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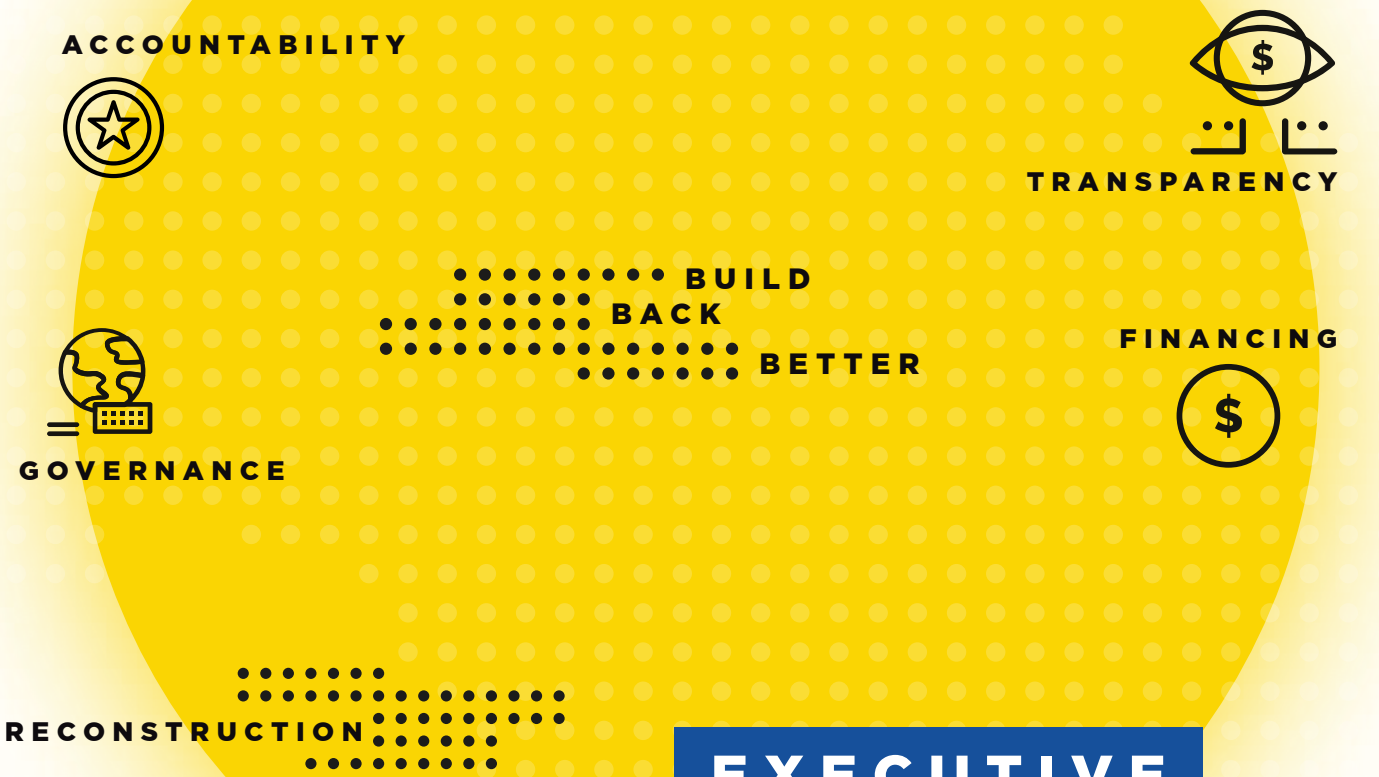
SHADOW REPORT

RISE UKRAINE

UKRAINE'S RECONSTRUCTION ARCHITECTURE



EXECUTIVE SUMMARY

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Ministry for Development of Communities and Territories of Ukraine

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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.

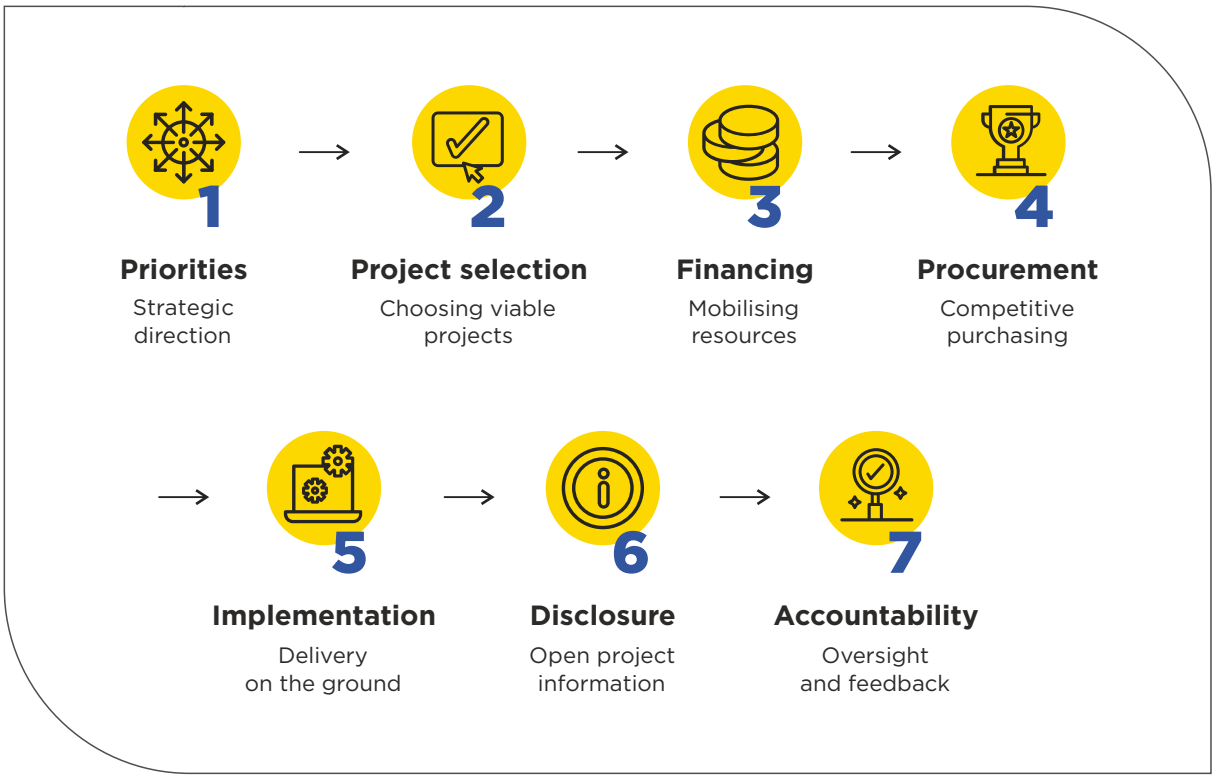
- The report does not advocate centralisation or decentralisation as a model. Its core argument is functional, with a clear definition of national-level strategic priorities, standards, financing rules, data systems, and oversight that should be strengthened, while hromadas should have greater ownership, 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.

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FULL REPORT

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