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Research Paper

Coordinating International Public and Private Donors in Ukraine's Reconstruction and Regional Development

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Abbreviations

ARTF	Afghanistan Resilience Trust Fund
CSO	civil society organisation
DESPRO	Decentralisation Support Project in Ukraine
DOBRE	Decentralisation Offering Better Results and Efficiency Programme
DPCG	Development Partners Coordination Group
DREAM	Digital Restoration Ecosystem of Accountable Management
EBRD	European Bank for Reconstruction and Development
EDGE	Expert Deployment for Governance and Economic Growth
EIB	European Investment Bank
EU	European Union
GDP	gross domestic product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (German Corporation for International Cooperation)
IDP	internally displaced persons
IFI	International Financial Institution
IMF	International Monetary Fund
ITA	international technical assistance
LSG	local self-government bodies
NGO	non-governmental organisation
OECD	Organisation for Economic Co-operation and Development
OSCE	Organization for Security and Co-operation in Europe
PAP	Programme Aid Partnership
PDRF	Philippine Disaster Resilience Foundation
PIM	public investment management
PPP	public–private partnership
PRT	Provincial Reconstruction Teams

PULSE	Policy for Ukraine Local Self-Governance Programme
SIDA	Swedish International Development Cooperation Agency
SIGAR	Special Inspector General for Afghanistan Reconstruction
SWAps	sector-wide approaches
SWG	sectoral working group
UDF	Ukraine Development Fund
U-LEAD	Ukraine Local Empowerment, Accountability and Development Programme
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
USA	United States of America
USAID	United States Agency for International Development

Executive Summary

Ukraine faces a significant financial challenge in terms of its reconstruction, following the extensive damage caused by the ongoing Russian military aggression. Russia's war against Ukraine has severely impacted the country's infrastructure, economy, and social fabric, necessitating a comprehensive and coordinated reconstruction effort. According to World Bank estimates as of February 2024, the country's recovery costs are projected to exceed USD 400 billion, a sum that would require the pooling of all potential sources of public, official, and private capital. Therefore, given the critical level of need and low availability of financing, better coordination of donors, in relation to funding, is crucial.

Ukraine needs to both enhance donor coordination and maximise the impact of its ongoing reconstruction and regional development efforts. Therefore, an analysis of the existing donor coordination structures – which represent international assistance at an unprecedented scale – in the context of Ukraine's decentralisation reform process is essential. The coordination mechanism should take into account lessons learned from international experiences in recovery coordination, in particular, from countries such as Afghanistan, Bosnia and Herzegovina, Rwanda, and Mozambique. These cases involved the participation of international donors who are also actively engaged in Ukraine.

While substantial funding from international donors flows into Ukraine, donor coordination challenges persist. These challenges include the risk of duplication of efforts, inefficient use of resources, and misalignment with national priorities. To address these issues, several key initiatives and mechanisms have been established:

1. The Multi-Agency Donor Coordination Platform for Ukraine, created to coordinate support for the country's immediate financing needs and future economic recovery;

2. The Ukraine Facility, an EU initiative providing EUR 50 billion over four years, distributed across budget support, investment frameworks, and technical assistance;

3. The International Financial Institutions (IFI) Coordination Group, aimed at coordinating operational plans and facilitating targeted financial assistance; and

4. Sector-specific coordination efforts, such as in the energy sector, where better coordination has been achieved compared to other areas.

Despite these efforts, gaps in coordination remain. The lack of a comprehensive project mapping system and an uneven distribution of support across regions constitute significant challenges. The DREAM (Digital Restoration Ecosystem of Accountable Management) system is expected to improve coordination of donors and contribute to improved effectiveness of reconstruction efforts. However, its use is not yet compulsory for all recovery projects and it needs further development.

Ukraine's decentralisation reforms, initiated in 2014, have played a crucial role in empowering local self-government, improving public service delivery, and promoting economic development. The success of the reforms has depended heavily on effective donor coordination, comprehensive planning, and strong legislative support, as well as extensive capacity-building and mechanisms for citizen participation. The creation of a matrix of results and establishment of the Donor Council constitute significant steps in monitoring and coordinating the reforms, ensuring alignment among various stakeholders. The experience gained from this reform can provide valuable insights in relation to current reconstruction efforts.

Key stakeholders in Ukraine's recovery and reconstruction include:

- the government, particularly the Ministry of Restoration, responsible for policy formulation and donor negotiations;
- local government entities, crucial for project implementation and communication with donors;
- civil society organisations (CSOs), who play a significant role in policy development, advocacy, and project implementation;
- international donors, including IFIs, foreign governments, and city partnerships.

To enhance donor coordination and boost support for sustainable reconstruction, Ukraine should focus on:

- strengthening and optimising existing coordination platforms with advanced digital tools;
- implementing regular coordination meetings and regional forums;
- forming sector-specific working groups for critical areas;
- ensuring alignment of donor efforts with national strategies and development plans;
- enhancing capacity-building at both central and local levels; and
- fostering public–private partnerships to leverage private-sector expertise and investment.

By adopting these strategies, Ukraine can ensure efficient use of resources and foster long-term development and stability in its reconstruction efforts.

Introduction

Ukraine faces an enormous financial challenge in terms of its reconstruction, following the devastation caused by ongoing Russian military aggression. The war has led to widespread destruction of housing, transportation networks, and energy infrastructure, creating a pressing need for comprehensive reconstruction efforts. According to World Bank estimates as of February 2024, the country's recovery costs are projected to exceed USD 400 billion.

Significant funding is already beginning to flow into Ukraine from various international donors, including governments, multilateral organisations, and private donors. The role played by these donors in the reconstruction efforts, and their contributions, are vital in addressing the immediate and long-term needs of the country.

However, given the vast scope of what is required, the available resources are still insufficient, and this gap highlights the importance of effective coordination among the diverse donors involved, including in relation to substantial financial resources, technical expertise, policy advice, and capacity-building. Without proper coordination, there is a risk of duplication of efforts, inefficient use of resources, and misalignment with Ukraine's national priorities.

The report will also explore how international donors can better coordinate their efforts, drawing on best practices and lessons learned from other post-conflict reconstruction contexts and on the implementation of Ukraine's decentralisation reforms. It will provide insights and recommendations for developing a structured approach to donor coordination that aligns with Ukraine's needs and priorities. Effective coordination is the key to maximising the impact of reconstruction efforts, ensuring efficient use of resources, and achieving sustainable development outcomes.

1. International donor coordination practices and lessons for Ukraine

1.1 Multi-donor coordination platforms

Successful international practices often involve establishing multi-donor coordination platforms to streamline aid efforts and ensure effective resource allocation.

For example, Afghanistan's multi-donor Afghanistan Resilience Trust Fund (ARTF),[1] established in 2002, provided a platform for donors to pool resources and finance national priority programmes. The ARTF ensured that funds were aligned with Afghanistan's national development strategy and priorities, enhancing transparency and accountability through regular meetings and reporting mechanisms.

In Bosnia, the Donor Coordination Forum[2] was established to improve coordination among international donors, local authorities, and civil society organisations (CSOs). It facilitated regular meetings, information sharing, and joint planning of reconstruction projects, helping to avoid duplication of efforts and ensuring that aid was directed towards priority areas.

Lesson for Ukraine. Ukraine should strengthen and optimise its donor coordination platform by incorporating advanced digital tools for data sharing, progress tracking, reporting, and feedback. This centralised hub should contain all donor-related information, including project details, funding allocations, timelines, and outcomes, improving transparency and facilitating better donor decision-making.

1.2. Regular coordination meetings and forums

Frequent meetings and forums among stakeholders are crucial for maintaining open lines of communication and ensuring alignment of efforts.

For example, Rwanda's Development Partners Coordination Group (DPCG),[3] established to aid the country's recovery after the 1994 genocide, served as the primary platform for dialogue and coordination between the Rwandan government and international donors. It includes regular meetings, joint reviews, and collaborative planning of development initiatives. The group focused on aligning donor assistance with Rwanda's national development plans.

In Mozambique, the G19 Donor Group, which includes 19 prominent international donors, meets regularly to coordinate aid efforts. They focus on harmonising support, sharing information, and conducting joint evaluations, working closely with the Mozambican government to ensure aid alignment with national priorities.

Lesson for Ukraine. Establish a robust framework of quarterly coordination meetings involving senior government officials, international donors, and key stakeholders to discuss progress, challenges, and priorities. For instance, the Ukraine Donor Platform,[4] which includes

[1] https://www.wb-artf.org

[2] http://www.donormapping.ba

[3] Minecofin. (2022, October 4). Government and Development Partners call for Joint Efforts to Achieve NST-1 Goals. https://www.minecofin.gov.rw/news-detail/government-and-development-partners-call-for-joint-efforts-to-achieve-nst-1-goals

[4] Ukraine government portal. (2024, October 9). 11th Steering Committee of the Ukraine Donor Platform: Government of Ukraine discussed budget support, reconstruction, and reforms with partner countries. https://www.kmu.gov.ua/en/news/vidbulos-11-zasidannia-ukrainskoi-platformy-donoriv-uriad-ukrainy-obhovoryv-z-kliuchovymy-partneramy-biudzhetnu-pidtrymku-vidbudovu-reformy

representatives from various countries and International Financial Institutions (IFI), has been instrumental in aligning donor activities with Ukraine's national development plans. These meetings can be used for joint planning, sharing information, and aligning donor activities with Ukraine's reconstruction strategy. Additionally, regional coordination forums should be organised to address specific local needs and tailor reconstruction efforts to the unique circumstances of different regions in Ukraine. This approach mirrors successful models seen in other countries, such as Rwanda and Mozambique, where structured donor coordination has led to more effective recovery and development outcomes.

1.3. Sectoral working groups

Focusing on specific sectors allows for more targeted and efficient coordination of reconstruction efforts.

For example, Bosnia and Herzegovina established sectoral working groups (SWGs) to focus on specific sectors such as health, education, and infrastructure. These groups included representatives from international donors, government agencies, and NGOs, collaborating on sectoral strategies, project implementation, and monitoring.

Lesson for Ukraine. Form sector-specific working groups, focusing on critical areas such as transport infrastructure, logistics, energy, and healthcare. Ensure inclusive participation from international donors, Ukrainian government agencies, and local NGOs. These groups should develop detailed action plans with clear milestones and responsibilities, ensuring that all activities are coordinated and contribute to overarching national goals.

Donor coordination in Ukraine follows a more general and integrated approach rather than delineated sectors. There are some examples of sectoral efforts but they do not form a unified structure. The Demining Working Group[5] addresses the urgent need for humanitarian demining in conflict-affected areas. It operates under the Ministry of Economy and focuses on ensuring safe conditions for reconstruction and resettlement. The group collaborates with international partners to mobilise the resources and expertise necessary for effective demining operations.

1.4. Strategic alignment and context-sensitive approaches

Ensuring donor efforts align with the recipient country's national development plans is crucial for sustainable reconstruction. International experiences highlight the importance of these factors in avoiding fragmented development and maximising the impact of reconstruction initiatives.

In Rwanda, Mozambique, and Bosnia and Herzegovina, coordinated donor efforts aligned with national development strategies have proven successful in driving recovery and growth.

For example, Mozambique's Programme Aid Partnership (PAP)[6] introduced a joint performance assessment framework to harmonise donor support with the country's poverty reduction strategy. In Bosnia and Herzegovina, the World Bank and the European Commission have

[5] Ukraine government portal. (2024, October 1). Over the year, Ukrainians have obtained 35,000 square kilometers of demined land for use: Yuliia Svyrydenko at a meeting of the Sectoral Working Group. https://www.kmu.gov.ua/en/news/za-rik-ukraintsi-otrymaly-u-vykorystannia-35-tysiach-km2-rozminovanykh-zemel-iuliia-svyrydenko-na-zasidanni-sektoralnoi-robochoi-hrupy

[6] Global Partnership for Effective Development Co-operation. (2022, November 3). Mozambique's Development Co-operation Policies, Systems, Reports & Mechanisms. https://www.effectivecooperation.org/mozambiques-development-co-operation-policies-systems-reports-mechanisms

been praised for coordinating donors. However, challenges arise when these strategies are implemented without considering local contexts, as seen in Afghanistan, where reconstruction projects often failed to address local needs.

Mistakes to avoid. In Afghanistan, reconstruction projects that disregarded the local context led to inefficiencies.[7] For instance, disability ramps were constructed in schools located in areas inaccessible to wheelchairs due to rugged terrain, rendering the initiative redundant.[8] Bosnia and Herzegovina faced similar issues when the lack of a cohesive urban mobility strategy led to fragmented urban development in Sarajevo. Semi-illegal shopping malls, disconnected mobility plans funded by foreign donors, and unrelated investments in religious buildings created a patchwork of uncoordinated efforts that hindered long-term urban cohesion.[9] These examples illustrate how inadequate alignment and a lack of contextual understanding can undermine reconstruction efforts.

Lesson for Ukraine. Ukraine must prioritise the alignment of donor activities with its national development strategy while ensuring reconstruction efforts are tailored to the unique needs of its regions. The establishment of SWGs is a positive step towards integrating donor contributions into the medium-term growth strategy outlined in the Ukraine Plan.[10]

An example of alignment can be seen in the discussions surrounding public investment management (PIM) reform. The PIM reform aims to streamline project selection and prioritise key sectors for investment. This initiative is designed to ensure that donor-funded projects align with Ukraine's broader recovery goals and national strategies.

However, challenges remain in terms of fully synchronising donor efforts across all sectors and ensuring their relevance to local contexts. International aid organisations have often implemented standardised programmes that do not align with the specific needs of Ukrainian communities. For instance, there have been occasions where food and medical supplies donated by international agencies expired before they reached their intended destinations due to logistical inefficiencies. This highlights a disconnect between the aid being provided and the actual requirements on the ground.[11] There was a prevailing narrative among some international actors that Ukraine lacked the necessary civil society infrastructure to effectively manage aid distribution. However, many local organisations had already established robust networks and systems for delivering assistance, which were overlooked by larger international NGOs.

Reconstruction initiatives should involve thorough needs assessments, active consultations with local communities, and strong partnerships between the government, civil society, and

[7] Interview with Dr Oz Hassan, author of the study "Afghanistan: Lessons learnt from 20 years of supporting democracy, development and security", conducted within "The Recovery Spending Watchdog" Project (2023, November 23). https://ces.org.ua/wp-content/uploads/2023/10/analitichnij-brif.-realna-vidbudova-1.pdf

[8] "The USA required schools to be built to certain standards. They ensured all schools had to have disability ramps for children in wheelchairs. However, the schools were not accessible by wheelchair because of the terrain. That requirement was completely unnecessary."

[9] "In Sarajevo, we saw investors from Arizona and Texas coming and constructing some shopping malls semi-illegally (without obtaining all the building and construction permits). It was combined with some mobility strategy done by the Japanese government (mostly interested in exporting Japanese cars) and individual investments in religious buildings (mosques) by the Saudi Arabian government, and some from Western European governments (construction of Catholic churches), as well as the Swiss contribution that depicted traditional Swiss 1990s urban development. The lack of the legal official urban mobility strategy for Sarajevo led to a diverse, fragmented reality." From the interview with Dr Haris Piplas, expert on critical reconstruction and urban planning, conducted within "The Recovery Spending Watchdog" Project.

[10] Directorate-General for Neighbourhood and Enlargement Negotiations. (2023, December 20). Multi-agency donor coordination platform for Ukraine meets to discuss Ukraine's budget needs for 2024, the platform's membership and Ukraine's progress on reforms. https://neighbourhood-enlargement.ec.europa.eu/news/multi-agency-donor-coordination-platform-ukraine-meets-discuss-ukraines-budget-needs-2024-platforms-2023-12-20_en

[11] Redfern, C. (2023, February 14). One year on, Ukraine exposes the limits of well-funded international aid. *The New Humanitarian*. https://www.thenewhumanitarian.org/analysis/2023/02/14/Why-international-aid-is-not-reaching-Ukraine

donors. By addressing these challenges, Ukraine can build a coherent, sustainable framework for recovery that leverages international support effectively and meets the diverse needs of its population.

1.5. Capacity-building

Strengthening local institutional capabilities is essential for the long-term success and sustainability of reconstruction efforts.

Various countries, including Afghanistan and Rwanda, have incorporated capacity-building initiatives into their donor coordination efforts, focusing on empowering local authorities and communities. For example, in Afghanistan, Provincial Reconstruction Teams (PRTs) united military and civilian organisations to provide security and support reconstruction, which involved coordination between various donor countries, international organisations, and local Afghan authorities. PRTs focused on building local capacity, developing infrastructure, and delivering essential services.

In Rwanda, sector-wide approaches (SWAps)[12] coordinated efforts in specific sectors, with donors and the government jointly planning and implementing sector strategies. SWAps have helped streamline donor contributions and improve outcomes in the education sector, emphasising the benefits of harmonisation of funding, technical assistance, and monitoring systems.

Lesson for Ukraine. Focus on capacity-building as a critical component of donor coordination efforts, as it empowers local institutions to effectively manage resources, implement policies, and deliver essential services. In Ukraine, significant challenges exist regarding capacity-building, including a lack of resources, inadequate training programmes, and the need for comprehensive reforms in public administration. The ongoing war has further strained institutional capacities, leading to inefficiencies in governance and service delivery.

For instance, many local government officials have not received adequate training to oversee reconstruction projects effectively, which can result in mismanagement and underutilisation of donor funds. This situation is compounded by a shortage of skilled personnel in key areas such as project management and financial oversight. A report[13] highlights that local self-government authorities in rural areas, particularly those affected by ongoing hostilities, often lack relevant expertise. This deficiency hampers the ability of such authorities to manage reconstruction efforts effectively, leading to inefficiencies and potential misallocation of resources.

To address these issues, Ukraine must prioritise capacity-building through targeted training and technical assistance programmes that focus on enhancing the skills of public officials at both national and sub-national levels. Investing in technological infrastructure and administrative systems is also crucial for enhancing institutional capacity. By fostering a culture of accountability and transparency within local government, Ukraine can ensure that reconstruction efforts are more effective and aligned with national development goals. Ultimately, a robust capacity-building framework will enable Ukraine to create resilient institutions capable of responding to current challenges and supporting sustainable development in the post-war recovery phase.

[12] Wang, X., Brown, R., Prudent-Richard, G., & O'Mara, K. *Rwanda | Extending Access to Energy: Lessons from a Sector-Wide Approach (SWAp)*. Energy Sector Management Assistance Program. https://www.esmap.org/node/71087

[13] Reliefweb. (2024, November 26). Advancing anti-corruption capacity in Ukraine's local self-government. https://reliefweb.int/report/ukraine/advancing-anti-corruption-capacity-ukraines-local-self-government

1.6. Public–private partnerships (PPPs)

Engaging the private sector can bring additional expertise and resources to reconstruction and development efforts, and many countries have successfully leveraged PPPs in this area. For example, following Typhoon Haiyan in 2013, the Philippine Disaster Resilience Foundation (PDRF), a private-sector alliance, partnered with the government to rebuild schools, health centres, and housing. The PDRF's Project Bulig initiative rebuilt over 1,000 homes and ten schools in affected areas, demonstrating how private-sector resources and efficiency can accelerate reconstruction efforts.[14]

In Kosovo, PPPs were used to rebuild and modernise infrastructure. A notable example is the Pristina International Airport PPP, where a private consortium invested in both the modernisation and the operation of the airport.[15] This partnership not only improved Kosovo's air connectivity but also brought in foreign direct investment and expertise in airport management.

Mistakes to avoid. While PPPs can be effective, it is crucial to ensure proper oversight and alignment with public interests. There is a risk, in the post-disaster reconstruction efforts, of PPPs prioritising profit over community needs, as critics argued was the case in New Orleans after Hurricane Katrina, which led to gentrification and the displacement of original residents.[16]

Lesson for Ukraine. Foster PPPs to leverage private-sector expertise and investment. Create an enabling environment with incentives for private-sector investments in infrastructure and other critical areas. Develop mechanisms to mitigate risks for private investors, such as guarantees and insurance, to encourage private-sector participation in reconstruction efforts. Consider establishing a dedicated Investment Facilitation Agency to facilitate private-sector investment in reconstruction projects, as well as providing investment matchmaking, regulatory assistance, and risk mitigation tools.

The European Union has launched a Call for Expression of Interest to mobilise EUR 40 billion in investments for Ukraine's reconstruction through the Ukraine Investment Framework.[17] This initiative encourages EU businesses to engage in partnerships with Ukrainian companies, emphasising the importance of private-sector involvement in rebuilding efforts.

On 6 May 2023, the Ukrainian government announced its intention to launch the Ukraine Development Fund (UDF), which aims to attract investments in key sectors such as energy, infrastructure, agriculture, manufacturing, and IT.[18] BlackRock has been engaged to advise the Ukrainian government on the establishment of the Fund (the preliminary title was Ukraine Development Fund, UDF), which is designed to use a variety of financial instruments to facilitate reconstruction and economic recovery after the war. The involvement of BlackRock and the initiative to create the UDF emphasise the importance of attracting both public and private investment to address the significant funding challenges facing Ukraine's reconstruction efforts.

[14] Philippine Disaster Relief Foundation. (n.d.) How the Philippines brought business into disaster recovery. https://www.pdrf.org/press-releases/how-the-philippines-brought-business-into-disaster-recovery/

[15] Ejupi, B, Abdixhiku, L., Hashani, A., & Vokrri, V. (2015 [last updated 2025, March 6]). Case study. https://www.ppiaf.org/documents/4641

[16] Gotham, K. F., & Greenberg, M. (2014). *Crisis cities: disaster and redevelopment in New York and New Orleans*. Oxford University Press. https://academic.oup.com/book/5280

[17] Directorate-General for Neighbourhood and Enlargement Negotiations. (2024, November 13). EU launches call for EU business to invest in Ukraine's recovery and reconstruction. https://neighbourhood-enlargement.ec.europa.eu/news/eu-launches-call-eu-business-invest-ukraines-recovery-and-reconstruction-2024-11-13_en

[18] Ministry of Economy of Ukraine. (2023, May 6). The Government of Ukraine announces its plan to launch a Ukraine Development Fund, to create opportunities for public and private investors to participate in the future reconstruction of the Ukrainian economy. https://me.gov.ua/News/Detail?id=ddd9f29a-04d4-4624-8b7e-c7f3d9fbde35&lang=en-GB&title=TheGovernmentOfUkraineAnnouncesItsPlanToLaunchAUkraineDevelopmentFund-ToCreateOpportunitiesForPublicAndPrivateInvestorsToParticipateInTheFutureReconstructionOfTheUkrainianEconomy&t

However, at the time of writing, there have been no reports confirming that the UDF has been officially established or that it is functioning. The timeline for its launch and operation remains unclear, and there are no documented results or outcomes from this initiative.

1.7. Information sharing and transparency

Open communication and information sharing among donors and local communities is essential for effective coordination and accountability.

In Afghanistan, experts noted a reluctance among development agencies to share information, leading to project redundancies and a lack of community feedback due to fear of losing aid.[19] "Aligning the EU and USA's strategies was an enormous problem in Afghanistan," says David Young, of the Special Inspector General for Afghanistan Reconstruction (SIGAR), pointing out that different development agencies were reluctant to share information. "The lack of sharing caused enormous redundancies," he adds, "where you'd have two schools built down the street from each other, meant to serve the same community."

Jen Brick Murtazashvili noted: "Donors don't share information. When I was in Afghanistan, it really surprised me. People in communities were afraid to talk about their problems with international assistance. They were so scared to talk about corruption in NGOs, aid projects, and contractors because they became dependent on this money."[20]

Mistakes to avoid. In Bosnia and Herzegovina, differing requirements from donors confused local public employees, who became overwhelmed by varying terminologies and international formats that did not correlate with local urban planning codes. This led to many strategies being unused or impractical at the regional level.

Lesson for Ukraine. Establish robust mechanisms for information sharing among donors. The information should also be available to local communities, who are in fact the key beneficiaries of most recovery projects. Create a transparent system for reporting on project progress and outcomes. Encourage and protect community feedback channels to ensure that reconstruction efforts meet local needs, and identify any issues with project implementation or corruption. Additionally, work on standardising terminology and aligning international formats with local regulatory contexts to ensure that strategies and plans are practical and implementable at the regional level.

1.8. Monitoring and evaluation

Effective monitoring and evaluation of reconstruction efforts are crucial to ensure the efficient use of resources and to achieve desired outcomes.

In Afghanistan, experts noted the importance of monitoring levels of efficiency, in terms of how money was being spent on reconstruction locally. However, there were challenges in determining whether projects actually increased GDP in the areas where they were implemented. As David Young said:

"That is where things tended to break down in Afghanistan. Even if you had an implementing partner going out and determining whether this school or road was actually built, who is going to determine whether that actually increased GDP in that area? We saw in Afghanistan again

[19] Interview with David Young, SIGAR, conducted within "The Recovery Spending Watchdog" Project.

[20] Interview with Jen Brick Murtazashvili, University of Pittsburgh, conducted within "The Recovery Spending Watchdog" Project.

and again communities getting projects they didn't ask for because it was more a question of what the US government is best suited to provide rather than what this community most needs."

Mistakes to avoid. In some cases, communities received projects they hadn't asked for because the focus was more on what donors were best suited to provide rather than what the community needed most.

Lesson for Ukraine. Implement a robust monitoring and evaluation system beyond simply tracking project completion. Develop metrics to assess the impact of reconstruction efforts on local economic development and quality of life. Ensure that project selection is based on thorough needs assessments of local communities rather than solely on donor capabilities. Regular reviews and adjustments of reconstruction strategies should be based on monitoring and evaluation results.

By adopting these strategies and learning from international experiences, including successes and mistakes, Ukraine can enhance donor coordination, ensure efficient use of resources, and support sustainable reconstruction efforts. These practices will help maximise the impact of international aid and foster long-term development and stability in the country. The vivid civil society of Ukraine should be a key player in such monitoring and evaluation.

2. Lessons from Ukraine's decentralisation reforms

2.1 Short overview of Ukraine's decentralisation reforms

One of Ukraine's successful reforms, launched in 2015, has been the implementation of measures towards greater decentralisation of certain functions within the country. The reforms had two key elements: higher fiscal decentralisation and administrative reform. Within the former, local government received more revenue, while amalgamated territorial communities (hromadas) were also created (see Annex 1 for more details). Hromadas receive direct transfers from the central budget to finance delegated functions, whereas previously they had been largely centralised or financed through oblast-level sub-national budgets.

The primary objectives of the decentralisation reforms are:

- to empower local self-government by transferring significant powers and resources from the central government to local authorities;
- to build an effective system of territorial organisation of power that fosters local self-governance;
- to ensure the provision of high-quality and accessible public services to all citizens, regardless of their place of residence; and
- to enhance the efficiency and responsiveness of public administration through local empowerment.

The decentralisation reforms have allowed local government centres to increase their financial resources and administrative autonomy, which has enabled investments to be made in regional infrastructure, in turn contributing to economic growth and improved living standards. Now, hromadas are responsible for developing their own healthcare, education, and cultural networks.

Extensive training programmes and technical assistance have been provided to local government officials to bolster their administrative skills and ensure effective governance. These initiatives aim to build robust local institutions capable of managing increased responsibilities and delivering high-quality public services.

The reform also encourages greater citizen participation in local governance through public consultations, participatory budgeting, and transparency initiatives. The participatory budgets were introduced at the regional level to involve citizens in allocating budget spending.

Ukraine's decentralisation reforms represent a significant transformation to its governance structure, via its aims of fostering local autonomy, improving public services, and promoting economic development. The continued success of the reforms will depend on how existing challenges are addressed and on maintaining strong support from national and international stakeholders.

In 2024, the Ministry of Infrastructure updated the State Strategy for Regional Development, which was approved by the government in the third quarter of 2024. The Strategy envisages continuing decentralisation efforts, to build stronger and more capable communities.

2.2 Matrix of donor coordination in decentralisation reforms

The decentralisation reforms in Ukraine have received significant support from the European Union and various international technical assistance projects, and the Ministry of Regional Development, Construction, Housing and Communal Services (MinRegion) has attempted to create a coordination mechanism for this support. In 2017, the Donor Council was established to ensure effective coordination between MinRegion and donor agencies, foreign diplomatic missions, and international organisations involved in financing or implementing technical assistance projects related to decentralisation.[21]

The Donor Council was co-chaired by the Deputy Prime Minister – Minister of Regional Development, Construction, Housing and Communal Services of Ukraine or the First Deputy Minister, alongside a representative from the presiding donor organisation for the current year. The Council includes representatives from a wide range of international bodies and projects, such as the Council of Europe Office in Ukraine, the EU Delegation to Ukraine, the Embassy of Germany in Ukraine, the Swiss Cooperation Office, UNDP, OSCE, USAID, OECD, projects U-LEAD, GIZ, DESPRO, SIDA, DOBRE, PULSE, EDGE, and others.

The Donor Council was organised into six working groups, each focusing on specific aspects of the decentralisation reforms:

- Group 1: Administrative-territorial reform and legislative support relating to decentralisation
- Group 2: Finance and budgeting of local self-government (financial base of local self-government)
- Group 3: Local democracy (transparency, accountability, public participation)
- Group 4: Regional and local development
- Group 5.1: Administrative services
- Group 5.2: Housing and communal services
- Group 5.3: Humanitarian policy
- Group 5.4: Healthcare
- Group 6: Communication, learning systems, and knowledge management (reform management and coordination).

Between December 2016 and April 2017, the MinRegion and interested donors collaborated to create a matrix to track the results of decentralisation implementation in Ukraine (see Figure 1). This tool enabled the government and international partners to jointly monitor and evaluate the progress of the reforms, ensuring effective coordination of international projects and programmes.

The matrix also outlined the activities of existing projects for each change area, including specific performance indicators. This comprehensive approach aimed to harmonise donor support for the reforms, though it also revealed that multiple donors were often still working in the same areas, leading to potential duplication of efforts. The coordination of activities was not necessarily reached (indeed, different donors sometimes worked on similar topics), but it did at least become clear who was doing what.

[21] Ukraine government portal. (2018, February 13). Рада донорів з питань децентралізації визначила маршрутну карту реформи-2018 (The Donor Council on Decentralization has defined the 2018 reform roadmap). https://www.kmu.gov.ua/news/rada-donoriv-z-pitan-decentralizaciyi-viznachila-marshrutnu-kartu-reformi-2018

Figure 1. Matrix of results of decentralisation implementation in Ukraine



Source: https://www.slideshare.net/slideshow/ss-82207756/82207756

The website decentralization.gov.ua was created to provide comprehensive information on decentralisation and regional development, as well as donors and implemented projects, to enhance information coordination. In 2024, this web portal moved to the public domain: https://decentralization.ua/ where updates are now provided.

In 2023, the Ministry of Infrastructure attempted to restore the mechanisms by which assistance in the area was being coordinated. Therefore, on July 20, 2023, a meeting was held by the Coordination Council on Regional Policy and Decentralization Reform, with representatives from the United States, Canada, Japan, Great Britain, France, Spain, Germany, Italy, the Netherlands, Poland, Sweden, Austria, Norway, Estonia, the UN, the European Union, USAID, GIZ, and other international organisations and projects. The Council aims to create a network of community support teams, and a communication platform to promote reform and where the State Strategy for Regional Development can be updated. The approach is based on five key priorities: strategic planning and project management, investments and interaction with donors, anti-corruption activities, digitalisation and management based on open data, and planning.

Approaches to the State Fund for Regional Development have been revised to enhance citizen participation. For example, through the Diia platform, citizens can choose projects they want implemented in their regions. In addition, community residents can monitor and control the reconstruction process via the DREAM system.

A key focus of ongoing efforts is ensuring the continuation of the decentralisation reforms. This includes establishing clear standards for local self-government services and improving operational efficiency. These measures aim to empower local authorities further and enhance public service delivery.

The results matrix and the establishment of the Donor Council represent significant steps in monitoring and coordinating Ukraine's decentralisation reforms. Despite challenges, these initiatives underscore a commitment to transparency, efficiency, and citizen involvement, ensuring the continued success and sustainability of the reforms.

2.3. Role of German institutions in the implementation of Ukraine's decentralisation reforms

Germany has played a significant role in supporting Ukraine's decentralisation reforms. Its key contributions have been in the area of financial and technical assistance, capacity-building, and support from German political foundations.

Through its development agency GIZ, Germany has been a significant contributor to the U-LEAD with Europe Programme. This programme supports decentralisation and local governance reforms in Ukraine by providing technical assistance and capacity-building to local governments. It focuses on enhancing the administrative capacities of local authorities and fostering citizen participation in local governance.

German development funds have been crucial in financing various decentralisation projects. These funds have been used to develop infrastructure, improve public services, and enhance the financial autonomy of local governments. German experts have also provided advisory services to Ukrainian policymakers, helping them design and implement effective decentralisation policies.

German institutions have organised numerous training sessions and workshops for Ukrainian local government officials. These sessions cover public administration, financial management, and community engagement, equipping local authorities with the skills to manage their new responsibilities effectively.[22]

Germany has also facilitated peer learning and exchange programmes, allowing Ukrainian officials to learn from German experiences in local governance and decentralisation. These exchanges have provided valuable insights into best practices and innovative solutions that can be adapted to the Ukrainian context.

Several German political foundations, such as the Konrad Adenauer Foundation and the Friedrich Ebert Foundation, have supported Ukraine's decentralisation reforms. These foundations have conducted research, organised conferences, and provided platforms for dialogue among stakeholders, contributing to a deeper understanding and broader acceptance of decentralisation principles in Ukraine.

[22] https://decentralization.ua/en/news/13059

The support from Germany has significantly enhanced the capacity of branches of local government in Ukraine to manage their affairs autonomously. This has led to more efficient and responsive local administrations, which are better equipped to meet the needs of their communities.

German-funded programmes have promoted greater citizen participation in local governance. These initiatives have empowered citizens to actively participate in local decision-making by fostering transparency and accountability.

Improved local governance has contributed to economic and social development at the regional level. Better management of local resources and increased investments in infrastructure have boosted local economies and improved living standards for residents.

Germany's involvement in Ukraine's decentralisation reforms has been instrumental in their success. German institutions' financial support, technical assistance, and capacity-building efforts have helped Ukraine to significantly enhance local governance and empower its communities.

2.4 Key stakeholders: from decentralisation to recovery

The decentralisation reforms owe their success to the strong ownership by and leadership from the MinRegion, with support from the government overall, and the prime minister in particular. A large proportion of the decentralisation process was implemented within just three years, whereas in many developed countries, this has been an evolution that took place over several decades.

The heads of local government entities also played an essential role, with the more capable and professional of the entities forming amalgamated communities faster and benefiting more from the reforms. However, the quality of public services, for example education and healthcare, depended on the capacity of such local governance bodies, and the involvement of the population overall, and civil society in particular, has remained inconsistent across the country.

The donors' support with regard to the implementation of the reforms has been substantial, with finance coming from various instruments – direct financing as well as project-based financing. The EU initiated the U-LEAD project with the particular aim of helping local government become stronger throughout Ukraine by providing training, expertise, and other types of assistance. USAID and UNDP contributed to developing methodologies and approaches and concentrated their work in selected hromadas.

These three groups of stakeholders – central government, donors and CSOs – are essential for recovery and reconstruction. While the government plays a critical role in drafting policies, thanks to the decentralisation reforms, the implementation of recovery and reconstruction projects is usually the responsibility of local government. Again, the more capable local government entities are more active in attracting financing from donors elsewhere to finance recovery and reconstruction projects and are better able to implement them more efficiently.

The role of CSOs in recovery seems a more substantial one compared to their role in the decentralisation reforms, with such organisations currently participating actively in all spheres of recovery, such as drafting policies and developing the necessary tools for recovery and reconstruction. There are also several CSOs that are helping to manually to rebuild damaged infrastructure, create education spaces, build shelters, and so on.

2.5 Key lessons learned

The decentralisation reforms in Ukraine have not yet been completed, and more effort is needed. However, the experiences gained during the period 2015–2018 provide valuable insights into how effective implementation of the reforms and donor coordination might be achieved. This summary highlights the key lessons from the process, drawing on the experiences and challenges encountered:

1. Reforms need comprehensive planning and a strategic framework. A well-defined roadmap, such as the Decentralization Roadmap and Action Plan, provides a strategic framework that guides the reform process and sets clear milestones and objectives. However, such documents need to allow for adjustments based on evolving circumstances and feedback from stakeholders to ensure the reform remains relevant and practical.

2. Reforms need strong legislative and institutional support. Laws such as the "On Voluntary Amalgamation of Territorial Communities" and the "Principles of State Regional Policy" were crucial for providing the legal foundation and legitimacy for the reforms. Institutions such as the Donor Council and the Coordination Council on Decentralisation Reform are essential in terms of overseeing implementation and ensuring stakeholder alignment.

3. Capacity-building is essential. Extensive training programmes and technical assistance for local government officials enhance their administrative capacities and ensure effective governance. Ongoing capacity-building efforts are necessary, particularly in regions with limited resources and expertise.

4. Reforms must be transparent, and citizen participation is crucial for their efficient and successful implementation. Mechanisms like public consultations, participatory budgeting, and transparency initiatives foster greater citizen participation and ensure that local governance is inclusive and responsive.

5. Effective donor coordination is paramount. Implementing the donor coordination mechanism in Ukraine's decentralisation reforms has not been entirely successful. Still, it provides excellent insights into what should be done similarly and where more changes are needed. The creation of both a matrix of results and the Donor Council has helped to align the efforts of various donors and prevent duplication of activities. Regular meetings and consultations between donors, government agencies, and international organisations ensure that all parties are informed and can collaborate effectively. Continued political commitment and support from international donors is crucial for sustaining the momentum of the reform.

6. Implementation of the reform must be continuously monitored and evaluated. Tools like the matrix of results allow for continuous monitoring and evaluation of the reform's progress, helping to identify areas for improvement and ensure accountability. Regular assessment and feedback mechanisms ensure the progress of the reform can be adjusted and improved based on real-world experiences and stakeholder input.

The process of decentralisation reform in Ukraine underscores the importance of strategic planning, strong legislative support, capacity-building, citizen participation, effective donor coordination, and continuous monitoring. By applying these lessons, future reform initiatives can be better designed and implemented, ensuring sustainable and impactful outcomes.

3. Current state of donor coordination in Ukraine

3.1 Key pillars of donor coordination: general aspects

The full-scale invasion by Russia of Ukraine resulted in the widespread and urgent need for coordination between donors in different fields. In the military field, the Ramstein (Ukraine Defense Contact Group) coordination mechanism became effective, with different countries agreeing to provide military equipment, machines, air defence systems, and so on, to Ukraine.

In 2022, the Multi-Agency Donor Coordination Platform for Ukraine was established following a decision of G7 leaders "to coordinate the support for Ukraine's immediate financing needs and future economic recovery and reconstruction across different sources and [establish] instruments for financing, complementing existing tracks". The financing support is contained in the portfolio of this platform, with approximately 50% of the Ukrainian budget being met from international financial support resulting from coordination. The International Monetary Fund (IMF) also coordinates and leads discussions on financial support, with the IMF programme for Ukraine a cornerstone of the country's significant financial package. It is important to note that this coordination is directed more towards financing the required priority budget spending, including in relation to education, healthcare, and wages in public service. Overall, insufficient funding is allocated for recovery and reconstruction, because the Ukrainian government lacks financing for this.

A large part of the financial assistance now comes from the EU via the Ukraine Facility of EUR 50 billion over the four-year period 2024–2027, which is distributed between three pillars:

- Budget support of EUR 38.27 billion is to be provided mainly in the form of loans primarily for executed pre-defined indicators approved in the Ukraine Plan. Approximately EUR 1 billion of grants are to be allocated to sub-national budgets.
- The investment framework of EUR 6.97 billion envisages investments, investment guarantees, and insurance. The active players of this pillar are IFIs such as the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD), and KfW.
- Technical assistance and an interest rate subsidy of EUR 4.76 billion envisage financing for technical assistance projects and subsidy for the interest, which is to be paid by Ukraine on recent assistance from the EU and loans provided under the Ukraine Facility.

Within the Multi-Agency Donor Coordination Platform for Ukraine, there is a specific track for IFI coordination: the IFI Coordination Group, which aims "to coordinate on operational plans and to contribute to facilitate delivering well-targeted and high-quality financing and economic assistance to Ukraine". The IFIs play an essential role in the second pillar of the Ukraine Facility in terms of private and public investment project financing.

However, only emergency recovery and reconstruction are currently financed, often again through loans from IFIs. In particular, there is a loan from the World Bank to finance the eRecovery programme, which compensates households for damaged and destroyed housing, and EIB credits are directed to the recovery relating to infrastructure. The largest area of emergency response is the energy sector, which has suffered substantial damage from Russian missile and drone attacks. In this sector, however, there is better coordination than in others,

where it is close to absent. In particular, there is a coordination platform at the level of the EU energy committee to coordinate high-level support to Ukraine, as well as a committee organised by the Ministry of Energy to coordinate assistance within this sector.

International technical assistance (ITA) is an essential – and almost the only – source of financing for the activities of CSOs in Ukraine, which are both capable and strong in their role of developing and advocating policies, and contributing to their promotion and implementation. Some projects aim to increase the government's capacities at local and central levels through training, workshops, and so on. However, an efficient ITA coordination platform is currently lacking, despite ITA occupying a vast role in Ukraine. In 2018, the government launched a website with information, in various levels of detail, on ITA projects (https://data.gov.ua/dataset/04fa817d-5c92-4e0d-b1b5-2dcf720adc36/resource/f00b8124-7ea6-4d8d-ad9b-6089c911ff0a?inner_span=True). However, the site was taken down in 2020, with the intention of launching a better ITA coordination web portal, which has not been implemented. Instead, the Cabinet of Ministers publishes a table with the list of current ITA projects, which has only limited information and does not specify the area of activities undertaken. At the beginning of 2020, there was an attempt to create the Directorate for Coordination of International Technical Assistance, which envisaged coordination through the Development Partners Forum, Strategic Forum Platform, and SWGs, but this did not become an influential institution. Indeed, after the initial meeting of the Cabinet of Ministries of Ukraine representatives and development partners in 2020, the Strategic Forum Platform was held only once, in 2023, while SWGs were mostly conducted only in 2020.

3.2 Overview of international public and private donor involvement in recovery and reconstruction

The list of international public and private donors who work in recovery and regional development is significant, with several ITA projects in the area, contributed to by all the biggest donors. The largest projects in the area of regional development are listed on the Decentralization website. However, this does not include smaller projects and initiatives implemented by various CSOs.

While the coordination between ITA projects and among CSOs is not always in place, some progress has been made. More than 50 CSOs created the RISE Ukraine coalition to support the reconstruction and recovery of Ukraine through inclusive dialogue, open data, and the latest digital technology, putting information about project status and the use of funds at the fingertips of anyone, anywhere. The initial focus of RISE Ukraine was to promote the use of an electronic platform for a recovery system, created by several CSOs with donor support. Due to strong advocacy, this system became a state-run platform, DREAM (Digital Restoration Ecosystem of Accountable Management).[23] It is hoped that DREAM will in the future contain information on all recovery and restoration projects, which would be a good base for donor coordination in the area. There is currently a discussion about expanding DREAM into the system used for PIM.

There are two major approaches donors take in the area of restoration and regional development:

- Large projects with separate teams are launched in the area of regional development. In particular, this includes DOBRE and HOVERLA, financed by USAID, and U-LEAD, funded by the EU and implemented by GIZ. The projects also provide grants to CSOs.

[23] DREAM in fact replicated the path of several other successful projects. Prozorro and eData began as an initiative of CSOs, which was supported financially by donors, with ownership being taken over by the government entities.

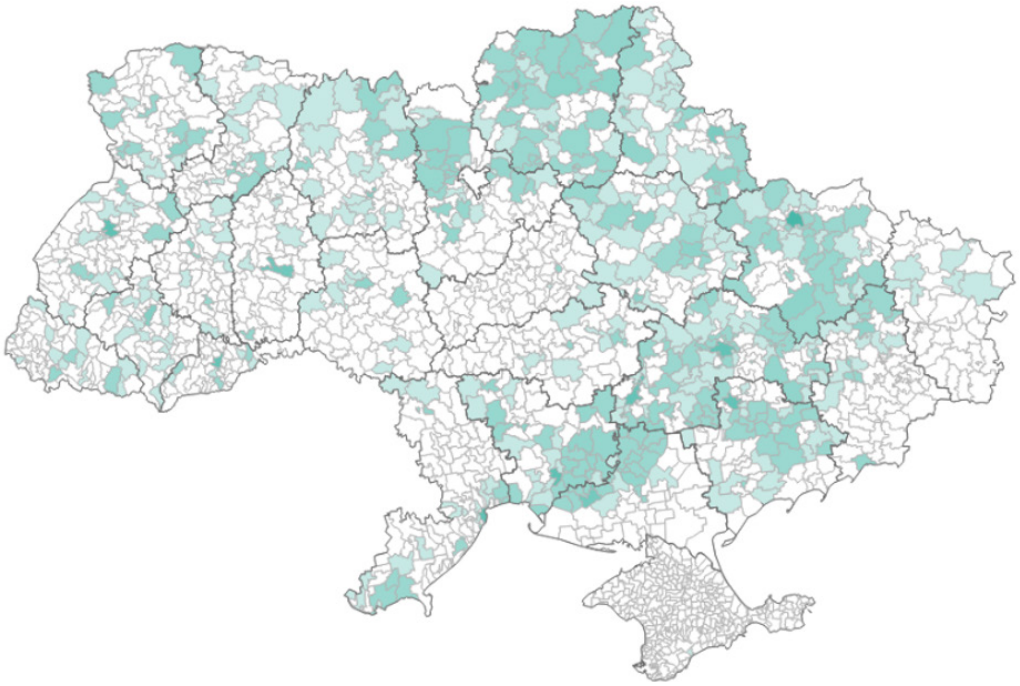
- Grants will be provided to CSOs to implement the respective activities in the area without creating separate project teams. This sustainable approach contributes to the development of civil society in Ukraine. There is a large variety of projects in the field, and CSOs' extensive role includes research, advocacy, and implementation of recovery and reconstruction projects.

There are also projects financed directly by donors such as UNDP, UNESCO, and IFIs. In particular, UNESCO financed the restoration of several schools, while UNDP participated in the recovery of several health facilities. GIZ financed several projects to build shelters and reconstruct schools and health facilities via grants to CSOs.

The EIB provides loans to the government that are earmarked to finance recovery and reconstruction projects at the local level (with UNDP being responsible for monitoring the implementation of such projects). There is competition for such financing among different sub-national governments. However, the allocation of funding is relatively low, partially due to the capacity of local government.

There are also projects financed by governments of different countries, the most notable case being the Danish government's assistance in restoring Mykolayiv. Here, there is a close collaboration between parties, which is directed towards transparent and efficient recovery of damaged and destroyed facilities and of centralised water supplies in the city. There are also other collaborations between different countries, other donors, and Ukrainian sub-national authorities. In particular, there are partnerships between cities in Ukraine and cities in other countries. However, the map presented by the Ministry of Infrastructure in May 2024 shows an absence of coordination (see Figure 2). Some hromadas have several donors present and some do not receive any support.

Figure 2: Map of development partners working in hromadas



Source: Ministry of Infrastructure

At the end of 2023 and the beginning of 2024, a number of different projects financed CSOs' activities to help hromadas develop restoration plans. The intention was that the facilities envisaged in such plans would receive financing from the budget; however, the critical source of financing for recovery, namely the Fund for Liquidation of Consequences of Russian Aggression, has become depleted.

The number of private donors financing recovery and infrastructure is small and their contribution is often not really visible. The Howard G. Buffett Foundation seems to be the most significant private donor in relation to restoration and recovery, with the largest funded project being the restoration of houses in Bucha. The foundation also contributes significantly to the demining programme.

Another private fund is Hansen Ukrainian Mission, which is currently building apartments and villages for internally displaced persons (IDPs) and older people to live in.

The International Renaissance Foundation, the most prominent Ukrainian charitable foundation that has been developing an open society in Ukraine since 1990, supports the activities of the CSOs in recovery and reconstruction. Still, these primarily constitute technical assistance projects rather than physical reconstruction.

3.3 The gaps in coordination

The evidence suggests that there is a large number of donors that provide Ukraine with technical and financial assistance in the area of regional development and restoration. However, there is no precise mapping of these projects. Moreover, there is still no exact mapping for needs, as use of the DREAM system is not yet compulsory and thus does not contain all restoration projects that require financing.

As a result, when new donors come to Ukraine, they do not clearly understand who does what and where there are gaps. This results in some hromadas receiving much more donor support than others. The government should also relaunch the OpenAid web portal, providing detailed information on the ITA projects and helping donors and CSOs coordinate their activities.

The following table depicts the key pillars of the coordination of donor assistance to Ukraine in the sphere of recovery and reconstruction.

Table: Key stakeholders

Name	The role
Ministry of Restoration	▶ Development of policies on restoration, reconstruction, regional development ▶ Negotiation of donors' support – financial and technical – in the area of restoration ▶ Communication with the CSOs involved in the implementation of recovery projects ▶ Identification of priority areas of recovery and reconstruction: together with line ministries (does not work efficiently so far)
Agency of Restoration	▶ Implementation of large (complex) recovery and reconstruction projects
Local government entities	▶ Implementation of recovery and reconstruction projects (selection, procurement, technical control) ▶ Communication with donors to ensure support ▶ Preparation of projects in recovery and reconstruction and their submission for financing (e.g., through DREAM) for centrally allocated budgets (e.g., in 2023 for the Fund for Liquidation of Consequences of Russian Aggression) or donor financing ▶ Negotiation of support and cooperation with CSOs ▶ Participation in training, organised by various donors
CSOs	▶ Development of policies in recovery and reconstruction, comments on the legislation in the area, etc. ▶ Advocacy of good practices and policies ▶ International advocacy for higher level of assistance to Ukraine ▶ Development of new tools in the area of restoration and reconstruction ▶ Implementation of recovery and reconstruction projects ▶ Monitoring of recovery and reconstruction
Donors: IFIs, other countries, cities abroad	▶ Multi-donor platform: coordination of financial assistance to Ukraine ▶ IFIs and other countries: provision of financial support for recovery and reconstruction ▶ ITA: projects directly helping beneficiaries or financing CSOs activities in the area of recovery and reconstruction ▶ Other cities: cooperation between cities allows for better chances to contribute best practices

Conclusion

To maximise the impact of international aid and foster long-term development and stability, Ukraine must adopt and integrate these best practices, lessons learned, and strategic insights. Enhanced donor coordination, effective reform implementation, and precise project mapping are crucial for addressing regional development needs and supporting sustainable reconstruction efforts. By doing so, Ukraine can ensure the efficient use of resources and achieve sustainable and impactful outcomes.

The insights from the preceding chapters highlight strategies, challenges, and lessons essential for enhancing donor coordination, implementing effective reforms, and managing regional development and restoration in Ukraine.

Enhanced donor coordination

To support sustainable reconstruction, Ukraine can adopt several international best practices:

1. **Multi-donor coordination platform:** Strengthening the existing platform with advanced digital tools for data sharing and progress tracking will improve transparency and decision-making by donors.

2. **Regular coordination meetings and forums:** Quarterly meetings and regional coordination forums, similar to Rwanda's DPCG, will help facilitate discussion about progress, challenges, and priorities, ensuring tailored reconstruction efforts.

3. **Sectoral working groups:** The formation of sector-specific groups, as has been done in Bosnia and Herzegovina, would enhance coordination in critical sectors such as transport, infrastructure, energy, and healthcare.

4. **Alignment with national strategies:** Aligning donor efforts with national development strategies will create a coherent policy framework, guiding contributions to support long-term goals.

5. **Capacity-building:** A focus on capacity-building will strengthen Ukraine's institutional capabilities for effective project management and implementation. There is a need for capacity-building at both central and local levels. In particular, at present, not all hromadas can develop quality projects in the area of recovery and reconstruction. Some of them have no understanding of how to communicate with donors.

6. **Public–private partnerships (PPPs):** Fostering PPPs can leverage private-sector expertise and investment in critical areas of reconstruction.

Effective reform implementation

Ukraine's decentralisation reforms can provide some valuable lessons:

1. **Comprehensive planning and strategic framework:** A well-defined, adaptable roadmap is crucial for guiding reforms. The CSOs should be actively involved in the development of the legislation.

2. **Strong legislative and institutional support:** Legislation and institutions like the Donor Council provide legal foundations and oversight.

3. **Capacity-building:** Continuous training and technical assistance for local government officials are essential for effective governance.
4. **Transparency and citizen participation:** Public consultations and participatory budgeting foster citizen participation and ensure inclusive local governance.
5. **Effective donor coordination:** Regular consultations and tools such as the matrix of results prevent duplication and ensure collaborative efforts.
6. **Continuous monitoring and evaluation:** Ongoing monitoring and feedback allow for the adjusting and improving of reforms. CSOs could play an essential role here.

Addressing regional development and restoration

Despite the assistance of numerous donors, challenges remain in the form of a lack of project mapping and uneven distribution of support:

1. **The DREAM:** The portal should be approved as a part of the legislation and become compulsory for recovery projects, which would make it a better coordination platform for donors.
2. **Capacity-building:** One of the reasons behind the uneven distribution of projects by hromadas might be the uneven capacities of local government entities. Therefore, more training should be done at the regional level.
3. **Data portal on ITA projects:** The government will also benefit from relaunching the OpenAid web portal, which presents information on ITA projects. This would support coordination between donors and CSOs.

Annex

Annex 1. Important steps of Ukraine's decentralisation reforms

Ukraine's decentralisation reforms have been a transformative initiative aimed at enhancing the capacity of local self-governance, establishing an effective territorial organisation of power, and ensuring the provision of high-quality and accessible public services across all regions.

The decentralisation reforms comprise four main components: administrative reorganisation, financial decentralisation, capacity-building, and citizen participation. Smaller local administrative units were consolidated into larger, more viable administrative entities known as amalgamated hromadas. This reorganisation aims to create self-sufficient communities capable of managing their resources and delivering services effectively.

The decentralisation reforms were initiated in 2014 via the adoption of the "Concept of Reforming Local Self-Government and Territorial Organisation of Power".[24] This conceptual framework provided the foundation for the subsequent "Action Plan for Implementation", which outlined specific steps and measures to achieve the reform's objectives.

Launching the decentralisation reforms in Ukraine necessitated amendments to the Budget and Tax Codes, introducing significant changes in fiscal policies. These amendments enabled local governments to retain a larger share of local taxes, including personal income tax. This financial autonomy equips local authorities with the resources to address local needs and priorities effectively. The reform's fiscal policies were designed to empower local authorities by providing them with the financial resources necessary to manage their communities effectively. This autonomy supports local investment and improves service delivery.

Several legislative measures were critical in advancing the decentralisation reforms:

- Law "On Voluntary Amalgamation of Territorial Communities":[25] This law facilitated the creation of a basic level of local self-government. As a result, 1,469 amalgamated hromadas were established across Ukraine, forming the foundation of local self-governance.[26]
- State Strategy for Regional Development (2014–2020):[27] Adopted in 2014, this Strategy provided a framework for regional development. It was followed by the law "On the Principles of State Regional Policy"[28] in 2015, which outlined the principles for state support in regional development.

The central government is committed to providing financial support for developing local infrastructure and services. This support aimed to bridge developmental gaps and ensure equitable progress across regions.[29] Implementing these changes led to a significant increase in state support for regional development.

[24] Decree of the Cabinet of Ministers of Ukraine, No. 333-r of April 1, 2014, http://zakon5.rada.gov.ua/laws/show/333-2014-%D1%80

[25] Law No. 333-2014 of April 1, 2018, http://zakon5.rada.gov.ua/laws/show/333-2014-%D1%80

[26] https://decentralization.ua/newgromada

[27] Resolution of the Cabinet of Ministers of Ukraine "State Strategy for Regional Development of Ukraine for the period up to 2020", No. 385 dated August 6, 2014, http://zakon2.rada.gov.ua/laws/show/385-2014-%D0%BF/paran11#n11

[28] Law No. 157-19 of May 5, 2018, http://zakon1.rada.gov.ua/laws/show/157-19

[29] Ford, L. (2020, June 22). Understanding Ukraine's Decentralisation Reform. https://voxukraine.org/en/understanding-ukraine-s-decentralisation-reform

Further steps in reforming local self-government and the territorial organisation of power in Ukraine are outlined in the Decentralisation Roadmap and the Action Plan for 2024–2027.[30] These documents provide a strategic framework for continuing the decentralisation process and addressing emerging challenges.

Despite significant progress, several challenges remain:

- Ensuring uniform progress. Variations in implementing reforms across different regions can lead to disparities in development and service delivery.
- Sustaining momentum. Continued political commitment and support from international donors and local stakeholders are crucial to sustain the momentum of the reform.
- Addressing capacity gaps. Ongoing efforts are needed to build the capacity of local governments, particularly in areas with limited resources and expertise.

Ukraine's decentralisation reforms represent a major transformation in the country's governance structure, aimed at fostering local autonomy, improving public services, and promoting economic development. The continued success of the reforms will depend on addressing existing challenges and maintaining strong support from national and international stakeholders.

[30] Road Map, Decentralisation. https://mtu.gov.ua/content/reforma-decentralizacii-dorozhnya-karta.html

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