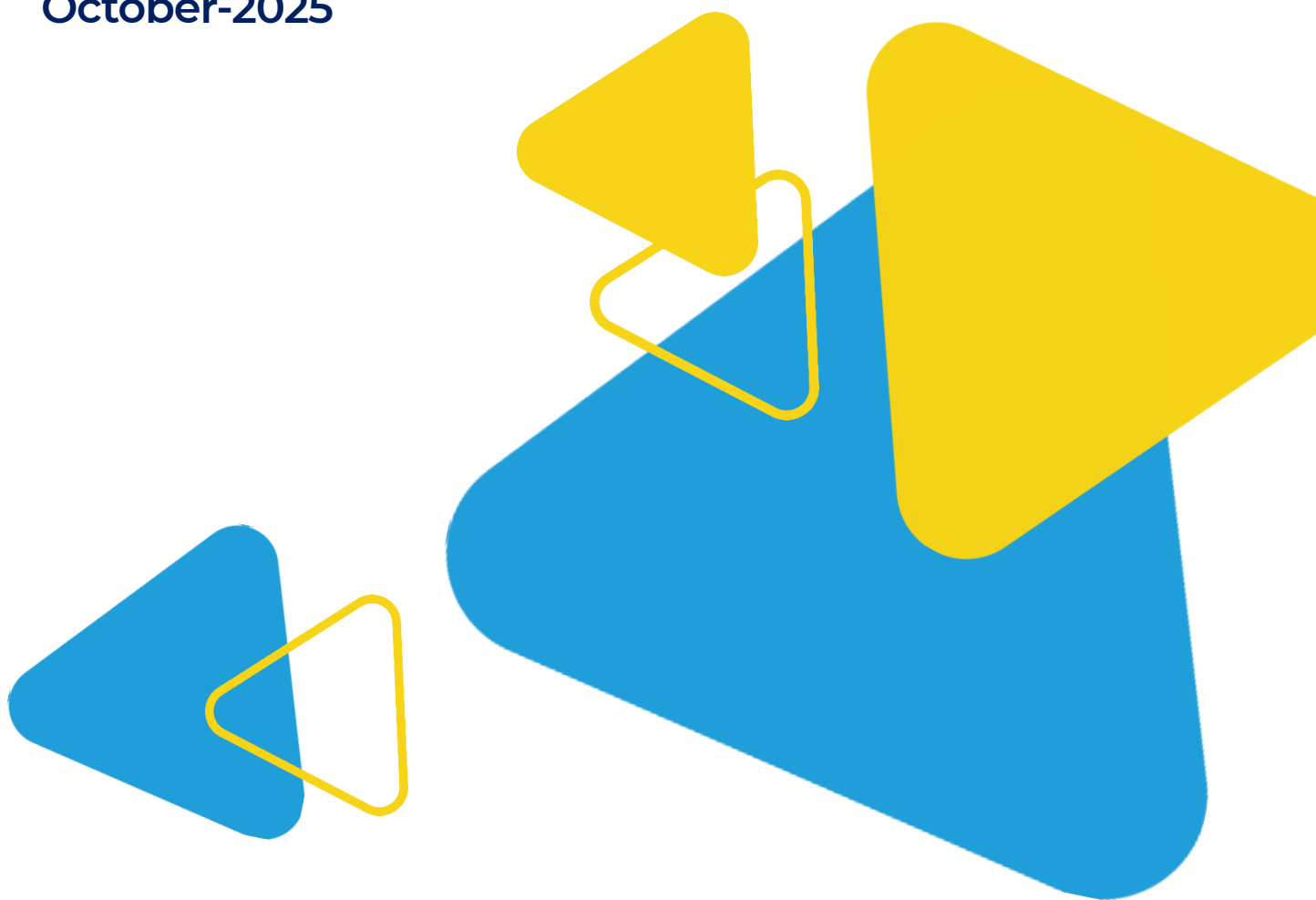


Policy Brief

KEY CHALLENGES FOR CONSTRUCTION SECTOR: what needs to change?

October-2025



Analytical Brief is based on the report ["Reconstruction at Risk: Are Changes in Construction Policy Needed"](#).

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1. Introduction

According to World Bank estimates, Ukraine requires over USD 500 bn for post-war reconstruction and recovery. Despite the focus on securing funding, an important question remains: is the construction sector ready for such large-scale reconstruction? Existing challenges in the construction sector demand immediate action, as they constrain industry development, hinder efficient resource utilization, and create significant risks that could become obstacles to attracting foreign investment and companies.

This Analytical Note is based on the study "[Reconstruction at Risk: Are Changes in Construction Policy Needed](#)" and essentially summarizes the main challenges for the construction sector from the analytical report and presents key recommendations.

2. Role of the Construction Sector in the Economy

Construction has traditionally been one of the key sectors of the Ukrainian economy. Although the sector suffered significant losses because of the full-scale war, the industry has demonstrated gradual recovery. In 2024, growth was driven by a reorientation of activities toward restoring damaged infrastructure, reconstruction, and the construction of protective and fortification structures. The market structure indicates fragmentation with a significant role played by individual entrepreneurs (FOPs) and micro-companies. Activity in the sector is fuelled by state and donor support, including credit lines from international financial organizations for infrastructure projects.

The construction sector plays a critical role in ensuring employment and economic resilience but faces an acute personnel shortage. While all economic sectors suffer from labour shortages, this problem in the construction sector is likely among the most severe, as the sector has traditionally focused on attracting male labour. Despite the sector being dominated by skilled workers, there is a significant skills gap in the market, as the vocational and higher education system cannot keep pace with market demands.

3. Main Challenges

The construction industry's problems are complex and systemic. Overall, the key obstacles to the construction sector's operation are:

- Personnel shortage and consequences of war (mobilization, departure of specialists abroad)
- Pressure from law enforcement agencies and high corruption risk

- Imperfect pricing regulation (underestimated wages in estimates, lack of advance payments)
- Excessive bureaucracy and dependence on the "human factor" in permitting procedures

3.1. Permit Documents and Urban Planning

Creating a construction company in Ukraine is relatively easy. However, the issue of licensing remains unresolved. It has been effectively abolished and replaced with a declarative principle for opening companies, which is temporary. This increases uncertainty and risks.

The process of obtaining permit documentation is one of the most burdensome and corruption-prone. Local self-government bodies (LSGBs) are responsible for issuing permit documentation and changing land designation.

- Urban planning conditions and restrictions (UPCRs) are recognized by market participants as a "corruption barrier." A company without "an arrangement with conditional urban planning officials will never obtain" this critically important document.
- Problems with UPCR stem from the absence or obsolescence of general plans and delays in preparing comprehensive spatial plans, leading to a "manual mechanism" for decision-making. This creates legal uncertainty and risks for developers.
- Obtaining technical conditions from energy and utility service providers is a complex and lengthy process. Particular difficulties arise with connection to sewage networks, as their capacity in large cities has not developed proportionally to construction rates.

3.2. Certification and Qualification of Specialists

Despite the relative ease of opening a company due to deregulation, problems begin with finding qualified and certified personnel.

- The market experiences a significant shortage of qualified personnel, especially designers, architects, and engineers.
- The certification system, particularly for design engineers (CC3 for large facilities), is overly bureaucratic and can take up to six years, making rapid recruitment of new specialists impossible.
- Training for upgrading engineers' qualifications, which is the responsibility of self-governing organizations, is often formal and does not meet needs.
- Approved professional standards are absent for many construction specialties.

3.3. Design

The design stage is burdened by personnel and regulatory deficiencies that directly affect the quality of cost estimate documentation.

- There is a "chasm" between the "old school" of Soviet design and talented youth. Additionally, a significant portion of State Building Codes (DBN) is outdated, contradicts one another, and creates legal uncertainty. This complicates creating a project that would comply with all current requirements.
- Due to the discrepancy between the state methodology for calculating estimated wages and actual market wages, designers often deliberately include inflated prices or material volumes in project documentation. This is done to provide builders with financial "leeway" to compensate for low wages, but it simultaneously serves as a source of corruption and increases the risk of criminal proceedings.

3.4. Project Expertise

Project documentation expertise is mandatory for facilities with medium and significant consequences (CC2–CC3).

- Private expert organizations often conduct expertise formally, ignoring significant errors in projects. Market participants call this a "certificate sales shop" or "stamp trade."
- Due to relatively low expertise fees, especially for complex facilities, experts sometimes do not thoroughly review documentation and do not conduct actual expertise, while their liability is minimal or absent.
- Legislation requires repeated comprehensive expertise of the entire project even with minor cost changes, which significantly delays the process and increases expenses.

3.5. Public Procurement and Pricing

Public procurement is the "central bottleneck," characterized by low competition. Companies, especially consciously avoid public procurement tenders due to high risks.

- The current state methodology for calculating estimated cost, particularly regarding labour payment, does not correspond to market realities, forcing companies to "earn on materials" by inflating prices to cover actual labour costs.
- Companies most often work under fixed contract prices, which do not allow dynamic response to rising prices for materials and services. Additionally, companies avoid tenders due to insufficient advance payments and delays in

payment for completed work acts, forcing contractors to finance work with their own funds.

- Companies face constant pressure and inspections from the National Police, BEB, and other bodies, with the opening of criminal proceedings becoming almost a tradition for construction companies.

3.6. Construction and Supervision

At the construction stage, the personnel shortage problem is acute. Mobilization leads to entire brigades being taken from construction sites, causing delays and cost increases.

Technical supervision (TS) sometimes has a formal character and sometimes serves as a person who helps with documentation. Control quality is low. Furthermore, the technical supervision engineer's remuneration depends on the cost of all completed construction work, creating incentives for inflating work volumes and conflicts of interest.

3.7. Commissioning

The final stage of construction is also accompanied by bureaucratic and corruption challenges.

- The process of putting facilities into operation is bureaucratic and depends on the "human factor" in signing acts. The problem is exacerbated by the lack of qualified specialists among customers (for example, in hospitals or schools) who are "afraid" to sign acts.
- The State Emergency Service (SES) can effectively conduct repeated expertise at the stage of putting the facility into operation, refusing to sign acts even if the project passed expertise and was executed according to the project. SES acts as a "separate kingdom."

3.8. Impact on Foreign Companies Entering the Market

Although creating a company in Ukraine is easy, foreign companies will face the same systemic problems as Ukrainian businesses, but "Ukrainian companies have already learned to live with it." Key barriers for foreigners include: differences in standards and the need for a Ukrainian partner to work under Eurocodes, excessive bureaucracy in obtaining permit documentation (particularly UPCRs), pressure from regulatory bodies, and the unclear requirement for "completed work acts." There is concern that the arrival of foreign businesses will intensify competition for already scarce personnel.

4. Recommendations

1. It is important to change approaches to pricing, as this solves a very large layer of problems in the construction sector. A unified online catalog of estimate norms with

regular indexation and clear rules for price adjustment during unforeseen events is needed. A registry of material prices will also reduce abuses in design and material cost inflation, but approaches to determining labour payment must be changed.

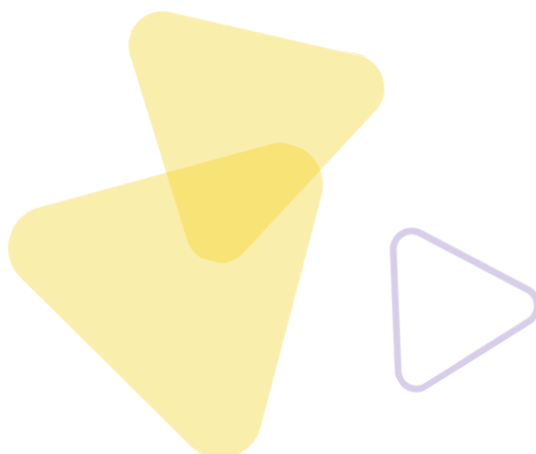
2. Further digitalization is an important condition for transparency and accountability of sector players. Therefore, further integration of main state registries with the Unified State Electronic System of the Construction Sector is important, so that checks of land rights, plot boundaries, encumbrances, and tax status are performed automatically and consistently.
3. Transparency should help accountability, as envisioned in the public investment management system reform. The minimum public dataset should include the base price, construction work schedule, contract changes, technical supervision findings, and key control points. This will allow public oversight and auditors to quickly identify deviations without "manual" information gathering.
4. It is important to update public procurement rules for construction under reconstruction projects. It is advisable to approve standard contract terms according to international FIDIC practice (these are unified contract forms that clearly define roles, risks, and dispute resolution procedures), so that customers and contractors work under understandable rules. Such contracts must include price indexation and force majeure adjustment mechanisms, so that long-term contracts are not destroyed by inflation or exchange rate fluctuations.
5. It is important that price not be the sole parameter for selecting a winner. The "Life-Cycle Costing" approach should be introduced as a standard for evaluating proposals for facilities with long service lives. This means that when selecting a winner, the customer considers not only the initial construction price but also operational costs, energy efficiency, frequency and cost of repairs, and disposal at the end of service life.
6. To somewhat reduce the personnel shortage, programs for adult training in specific deficit skills should be launched: working specialties (masons, reinforcement workers, electricians), cost estimating engineers, technical supervision specialists, BIM modelling. Vouchers or co-financing should be used, programs should be tied to real contracts, and mini-modules should be provided for donor project requirements. It is important to consider the possibility of attracting women to these professions, as well as the possibility for certain training programs and, accordingly, professions to engage people with limited mobility, who are often excluded from the labour market.
7. Harmonization of qualifications with the European Qualifications Framework and introduction of norms for free movement of labour with the EU within European integration processes will simplify market access to Ukraine, particularly for



architects and design engineers from EU countries (although standards will also need to be adapted for this).

8. Overall, European integration is important, so roadmaps for implementing changes across various clusters should be made public in the near future. Accordingly, professional standards will need to be developed and determination made of which professions should be regulated in the construction sector.
9. It is extremely important to strengthen the capacity of communities as customers. Standard technical specifications for standard facilities, brief guides on the most common errors in estimates and expertise, and regional "back offices" with engineering support for weaker customers should be deployed.
10. Before Ukraine's accession to the EU (and preferably earlier), the transition to a new generation of European standards and digital procedures for confirming product compliance must be completed. This includes eliminating conflicts with national norms, introducing digital product passports, and unifying expertise using BIM models. In parallel, unified data exchange formats should be introduced between the customer, designer, expertise, and technical supervision.
11. Professional liability insurance for architects and engineers, an electronic "trail" of project changes (audit trail), a public registry for preventing conflicts of interest for officials, and transparent requirements and ratings for technical supervision services will create institutional safeguards against errors and abuses.

Therefore, the fastest progress will be achieved through a combination of three waves: updating pricing approaches and further digitalization, increasing customer capacity and modernizing construction standards, and adapting legislation to EU law. This will actually be a phased implementation of changes, and here the prioritization of efforts is overwhelming. The result of reforms and changes should be reduced transaction costs, increased competition, and greater responsibility for quality. In fact, this should make reconstruction predictable for all players — communities, businesses, and international partners.





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