

EBRD urban projects in Ukraine must drive national recovery efforts



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A year and four months after the start of Russia's large-scale war of aggression, Ukraine is on the verge of large-scale reconstruction. The country requires significant investments to reconstruct territorial communities in order to restore life, return residents, recover economic activity and respond to new challenges.

The success of Ukraine's recovery requires cooperation between international financial institutions, donors and municipalities. It also depends on the proper coordination of efforts at the local, national and international levels. But the reconstruction of Ukraine's municipalities should not focus solely on emergency needs and quick measures. Instead, consideration should be given to long-term sustainable solutions and adopting the latest standards, ensuring decarbonisation, environmental restoration and protection, and climate neutrality.

According to statements made by Ukraine's Ministry of Finance at a meeting with the EBRD President:¹ 'Priorities for recovery this year include energy, humanitarian

¹ Ministry of Finance of Ukraine, [Sergii Marchenko met with the EBRD President](#), Ministry of Finance of Ukraine, 20 April 2023.

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demining, housing reconstruction, critical and social infrastructure support, and private sector support... We consider the recovery of Ukraine not only from the point of view of repairing destroyed roads and housing, but rather as a complete transformation of the country on the way to European integration’.

Background

Critical and social infrastructure, energy infrastructure and residential housing have suffered the most damage and will be in greatest need of reconstruction. Therefore, most of the reconstruction efforts will take place at the local level, particularly in hromadas (territorial units in Ukraine), and will significantly depend on the initiatives, willingness, ownership and capacity of these local communities. Nevertheless, international support for local communities is equally important in this regard.

As of April 2023, according to the Kyiv School of Economics Institute,² the total amount of direct damages had reached USD 147.5 billion. This includes damages to the housing stock estimated at USD 54.4 billion, infrastructure damages at USD 36.2 billion, and damages in the education and healthcare sectors at USD 9.1 billion and USD 2.7 billion, respectively. At the same time, recovery and reconstruction needs estimated by the World Bank³ have reached USD 411 billion. This includes the following needs: transport (USD 92 billion, 22 per cent); housing (USD 69 billion, 17 per cent); energy (USD 47 billion, 11 per cent); social protection and livelihoods (USD 42 billion, 10 per cent); explosive hazard management (USD 38 billion, 9 per cent); agriculture (USD 30 billion, 7 per cent); education and health (USD 27 billion, almost 7 per cent); and municipal services, water supply and sanitation (USD 13 billion, 3 per cent).

The World Bank has estimated that USD 14.1 billion worth of priority investments in Ukraine’s government-prioritised sectors should be rolled out in 2023. Of this total, critical and social infrastructure (USD 4.9 billion), energy infrastructure (USD 3.3 billion) and housing (USD 2.0 billion) account for 72 per cent (USD 10.2 billion). According to the Ministry of Finance,⁴ 23 per cent of this (USD 3.3 billion of USD 14.1 million) will be financed from the state budget of Ukraine, and the remaining amount will require timely support from donors and international financial organisations in 2023.

The EBRD’s programmes for municipalities in Ukraine

The European Bank for Reconstruction and Development (EBRD), as the largest institutional investor in Ukraine,⁵ is implementing several support programmes related to the country’s municipal and environmental sector. These are part of such frameworks as the Ukraine Public Transport Framework, Green Cities Framework, Public Sector Energy Efficiency Financing Framework, and Resilience and Livelihoods Framework. The implementation of EBRD-supported projects covers transport (in particular, trolleybuses), solid waste, district heating, energy efficiency in public buildings, and emergency liquidity for municipalities in Ukraine. According to the EBRD, the Bank currently has 34 active projects in 19 Ukrainian

² KSE Institute, [Ukrainian Recovery Digest by KSE Institute](#), KSE Institute, May 2023.

³ World Bank, Government of Ukraine, European Union, United Nations, [Ukraine Rapid Damage and Needs Assessment: February 2022 – February 2023](#), World Bank, March 2023.

⁴ Ministry of Finance of Ukraine, [Sergii Marchenko met with the EBRD President](#), Ministry of Finance of Ukraine, 20 April 2023.

⁵ European Bank for Reconstruction and Development, [The EBRD’s role in Ukraine](#), European Bank for Reconstruction and Development, accessed 13 June 2023.

cities with a total existing portfolio of EUR 800 million.⁶ According to the EBRD's Project Summary Documents, the Bank plans to invest over EUR 420 million across 12 projects⁷ in Ukraine's municipal and environmental infrastructure sector from 2019 to 2023.

Since the beginning of the full-scale invasion, the implementation and financing of projects in this sector has been partially suspended. For example, according to confirmed information from Kyiv City State Administration (KCSA),⁸ this is true of a project in Kyiv in the field of district heating. Since 24 February 2022, the EBRD's Project Summary Documents database shows that the only new projects in the municipal and environmental infrastructure sector were for emergency liquidity support for Dnipro and Lviv, and the Khmelnytskyi Trolleybus project. The EBRD's procurement database suggests that preparatory work has been completed for the following projects in Ukraine, information for which is not present in the Project Summary Documents database Khmelnytskyi Solid Waste, Zhytomyr Trolleybus, Kryvyi Rih Public Buildings Energy Effic and Kryvyi Rih Trolleybus.

At the same time, there are also reports of renewed and continued cooperation in new areas. For instance, Kyiv authorities have mentioned⁹ 'an agreement with the EBRD on a EUR 100 million partnership aimed at a wide range of projects to support Kyiv's energy security, provide emergency liquidity assistance for municipal assets, compensate for import losses, etc.'. The Bank has also reported that 'further support is forthcoming for a public transport project in Mykolayiv, which will benefit from a EUR 3.9 million investment grant from Denmark'.¹⁰

The EBRD's flagship Green Cities programme in Ukraine

Green principles¹¹ should be included in the guiding framework for the reconstruction of Ukrainian communities. The EBRD's Green Cities programme, which specifically aims to solve climate and environmental problems in cities; improve municipal infrastructure by supporting capacity building, planning and management; and open up and facilitate access to green finance, can keep Ukraine's recovery on the right track.

Seven Ukrainian cities have joined Green Cities thus far:¹² Dnipro, Kharkiv, Khmelnytskyi, Kryvyi Rih, Kyiv, Lviv and Mariupol. Of these, Mariupol is in temporarily occupied territory.

These cities joined Green Cities between 2019 and 2021. However, not all these cities have developed a Green City Action Plan (GCAP), which is a requirement of all cities in the programme and sets forth

⁶ European Bank for Reconstruction and Development, Presentation EBRD Green Cities, Online event: A Green Marshall Plan for Ukraine: Promoting transatlantic dialogue on sustainably rebuilding Ukrainian cities, 28 February 2023.

⁷ These investments exclude Mariupol's Solid Waste project, which was cancelled. European Bank for Reconstruction and Development, [Project Summary Documents](#), *European Bank for Reconstruction and Development*, accessed 13 June 2023.

⁸ Kyiv City Council, Kyiv City State Administration, [Vitalii Klitschko met with the EBRD delegation headed by the Bank's President, Audrey Renaud-Basso, to discuss further cooperation](#), *Official portal of Kyiv*, 21 April 2023.

⁹ Ibid.

¹⁰ European Bank for Reconstruction and Development, [Donor support for Ukraine](#), *European Bank for Reconstruction and Development*, accessed 13 June 2023.

¹¹ Ecoaction, [Ecoaction's principles of the green post-war reconstruction of Ukraine](#), *Ecoaction*, 16 May 2022.

¹² European Bank for Reconstruction and Development, [Our cities](#), *EBRD Green Cities*, accessed 13 June 2023.

environmental investment goals and indicators for the city with the aim of improving infrastructure and living conditions for residents.

Of Ukraine's Green Cities,¹³ Lviv is the only one to have produced an approved GCAP. In other cities, the process of developing and/or approving GCAPs is on hold.

City	Joined Green Cities ¹⁴	Green City Action Plan (GCAP) process ¹⁷		
		GCAP development started / consultants selected	GCAP completed	GCAP approved
Lviv	2019		December 2019	July 2021
Kyiv	2019		December 2021	
Khmelnyskyi	2019	March 2021	December 2022	
Mariupol	2019	March 2021		
Dnipro	2021	early 2022		
Kryvyi Rih	2019			
Kharkiv	2021			

Among the projects Ukraine's cities have prepared within the framework of the Green Cities programme (from 2019 to 2022), three projects are in the field of solid waste in Khmelnytskyi,¹⁵ Lviv¹⁶ (both in 2020) and Mariupol¹⁷ (project cancelled). Among these, only Khmelnytskyi's project procurement¹⁸ has resumed since the beginning of the full-scale invasion. There is one project in the field of wastewater in Lviv¹⁹ (in 2019). One more project is in the field of district heating in Kyiv,²⁰ which, according to the KCSA, is currently 'suspended due to the war in Ukraine, and in agreement with the EBRD, the tender procedures that have been initiated have been temporarily suspended'. For Dnipro, Kharkiv and Kryvyi Rih, there is no information on Green Cities projects.

¹³ European Bank for Reconstruction and Development, Presentation EBRD Green Cities, Online Event: A Green Marshall Plan for Ukraine: Promoting transatlantic dialogue on sustainably rebuilding Ukrainian cities, 28 February 2023.

¹⁴ Vladlena Martsynkevych and Khrystyna Rybachok, [Rebuilding cities for people in Ukraine](#), CEE Bankwatch Network, 19 September 2022.

¹⁵ European Bank for Reconstruction and Development, [GrCF2 W2 Khmelnytskyi Solid Waste Project](#), dated 09 April 2020, with 'signed' status, *European Bank for Reconstruction and Development*, accessed 7 June 2023.

¹⁶ European Bank for Reconstruction and Development, [GrCF - Lviv Solid Waste](#), dated 23 October 2020, with 'repaying' status, *European Bank for Reconstruction and Development*, accessed 7 June 2023.

¹⁷ European Bank for Reconstruction and Development, [GrCF2 W2 - Mariupol Solid Waste Project](#), dated 19 January 2022, with 'cancelled' status, *European Bank for Reconstruction and Development*, accessed 7 June 2023.

¹⁸ EBRD Client e-Procurement Portal, [Search Opportunities](#), *European Bank for Reconstruction and Development*, accessed 7 June 2023.

¹⁹ European Bank for Reconstruction and Development, [GrCF2 W2 Lviv Wastewater Project](#), dated 10 October 2019, with 'passed concept review, pending final review' status, *European Bank for Reconstruction and Development*, accessed 7 June 2023.

²⁰ European Bank for Reconstruction and Development, [GrCF2 W2 - Kyiv District Heating](#), dated 18 March 2020, with 'signed' status, *European Bank for Reconstruction and Development*, accessed 7 June 2023.

Emergency liquidity loans to cities within the EBRD's framework

In addition to the Green Cities programme, the EBRD also assists municipalities within other frameworks. EBRD financing for Ukraine through the Resilience and Livelihoods package²¹ has already included emergency liquidity for cities, in addition to emergency liquidity for its railway and electricity and gas companies. Since the beginning of the war, new emergency liquidity loans (within the municipal and environmental infrastructure sector) have been approved for Lviv,²² Dnipro²³ and key municipal utilities/operators to mitigate the effect of the ongoing war on the country's financial position. The Bank has provided such assistance in the past, for instance, to support Lviv²⁴ in mitigating the effect of the COVID-19 crisis in 2021.

Such emergency liquidity support is also needed by many other cities and communities in Ukraine, those that have suffered physical damage and destruction and those that have hosted internally displaced persons, which has placed an additional burden on municipal services. Some of these cities have found themselves in financial crisis as a result of their efforts to overcome the consequences of the war and ensure key municipal service providers continue operating.

Transport projects under EBRD support programmes

Since the beginning of the full-scale war, one new project in the municipal and environmental infrastructure sector has been signed to finance the acquisition of new trolleybuses, along with essential maintenance and diagnostic equipment, in Khmelnytskyi.²⁵ The EBRD also published a new procurement notice for another project (approved in 2018) in Zhytomyr.²⁶ According to the description of Khmelnytskyi's transportation project, it will improve access to safe and reliable public transportation services and be important for internally displaced persons and other vulnerable populations. Its priority was determined by the GCAP, as well as a rapid appraisal report, which assessed the impacts of the influx of internally displaced persons on the city's infrastructure and the provision of public services. The report shows that over 60 per cent of internally displaced persons in Khmelnytskyi are women, and over 90 per cent have lost their jobs due to the war.

The restoration of public transport is an important element in bringing life back to cities and returning displaced persons. The example of public transport recovery initiatives in Chernihiv²⁷ after massive

²¹ European Bank for Reconstruction and Development, [The EBRD Resilience and Livelihoods package](#), *European Bank for Reconstruction and Development*, accessed 7 June 2023.

²² European Bank for Reconstruction and Development, [City of Lviv emergency liquidity loan under RLF](#), dated 20 September 2022, with 'disbursing' status, *European Bank for Reconstruction and Development*, accessed 7 June 2023.

²³ European Bank for Reconstruction and Development, [RLF - Dnipro Emergency Liquidity](#), dated 13 December 2022, with 'approved' status, *European Bank for Reconstruction and Development*, accessed 7 June 2023.

²⁴ European Bank for Reconstruction and Development, [RF: Lviv Liquidity Facility](#), dated 12 May 2021, with 'repaying' status, *European Bank for Reconstruction and Development*, accessed 7 June 2023.

²⁵ European Bank for Reconstruction and Development, [UPTF2 Khmelnytskyi Trolleybus](#), dated 24 February 2023, with 'signed' status, *European Bank for Reconstruction and Development*, accessed 7 June 2023.

²⁶ European Bank for Reconstruction and Development, [UPTF - Zhytomyr Trolleybus](#), dated 28 April 2020, with 'repaying' status, *European Bank for Reconstruction and Development*, accessed 7 June 2023.

²⁷ CEE Bankwatch Network, [Why do we need to invest in electric urban transport while reconstructing Ukraine?](#), YouTube, 25 October 2022.

destruction confirms the priority of electric urban transport in Ukraine's urban reconstruction. Protecting and empowering women, both local and internally displaced, should be an important consideration in the reconstruction process and across the EBRD's projects. The different ways in which women have been affected by the war, as well as their different needs and talent, require special attention in both planning and project implementation.

Therefore, the need to improve the sustainability, reliability and accessibility of municipal transport is enhanced by both the flow of internally displaced persons to certain cities and the return of city residents who previously left.

According to urban mobility experts,²⁸ there is an urgent need to promote sustainable urban mobility in Ukraine, including public transport, cycling and road safety, and for the state to pay sufficient attention to the fact that electric public transport as an economic sector has significant potential for Ukraine's post-war recovery and integration into the EU.

Addressing the needs of internally displaced persons

The situation of internally displaced persons in localities, who are predominantly women, children and older persons, should be considered when planning further municipal projects, including those in the field of transport, communal services, and residential and public buildings. According to the International Organization for Migration (IOM),²⁹ as of 23 January 2023 the number of internally displaced persons across Ukraine was 5.4 million: this was estimated to be almost 2 million in the east, 928,000 in the centre, 863,000 in the west, 604,000 in the north, 497,000 in Kyiv, and 496,000 in the south. Dnipro (15 per cent), the Kharkiv regions (14 per cent), the city of Kyiv (9 per cent), the region of Kyiv (8 per cent), and Odesa (7 per cent) are among the regions with the greatest numbers of displaced persons. The following cities have received significant numbers of internally displaced persons:³³ Kyiv, Dnipro, Kharkiv, Zaporizhzhia, Odesa, Lviv, Poltava, Vinnytsia, Chernivtsi, Ivano-Frankivsk, Khmelnytskyi, as well as Mykolaiv, Cherkasy, Ternopil, Uzhhorod, Kropyvnytskyi, Sumy, Rivne, Lutsk, Zhytomyr and Chernihiv.

Recommendations for the EBRD

- Ensure and support proper development and reconstruction planning by municipalities. Regional and national development planning should be in line / coordinated with the positions and plans of local communities, based on new challenges and visions at the local level, and following a bottom-up approach.
- Increase the capacity of communities; improve their ability to attract and manage financial resources, implement reconstruction and development projects, and generally increase absorption capacity.
- Ensure active participation of the public and stakeholders in the reconstruction process and in the development of plans and projects, including Green City Action Plans, taking into account the

²⁸ Viktor Zagreba, [Resolution of the All-Ukrainian Urban Mobility Forum](#), Lviv, 26-28 April 2023, *NGO Visio Zero*, accessed 13 June 2023.

²⁹ International Organization for Migration, [Ukraine Internal Displacement Report: General Population Survey – Round 12](#), *International Organization for Migration*, 23 January 2023.

opinions of vulnerable groups, and ensuring interaction between communities' authorities and residents.

- Ensure transparency in damage assessment, planning and implementation, monitoring of reconstruction and development projects, regional and municipal development in general and accountability, facilitating compliance with anti-corruption principles. This requires open, timely and complete information, as well as a transparent system for monitoring project implementation at all stages using digitalisation tools, such as through the digital ecosystem for managing recovery processes (DREAM).³⁰
- Proper coordination between international financial institutions, donors and municipalities, as well as civil society and government. This is conducive to building trust in their cooperation, identifying the real needs of municipalities, enhancing the investment activity of municipalities, and interacting with donor organisations and international financial institutions. In particular, the Multi-Agency Donor Coordination Platform for Ukraine brings together representatives of the authorities of Ukraine, the EU, the G7 countries, and partners from international financial institutions, including the European Investment Bank, the EBRD, the International Monetary Fund, and the World Bank.
- Focus on the provision of essential services, including for internally displaced persons, ensuring proper quality, safety and continuity for comfortable living conditions, and long-term, sustainable, resilient, inclusive solutions in community reconstruction and development projects.
- Address the need to apply sustainable approaches under the current conditions, a situation reinforced by, among other things, the urgency of energy independence, the limitation of fossil fuel resources, the vulnerability of centralised energy systems, the inefficient use of resources, and the extent of environmental damage.

³⁰ Oleksandr Kubrakov, [Expertise, money and digital solutions: tools for municipality recovery in war-torn areas](#), *Decentralization*, 22 May 2023.