

Ukraine's Recovery: Lessons from the First Internationally Led Reconstruction Project

Valentyna Romanova

- The first internationally led reconstruction project in Ukraine, launched and implemented amid Russia's military aggression, revealed Ukraine's will and capacity to align with the EU norms in the construction domain.
- To mitigate any potential corruption risks during the implementation of reconstruction projects in Ukraine, international donors are advised to consider public procurements.
- While embedding the Build Back Better principle of reconstruction, stakeholders are advised to inform recipient communities about their projects in detail and address any potential feedback.

Once Russia's invasion ends and Ukraine restores its territorial integrity, international engagement in its reconstruction is expected to increase. This policy brief presents the key findings of the research project, designed to provide methodologically correct lessons for providers of foreign development aid in post-war Ukraine.

This research project¹ is a case study that explored the first internationally led reconstruction project launched in Ukraine amid Russia's invasion. The reconstruction project required constructing an energy-efficient modular kindergarten and providing training for kindergarten teachers and administrators. The project was officially announced in July 2022, and a new kindergarten was open to the public on June 1, 2023. Estonia was the lead donor and core project implementer. It engaged with two partner donors, Iceland and Flanders. The recipient was the city of Ovruch, a local municipality in Ukraine. Aid was delivered in the form of grants, not loans. The Ministry of Foreign Affairs of Estonia contributed €2.7 million. The Ministry of Foreign Affairs of Iceland donated €66,000 to purchase technological educational tools, and the Government of Flanders donated €100,000 for the training of kindergarten administrators and teachers.

Five solutions for smooth project implementation

Notably, the Ovruch kindergarten reconstruction project proceeded smoothly and faced no delays. The only change it had to introduce because of security arrangements was the construction of a concrete bomb shelter, as mandated by Ukraine's new health and safety regulations.

Estonia timely introduced five main solutions to succeed

with project implementation. First, prior to launching the project, Estonia carefully studied the recipient's priority needs and assessed its own capacities to aid. Before 2022, Estonia, like many other Western donors, used to provide development aid to Ukraine through calls for grants rather than through physical infrastructure projects. Under modified circumstances, there was a need to advance the capacities of the Estonian Centre for International Development (ESTDEV) by hiring a specialist on construction and public procurement.

Second, Estonia selected Ukraine as an active partner, a local authority with a track record of productive bilateral cooperation among Estonian stakeholders. On the recipient's side, it was a local municipality project; no central authority signed the official Memorandum on the Ovruch kindergarten reconstruction project with ESTDEV. Thus, the recipient's capacity to cooperate effectively with the domestic central government is vital for successful project implementation.

Third, Estonia effectively mitigated military threats. It had the foresight to manufacture wooden modules and equipment for kindergartens in Estonia and then transport them to Ukraine.

Fourth, considering the high level of perceived corruption in Ukraine, Estonia conducted most public procurement in accordance with EU rules. It also monitored the project implementation using 24/7 digital video cameras installed onsite in the city of Ovruch.

Finally, Estonia managed to engage with two partner donors, Iceland and Flanders. While Iceland and Flanders supported Ukraine greatly, they believed that Ukraine's priority needs were military and humanitarian. However, they donated

Ukraine's Recovery: Lessons from the First Internationally led Reconstruction Project

generous sums of money to the Ovruch kindergarten reconstruction project. An important reason for this was their positive experience of bilateral cooperation with Estonia.

The Build Back Better principle in practice

The "Build Back Better" principle of Ukraine's recovery may imply a mismatch between the norms of international donors and Ukraine in the construction policy domain. The case of the Ovruch kindergarten reconstruction project demonstrates that the recipient voluntarily opted to align with EU legislation instead of requesting that the donor amend the project to fit Ukraine's requirements in the construction area. Ukrainian stakeholders managed to introduce the alignment so quickly that the project did not face any delays. In addition, some representatives of the Ovruch community found it difficult to accept that modular kindergartens were safe and durable. To address their concerns, stakeholders organized a study tour to Estonia to witness similar modular kindergartens in Tallinn, the capital city. Addressing feedback from the recipient community did not delay the project.

Public rather than private investment

ESTDEV regards the construction of Ovruch kindergarten as the largest cooperation project between the public and private sectors in Estonia. It is striking that ESTDEV managed to obtain donations for the project from a few Estonian businesses, with estimated €100,000 products/services. Thus, it is tempting to qualify the Ovruch kindergarten reconstruction project as a public-private partnership. However, it does not fully correspond to the model of a public-private partnership that can sustain Ukraine's reconstruction as suggested by Ukraine's Recovery Conferences.

First, Estonian businesses that manufactured the components of the Ovruch kindergarten were contracted by the government agency ESTDEV and did not face many war-related risks. As the representative of the Ministry of Foreign Affairs of Estonia, Kairi Saar-Isop highlighted, "we [the Government of Estonia] have completely eliminated the risk for [Estonian] business... Even if Russia had destroyed the brand-new kindergarten with a missile strike, the Estonian private enterprises could obtain funding from the Estonian government

again to build another kindergarten in Ovruch."

Second, ESTDEV provided opportunities for businesses to voluntarily donate their products/services to the Ovruch kindergarten reconstruction project. Businesses that donated wanted to support Ukraine, explore new markets, and raise awareness about their products/services. For obvious reasons, they expected to make a profit only in the future, once Ukraine's reconstruction commenced on a large scale.

The way forward

Thus far, the reconstruction of social and physical infrastructure in Ukraine has been a top priority. The next step is to supplement this priority with reconstruction initiatives aimed at stimulating local economies. Domestic MP, Arseny Pushkarenko, who was actively engaged in the Ovruch kindergarten reconstruction project, emphasized that Ukraine aims at reconstruction projects that create jobs and provide incentives to Ukrainians to return home from abroad. The way forward is to combine the priorities of reconstruction for the benefit of Ukraine and its international partners.

Implications for Japanese stakeholders

Ukraine's Ministry for Restoration and its Agency for Restoration seek to identify blueprints for reconstructing the social infrastructure. They aim to ensure that reconstruction projects meet criteria such as the quality, price, and speed of construction. The Japanese prefabricated building industry has much to offer to its Ukrainian counterparts: emergency temporary housing, prefabricated permanent dwellings, classrooms, and so on. If Japanese prefabricated building companies are contracted by the Japan International Cooperation Agency to conduct reconstruction projects in Ukraine, they are unlikely to incur losses, even in the face of Russian military aggression. With this in mind, it is recommended that the Japanese government consider engaging Japanese prefabricated building companies in pilot housing projects for internally displaced persons in Ukraine. The pilot project can become a blueprint for reconstructing such units of social infrastructure on a larger scale in postwar Ukraine.

(Valentyna Romanova/IDE-JETRO)

¹ See IDE Discussion Paper No. 910 "Ukraine's Recovery amid Russia's Invasion: The Case Study of the First Internationally-led Reconstruction Project" by Valentyna Romanova.