

# The reconstruction of Ukraine: lessons from the post-war recovery in Bosnia and Herzegovina and Georgia

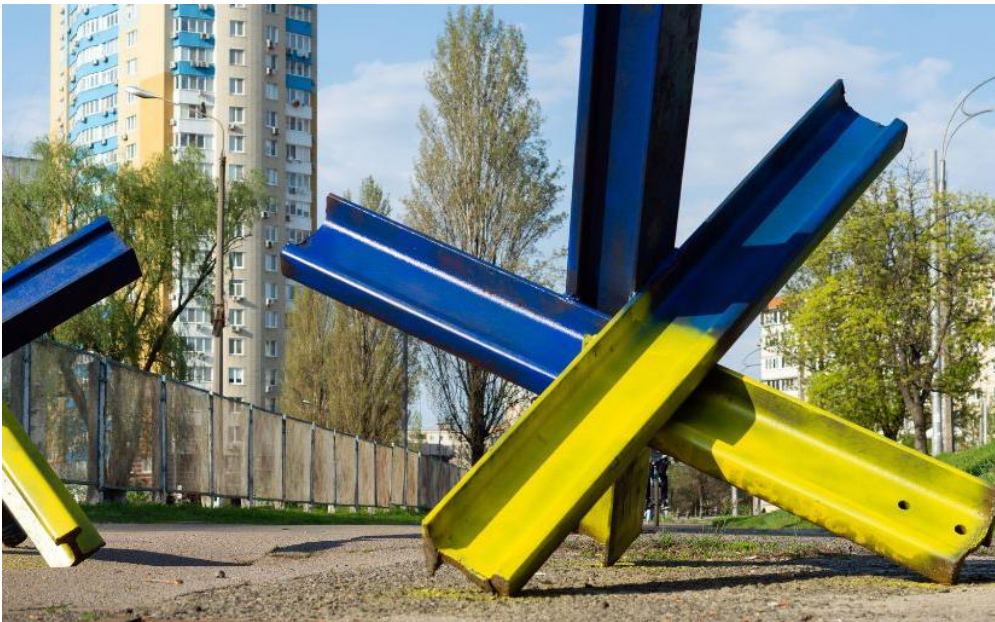


Photo via Canva

For more information

**Manana Kochladze**  
Strategic Area Leader  
for Democratisation  
and Human Rights  
CEE Bankwatch Network  
[manana@bankwatch.org](mailto:manana@bankwatch.org)

**Vladlena Martsynkevych**  
Ukraine Reconstruction Officer  
CEE Bankwatch Network  
[vladlena@bankwatch.org](mailto:vladlena@bankwatch.org)

## Introduction

This briefing analyses the lessons learned from the post-war reconstruction in Bosnia and Herzegovina and Georgia and how they can be considered during Ukraine's reconstruction based on the experience of CEE Bankwatch Network's member groups and partners.

The experiences of post-war reconstruction in the Balkans and the Caucasus were very different from the reconstruction of Europe after World War II in the late 1950s<sup>1</sup> and surely will be different from Ukraine's recovery. However, these previous experiences make it clear that post-war reconstruction must consider all aspects of life, including political, economic, social relations and security.

Post-war reconstruction is a complex, holistic and multidimensional process where success depends on combining physical reconstruction with elements of rule of

<sup>1</sup> J. Bradford De Long, Barry Eichengreen, [The Marshall Plan: History's Most Successful Structural Adjustment Program](#). *National Bureau of Economic Research*, November 1991.

Learn more: [bankwatch.org](http://bankwatch.org)



law, good governance, strengthening of democratic institutions and restoration of society. It is important that post-conflict reconstruction does not lead to an unequal distribution of resources, as this can further marginalise people who suffered during the conflict, increase people's vulnerability by exploiting resources and widening socio-economic inequalities, while fostering elite corruption without benefiting society.

It is essential to ensure that Ukraine's Recovery Plan is aligned with the Ukrainian people's vision for the future and that its reform agenda serves Ukraine's membership in the European Union, ensuring rule of law practices, and environmental and social components within economic development goals (the Green Deal, climate targets, gender mainstreaming, anticorruption, social welfare, etc.). The development of a modern green economy; sustainable agriculture and tourism; reconstruction and preservation of cultural heritage and the environment; and support for decentralisation and democratic, participatory governance models should be key for reconstruction in Ukraine.

It is challenging to build human capacity for a country's future development while a war is ongoing. However, it is essential that donors, including the EU, do not wait for the Ukraine Recovery Plan to be ready, but start now. Reconstruction is already happening in some places and can begin in places where there is no warfare – long-term sustainability must be ensured in these places. In addition, the preparation of this longer-term plan must provide for technical assistance and proper alignment; set environmental, climate, social and economic goals together with civil society; and support the transfer of know-how and innovation.<sup>2</sup>

For example, donors can start actively working with municipalities to replan cities' infrastructure, develop projects and increase capacity. Doing this through broad public involvement, local ownership, strong donor coordination and incentives for local capacity development would reduce the number of decisions made on short-term benefits and ensure these projects serve Ukraine in the long term.

This briefing reviews the progress that has been made on Ukraine's recovery from the war which began in 2022, then proceeds to analyse the lessons that can be learned from recent post-war reconstruction in Bosnia and Herzegovina and Georgia. The briefing concludes with recommendations for how donors and policy makers can prevent some of the mistakes made in these cases from happening again in Ukraine.

The main conclusions of this briefing are based on Bankwatch's member group and partners experiences, as well as a literature review and discussion about the best practices and lessons learned from these previous wars for the forthcoming reconstruction in Ukraine. For this purpose, Bankwatch organised a webinar on 27 February 2023, for which over 150 participants registered, including Bankwatch's member groups, partners, other civil society groups and interested individuals from Ukraine, Bosnia and Herzegovina, Georgia and beyond.

## Background on Ukraine's recovery

Russia's unprovoked act of aggression in Ukraine has killed thousands and forced millions to emigrate, destroying infrastructure, the economy and the natural environment. The war has impacted food and energy security in Ukraine and globally.<sup>3</sup> More than 7 million people have been displaced internally within

---

<sup>2</sup> Ecoaction, [Principles for Ukraine's reconstruction](#), Ecoaction, accessed 25 May 2022.

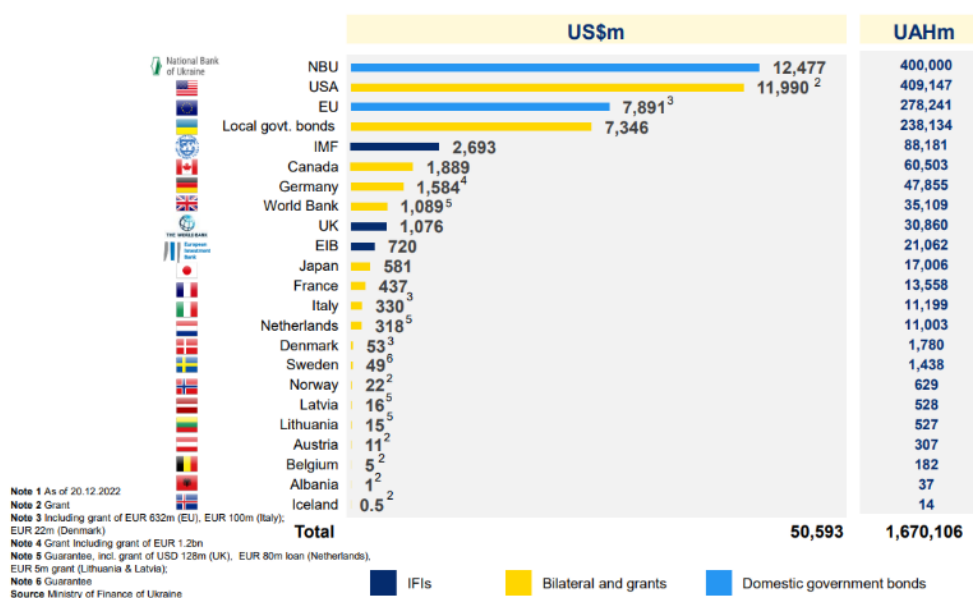
<sup>3</sup> Vladlena Martsynkevych, [Food security for all](#), CEE Bankwatch Network, Ecoaction, 10 May 2022.

Ukraine and some 13 million people have been stranded in war affected areas. Around 7.7 million people, mainly women and children, have left the country as refugees.<sup>4</sup>

Reconstruction and recovery needs are estimated at USD 349 billion (as of 1 June 2022) by the Ukraine Rapid Damage and Needs Assessment prepared jointly by the World Bank, the government of Ukraine and the European Commission.<sup>5</sup> The report calculates the direct damage of the war at USD 97 billion (with housing, transport, and commerce and industry as the most affected sectors) and indirect damage (such as disruptions to economic flows and production, as well as additional economic losses associated with the war) at USD 252 billion. The numbers are set to increase as missile attacks continue targeting critical infrastructure and the energy system. Though the report scarcely assesses the cost of impacts and damage to the environment, it specifies that ‘[i]n the medium to long term, recovery and reconstruction should build on the foundation of green, resilient, and inclusive development; it should also ensure efficiencies by upgrading access to and quality of services and infrastructure and by right-sizing/right-siting service networks and infrastructure’.<sup>6</sup>

International partners and institutions have committed to support Ukraine in various forms (financial, budget support, emergency, humanitarian and military assistance, etc.) since the war began. Though it is not easy to track, evaluate and verify international support due to the lack of transparent mechanism for disclosing such information, the official sources from the Ministry of Finance provide some calculations (see indicative graph below for 2022).<sup>7</sup>

Received budget financing (general fund) during the wartime split by sources<sup>1</sup>



Source: Ministry of Finance of Ukraine, 21 December 2022.<sup>8</sup>

<sup>4</sup> UNHCR, [Ukraine Refugee Situation](#), UNHCR, accessed 10 November 2022.

<sup>5</sup> World Bank, [Ukraine Rapid Damage and Needs Assessment](#), World Bank Group, 31 July 2022.

<sup>6</sup> Ibid.

<sup>7</sup> Ministry of Finance of Ukraine, [State Budget 2022: General Fund of State Budget received UAH 1.491 billion of revenues](#), Cabinet of Ministers of Ukraine (kmu.gov.ua), 3 January 2023.

<sup>8</sup> Ministry of Finance of Ukraine, [Received budget financing \(general budget\) during the wartime split by sources](#), LinkedIn, accessed 14 April 2023.

In May 2022, the European Commission proposed the Ukraine reconstruction platform<sup>9</sup> in order to coordinate the financial institutions, countries and other donor organisations who will contribute to Ukraine's recovery. The EU's commitment to creating the Rebuild Ukraine Plan<sup>10</sup> and the reconstruction platform represents a step towards the 'alignment of Ukraine's economy to the EU'<sup>11</sup> which was also re-affirmed by the fact that the European Council granted the country EU membership candidate status in June 2022.<sup>12</sup> It should also ensure greater democracy, improved social and economic rights for Ukrainians, and the benefits of prosperity based on a green economy and nature conservation. The design of the platform and its leadership has been discussed since the Ukraine Recovery Conference in Lugano on 4 and 5 July 2022. The Lugano Declaration for Ukraine's post-war reconstruction commits to help 'Ukraine throughout its path from early to long-term recovery, and linking this to Ukraine's European perspective and EU candidate country status'. It also promises to engage multistakeholder participation and partnership, make funding transparent and accountable, integrate sustainability and ensure a focus on gender equality. Ukrainian authorities presented a draft of Ukraine's Recovery Plan in Lugano, but the plan still needs further development and inclusive stakeholder involvement to help Ukraine on its path to the EU.<sup>13</sup>

There is an understanding among international partners that Ukraine's Recovery Plan must be the overarching framework for the recovery to ensure the country itself has strong ownership over the rebuilding process. But these international partners will still need to be involved in coordinating aid to the country. In December 2022, the G7 confirmed that it would create a mechanism to do so.<sup>14</sup> The secretariat of the donor coordination platform will be hosted by the European Commission in Brussels, as well as by Ukraine in Kyiv. The first multi-agency donor coordination meeting was held in January 2023<sup>15</sup> for high-level officials from Ukraine, the EU and G7 countries, as well as from financial institutions such as the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD), the International Monetary Fund and the World Bank.

The EU has continued to work directly with Ukraine, however. The unprecedented result of the EU-Ukraine Summit in February 2023 was the establishment of the special Directorate E – Ukraine Service<sup>16</sup> within the Directorate-General for Neighbourhood and Enlargement Negotiations (DG NEAR) to cover, among other issues, the relief and reconstruction aspects.

The repair, recovery and reconstruction processes in Ukraine differ from typical humanitarian or development/transitional aid. While seeking to repair and recover essential services such as water supplies,

---

<sup>9</sup> European Council, [European Council conclusions on Ukraine, 30 May 2022](#), *European Council and Council of the European Union*, 31 May 2022.

<sup>10</sup> European Commission, [Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions: Ukraine Relief And Reconstruction](#), *European Commission*, 18 May 2022.

<sup>11</sup> European Council, [European Council conclusions on Ukraine, 30 May 2022](#), 31 May 2022.

<sup>12</sup> Reliefweb, [Outcome Document of the Ukraine Recovery Conference URC2022: 'Lugano Declaration' \(Lugano, 4–5 July, 2022\)](#), *Reliefweb*, 6 July 2022.

<sup>13</sup> Vladlena Martsynkevych, [Open letter to the European Commission: environmental reforms and civil society engagement are key for Ukraine's reconstruction and European accession](#), *CEE Bankwatch Network*, 3 February 2023.

<sup>14</sup> Andrea Shalal, [G7 says it is setting up multi-agency platform to coordinate aid to Ukraine](#), *Reuters*, 12 December 2022.

<sup>15</sup> European Commission, [Ukraine: Multi-agency Donor Coordination Platform for Ukraine kick-starts work](#), *European Commission*, 26 January 2023.

<sup>16</sup> European Commission, [EU WHOISWHO OFFICIAL DIRECTORY OF THE EUROPEAN UNION](#), *European Commission*, 11 April 2023.

rail and road networks, healthcare, urban buildings and other infrastructure, the country will also need to re-establish essential social, cultural and political systems through policy and grassroots efforts. The Lugano Principles<sup>17</sup> for the recovery process (endorsed by major international states and agencies) commit all parties to the following: international partnership (a sound ongoing needs assessment process, aligned priorities, joint planning for results, accountability for financial flows, and effective coordination); a reform focus (efforts and resilience in line with Ukraine's European path); transparency, accountability and rule of law (transparent and accountable to the people of Ukraine, eradication of corruption); democratic participation; multi-stakeholder engagement; gender equality and inclusion; and sustainability (alignment with the Paris Agreement, green transition). Donor coordination, country ownership, inclusive partnership, capacity development and mutual accountability – all this impacts the effectiveness of the aid significantly.<sup>18</sup> Thus, to ensure they are done well, it is important to look at recent examples of post-war reconstruction that can show how best these aspects can be done in Ukraine.

## Lessons from Bosnia and Herzegovina's post-war reconstruction (1995-2004)

Lasting almost a decade, from 1995 to 2004, Bosnia and Herzegovina's post-war economic reconstruction is considered *the lost decade* by some researchers.<sup>19</sup> The financial package for the country's reconstruction included official grants, concessional loans, and private sector inclusion schemes from the European Union, the World Bank, USAID, the EBRD and other agencies. Despite numerous international programmes, including the EU-led Stability Pact,<sup>20, 21</sup> the reconstruction failed to address the needs of locals. In particular, the Dayton Agreement<sup>22</sup> and the Stability Pact were set mainly by the international community (with input from Bosnian elites). This lack of ownership on the part of the majority of Bosnians had detrimental effects: 'the international community was able to set the agenda and influence the enactment of pieces of legislation relevant to reform; it had much less leverage on their actual implementation. Although in most of the cases the local politicians have not openly opposed the transition process, they have subsequently demonstrated no commitment to its advancement'.<sup>23</sup>

To implement reconstruction, the international community established a parallel international administrative structure called the Office of the High Representative (OHR). Later, the OHR gained additional powers that allowed it to become an integral governance institution in the country. As a result,

---

<sup>17</sup> Reliefweb, [Outcome Document of the Ukraine Recovery Conference URC2022: 'Lugano Declaration' \(Lugano, 4–5 July, 2022\)](#), Reliefweb, 6 July 2022.

<sup>18</sup> Sraieb, Mohamed Mounir, [What Is behind Foreign Aid Ineffectiveness?](#), *Reflets et Perspectives de La Vie Économique* LV (2): 61, 2016.

<sup>19</sup> Nikolaos Tzifakis, Charalambos Tsardanidis, [Economic Reconstruction of Bosnia and Herzegovina: The Lost Decade](#), *Ethnopolitics* 5, no. 1, 67-84, 23 August 2006.

<sup>20</sup> The [Stability Pact](#) was established in 1999 at the initiative of the European Union with the aim of establishing and reinforcing peace and security in Southeastern Europe and involved countries and international organisations as partners.

<sup>21</sup> Jack Seymour, [The Balkan Stability Pact: A Crucial Test for Europe](#), *Wilson Center*, September 2000.

<sup>22</sup> The [General Framework Agreement for Peace in Bosnia and Herzegovina](#), also known as the Dayton Peace Agreement (DPA), was signed on 14 December 1995. These accords put an end to the three-and-a-half-year war, one of the armed conflicts in the former Socialist Federal Republic of Yugoslavia. The current Constitution of Bosnia and Herzegovina is the Annex 4 of this agreement.

<sup>23</sup> Marc Weller, Stefan Wolff, [Internationalized State-Building After Violent Conflict](#), *Routledge*, 31 May 2013.



a widely held belief in the country was that key decisions were not indigenously generated but were instead imposed by the international community.<sup>24</sup>

The new decentralised governance structure of the Dayton Agreement, introduced ‘to protect the interests of all the country’s ethnic groups and create the basis for post-war political stability’ represents an additional complication as it does not address ‘the key principles of good governance (effectiveness and efficiency, transparency and accountability, and participation)’.<sup>25</sup>

Furthermore, the involvement of international and local actors allowed both to use the positive and negative outcomes to their advantage in different ways, creating a divisive political atmosphere. For example, ‘when economic measures had a negative impact, the local leadership blamed the international community and took credit for policies with beneficial impact’.<sup>26</sup> This was also true of the international community, however: the World Bank Evaluation Department’s report states that ‘the successful reconstruction effort in [Bosnia and Herzegovina] can be credited to the joint efforts of the country and the donor community, while the lagging reform efforts and the disappointing economic performance since 2000 must be largely attributed to the reluctance or inability of the political leadership in [Bosnia and Herzegovina] to implement effectively the reform agenda’.<sup>27</sup>

Issues related to social welfare, poverty reduction, employment and labour rights were also marginalised in the agendas of the international financial institutions involved in the reconstruction.<sup>28</sup> An expert assessment underlines that external development aid did not attempt to create any linkage between economic and social reconstruction, especially in the first phase of the reconstruction (1995 to 2000).

As a result, Bosnia and Herzegovina’s post-war reconstruction has been marked by elite opportunism, dismissal and disregard for locals’ needs while entirely shaped by the views of experts. The donor community has instead been preoccupied with the implementation of a neoliberal agenda that has been progressively reinforced during the second period (2000 to 2004) of Bosnia’s reconstruction to promote convergence with EU criteria, integration into the global world economic space and acquisition of membership in the World Trade Organization.<sup>29</sup>

## Absence of local ownership

Decisions on reconstruction clearly suffered from the lack of a holistic vision for development, as well as the absence of local voices and effective consultations with the actual beneficiaries. This left plenty of room for elites to use proposed reforms for their own gain, while ignoring the residents’ needs and desires.

---

<sup>24</sup> Patrice C. McMahon, [Rebuilding Bosnia: A Model to Emulate or to Avoid?](#), *Political Science Quarterly*, Vol. 119, No. 4 (Winter, 2004/2005), p. 569-593.

<sup>25</sup> Ibid.

<sup>26</sup> Nikolaos Tzifakis, Charalambos Tsardanidis, [Economic Reconstruction of Bosnia and Herzegovina: The Lost Decade](#), *Ethnopolitics* 5, no. 1, 67-84, 23 August 2006.

<sup>27</sup> World Bank Operations Evaluation Department, [Bosnia and Herzegovina: Post-Conflict Reconstruction and the Transition to a Market Economy. An OED Evaluation of World Bank Support](#), Washington, DC: World Bank, September 2004.

<sup>28</sup> Nikolaos Tzifakis, Charalambos Tsardanidis, [Economic Reconstruction of Bosnia and Herzegovina: The Lost Decade](#).

<sup>29</sup> Ibid.

In addition to the overall lack of ownership described above, the post-war reconstruction of Sarajevo is a vivid example of a ‘city being reshaped by international capital favored by the local elites and by architectural interventions catering more to nation-building than needs and aspirations’.<sup>30</sup> For example, the lack of restrictions on purchasing land resulted in the development of a fragmented, unplanned city: ‘instead of preserving the industrial past, museums, cultural centers’, during the reconstruction, ‘offices popped up in the former factory buildings, and many industrial areas were just demolished. The housing built in their place had no infrastructure — there were no schools, kindergartens, hospitals, or anything’.<sup>31</sup>

The hesitation of international institutions ‘to support Sarajevo experts, institutions, and citizens to take ownership of the process’<sup>32</sup> resulted in a fragmentation of the city and its identity. By ignoring ‘the importance of integrating the community and its cultural memory’, the international organisations driving the process also ignored the needs of the city’s residents.

### Open door for corrupt practices

Meanwhile, lack of coordination ‘between donor funds and local programs created redundancy and corruption, which was exploited by political elites to issue illegal construction permits that eventually led to the neglect of cultural institutions and [the] destruction of public space in [Sarajevo]’.<sup>33</sup>

Corruption was witnessed at several levels: in the use of international aid, in the new national administration and judiciary, at the local municipality level, etc. The estimated losses due to corruption are considered to be significant: according to some estimates, they reached USD 1 billion.<sup>34</sup> The direct assistance from international financial institutions and donors was the most vulnerable, because ‘the international community depended heavily on local politicians and administrative structures. Much of the general budgetary support was “not controlled or audited”, making it difficult to assess what happened to this money’.<sup>35</sup> International agencies reported being forced to contract corrupt companies at inflated prices because other potential bidders were threatened or blackmailed into not bidding for reconstruction contracts.<sup>36</sup>

At the local level, non-governmental organisations that received funding to rebuild houses in a certain community for returning minorities were forced by local authorities to include other components in the projects, such as upgrading local roads or supporting local businesses, to obtain legal approval.<sup>37</sup> Although in theory these are beneficial reconstruction activities, these demands not only diverted international funds

---

<sup>30</sup> Gruița Bădescu, [Dwelling in the Post-War City Urban Reconstruction and Home-Making in Sarajevo](#), *Revue d'études Comparatives Est-Ouest* no. 4: 35-60, December 2015.

<sup>31</sup> Kateryna Kozlova, [A Facelift Worth Billions: Urbanist on Why Post-War Restoration of Sarajevo Only Made it Worse](#), *Bird in Flight*, 17 June 2022.

<sup>32</sup> Amra Hadžimuhamedović, [Culture-Based Urban Resilience: Post-War Recovery of Sarajevo](#), UNESCO, 2018.

<sup>33</sup> Ibid.

<sup>34</sup> Chris Hedges, [Leaders in Bosnia Are Said to Steal Up to \\$1 Billion](#), *The New York Times*, 17 August 1999.

<sup>35</sup> Vera Devine, [Corruption in Post-conflict Reconstruction: Breaking the Vicious Cycle](#), *tiri.org*, accessed 13 April 2023.

<sup>36</sup> Vera Devine and Harald Mathisen, [Corruption in Bosnia and Herzegovina - 2005. Options for Swedish Development Cooperation 2006-2010](#), *CHR.Michalsen Institute*, January 2005.

<sup>37</sup> Ibid.

from the priority of providing shelter for returning families, but they also went straight into the pockets of the local leaders and strengthened their power.<sup>38</sup>

Privatisation was seen as a solution to corruption in public companies in Bosnia and Herzegovina. However, the privatisation process offered opportunities for those in power to strip state assets and to strengthen their positions. The reform to ‘de-politicize economic life and to provide the basis for economic recovery and growth’ transformed into ‘a corrupt, ethnicized, and protracted struggle for power, which [did] little to stimulate economic growth or promote inter-ethnic reconciliation’.<sup>39</sup> The privatisation of the state-owned enterprises was neither transparent nor fast and could not prevent political obstruction and clientelism.<sup>40</sup> The echoes of failed reconstruction programmes resounded in 2014, when widespread protests erupted across the country against corrupt privatisation.<sup>41</sup>

### Linkage between economic and social reconstruction

The issues related to social welfare, poverty reduction, employment and labour rights were marginalised in the agendas of international financial institutions involved in the reconstruction.<sup>42</sup> An expert assessment underlines that external development aid did not attempt to create any linkage between economic and social reconstruction, especially in the first phase of the reconstruction (1995 to 2000).<sup>43</sup>

UNDP’s ‘early warning survey’ (2002) shows that following the war, poverty in the country was widespread and rising. At least ‘40-49 per cent in the Federation [of Bosnia and Herzegovina] and 67-68 per cent in [Republika Srpska] had insufficient income to cover a basic basket of consumer goods’. According to research done by Michael Pugh and Neil Cooper for their book *War economies in a regional context*: ‘in response to various developmental crises, the [international financial institutions] signaled general reforms to mitigate the harmful impacts of economic liberalisation. In May 2000, the World Bank’s Country Assistance Strategy for [Bosnia and Herzegovina] included strengthening the social safety net. The Bank approved a USD 14.6 million credit, repayable over 35 years, for educational development and welfare policies for the most vulnerable’.<sup>44</sup> by the end of 2004, one of in five inhabitants of the country were considered poor, with some 19.5 per cent of the population below the poverty line (16 per cent in the Federation and as much as 25% in Republika Srpska), while around 30 per cent of the population was

---

<sup>38</sup> Vera Devine and Harald Mathisen, [Corruption in Bosnia and Herzegovina - 2005. Options for Swedish Development Cooperation 2006-2010.](#)

<sup>39</sup> Martina Fischer, [Bosnia’s Challenge: Economic Reform, Political Transformation and War-to-Peace Transition](#), *The Berghof foundation*, 2016.

<sup>40</sup> Stepan Santruce, [Failed Privatisation is to Blame for Bosnians’ Exodus](#), *BalkanInsight*, 16 May 2019.

<sup>41</sup> Krista Lee-Jones, [Bosnia and Herzegovina: Overview of corruption and anti-corruption. U4 Helpdesk Answer 2018:2.](#) *U4 Anti-Corruption Resource Centre*, 2018.

<sup>42</sup> Ibid.

<sup>43</sup> Ibid.

<sup>44</sup> Michael Charles Pugh, Neil Cooper, Michael Pugh, Jonathan Goodhand, *War Economies in a Regional Context*, *Lynne Rienner Publishers*, 2004.



located very close to poverty line.<sup>45</sup> The targets set for 2007 include reducing overall poverty by about 20 per cent, raising secondary school enrollment from 57 to 75 per cent, and halving infant mortality.<sup>46, 47</sup>

## Gender aspects

The poor consideration of social impacts in reconstruction was particularly pertinent for women, for whom the loss of employment opportunities following the war coupled with different employment programmes financed by international finance institutions (increased availability of microcredit, employment projects for women (e.g. handicraft workshops)) ‘often contributed to the reestablishment of traditional gender roles.’<sup>48</sup> Such projects were ‘criticized for promoting gender stereotypes and for being planned without taking into account the education level, skills, or aspirations of Bosnian women, and for depoliticizing and atomizing women’s agency’.<sup>49</sup> The employment interventions made did not consider the wartime and post-war experiences, nor did they take into account the need for proper economic policy that would be sensitive to gender.<sup>50</sup>

## Lessons from Georgia’s post-war reconstruction (2008-2012)

The post-war reconstruction in Georgia after Russia’s 2008 aggression addressed only the rehabilitation of infrastructure, keeping the Georgian banking system alive and physical resettlement of the internally displaced persons, rather than setting political goals, such as increased security resilience against the aggressor. Nevertheless, the overall reconstruction, which was allocated USD 4.5 billion, is still a complex case from an aid effectiveness point of view.

Georgia’s reconstruction raised many issues, both in terms of transparency and access to information, as well as donor coordination and alignment. The responsibility for the projects developed under the post-war reconstruction programme ultimately lies with the Georgian government. However, international actors were heavily involved and also bear some of the responsibility.

## Poor needs assessment and recovery planning

A Joint Needs Assessment<sup>51</sup> (JNA) was developed by the donor community in cooperation with Georgia’s executive officials without any participation of the local stakeholders, such as members of parliament,

---

<sup>45</sup> IMF, [Bosnia and Herzegovina: Poverty Reduction Strategy Paper—Mid-Term Development Strategy](#), April 2004.

<sup>46</sup> IMF, [Bosnia and Herzegovina: Poverty Reduction Strategy Paper—Mid-Term Development Strategy—Joint Staff Assessment](#), 7 June 2005.

<sup>47</sup> As of 2018, ‘about 18.56 percent, or 640,000 people, live in absolute poverty in Bosnia. Aside from the nearly one-fifth of the population already in poverty, approximately 50 percent of the country is vulnerable to becoming poor. This vulnerability is largely due to factors including lack of education, economic opportunity and recovery after the war’. Matthew Cline, [Top 10 facts about poverty in Bosnia and Herzegovina](#), *The Borgen Project*, 14 August 2018.

<sup>48</sup> Daniela Lai, [What has justice got to do with it? Gender and the political economy of post-war Bosnia and Herzegovina](#), *Review of International Political Economy*, 22 October 2019.

<sup>49</sup> Ibid.

<sup>50</sup> Ibid.

<sup>51</sup> The World Bank, The United Nations, [Georgia. Summary of Joint Needs Assessment Findings Prepared for the Donors’ Conference of October 22, 2008 in Brussels](#), 2008.

political parties, think tanks and civil society organisations.<sup>52</sup> Though the World Bank initially refused to release the assessment because the Georgian government feared the precarious state of Georgian banks, the day before the donors' conference,<sup>53</sup> the government released a heavily edited summary that omitted some critical data, including the projection that 100,000 jobs would be lost because of the war.

The JNA set 'the basis for mainstreaming... early recovery efforts within all sectors, determine[d] the recovery requirements and priorities from early to full recovery and provide[d] links to the longer-term development objectives'.<sup>54</sup> However, this document was focused on longer-term development and therefore could not serve as the proper coordination and action plan for post-war reconstruction. The longer-term plans developed for some sectors were based on traditional, Soviet-era learned knowledge. For example, the energy security needs were addressed through the Georgian government's dreams of constructing new large hydropower plants<sup>55</sup> that had not only been drastically opposed by local communities for decades but also included high fiscal risks for the Georgian budget (e.g. the Nenskra, Khudoni and Oni hydropower plants).<sup>56</sup> The JNA did not address issues such as the need for proper planning of the energy sector, energy efficiency and saving, and innovation. It used one approach for all sectors.

Only USD 500 million was used to address the urgent needs of the affected population, including internally displaced people. The bulk of the assistance was used for measures to ensure Georgia's long-term economic sustainability in line with the JNA. This included loans and grants to finance key infrastructure projects, including roads and power lines, and to support the national banking system to prevent liquidity shortages at Georgia's leading private banks. However, most Georgian banks invested those funds in the construction of houses, supporting models for development of urban districts. These and other reconstruction activities, 'instead of crediting national economy... credit[ed] import', which 'favored [the] strengthening of the existing imbalance between financial resources that the country received and the development of the real sector of the economy.'<sup>57</sup>

At the heart of the difficulties was the failure of international financial institutions, donors and the Georgian government to develop a coherent plan for economic development in a participatory manner that would benefit society as a whole. Instead, the JNA fulfilled the wishes of various agencies and lobby groups but did not fulfil its purpose. Under these circumstances, post-war reconstruction mainly benefits the elites but not the wider society. The housing and infrastructure projects funded by the donor community had poor due diligence and lacked proper environmental and social risk assessment.<sup>58</sup>

---

<sup>52</sup> Transparency International Georgia, [Georgia signs the Paris Declaration on Aid Effectiveness](#), *Transparency International Georgia*, 23 June 2011.

<sup>53</sup> Transparency International, [Donor conference on Georgia lacks transparency and accountability](#), *Transparency International*, 20 October 2008.

<sup>54</sup> The World Bank, The United Nations, [Georgia. Summary of Joint Needs Assessment Findings Prepared for the Donors' Conference of October 22, 2008 in Brussels](#), 2008.

<sup>55</sup> Ibid.

<sup>56</sup> Transparency International Georgia, [Aid to Georgia: Transparency, Accountability and the JNA](#), *Transparency International Georgia*, November 2008.

<sup>57</sup> Vladimir Papava, [Post-War Economy of Georgia: New Challenges and Old Mistakes](#), Georgia, 2009, *Post-War Challenges & Perspectives*, editor Soso Tsiskarishvili, February 2010.

<sup>58</sup> Irakli Macharashvili, [In the line of fire: How international post-conflict aid billions are failing Georgia's people and environment](#), *Coalition Transparent Foreign Aid to Georgia, Association Green Alternative*, 30 September 2009.

The Georgian government failed to consider civil society organisations, internally displaced persons and the public as legitimate stakeholders in the reconstruction process. As a result, the expectations and needs of these groups were not met. At the same time, there was lack of interest from some stakeholders, like the parliament, and ‘Georgian [non-governmental organisations] generally lacked the capacity to meaningfully engage with macro-level aid, which is extremely complex and requires considerable expertise to understand’.<sup>59</sup> Therefore, as a result, very few groups that had expertise were involved in aid monitoring. However, despite attempts to make JNA more transparent by changing some of its priorities or project designs, the wider civil society and general public remained skeptical of its utility and benefit.<sup>60</sup>

### Settlements for internally displaced people

One of the aims of the JNA was to support internally displaced people. However, the scope of the programme covered not only people that were forced to flee their homes after the 2008 war, but also those who had been displaced from 1992 to 1994 after conflicts in Abkhazia and Tskhinvali Region/South Ossetia. The overall objectives of the proposed programme were in line with the vision of the Georgian government: 1) creating conditions for the dignified and safe return of internally displaced people to their homes, and 2) supporting decent living conditions for and social participation of the displaced population. The JNA included a plan to secure housing for at least 30,000 people, the survivors of the 2008 conflict from South Ossetia by March 2009.

Within a narrow timeframe, the government developed and implemented the massive resettlement programme without clearly identifying which sources the funding came from. Although there were some programmes signed by the European Commission<sup>61</sup> and the World Bank to support internally displaced people,<sup>62</sup> it was practically impossible to understand which donor had financed which settlements, and nobody was held responsible for the projects’ poor quality.<sup>63</sup>

Starting in September 2008, the government of Georgia built 13 new settlements consisting of nearly 4,000 individual ‘cottages’. Using floodlights, contractors worked around the clock, completing all houses between December 2008 and January 2009. But there was a price for a ‘swift and bureaucracy-free’<sup>64</sup> building programme in Georgia. The houses were built near a major highway, close to territories occupied by Russian troops. The construction has been done mainly by workers, without any proper planning and oversight.<sup>65</sup>

---

<sup>59</sup> Till Bruckner, [Accountability in International Aid: The Case of Georgia](#), January 2011.

<sup>60</sup> Ibid.

<sup>61</sup> Manana Kochladze, Tamara Pataria, [Planning, Receiving, Disbursing and Absorbing ENPI Funding in Georgia](#), August 2009.

<sup>62</sup> The European Commission provided EUR 10 million for ‘targeted budgetary support to reimburse expenses incurred by GOG from 2008 budget for IDP housing construction’ in December 2008, and a further EUR 51.5 million for ‘targeted budgetary support related to IDP housing construction in 2008 and 2009’. The World Bank provided in October 2008 USD 40 million for ‘municipal and regional infrastructure development’ to the Municipal Development Fund; in addition, the United States provided USD 250 million budget support in November 2008, which seems also to have been used for the construction of the villages.

<sup>63</sup> Manana Kochladze, Tamara Pataria, [Planning, Receiving, Disbursing and Absorbing ENPI Funding in Georgia](#).

<sup>64</sup> Ellen Barry, [Russia and Georgia Faulted in War](#), *The New York Times*, 1 January 2009.

<sup>65</sup> A monitoring team from Transparency International Georgia visited 14 new settlements in January 2009 and reported severe flaws in all of them. Transparency International Georgia, [Aid Coordination for IDP Housing in Georgia, 2008-2011](#), *Transparency International Georgia*, 21 October 2011.

Experts also raised concerns about the future costs of the energy inefficient households that were constructed, as state subsidies were only provided until 2016.<sup>66</sup>

Fortunately, some other housing projects, which took notice of the importance of a people-centric approach to reconstruction, served the war-affected people better. The German development agency GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit) and development bank KfW (Kreditanstalt für Wiederaufbau) funded and built high-quality and energy-efficient houses for internally displaced people in Gori and western Georgia. The priorities of these projects were based on the participation of the displaced people. KfW viewed displaced people as a community that should not be split apart. This perspective was derived from the opinions expressed by the internally displaced people themselves during a social survey conducted in the process of the renovation (KfW declined to share the results publicly).<sup>67</sup> KfW required that 75 per cent of residents in each building give ‘no objection’ to the renovation plans before construction work could begin.

### Environmental and social impacts

Some energy, road and rail infrastructure projects proposed by the JNA for donor funding have had very controversial human and environmental impacts. These include the proposed hydropower and transmission line projects, as well as rail and road infrastructure. Civil society organisations had to spend enormous time and energy to prevent environmental and social damage from a number of the post reconstruction projects. For example, civil society organisations worked to ensure that the Black Sea Regional Transmission Project did not damage the Borjomi-Kharagauli National Park,<sup>68</sup> the oldest national park in the Caucasus that was itself significantly hurt during the Russian aggression in 2008.

The Tbilisi Railway bypass project represents a spectacular case of improper use of post-war reconstruction funds. The project aimed to construct a new section of railway bypassing central Tbilisi in order to avoid the transit of hazardous freight through the city. The total cost of the project was over EUR 350 million, of which EUR 200 million was to be covered by the EBRD and the EIB (EUR 100 million each) and the rest by Georgian Railway LTD, a 100 per cent state-owned company. Project implementation started in 2009 with the support of the EU Neighbourhood Investment Facility.

The new railway line was built in another densely populated district city and runs close to the Tbilisi reservoir, one of Tbilisi's main sources of drinking water. According to the Georgian Water and Power Company, even the spillage of half an oil tank would lead to the pollution of 50 per cent of the Tbilisi reservoir.<sup>69</sup> The project has failed to create jobs, at least thus far – the railway was built by the Georgian-Chinese company<sup>70</sup> and used a mainly Chinese labour force.

---

<sup>66</sup> George Tarkhan-Mouravi, [Assessment of IDP Livelihoods in Georgia: Facts and Policies](#), UNHCR, February 2009.

<sup>67</sup> Transparency International Georgia, [Aid Coordination for IDP Housing in Georgia, 2008-2011](#), 21 October 2011.

<sup>68</sup> Coalition ‘Transparent Foreign Aid to Georgia’, [Statement on Potential Impact of the Proposed Black Sea Regional Transmission Project on the Borjomi-Kharagauli National Park](#), 25 September 2009.

<sup>69</sup> Association Green Alternative, [Involuntary Resettlement in Tbilisi Railway Bypass Project](#), May 2014.

<sup>70</sup> The joint enterprise of China Railway 23<sup>rd</sup> Bureau Group Co.LTD and Khidmsheni JSC based on the contract #GR-003 formed on 14 June 2010.

The EBRD, which was originally supposed to finance the project and approved its loan in March 2010, started receiving complaints to its compliance mechanism. In response to the pressure to comply with the EBRD's social and environmental policies, Georgian Railways rejected the EBRD loan.

The construction of the bypass was stopped in 2012 and the project was cancelled. The reason for this was a technical-economic study by MC Mobility Consultants GmbH, which found that the bypass project would increase the operating costs on the Tbilisi railway section by 57 per cent, while daily freight capacity on the same section would be reduced by 25 per cent. In addition, the environmental and safety risks would not decrease after the rail line had been moved to the outskirts.<sup>71</sup>

Several alternatives for the revival of the bypass between the city of Tbilisi and Georgian Railways were negotiated in 2015 and 2016.<sup>72</sup> However, the study, which looks at options for the development of rail transport in Tbilisi, states that the further development of the Tbilisi bypass railway is not a reasonable option as ‘this alternative carries the risk of contaminating Tbilisi Sea in the event of an accident and long-term damaging effects on railway operating costs and capacity’.<sup>73</sup>

## Takeaways for Ukraine

Although the war in Ukraine is very different from the wars in Bosnia and Herzegovina and Georgia, many important lessons can be derived from these previous post-war reconstruction efforts. The main problems were related to poor non-inclusive decision-making due to lack of broader ownership by the countries and their population; the reliance on elites; lack of donor coordination and transparency; disregard for lack of human and institutional capacity; absence of the rule of law; and corruption practices.

Ukraine's recovery must be based on the major principles of the Paris Declaration on Aid Effectiveness and the Accra Agenda, including the principle of inclusive partnership which ensures real ownership by the country, transparency, accountability, and proper donor cooperation. These principles should be considered together, with the clear understanding that disregarding one inevitably leads to the disregard of the other.

### Potential problems and recommendations for Ukraine’s post-war recovery (based on, but not limited to, the case studies in this briefing)

Problems	Recommendations
Lack of vision for the future in the reconstruction plans	The vision for Ukraine's recovery must be developed through wide inclusive discussions incorporating all interested socioeconomic partners at local, regional and national levels.

<sup>71</sup> Davit Kutidze, [The Tbilisi Railway Bypass project has virtually been suspended and brought to a standstill while a massive portion of the actual construction work, roughly 80%, had already been concluded](#), *Grass Fact Check*, 15 November 2013.

<sup>72</sup> Transparency International Georgia, [Tbilisi Bypass – Government’s forgotten priority?](#), *Transparency International Georgia*, 17 March 2016.

<sup>73</sup> Giorgi Babunashvili, [Policy Study Options for Railway Infrastructure Development in Tbilisi Comparative Analysis of the Alternatives](#), *PMCG Research*, 2018.

<p>Donor funding and investment projects with controversial social and environmental impacts</p>	<p>Ukraine’s aspiration for EU membership aligns the country’s future development with the principles, technologies and practices of the European Green Deal. Therefore, a strong environmental and social framework should be developed for Ukraine to ensure its economic development through resource efficiency and sustainability. Issues like energy efficiency and carbon intensity should be the mainstream of the modern post-war reconstruction efforts, together with nature protection and restoration and pollution control. It includes the development of modern technologies and infrastructure and transferring the newest, best available environmentally and socially sound practices.</p>
<p>Lack of local ownership</p>	<p>The donor community should help the Ukrainian government ensure inclusive partnerships for future development, as well as provide necessary technical means and expertise to support the involvement of non-state actors, local governments, civil society, and ordinary citizens in designing Ukraine’s sustainable future.</p>
<p>Overlooking the needs of impacted people</p>	<p>The post-war reconstruction not only needs to address human pain and devastated infrastructure, but also must ensure the protection of the social and economic rights of Ukrainians. It is important to ensure that post-war reforms redress rather than reinforce socioeconomic injustice for all groups of people (workers, women, those involved in combat, communities, etc.).<sup>74</sup> Solutions for socioeconomic issues will be critical to ensuring justice in the post-war reconstruction of Ukraine.<sup>75</sup> The question of who benefits should be mainstreamed during the process.</p> <p>It is important that during the implementation of the projects and programmes, a gender analysis is conducted in various contexts to reveal special needs (infrastructure, employment, etc.). As practice and experience shows, the post-war reconstruction may not directly address the needs of impacted people, but rather reestablishing macro-economic structures, large and unnecessary infrastructure projects, supporting privatisation and private banking, etc.</p>
<p>Weak institutional setting</p>	<p>The strong institutional setting formed by the EU’s proposed Rebuild Ukraine platform and the Rebuild Ukraine facility, which should ensure donor coordination and inclusive partnerships for Ukraine's post-war reconstruction, is essential. The platform should ensure that Ukraine’s reconstruction is in line with Europe’s green agenda, not only in terms of technologies, but also in terms of the protection of biodiversity and social and labor rights.<sup>76</sup></p>

<sup>74</sup> Daniela Lai, [What has justice got to do with it? Gender and the political economy of post-war Bosnia and Herzegovina](#), *Review of International Political Economy*, 2019.

<sup>75</sup> Daniela Lai, *Socioeconomic Justice*, Cambridge, 2020.

<sup>76</sup> In July 2022, Ukraine passed several laws that received criticism from the Ukrainian Trade Unions, as they prevent collective bargaining for workers at small and medium-sized enterprises, allow employers to stop paying workers who have been called up to fight and legalise zero-hour contracts. The latter will remain in place even when martial law is lifted. According to ETUC: ‘These drafts were designed and faced international criticism long before the war started and discussing them today, when the country is under martial law, is totally inappropriate’. Syndicat European Trade Union, [EU needs to send Ukraine message on workers' rights warns ETUC](#), 20 July 2022.



Weak local institutions	Post-conflict reconstruction is a long-term commitment and should be oriented on the long-term sustainability of goals. Both donors and local actors should stop looking for ineffective, costly and quick-fix solutions. Local actors should understand and employ the practices and tools of proper planning, decision-making and implementation to achieve long-term sustainability.
Reconstruction planning delayed	<p>It is important to start Ukraine’s reconstruction as soon as possible, instead of waiting for a full ceasefire. There are urgent works ongoing to restore damaged critical infrastructure and these should continue. In addition, for the western parts of Ukraine where there is no warfare, the planning for future modernisation should start now. For example, donors can start actively working with municipalities to replan city infrastructure, develop projects and increase capacity.</p> <p>Donors, including the EU, should not wait for the Ukraine Recovery Plan to be ready. They should ensure that technical assistance and proper alignment for the preparation of this plan; set the environmental, climate, social and economic goals together with civil society; and support the transfer of know-how and innovations.<sup>77</sup></p>
Impacts on the environment	The war pollution and impacts on environment are taking place and need to be documented. Moreover, those impacts must be taken into account during the development of reconstruction plans. Without strong environmental legislation, full public participation (which has been limited during the martial law) and political will to reduce impacts on the environment, reconstruction (construction of houses, railways, roads, etc.) can have a negative impact on environment, including on drinking water, clean air and areas such as forests).
No proper donor coordination	Donor and inter-agency coordination is important to ensure coherence, avoid the duplication of projects, prevent waste of resources, and respond to the needs of society. Proper coordination from the early stages of programming and later in planning of specific actions is crucial for successful implementation of projects. The conditionality of the projects for proper stakeholder engagement in this regard could be beneficial.
Lack of transparency and limited information access	<p>Access to information lays the foundation for accountability and transparency in post-war reconstruction and is an important tool in the fight against corruption. Given the scale of Ukraine's reconstruction needs, it is important to ensure the development of an adequate system for tracking all types of assistance (bilateral and multilateral, loans, grants, guarantees, etc.) to Ukraine. There is a good system for tracking bilateral assistance to Ukraine – military, humanitarian and financial.<sup>78</sup></p> <p>It also includes some multilateral aid, such as that from the EU institutions (including the EIB) and the World Bank. However, with a view to long-term</p>

<sup>77</sup> Ecoaction, [Principles for Ukraine's reconstruction](#), 25 May 2022.

<sup>78</sup> Ifw Kiel Institute for the World Economy, [Ukraine Support Tracker: A Database of Military, Financial and Humanitarian Aid to Ukraine](#), Ifw Kiel, accessed 10 November 2022.

	<p>reconstruction, it is important that not only the amounts but also the projects and programmes implemented are transparent. This will help avoid duplication and mismanagement of funds, but also ensure complementarity of activities and continuity of work.</p>
<p>Lack of access to monitoring and evaluation</p>	<p>Monitoring and evaluation done behind closed doors by parties with vested interest in issuing positive findings seems unlikely to ensure aid transparency or efficient use. The establishment of an open monitoring and evaluation process involving parliament, political opposition or civil society groups and think tanks should be seen as an essential part of reconstruction at national, regional and local levels.</p> <p>The representatives of civil society organisations and local <i>hromadas</i> should be included in the monitoring and steering committees on different levels, including for the Multi-agency Donor Coordination Platform.</p>