Changes in Construction Policy?, 2025 — Oleksandra Betliy, Iryna Kosse, Vitaliy Kravchuk, Anastasia Kropova, Stanislav Yukhymenko — Institute for Economic Research and Policy Consulting, Reconstruction at Risk Project
http://www.ier.com.ua/files/Projects/2025/UA/Construction_report_IER_EN.pdf

before the war is under question, **while the precise population tracking now is nearly impossible.** The pre-war estimates suggested a population of approximately 41 million, but current figures are highly contested and fluctuate based on the methodology used. Recent analytical estimates from the Institute for Demography place the current population on controlled territories at approximately 29 m reflecting a sharp natural decline and migration. However, during one of the recent discussions, Denys Uliutin, the Minister of Social Policy, suggested the actual number may be even lower, ranging between 22 and 25 million people. This "triple hit" of a catastrophic drop in the birth rate, high war-related mortality, and mass exodus creates a significant challenge for long-term reconstruction planning.

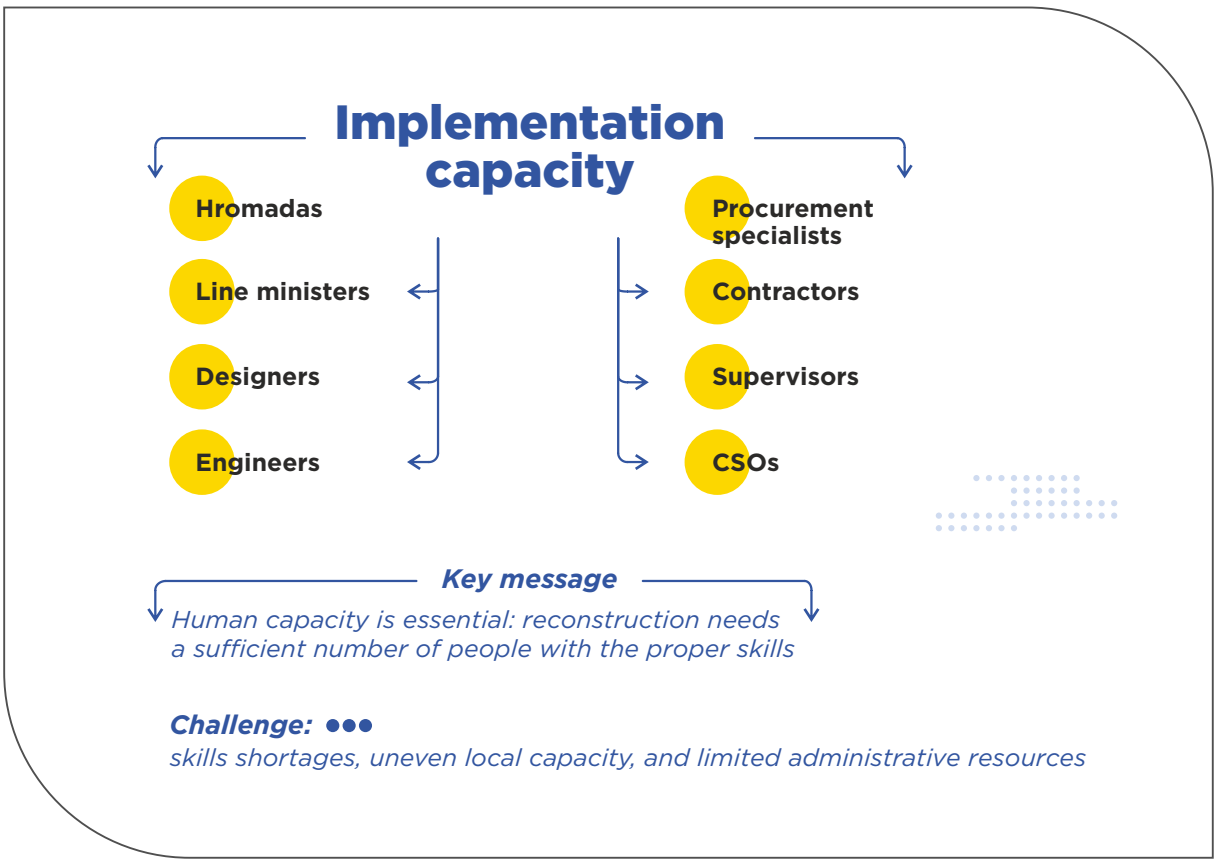
- **This uncertainty also weakens evidence-based planning.** Reconstruction decisions depend on credible assumptions about who will live in rebuilt hromadas, what services they will need, and which territories have realistic prospects for population return and economic recovery. Therefore, demographic data should be treated as part of the reconstruction data infrastructure and linked to territorial planning, public investment prioritisation and the preparation of local recovery strategies. Moreover, there is a need for clarity for all hromadas on key assumptions on the return of Ukrainians from abroad as well as on the future decisions of IDPs on whether to stay, migrate further, or return home where possible.

- **The scale of external migration and internal displacement is enormous and hampers the current situation at the labour market and creates a challenge for future reconstruction in Ukraine.** About 5.5 million Ukrainians currently reside abroad as war migrants. Data indicate that these individuals are integrating more deeply into host economies with each year of residence, with roughly 70% of Ukrainian women in the EU already employed, diminishing the likelihood of their return. Children are even less likely to return as they already have more connections in host countries than in Ukraine. Furthermore, there is a risk of a "second wave" of migration once martial law is lifted and men will be free to travel without restrictions (and thus might choose to join their settled families abroad). Though, some families are expected to return to Ukraine.

- Domestically, the situation is compounded by more than 4 million **internally displaced persons (IDPs) who often face barriers to economic integration,** including online isolation, where children remain tied to schools in their home regions rather than integrating locally. This massive displacement represents not just a loss of numbers, but a flight of highly educated human capital, as over 70% of women migrants aged 25 and older hold university degrees.

- **Migration and displacement also create a challenge for multi-level governance.** Local authorities are expected to prepare reconstruction plans and project proposals, but their future population base is uncertain, and many hromadas have lost both residents and qualified municipal staff. At the same time, IDP-receiving hromadas face additional pressure on housing, education, healthcare, transport and communal infrastructure. Reconstruction planning should therefore distinguish between areas where investments are needed to support return, areas where investments are needed to accommodate displaced populations, and areas where investments should focus on resilience and service continuity under conditions of demographic decline.

Figure 6. Implementation capacity



- **The construction sector, the backbone of the enormous, expected reconstruction effort, is currently experiencing an acute, systemic shortage across almost all professional groups.** Official employment in the industry has plummeted by 32% since 2021, leaving current workers to manage a workload that, ideally, would require doubling the current workforce. The deficit is not limited to manual labour only. There is a critical lack of specialised engineers (specifically in plumbing, heating, ventilation, and sewerage), electricians, architects, crane operators, and armature fitters. Current market data show a severe supply-demand mismatch, with 2.4 vacancies per available worker. As a result, a shortage of labour force restricted the capacity utilisation of the construction companies, even though the sector also faces budget constraints. Without a strategic intervention to fill specific employee roles, the pace of infrastructure and housing restoration will remain significantly constrained.

- **Structural mismatches in the education system and a rapid "brain drain" toward the digital economy are further hollowing out the technical expertise required for physical rebuilding.** Although Ukraine has many universities training construction specialists, fewer than half of graduates enter the profession, with many opting for higher-paying, lower-risk roles. A significant trend has emerged in which talented young architects and designers retrain as 3D modellers in the IT sector, where compensation is higher, and they avoid the high administrative and criminal responsibilities associated with signing off on physical projects. Additionally, the workforce is ageing rapidly: 11.5% of construction employees are now aged 60 or older, while young workers under 25 account for only 5.4% of the sector. This generational gap, combined with the mobilisation of active-age men, threatens the continuity of technical knowledge and field expertise.

- **Institutional and regulatory bottlenecks, particularly regarding professional certification and state pricing models, disincentivise formal employment and market entry for new specialists.** For example, the bureaucratic timeline for obtaining certificates required of design engineers for the most complex reconstruction projects can take many years after graduation, making it impossible to rapidly scale the number of qualified project leads. At the same time, the professional standards are not fully defined. Besides, the discussion on regulatory jobs has not yet been started, which is essential for European integration. The fear of mobilisation further drives male workers into informal employment, as some men refuse to work on high-profile sites or far from their registered residences to avoid contact with recruitment authorities.

Key recommendations

- Expand and improve adult training and reskilling programs focused on high demand technical skills. In this, the Government may consider the utilisation of vouchers and co-financing mechanisms to encourage the entry of women and persons with limited mobility into traditionally male-dominated technical professions.

- Establish a national reconstruction skills and capacity framework that covers both public-sector and market-side needs, including project managers, procurement specialists, engineers, architects, technical supervisors, environmental experts, energy-efficiency specialists, and construction workers.

- Establish a greater number of independent qualification centres to provide rapid, on-the-job certification and recognition of practical competencies. For this, it is essential to develop professional standards for construction jobs and align them with the European Qualifications Framework to facilitate mutual recognition.

- Consider shifting from rigid, descriptive state building codes (DBN) toward "functional requirements" that prioritise result-based safety and performance, fostering engineering innovation.

- Focus hromada-level reconstruction on "human-centric" infrastructure, ensuring that housing, offline education, and childcare are available to trigger voluntary returns.

- Integrate human-capacity assessment into reconstruction planning and PIM procedures. Project prioritisation should consider not only damage, urgency and financing availability, but also whether the implementing institution and local market have sufficient capacity to prepare, procure, supervise and maintain the project.

7. Transparency and Accountability as an integral part of Reconstruction Governance

7.1 Why transparency and accountability matter

- **Transparency and accountability should be treated not as ancillary or purely procedural requirements, but as integral elements of reconstruction governance.** In the context of a full-scale war – where decisions on the allocation of substantial public and donor resources are made under conditions of high uncertainty, severe time constraints, and heightened corruption risks – the transparency of procedures, meaningful disclosure of information, and effective oversight mechanisms are critical to the state's ability to manage reconstruction effectively. In this context, transparency and accountability are not only safeguards against abuse but also preconditions for efficient resource allocation, public trust, and sustained support from international partners.

- Reconstruction in Ukraine is taking place not under conditions of post-conflict stability, but alongside an ongoing war, continued destruction, population displacement, and constantly shifting priorities. This places sustained pressure on the state to accelerate decision-making and the implementation of reconstruction projects. At the same time, this urgency creates significant governance risks, including non-transparent prioritisation, excessive centralisation of decision-making, expanded discretion for reconstruction authorities, and the use of exceptional or simplified procedures without adequate safeguards.

- **Under these circumstances, transparency and accountability should not be limited to specific stages or instruments but should be institutionally embedded throughout the entire reconstruction cycle.** This involves ensuring the traceability of decisions and resource flows, starting from the identification of needs, selection, and prioritisation of projects, through to financing, procurement, implementation, monitoring, reporting, auditing, and evaluation of results. This end-to-end approach helps mitigate the risks of non-transparent prioritisation of reconstruction needs, duplication of funding, fragmented decision-making, and inefficient use of funds.

- Ukraine is gradually transitioning to a more comprehensive model of public investment management, in which digital tools are used to integrate data on project planning, financing, procurement, implementation, and monitoring. In particular, **the digital ecosystem DREAM was created as the infrastructure to integrate information on reconstruction projects and to provide a foundation for improving project traceability, coordination, and public accountability.** At the same time, a digital tool alone will not guarantee transparency and accountability in reconstruction: its effectiveness depends on the completeness and quality of data, mandatory use, interaction with other government systems, the quality of prioritisation procedures, as well as the existence of effective mechanisms for control, response, and accountability.

- **Martial law objectively necessitates restricting access to certain categories of reconstruction-related information, particularly where disclosure could pose security risks, including in relation to critical infrastructure.** However, such restrictions should

remain the exception rather than the rule: they should be narrowly tailored, properly justified, and applied only to the extent strictly necessary to protect legitimate security interests that cannot be protected by other means. The wartime context should not become a blanket justification for non-transparent prioritisation, inefficient use of public funds, or restrictions on public oversight of reconstruction processes.

7.2. Review of existing monitoring systems and digital tools

- Ukraine entered the reconstruction process not from a "blank slate" in terms of ensuring transparency. Before the start of the full-scale invasion, the country had already developed a digital infrastructure in the areas of public procurement, open data, and public expenditure tracking, which became the foundation for **ensuring the transparency and accountability of reconstruction processes, providing continuity of oversight over public resources even under the extraordinary conditions of war.**

- **One of the key tools for ensuring transparency and accountability in reconstruction is DREAM –** a digital ecosystem for managing reconstruction projects and public investments, built on the principle of maximum transparency in project data. At the level of an individual project, the system potentially allows one to see its justification, technical solution, and project documentation; the identified need; sources and amounts of financing; completed procurements; concluded contracts; as well as the implementation plan and status. This is critically important because the logic of reconstruction is ultimately shaped at the project level: what is being rebuilt, why, with which resources, in what sequence, and with what expected outcome.

- As of May 2026, DREAM is transitioning to become the comprehensive IT system for PIM, though institutional alignment on this role is ongoing. However, it requires high-quality, timely data entry. Without these conditions, DREAM may not provide a complete and reliable picture of reconstruction: some projects may remain outside the system, while data on included projects may be incomplete, inconsistent, or outdated.

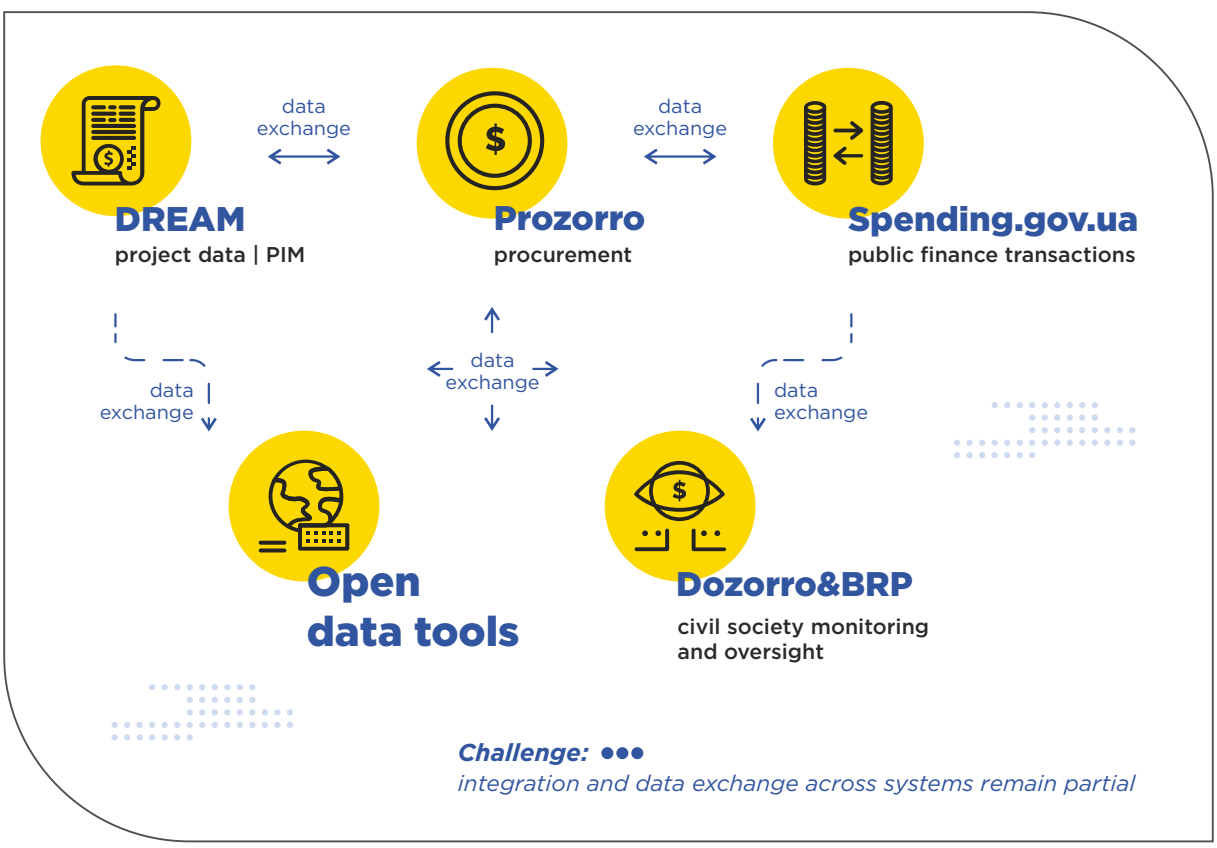
- **Another key instrument for transparency and accountability in reconstruction is Prozorro, Ukraine's electronic public procurement system.** It provides public access to information on procurement notices, tender documentation, bidders' submissions, signed contracts and subsequent amendments, complaints filed during the procedure, and procurement outcomes.

- A substantial share of reconstruction-related procurement of works, goods, and services is conducted through Prozorro. The system enables not only formal visibility into procurement procedures, but also substantive analysis: it allows users to review bidder behaviour, identify irregularities in tender documentation and discriminatory requirements, detect potential price inflation or overpricing, assess violations during bid evaluation, and track contract amendments after award. This significantly strengthens the capacity for public and civic oversight. Prozorro has also been assessed as broadly compliant with the World Bank's requirements for electronic government procurement systems, which allows it to be used in reconstruction projects financed by international partners. This is an important signal that Ukraine's procurement transparency framework has received international recognition.

- However, despite the high level of transparency, some cases of price inflation in reconstruction procurement appear to stem from issues embedded earlier in the project cycle - particularly at the stage of preparing design and estimate documentation (DED). In November 2025, the government sought to address the lack of a unified approach to pricing in DED by establishing a construction materials price database within the Unified State Electronic System in the Field of Construction. This database is expected to be integrated with Prozorro in the future. At the same time, oversight remains challenging in contracts with dynamic pricing, where contract values may change during implementation. In this context, introducing mandatory publication of work acceptance certificates for large procurements (e.g., above UAH 10 m) would strengthen oversight over the actual cost and volume of works delivered. Transparency International Ukraine has advocated for such a legislative change in the public procurement framework.

- **Public access to information on the use of public funds is provided through Spending, a component of the government's E-data open public finance platform.** The portal offers open access to data on budgetary and financial commitments, payment transactions, signed contracts and amendments, completion related documents, penalties under contracts, and selected reporting forms submitted by spending units and beneficiaries. This tool is particularly important in the reconstruction context because it allows users to see not only that a procurement has been announced or a project exists, but also the broader fiscal and financial context: which funding sources are being used, whether payments have been actually made, and how spending is progressing over time. At the same time, as with procurement data in Prozorro, aggregated monitoring of reconstruction-related expenditure remains constrained by thelack of a unified classification or tagging mechanism to identify reconstruction spending as a distinct category.

Figure 7.2. Selected reconstruction data sources
Illustrative systems for project data, procurement, public finance, and civil society oversight



- **A key transparency instrument in the reconstruction sphere should be the State Register of Property Damaged and Destroyed as a Result of Hostilities, Terrorist Acts, and Sabotage Caused by the Armed Aggression of the russian federation against Ukraine (the Damaged and Destroyed Property Register)**. The Register is intended to collect, accumulate, record, process, store, and protect information on damaged and destroyed movable and immovable property, affected persons and businesses, material losses, compensation provided for such property, and financing for its restoration. This makes Register particularly important for reconstruction governance, as it creates a foundational state data set on damage, destruction, claims, compensation mechanisms, and selected reconstruction-related decisions. Without this data, neither planning nor fair allocation of resources is possible. The Register is also important from an accountability perspective, as it provides a single reference point for information underpinning compensation procedures and related administrative decisions.

- At the same time, there is an identified systemic problem related to the insufficient disclosure by responsible authorities of information on adopted decisions and the volume of funds allocated to address the consequences of armed aggression. One potential way to address this gap would be to partially open data from the Damaged and Destroyed Property Register. Importantly, this would not appear to require significant legislative amendments, as the law already provides that information entered into the Register is open and publicly accessible, except for personal data and other categories of restricted information to be defined by the Cabinet of Ministers of Ukraine. Moreover, public information from the Register is legally required to be disclosed as open data. In late November, the Ministry for Development announced plans to publish open data on reconstruction. However, the Damaged and Destroyed Property Register remains closed in practice.

7.3. Integrity safeguards

- **Transparency alone does not guarantee accountability** unless it is backed by effective mechanisms to prevent, detect, and respond to risks and abuse. In the context of reconstruction, integrity safeguards should be understood as a combination of preventive and institutional mechanisms designed to minimise corruption and governance risks throughout the project life cycle.

- **Procedural safeguards** are intended to reduce subjectivity and limit "manual" management of resources. Their key value lies in enabling risks to be mitigated before funds are spent, rather than merely reacting to violations after they occur. Key elements of such safeguards include:

    - **public investment management (PIM) reform**, which envisages a shift from fragmented financing toward medium-term planning, including through the development of a Medium-Term Priority Public Investment Plan, under which projects are to be selected based on a unified methodology for appraisal and prioritisation, aligned with World Bank and OECD approaches;

    - **digitalisation based on a "digital by design" approach**, including the use of the DREAM ecosystem as a single digital environment for recording projects, do-

cuments, decisions, and implementation status through electronic interoperability with state registers and government information systems;

- **risk-based procurement oversight**, where the use of automated risk indicators in Prozorro helps identify potential signs of collusion, discriminatory requirements, or price inflation already at the tender stage;

- **conflict of interest management**, including anti-corruption programmes, internal integrity policies, and integrity-related checks for officials involved in decision-making at both local and central levels, including with methodological guidance from the National Agency on Corruption Prevention (NACP).

- **At the institutional level,** the following bodies play a key role in ensuring accountability:

  - **The State Audit Service of Ukraine** — responsible for state financial control, procurement monitoring, inspections, financial audits/revisions, and selected audits;

  - **The Accounting Chamber of Ukraine** — responsible for external public audit, including performance audits of the use of state budget funds;

  - **internal control and internal audit units within spending authorities** — as a mechanism for early detection and prevention of violations within the institutions themselves;

  - **law enforcement and anti-corruption bodies** — in cases involving identified offences, fraud, or abuse;

  - **The Antimonopoly Committee of Ukraine** is responsible for reviewing procurement complaints and safeguarding competition in public procurement.

  Together, they form a multi-layered oversight architecture that covers procedural compliance, financial discipline, the review and performance audit of individual funds and programmes, and responses to complaints and identified violations.

- **At the same time, the current oversight system faces a few systemic challenges.** Internal control and internal audit in the public finance sector are still undergoing active reform, while external oversight remains largely fragmented, reactive, and predominantly ex post – intervening only after decisions have already been taken or funds have already been spent. According to the study, in 2024, more than 80% of monitoring procedures for competitive procurement were initiated by the State Audit Service only after the procurement contract had already been signed. The situation improved somewhat in 2025, but the figure remained at approximately 58–59%. This suggests that, despite having formal powers to act, the state's financial control system often fails to prevent violations and instead records them only after the fact.

- In addition, information on the progress and outcomes of certain oversight measures—particularly procurement inspections conducted by the State Audit Service of Ukraine—

is not always disclosed in sufficient detail. This further undermines the transparency of the oversight process itself and makes it more difficult to assess its effectiveness.

- Accordingly, in the reconstruction context, it is critical not only to preserve existing oversight mechanisms but also **to significantly strengthen their preventive component.** This requires a shift from predominantly reactive (ex post) oversight toward earlier (ex-ante), risk-based, and transparent intervention capable of identifying and correcting problematic decisions before they result in inefficient spending, loss of public resources, or poorly implemented projects.

- In 2026, reconstruction was identified for the first time as a priority area in the draft State Anti-Corruption Strategy. One of the key risks highlighted in this context is the **government's systematic use of experimental projects as an alternative to enacting permanent legislation**. While this approach is partly driven by the need for rapid decision-making in wartime, it effectively allows deviations from general permitting procedures, financing rules, and oversight mechanisms. This creates risks of fragmented legal regulation, reduced procedural predictability, and weakened transparency and accountability. It is therefore important to establish a clear legal framework for the use of experimental projects, including criteria for when deviations from general procedures may be justified, proper disclosure of information on their implementation and results, and the application of full state financial control to such projects.

Key recommendations

- Ensure the implementation and functioning of the Unified Information System for the Management of Public Investment Projects, with DREAM as an integral component, and establish binding requirements for the mandatory, complete entry of data for reconstruction projects.

- Introduce mandatory publication of work acceptance certificates for large procurements (e.g., above UAH 10 million) to strengthen oversight of the actual cost, volume, and delivery of works.

- Ensure the disclosure of non-personal data from the Damaged and Destroyed Property Register (except for categories of restricted information defined by the Cabinet of Ministers) in open data format.

- Shift the focus from predominantly reactive ex post control toward earlier, risk-based, and transparent preventive oversight of reconstruction projects.

- Ensure a clear legal framework for the use of experimental projects, including criteria for when deviations from general procedures may be justified, as well as proper disclosure of information on their implementation and results.

7.4. Access to information for civil society and media

- Ukraine's open data framework is largely aligned with EU rules, though some gaps remain. Since 2022, access to data has often been restricted without following the established laws and procedures. Many key datasets for reconstruction are only partly available or fully closed, which limits transparency. The open data portal also performs poorly and lacks complete, up-to-date data. Fixing these issues is important for proper oversight of reconstruction.

General open data framework

- **The Open Data policy of Ukraine is a part of the larger Access to Public Information policy.** Within the open data policy, the data holders are obligated to provide access to open data upon request, upload and update the datasets on the Unified State Open Data Web Portal (the Portal) and on their websites. The Cabinet of Ministers sets out a non-exhaustive list of datasets to be published, including 928 unique datasets from 97 government agencies, as well as lists for local authorities.

- **Ukrainian legislation on open data is broadly aligned with the EU acquis** (Directive (EU) 2019/1024). At the same time, the alignment remains only partial in several areas. The main gap concerns the high-value datasets for which there is no requirement to provide open access via API and no specific selection criteria. Other gaps include treatment of state-owned companies, publicly funded research data, data and metadata standardisation, AI readiness and other issues.

- The main legislative acts within the open data policy are:

    - Law "On access to public information"[21] - provides a general framework of open data policy as a part of the Access to Public Information policy. Defines data holders, their obligations with respect to open data and reasons for limiting access to information;

    - Resolution of the Cabinet of Ministers of Ukraine No. 835 from 21 October 2015 "On Approval of the Regulation on Datasets Subject to Publication in the Form of Open Data"[22] - details the principles and procedures for publishing open data and lists the datasets that have to be published by specific data holders;

    - Resolution of the Cabinet of Ministers of Ukraine dated 30 November 2016 No. 867 "Certain Issues of Publishing Public Information in the Form of Open Data"[23] - details the Procedure for maintaining the Portal.

[21] Law of Ukraine "On Access to Public Information" dated 13.01.2011 No. 2939-VI, https://zakon.rada.gov.ua/laws/show/2939-17#Text

[22] Resolution of the Cabinet of Ministers of Ukraine "On Approval of the Regulation on Datasets Subject to Publication in the Form of Open Data" dated 21.10.2015 No. 835, https://zakon.rada.gov.ua/laws/show/835-2015-п#Text

[23] Resolution of the Cabinet of Ministers of Ukraine "Certain Issues of Publishing Public Information in the Form of Open Data" dated 30.11.2016 No. 867, https://zakon.rada.gov.ua/laws/show/867-2016-п

- Other legal acts specific to their respective policy areas. These include the Law "On public procurement", the Law "On openness of use of public funds" and others.

- More than 51% of the required datasets were absent on the Portal, and a further 28% weren't updated on time[24]. Portal server health is also questionable: the success rate of the Portal is close to 71%, and response time is 3.45 seconds[25] - considerably worse than normal performance in modern server Service Level Agreements (SLAs) (>99.9% and 0.2-0.4 seconds)[26]. These figures illustrate both the direct restrictions of access to data and the general deprioritisation of open data policy during the war.

- The Ukrainian Parliament Commissioner for Human Rights (Ombudsman) is responsible for upholding citizens' right to information as well as all other human rights. A lack of effective legal instruments, limited capacity, and other priorities may explain why the Ombudsman's office is not at the forefront of the struggle for open data.

- There are continuous attempts to further close access to public data. New draft laws are registered, and some restrictions have already been adopted.

Data access restrictions

- The Law "On access to public information" provides a list of checks and fail-safes in the process of restricting access to public information:

    - Any limitation on access to open data must be justified by balancing the public interest in access to information against the interest protected by the limitation (the "three-part test").

    - Access to data can be restricted by the data holder.

    - Access can be limited to specific information, not the whole document or dataset.

  Only access to confidential, secret or "for official use only" information can be limited.

- This access regime (predating the war and the open data policy itself) was created to ensure transparency within the government agencies. Many decisions restricting access to open data (discussed later) do not conform to it.

- The government has used several approaches and initiatives to restrict access to open data since 2022:

[24] The numbers are reported in a BRDO dashboard *Open Data on data.gov.ua: Two Months After the Update of CMU Resolution No. 835* as of November, 2025, https://public.tableau.com/app/profile/brdo.ict.sector/viz/8353_2025/OD_835_to_data_gov_ua

[25] Numbers as of 17.04.2026 are reported by the *Open Data Watchdog* project, created by Clarity Project, https://wd.clarity-project.info/stats

[26] https://odown.com/blog/api-response-time-standards/

- **Ad hoc instructions and recommendations**. Access to open data is restricted through de facto binding guidance from the Prime Minister and security services, not conforming to the criteria and procedures described above[27].

- **MDT recommendations and restrictions.** The MDT has hidden[28] data of local data holders from severalregions (Zaporizhzhia, Mykolaiv, Kharkiv, Kherson, Donetsk and others) from the Portal and recommended local data holders to limit publication of open data[29] until the end of the martial law.

- **CMU Resolution No. 263 (2022)**[30]: Enacted in the first months of war, this Resolution allowed the authorities to suspend public registers and information systems to prevent unauthorised access. Data holders actively used it to limit access to open data. While the scope was subsequently narrowed to the regions directly affected by the war, the Resolution is still used to justify limitations of access[31]. Such limitations are not legitimate as per the Law "On access to public information";

- **CMU Resolution No. 1257 (2025)**[32] enables companies and Organisations that have a "critically important" status to request a temporary restriction of access to information about them, by applying to the Ministry of Defence, which then instructs public registers and information system operators to remove the relevant data from public access (including from private information intermediaries). Tens of thousands of companies can make such requests, and the process lacks any safeguards against abuse. According to private operators, more than 250 companies have already had their data removed upon their requests;

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[27] For example, the State Tax Service has suspended access to some of its datasets for the duration of the martial law according to the instruction of the Prime Minister (initiated by the SSU) and an excerpt of the CMU protocol No 82 from 28.05.2022.

[28] See p.6 of "Ranking transparency of 100 Ukrainian cities in 2024" report by Transparency International Ukraine, https://ti-ukraine.org/en/research/transparency-ranking-2024-how-cities-responded-to-new-challenges/

[29] For example, Kyiv Oblast Regional Military Administration and many other local data holders reference Letter of the Ministry of Digital Transformation of Ukraine dated 09.08.2022 № 1/06-2-6620 in the context of limiting access https://koda.gov.ua/gromadskosti/vidkryti- dani/

[30] CMU Resolution "Certain Issues of Ensuring the Functioning of Information and Communication Systems, Electronic Communication Systems, and Public Electronic Registers under Martial Law" dated 12.03.2022 No.263, https://zakon.rada.gov.ua/laws/show/263- 2022-п/ed20250606#Text

[31] For example, the energy regulator quotes Resolution No. 263 in Order of the National Commission for State Regulation of Energy and Public Utilities "On the Organisation of Work on Publishing Public Information in the Form of Open Data under Martial Law, the Holder of Which Is the National Commission for State Regulation of Energy and Public Utilities" dated 05.06.2023 No. 46-a – an act, limiting open data access, https://www.nerc.gov.ua/acts/pro-organizaciyu-roboti-shchodo-oprilyudnennya-publichnoyi-informaciyi-u-formi-vidkritih-danih-v-umovah-voyennogo-stanu-rozporyadnikom-yakoyi-ye-nacionalna-komisiya-shcho-zdijsnyuye-derzhavne

[32] CMU Resolution "On Approval of the Procedure for Temporary Restriction of Access to Information on Enterprises, Institutions, and Organisations in the Defense-Industrial Complex" dated 03.10.2025 No. 1257, https://zakon.rada.gov.ua/laws/show/1257- 2025-п#Text

- **Law No. 4576-IX, (2025)**[33] allows military technology companies to provide mailing address instead of their business address for the purpose of registration. The law also limits access to data on specific kinds of IPs, as well as restricts access to information regarding land plots and real estate.

Table 7.3. Status of selected datasets important for transparent reconstruction

Dataset *(data holder)*	**Description**	**Status**
Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organisations *(Ministry of Justice)*	Main business registry containing information on all business entities. It is a base for analytical work, verification of contractors and preventing fraud or conflict of interest in reconstruction.	🥲 Partially restricted. A limited version of the registry (excluding NACE codes, addresses and other "sensible" information) is published weekly as open data. Full version with up-to-date data is available via paid API, invalidating the security arguments.
Spending *(Ministry of Finance / SE "Open Public Finances")*	Transaction-level and contract-level data on public spending, including reconstruction-related payments. Important for tracking specific projects and enterprises.	🥲 Partially restricted. Transactions of military contractors are hidden, but the list of military contractors includes some agencies that are mainly civilian, such as Ministry of the Economy, Ministry of Justice and others.
Declarations Register *(NACP)*	Contains asset and income declarations of public officials. Used for monitoring the lifestyle and conflicts of interest of officials.	✅ Available. The register was re-published via API with limitations regarding active service members.
Corruption Offenders Register *(NACP)*	Lists individuals convicted of corruption-related offences. Important for screening public officials and contractors involved in reconstruction. No major technical restrictions noted, but its effective use depends on accessibility and integration with other datasets.	🥲 Partially restricted. The public API lacks information besides the names of convicted persons (such as place of work or occupation), making it hard to effectively use the information.

[33] Law of Ukraine "On Amendments to the Civil Code of Ukraine and Certain Other Laws of Ukraine Regarding the Specifics of Providing Information from Public Electronic Registers Held by the Ministry of Justice of Ukraine and Certain Other Public Electronic Registers" dated 21.08.2025 No. 4576-IX, https://zakon.rada.gov.ua/laws/show/4576-20#Text

Dataset *(data holder)*	**Description**	**Status**
Companies' financial statements *(State Tax Service / State Statistics Service)*	Contains balance sheets and financial results of all legal entities. Important for financial due diligence and investigations.	✅ Available. The STS hasn't published the dataset since 2021, while the SSS publishes and updates it regularly.
Seized Assets Register *(ARMA)*	Includes data on assets seized in criminal proceedings, their value, management, and proceeds. Important for oversight of criminal proceedings and usage of seized assets for reconstruction.	🥲 Partially restricted. The registry is being published, omitting important information such as managers of seized assets.
Register of Damaged and Destroyed Property *(Ministry for Development)*	Comprehensive database of war-damaged property, including geolocation, owners, extent of the damage etc. Can serve as a basis for planning, prioritizing, and monitoring reconstruction efforts.	🚫 Restricted. Required by the law to be open and regularly updated. Not published in any way (even summarised) due to security concerns.
Public Cadastral Map of Ukraine *(StateGeo Cadastre)*	Geospatial data on land plots, ownership, and boundaries. Important for land governance, investigative journalism and planning reconstruction projects.	🚫 Restricted. Has never been published as open data. The public cadastral map in the form of web-service was restricted due to security concerns.
DREAM *(Ministry for Development)*	DREAM started as a reconstruction project management system but transformed into a public investment management system. It includes data on public investment and reconstruction projects, including planning and implementation stages. Main source of information for monitoring the lifecycle of projects.	🥲 Partially restricted. The completeness and accessibility of datasets available via API is evolving, since the system is in development and some data contained in the system is sensible. Currently available API endpoints include reconstruction projects, but not public investment and strategic planning modules.
Unified State Electronic System in the Construction Sector (Ministry for Development)	Includes building permits data as well as information on construction market participants, construction standards etc. Important for tracking construction projects.	🥲 Partially restricted. The building permits registry is released monthly, while other information is not updated. Access to up-to-date information is available only via paid API.

Key Recommendations

- Upgrade the Unified State Open Data Web Portal and ensure its adequate technical and institutional functioning. This should include service-level standards for portal availability and response times, clear deadlines for publishing and updating datasets, timely moderation of submitted data, and regular monitoring of public authorities' compliance with open data publication requirements. Attention should be paid to high-value datasets and datasets relevant for transparent and accountable reconstruction.

- Review all cases where government agencies have limited access to open data and assess their legitimacy under the Law "On Access to Public Information". Each restriction should be checked against the three part test[34]: whether it pursues a legitimate aim, whether disclosure would cause substantial harm to that aim, and whether such harm outweighs the public interest in disclosure.

- Enact effective legal and institutional instruments to correct unlawful or disproportionate limitations. These may include a dedicated information commissioner with the power to issue binding instructions, higher fines for unjustified non-disclosure, and clear political directives to restore access to datasets where security risks can be mitigated.

- Release restricted datasets required for transparent and accountable reconstruction. Priority should be given to reconstruction-related data on public spending, procurement, damaged and destroyed property, land and property rights, business registries, construction permits, and public investment projects. Where full disclosure is not possible for security reasons, non-sensitive, aggregated, delayed, or anonymised data should be published instead.

- Use the Damaged and Destroyed Property Register as a baseline instrument for reconstruction planning and monitoring, ensuring the disclosure of non-personal and non-sensitive data across relevant categories of damaged and destroyed assets.

[34] Rise Ukraine Coalition: Звернення Коаліції RISE Ukraine до Уповноваженого з прав людини щодо відкриття пріоритетних для прозорої і підзвітної відбудови наборів відкритих даних (Appeal of the RISE Ukraine Coalition to the Ukrainian Parliament Commissioner for Human Rights regarding the opening of open datasets that are a priority for transparent and accountable reconstruction), https://www.rise.org.ua/statements-and-appeals-uas/zvernennya-koaliciyi-rise-ukraine-do-upovnovazhenogo-z-prav-lyudini-shchodo-vidkrittya-prioritetnih-dlya-prozoroyi-i-pidzvitnoyi-vidbudovi-naboriv-vidkritih-danih

8. Build Back Better as a principle of reconstruction

Ukraine has endorsed Build Back Better (BBB) politically, but in practice it remains vague and largely rhetorical, with reconstruction mostly following existing national standards rather than transformative approaches. At the same time, RDNA indicates the need to consider the BBB approach, but has no clear definition of what stands behind. Progress toward BBB is constrained by the ongoing war, slow adoption and application of EU standards, fragmented governance, insufficient consideration of climatic and environmental factors in the spatial planning process, limited impact of strategic plans on practice, and local capacity gaps. Still, donor-driven projects and emerging solutions, such as decentralised renewables and green construction pilots, show BBB's potential if clearer benchmarks and EU-aligned sustainability requirements are applied and scaled, alongside strengthened institutional capacity.

8.1. Definitions and legal status

"Build Back Better is the use of the recovery, rehabilitation and reconstruction phases after a disaster to increase the resilience of nations and communities through integrating disaster risk reduction measures into the restoration of physical infrastructure and societal systems, and into the revitalisation of livelihoods, economies and the environment." (Definition by the United Nations Office for Disaster Risk Reduction[35]).

- From the perspective of post-disaster infrastructure reconstruction, the Build Back Better (BBB) principle combines elements of (1) disaster risk reduction, as reflected in the UNDRR definition, (2) sustainable development, and (3) social inclusion[36]. As noted in the OECD post-COVID recovery report[37], BBB emphasises evaluating current decisions against long-term sustainability and resilience outcomes, for example, to avoid investments that lock in high-emission infrastructure or threaten biodiversity. Within the scope of this report, the analysis focuses primarily on sustainability and selected social dimensions of BBB. This focus is intended to counterbalance the short-term urgency that has been shaping reconstruction processes by emphasising longer-term solutions and resilience, while remaining within the scope of reconstruction governance architecture addressed in the report.

[35] United Nations Office for Disaster Risk Reduction (UNDRR), The Sendai Framework Terminology on Disaster Risk Reduction, "Build back better", 2017, https://www.undrr.org/terminology/build -back-better

[36] Der Sarkissian, R.; Dabaj,A.; Diab, Y.; Vuillet, M, Evaluating the Implementation of the"Build Back Better" Concept for Critical Infrastructure Systems: Lessons from Saint-Martin's Island Following Hurricane Irma, Sustainability 2021,13, 3133, https://doi.org/10.3390/su13063133

[37] OECD, "Building back better: A sustainable, resilient recovery after COVID-19", OECD Policy Responses to Coronavirus (COVID-19), OECD Publishing, Paris, 2020, https://doi.org/10.1787/52b869f5-e

- Social surveys conducted in 2023 and 2024[38] show that **more than half of Ukrainians prioritise the reconstruction of cities and housing with a focus on safety, energy efficiency, and environmentally friendly approach**. However, only around one-third of respondents explicitly support post-war reconstruction guided by the "build back better" principle. While BBB nevertheless ranks among the top three perceived reconstruction priorities alongside fighting corruption and incorporating the views of local hromadas, this gap suggests that the concept is not fully understood. The results indicate that BBB is often interpreted narrowly or inconsistently by society and decision makers alike, which helps explain the ambiguity surrounding its practical meaning and application, as discussed below.

- **The term BBB was introduced as one of the principles of Ukraine's** reconstruction in the summer of 2022 and has become a declarative commitment of Ukraine in the Lugano Declaration[39]. Since then, Ukrainian government representatives have publicly used this term to show that reconstruction should be an opportunity not just to rebuild the infrastructure and built environment but also to modernise them. In the RDNA5, BBB signifies reconstruction with better standards and is integrated into the sectoral assessments, even though the World Bank does not specify which 'better standards' they account for in their assessments.

- Figure 8.1 illustrates the complexity of the BBB approach in the reconstruction. **Building resilience** can be achieved using sustainable or non-sustainable activities and technologies. At the same time, sustainability is a broad concept that encompasses different components: environmental (low-carbon, green, circular), economic and social aspects. The latter, for example, also includes the accessibility of reconstructed buildings and infrastructure, e.g., for people with disabilities, which has become an acute need for Ukraine.

- One of the earliest and well-developed practical approaches to implementing BBB in reconstruction was proposed in 2023 in the *methodological recommendations for the Liquidation Fund for the Consequences of Armed Aggression project prioritisation*[40]. The guidelines, developed based on the World Bank's Infrastructure Prioritisation Framework, combined socio-environmental and financial-economic criteria. The tool provided a structured approach to assessing and ranking projects across multiple parameters, including environmental impact, climate resilience, inclusive access, and innovation potential. However, the recommendations remained voluntary and were not applied systematically in project prioritisation, as mentioned earlier in the report.

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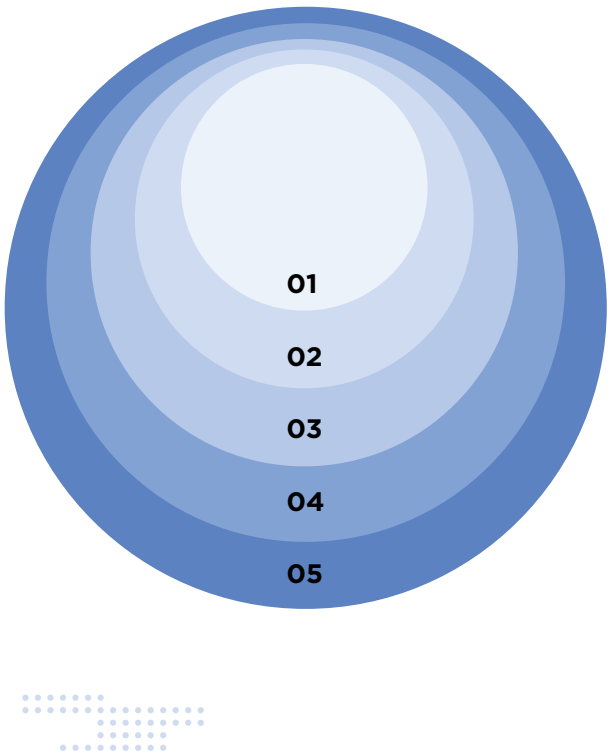
[38] Resource and Analysis Center "Society and Environment" NGO and "DIXI GROUP" NGO, European Future of Ukraine: Environment, Energy, and Post-War Reconstruction through the Eyes of Citizens, 2024, https://rac.org.ua/en/war-and-post-war-reconstruction/european-future-of-ukraine-environment-energy-and-post-war-reconstruction-through-the-eyes-of-citizens/

[39] Swiss Federal Department of Foreign Affairs, Presentation of the Lugano Declaration as a political framework for reconstruction in Ukraine, 2022 https://www.eda.admin.ch/countries/taiwan/en/home/news/news.html/content/eda/en/meta/news/2022/7/5/89624

[40] Order of the Ministry for Development of Communities and Territories of Ukraine "Methodological Recommendations on the Project Prioritisation for the Liquidation of the Consequences of Armed Aggression of the Russian Federation against Ukraine" dated 20.10.2023 No. 964, https://zakon.rada.gov.ua/rada/show/v0964938-23#n64

Figure 8.1. Layers of the post-conflict BBB recovery framed from a climate perspective.



01 Low-carbon
Public and private entities are consciously reducing their carbon impact

02 Circular
Optimal management of material, energy, information and monetary flows and stock

03 Green
Improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities

04 Sustainable
Provides not just economic, but social benefits for present and future generations

05 Resilient
Ability to adapt and recover from the unfavourable effects of adverse external shocks and to exploit positive shocks in its favour

Source: built by the Ukrainian Climate Office experts in the report Review and analysis of existing plans, strategies for green recovery in Ukraine (2024), based on Zisopoulis K., et al., 2022, UNEP, 2011, Diaz Valvidia A., 2022, Brigulio L., 2009.

- In 2023, the Ukrainian government announced[41] a comprehensive reconstruction of six cities and towns as "pilot projects to be rebuilt better". The project was publicly communicated as a BBB effort, emphasising renewal rather than simple restoration. However, the official government decree[42] regulating this experimental project contains no reference to this concept or to core elements such as sustainability, resilience, integrated planning, or hromada-oriented development. The pilot settlements carried out a mix of repair work and entirely new construction in accordance with existing national standards, rebuilding damaged homes, apartments, public buildings, roads, and infrastructure, while also constructing new houses and facilities from scratch. Some of the facilities, which were already rebuilt, do not fully follow the BBB principle do not ensure accessibility for people with disabilities.

[41] Cabinet of Minister of Ukraine. Six settlements identified for comprehensive reconstruction according to the new principles, — Prime Minister, 2023, https://www.kmu.gov.ua/news/vyznacheno-shist-naselenykh-punktiv-de-vidbuvatymetsia-kompleksne-vidnovlennia-za-novymy-pryntsypamy-premier-ministr

[42] Resolution of the Cabinet of Ministers of Ukraine "On the implementation of the experimental project for the restoration of settlements that suffered as a result of the armed aggression of the Russian Federation" dated 25.04.2023 No. 382, https://zakon.rada.gov.ua/laws/show/382- 2023-%D0%BF#n16

- Later, the government attempted to incorporate the definition of BBB into the Draft Law "On the Fundamental Principles of Ukraine's Recovery" (2024) and the Draft Law "On the Principles of Green Recovery in Ukraine" (2025). The first draft law, however, did not incorporate the substantive elements of the BBB principle and was primarily focused on introducing the digital DREAM system as a tool for transparent and accountable initiation, financing and monitoring of reconstruction projects at all stages. The second initiative, despite being announced publicly, remained a concept and was never fully formalised or registered as a draft law. Consequently, neither attempt progressed beyond initial public consultations.

- **While officials continue to use the term BBB in public communication, its interpretation varies considerably across sectors, resulting in a wide range of possible meanings**. In this discourse, the BBB principle is frequently used as a broad narrative frame rather than as a well-defined, operational concept. It often serves as a rhetorical reference point for both domestic audiences and international partners yet lacks substantive policy content or clear implementation mechanisms. As a result, BBB is commonly paired with other sustainability-related notions — such as the circular economy, sustainable development, the European Green Deal, energy efficiency, environmentally friendly reconstruction, and so on. Yet building back better is more than a separate element; it serves as an overarching framework that integrates all these dimensions.

- **For Ukraine, the most important framework in defining BBB remains the EU's strategic policy frameworks**. The EU's understanding of BBB for Ukraine is formalised in Ukraine Facility regulation[43], which frames reconstruction as a transformative process directly aligned with the country's path toward EU membership. The principles of BBB support the structural reforms required for accession, while the accession framework provides the policy, institutional, regulatory and financial architecture needed to operationalise BBB. One of the specific objectives of Ukraine Facility is a transition to a sustainable, climate-neutral and inclusive economy - a goal that simultaneously advances both BBB implementation and compliance with EU acquis requirements.

- Under the **Ukraine Facility** mechanism, the EU treats recovery as an opportunity to modernise institutions, strengthen resilience, and place people-centred climate and environmental objectives at the heart of reconstruction, thereby requiring a sustainable and just green transition across all sectors towards climate neutrality. At least 20% of the overall amount from the Ukraine Investment Framework and investments under the Ukraine Plan should, to the extent possible in a war-torn country, contribute to climate change mitigation and adaptation, environmental protection, including biodiversity conservation, and the green transition. The Facility should not support activities or measures which promote investments in fossil fuels, or that do not respect the principle of 'do no significant harm' (i.e. alignment with the EU Taxonomy). At the same time, the mechanism itself does not provide an effective tool for monitoring and verifying the allocation of funds, making it impossible to check whether they are being used in accordance with the principles laid down in the mechanism.

[43] European Union, Regulation (EU) 2024/792 of the European Parliament and of the Council of 29 February 2024 establishing the Ukraine Facility, 2024, http://data.europa.eu/eli/reg/2024/792/oj

- On the **practical side and based on EU approaches**, to implement the BBB principle, Ukraine should have, among other things, established mandatory minimum sustainability requirements for all reconstruction projects; aligned reconstruction framework with the national climate governance framework; integrated climate and environmental-risk assessment tools into national, regional, and local planning; embedded sustainability in public procurement; invested in professional climate and environmental expertise; prioritised standardising of recovery and reconstruction principles aligned with international climate policy and EU requirements[44]. The methodological recommendations[45] for conducting an analysis of the environmental consequences and impacts of implementing public investment projects were adopted in a manner consistent with the 'do no significant harm' principle. However, they are still to be meaningfully operationalised[46].

- At the same time, international partners would have needed to ensure that financing criteria were aligned with European sustainability standards. In practice, however, none of these measures has been fully put in place, and in certain areas, such as environmental impact assessment (EIA) and strategic environmental assessment (SEA), which form the foundation of sustainable reconstruction, steps have been taken that risk weakening existing safeguards[47]. The sections below outline the key obstacles that have prevented a BBB implementation.

8.2. Key challenges

- The practical implementation of the BBB principle has faced a number of systemic, institutional, economic and operational barriers. Most importantly, the continuation of russia's war against Ukraine is leading to further destruction.

1. Absence of an operational framework and benchmarks

  - No benchmarks, minimum criteria, or enforceable standards define what counts as "better" reconstruction in practice.

[44] Riabchyn, O., & Kulaha, D., Green recovery of Ukraine: guidelines and tools for decision makers, Kyiv, KSE 2023, https://www.undp.org/sites/g/files/zskgke326/files/2024-04/undp-ua-green-recovery-ukr.pdf

[45] Order of the Ministry of Economy, Environment and Agriculture "On the approval of methodological guidelines for conducting an analysis of the environmental consequences and impact of a public investment project on the natural environment, and an analysis of compliance with requirements regarding inclusivity and accessibility, as well as alignment with the Sustainable Development Goals, during the preparation of a public investment project at national, regional and local levels" dated 28.08.2025 No. 353, https://mindev.gov.ua/upravlinnia-publichnymy-investytsiiamy/metodychni-rekomendatsii

[46] Green Transition Office, Analysis of Climate Integration in DREAM Projects, April 2026, https://gto.dixigroup.org/en/news/analiz-intehratsii-klimatychnoi-skladovoi-u-proiektakh-dream

[47] WWF-Ukraine and NGO Ecoclub, On Compliance with EIA and SEA Rules in Ukraine, Analytical paper, 2025, https://wwfeu.awsassets.panda.org/downloads/analytical-paper-on-compliance-with-eia-and-sea-rules-in-ukraine.pdf?18630916/EIA-SEA-analytical-rep

- Line ministries, local authorities, and implementing agencies lack operational instruments, such as risk-assessment tools, sustainability checklists, or climate proofing methodologies, required to apply the BBB consistently across sectors.

- The lack of clarity has led to sector-specific and ad hoc interpretations of BBB, which often reduce the concept to generic sustainability goals rather than a cross-cutting reconstruction paradigm.

- The absence of a clear definitional framework, conditionalities, and verification mechanisms creates space not only for overly broad or selective interpretations of the BBB principle but also for its instrumental misuse—including attempts to reinterpret or narrow existing environmental and procedural standards under the guise of "reconstruction needs."

This gap between political commitment and regulatory practice limits the ability of state actors, donors, and contractors to plan, finance, and evaluate interventions in line with BBB principles.

2. Slow progress in adopting and implementing European norms and standards

- Building back better requires reconstruction that aligns with EU standards and policies, especially in energy efficiency, infrastructure safety, inclusivity, climate resilience, and environmental protection. Although Ukraine is committed to the progressive adoption of the EU acquis:

    - The implementation of European construction and infrastructure standards is slow and uneven across sectors.

    - Many local permitting systems and technical norms still rely on outdated Soviet-era or national standards that do not incorporate climate-resilience, inclusivity, or resource-efficiency requirements. The new modern city code concept has been developed by the MPs and a wide range of experts, but its implementation and draft law preparation are delayed by limited cooperation between the authors and the Ministry for Development.

    - The lack of clear guidance on how reconstruction should comply with the EU Taxonomy, the Do No Significant Harm (DNSH) principle, or other sustainability provisions leads to uncertainty for contractors and investors. The DNSH-alike methodology for environmental impact assessment of public investment projects adopted in August 2025 is still not widely used either during project preparation or during project assessment and selection[48].

[48] CEE Bankwatch, T&E and NGO Ecoaction, Ukraine's public investment: management reform Sectoral analysis of the Single Project Pipeline, Briefing, February 2026, https://bankwatch.org/publication/ukraine-s-public-investment-management-reform-sectoral-analysis-of-the-single-project-pipeline

This misalignment reduces the transformative potential of reconstruction and risks locking Ukraine into obsolete infrastructure.

3. Fragmentation of governance and weak integration with climate and environmental planning

- The BBB principle requires integrated planning that links reconstruction to climate governance, environmental safeguards, the SDGs, and long-term development goals. In Ukraine, this integration remains incomplete:
    - Reconstruction planning is not yet aligned with the national climate governance framework, and sectoral reconstruction strategies rarely include climate-risk assessments.
    - Environmental and climate considerations are often treated as external, optional, or "add-on" elements, rather than mandatory components of project design.
    - Authorities at national, regional, and municipal levels lack shared methodologies, knowledge and capacity for identifying environmental risks, biodiversity impacts, or exposure to climate-related hazards acc. to the EU Taxonomy.

Without this integration, reconstruction decisions continue to replicate pre war vulnerabilities rather than reduce them.

4. Limited influence of strategic plans on actual reconstruction practices

- Ukraine has produced several strategic and policy documents outlining decarbonisation, energy transition, sustainable transport development, frameworks for sustainable agriculture and biodiversity conservation. However, these strategies have limited downstream effect on how reconstruction is implemented, due to:
    - Weak institutional mechanisms to translate high-level strategies into binding requirements for project design and procurement.
    - Public procurement practices that still prioritise lowest-cost rather than best-value or sustainability-driven criteria.
    - A shortage of technical, environmental, and climate expertise within implementing bodies leads to business-as-usual reconstruction approaches.

As a result, strategic ambitions rarely shape day-to-day reconstruction decisions.

5. Technical and capacity constraints at the local level

- The experience of the pilot towns[49] designated in 2023 to demonstrate BBB-oriented reconstruction shows how practical constraints and governance gaps impede transformative reconstruction .

    - The works were slowed by bureaucratic delays, unclear project-selection criteria, and fragmented or insufficient funding.

    - Local authorities faced staff shortages, limited technical capacity, and administrative hurdles, including ownership disputes and land-cadastre issues.

    - Wartime conditions (ongoing shelling, security risks, and disruptions to basic services) further restricted implementation.

  As a result, reconstruction largely consisted of standard repairs and new construction in line with existing national norms, without embedded sustainability or resilience requirements. The pilots highlight that without clearer standards, stronger capacity, and systemic reforms, flagship or other projects cannot operationalise BBB in practice.

- At the same time, in **projects (co-)funded by international donors or credit institutions, there are generally more opportunities to implement BBB approaches**, as donors increasingly expect reconstruction to go beyond simple restoration and to incorporate inclusive, energy-efficient, socially responsive, and functionally modern solutions. International partners also typically require strict compliance with their environmental and social safeguards, policies and standards, which further incentivise the integration of sustainability, risk-management, and inclusive-design principles into project planning and implementation.

8.3. Good examples to be scaled up

- Despite persistent structural barriers, a few emerging practices in Ukraine already demonstrate the transformative potential of BBB when sustainability, resilience, and modernisation are embedded into reconstruction decisions. These examples, although not yet systemic, illustrate practical pathways that could be scaled up through clearer standards, stronger institutions, and targeted financial support, including alignment with best EU practices and the Do No Significant Harm (DNSH) principle.

- One of the most promising areas is the **rapid development of decentralised renewable energy with storage**, driven primarily by households, hromadas, and businesses[50]. In

[49] Holovan, D., 'Building back better' reconstruction started two years ago: What was done (and what wasn't) in pilot towns, Article, Village, November 2025, https://www.village.com.ua/village/city/war/368885-vidbudovu-laquo-em-krasche-nizh-bulo-em-raquo-pochali-dva-roki-tomu-scho-zrobili-i-ne-vstigli-v-pilotnih-mistah

[50] Razom We Stand, Ukraine renewable energy tracker, 2026, https://razomwestand.com/res-tracker/

- One of the most promising areas is the **rapid development of decentralised renewable energy with storage**, driven primarily by households, hromadas, and businesses[50]. In response to wartime energy insecurity, solar PV installations, battery storage systems, and small-scale hybrid solutions have expanded significantly, improving energy resilience and reducing dependence on centralised grids. However, for public buildings (hospitals, schools, administrative facilities), the absence of stable financing instruments, standardised design templates, and mandatory requirements limits replication. Embedding DNSH-compliant sustainability criteria, introducing dedicated financial products, strengthening sustainable public procurement, and establishing minimum energy-performance standards would enable these decentralised renewable models to serve as a backbone of resilient public infrastructure.

- The **increasing use of heat pumps**, both in residential settings and industrial processes, provides another strong example of how reconstruction can simultaneously modernise Ukraine's heating sector and reduce gas dependency. Heat pumps offer high efficiency, compatibility with decentralised energy systems, and the potential to integrate renewables into district heating networks[51]. Their growing adoption[52] reflects not only technological readiness but also shifting market incentives. Scaling this practice will require updated tariff policy, construction norms, financial incentives for low-carbon heating, and demonstration projects in municipalities preparing to reform district heating.

- A third area where BBB principles already translate into practice is the **electrification of infrastructure and industrial operations**. With wartime disruptions underscoring the high economic cost of power outages, electrification (supported by diversified generation and redundancy) has become more economically viable and socially desirable. Recent legislative improvements have reduced administrative barriers for grid upgrades and small-scale generation, enabling businesses and critical service providers to adopt more resilient electric solutions. These investments contribute not only to energy security but also to long-term climate alignment and integration with EU industrial value chains.

- The economic and social benefits of these emerging practices reflect the broader logic of BBB. High-efficiency buildings, modernised heating systems, low-carbon industrial technologies, and decentralised renewables improve resilience to shocks, reduce operational costs, and open new opportunities for Ukraine's integration into EU markets. Instruments such as the Energy Efficiency Fund of Ukraine, the Decarbonisation Fund, NEFCO's Green Recovery for Ukraine Programme, and Mykolaiv-Denmark Partnership already show how clear sustainability criteria and targeted financing can shift reconstruction toward energy-efficient, climate-aligned, and socially responsive solutions.

  Scaling such mechanisms while aligning them with EU sustainability requirements can help operationalise the BBB at the national level and anchor reconstruction in long-term competitiveness.

[51] Stepanenko, V., The future of heat supply in Ukrainian cities and towns lies with heat pumps, Article, Association "Energy Efficient Cities of Ukraine", July 2023, https://enefcities.org.ua/en/news/the-future-of-heat-supply-in-ukrainian-cities-and-towns-lies-with-heat-pumps/

[52] Stanytsina, V., et al., Comparative Analysis of Levelized Cost of Heat in Implemented and Calculated Heat Supply Systems with Heat Pumps in Ukraine, Energies 2025, 18, 1110, https://doi.org/10.3390/en18051110

8.4. Recommendations

As this chapter highlights, BBB must be clearly defined at the national level, with practical guidelines to ensure that reconstruction projects follow a long term "build back better" logic, rather than simply restoring what was damaged. Ensuring that reconstruction meets at least current standards and norms is an important first step. However, the next stage is to define core BBB priorities for Ukraine—such as adequate shelter, energy resilience, and accessibility—to guide a phased implementation approach and progressively raise ambition over time. As illustrated in the "Case study: Buildings" chapter below, BBB also needs to be sector-specific and grounded in a systemic approach, based on improved strategic and spatial planning, with implementation supported by adequate quality standards, financing, and institutional capacity.

1. Establish a clear national framework for BBB at the government level

- Adopt a legal definition and an operational translation of BBB in reconstruction at the government (Prime Minister) level, with alignment with UNDRR and EU standards.
- Define minimum BBB criteria (including safety, sustainability, resilience and inclusivity) for priority reconstruction projects, such as critical infrastructure facilities.
- Establish sector-specific policy benchmarks and verification mechanisms for BBB implementation. Roadmap for the Sustainable Recovery of Ukraine[53] could serve as a reference.
- Avoid dilution of existing environmental standards (including EIA and SEA) as an essential BBB element. Enhance them by introducing instruments that are part of EU policy and the DNSH principle.

2. Embed BBB into governance, planning, and decision-making systems

- Integrate priority BBB elements into the Single Project Pipeline's project prioritisation within the PIM reform. The methodological recommendations for the Liquidation Fund for the Consequences of Armed Aggression project, prioritisation, and the EU Taxonomy DNSH approach could serve as a reference.
    - Introduce mandatory sustainability-oriented public procurement rules (best value rather than lowest cost) for priority measures that contribute to the BBB, such as energy efficiency and resilience.

[53] Build Ukraine Back Better Platform, Roadmap for the Sustainable Recovery of Ukraine, July 2025, https://buildukrainebackbetter.org/publications/roadmap-for-the-sustainable-recovery-of-ukraine

- Ensure that donor coordination and project financing criteria align with BBB principles through agreed-upon frameworks, including at the Ukraine Donor Platform level.

- Establish unified methodological guidance for applying BBB principles across sectors (energy, infrastructure, water, land use) to ensure consistent decision-making.

- Embed monitoring and reporting mechanisms for BBB implementation, including measurable indicators, to track compliance and outcomes at project and system levels.

- Promote transparency and public participation in decision making processes related to BBB-aligned investments, including access to relevant data and assessment results.

3. Promote and scale up successful practices

- Translate BBB principles into practice via pilot and demonstration projects at the local level.

- Integrate successful pilot approaches into national and sectoral programmes, ensuring their transition from isolated cases to standard practice.

- Scale up successful practices through standardised templates, financial instruments, and partnerships with donors and IFIs.

- Strengthen partnerships with IFIs and donors to scale programmes such as the Energy Efficiency Fund and NEFCO's Green Recovery programme.

- Strengthen technical assistance and advisory support for local authorities to design and implement scalable BBB-aligned projects.

4. Build institutional capacity for BBB implementation

- Define clear institutional responsibilities for BBB implementation at central and sectoral levels, including a designated coordinating authority for reconstruction policy and oversight.

- Strengthen the capacity of line ministries and regional authorities to integrate BBB principles into planning, appraisal, procurement, and project implementation processes.

- Establish permanent technical support mechanisms (e.g. advisory units or helpdesks) to assist public authorities and project promoters in applying BBB requirements.

- Strengthen inter-institutional coordination mechanisms (central–regional–local) to ensure consistent application of BBB across sectors and levels of governance.

- Integrate digital tools and data systems to support planning, decision making, and tracking of BBB-aligned investments.

5. Establish a robust monitoring, reporting, and accountability system for BBB

- Define a standard set of measurable BBB indicators applicable to all priority reconstruction projects.

- Introduce mandatory ex-ante screening of projects for compliance with BBB principles.

- Establish ex-post evaluation requirements to assess whether BBB objectives have been achieved in implemented projects.

- Ensure regular public reporting on BBB implementation, including progress against indicators and the use of public and donor funding.

- Introduce independent verification and audit mechanisms to assess compliance with BBB criteria and prevent formalistic application.

- Enable access to data and strengthen public oversight mechanisms, including civil society monitoring and stakeholder feedback.

9. IFIs in reconstruction governance

9.1. Status of international aid for Ukraine's reconstruction

- **Ukraine's reconstruction is supported by a broad ecosystem of international partners, including sovereign states, IFIs, global intergovernmental organisations, municipalities, private donors and different implementing organisations.** Foreign donors act as financiers, but also as rule setters, project-preparation partners, guarantors of private risk, and implementers of local reconstruction, acting via multiple delivery channels[54]. Obviously, this supplements an array of domestic initiatives at the national and regional levels, as well as purely humanitarian and crisis relief aid from different sources.

- **Ukraine is considered a top operational priority for IFIs with emphasis on economic governance** as a critical pillar for both wartime resilience and (post-war) reconstruction. For example, the recent EBRD's (draft) Economic Governance strategy emphasised EU integration alignment, financial sector reforms, anti-corruption initiatives, a strong commitment to institutional strengthening, and sectoral transformation.

- Of the limited sample of 8086 active projects submitted to DREAM and BRP.org.ua in pilot mode by 3Q2025, 30% of the funding was provided by various international actors. Such a multitude of participants, each with their own funding, selection, tendering and reporting rules and conditionalities, imposes a dramatic challenge of donor coordination, which was acutely recognised starting the first events aimed at meeting both urgent and systemic Ukraine's recovery needs.

- **The EU's EUR 50 bn Ukraine Facility Regulation contributes to the framework for Ukraine's reconstruction by providing funding for budget support, investments, and CSO support.** It is structured into three pillars: Pillar I provides direct budget support tied to structural reforms within the Ukraine Plan, Pillar II mobilises private and public reconstruction investments via financial guarantees through the Ukraine Investment Framework (UIF), and Pillar III funds technical assistance for EU accession. The EU Ukraine Facility also supports and aligns the strategic direction of the G7 Ukraine Donor Platform (UDP) international aid with Ukraine's domestic reform agenda. The Ukraine Plan envisages the PIM Reform to improve the effectiveness, timeliness, and substantiation of investment decisions in the public sector, across projects and investment programs. Ukraine's Investment Framework is implemented through the international financial institutions (IFIs), such as the World Bank, EBRD, EIB, IFC, and other public development institutions, and EU guarantees.

- **The World Bank's 2026 Rapid Damage and Needs Assessment (RDNA) directly emphasises the Build Back Better (BBB)** framework, which integrates energy efficiency, sustainable infrastructure, and environmental safeguards. The EBRD, through its newly adopted Green Economy Transition Approach, and the EIB, through its Green Growth funds 2021-2030, firmly prioritise and promote the reconstruction and green energy transition in Ukraine, aiming to build a competitive, low-carbon, and resilient economy.

[54] As an example, it includes the European Union through Ukraine Facility, Multilateral Development Banks as World Bank, EBRD and EIB, International Monetary fund, Governments of Germany, UK, Norway, Japan and others through bilateral agencies and programs, Partner Municipalities, philanthropic foundations, etc.

9.2. Existing coordination initiatives

- **There is a wide array of coordination platforms with varying levels of formality and activity. Below, some of them are described.**

- The most well-known is the **Ukraine Donor Platform**, established in December 2022 by G7 leaders and currently bringing together 25 permanent and temporary members and observers, with seven international financial institutions and organisations participating in its work. It is the only mechanism with the formal Secretariat (in Kyiv and Brussels) and boasts regular, roughly quarterly meetings, with the latest held on Mar 25th, 2026. It also has a complex internal structure of working groups and coordination mechanisms, with 2 most prominent devoted to energy sector support and IFI coordination.

- **Project selection and approval bodies, while not a coordination mechanism per se, play a role as they bring together international and Ukrainian stakeholders** and provide a framework for needs and response prioritisation at the project level. The Ukraine Investment Framework (UIF), with over EUR 8.4bn approved, is the largest such mechanism, as are EIB's Ukraine Recovery III, Water Recovery, District Heating, and others.

- **Energy Support Fund is the key platform to coordinate assistance for reconstruction and recovery of the energy sector in Ukraine after russian attacks.** It provides all types of support, including new and used equipment.

- Other, l**ess formal or ad-hoc coordination mechanisms range from international high-level political meetings** (i.e. so-called Energy Rammstein) to humanitarian aid coordination (i.e. Humanitarian Needs and Response Plan by OCHA) to local state initiatives (i.e. German Platform Wiederaufbau Ukraine aimed at stakeholder coordination). It is worth also noting the informal leadership of selected countries on reconstruction efforts in separate Ukrainian regions, out of which by far the most active is Denmark's partnership with Mykolaiv.

9.3. Identified problems and challenges

- **Overall, this coordination tends to concentrate on top-level political decision-making and capital mobilisation, often linked to a broader reform and conditionalities agenda.** Most donors acknowledge that at this level, coordination is happening, and although there are some struggles, most stakeholders have a decent level of cooperation.

- **However, as reported especially by local authorities, there is a substantial vacuum of coordination and governance of the implementation levels,** where resource allocation is not proportionate to needs, different initiatives exist separately from each other, and even data on project delays or problematic beneficiaries is not available between separate funders and IFIs. As an example, risky contractors within one procurement mechanism can be perfectly valid within another IFI's tendering rules. Hromadas that have a history of failed projects with one donor may receive a 'fresh start' with a new one.
- **This is indirectly evidenced by constant proposals to make more specific coordination groups with varying levels of formalism** - from then Prime Minister Shmyhal's proposal in 2024 to make a Recovery Task-Force and separately an Advisory Group at the Agency

for Restoration to WhatsApp groups and mail-lists regarding Kakhovka Dam destruction response in 2023.

- **Such implementation level coordination vacuum is expected to be filled in by the Ukrainian side with the introduction of the Single Project Pipeline and PIM reform supported by DREAM as an electronic foundation.** While ambitious and promising, such project prioritisation, risk management and financing readiness approval is still at the fledgling state. As an example, the 2026 Single Projects Pipeline includes 149 initiatives worth $260bn, which can hardly be viewed as a realistic target for current donor programs and thus allows them freedom to 'shop' for smaller projects to their liking.

- **Sectoral strategy coordination and regional/hromada development plan coordination seem to be specific challenges.** Often, international actors fund projects based on the availability of suitable construction plans or the reconstruction of previously existing social infrastructure without a clear link to future plans or global developments (i.e. closing of smaller schools, security risks or population migration). In most egregious cases, it leads to funding of projects that can't be legally put into operation at all due to changing regulations and legal requirements, such as financing for rebuilding of schools without operational bomb shelters.

- **Broader alignment of procedures and project preparation and implementation guidelines between different international partners is also advisable to improve the speed and quality of reconstruction projects progression:**

    - EIB is the only IFI that meaningfully embraces Prozorro, Ukraine's procurement system, albeit with important changes to the procedure.

    - Green / gender / SME / circular economy and other quality procurement criteria differ substantially between different funding partners. Moreover,the mechanistic copy-paste of such requirements from other countries leads to a dramatic decrease in competition or failed procurement altogether.

    - Complex project submission criteria work as a barrier, especially for smaller and war-damaged hromadas and several Project preparation facilities by different IFIs fail to address this problem at the regional level.

    - Similarly, such hromadas lack the capacity to work with IFIs and other foreign partners. Project selection mechanisms often give honest, poor-grade appraisals to regional projects but lack any efficient mechanisms to improve and nurture them, aside from online training for local authorities. The latter often result in the intended consequences of brain drain when newly trained people leave for more secure regions or private sector jobs.

    - The idea of embedding sectoral experts in key ministries was proposed, supplementing reform support teams (RSTs) that have operated within selected ministries for almost 10 years already. However, there should still be proper consideration and alignment of such initiatives with the public administration reform and potential conflicts of interest and sustainability issues.

- Transparency in project selection is also uneven between different international partners. Even for the UIF, its website provides limited information on the programs approved by the Steering Committee, with the approved projects' evaluation, risks and merits not being obvious for outside users.

- Anticorruption procedures and information sharing are also not coordinated well between many project selection mechanisms - as an example, EBRD recently approved financing within UIF for the Varshavsky residential project in Kyiv by the Stolitsa Group developer, a company under investigation by the National Anti-Corruption Bureau of Ukraine for alleged land misuse and corruption. This has raised considerable concerns among Ukrainian civil society and is currently being investigated by the OCCO mechanism in the Bank. The available project information lacks sufficient detail on integrity risks, undermining transparency and the Bank's own governance standards.

9.4. Recommendations

- Agree on common standards, interoperable transparency systems, and clearer accoun-tability of donors and IFIs for the impacts of their financing according to the unified framework that is public to civil society, along with other social and economic partners:

- Developing a clear public tracker of committed and disbursed funds within multiple delivery channels by international partners. Such a mechanism may be based on openaid.gov.ua, paused with the start of the full-scale invasion, or a similar me-chanism to aggregate all results of international assistance[55];

- Providing access to project and program proposals upfront of the approval by the UIF Steering Committee. Further, the communication channel for potential concerns has to be launched on the UIF website, with obligatory feedback to the complainants.

- IFIs should strengthen cooperation with Ukrainian anti-corruption bodies, ensure enforce-ment of procurement and integrity rules, suspend financing where inves-tigations are on-going, and apply stricter and uniform due diligence to private counterparts.

- Agreeing on and actively pursuing the usage of the 'donor' procurement procedure in Prozorro will dramatically ease participation for contractors, lead to higher competition and potentially lower prices and higher quality.

[55] Currently https://reformmatrix.mof.gov.ua/en/support- map shows only names of aid programs and high-level statistical information without any details about what these projects are, what their results are, relevant application or cooperation mechanisms, etc.

- Finally, a joint results assessment mechanism for all provided aid (i.e., by the Ukraine Donor Platform) may provide an important accountability layer to push for better and more efficient delivery channels and implementation mechanisms, including the reduction of implementer fees by selected international partners.

- Ensure that DREAM and the Single Project Pipeline are the primary sources of projects for all international aid to avoid cherry-picking and elbow-rubbing in the competition for the disbursement of funds. However, the Single Project Pipeline approach should not become so rigid that even minor expenditures require PIP formulation, which would waste resources for already overburdened beneficiaries.[56]

- Consider that IFIs and other donors simultaneously allocate funds to support competence centres and project preparation/improvement teams aimed at hromadas and less capable beneficiaries. In many cases, urgent recovery requires physical assistance with project preparation rather than gatekeeping against weak projects.

- Centralise quality assurance and project preparation support in areas such as inclusivity, sustainability, climate and circular economy to ensure that the BBB approach is embedded in each project. Donors and IFIs should consider creating agile and flexible funding opportunities for green reconstruction pilots initiated by hromadas, NGOs, or businesses.

- Strengthen the transparency of financing channelled through intermediaries. For reconstruction and recovery funds provided through commercial banks, investment funds, or other intermediaries, reporting should gradually improve disclosure of end beneficiaries, supported sub-projects, selection criteria, financing volumes, and expected results, while taking into account legitimate confidentiality constraints.

[56] There are cases when humanitarian aid worth no more that tens of thousands of euro is provided with the requirement it becomes a PIP

10. Case studies: Reconstruction in sectors

10.1. Case study: energy sector

Governance

- **The energy sector recovery and reconstruction should be aligned with Ukraine's EU accession pathway and shaped by a comprehensive, coherent, and steady institutional framework that is clear and acceptable to all stakeholder groups involved in the process**: the Ukrainian government and society, domestic and foreign investors, international partners, etc. The National Energy and Climate Plan of Ukraine until 2030 (NECP), designed in compliance with Regulation (EU) 2018/1999 on the Governance of the Energy Union and Climate Action and adopted by the Ukrainian government in June 2024, provides such a framework.

- **NECP delivers clear signals about the national mid- and long-term priorities, key energy and climate targets, and the major policies and measures** that Ukraine implements to support the development of its energy and adjacent sectors. NECP targets and policies align with the Build Back Better principles, ensuring decarbonization, energy efficiency, security, market integration, and energy affordability. To ensure the NECP becomes a key policy document and an effective instrument that improves governance and coordination, creates favourable conditions, and attracts investments required for energy sector and reconstruction, the Ukrainian government should establish robust reporting on NECP implementation embedded in the relevant European reporting system. Additionally, lower-level policy documents and plans should be aligned with the NECP.

- **Municipal Energy Plans (MEPs) and Comprehensive Regional Resilience Plans establish a new level of multi-tier governance for the reconstruction of the energy sector**. MEPs provide horizontal coordination at the municipal level, aligning local needs with national energy and climate policy objectives. They form the strategic foundation for the energy transition by translating national priorities into concrete local investment portfolios, including district heating modernisation, improvements in building energy efficiency, the development of distributed generation, and the integration of renewable energy sources.

- **Comprehensive Regional Resilience Plans create a vertical governance framework designed to operate under wartime risk conditions and to ensure the uninterrupted functioning of essential public service systems**. Their architecture covers four key pillars: protection of critical infrastructure, expansion of distributed generation, uninterrupted heat and water supply, and secure gas supply.

    - The Government has introduced an experimental implementation framework with a two-year horizon, including the establishment of a Coordination Centre, the application of a resilience index, and the development of standardised project solutions. This framework is intended to accelerate implementation and standardise technical approaches across regions. The institutional model provides for a clear division of responsibilities among the Ministry for Development as the coordinating authority, the Ministry of Energy, the State Agency for Restoration, NEURC, regional and municipal administrations, and operators of critical infrastructure.

- A key element of the framework is the introduction of simplified project delivery procedures, including the use of standard design solutions and replicable project models, as well as the partial streamlining of permitting procedures for construction, land use, and grid connection. Financing is provided through state and local budgets, international support, dedicated funds, and banking instruments, with a minimum level of co-financing from local budgets to ensure local ownership and implementation commitment.

- Energy sector reconstruction rests on both national and regional policy documents, and their implementation is linked to the institutions described.

Key approaches

- The scale of Ukraine's energy sector reconstruction is defined by the dual challenge of recovering from unprecedented systemic destruction and executing a rapid transition to a decentralised, low-carbon model.

- The energy sector is critical to Ukraine's economic resilience and recovery. Extensive damage to generation assets, grids, and district heating systems has made reconstruction not only a necessity but also a strategic opportunity for structural modernisation. Given that the Soviet-era infrastructure proved its vulnerability to war risks, the reconstruction of Ukraine's energy system while improving its decarbonisation, resilience, and affordability requires diversification through the rollout of distributed energy resources and **transition to the optimal combination of utility-scale and decentralised energy solutions.** Current reconstruction efforts combine emergency restoration with the expansion of decentralised and distributed generation, BESS, improving system flexibility and reducing overall vulnerability. At the same time, energy efficiency measures are being implemented, but have not yet become a systemic priority compared to supply-side expansion.

- **The Energy Efficiency First principle should be adopted as a mandatory decision-making framework.** It is a practical implication of the "Build Back Better" principle in the sector. Before investing in new generation or grid capacity, demand reduction and consumption optimisation options should be systematically assessed. Deep building renovation, demand-side management in district heating systems, industrial energy-efficiency improvements, and the deployment of smart grids should be treated as core energy-security instruments that reduce peak loads and enhance system resilience, rather than solely as climate-policy measures.

New technologies

- Ukraine faces technology limitations in the energy sector. The existing mix is either not available to the needed extent or not supplying the needed in a sustainable manner. For that reason, Ukraine requires active cooperation with home and global research and development centres to achieve mutually beneficial outcomes, identifying, piloting, and developing into production future-proof energy technologies and approaches. DiXi Group explored one of such avenues together with the Massachusetts Institute of

Technology[57], developing strategic cooperation, identifying teams and technologies, examining and finding a good fit for them as well as introducing them to Ukrainian stakeholders.

- The structural transformation of Ukraine's economy towards reducing carbon emissions is impossible without changes in the district heating sector, which is currently entirely dependent on fossil fuels, with around 95% of thermal energy generated from natural gas. Bringing the heating sector into line with EU requirements necessitates the creation of highly efficient district heating systemsthat combine renewable energy sources, waste heat, and high-efficiency cogeneration. By 2050, district heating systems must have fully transitioned to renewable energy and waste heat.

- However, the introduction of new energy sources based on renewable fuels and waste heat faces a number of barriers – technical, economic and legal. This is particularly true of new technologies whose technical solutions are not yet widely implemented in district heating. Geothermal energy is one such technology. An analysis of possible development paths for district heating shows the important role of geothermal energy in the decarbonisation of district heating. Geothermal energy can be used as a base load energy source for heating and hot water supply, drawing on the earth's consistent thermal energy regardless of weather conditions.

- Supporting the integration of geothermal technology into district heating systems, including through the implementation of demonstration projects, will help identify the best standardised solutions for replication and establish requirements for other equipment and operating modes (for example, the need to switch to low-temperature heat supply schedules, the use of cogeneration, etc.) by district heating companies to ensure their optimal integration. It is another practical implication of the "Build Back Better" principle (described in *Chapter 8*) in the sector.

EU integration

- Ukraine has made significant progress in the EU integration process, mainly by developing and adopting legislative and regulatory acts that, in addition to aligning Ukrainian legislation with the EU acquis, also foster Ukraine's energy sector reconstruction.

- Key developments include the adoption of Law No. 4213, which introduced cable pooling, a mechanism for reserving connection capacity for wind farm projects, and the establishment of a GIS system to streamline connections to gas, electricity, and heat networks.

- Improvements were also made to renewable energy auctions, including allowing hybrid solar-plus-BESS systems to participate and easing financial guarantee requirements for bidders.

[57] https://dixigroup.org/en/analytic/rebuilding-ukraine-with-next-gen-us-energy-technologies-13-advanced-energy-technologies-relevant-for-ukraine/

- A major milestone was the adoption of legislation transposing the Electricity Integration Package, which incorporates nine EU energy acts essential for coupling the Ukrainian and EU electricity markets. Among other provisions, this legislation addresses the gradual removal of wholesale electricity price caps, clarifies ACER's role and powers in the Ukrainian market, and enhances the energy system's preparedness for crisis situations.

- Another important practical development aligned with EU practices was the first tenders for the construction of new electricity generation capacity, conducted by Ukrenergo to replace destroyed assets. In addition, the national regulator initiated reforms to separate the RES public service obligation (PSO) surcharge from the electricity transmission tariff, improving alignment with EU approaches to public service obligations.

- At the same time, several trends and policy decisions in Ukraine's energy sector remain inconsistent with EU best practices and may undermine efforts to attract the investment needed for reconstruction.

- These include continued price regulation in electricity and gas markets through PSO mechanisms, wholesale electricity price caps, and quasi-administrative instruments such as special auctions introduced for Ukrenergo to cover technological losses.

- Another key concern is the unpredictability of such regulatory interventions - for example, the unexpected revision of electricity price caps in mid-January 2026 - which increases investment risk and discourages long-term commitments. Corporate governance also remains a challenge.

- Controversial amendments to the charters of state owned energy companies (subsequently reversed), along with recent corruption scandals, highlight weaknesses in management and oversight. These issues have led to a broader reset of supervisory boards and executive management in state-owned enterprises.

- Overall, despite substantial progress in formally transposing EU legislation into its regulatory framework, Ukraine needs to intensify efforts to ensure the effective and consistent implementation of that legislation in practice.

Digital

- The significant volume of international assistance requires a shift toward integrated digital coordination to ensure the speed and scalability of reconstruction processes.

- The AidEnergy platform serves as a successful benchmark in this regard, having transformed the management of humanitarian aid into a streamlined digital workflow. Such digitalisation is necessary to streamline communication and coordination across multiple parties and ensure that equipment reaches end recipients without delay. Additionally, it provides real-time humanitarian aid management for the Ministry of Energy and visibility for donors.

- The Ukraine Energy Support Fund, established by the Energy Community Secretariat, provides a robust mechanism for the independent financial administration of procurement. While this model effectively reinforces mutual trust and alleviates the admi-

nistrative burden on Ukraine's human resources, increasing its "throughput capacity" requires establishing a fully integrated digital chain. This process must encompass everything from the initial submission of a procurement request by an energy company, through its review and approval, and its transition to the procurement phase. Furthermore, this must include a reverse feedback loop that provides real-time updates on procurement status and actual delivery. This will lay the basis for scaling up the support mechanism for Ukraine and will reduce the time required to process the ever-increasing number of requests

- Ultimately, given the high intensity of diplomatic and technical communication, transitioning to a structured digital tracking of partners' commitments – from initial pledge to final delivery – is essential. This is a prerequisite for the Ukrainian side to perform high-quality strategic planning and effectively synchronise international aid with domestic resource allocation.

Key sector recommendations

- The NECP should be treated as a central policy document for Ukraine, shaping its energy sector recovery and reconstruction in line with national energy and climate targets and policies, as well as the EU accession pathway. To strengthen coordination of the reconstruction at national and local levels, MEPs and Resilience Plans should be interconnected components of a single reconstruction governance system, aligned with national energy and climate strategies under the NECP umbrella. Further development of digital monitoring tools, standardised project prioritisation methodologies, a resilience index, and open data on financing and implementation would enhance transparency, improve resource efficiency, and support stronger engagement of international partners and the private sector.

- Improving Ukraine's energy system decarbonisation, resilience, and affordability requires diversification through the rollout of distributed energy resources and transition to the optimal combination of utility-scale and decentralised technologies. A key challenge for advancing hromada energy independence remains financing. In addition to public budgets and donor support, blended finance mechanisms, risk-sharing instruments, and greater participation of commercial banks are required. Integrating the Energy Efficiency First (EE1) principle into public and international financing frameworks would create predictable investment conditions, attract private capital, and ensure economically sound and sustainable sector reconstruction.

- Transition from reactive crisis management to a proactive procurement model: partners should prioritise the advanced procurement of typical critical energy equipment, specifically 35 kV+ power transformers with 3-12 months of production, and establish decentralised strategic reserves in neighbouring countries to ensure Ukrainian infrastructure operators can rapidly restore energy supplies.

- Streamline aid delivery through end-to-end digitalisation: Stakeholders should implement integrated digital workflows to manage the full lifecycle of assistance – from commitment or request submission to delivery tracking. This is essential to eliminate bureaucratic delays, synchronise partner commitments, and remove communication bottlenecks that slow down reconstruction.

- Ensure timely implementation of the recently adopted National Programme for Acquis Adaptation, inter alia, by engaging the knowledge and expertise of civil society.

- Establish regular independent and comprehensive analysis of State Owned Enterprises' compliance with OECD corporate governance guidelines[58].

10.2. Case study: transport sector – bridges

Context and key numbers

- Blown-up bridges are among the most recognisable images from the first weeks of the full-scale invasion in early 2022. Some were destroyed by Ukrainian defence forces to slow the invaders' advance, while others were hit by russian airstrikes. Rebuilding destroyed bridges on state roads became a symbol of the "rapid reconstruction" initiative declared by President Zelenskyy in April 2022, and 38 of them have indeed been rebuilt. Thousands more need to be rebuilt in the years to come. This case study explores how the government approached the task and what lessons can be learned from this experience.

- According to an audit by the Accounting Chamber of Ukraine, 198 bridge structures were damaged or destroyed due to military aggression as of 2025. Of these, 139 were located in government-controlled territories, and 60 were selected for the "rapid reconstruction" effort, with work commencing as early as the second half of 2022. As of 2025, 38 of these bridges (approximately 63% of the selected bridges) had been completed and put into operation. A total of UAH 16.8 bn was allocated and utilised for these reconstruction works. Consequently, the pace of bridge reconstruction is estimated at roughly 12 bridges per year.

Table 10.2.1. Rapid reconstruction of bridges in 2022-2025

Category	Number of bridges	Share of all damaged bridges
Bridge structures damaged or destroyed due to military aggression	**198**	**100%**
Of which: located in government-controlled territories	**139**	**70.2%**
Of which: selected for "rapid reconstruction"	**60**	**30.3%**
Of which: completed and put into operation by 2025	**38**	**19.2%**

Source: Accounting Chamber of Ukraine, https://rp.gov.ua/PressCenter/News/?id=3142

[58] https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/09/g20-oecd-principles-of-corporate-governance-2023_60836fcb/ed750b30-en.pdf

- The magnitude of the reconstruction needs is far greater than the table suggests. This includes not only war-related damage, but also the long standing deterioration of Ukraine's bridge stock caused by age, underinvestment, and insufficient maintenance. According to the governmental audit, 38% of bridges on state roads 2,047 out of 5,389 bridges - are currently in an "inoperable" or "limitedly operable" state. If Ukraine rebuilds 12 bridges per year, it will take 500 years to rebuild the deteriorated bridges on Ukraine's state roads, assuming the necessary funds are available. This does not include about 13,100 bridges that belong to local roads and communities.

Key players, governance and coordination mechanisms

- The **State Agency for Restoration and Development of Infrastructure (SARDI)** acted as the central executive body responsible for the rapid reconstruction of bridges. The Agency operates through its *branches* ***(Services of Restoration)*** in respective regions. It simultaneously serves as the:
    - asset holder (on behalf of the State of Ukraine),
    - decision-maker for prioritisation and planning (including key technical parameters, such as bridge dimensions, design capacity and construction technology),
    - developer of ToRs for design and construction works (when present),
    - customer (contracting party) for design and construction works,
    - project manager,
    - entity responsible for control and supervision.

- **The Ministry for Development of Communities and Territories of Ukraine** is formally mandated to develop public policy for the road and construction sectors, as well as in reconstruction. In this role, the Ministry is expected to set sectoral policy priorities, define strategic guidance for SARDI, monitor the Agency's performance, and ensure accountability for the use of public funds. However, the state audit by the Accounting Chamber of Ukraine found a lack of ministerial leadership in the following areas[59]:
    - **Strategic Priorities**: The Ministry did not define priorities for SARDI related to bridge reconstruction, resulting in "bridge restoration process in 2022-2025 was not sufficiently systematic, coordinated and result-oriented", the audit says.
    - **Oversight**: In 2022-2025, the Ministry "did not conduct scheduled and unscheduled inspections of the activities of SARDI in terms of the implementation of the tasks assigned to it", the audit says.

[59] Звіт за результатами аудиту «Об'єкти дорожньої інфраструктури: відновлення та розвиток». Рахункова палата України, 07.04.2026. URL: https://rp.gov.ua/upload-files/Activity/Collegium/2026/12-2_2026/Zvit_12-2_2026.pdf

- **Transparency in practice**. The rapid reconstruction of bridges was marked by weak public disclosure, most often in the form of direct contracts rather than open procurement procedures. This lack of transparency is also visible in project-level tracking by the NGO sector. ***Vision Zero*** reviewed bridge reconstruction projects in Kyiv and Chernihiv regions ,both heavily affected in the first months of the full-scale invasion. According to this review, 17 bridges in Kyiv region and 12 bridges in Chernihiv region received budget funding for restoration during the 2022–2025 period. However, only 31% of the projects could be found on ***Prozorro,*** either for project design or for construction, and only 24% had project pages found on the ***E-construction*** portal[60].

Table 10.2.2. Availability of bridge reconstruction project information on *Prozorro.gov.ua* and *E-construction.gov.ua*

Region	Bridges picked for construction	Project pages found on Prozorro.ua	Project pages found on E-construction
Kyiv	17	3 (17%)	0 (0%)
Chernihiv	12	6 (50%)	7 (58%)
Total	**29**	**9 (31%)**	**7 (24%)**

Source:NGO Vision Zero (2025)

- **Direct contracts and the "Design-Build" model.** In the first months of the full-scale invasion, the government applied a "Design Build" model, under which the same contractor is responsible for both design and construction. Planning stages, such as pre-feasibility or feasibility studies, were not undertaken; environmental and social impact assessments and stakeholder consultations did not take place. Public and transparent tenders were also bypassed. The state audit of theAccounting Chamber found that out of 46 procurement procedures reviewed in the Kyiv and Chernihiv regions, 28 were direct contracts concluded without open bidding, totalling UAH 10.68 bn, or 64% of the total budget absorbed for bridge reconstruction. The audit report concluded that, in practice, the "Design-Build" model **did not ensure faster implementation**, with the actual duration of works increasing by 3 to 13 times compared to the initial contract terms.

- **Legal risks.** The urgency of restoring bridge crossings did not eliminate the need to comply with urban planning, permitting, and commissioning requirements. The state audit flagged several "rapid" bridge projects for violations of urban planning legislation. For example, construction on one major bridge began 11 months before an official permit was obtained, and numerous bridge structures were opened for traffic without official commissioning documents.

[60] NGO Vision Zero, Policy Paper "Bridges in Ukraine: Crisis, Challenges and Way Forward", 2025: https://visionzero.org.ua/en/policy-paper-bridges-in-ukraine/

Closer look: two bridges that accounted for 45% of the funds

- Two large bridge crossings near Chernihiv, both on the M-01 state road, are examined in greater detail for two reasons. First, they consumed nearly half of all public funds spent on bridge rapid reconstruction. Second, they illustrate the approaches used in 2022-2024 and allow us to draw valuable lessons. The two cases are:
    - M-01, km 136+177 (west of Chernihiv, direction to Homel, Belarus)
    - M-01, Southern approach to Chernihiv, km 11+414
- **Both bridge crossings** were rebuilt as "rapid reconstruction" projects and share several features:
    - Both bridges were rebuilt with 2+2 traffic lanes and 1+1 emergency or stopping lanes, making each bridge about 25 metres wide.
    - Low traffic demand due to rapid drop in population and economic activities, which implies that one lane per direction would be sufficient to fully meet the road transport needs in the next few years or even decades;
    - Both projects were implemented through direct contracts and without proper assessments, pre-design studies, impact assessments, or public consultations.
- **M-01, Southern approach to Chernihiv (km 11+414): Length 631 m, Cost: UAH 5.8 bn:**
    - The bridge was rebuilt with two traffic lanes in each direction, although the road on both sides of the bridge has only one lane in each direction. This decision has been explained by the requirements of state construction norms (DBN).
    - The new bridge, together with two emergency stopping lanes, is approximately three times wider than the destroyed bridge, implying excessive use of materials and public funds.
    - Additional underpasses and U-turns were included in the project, but no documented technical justification or traffic-demand assessment was provided.
- **M-01, Bypass of Chernihiv (km 136+177): Length 610 m, Cost: UAH 1.42 bn**
    - Two bridge structures were rebuilt, providing 2+2 traffic lanes, although only one bridge structure was necessary to meet transport needs (1+1 lanes).
    - The bridge is located on the E-95 European Corridor towards Belarus and St. Petersburg (Russia), which effectively does not operate, resulting in very little current and future traffic flow.

Key approaches to reconstruction and their consequences

- Based on the facts presented in this case study and in the underlying analytical materials, the following patterns can be identified:

1. Discretionary decision-making instead of prioritisation based on a clear methodology, transport needs and strategic planning;

2. Reliance on direct contracts rather than open tenders,

3. Bypassing transparency and accountability for the sake of implementation speed, although the intended speed has not been achieved;

4. Rushed engineering and construction instead of proper studies and assessments;

5. Lack of Ministerial leadership, policy guidance, and accountability.

Key recommendations

- Further develop a transparent prioritisation approach for bridge reconstruction and repair. This would help ensure that limited resources are directed to projects with the greatest relevance to safety, logistics, defence, and reconstruction.

- Shift from emergency implementation practices to regular project preparation and procurement procedures where conditions allow.

- Apply modern preparation tools according to the Public Investment framework, in particular, feasibility studies.

- Align the strategic approach, policies, and technical norms with the European Union, and implement Ukraine's commitments to shift to European standards for structural design.

10.3. Case study: building sector

Governance and key players

- **Decision-making in Ukraine's building and reconstruction sector is shaped by a multi-level governance architecture combining state regulation, local implementation, and international support.** At the national level, the Cabinet of Ministers approves national strategies and key regulations, the Ministry for Development sets policy, develops building and energy standards, and approves state building norms. Regulatory oversight, permitting, and compliance control are exercised by the State Inspectorate for Architecture and Urban Development. The State Agency for Restoration and Infrastructure Development is coordinating the large-scale reconstruction of housing and social infrastructure. Parliament, through its committee on urban development and regional policy, provides legislative framing and oversight of reforms affecting the sector. The State Agency for Energy Efficiency and Energy Saving implements state policy on

energy efficiency, energy conservation and renewable energy, including in the building sector.

- **Implementation and investment decisions in the sector are mostly decentralised and financially diversified.** Local governments act as project owners for the majority of public and residential reconstruction projects, issue urban planning conditions, manage permitting, and coordinate with contractors andhromadas. Private investors and developers drive new commercial and residential construction, while individual building owners and condominium associations decide on repairs, reconstruction, and thermal modernisation.

- **Technical solutions and delivery capacity rest with private construction companies, design institutes, architects, and engineers**, including experts experienced in donor-funded and international technical assistance projects, as well as a larger cohort operating within the domestic public procurement system.

- **International donors and financial institutions play a decisive role by financing reconstruction programmes, shaping quality, transparency, and reporting requirements, and introducing international standards and practices.** The latter includes certain BBB criteria, for example through the "Vidnovy Dim" programme of the Energy Efficiency Fund of Ukraine, or through the Felicity II project supported by Germany and EIB. The influence of international partners extends beyond funding to institutional capacity-building and policy alignment with the EU and the most advanced international norms.

- **Coordination challenges between players are visible at the project implementation stage.** Responsibilities for planning, permitting, financing, technical supervision and quality control are dispersed across institutions without effective integration. Quality assurance mechanisms remain weak, and technical supervision during construction is frequently inadequate. The issuance of building permits is often based on ad hoc decisions rather than on updated territorial or master plans, creating risks of short-term decisions that undermine coherent spatial and social planning and increase corruption risks.

Key figures and market dynamics

- **Among all sectors of the economy, the building sector has suffered the greatest impact from the war.** According to RDNA5, after four years of the full-scale invasion, 14% of the national housing stock has been damaged or destroyed, affecting over three million households, with reconstruction needs reaching more than EUR 80 bn. The burden is geographically concentrated in heavily affected regions where sustained attacks on urban and critical infrastructure significantly raise rebuilding costs. The Kyiv oblast illustrates the best reconstruction progress among other heavily affected regions, with around 80% of approximately 24,000 damaged or destroyed facilities (predominantly buildings) already restored[61].

[61] About 80% of damaged objects have already been restored in Kyiv region, Article, Ukrinform, March 2026, https://www.ukrinform.ua/rubric-vidbudova/4107604-na-kiivsini-vidnovili-vze-blizko-80-poskodzenih-obektiv-kalasnik.html

- The **Ukrainian construction market** remains around one-third smaller than before the full-scale invasion. After several years of contraction, the market demonstrated renewed growth in 2025[62]: construction volumes increased by 24% in monetary terms compared to 2024, reaching approximately EUR 5.3 bn. Restoration and protection of critical infrastructure accounted for approximately 20% of construction activity.

- A sharp shift from near-universal homeownership to an overheated rental market has left millions of households exposed, creating a **systemic social housing crisis**. Housing insecurity is widespread[63] ,disproportionately affecting women-led households, the elderly, persons with disabilities and children, with 37% of IDPs lacking secure tenure in 2024[64]. Temporary shelters and subsidies have proved inadequate, prompting a policy shift toward structural reform, including the adoption of the framework law on housing policy in January 2026[65].

- A striking trend is the **surge in demand for energy independence solutions**. In 2025, sales of generators rose by approximately 130%, solar photovoltaic installations doubled[66], and demand for inverters and batteries increased by around 50%, underscoring the growing intersection between reconstruction, energy security and resilience. Households and critical infrastructure building facilities (hospitals, schools) have contributed to the growth of distributed energy capacities.

- **Construction cost dynamics remain a major challenge**. The increase in construction costs slowed to 15% in 2025 compared to 24% in 2024, but longer-term escalation remains severe. According to field experts, comprehensive building modernisation projects that cost around EUR 100 per square metre in 2016–2017 now average close to EUR 300 per square metre in 2025, excluding shelters and structural works[67]. Volatility remains high, with annual price increases of 20–30% in recent years undermining the viability of projects planned under fixed financing schedules.

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[62] Ozeychuk, A., Trends in the Ukrainian construction market in 2025, Article, GMK Center, February 2026, https://gmk.center/en/opinion/trends-in-the-ukrainian-construction-market-in-2025/

[63] Shaposhnikova, M., Over a Million of Displaced Ukrainians Forced to Exhaust Their Savings to Cover Rent, Article, United Nations Ukraine, November 2025, https://ukraine.un.org/en/305179-over-million-displaced-ukrainians-forced-exhaust-their-savings-cover-rent

[64] Building Homes and Hope: Three Years of Resilience in Ukraine - Current housing crisis in Ukraine, Article, Habitat for Humanity, February 2025, https://www.habitat.org/emea/newsroom/2025/building-homes-and-hope-three-years-resilience-ukraine

[65] Law of Ukraine "On fundamental principles of housing policy" dated 13.01.2026, https://zakon.rada.gov.ua/laws/show/4751-20#Text

[66] Krioka, S., In 2025, twice as many solar power plants were installed in Ukraine than a year earlier: How much electricity they produce, Article, Delo.ua, February 2026, https://delo.ua/news/u-2025-roci-v-ukrayini-vstanovili-vdvici-bilse-sonyacnix-elektrostancii-niz-rokom-ranise-skilki-elektroenergiyi-dayut-460275/

[67] Hryshyna, O., The amount of donor assistance depends on the speed and quality of implemented restoration projects - Executive Director of iC Consulenten Ukraine, Article, Interfax Ukraine, July 2025, https://interfax.com.ua/news/interview/1084892.html

Figure 10.3. Key Bottlenecks

- **The most binding constraint is human capital**. The sector faces an estimated 30% shortage of construction specialists. Wage growth accelerated from around 20% annually in 2022–2024 to 25–30% in 2025, with particularly sharp increases for monolith builders (+50%), surveyors (+44%) and concrete workers (+38%). Skilled labourers are more difficult to recruit than engineering and technical staff. To address shortages, some companies are increasingly turning to foreign labour, particularly from South Asia, while vocational education institutions face declining enrolment and high dropout rates—trends that threaten to entrench labour shortages over the medium term.

Key approaches to reconstruction

- Ukraine's **updated construction standards aim to address wartime safety concerns while aligning the sector with EU norms**, though their full impact will only materialise over the coming years. For example, updated regulations and mandatory shelter requirements[68] introduce protective shelters in all new housing, with enhanced safety features, improved

[68] incl. DBN V.2.2-5:2023 "Civil Defense Protective Structures" with Amendments 1 and 2 https://dbn.co.ua/load/normativy/dbn/1-1-0-390 and Law No 4778-IX "On amendments to certain legislative acts of Ukraine regarding the prevention of emergency situations and elimination of their consequences, the formation of a fund of protective structures for civil defense, the creation of security classes and centers" https://zakon.rada.gov.ua/laws/show/4778-20#Text

ventilation and utilities, stronger fire protection, additional evacuation routes, and dual-use reinforced spaces. At the same time, the introduction of requirements for the nearly zero-energy building (NZEB) standard in April 2025[69] marks progress towards EU energy efficiency requirements, but as it remains voluntary, its transformative effect will depend on becoming mandatory. The transition towards higher standards, including Zero Emission Building (ZEB) requirements, signals the need for phased gradual progress, but its effectiveness hinges on implementation.

- **Current building reconstruction practices reflect a fundamental tension between urgency and transformation**. Rapid repairs and partial reconstruction are used to restore basic functionality under budgetary, security and capacity constraints. Current public procurement practices prioritise the lowest price over qualitative criteria, which frequently results in under-resourced project teams that are incapable of delivering complex projects to standard and on time. Due to the high volatility of construction costs, donor-funded projects often rely on phased solutions when innovative elements, such as the mentioned above solar PV installation, may be postponed to later project stages, while core systems (especially heating) must be resolved at the design stage.

- **The quality of building reconstruction and adherence to existing standards remains an issue**. In theory, all building reconstruction projects must adhere to accessibility and energy-efficiency standards under the current Ukrainian State Building Norms (DBN). However, independent civil society monitoring in 2022-2025 revealed that only 17% of surveyed social infrastructure facilities fully complied with accessibility requirements[70]. While 42% of projects showed partial compliance, many accessibility features were non-functional or poorly executed, such as ramps with incorrect inclines, inclusive restrooms that remained locked, very steep stairs, and narrow doorways leading to bomb shelters. Monitoring also revealed only partial compliance with minimum energy efficiency requirements, mainly justified by implementers due to the need to reduce costs.

- **Donor-funded projects have certain aspects of 'building back better'** [71] through more comprehensive energy-efficiency measures, long-term affordability for users, and emissions reduction, particularly in public buildings, social housing, and critical infrastructure. What used to be framed as 'complex thermal modernisation' projects pre-2022 has become full building reconstruction under expanded regulatory, safety, and inclusivity standards, with correspondingly higher costs. This has led donors to adopt a programmatic approach by bundling dozens of buildings into coherent investment programmes to achieve scale and long-term impact. However, civil monitoring shows that even donor-financed projects do not always follow the BBB approach. In addition, circular reconstruction and green, innovative practices lack attention and incentives from key donors. In this sense, there is a certain dissonance between general encouraging state-

[69] Order of the Ministry for Development of Communities and Territories of Ukraine "On some aspects related to the introduction of requirements for nearly-zero energy buildings" dated 06.02.2025 No. 168, https://zakon.rada.gov.ua/laws/show/z0284-25#Text

[70] Betliy, O., Reconstruction in Ukraine in 2022–2025: What does public monitoring reveal?, Analytical report, Institute for Economic Research and Policy Consulting, 2025, http://www.ier.com.ua/files/Projects/2025/RSW/Analytical_brief_monitorings.pdf

[71] Ackermann, A., et al., Building Forward Better: Review of sustainable recovery frameworks and lessons for Ukraine, International Institute for Sustainable Development 2025, https://www.iisd.org/publications/brief/building-forward-better-sustainable-recovery-ukraine

ments on implementing sustainable reconstruction and readiness to support disruptive pilots on the ground.

- **Implementation largely rests with municipalities that vary significantly in institutional capacity, political leadership and experience with donor-funded projects**. This unevenness has led to a highly differentiated reconstruction landscape, with a relatively small number of "champion cities" capable of delivering complex building reconstruction projects efficiently, while others struggle with delays, re-tendering and quality control issues. Local authorities often cannot make high-quality (re)construction purchases or control the quality of prepared projects, and work performed due to a shortage of professional engineers and architects. Building construction permits and land use decisions are issued at the local level based on planning frameworks, but when up-to-date plans are lacking, decisions become discretionary, increasing the risk of manual processes and corruption.[72]

- Independent public monitoring of the reconstruction process highlighted that the **continued lack of updated local spatial development plans remains a significant constraint**, with parliament postponing their mandatory preparation until 2028. Limited financial capacity to update development plans and devise new approaches remains an issue for local governments. At the same time, the absence of development plans continues to undermine the quality and effectiveness of reconstruction and recovery planning. This insufficiently coordinated and unsystematic planning leads, for example, to cases of restoration of educational facilities without inclusive and accessible shelters.

- **Trostianets (Sumy region) illustrates a step-by-step, systemic approach to sustainable urban recovery in which buildings play a central demonstrative role**. After severe damage during occupation in early 2022, the municipality embedded resilience, energy efficiency and citizen engagement into its reconstruction strategy, creating a master plan[73] to prioritise safety, accessibility and low carbon development. Flagship projects include the energy-efficient renovation of the local hospital with rooftop solar PV already in 2022[74] and the reconstruction of a heavily damaged multi-storey residential building to a new standard with renewable energy-based heating in 2025[75]. Supported by a broad coalition of state, non-governmental and international partners, Trostianets has turned rebuilding into a long-term transformation agenda, demonstrating how sustainable buildings can anchor wider, hromada-led reconstruction.

[72] Betliy, O., et al., Reconstruction at risk: Do we need changes in construction policy, Analytical report, Institute for Economic Research and Policy Consulting, 2025, http://www.ier.com.ua/files/Projects/2025/UA/Construction_report_IER_EN.pdf

[73] Master Plan "New Balance Trostianets", Trostianets City Council, April 2023, https://trostyanets-miskrada.gov.ua/master-plan-new-balance-trostianets

[74] Didkovska, V., et al, How the Trostianets community is being restored, Ukrainer, Article, August 2024, https://www.ukrainer.net/en/en-how-the-trostianets-community-is-being-restored/

[75] Green reconstruction: Greenpeace organisations fully supply first multi-apartment block in Ukraine with heat pumps, Greenpeace Ukraine, Article, December 2025, https://www.greenpeace.org/ukraine/en/news/5243/green-reconstruction-greenpeace-organisations-fully-supply-first-multi-apartment-block-in-ukraine-with-heat-pumps/

- Looking forward, reconstruction trajectories increasingly emphasise:
    - security and safety
    - phased, adaptable project design
    - more quality over quantity
    - speed as a safeguard against cost escalation, not a substitute for quality
    - energy efficiency as a core requirement to address affordability
    - long-term sustainability and resilience to build back better
    - lifecycle planning and inclusivity at the urban scale
    - capacity, professionalism, and reputation in project implementation.

Key sector recommendations

- **Ensure continuous, transparent financing and oversight** through scalable national mechanisms (Energy Efficiency Fund, Decarbonisation Fund, 5-7-9) combined with robust construction supervision and mandatory, complete project documentation.

- **Shift public procurement from lowest-price to value-based criteria**, operationalising non-price requirements (quality, resilience, energy performance, delivery capacity and track record) to ensure capable project teams and timely, standards-compliant delivery.

- **Plan projects with flexibility anda phased approach to innovation.** Core functionality must be delivered immediately, but projects should be designed to integrate advanced technologies later without costly redesign, anticipating future funding and upgrades.

- **Start mainstreaming priority BBB elements**, e.g. by making Nearly Zero-Energy Building-oriented, cost-effective solutions (energy efficiency, decentralised heating, solar PV and storage) a core requirement, particularly for public buildings and critical infrastructure to improve resilience and accessibility.

- **Address systemic capacity constraints** by investing in municipal implementation capacity, the development of up-to-date local spatial plans, construction workforce development, and the adoption of EU norms; expanding the pool of contractors capable of meeting international funding requirements; and addressing the human-capital crisis as the main bottleneck to reconstruction.

11. Key Findings and Recommendations.

This chapter synthesises the critical observations, structural vulnerabilities, and strategic priorities identified throughout the diagnostic assessment. The findings emphasise that while the technical foundations for reconstruction are largely in place, the effectiveness of the system is hindered by governance fluctuations and the widening gap between legislative intent and practical execution.

Institutional architecture and governance capacity

- Since 2022, Ukraine has made substantial progress in building a reconstruction architecture under extremely difficult wartime conditions. The system has moved from initial ad hoc planning arrangements towards a more formalised institutional framework, with clearer roles for the Ministry for Development, the Agency for Restoration, public investment management procedures, digital tools, and donor-financed instruments. At the same time, the architecture remains affected by fragmented mandates, uneven implementation practices, and insufficiently defined links between national priorities, sectoral policies, local needs, financing decisions, and project implementation. The next stage should focus on clarifying functions, strengthening coordination, and ensuring that institutional responsibilities are matched with adequate capacity, data, financing tools, and accountability mechanisms. This should include a clearer functional distinction and stronger coordination between the Ministry for Development as the policy-setting and coordination body and SARDI as the implementation body.

- The Ministry for Development plays a central role in reconstruction governance, regional policy, infrastructure, transport, housing related instruments, heating, waste management, and coordination of selected reconstruction instruments. This wide scope of responsibilities makes institutional capacity essential, particularly in areas linked to reconstruction governance and EU cohesion-policy-like functions, including regional programming, territorial development, infrastructure coordination, monitoring, and alignment with EU integration requirements. Any discussion of possible institutional restructuring, including a functional split into more specialised ministries, would require careful assessment of expected benefits, transition risks, institutional costs, and potential disruption caused by another reorganisation during wartime. Meanwhile, the priority should be to strengthen the Ministry's analytical capacity, coordination tools, and ability to provide strategic guidance across reconstruction policies.

- The Government should consider reorganising the Agency for Restoration into a single legal entity with dedicated territorial units, rather than maintaining separate legal entities, to improve institutional control and unify standards. At the same time, such a reform should not be reduced to a merely formal consolidation of the structure. To achieve a meaningful effect, it is also necessary to revise management approaches, the distribution of functions and responsibilities, strengthen centralised oversight and coordination, introduce unified procedures and project implementation standards, and enhance the institutional capacity of the Agency's central office.

- Governance capacity should be addressed through the broader public administration reform agenda. Reconstruction depends not only on formal mandates, but also on whether ministries, agencies, hromadas, and oversight bodies can attract and retain

qualified staff, including policy analysts, engineers, project managers, procurement specialists, financial experts, and monitoring professionals. This makes adequate remuneration, predictable staffing, professional development, and stronger institutional support particularly important for both the Ministry for Development and the Agency for Restoration. Without stronger public-sector capacity, even well-designed reforms, digital tools, and donor-financed programmes may face implementation bottlenecks.

Human capital and demographic sustainability of reconstruction

- Demographic decline, displacement and skills shortages represent a cross-cutting implementation risk for reconstruction governance. They affect the ability of hromadas to prepare projects, the capacity of contractors to deliver works, the ability of public institutions to supervise implementation, and the sustainability of rebuilt infrastructure. Reconstruction planning should therefore integrate human capacity analysis into PIM, territorial prioritisation, donor programming and BBB implementation. Without this, Ukraine may face a growing gap between formally approved project pipelines and actual delivery capacity.

- As part of the reconstruction policy, it is advisable to focus planning and investment at the hromada level on developing “human-centric” infrastructure that directly influences household decisions regarding return and long-term settlement. This primarily includes ensuring access to affordable housing, restoring and maintaining in-person education services, and expanding the network of early childhood education facilities and childcare services. Such an approach should be integrated into local development strategies and supported by state and donor investments as a priority area that creates the basic conditions for population return. At the same time, it is important to account for territorial differences in the demographic potential of communities to align the scale and type of investments with realistic reconstruction scenarios and long-term population presence. This model enables the alignment of the social function of reconstruction with economic feasibility, supporting voluntary return and the stabilisation of human capital at the local level.

- International partners and donors should focus their support on long term capacity building rather than just immediate capital expenditures for physical assets. Recommendations include the provision of specialised technical experts to assist local authorities with the design of inclusive and energy-efficient infrastructure that meets EU standards. Donors should insist on "governance conditionality" that requires transparent public consultations and the publication of all project data in digital monitoring systems as a prerequisite for funding. Furthermore, supporting the development of a unified regional resilience index would enable a more equitable, needs-based distribution of international aid across Ukraine’s diverse regions. In addition, it is crucial to create an agile mechanism for funding innovative green reconstruction pilots on the ground, which hromadas, NGOs, and businesses could make use of on the way to better reconstruction.

Local capacity, public participation and civil society oversight

- Local hromadas and regional authorities serve as the primary implementers of reconstruction, yet they suffer from a severe shortage of qualified personnel and an overwhelming administrative burden of more than 20 strategic and planning documents. Many municipalities lack the architects, lawyers, and grant managers necessary to pre-

pare high-quality project documentation or engage with complex donor requirements. While 69% of civil society organisations are active in reconstruction, their engagement is often formalistic or personality-driven, and they feel increasingly excluded from national-level planning. Systemic change must include establishing a robust "Project Preparation Facility" to provide direct technical assistance to hromadas. Furthermore, the government should institutionalise the participation of CSOs by establishing mandatory consultation mechanisms at all levels of decision-making.

- There is a critical disconnect between the multi-billion-dollar needs identified in the RDNA5 and the actual technical capacity of local governments to prepare "bankable" project pipelines. Without a concerted effort to strengthen project preparation facilities at the regional level, much of the available funding may remain underutilised or misallocated to low-priority initiatives.

- Serious governance risks have emerged due to the lack of meaningful public participation and the exclusion of civil society from the early stages of project design. In many regions, reconstruction efforts have proceeded without structured consultations with residents, leading to the creation of new physical barriers and the neglect of specific hromada needs. This top-down approach risks eroding public trust in the reconstruction process and may result in infrastructure that is technically sound but socially or economically irrelevant. Promoting social resilience requires that hromadas be treated as active partners with the capacity to prioritise their own development projects through transparent, participatory mechanisms.

- Civil society organisations should move from ad hoc monitoring toward more institutionalised advocacy, while continuing to focus both on the systemic governance of reconstruction and on individual project oversight. There is a need for CSOs to participate in regional reconstruction councils and to act as intermediaries between the state and vulnerable populations, including veterans. By utilising data from the DREAM platform, CSOs should produce regular "shadow reports" on the implementation of PIM reforms and the adherence to anti-corruption safeguards. Strengthening citizens' legal right to participate in local reconstruction planning remains a fundamental priority for ensuring a democratic and accountable reconstruction.

Digital transparency, open data and accountability safeguards

- Digitalisation stands out as a primary success story, with the DREAM ecosystem providing an unprecedented level of transparency and data-driven project tracking across the reconstruction cycle. However, the full potential of these digital tools is currently undermined by incomplete integration with the broader Public Investment Management (PIM) reforms and the state budget process. There is a persistent risk that DREAM could remain a "parallel system" for donor-funded projects rather than becoming the mandatory standard for all state-funded investments. Ensuring that digital transparency leads to actual accountability requires stronger legal mandates for data accuracy and a commitment from all government tiers to utilise these platforms for strategic planning.

- Transparency is hindered by the continued closure of the Register of Damaged and Destroyed Property to the public, which is essential for fair resource allocation and planning. Some other datasets are also unavailable or partially restricted. Access is often limited without due procedures, based on ad hoc recommendations or with disregard for

legislation. To address these issues, the government must ensure the Portal functions reliably, audit and correct all unlawful access restrictions, establish effective enforcement mechanisms, and release the datasets required for transparent and accountable reconstruction.

- The widespread use of experimental reconstruction mechanisms should also be brought into a clearer accountability framework. Such mechanisms may remain justified in wartime when rapid decisions are needed, but they should be based on clear criteria, time limits, proper disclosure of implementation results and full financial control. This would help preserve flexibility without weakening predictability, transparency and accountability in reconstruction governance.

- Transparency of large reconstruction contracts should be strengthened at the implementation stage, not only during procurement. For major works, public oversight would benefit from the disclosure of key implementation documents, including work acceptance certificates, information on cost changes and updates on physical progress. This would make it easier to compare contracted works with actual delivery and improve accountability for value for money.

Public investment management, prioritisation and EU cohesion readiness

- Reconstruction funding in Ukraine faces a massive gap: priority needs for 2026 are estimated at EUR 13 bn, with over 60% (approximately EUR 8.1 bn) remaining unfunded. Coverage of these needs varies drastically across sectors, with healthcare seeing 91% coverage while heat supply is funded at only 1%, highlighting a lack of objective socio-economic criteria in resource distribution. The transition toward the Public Investment Management (PIM) reform aims to synchronise sectoral strategies with budget planning, but implementation is hampered by a "learning-by-doing" style that lacks pilot phases. To improve efficiency, the government must synchronise international donor funding cycles with the national PIM cycle and Budget Code requirements to prevent administrative bottlenecks. Strengthening the coordination between the Ministry of Finance, the Ministry of Economy, and the Ministry for Development is also necessary to provide a more coherent regulatory framework for investment decisions.

- A successful PIM reform is also important beyond the immediate reconstruction agenda, as it can prepare Ukrainian hromadas for future work with EU structural and cohesion funds. If implemented properly, the reform will help local authorities move from ad hoc project proposals to strategy-based planning, prioritisation, project pipeline development, multi-year budgeting, implementation monitoring and results-based reporting. These are the practical skills and institutional routines that hromadas will need to absorb EU funds effectively after accession. At the same time, the reform requires clear political and institutional leadership. In line with the IMF-supported reform logic, the Ministry of Finance can act as a gatekeeper for the reform, and this role should be exercised by linking medium-term public investment priorities to the Budget Declaration and annual budget allocations. The Ministry of Economy and the Ministry for Development should complement this role by ensuring coherent strategic guidance, the development of the project pipeline, and alignment with territorial and sectoral priorities.

- Stakeholder participation and territorial ownership strengthen public investments. It should be exercised not only through oversight, but also in planning and implementation.

This means that hromadas, oblast authorities, economic and social partners, and development partners should be incorporated into PIM programmes through several layers of participation, rather than through one-off consultations. In practice it means establishing the monitoring committee(s) and implementing the EU's partnership principle. At present, EU cohesion policy experience and benchmarks are being used to develop the pilot monitoring committee for the State Targeted Just Transition Programme, which could serve as a practical test case for applying the partnership principle in Ukraine.

Reconstruction financing and fiscal discipline

- Given the scale of the reconstruction funding gap, confiscated russian assets should become a more practical and predictable source of reconstruction financing. This requires not only political decisions at the international level, but also stronger domestic institutional capacity to identify, confiscate, manage and allocate such assets. Ukraine should therefore strengthen efforts to confiscate russian assets, remove procedural bottlenecks, improve the effectiveness of the Ministry of Justice and ARMA, and ensure that recovered assets are channelled into transparent and traceable reconstruction financing mechanisms.

- The use of the State Reserve Fund also requires stronger discipline and clearer prioritisation. While the Reserve Fund remains essential for urgent wartime and emergency needs, it should not substitute regular budget planning for predictable infrastructure expenditures. Planned road construction, repair and maintenance should be financed through stable, transparent and properly justified budget programmes, except in cases of genuinely unforeseen damage or urgent security-related needs. This would help avoid ad hoc financing decisions and make road sector planning more predictable for implementing authorities, contractors and oversight bodies.

- The financing model for reconstruction is heavily reliant on international financial institutions (IFIs). International financial institutions operate under their own policies, governance standards and reporting requirements, and better alignment would be beneficial, especially for municipal administrations.

- Transparency should also be strengthenedwhen reconstruction financing is channelled through intermediaries. When funds are provided through commercial banks, investment funds or other financial intermediaries, public information on selection criteria, supported sub-projects, expected results and end beneficiaries should be disclosed to the extent possible, while respecting legitimate confidentiality requirements. This would help improve coordination, reduce information gaps and strengthen public trust in the use of reconstruction resources.

Build Back Better, resilience and sectoral implementation

- The implementation of the "Build Back Better" principle remains significantly behind the stated ambitions. In practice, rebuilding what was damaged is often labelled as “BBB” because it involves new construction, even when the resulting infrastructure lacks core BBB features—particularly the systematic assessment of long term sustainability and resilience outcomes in reconstruction decisions. This reflects not only limited technical and financial capacity at the design and planning stages, but also a broader approach

that prioritises rapid delivery over quality and durable solutions. Monitoring of social infrastructure reconstruction by civil society indicates that, while modern State Building Norms are robust on paper, physical compliance remains below 20% for full accessibility and partial for energy efficiency. Without a shift from formal compliance or recommendations to implementation and enforcement, the BBB principle risks remaining largely symbolic. The government should operationalise BBB through a clear, legally binding framework with sector-specific guidelines for key minimum BBB project criteria and a phased implementation aligned with EU standards, including Do No Significant Harm (DNSH) and the Energy Efficiency First principles. Scaling successful pilot practices and proven solutions, such as decentralised renewable energy, heat pumps, circular and bio-based construction, through targeted financial instruments and updated construction norms, is also essential.

- Sector-specific case studies reveal critical bottlenecks, such as a 30% labour shortage in the building sector and oversized, poorly justified technical solutions in the transport sector. In the bridge reconstruction sector, 64% of the budget was allocated through direct contracts that bypassed open bidding, but this did not result in faster implementation as initially intended. The energy sector faces its own challenges, including ongoing price regulation and unpredictable regulatory interventions that discourage long-term private investment. To address these, public procurement should shift from a "lowest-price" model to value-based criteria that prioritise quality, resilience, and delivery capacity. International partners should also prioritise the advance procurement of critical energy equipment and support the creation of decentralised strategic reserves in neighbouring countries to ensure rapid restoration of supplies.

- The National Energy and Climate Plan (NECP) should serve as the overarching policy framework guiding Ukraine's energy sector reconstruction, anchoring it to national climate targets and the EU accession pathway. Municipal Energy Plans (MEPs) and Resilience Plans must be integrated into a unified, NECP-aligned reconstruction governance system that operates coherently at national and local levels. Transparency and accountability within this system should be reinforced through digital monitoring tools, standardised project prioritisation methodologies, a resilience index, and open data on financing and implementation — enabling more effective engagement of international partners and the private sector.

- Ukraine's partners and national authorities should shift from reactive crisis management to a proactive, pre-positioned procurement model — establishing advance procurement pipelines for critical equipment (particularly 35 kV+ power transformers with 3-to-12-month lead times) and decentralised strategic reserves in neighbouring countries. Aid delivery must be modernised through end-to-end digitalisation of assistance workflows, covering the full cycle from commitment to delivery tracking, eliminating bureaucratic bottlenecks and synchronising partner support. In parallel, regular independent assessments of State Owned Enterprise compliance with OECD corporate governance guidelines should be institutionalised to strengthen sector integrity and investor cofidence.

12. RISE member reports on reconstruction and recovery

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RISE Ukraine Coalition

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SHADOW REPORT

UKRAINE'S RECONSTRUCTION ARCHITECTURE

Kyiv, June 2026

Co-funded by the European Union

MINISTRY OF FOREIGN AFFAIRS OF DENMARK

співпраця з НІМЕЧЧИНОЮ

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Ministry for Development of Communities and Territories of Ukraine