

MINISTRY FOR
RESTORATION

Communities, Territories and
Infrastructure Development of Ukraine



RESTORATION PROJECT PRIORITISATION METHODOLOGY

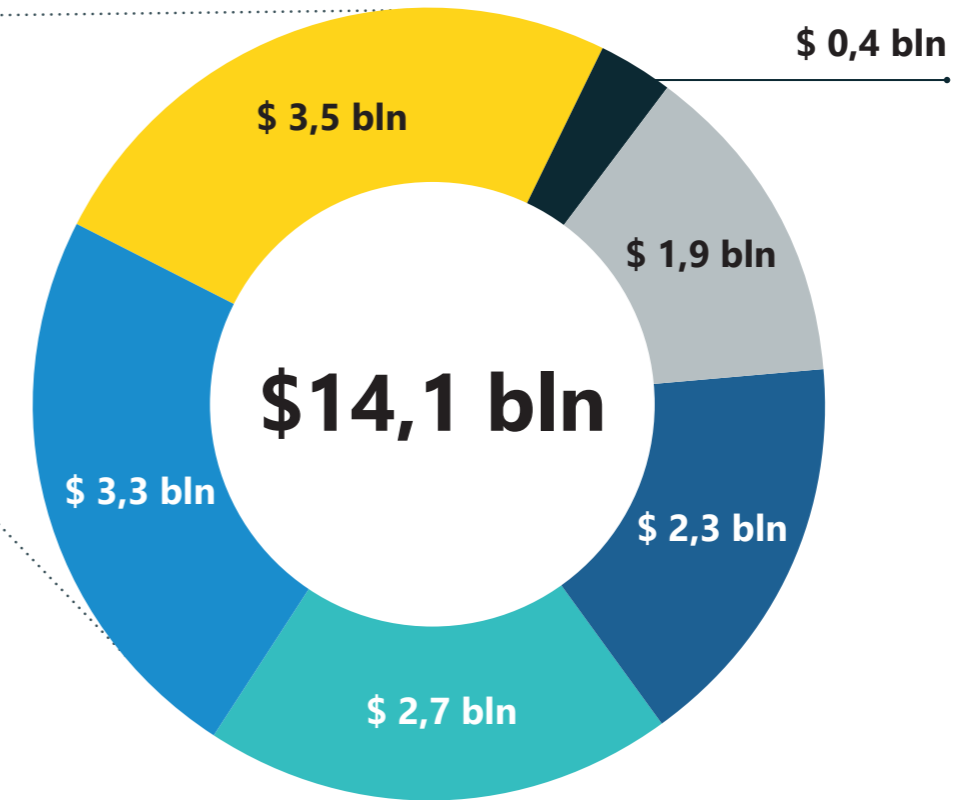
INTRODUCTION

RDNA2: DAMAGE, RECOVERY AND RECONSTRUCTION NEEDS



\$135 bln
DAMAGE
 Quantifies direct physical damage to buildings and infrastructure

\$411 bln
RECOVERY AND RECONSTRUCTION NEEDS
 estimates needs considering building back better

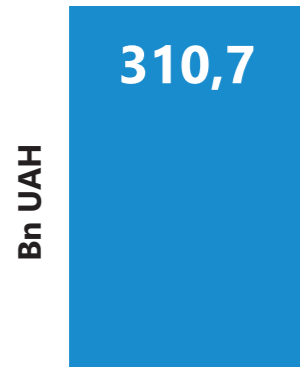
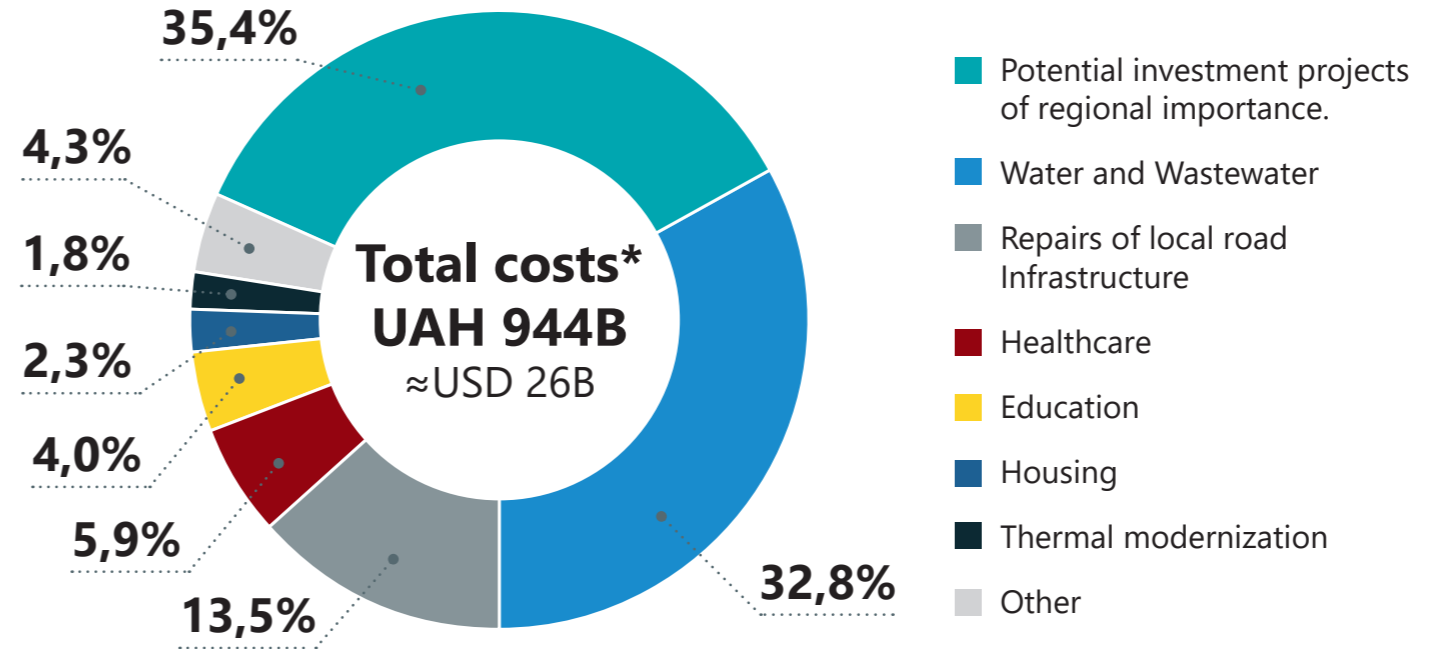


MAIN PRIORITIES IN 2023:

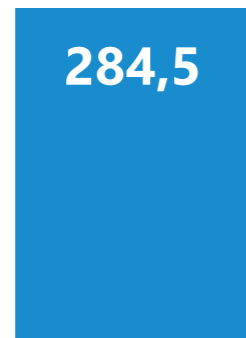
- Energy infrastructure \$ 3,3 bln
- Housing \$ 1,9 bln
- Humanitarian demining \$ 0,4 bln
- Transport \$ 3,5 bln
- Other social and critical infrastructure \$ 2,3 bln
- Private sector \$ 2,7 bln

WHY IS PRIORITISATION IMPORTANT?

Ukraine faces an enormous backlog of reconstruction projects. In January 2023 the Ministry consulted with local communities (municipalities, etc.) and received 4500+ reconstruction projects totaling USD 26B. Notably, these figures do not represent Ukraine's total needs. It is just a slice of what can be expected during full-scale reconstruction. They relate to different sectors and can be categorised as follows.



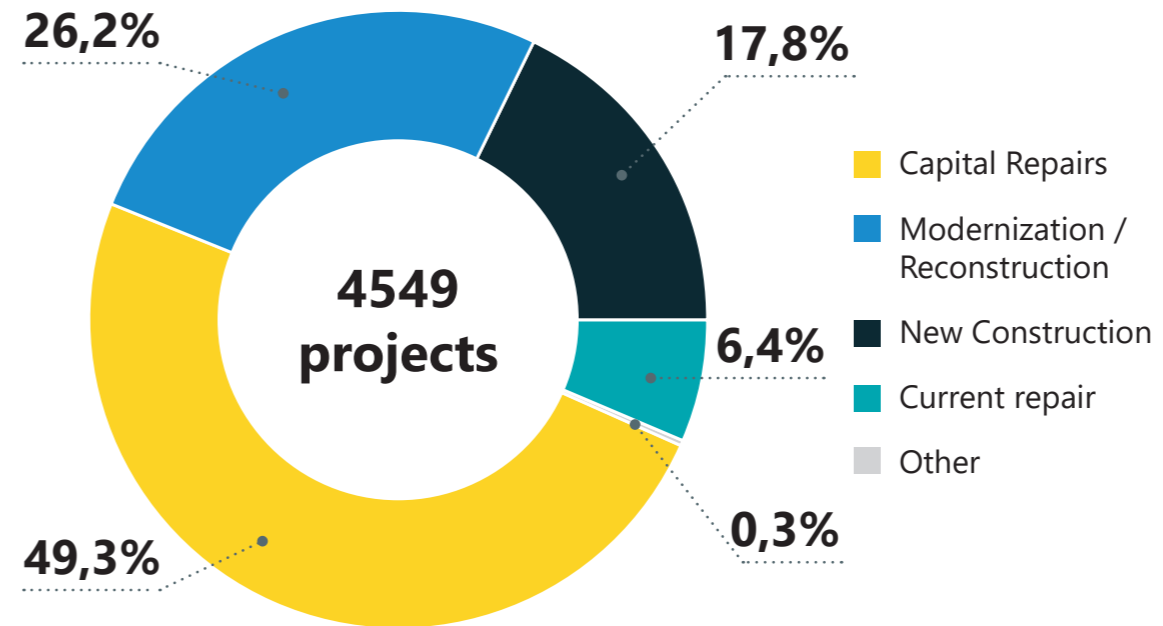
P1. Restoration of living and vital services.



P2. Stabilization measures and ensuring a decent standard of living.



P3. Creating conditions for revitalizing economic processes in the region and improving a well-being of the population.*



EMERGENCY RESPONSE



➤ Fund for the Liquidation of the Consequences of the Armed Aggression of the Russian Federation (" Fund) was established within the special fund of the State Budget of Ukraine to provide emergency reconstruction response – article 29 of the Law of Ukraine "On the State Budget of Ukraine for 2023".

➤ Initially the Fund is created for 2023. Mandate can be prolonged to 2024. Ideally, the Fund will become a special Fund with a law-given mandate.

➤ The Fund has two sources of receipts:

- Frozen assets seized by Ukraine under the Law of Ukraine "On the Bases of Expropriation in Ukraine of Assets of the Russian Federation and its Residents" and Law of Ukraine "On Sanctions"; and
- 50% of passive profit of the National Bank of Ukraine under the Law of Ukraine "On the National Bank of Ukraine"

➤ The Fund's administrator is the Ministry for Communities, Territories and Infrastructure Development of Ukraine (below as the "Ministry").

➤ The Fund does not

- hold receipts from multilateral/bilateral grants or financing, nor
- does it include direct support to local governments from non-state actors/sources

➤ Initially the Fund accumulated UAH 35B that is approximately USD 0.95B. It is expected that by the end of 2023 the Fund may total UAH 65B approx. USD 1.76B.

➤ The slice of needs submitted by communities as of January 2023 is USD 26B while available Fund's coverage is limited to USD 0.95B of which communities' critical infrastructure and cross-sectoral projects are USD 300M.

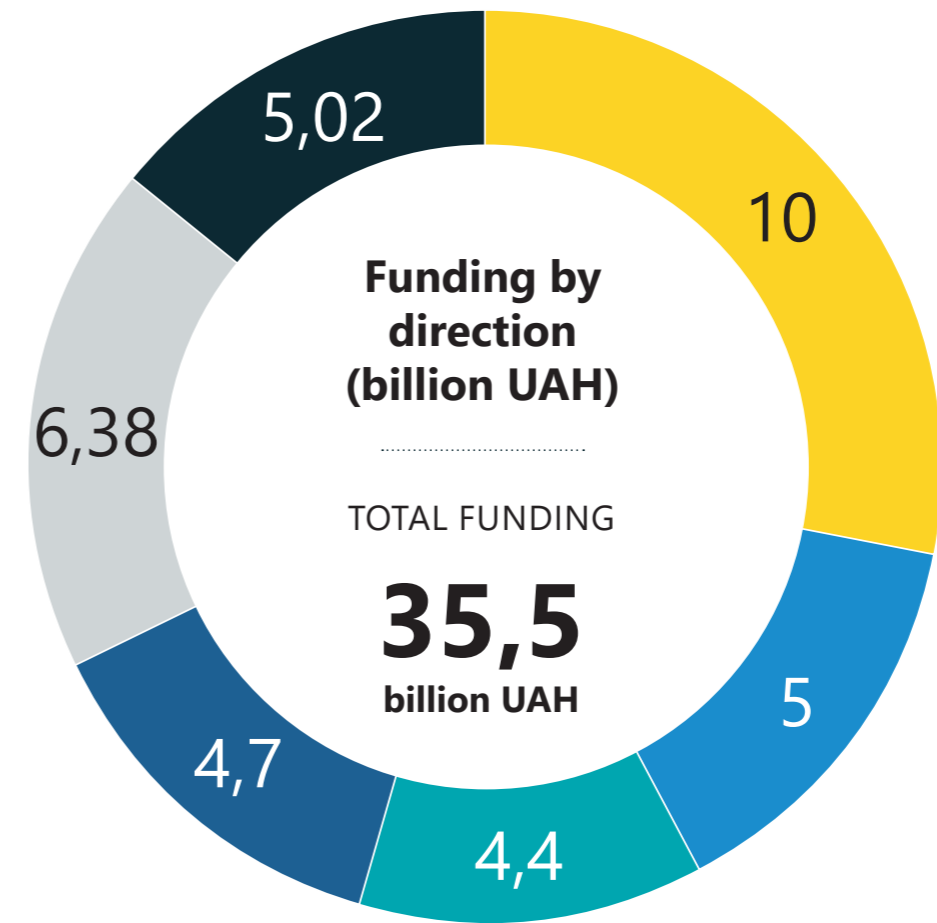
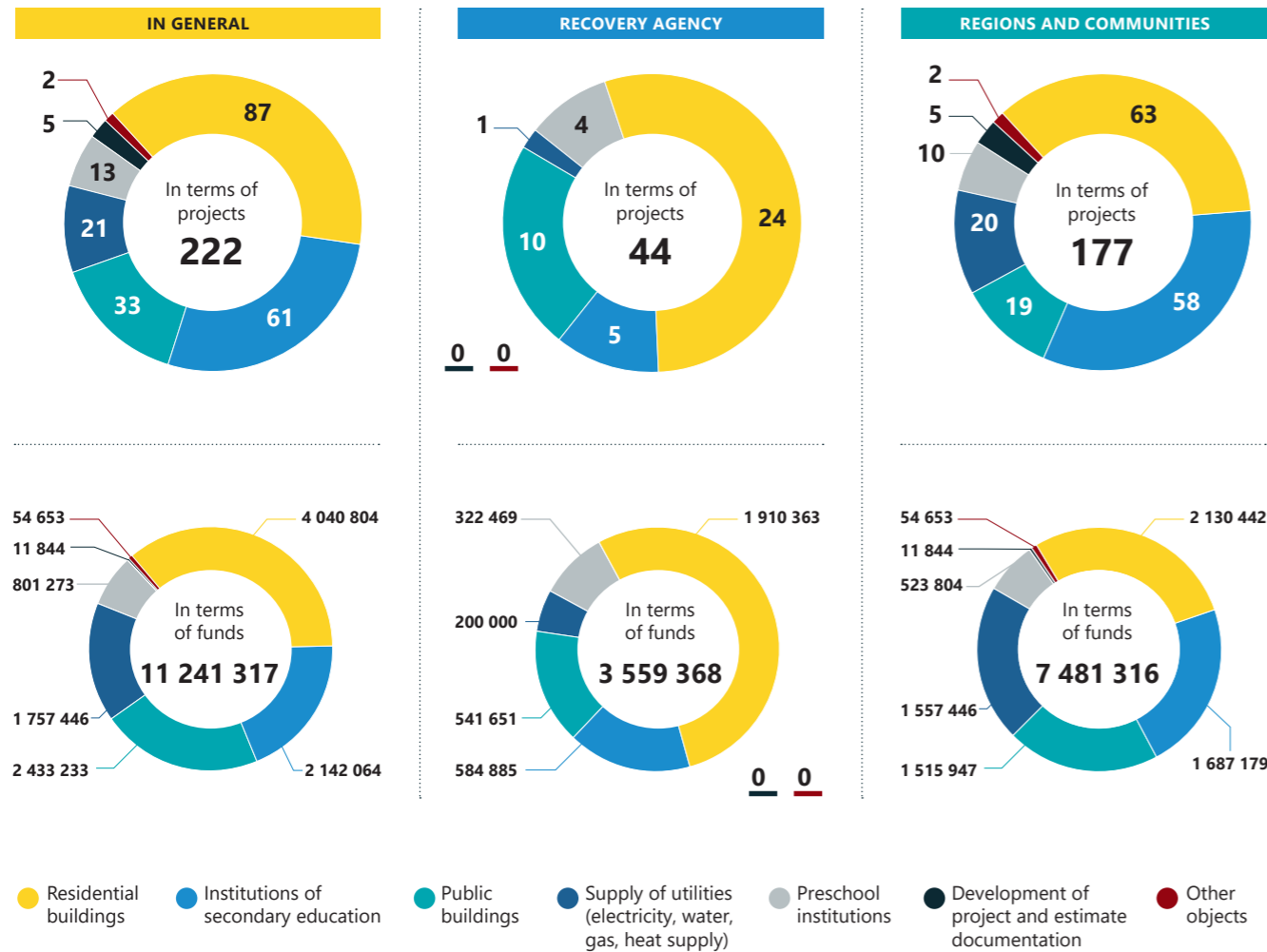
➤ The following The initial tranche of UAH 35B (USD 0.95B) is

- Critical infrastructure protection – UAH 10B (USD 270M)
- Compensation mechanism "eRecovery" for individuals to cover ordinary and capital repair of their damaged apartments and houses - UAH 4.4B (USD 120M)
- Complex reconstruction of 6 settlements – UAH 5B (USD 140M)
- Remaining critical infrastructure and cross-sectoral projects – UAH 11B (USD 300M)

DISTRIBUTION OF FUNDS FROM THE LIQUIDATION FUND PLAN



DISTRIBUTION OF PROJECTS BY DIRECTION



- Protection of critical infrastructure facilities
- Restoration of 6 settlements
- Compensation under the program eRecovery
- Recovery Agency*
- Regional military administrations and territorial communities
- Reserve

*Additionally, 5 projects from the Chernihiv region, subject to correction of errors (at a cost of 156,3 million UAH)

FUND`S CATEGORIES



THE FUND`S CATEGORIES:

1

construction (new construction, reconstruction, restoration, capital repair) of public buildings and structures (observing safety requirements for civil defence structures), civil defence structures, and military construction objects (buildings, engineering objects, positions, barracks, warehouses, roads, etc.);

2

construction of critical infrastructure, in particular, related to the provision of services for water supply, drainage, heat energy production, heat, and electricity supply;

3

new construction, reconstruction, major repairs, development of design documentation (including drawings and cost estimates) of buildings to provide housing for internally displaced people and people who lost their housing as a result of hostilities caused by the armed aggression of the Russian Federation against Ukraine;

4

development of design documentation (including drawings and cost estimates) for objects that were destroyed as a result of the armed aggression of the Russian Federation against Ukraine;

5

construction, repair, and other engineering and technical measures to protect critical infrastructure assets;

6

purchase of school buses, special transport for health care institutions and municipal enterprises;

7

compensation for a destroyed housing (including cottages and small houses);

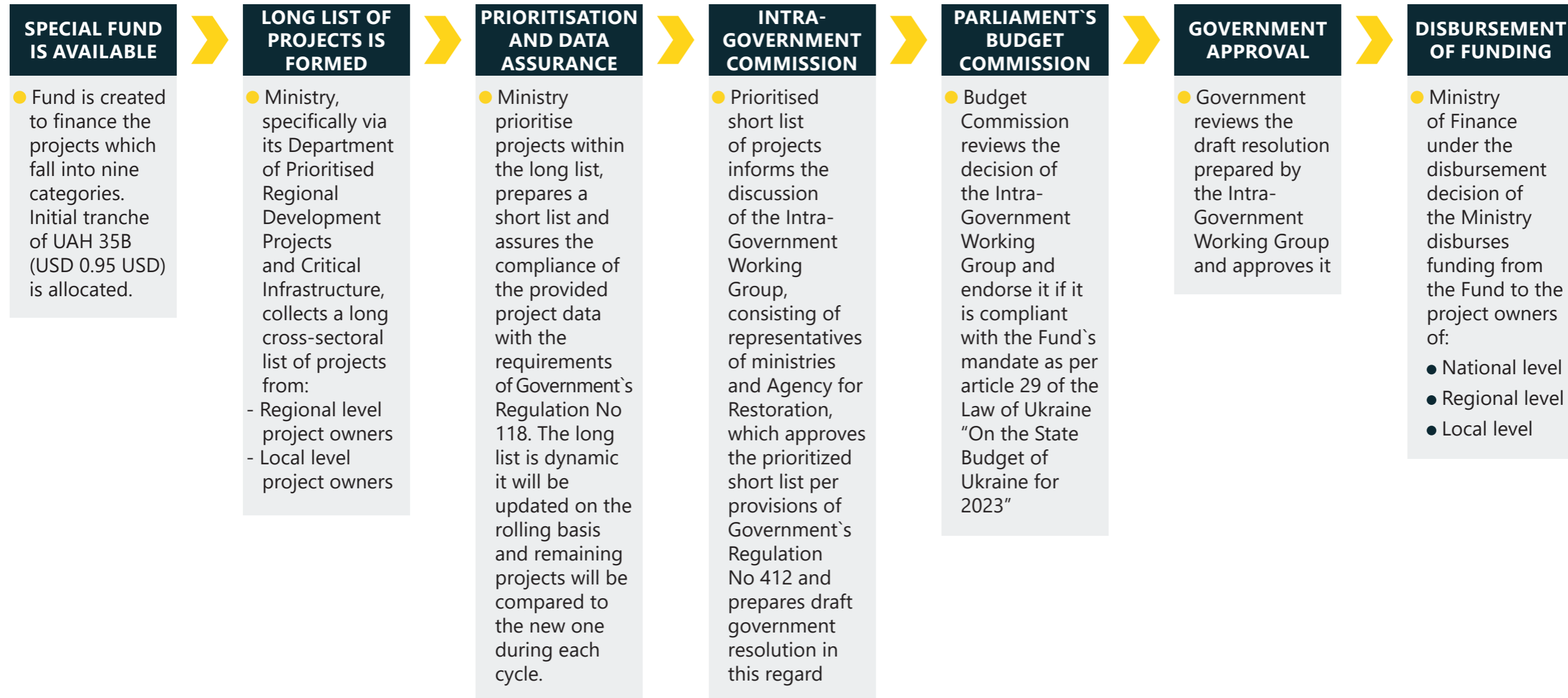
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and reconstruction of the housing (including individual houses) and social infrastructure objects.

9

new construction of residential facilities for persons who lost their homes as a result of hostilities caused by the armed aggression of the Russian Federation against Ukraine, development and examination of project documentation for the construction of such facilities.

HOW DOES THE FUND WORK?



WHERE PRIORITISATION STANDS



NATIONAL LEVEL

National Level Project Owners

- Ministries
- Government Agencies
- State-owned enterprises

National Level Sectors:

- Energy
- Healthcare
- Transport
- Education
- Security
- Housing
- Utilities

Sectoral Prioritisation based on:

- Sectoral development strategies
- Developed strategy implementation plans (long list of sectoral projects)

Prioritisation for the complex reconstruction of Ukraine's settlements to maximise reconstruction of their critical assets. Under development.

REGIONAL AND LOCAL LEVELS

Regional and Local Level Sectors:

- Energy
- Healthcare
- Transport
- Education
- Security
- Housing
- Utilities

Regional and Local Level Project Owners:

- Oblasts (regions)
- Territorial communities

PRIORITISATION IS HERE NOW



- Cross-sectoral prioritisation at the implementation level when the Ministry compares sectoral national long lists to compile a cross-sectoral short list within the budget constraints. Not yet happening. By sector it is done via budget constrain – allocated funding for each sector. Ex. Critical energy infrastructure – UAH 10B (USD 270M)

- Cross-sectoral prioritisation at the implementation level when the Ministry has to compare cross-sectoral regional and local long lists with one another to come up with a cross-sectoral short list within the budget constraints.

PRIORITISATION



WILL SUPPORT/INFORM DECISION MAKING PROCESS ON

- Reconstruction funded from the Fund for the Liquidation of the Consequences of the Armed Aggression of the Russian Federation



MAY APPLY

- Upon a decision of Any stakeholder including but not limited to Ukraine`s Allies, international financial institutions and international organisations, private donors wishing to fund Ukraine`s reconstruction agenda; and to any other future public funding managed by the Ministry and dedicated to Ukraine`s full-scale reconstruction.



PROBLEM: HOW TO CHOOSE MOST CRITICAL PROJECTS GIVEN THE LIMITED AVAILABLE FUNDING



Vast needs (projects) which increase daily due to the damages and destruction caused by the armed aggression of Russia. These can be found in DREAM IT Environment

Continued budget limitations for reconstruction. Example –the Fund dedicated budget USD 0.95B vs slice of needs of USD 26B.

Transparent, efficient and accountable prioritisation mechanism to choose most critical projects for Ukraine`s sustainability

Short list of projects that are financed from the Fund



NEW STRATEGIES AND RECONSTRUCTION PLANS



▶ New strategies and reconstruction plans will be referenced during prioritisation. Project owner will be asked whether a submitted project is in their reconstruction plan and whether it is compliant with their strategy.

▶ New strategies and plans will be used for the prioritisation of the projects at three levels:

- National;
- Regional; and
- Local

▶ Ministry via its Department of Prioritised Regional Development Projects and Critical Infrastructure during review phase will:

- Review the submitted project data and documentation attached to it on their compliance with the requirements of Government's Resolution No 118;
- Review the reasons for submission of a project, its effectiveness, inter-connectivity with other projects, its priority in the implementation in view of the vital needs of the population; and
- Form complete funding proposals (short list).

▶ In 2023 the territorial communities (municipalities, village councils, etc.) are expected to reconsider their development strategies and prepare new reconstruction plans which will create the basis for the regional development strategies and plans.

The sectoral Ministries (e.g. Ministry of Health, Ministry of Education, Ministry of Energy, etc.) are also expected to develop new sectoral strategies which will dictate their new reconstruction plan.

▶ Currently, the Ministry working with the prioritisation of the cross-sectoral long lists from the local and regional project owners.

The national level priority is set up by the allocation of dedicated funding in the Fund. Ex. Critical energy infrastructure – UAH 10B (USD 270M). In future, the Ministry is expected to work with the cross-sectoral national-level long lists.

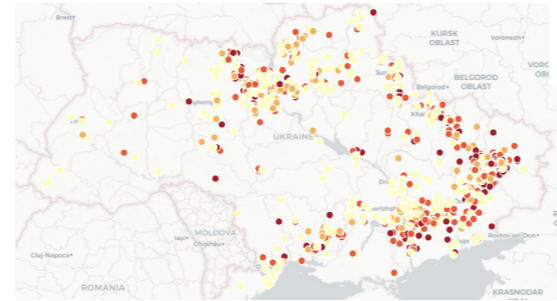
PRIORITISATION AND NEW DIGITAL ENVIRONMENT



Project prioritisation will work as a module in the **DREAM** System [Digital Restoration Ecosystem for Accountable Management], a state digital ecosystem that provides a single digital pipeline for all reconstruction projects.

Through it the project owners can present projects to attract financial resources and monitor and manage the construction process.

The prioritisation module will use DREAM project submission forms to collect project-related data, apply relevant indicators, and rank a project according to the prioritisation methodology.



Data for prioritisation data will come from a new **Geographic Information System (GIS)** that is currently being developed at the Ministry. The mission of GIS goes beyond the DREAM ecosystem. GIS is a digital tool of state regional policy for the sustainable empowerment of communities and the strengthening of decentralization processes. Prioritisation will rely on GIS for various data, for example:

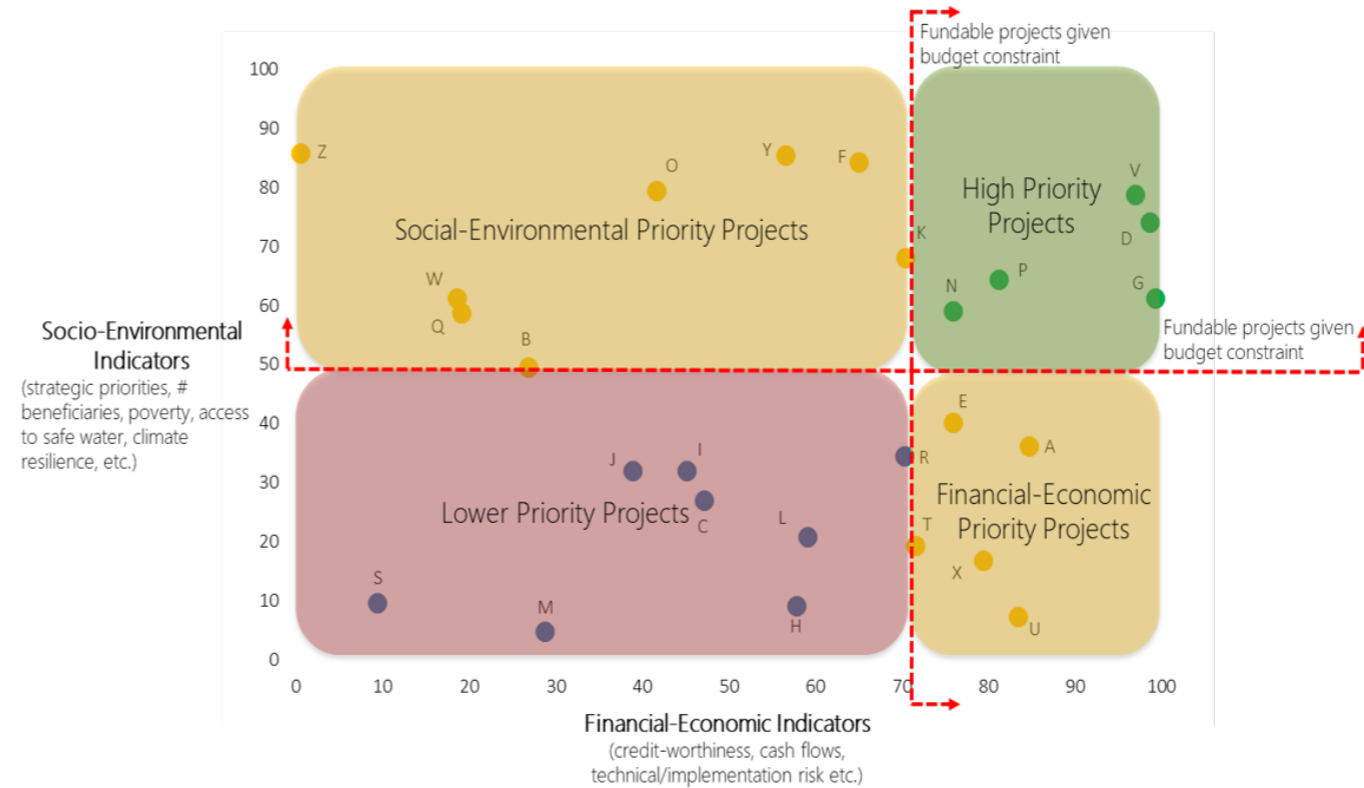
- Number of beneficiaries;
- Distance from the active front line;
- Distance from the dangerous territories (mine fields or potential UXO hazardous areas);
- Location in the area of military (combat) operations or temporarily occupied territories;
- Distance to the frontier with the Russian Federation and Belarus;
- Average household income;
- Distance to the closest designated heritage site (cultural heritage object) and national parks, areas of natural hazards (incl. flooding, wildfires, etc).



WHY WORLD BANK INFRASTRUCTURE PRIORITISATION FRAMEWORK (IPF)?

Ukraine has:

- Enormous backlog of reconstruction projects;
- Ranging across-different sectors (residential areas, critical infrastructure, social infrastructure, transportation, etc.);
- Which have different stages of their maturity (concept, pre-feasibility, feasibility, developed design, availability of cost estimates, etc.); and
- Have to be compared with one another due to the limited budget.



IPF is a quantitative, practical decision support tool for infrastructure project prioritization

- Based on multi-criteria analysis that uses a statistical method to rank projects relative to each other
- Can be adapted to account for policy goals and limited data availability
- Combines social-environmental and financial-economic information into two composite indices that can be used to compare proposed projects within a sector
- Can be used for a multi-sectoral infrastructure pipeline by identifying high-level indicators that can be meaningfully applied across sectors
- Includes the sector budget constraint



DRAFT HIGH-LEVEL INDICATORS (DETAILS IN ANNEX)



SOCIAL-ENVIRONMENTAL

- Alignment with Sector-level priorities
- Social impacts (beneficiaries, resettlement, etc.)
- Environmental impacts (protected areas, cultural heritage sites)
- Climate (climate mitigation)
- Inclusion (design that incorporates) physical inclusion
- Availability of complementary infrastructure services



FINANCIAL AND ECONOMIC

- Economic benefit to the communities
- Implementation Risks (such as currency risk, land availability, contestation over resources, exposure to natural hazards, etc.)

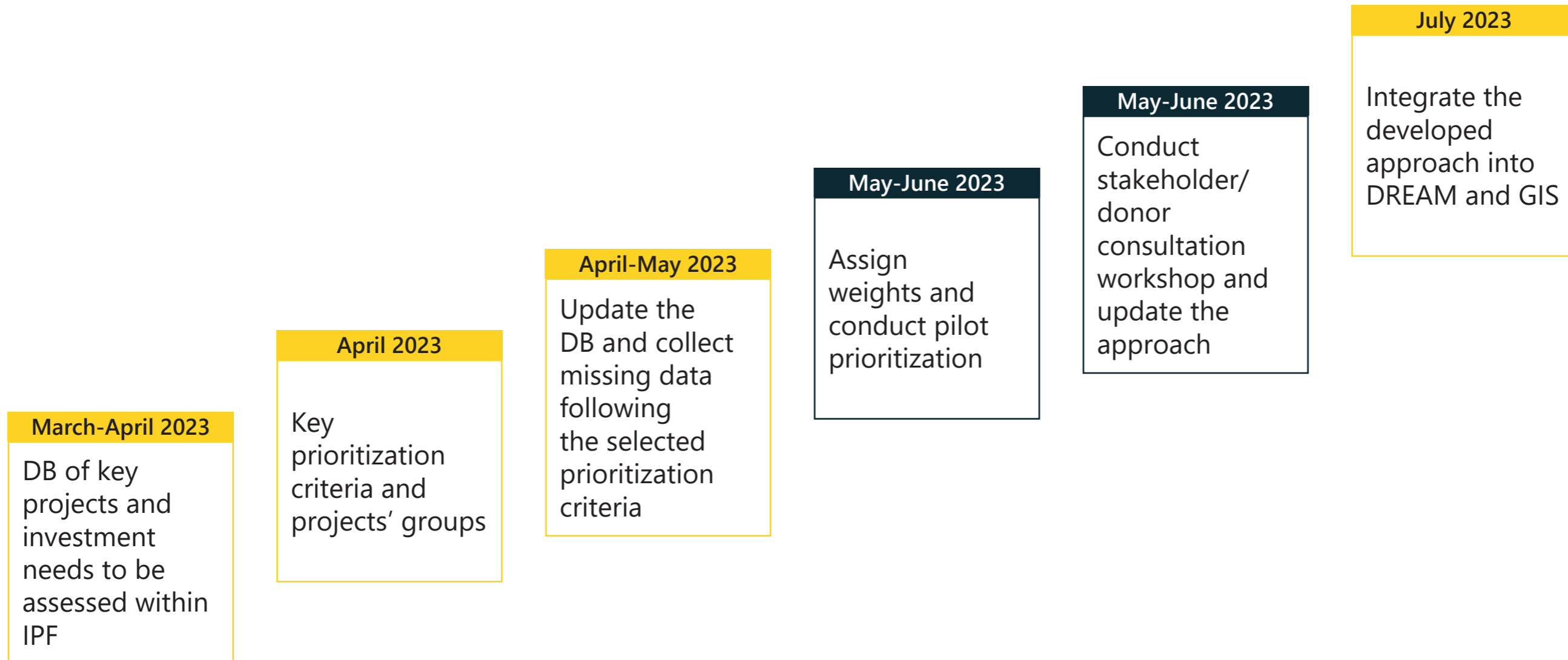


SECURITY

- Following the decree No 309 of 23 December 2022 of the Ministry of Reintegration, projects located within 30-km radius of the occupied territories, frontline and border with the Russian Federation and Belarus would be excluded
- Proximity to nearest safety shelter for soft infrastructure projects

Financial Indicators such as NPVs or FIRR have been excluded as most projects do not expect to have a revenue stream

WHERE WE ARE NOW?



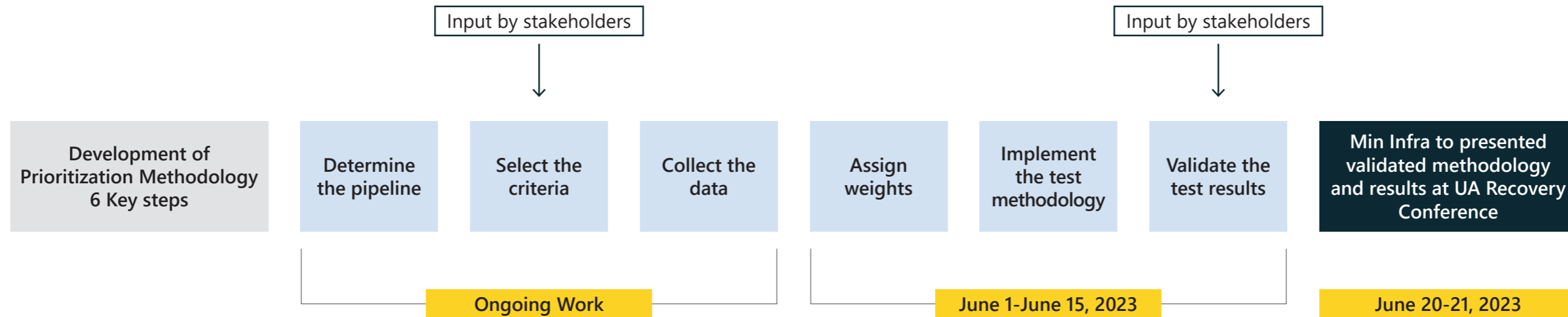
STATUS AND TIMELINE

Proposed methodology is being tested against a set of projects that are eligible for funding through the Fund for the Liquidation of the Consequences of the Armed Aggression of the Russian Federation

✔ Draft indicators are being circulated for feedback and inputs from stakeholders

✔ Data collection is ongoing and indicators may change based on data availability

After this conference call we are kindly requesting the feedback from Development Partners on the preliminary list of indicators (below) if possible by 5 June COB



NEXT STEPS

- Now – Pilot launch of project prioritization methodology (interim solution) based on the World Bank Infrastructure Prioritization Framework for the Fund.
- After this conference call we are kindly requesting the feedback from Development Partners on the preliminary list of indicators (below) if possible by 5 June COB.
- International Ukraine Recovery Conference (URC 2023) – 21-22 June 2023 – introduction and results of the first test run.
- After the Conference – requesting feedback on the results of the first test run.
- Adaptation of the World Bank methodology to the needs of Ukraine`s full-scale reconstruction.
- Launch of a full-fledged prioritization approach based on the Infrastructure Prioritization Framework (IPF) methodology of the World Bank.
- Integration of the new methodology into the ecosystem of digital restoration and regional development solutions in accordance with the principles of data-based policies.





ANNEX

DETAILED INDICATOR LIST

SECTOR SPECIFIC PRIORITIES 1/2



HEALTHCARE

1 Ensuring access to essential basic healthcare service (e.g. PHC, PHC+) which is currently unavailable or not accessible

- Priority to territories that have recently been returned to the control of the Government of Ukraine and emergency medical and rescue services
- Restoration of primary medical service, rehabilitation of victims, social assistance to the population in the war-affected communities

2 Restoration and upgrading of partially damaged facilities

3 New infrastructure to replace destroyed facilities using the build back better approach, including improved safety and energy efficiency standards

4 Support the alignment of healthcare service and infrastructure in accordance with internationally recognized standards (e.g. ISO)



ENERGY SECTOR

1 Restoration of basic energy and utility services for Ukrainians and for critical social infrastructure (including heating, potable water, wastewater treatment, security of high voltage transformers)

2 New infrastructure that reduces reliance on fossil fuel

3 New infrastructure that promotes energy system decentralization



TRANSPORT

1 Restoration of damaged critical objects of transport infrastructure, for which there is no available alternative, or such an alternative involves a significant lengthening of the transport route connecting communities in the territory of restoration

2 Restoration of urban public transport, rail way passenger transportation and regional passenger connectivity in war-affected communities

3 Expansion of westward logistics chains and export support, including improving BCPs and railway infrastructure, high-priority emergency repairs, and restoration of services

4 Improving connectivity to key transport corridors (especially those linking to EU neighbors and Moldova)

5 Project readiness for reconstruction projects in this sector are of critical importance



SECTOR SPECIFIC PRIORITIES 2/2



HOUSING

- 1** Emergency rapid repairs (light and medium repairs, restoration of provision of vital utility services) of buildings damaged due to the war, but where residents are currently living
- 2** Accommodation for IDPs, those evacuated from the warzone and people who lost their property due to the Russian Aggression in Ukraine
- 3** Extensive restoration and construction for large-scale housing for large number of families, including IDPs and those who lost their houses due to the Russian aggression in Ukraine



SAFETY AND INVINCIBILITY CENTERS, SHELTERS, ETC

- 1** Rapid critical repairs in areas with high security risks
- 2** Improve safety and security where there are currently no safety shelters, or its density is not sufficient to ensure safety of people in the area
- 3** Improve safety in public buildings and areas, e.g. schools, kindergartens, hospitals, centers of business activities, important transport nodes, etc
- 4** Providing reliable electricity supply, internet and phone connection, and other equipment in security shelters to minimize work destructions of vital infrastructure and services



WATER AND WASTEWATER

- 1** Restore/Minimize water supply disruptions to people and businesses
- 2** Support emergency rapid response (such as purchase of equipment like generators, pumps, water delivery equipment and vehicles, etc.)
- 3** Improve access to centralized piped water, flush toilet access and sewer connections in rural or low coverage areas or infrastructure which was damaged due to the active military actions.



EDUCATION

- 1** Expanding safe access in areas where students cannot attend in person
- 2** Expanding capacity of existing network so more students can learn in-person, but where safety is not a concern, and addressing the needs of growing number of IDP students
- 3** Restore and modernize network of education institutions with focus on demographic trends and future needs



SOCIAL-ENVIRONMENTAL INDICATORS – CROSS-SECTORAL



SOCIAL INDICATORS

- Direct Beneficiaries
- Percentage of all indicated beneficiaries currently live in the intended service area of the project
- Resettlement of people
- Hromada-level need for the project in the sub-sector
- Total number of permanent jobs (full time equivalent jobs) created post project completion
- The average household income in the district where project is located OR % households under poverty line

ENVIRONMENTAL INDICATORS

- Distance from on protected areas
- Distance from UNESCO listed cultural heritage sites

CLIMATE INDICATORS

- Constructed in accordance to nationally recognized energy-efficiency/sustainability standards (such as, SCN B.1.2-11:2021 Main Requirements to Buildings and Structures. Energy Savings and Energy efficiency, SCN B.2.6-31:2021 Heat Isolation and Energy Efficiency of Buildings, or other relevant standards)
- Project alignment with the MDB Assessment Framework for Paris Alignment for Direct Investment Operations or the MDB Climate Finance Methodology
- Source of electricity is renewable

INCLUSION

- Project design addresses physical accessibility challenges for wounded in action veterans, children, people with disabilities, older persons, persons with strollers, etc.

COMPLEMENTARITY

- Functioning complementary infrastructure services are in able (for e.g. for a housing or health or education project, are electricity, gas/heating, water services available?)
- For soft infrastructure projects, how far is the nearest safety shelter?

FINANCIAL-ECONOMIC INDICATORS – CROSS-SECTORAL



ECONOMIC BENEFIT INDICATOR

- Generates foreign currency income
- Territorial community commit to co-finance a project (of at least 10%)

IMPLEMENTATION RISKS

- Major investment in multiple year
- Different currencies for costs and revenues
- New technologies
- Contestation over land and natural resources
- Need to change land purpose that is dedicated to protected areas or forest zones
- Experience in similar activities of the implementation agency
- Land acquisition need
- Coordination with ≥ 3 public institutions
- Natural Hazard Risk
- Local consultation

Financial Indicators such as NPVs or FIRR have been excluded as most projects do not expect to have a revenue stream