



Session Report

Please know you may design the structure of this report to better suit the session. It's important to capture the key outcomes and solutions proposed for the future.

Session Title: How to Ensure Maximum Transparency and Accountability of the Post-War Reconstruction and Recovery of Ukraine

Date & Time: Wednesday, 07.12.2022, 8:30 am-10:00 am GMT -5

Report prepared by: Transparency International Ukraine

Moderated by: Vladyslav Rashkovan, Alternate Executive Director, International Monetary Fund

Panellists:

- Oleksandra Azarkhina - Deputy Minister of Infrastructure of Ukraine
- Eka Tkeshelashvili - Chief of Party of the USAID Support to Anti-Corruption Champion Institutions program in Ukraine (SACCI)
- John Sopko - Special Inspector General for Afghanistan Reconstruction, US
- Andrii Borovyk - Executive Director at Transparency International Ukraine
- Victor Nestulia - Head of Eastern Europe & Central Asia at the Open Contracting Partnership, Head of Board of the RISE Ukraine coalition

Share the thematic focus of the session, it's purpose and corruption risks?

Russia's brutal, illegal invasion has caused devastating damage to the civilian and military infrastructure, razing entire cities to the ground and leaving around 800,000 people homeless. To support Ukraine, many international partners and donor

institutions have already pledged to contribute to the post-war reconstruction of Ukraine, which according to preliminary estimates of the Ukrainian Government, will cost more than USD 750 billion. Since big money is always linked to high corruption risks, the task of the Ukrainian authorities and civil society will be to develop and implement approaches that ensure maximum transparency and accountability for post-war reconstruction and recovery of Ukraine and increase integrity, sustainability, and efficiency of reconstruction.

This panel debate brought together the top stakeholders from the Ukrainian Government, civil society, international think tanks and representatives of the IFIs to elaborate on ways of how to ensure maximum efficiency, transparency and accountability of post-war reconstruction and recovery of Ukraine, and to discuss the existing challenges, identify and promulgate feasible new and innovative instruments for effective post-war reconstruction and recovery of Ukraine.

Summary of panellists' contributions & discussion points (please be as detailed as possible)

In his opening remarks, **Alternate Executive Director at IMF, Mr. Vladyslav Rashkovan**, stated, that reconstruction and recovery of Ukraine will be a challenging task. The amount of damage, that Russian invasion has done to Ukraine is enormous. There is no single institution in Ukraine, or worldwide, that can single-handedly carry out all the issues, related to Ukraine's reconstruction. Considering that it is a very challenging task, Ukraine should develop the institutions that can manage this. The extraordinary challenges, that Ukraine meets, requires to develop extraordinary policies, both in Ukraine, and internationally. It is critically to ensure, that all the funds, allocated for Ukraine's reconstruction are used efficiently and not wasted.

Speaking on Government's reconstruction efforts **Ms. Oleksandra Azarkhina, Deputy Minister of Infrastructure of Ukraine**, reminded, that recently, the Ministry of Infrastructure merged with the Ministry for Regional Development and Communities. This will be the key governmental institution, that will be responsible for the reconstruction of Ukraine. However, the Ministry understands, that some issues related to the reconstruction should be outsourced. There should be the balance between the interests of Ukraine as whole, and the regional level, so all the risks could be mitigated and all the partners could be involved. The easiest solution, that was found, is a World Bank trust fund. The Ministry has analysed the experience of the World Bank in implementing post-war reconstruction projects. However, the Ministry of Infrastructure understands, that not all the partners will be interested to work with World Bank trust fund, so the multilateral consultations with international partners are required.

The Ministry is already working on different approaches to begin the reconstruction process. The first one – is data management. The register for damaged property was launched, with its help Ukrainians are able to submit data on their damaged households to the state using nothing but their smartphones. Ukraine recognizes this data as official source, that further could be used as evidence in the courts.

Government together with RISE Ukraine is currently working on the digital management system for reconstruction. With this tool, all the international donors will have the access to the portfolio of projects in Ukraine. That will ensure, that nothing is overlapped, and the projects will not be overfunded. Ukraine should be creative to prevent the chaotic movements during the reconstruction.

Ukrainian Government together with World Bank and EBRD are currently working on the methodologies for the long-term reconstruction. They include the key reforms, that should be implemented to ensure the effective reconstruction process, the staging of reconstruction and the policies for data collection and the transparent use of funds.

International partners and civil society should monitor the use of funds and the quality of implemented projects.

Ms. Eka Tkeshelashvili, Chief of Party of the USAID Support to Anti-Corruption Champion Institutions program in Ukraine (SACCI), noted, that Ukraine has made a significant progress in reforms after the Revolution of Dignity. Both Ukrainian institutions and Ukrainian society have changed for the better over these years. Despite the Russian aggression, Ukraine remains not only a functioning country. Its ability to withstand the invasion inspires so many other countries.

Ukraine has proved its ability to carry out the huge task of reconstruction and rebuilding. And the civil society is a very important component of that. Local authorities, municipalities, mayors, and private businesses have contributed to Ukraine's resilience.

Ukraine is completely different from other cases of post-war reconstruction, as it remains a functioning state. There is no need for foreign actors to cover all the work.

She also noted that Ukraine's deep relations with EU will drive Ukraine into the next stage of internal transformation. Reconstruction process must be inclusive and should be considered also as a way to strengthen its institutions and society, and ensure its sustainable economic growth.

The anticorruption should become part of everybody's work as foreign investments require an atmosphere of trust and sustainable economic environment.

Both prevention and punishment for corruption should be guaranteed in the country, and digital management system for reconstruction is a part of it.

Speaking on the overall concept of Ukraine's recovery, **Mr. Andrii Borovyk, Executive Director at Transparency International Ukraine**, outlined, that Ukraine's recovery process should be divided in two different streams. The first - is immediate reconstruction, as Russia is ruining the energy sector as well as other sectors of economy. And the second one - is more strategic level - Ukraine's recovery after winning the war over Russia. The idea of establishing the World Bank trust fund and

indicating the governmental institution that will be responsible for the reconstruction provides only short-term solutions. However, the complete recovery of Ukraine after the war will take more than 20 years. Ukraine must have a vision on how to improve the existing institutions and policies.

Speaking of comparing Ukraine's reconstruction to the Marshall Plan, he indicated, that the modern situation is completely different from post-WWII Europe. But he also mentioned that the discussions on the post-war reconstruction of Europe started in 1942, long before the Nazi Germany was defeated.

Ukrainian civil society has already presented its vision on the values, that must be incorporated into Recovery Plan five month ago during the Lugano Conference. Now it is important to develop the immediate solutions to fulfil the immediate needs.

TI Ukraine has recently presented its vision on the reconstruction process. And one of its parts is reforms, that should be implemented immediately to ensure the transparent and accountable long-term recovery process. This list of reforms is based on seven conditionalities, that Ukraine should meet to begin the EU accession process. It has a strong focus on anticorruption, as huge amount of money will be allocated for Ukraine's reconstruction. The amount of funds, that Ukraine requires is 600 bln USD, which is three times more than Ukraine's average yearly budget.

He also emphasized, that to ensure the effective reconstruction and recovery, its plan should be divided in five stages:

1. The first is strategy. There is a need to indicate what is needed for reconstruction, why it is needed, and how it will improve the lives of the communities.
2. The second one is prioritization. It is important to have a detailed understanding of how the reconstruction will be carried out. Whether it is a need to rebuild the industries, that existed in Ukraine before the war, or Ukraine's economy should be transformed into something new.
3. The third one is about tender procedures. It is crucial to ensure the transparent use of funds. Long before the full-scale russian invasion TI Ukraine has contributed to the development of Prozorro – electronic public procurement system, that is considered to be the most effective in the world. And its use should be obligatory during the reconstruction process.
4. The fourth stage is evaluation. We should be able to indicate the mistakes and learn from it to prevent them in future.
5. In order to coordinate the large a amount of reconstruction projects, the separate institution should be developed, because now there is no such governmental or international body, that is capable to manage such a complex process.

In conclusion, Mr. Borovyk, has also noted, that IT solutions for reconstructions are just tools, however, they should be backed by strong and independent anticorruption institutions, law enforcement and judiciary.

Speaking of who must be the coordinator of the whole reconstruction process, **Mr. Victor Nestulia, Head of Eastern Europe & Central Asia at the Open Contracting Partnership, Head of Board of the RISE Ukraine coalition**, emphasized, that Ukrainian reconstruction should be owned and implemented by Ukraine, as its institutions will not grow, if foreign partners will do all the work. Ukrainian authorities can handle the reconstruction process. And it is important to invest into Ukrainian institutions to improve their quality and institutional capacity. International support is vital for Ukraine, but Ukrainian authorities should be responsible for all the reconstruction projects. But in future there will be the need for Ukrainian-based multilateral institution, that should be assisting in coordination of recovery process.

Speaking of SIGAR's experience, **Mr. John Sopko, Special Inspector General for Afghanistan Reconstruction**, indicated, that Ukraine is far more developed than Afghanistan. But Ukrainians must learn more about donors' approach to the reconstruction. Ukraine will have to deal with multiple governments, international organizations, and multilateral foundations. Because of that, it is important to consider various procedures, auditing policies, evaluation manuals, etc. Ukraine will have to fight, to take the control over the reconstruction processes, as there could be situations, when the donors would approach Ukraine with irrelevant initiatives, or similar projects could be developed and implemented by different donors. The political changes around the world also should be taken into account while implementing such a long-term project.

Main outcomes of session (include quotes/highlights and interesting questions from the floor)

Victor Nestulia, Head of Eastern Europe & Central Asia at the Open Contracting Partnership, Head of Board of the RISE Ukraine coalition, revealed, that World Bank and Ukrainian civil society are currently working to ensure that Prozorro public procurement will be used for all reconstruction funds channeled through the World Bank. It is the most efficient public procurement system in the world. The work on making Prozorro system suitable for World Bank projects is ongoing.

RISE Ukraine, together with government institutions, is actively working on the digitalization of the reconstruction process to ensure fast, data driven decisions. This will enable Ukraine to deliver most effective and relevant reconstruction projects, and the donors will be able to track the funds and monitor the implementation of projects at all stages.

Speaking on cooperation of donors in Ukraine, **Ms. Eka Tkeshelashvili, Chief of Party of the USAID Support to Anti-Corruption Champion Institutions program in Ukraine (SACCI)**, noted, that this process has been ongoing since 2014, after the Revolution of Dignity. Now international donors are working closely together for bringing capacity for Ukrainians to continue the reforms and secure the existing achievements. US government has already invested in every sectoral development in Ukraine, including anticorruption. This resulted in resilience, demonstrated by Ukrainians during the full-scale russian invasion.

To make Ukraine capable of dealing with the reconstruction issues, donors should invest into Ukraine's institutions at national, regional and local levels, and provide all the capacities for the civil society to exercise monitoring and evaluation functions over the reconstruction projects.

Donors, on their side should coordinate on developing the conditionalities to assistance that will be delivered. This conditionalities should serve further sustainable development of Ukraine, rather than be just mechanisms of control.

It is a good time to work on improving Ukraine's anticorruption infrastructure and policies, to ensure transparent and accountable large-scale reconstruction process.

Ukraine should also ensure the sustainable economic environment, as both national and foreign businesses want to be confident of their investments.

Speaking of international assistance, **Mr. John Sopko, Special Inspector General for Afghanistan Reconstruction**, indicated, that international donors are focused on inputs, outputs, and outcomes of their projects. So, the tools and policies for international oversight should be introduced.

Key recommendations for the future and concrete follow-up actions

The basis of future trust in Ukraine's intentions and aspirations will be the first steps towards the preparation of reconstruction. Namely, the formation of a new legislative field and the introduction of reforms and changes, some of which were postponed for many years due to the unpreparedness of the country's political elites.

High attention will be paid to the fulfilment of the EU requirements (seven blocks of reforms), the implementation of which the EU has defined as a condition for Ukraine to retain the status of a candidate to join the European Union.

The reconstruction of Ukraine can be coordinated by an independent reconstruction institution, which will:

- develop standards and requirements for reconstruction projects;
- advise the initiators,
- administer projects,
- monitor the critical points of their implementation;
- analyze and evaluate the implementation of projects, develop recommendations;
- inform and report on the progress of reconstruction;
- connect all parties of the reconstruction process: international partners, the state, project executors (balance holders of objects), society (ultimate beneficiaries of reconstruction).

Reconstruction projects should be implemented as openly and transparently as possible, using electronic systems for identifying the project life cycle. Such tools can be:

- Electronic reconstruction management system — information about all projects and their stages in one place.
- The Prozorro e-procurement system — to implement all procurement transactions related to reconstruction projects, according to the same rules and in one system.
- Geoinformation module and other systems for planning reconstruction needs.
- Register of damaged and destroyed property.
- Analytical systems for assessing losses and determining reconstruction needs.

What can be done to create opportunities for scaling up the solutions discussed in the session? And by whom?

There should be greater international cooperation and the wider sharing of skills, knowledge, and experience in tackling corruption risks during the post-war reconstruction. Ukrainian CSOs, Government, businesses and international donors should work together to develop an institution for coordination of recovery process, and the relevant legislation for its functioning.

Is there a specific call to action to key stakeholders, such as governments, businesses, funders, civil society, young people, journalists or any other stakeholder that should be noted? Please specify if relevant.

To address the challenges of the post-war reconstruction RISE Ukraine coalition is working on the Electronic Reconstruction Management System, that will collect information about all projects and their stages in one place. However, Ukrainian Government and parliament must develop and implement the legal grounds for the functioning of this digital tool.

All the stakeholders must work together to ensure the competitive selection of contractors during the post-war recovery. To achieve this goal, Prozorro electronic procurement system should be applied.

To ensure transparent and accountable large-scale reconstruction process, and to secure progress of Ukraine's anticorruption efforts, it is mandatory for Ukrainian Government to ensure the effective and independent functioning of anticorruption institutions.

Rapporteur's name and date submitted

Kateryna Ryzhenko, 08.12.2022