Ukraine Recovery and Peacebuilding Assessment

ANALYSIS OF CRISIS IMPACTS AND NEEDS IN EASTERN UKRAINE

Volume I: SYNTHESIS REPORT
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¹ UNDP, UNICEF, UNFPA, WHO, UNEP, UN Women, UNHCR, UNOCHA, IOM, ILO, OHCHR.
EXECUTIVE SUMMARY

Context

1. **Ukraine is currently experiencing a period of instability and insecurity.** Large-scale demonstrations in Kyiv in late 2013 led to a change in government in February 2014. Early presidential elections were held in May 2014 and early Parliamentary elections in November 2014. Following the developments in Crimea, the UN General Assembly adopted Resolution 68/262 on 27 March 2014 which states that it:

   “[...] 5. Underscores that the referendum held in the Autonomous Republic of Crimea and the city of Sevastopol on 16 March 2014, having no validity, cannot form the basis for any alteration of the status of the Autonomous Republic of Crimea or of the city of Sevastopol;

   Calls upon all States, international organizations and specialized agencies not to recognize any alteration of the status of the Autonomous Republic of Crimea and the city of Sevastopol on the basis of the above-mentioned referendum and to refrain from any action or dealing that might be interpreted as recognizing any such altered status.”

   In the spring of 2014, conflict erupted in the eastern oblasts of Donetsk and Luhansk—known as the Donbas—where pro-Russian separatists took control over parts of the two oblasts. Despite the existence of a peace agreement (the Minsk Protocol of September 2014) and the renewal of its cease-fire provisions in February 2015, the likely outcome of this conflict remains uncertain.

2. **The conflict has had a significant and detrimental impact on human welfare, and on social and economic conditions generally.** Of some 5.2 million people in the Donbas, at least 3.9 million have been directly affected by the conflict. In addition, the three adjoining oblasts of Zaporizhzhia, Dnipropetrovsk, and Kharkiv have been particularly affected by economic disruption and a heavy influx of internally displaced persons (IDPs). As of late February there were a reported 7,000 deaths (including military personnel), some 18,000 wounded, and more than 1.6 million people displaced both internally and outside of Ukraine. Prior to the conflict, the Donbas region had already faced significant long-term challenges related to poverty, demography, and its economic structure. Many of the country’s key heavy industries that are located in the Donbas have experienced long-standing decline and have been further damaged by the conflict and trade disputes. The situation is likely to be compounded by the significant loss of services, shelter, and livelihoods associated with the conflict, which poses even more acute risks for the population’s well-being. The conflict has also significantly deteriorated levels of social cohesion, trust, and cooperation throughout the country, which were already eroded from years of divergent and politically charged narratives about history, language, and patriotism.

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2 On March 27, 2014, the UN General Assembly passed Resolution 68/262 stating that the referendum had “no validity” and “cannot form the basis for any alteration of the status of the Autonomous Republic of Crimea or the city of Sevastopol” (see http://www.un.org/en/ga/search/view_doc.asp?symbol=A/RES/68/262).
3. The Government of Ukraine (GoU) and its partners recognize the need to urgently address reconstruction, economic recovery, and peacebuilding needs in areas affected both directly and indirectly by the conflict. In mid-2014, the government requested technical assistance and financial support from the international community to assess and plan priority recovery and peacebuilding efforts in the conflict-affected regions of eastern Ukraine. Following a joint EU, UN, and WBG scoping mission to Ukraine that took place between September 29 and October 3, 2014, the three institutions agreed to organize an assessment of recovery and peacebuilding needs. The Eastern Ukraine Recovery and Peacebuilding Assessment (RPA) was launched in October 2014 as a two-stage process. In view of the continuing conflict, it was decided to undertake an initial rapid assessment, covering areas under government control that would provide an analytical and programmatic baseline for recovery efforts, identify urgent interventions, and provide a basis for scaling up the responses as needs evolve on the ground. As such, these findings should be considered as a snapshot in time. In particular, the assessment of infrastructure damage is limited to the damage that occurred prior to November 2014. Furthermore, the number of registered IDPs—used as a reference to estimate their needs—corresponds to official government estimates as of February 2015.

4. The RPA is therefore an assessment undertaken in a context of ongoing crisis. The conflict could escalate and expand, become “frozen,” or be settled through diplomacy. The first two scenarios would aggravate the distress of people in eastern Ukraine, and likely lead to additional waves of displacement. Moreover, failure to address the severe human welfare and development concerns will very likely worsen the conflict. This would have serious implications, including increasing vulnerability and eroding confidence in the state. As social cohesion continues to deteriorate and worsening socioeconomic conditions cause further tensions, it is essential that key high-priority recommendations be initiated as soon as possible, irrespective of the cessation or continuation of armed conflict. Doing so will also lay the foundation to effectively implement other aspects of recovery, such as rehabilitating infrastructure, restoring social services, and revitalizing economic activity. Without reconciliation—between different members of the community, between different communities, and between citizens and authorities—lasting peace and recovery are unlikely to be achieved.

5. The RPA looks beyond immediate humanitarian needs to assess the conflict’s impact and identify key priorities for recovery and building peace. In light of the ongoing crisis, the RPA focuses on improving human welfare, particularly of the displaced and their host communities, and avoiding the further exacerbation of conflict drivers. Geographically, the RPA focuses on conflict-affected areas under government control in Donetsk and Luhansk, as well as the three adjoining oblasts of Zaporizhzhia, Dnipropetrovsk, and Kharkiv. Certain supportive national-level initiatives are also recommended. The report’s recommendations provide an initial framework for initiatives that focus on short- to medium-term results. This framework will also help the government and the international community to update, prioritize, and sequence recovery interventions on a regular basis as the situation evolves. Furthermore, the recommendations provide positive precedents for future reforms in the areas of economic policy, governance, and social services. The first phase of the RPA will lay the groundwork for a second phase that supports the development of a longer-term and comprehensive recovery and peacebuilding strategy, when conditions allow.

6. Phase 1 of the RPA report (which is presented in two volumes) is anchored in three major thematic components: (i) restoring critical infrastructure and services; (ii) improving economic livelihoods; and (iii) strengthening social resilience and initiating reconcilia-
tion and peacebuilding. Volume I provides an overview of the results of the assessment, key findings, and recommended interventions over a two-year period, in the form of a synthesis report. Volume II provides the detailed assessment reports for each of the three components.

7. The RPA’s three thematic components have been designed to be mutually complementary and strategically synchronous. For example, the rehabilitation and reconstruction of damaged infrastructure in Component 1 will provide opportunities to introduce labor-intensive construction technologies. This links with the recommendation in Component 2 to jump-start local employment by reconstructing district and community infrastructure. The RPA also provides concrete activities for host communities and IDPs to collaborate in meeting urgent needs, which helps break down prejudice and builds trust (Component 3). Similarly, key transversal issues—internal displacement, local governance and implementation capacity, gender, and human rights—are integrated across components. Criteria are suggested to support the prioritization of those recommendations that require immediate attention, either because of their urgency or because of their critical importance as foundations for recovery and peacebuilding. The report strongly recommends that, as much as possible, responsibility for the design and implementation of activities be delegated downward to subnational levels and involve all major stakeholders at the local level.

Main Findings

8. Initial estimates of recovery, reconstruction, and peacebuilding financing needs total some US$1.52 billion,\(^3\) as outlined below.

9. Total recovery needs for the infrastructure and social services component are estimated at US$ 1.26 billion. The sustainable restoration and improvement of infrastructure and social services holds the key to normalizing and stabilizing society in the crisis-affected areas, and to creating conditions for IDP return and repatriation. Efficient and effective recovery of infrastructure and service delivery will not only ameliorate the affected populations’ suffering, but will also help restore citizens’ trust in the state. In addition to “brick-and-mortar” damage to infrastructure, the loss of equipment, the exodus of employees, and a drop in staff skills and capacity in the directly affected regions are other challenges that need to be addressed.

10. Ensuring satisfactory provision of social services in indirectly affected areas is complicated by the influx of displaced populations. For example, preschools are fast approaching enrollment capacity; the road network is suffering from increased usage; and sewage systems need to handle increased loads due to a steady influx of IDPs in various raions. Needs are greatest in the transport, health, and energy sectors, at US$558 million, US$184 million, and US$79 million respectively. Needs estimates build upon the damages reported to infrastructure to additionally: (i) reconstruct impacted infrastructure to improved standards (the “building back better and smarter” principle); (ii) restore service delivery to individuals residing in Donetsk and Luhansk, and replace facilities; and (iii) provide social services to individuals displaced as a result of the conflict.

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\(^3\) Estimated reconstruction costs may continue to rise as needs are further assessed.
11. **Total recovery needs for the economic recovery component are estimated at US$135.5 million.** Ukraine’s current trade dispute with Russia, coupled with damage and disruptions associated with the conflict, have had significant economic implications for the Donbas. In the first 11 months of 2014, exports from Donetsk oblast dropped by almost 30 percent and by 43 percent from Luhansk oblast, compared to the same period of previous year. During January–September 2014, metal export to Russia declined by 28 percent compared to a year earlier, with the share to Russia declining to 10 percent of total metal exports from 14 percent in 2013. As a consequence of direct and indirect impacts, small and medium enterprises (SMEs) decreased their economic activities by 80–90 percent, leading to a similar percentage of jobs lost. This situation has resulted in the widespread disruption of economic activity, loss of livelihoods and employment, and a deteriorating macroeconomic environment. In this context, this report proposes a multi-track approach to economic recovery to reduce the vulnerabili-
ity of conflict-affected populations and increase societal resilience. This approach consists of generating short-term employment opportunities, improving productive capacities and livelihood options, strengthening local economic planning, stimulating SMEs and the private sector, and facilitating provision of financial services. Collaboration between local governments, civil society, and the remaining private sector will be essential to address key bottlenecks, rebuild the local economy, and restore social trust.

12. **Total recovery needs for the social resilience, peacebuilding, and community security component are estimated at US$126.8 million.** The ongoing conflict in eastern Ukraine has had a direct and highly negative impact on social cohesion, resilience, livelihoods, community security, and the rule of law. Displacement, fear, and diminishing levels of trust are acute social problems, and conflict-related distress is widespread. While social fragmentation, prejudices, regional divides, and low levels of trust in local authorities and institutions existed prior to the crisis, these have been exacerbated as a result of it, particularly in the Donbas region. In many ways, the conflict and resulting displacement has magnified Ukraine’s pre-conflict fragility. As the numbers and the duration of stay for the displaced increase, pressure mounts on local resources, service delivery, livelihoods, and governance. Signs of increasing tensions between IDPs and host communities are becoming more evident. Moreover, under conflict conditions, law enforcement agencies, security services, and justice institutions are ill equipped to ensure respect of rights and rule of law, mitigate disputes and tensions, and address crime and violence. Current hostilities, related community-level violence, and misinformation contribute to polarization and deepen divisions. Impacts are especially acute in areas with a high percentage of IDPs compared to the host communities. Restoring and strengthening the social fabric—within the Donbas, as well as nationally—is therefore a critical requirement for effective and sustainable recovery. In the absence of reconciliation and peacebuilding, the risk of renewed conflict will remain, which puts investments in infrastructure, services, and economic recovery at risk. Priorities in this regard include building trust, strengthening the resilience of displaced populations and host communities, better protecting conflict-affected populations, and promoting reconciliation, peacebuilding, citizen security, and access to justice.

**Institutional Arrangements**

13. **For the RPA to become operational and be effective, the government must take a lead role, though it must also broadly engage national stakeholders.** Government ownership over the RPA process would greatly benefit from rapidly identifying and operationalizing a structure that has formal intragovernmental authority and a clear mandate to lead and coordinate recovery and reconstruction efforts. Given the nature of recovery needs and response strategies proposed in the RPA, most interventions will be implemented by government agencies and local governments, civil society organizations, and the beneficiaries themselves. It is therefore proposed that an intragovernmental coordination structure (for example, a Donbas Recovery Coordination Committee) be created with both intragovernmental authority and broad membership. It will need to have a dual focus on (i) activities in the five eastern oblasts; and (ii) national activities. Implementation challenges will be best met through flexible and hybrid arrangements, with the intragovernmental authority assuming a policy-setting and oversight role. It will be necessary to clarify from the outset the mandates of key actors and establish appropriate but flexible mechanisms and processes. It is also essential to create space for civil society organizations and the private sector to work effectively with national and subnational budget allocations.
14. **It will be important to establish a process for periodically reviewing the continued relevance of the RPA’s strategy and initiatives.** An RPA progress review should take place every six months, with a thorough mid-term review after 12 months. The coordination committee should organize the reviews, which need to be inclusive consultative processes in which all stakeholders can provide their views and feedback. The coordination committee should establish a monitoring and evaluation (M&E) subcommittee. The Strategic Results Framework (SRF) presented in the report can serve as an M&E tool. Participatory M&E with the engagement of the conflict-affected population should be used whenever feasible. Public access to M&E outputs will be essential for transparency and credibility.

**Financing**

15. **The RPA provides an overview of recovery, reconstruction, and peacebuilding financing needs, as well as principles and options regarding both the sources of financing and associated instruments.** Ensuring adequate, flexible, and rapid financing is a government responsibility that will require support from the international community. Some international partners have already earmarked funding for eastern Ukraine. The RPA will help to situate these commitments by providing a dedicated institutional framework to facilitate alignment and linkages among funding sources and enabling national and international stakeholder coordination.

16. **A variety of financing instruments can be deployed in support of the RPA’s implementation.** These will need to be predictable and harmonized, and also aligned with national and RPA priorities, the national budget process, and the government’s institutional framework for recovery in eastern Ukraine. Options include: (i) budgetary allocations from the government; (ii) direct budget support from international partners; (iii) pooling grant financing through a Multi-Partner Trust Fund (MPTF); (iv) international loans; (v) support for the financial sector in the form of participation in specialized instruments and guarantees; and (vi) mechanisms to promote coordination with private sector investments.

**In Conclusion**

17. **The situation in eastern Ukraine is still evolving, with ongoing military operations and uncertain prospects for a lasting ceasefire.** Nevertheless, it is urgent to formulate a response and provide feasible elements of support in an integrated, fast, and flexible manner. Addressing priority recovery, reconstruction, and peacebuilding needs in the short term will require leadership and substantial commitments on the part of the GoU, along with support from the international community. The response should be tailored to specific needs yet also cognizant of the severe constraints posed by the ongoing conflict. Beyond the analytical and programmatic framework provided by the report, this will necessitate specialized institutional arrangements for prioritizing interventions, flexibly aligning financing and ensuring rapid disbursement, and identifying appropriate implementation capacities to achieve rapid results.