

Suggestions for donor interventions to help the green post-war reconstruction of Ukraine

The post-war development and reconstruction of Ukraine is now a widely discussed topic with many dimensions. Rebuilding towns, industry, schools, hospitals, and water and energy infrastructure will require¹ between USD 500 billion and USD 1 trillion. Aside from massive investments, there will also be a need for knowledge and technology transfer, capacity building and human resources. Transparent and well-organised coordination and planning will be crucial for donors. Donors will need to align with the Paris Agreement on aid effectiveness, and there is a need for proper public participation and consultations, similar to the mechanisms that the EU partnership principle offers.² Donors and the government should proactively disclose information on funds received and activities and projects implemented. Environmental civil society organisations have released a common statement³ on the reconstruction efforts; now, this document gathers practical suggestions for consolidating international efforts around the idea of a sustainable post-war reconstruction of the country.

Good governance, knowledge and technology transfer

Ukraine's post-war development and reconstruction presents a great opportunity to modernise the country while also providing new jobs and employment opportunities. The idea of a green reconstruction is widely embraced by the international donor community.⁴ It will not be enough, however, to set criteria for funding and get the country to introduce European and best international standards. The staff of Ukrainian companies and municipalities will need to have access to modern technologies and to understand those best practices. At the same

¹ Torbjörn Becker et al., [A Blueprint for the Reconstruction of Ukraine](#), CERP Press, 2022.

² European Commission, [Commission Delegated Regulation \(EU\) No 240/2014 of 7 January 2014 on the European code of conduct on partnership in the framework of the European Structural and Investment Funds](#), *Official Journal of the European Union*, 14 March 2014.

³ Ekodia, [Green Reconstruction of Ukraine: Position of Civil Society](#), 5 May 2022.

⁴ See EU Parliament decisions and European Commission proposals referring to the European Green Deal.

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time, it is crucial to ensure ownership of the projects implemented on the ground and promote local enterprises so they can serve the development of a new green economy.

Promote good governance

Ukrainian civil servants at the national and local levels, for the most part, follow the routines set by their predecessors and lack the opportunity to gain experience in quality management, thus potentially creating a vicious cycle. It's not unusual to see institutions continuing to use archaic practices once used by Soviet-era institutions.

Therefore, external funding for reconstruction should bring with it new knowledge and best practices in public administration at the national and municipal levels. Funding should be provided alongside efforts to ensure good governance and stakeholder engagement (including with economic and social partners).

Practical examples

- Ongoing coaching and strengthening of institutional capacities by EU experts.
- Ad hoc working groups, which include both Ukrainian officials and outside experts.
- Municipality twinning projects.
- Sharing best practices from the EU on effective ways to engage economic and social partners to prepare and implement programmes, projects, etc.

Set funding requirements and educate people about modern technology

The implementation of reconstruction projects must bring new quality to Ukrainian cities, infrastructure, industries, agriculture and the environment. The projects should be implemented with the transfer of modern knowledge and technologies available internationally. The process should be stimulated by setting requirements attached to the funding and by the knowledge promotion among relevant groups (decision makers and potential users of the technologies) in Ukrainian.

Supporting decentralisation efforts

Ukraine's decentralisation reform (transfer of powers, duties, and taxes from the national government to the municipalities) was recognised by the European Parliament as one of the country's most successful reforms. The assistance given to post-war reconstruction should empower municipalities to develop communities following environmental requirements. Therefore, the ownership of projects implemented on the territory of communities should belong to local authorities. Municipalities need support to use funds effectively.

Practical examples

- Assistance in developing municipal climate and energy plans, including a list of priority measures.

- Inclusion of representatives from donors in municipal project teams, granting those representatives certain rights which would prevent misuse of the funds.
- Advisory services for farmers.

Build capacity of municipalities and construction companies

Staff in municipalities and construction companies must understand modern construction principles, approaches, and technologies to request and implement reconstruction projects properly. However, it will be difficult to expect officials and business owners to allocate considerable time for personal growth while they are also under pressure to rapidly reconstruct the country. Thus, donors should consider the massive involvement of consultants that can provide hands-on support on the ground.

Practical examples

- Introduction and reintroduction of energy managers in municipalities and public institutions and further training for these managers, an effective initiative before the war that should be further supported.
- Introduction of a technical assistance programme to bring municipal infrastructure development experts to Ukrainian municipalities.

Donor and state oversight

Effective implementation of the plans and programmes will require several types of oversight. There should be sufficient transparency for the public to assess plans and to provide feedback on their implementation. There should be a functional system of state control and inspection. Donors should also maintain their own dynamic system of implementation monitoring and evaluation.

Functioning state inspections of the implementation

The Ukrainian system of state inspections (e.g. environmental, sanitary, agricultural) was not effective before the war. Inspections have experienced a gradual shrinkage of their responsibilities to decrease pressure on business and fight corruption with the general goal of deregulation. The legal requirements for state permissions and inspections have been cancelled during the war. However, proper implementation of the sustainable post-war reconstruction will require a functioning state system of quality control.

Practical examples

- Effective state environmental control should be in place. Current legislation on environmental state control fails to balance economic, social and environmental interests and cannot protect citizens' right to a safe environment, particularly during reconstruction. Bill № 3091 '*On State Environmental Control*' or similar legislation should be adopted. Bill № 3091 amends more than 30 laws to make state environmental control modern, open, public, maximally effective, and aimed not at punishing for but rather at preventing environmental damage.⁵ If national

⁵ More details at [Marshall Plan for the post-war reconstruction of Ukraine. Proposals of the UN Global Compact Ukraine](#)

legislation is not in place, the donors' higher standards should apply (e.g. European aquis, European Bank for Reconstruction and Development environmental and social safeguards and similar).

Public participation in decision-making related to funds allocation

We expect that reconstruction efforts will be implemented through various funding schemes and facilities, even when done centrally or in a coordinated manner. In order to ensure the effectiveness of the spending, it would be beneficial to develop mechanisms of public representation for various decision-making bodies at national and local levels. There should be proper public participation and consultations, similar to the mechanisms that the EU partnership principle offers (e.g. steering and monitoring committees). Further, an accessible and well-promoted mechanism for feedback on project planning and implementation should be in place for various plans. This is highly important so that the local governments are included in the decision-making.

While the donors are expected to coordinate their reconstruction efforts, Ukrainian authorities are expected to transparently provide the information on the funds they receive from the international donors as budget support, projects, loans, technical cooperation, grants, etc. This would improve their accountability by optimising internal procedures and processes, involving the community in decision-making, and facilitating access to information.

Practical examples

- The introduction of civil society representation to the bodies that decide on the allocation of funds to different programmes, such as those used to monitor the EU Cohesion Fund.
- Creation of a national platform for all donor-supported financial projects, grants, loans, technical cooperation, etc. provided by international partners.
- Introduction and publicising of complaint mechanisms that would allow the public to report deficiencies and corruption in the implementation of the projects.

Monitoring by funders

Good concepts can be poorly implemented if those implementing them lack the necessary expertise and experience. Going through the common project evaluation cycle will not be sufficient to learn from past mistakes and avoid them for future projects. Instead, inspection and control systems should be introduced as soon as project implementation starts. The best way to introduce these is in close cooperation with relevant control bodies of Ukraine.

Practical examples

- Use of a transparent and open system of public procurement such as the ProZorro platform, or the expanded use of such a system.
- Public services digitisation and access to public information and relevant public registers.
- Transparent and open systems of monitoring and data collection in all areas.

Energy efficiency

Energy efficiency is the first step to reducing energy consumption, improving energy independence and reducing environmental costs. Energy efficiency has been the proclaimed priority of the energy strategies adopted by all of Ukraine's governments since 1995. However, progress in this area has been modest. Reconstruction of the destroyed urban areas and industrial facilities should finally bring higher standards of energy, material and resource efficiency.

Higher energy standards for new and reconstructed buildings

Ukraine has committed to implementing the EU directive on the Energy Performance of Buildings (Directive 2010/31/EU) in its national law. Article 9 of the directive stipulates that after 31 December 2020, all new buildings in the EU must be nearly zero-energy buildings (NZEB). The Ukrainian legislation postpones the start date for the construction of NZEB until 31 December 2027.⁶

Ukraine should define the NZEB standard and set an earlier date for the implementation of the above-mentioned requirement. The minimum energy efficiency standard for all new buildings should be immediately changed to class 'A' from the currently allowed class 'C'.

Practical examples

- Donor-funded programmes that involve reconstruction projects should require new and reconstructed buildings to meet the NZEB standard.
- Partner states and the European Commission should stress the need for the approval of the highest legal energy efficiency requirements in the dialogue with the Ukrainian government.

Promote changes in construction standards

The donor community should work with the government on promoting changes in the national standards in areas such as energy efficiency (of buildings in particular) and accessibility.

Practical examples

- Introduction of programmes and materials to promote and train construction company staff on new standards and technology. These can be run and financed both by the state and donors.
- European Union relevant to construction directives must be transposed into national law.

Support for energy efficiency measures

Some energy efficiency improvement measures are low-cost and can be implemented with little financial support by homeowners associations (known in Ukraine as об'єднання співвласників багатоквартирного будинку (ОСББ)) or by energy service companies. These measures include insulation of heating and hot water networks in buildings, energy metering or replacement of lighting. There is existing experience with energy

⁶ National Plan for increasing buildings with close-to-zero energy consumption

efficiency programmes run at the municipal level, which were rather popular and should be restored and supported. This effort should cover municipalities across the country, rather than being specific for areas destroyed by the war.

Financial incentives for energy efficiency

Lack of financial incentives to invest in energy efficiency is a long-standing problem in Ukraine. Politically motivated prices, lack of energy metering and the low income of consumers play a significant role. There is a need to introduce financial mechanisms that would share the burden of the first investment. Government subsidies provided to low-income households should encourage decisions in favor of energy-efficiency measures.

Practical examples

- The State Energy Efficiency Fund and/or new funding vehicles should provide financial support (affordable loans and subsidies) to implement the thermal modernisation of buildings.
- Local energy-efficiency support programmes based on existing experience should be encouraged. Very often municipalities around Ukraine have co-financed projects covered by the national state support schemes. International donor funding can contribute to locally-run programmes.

The energy sector

Ukraine will require significant investments in the energy sector to repair and replace damaged infrastructure, but also to modernise old production capacities in order to make them more reliable and independent as well as close old ones under existing obligations. Any decisions on projects to finance should be made with consideration for the long-term implications. One of the recent governmental concepts⁷ for post-war reconstruction suggests that Ukraine will build energy independence in three to five years through investments in new gas fields and nuclear units. Official statements indicating that nuclear is the state priority create uncertainty for potential investors in renewable energy sources.

Secure investments in renewable energy sources

There is no doubt that renewable energy sources are the fastest and most cost-effective way to build new electricity generating capacities in Ukraine. The policy to support renewables with feed-in tariffs was beneficial for Ukraine, as new solar and wind installations have quickly increased their contribution to electricity production. However, the relationship with investors deteriorated, as the state was not able to live up to its promises on the green tariff and priority access to the grid, now punishing those that risk investing in the country during the war.

There should be a way to bring confidence to business and funders in order to attract new investments as soon as the war ends. The Ukrainian government should do its part by developing a public strategy for reliance on

⁷ Юлія Свириденко, [‘Як буде відновлюватися Україна?’](#), Українська правда, 21 April 2022.

renewables and creating legal obligations towards investors. The government should also define dedicated ‘go-to’ areas for renewables in places with lower environmental risks.

In recent years Ukrainian state institutions do not fulfill its obligations to renewables investors. Legislation was changed decreasing green tariff, the payments to the RES investors are systematically delayed, the right of priority access to the electricity grid was not fulfilled. It will be difficult for Ukraine to convince businesses to be confident in new investments in renewables despite the recent deterioration of their relationship with the state and pending legal action by ‘green’ investors. It will be helpful to have an international financial facility that can provide guarantees on investments in this sector in Ukraine.

Practical examples

- International donors should create dedicated fund to guarantee investments in renewable energy projects in Ukraine. It can be a new fund in the EU, or a new role attributed to another funding facility.
- Should the EU define common criteria for the definition of ‘go-to’ areas for renewables, it would need to be shared with Ukrainian officials in order to introduce them in Ukraine.
- Ukraine’s feed-in tariff scheme helped to bring the number of solar photovoltaic (PV) roofs (solar PV plants installed for residential consumption) from almost zero in 2014 to almost 45,000⁸ by the end of 2021. Development of small-scale electricity generation should be further financially supported (through similar or modified programmes) for households, homeowners associations and energy cooperatives.
- Local-sourced biogas power plants that run on agricultural waste can simultaneously balance the grid and turn waste into fertiliser. No public funding for new fossil fuel capacities and infrastructure is needed.

Investments in new natural gas conflicts with the European ambition to phase out fossil fuels in the energy sector. Fossil gas infrastructure will become obsolete in a matter of decades without any return on the investment. The Ukrainian government’s plans to build the economy on domestic fossil gas will counteract the country’s implementation of the EU’s commitment to cut greenhouse gas emissions. There is a particular concern about the recent trend to explore new fossil gas fields in sensitive nature areas in the Carpathian Mountains. At a minimum, Ukraine should define no-go zones for new gas fields, including in the Carpathians.

Donor funds should not contribute to projects that develop infrastructure to transport fossil gas or to use it at energy generating plants.

Practical examples

- International donor funding should not be used for projects that enable the use of fossil fuels in the energy sector. This includes exploration, transport and use of fossil gas in energy generating facilities.

⁸ Держенергоефективності України, [Сонячні електростанції у приватних домогосподарствах \(СЕСд\): динаміка розвитку](#), accessed 7 July 2022.

Pioneer fossil-fuel-free central heating systems

Prompt reconstruction of central heating in the towns where it has been damaged or destroyed is a challenging task. However, this is an opportunity to bring the latest technologies which can serve for decades to come and can be replicated through the country. Donors should urgently assist communities with destroyed infrastructure to design technical solutions which are not based on burning fossil fuels and order equipment to be used for central heating. Solutions might include industrial solar systems or large-scale heat pumps.

Practical examples

- Donors should start projects by financing experts to assess the applicability of modern technologies in impacted municipalities and to develop technical documentation for new central heating capacities.
- Funders should be ready to provide guarantees and to subsidise loans that will be needed to build new central heating capacities.
- Support the pilot town(s) showcase to prepare full documentation and further reconstruction.

Pioneer projects of eastern coal mining towns transitioning to green economy

The topic of just transition in coal regions has gained real traction in Ukraine in the last couple of years. In 2019, the coal towns of the Donetsk region united and created the Platform for Sustainable Development, and in late 2021 the Ukrainian government adopted the Concept of the State Just Transition Programme 2030. These processes must not stop. Donors should continue to support monoindustrial towns and focus on the projects that help diversify their economies (small and medium-sized enterprises, etc.) and the energy transition to renewables and energy efficiency.

Practical examples

- The involvement of experts who specialise in the development of small and medium-sized enterprises, renewables, energy efficiency and land recultivation to assess the potential of each of the coal municipalities and prepare technical documentation for potential new projects.
- Provision of special ‘just transition’ loans with favourable conditions for the coal municipalities.
- Prioritisation of projects that unite several coal municipalities, with a strong multiplication potential.
- Funding project ideas already developed in the region (PV-stations on the roofs of municipal buildings, reuse of coal mining water, sustainable biogas and biomass projects, etc.).

No funding for new nuclear reactors

International financial institutions, including export credit agencies, should be clear with the Ukrainian government that they will not finance new nuclear capacities in the country. It is naïve to count on the fast and economically viable deployment of new nuclear capacities for the country’s energy generation. Projects to construct new nuclear reactors in recent decades faced cost overruns and significant delays. The promotion of nuclear energy will send the wrong political signal to potential investors in renewables, who already suffer

from mistreatment⁹ by the government. Ukraine will also risk getting stuck with old coal plants in the absence of new capacities, as nuclear projects will face delays and cost overruns and investors will lack confidence in renewables.

With the growing renewable energy production, the Ukrainian electricity market faces conflicting interests. At certain times of day, the combined nuclear and solar electricity production is higher than consumption and accumulating absorbing capacity. At these times, the transmission system operator needs to limit the capacity of either renewables or nuclear. Since the government prioritises nuclear, renewable energy producers are even less confident that they will receive their expected revenue.

Today, the U.S. company Westinghouse seems to be the only one involved in meaningful negotiations with Ukraine on the construction of new nuclear units. Westinghouse is counting on the U.S. EXIM bank for funding. In light of the company's recent economic problems and its inability to follow timeframes and budgets, however, it would be reasonable to promote investments in sectors other than nuclear.

Practical examples

- Potential public funding institutions must make clear to the Ukrainian government that they will not provide money for new nuclear reactors in Ukraine.

Sustainable urban reconstruction and development

It is important to ensure that the reconstruction of destroyed and damaged cities will follow high sustainability standards, attract modern technologies, be based on local solutions and involve local residents in planning and reconstruction. Ukraine should properly use the gains of decentralisation reform and build on practices of good governance and local decision-making that have been developed since 2014. Ukraine already plans to engage particular countries and international partners in rebuilding particular cities. For example, Denmark committed to rebuilding the oblast of Mykolaiv, Portugal committed to rebuilding schools and the United Kingdom committed to rebuilding the oblast of Kyiv. At the same time, it is important to merge the international best practices that these partners will bring with the local context and solutions.

Practical examples

- Transparent and open monitoring of local reconstruction processes at the city/community level.
- Enabling community engagement in cities' reconstruction.
- Attracting international best practices and expertise in planning and the development of documentation.
- Implementation of green and sustainable practices in particular sectors: electric public transport, enabling mobility, higher energy efficiency classes in reconstructed buildings.
- Implementation of inclusion and gender equality principles in urban planning and local budgeting.

⁹ [Новый скандал в "зеленой" энергетике: компания из Бельгии требует от Украины не менее 70 млн евро](#), *delo.ua*, 9 December 2021.

City transport infrastructure development

Reconstruction of the damaged cities should be carried out based on the modern urban development concept that prioritises the comfort of pedestrians. A city transport based on the use of private cars is not sustainable.

Support for public transportation

A well-developed public transport system is an essential element of a sustainable modern city. Investments in the public transport fleet, infrastructure and information systems should be the priority for financial support. It is important that this funding goes to electric transport and does not support buses running on fossil fuels.

Practical examples

- Facilities to enable funding of the electric public transport fleet should be introduced taking into consideration municipalities' limited ability to borrow, which will be further limited in post-war economy.
- Funding for diesel buses should be excluded.

Focus on inclusiveness and micromobility

Reconstruction of city roads should be carried out based on the concept where priority is given first to inclusiveness (for pedestrians and vulnerable members of society such as women, children, youth and elderly, people with disabilities), second to micromobility and third to electrified public transport. Dialogue with municipalities that seek financial support should include a discussion on the development concepts. Funding should be allocated for providing advice, and no funding should be provided for projects that will lock cities into a car-first concept.

Practical examples

- Provision of funding to make lending for public transport in cities cheaper.
- Funding should only be available for electrified public transport.
- Provision of expert advice on people-centred urban planning.

Agriculture

Ukraine has developed export-oriented agriculture in the last 10 years, due to its overreliance on corporate structures, monocultural production and the concentration of approximately 20 per cent of agrarian lands¹⁰ within transregional integrated companies. Ukraine's status as the leading exporter of grains and sunflower oil became endangered during the war as exporting facilities became easy targets for blockade, attacks and destruction. It has also become apparent that small and medium-sized enterprise farmers can be more resilient in crises than large corporations, providing decentralised local food supplies. Thus, financial support for small

¹⁰ Дослідження впливу концентрації сільськогосподарських земель на довкілля та суспільство в Україні (повна версія) <https://ecoaction.org.ua/wp-content/uploads/2021/02/doslidzhennia-kontsentracii-full.pdf>

and medium-sized farmers and small land holders will be needed to help them to stay afloat throughout the crises, as well as to allow them to diversify and develop.

Simplify access to funding for small and medium-sized businesses

Post-war support, however, should not follow the historical trend where massive agriculture companies get most of the funding provided by the state budget and international lenders. Supporting more small companies and individual farmers requires more organisational effort but is essential for the development of sustainable agriculture and food security.

Practical examples

- Development of financial facilities that can provide affordable lending to small agriculture businesses and individual farmers.
- Provide expert advice on best available practices and technologies in agriculture / sustainable development of agriculture, applying circular economy principles in agriculture (use and safe removal of animal by-products, use of treated wastewater in irrigation, etc.), and environmental problems.

Transparent land market and land revitalisation

Particular attention should be paid to the problem of the high concentration of agricultural land in the hands of certain economic players. The economic consequences of the opening and functioning of the land market in the post-war period for Ukraine will depend on land prices and transparent and fair negotiations between landowners, small farms and large companies. Funding should be conditional to allow communities to regain lands within their territories for their development, including environmental initiatives.

Practical examples

- Encouragement for small landowners with start-up funding for young farmers.
- Infrastructure development that would make it easier for small producers to gain equal access to the agricultural land market.
- Creation of a potential fund to compensate communities for the land losses / change of purpose (for instance, for conservation).

Biodiversity and ecosystem management

Post-war reconstruction of the country should not happen without ensuring the restoration of damaged ecosystem services. Returning life to the previously occupied territories means not only a physical rebuilding of infrastructure but also providing people and nature with basic natural resources to flourish on: clean water, air and healthy soil. Moreover, achieving the European goal of climate neutrality by the mid-century is almost impossible without carbon sequestration and storage by carbon sinks (forests, peatlands, soil storage). All this cannot be achieved without building a climate resilient and nature-positive economy in Ukraine as a long-term vision for development.

Policy-wise, the protection of the environment during wartime starts with the ability to understand, monitor and analyse the situation. It is thus crucial to have a qualitative evaluation of the impact of hostilities on the environment and ensure monitoring of long-term impacts.

Practical examples

- Support to monitoring and assessment of the long-term effects of war hostilities (e.g. biodiversity and environmental research, expeditions after the war, etc.).
- Support for projects that enhance climate mitigation and adaptation measures, including biodiversity restoration and conservation in rural municipalities.
- Support for carbon sink projects – preserve old forests, self-seeding forests, flood drained peatlands and wetlands, steppe areas and meadows.
- Support for local sustainable tourism development projects.