



**Current situation overview:
Planning Ukraine's recovery, International and
Lithuanian perspectives**

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Introduction

This current situation overview presents the key findings regarding the situation in Ukraine, international support and Lithuanian involvement. The main goal was to examine the efforts and collect information that would allow to plan the recovery support for Ukraine in Lithuania in more detail. It is a step towards gathering more knowledge, which is in constant flux as the war is still ongoing.

First, a general overview of Ukraine's situation will be presented, including the establishment of the The National Council for the Recovery of Ukraine from the War and the Ukraine Recovery Plan.

Following that, a quick outline of important international initiatives to assist Ukraine will be presented, such as Lugano and Berlin Conference, OECD and World Bank paper.

Finally, a major emphasis will be placed on Lithuania's past and current initiatives with regards to Ukraine, with several possible future pathways indicated.





Situation in Ukraine

INTRODUCTION

On February 24, 2022, at 3.40 am, Russia launched a full-scale invasion of Ukraine, escalating the ongoing war in the south-eastern front from 2014.

People, infrastructure, and the nation's economy have all been severely damaged by the Russian war in Ukraine.

The prolonged fighting in Ukraine is seriously harming civilians and depriving millions of people of food, water, and other necessities. As of November 6, 2022, the Office of the United Nations High Commissioner for Human Rights (OHCHR) had confirmed a total of 6,490 civilian deaths as a result of Russia's invasion of Ukraine. 403 of them were kids. Furthermore, over 10 million Ukrainians (~25% of the population) have left their homes, including 7.5 million that have gone abroad.

Critical and civil infrastructure has been targeted by Russian missiles leading to severe consequences and challenges, especially considering the approaching winter. Many areas lack electricity and have poor access to basic resources. National project "Russia will pay" has reported Ukraine's infrastructure losses due to the war exceeded \$127 billion, and the minimum budget needed to restore all destroyed assets is more than \$200 billion (by the 1st of September).

Evidently, the impact of the war on the Ukrainian economy is critical, as GDP of Ukraine decreased by 37.2% in the second quarter of the year, according to a report by the Ukrainian State Statistics Service.

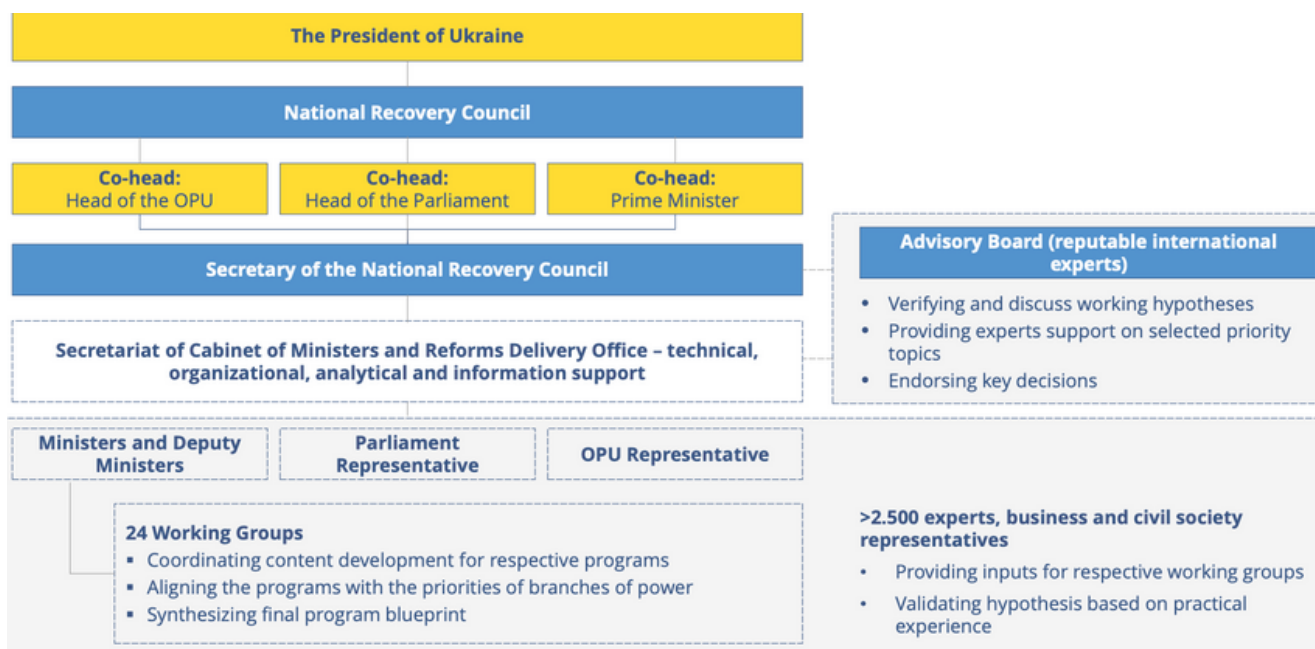
Working Group for "Economic Recovery and Development" from The National Council for the Recovery specifies the biggest losses have been incurred as a result of the destruction of production facilities and transportation infrastructure, the closure of ports, shortage of imported energy resources and shrinking supply of domestic goods. In addition, many investment projects have been suspended due to extremely high risks, considering the restrictions on cross-border currency transfers and the decrease in demand.



The National Council for the Recovery of Ukraine from the War

To fill up all the gaps and gather all the requirements and urgencies among all sectors, the Presidential Decree № 266/2022 of April, 21, 2022, established The National Council for the Recovery of Ukraine from the War, in function of an advisory body under the President of Ukraine. The main tasks of the Council are:

- Development of an action plan for post-war reconstruction and development of Ukraine
- Identification and development of proposals for priority reforms, the implementation of which is necessary in the war and post-war periods
- Preparation of strategic initiatives, drafts of normative legal acts, the adoption and implementation of which are necessary for the effective work and recovery of Ukraine in the war and post-war periods.



https://uploads-ssl.webflow.com/621f88db25fb24758792dd8/62c166751fcf41105380a733_NRC%20Ukraine%27s%20Recovery%20Plan%20blueprint_ENG.pdf

The Council consults with representatives of civil society groups, governmental agencies, local self-government institutions, and international organisations in formulating propositions. The following 24 working groups have been formed under the Council, which may include both members of the Council and other representatives, in particular representatives of central and local executive authorities, local self-government bodies, enterprises, institutions and organisations, leading domestic and foreign specialists, experts in relevant fields.

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- | | |
|---|--|
| 1. European integration | 6. Functioning of the financial system, its reform and development |
| 2. Audit of war losses | 7. Development of the military-industrial complex |
| 3. Restoration and development of infrastructure | 8. Modernisation and development of security and defence |
| 4. Economic recovery and development | 9. Energy security |
| 5. Return of citizens who are temporarily displaced, in particular abroad and their integration into the socio-economic life of the state | 10. Public administration |
-
- | | |
|---|---|
| 11. Construction, urban planning, modernisation of cities and regions | 18. Justice |
| 12. New agrarian policy | 19. Anti-corruption policy |
| 13. Digitalisation | 20. Health care |
| 14. Protection of the rights of war veterans | 21. Environmental safety |
| 15. Education and science; | 22. Social protection |
| 16. Youth and sports | 23. Protection of children's rights and the return of temporarily displaced abroad children |
| 17. Culture and information policy | 24. Human Rights |
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Ukraine Recovery Plan

In July 2022, President of Ukraine, Verkhovna Rada of Ukraine, Cabinet of Ministers of Ukraine and Ministry of Digital Transformation of Ukraine designed a Ukraine Recovery Plan and the National Recovery Council was set-up to coordinate the development of this Plan.

The plan accounts for a 10-year period, divided into three phases, beginning in 2022 and finishing in 2023: “Urgent/Resilience” for 2022, “Recovery” for 2023-2025 and “Modernisation” for 2026-2032.

| ALL 10 YEARS | 2023-2025 | 2026-2032 |
|--|--|--|
| Number of projects 850 | Number of projects 580 | Number of projects 270 |
| GDP impact >7% | Funding >350 bn USD | Funding >400 bn USD |
| Funding >750 bn USD | Economic Complexity Index TOP-40 countries | Economic Complexity Index TOP-25 countries |
| Economic Complexity Index TOP-25 countries | Human Capital Index TOP-40 countries | Human Capital Index TOP-25 countries |
| Human Capital Index TOP-25 countries | | |

<https://recovery.gov.ua>

It refers to the vision of a “*Strong European Ukraine is a “magnet” for international investment*”, outlining two main strategies (Strategic imperatives):

- **UE integration and access to EU and G7 Markets**
- **National Security.**

The former focuses on meeting the Copenhagen criteria for EU accession, enhancing institutional capacity, establishing favourable trade agreements with the major export markets, and aligning with the European Green Deal. The latter involves establishing an adequate level of defence expenditure, a military industrial complex that is self-sufficient and capable of producing weapons for self-defence, energy security, and environmental safety.

The instruments that would allow the major goals to be realised (Enablers) are those that would generate a **business-enabling environment** and the **micro-financial stability**, by establishing an investment attractiveness and a growth-promoting regulated fiscal system, banking system and financial markets, and an effective management of public wealth.

Additionally, in order for the tools to perform properly, a suitable and adequate ecosystem (Transformation engines) must be created, which consists of:

- **Priority sectors transformation**, prioritizing some sectors in the context of economic opportunities, Ukraine’s competitive advantages, global trends and Green Deal, the implementation of “Catalyst projects” to unlock private investments into priority sectors, and establishment of a competitive cost of capital
- **Strong human capital**, by increasing quality of life (education, social protection, health care, environment, culture, sport) and strong identity, enforcement of a more proactive and efficient immigration policy, aimed at bringing Ukrainians back to Ukraine
- **Effective infrastructure**, debottlenecking of logistics to reroute sea exports, upgrade the infrastructure between Ukraine and Europe to quick logistics, modernising energy efficient housing and urban design, and developing digital infrastructure (5G).

Furthermore, **strengthening institutional capacity** and "**de-oligarchization**" are considered as pre-requisites of this Recovery Plan, with reference to five specific areas:
 1. Public data transparency - 2. Rule of law reform - 3. Corporate governance - 4. Anti-trust - 5. Public service reform.

National Recovery Council have designed 15 macro national project (\$750 bn) in relation to 15 sectors to boost Ukraine’s Recovery and achieve growth targets, which are the following:

-  1. Defense and security
-  2. EU integration
-  3. Re-build clean and safe environment
-  4. Energy independence and Green Deal
-  5. Boost business environment
-  6. Ensure competitive access to funding
-  7. Macro-financial stability
-  8. Grow value adding sectors of economy
-  9. Logistics
-  10. Modernization of regions and housing
-  11. Modernize social infrastructure
-  12. Improve Education system
-  13. Upgrade HealthCare system
-  14. Develop Culture and Sport system
-  15. Secure targeted and effective social policy

For more detailed information on the projects, please visit https://uploads-ssl.webflow.com/621f88db25fbf24758792dd8/62c166751fc41105380a733_NRC%20Ukraine%27s%20Recovery%20Plan%20blueprint_ENG.pdf

International response

As of 9th September, 2022, Ukraine needs €349 billion for its recovery and reconstruction (assessed by the Government of Ukraine, the European Commission, and the World Bank in cooperation with other partners). A few international initiatives emerged aiming to provide the needed support. Here are the main ones.

Lugano Recovery Conference 2022 July 4-5 (URC2022)

The Conference was planned as the 5th Ukraine Reform Conference and adjusted due to Russia's launch of a full-scale war in Ukraine. The participants, aside from the Ukrainian delegation, were representatives of governments and international organisations, from which the dominant presence of European Union bodies should be emphasised. The outcome is presented in Lugano Principles document:

Ukraine Recovery Conference
4-5 July 2022 - Lugano, Switzerland

LUGANO PRINCIPLES

- 1. PARTNERSHIP**
- 2. REFORM FOCUS**
- 3. TRANSPARENCY, ACCOUNTABILITY AND RULE OF LAW**
- 4. DEMOCRATIC PARTICIPATION**
- 5. MULTI-STAKEHOLDER ENGAGEMENT**
- 6. GENDER EQUALITY AND INCLUSION**
- 7. SUSTAINABILITY**

States and international organisations participating in the URC2022 endorse the guiding principles for Ukraine's recovery.

The full version of the 'Lugano Principles' can be found here: www.urb2022.com

For further information, see www.urb2022.com / © FDFA, Presence Switzerland 2022



International Expert Conference on the Recovery, Reconstruction and Modernisation of Ukraine / Berlin Conference, October 25th 2022

- Hosted by German G7 Presidency and the European Commission
- The conference hosted five thematic panels with experts:
 - Lessons from past recovery efforts
 - Reconstruction and its financing
 - Institutional reforms, good governance and inclusivity
 - Macro-economic and financial stability
 - Industrial policy and sustainable development
- The leadership of Ukraine acknowledged, emphasis on decentralisation, reforms and good governance
- In the short term, focus on retention and development of human capital
- For the long term reconstruction the need for Coordination Platform that would allow to coordinate international assistance in connection with Ukrainian actors is acknowledged
- Emphasis on following Sustainable Development Goals and the Green Deal

Organisation for Economic Co-operation and Development (OECD)

Has been working on reforms in Ukraine for more than 30 years and plans on expanding the cooperation in:

- Structural reforms
- Strengthening of institutions
- Improvement of business and investment environment
- Improvement of legal and regulatory environment
- Fight with corruption and integrity
- State-owned enterprises (SOEs)

As a participant of URC2022 can be seen the main international body that would support the reform agenda of Ukraine. It is therefore important to consider OECD as a possible source of information and support while implementing any projects in Ukraine.

Relief, Recovery and Resilient Reconstruction: Supporting Ukraine's Immediate and Medium term Economic Needs (World Bank)

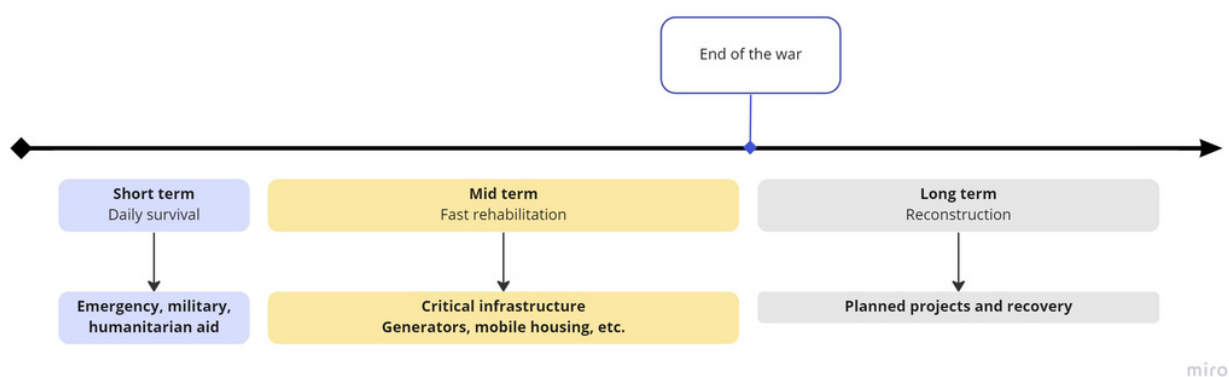
The paper is divided into three sections to provide a flexible and targeted strategy to restoring Ukraine's economy.

- Prioritising **Relief** during the war to keep the economy running and protecting the population.
- Implementing quick and coordinated actions to stimulate **Recovery** following the end of hostilities, effecting a timely exit from sub-optimal wartime policies.
- Designing and coordinating a **Resilient Reconstruction** strategy in the medium term, rebuilding both institutions and infrastructure.

Moreover, the World Bank predicts that GDP will fall by 45.1 percent in 2022 due to relocation, destruction, and disruption. Depending on the course of the conflict, the poverty rate might reach about 60% of the population by 2023.

Conclusions

Based on the conferences and plans for recovery, a timeline for different activities can be established. While the short term and mid term activities are carried out already in order to ensure Ukraine also functions through wartime, the long term cannot be implemented yet. However, international community and Ukraine has acknowledged, that **long term efforts have to be planned now.**



A stylized graphic of the Lithuanian flag, featuring three horizontal stripes of yellow, green, and red, with a white border. The graphic is positioned behind the main title.

Lithuanian Support for Ukraine

Introduction

Ukraine has been Lithuania's priority country in development cooperation policy and strategy. This means the cooperation in public, non-governmental and private sectors has been significant already before the Russian full-scale invasion of Ukraine.

Public sector

The public sector representatives have expressed a few overlapping ideas:

- Lithuania's capacity is limited and it is difficult to define it or find the mean to measure it
- There is a lack of knowledge about Ukraine

Office of the Government

The Office of the Government has already hosted meetings (2022 May 19th, August 17th Economic Diplomacy Council) with private sector representatives from Lithuania and Ukraine in order to identify means in which Lithuania can contribute to Ukraine's recovery.

The Office of the Government has been endorsed by multiple private actors (Lithuanian and Ukrainian industry representatives, including Lithuanian Statybos Sektoriaus Vystymo Agentūra, Lithuanian Construction Association, The Lithuanian Confederation of Industrialists, Lithuanian Defence and Security Industry Association) and by the NGO sector (National NGO Coalition's appeal for NGO involvement in Ukraine 2022 September 12th) to lead the long-term coordination efforts. The trust by the major stakeholders demonstrates the widespread ambitions to be involved and raises questions about how this mandate could be best used to empower them.

For the time being, in addition to emergency financial assistance, Lithuania has taken responsibility for 4 pilot projects in Ukraine:

- Mobile housing in Borodianka
- Bridge over Trubizh river
- School renovation in Borodianka
- Kindergarden in Irpin

Concerns about absorption capacity due to a lack of experience in large-scale project implementation from the Ukrainian side arise, as also mentioned in the conference in Berlin 25th October 2022. It is important to monitor the implementation of pilot projects and compile best practices for long-term, large-scale projects.

Ministry of Foreign Affairs (MFA)

In the development cooperation strategy documents, Lithuania's priority region is defined by Eastern partnership countries, which include Ukraine. General development goals that follow from UN Sustainable Development Goals, are:

- Quality education
- Gender equality
- Affordable and clean energy
- Climate action
- Peace, justice and strong institutions
- Partnerships for the Goals

In addition, Lithuania mentions support for digitalisation, women's and girls' empowerment and fight against corruption.

Development cooperation with Ukraine goals:

1. Strengthen Ukraine's administrative and institutional capacity, pass on the good practices of public sector reforms
2. Support for Ukraine's health system reform, specifically psychosocial rehabilitation services access
3. Gender equality support

It is worth noting, that mentioned documents do not include KPIs.

Central Project Management Agency (CPMA)

The agency has experience in managing the implementation of projects in Ukraine, with Ukrainian partners. Some of these projects have been supported by Lithuanian MFA, some by the EU, or both:

- EU4Youth;
- Rebuilding school in Avdiivka;
- EC project "Support for public finance management in Ukraine", 2 components:
 - Tax collection improvement;
 - Horizontal functions and governance;
- Program done together with Expertise France "EU support for the rule of law reforms in Ukraine": E-justice component.

Private sector

Overlapping topics:

- Ukrainian market is unknown for Lithuania
- Uncertainty about Lithuanian government's priority sectors
- Lack of capacity and partnerships, which are needed to shape collaboration, that in turn would help increase capacity
- Existing association agreements

The Lithuanian private sector has been and is supporting Ukraine and in some cases working together as partners through association agreements:

- Lithuanian Confederation of Industrialists has been working with Ukrainian Union of Industrialists and Entrepreneurs already before the war.
- Lithuanian National Defence Industries Association had an agreement with its Ukrainian counterpart also before the war.
- Lithuanian Venture Capital and Private Equity Association is looking to establish relations with Ukrainian Venture Capital Association.

Lithuanian businesses have responded to emergency needs:

- Private companies as Infobalt have been supporting their employees' integration processes.
- Unicorns – Kilohealth has an office in Kyiv; Tesonet has an office in Lviv, plans to expand their operations, during the war the company was sending support directly to a contact person in Ukrainian Territorial Defense.

These are examples that illustrate the most common methods of support from Lithuanian private sector to Ukraine. From a survey in which 108 representatives of Lithuanian businesses participated, on possible participation in the reconstruction of Ukraine showed that businesses are interested in supporting Ukraine and establishing partnerships, but state a lack of capacity to implement projects alone and a need for partnerships. In addition, they underscore the need for more information about opportunities in Ukraine. From interviews it also seems Lithuanian business community needs more knowledge about the Ukrainian market and vice versa.

However, when thinking about long-term processes, the above-mentioned initiatives could grow into business cooperation, providing gains for both, Lithuanian and Ukrainian markets. It is important to explore possible ways forward that would, for example, allow to support Ukrainian economy in the long run while speeding up its EU integration process and give new market access to Lithuanian companies. It is yet not completely clear how Lithuanian public institutions could support tighter communication between Lithuanian and Ukrainian businesses.

Non Governmental Organisations (NGOs)

Overlapping topics:

- Lack of knowledge about funding opportunities
- Small-scale projects predominate
- Lack of Ukrainian partners

The NGO sector has **pre-war experience** with working in Ukraine, as it is visible from the project history in years 2016-2021. The outlined development cooperation project areas in 2019-2021 are these:

- Education
- Healthcare
- Support for Internally Displaced Persons (IDPs)
- Good governance
- Democracy and civil society, strengthening resilience to disinformation
- Gender equality and women's empowerment
- Capacity building in historical and cultural heritage preservation
- Economic and social development

It is evident that all these topics are relevant for Ukraine's long-term recovery after the war. However, prioritising is required, which can be done by considering urgency and Lithuania's capacity.

Majority of the projects that have been implemented by Lithuanian NGOs in Ukraine (and elsewhere) do not exceed 20 000 EUR. This means relatively small projects predominate. Some of the NGOs also have connections and partners in Ukraine.

Umbrella associations of NGOs National Coalition of Non-governmental Organisations and Lithuanian NGDO Platform have confirmed that NGOs have a difficulty obtaining bigger funding. One of the reasons is the lack of experience in implementing large-scale projects.

Out of 11 Lithuanian NGOs that responded to VB Platforma survey, **5 are currently working** in Ukraine. Other NGOs, such as BlueYellow, 1K foundation and Pagalbos Sparnas, deliver military, emergency and humanitarian aid to Ukraine. These NGOs have established trustworthy relations with the Ukrainian side.

Consequently, it is important to explore how Lithuanian NGOs can leverage their strengths, increase their capacity and cooperate in order to implement more impactful are larger scale projects that will be needed to support Ukraine. Gaining experience in such conditions may be also beneficial for NGOs themselves, as they could apply this knowledge in Lithuania as well.

Conclusions

Given the reality of Ukraine and the existence of a clearly defined plan for its future rebuilding, as well as Lithuania's capabilities and vision, the following conclusions might be drawn.

From analysing the public sector, it was noted that:

- There is support provided to Ukraine by various state institutions
- Risk of time constraints, due to the rigorous and intensive level of work

Thus, there is no necessity to additionally interfere with the public sector because it's a slow and complex process.

With regard to the private sector, companies show:

- A high level of interest to be involved with Ukrainian actors and market
- Some are currently forging ties with Ukraine
- Some have already established direct support

In addition, **a need has been identified for a higher cooperation and exchange of information** within Lithuanian businesses as well in relation to Ukrainian reality.

Last but not least is NGOs sector, with the following findings:

- There are some experiences working in small-scale projects in Ukraine
- Strong interest was expressed in further cooperation, backed by some ideas of the kinds of initiatives should be implemented.

In fact, larger-scale international projects can provide extra value to this sector, therefore **further study on Lithuanian and Ukrainian NGOs is needed.**

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