

# How to organize aid

**Vladyslav Rashkovan**

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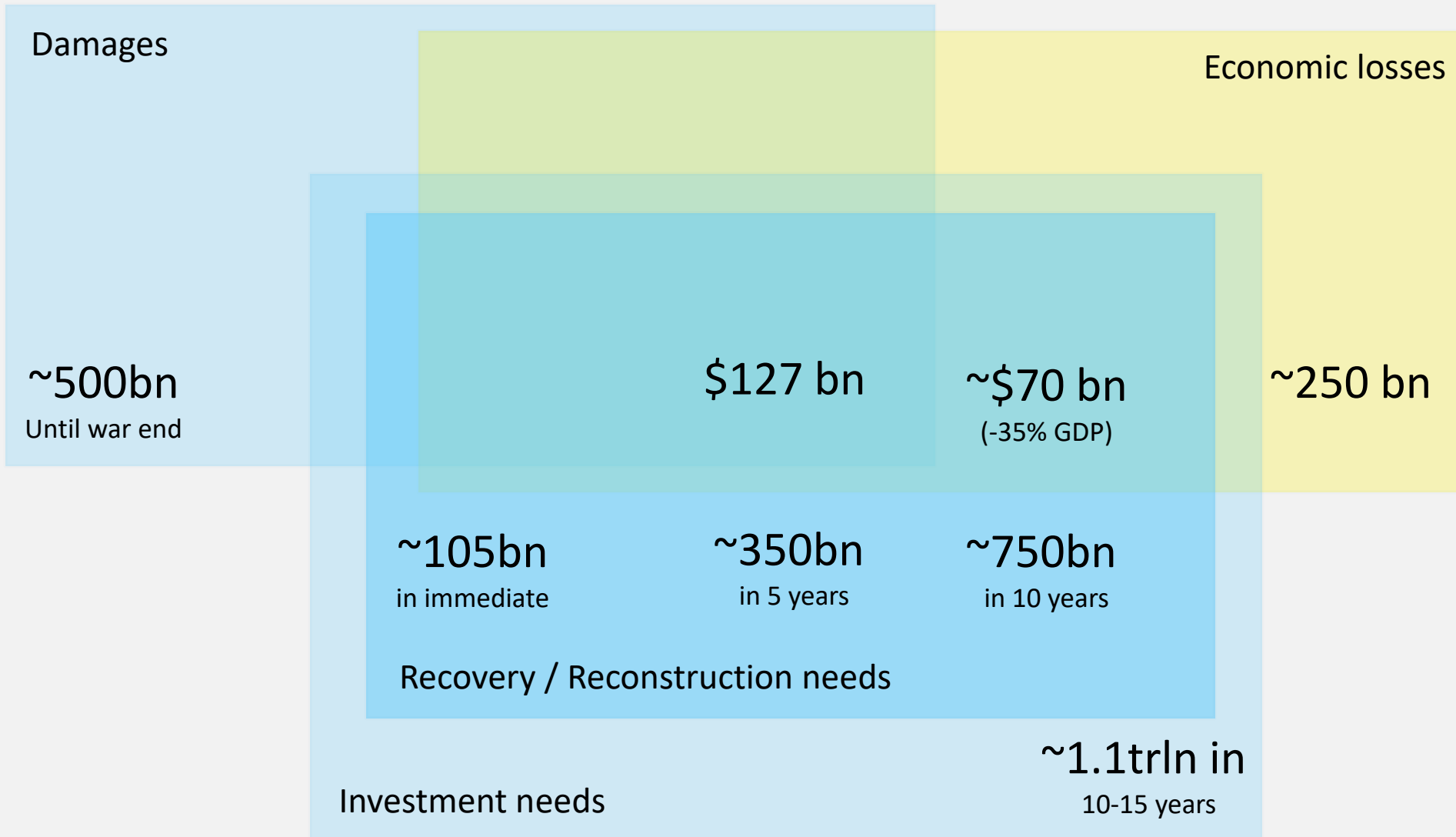
PARIS REPORT 1

## Rebuilding Ukraine: Principles and policies

Edited by  
Yuriy Gorodnichenko, Ilona Sologoub, and Beatrice Weder di Mauro



# The Russian invasion brings enormous infrastructure damages, human capital and economic losses. Still proper estimation of the reconstruction needs required, but most probably it will be in the range of \$500-1100 billion



# Post-war reconstruction will be a herculean task with many potential crossroads on a way... (1/2)

## Russian narrative of external governance of Ukraine by the consolidated West (neocolonialism):

«Ukraine is a corrupted country, with poor non-reliable institutions; no money to be given to the authorities; that is why the West to control everything and impose its view on the policies and reconstruction»

**VS**

## Ukrainian sovereignty / ownership

We know everything ourselves; don't teach us how to manage our country, give us money and don't ask how we spend them

## Short-term needs to prevail

Cheap and fast recovery / reconstruction is needed to allow people to return to their houses (this assumes modular housing, temporary roads etc)

**VS**

## Longer-term vision to prevail

Reconstruction is an opportunity to leapfrog a generation of technologies and a unique chance for the sustainable modernization of the country against post-soviet legacy – build back better concept!

## National support

EU accession is a strong anchor, but there should be a room for support for non-EU countries (US, Canada, UK, Turkey etc)

**VS**

## Institutional support

We need to overcome potential disagreements/competition between the key institutions which have their own ambitions (EBRD - EIB, IMF - WB, OECD etc)

## Potential element of the recovery architecture

- **Ukrainian ownership + Cooperation** between the Ukrainian authorities and foreign partners is a key. Platform to be created
- Proper **decision-making governance model** to be put in place
- **Modernization** as a key target but not forgetting about immediate needs –fast recovery
- **Coordination** among partners is a key to make the process inclusive and effective
- Reconstruction is **interconnected** with the EU accession process

# ... and challenges - Existing institutions and funding instruments are inadequate to meet the scale and complexity of this endeavor (2/2)

## Loans and guarantees

Bilateral loans or loans from the IFIs are understandable resource for Ukraine, but costly (even on the concessional conditions) and to be returned; loans and guarantees are also limited in size.

**vs**

## Grants, reparations and private investments

- Availability of grants depends on the limits in the country budgets;
- The legal frame for reparations is not clear
- The reconstruction should become a magnet for the private investments — major source for modernization

## Potential element of the recovery architecture

- **Grants** to prevail in the beginning
- Work on **reparations** to be intensified
- **Conditions for private capital involvement** to be created and preserved

## Strong hand

Rebuilding is faster under authoritarian rule, but such an approach makes European integration and modernization impossible

**vs**

## Democracy and freedom

Ukraine is a democratic state, but emerging democracy may make reconstruction a “never ending story” risking to leave Ukraine on the “back yard” of the European Union

- Democracy and **involvement of civil society and business** into the reconstruction / modernization

## State Economy

When the markets don't function properly, there is a crucial role of the state during a war, but it is too risky to extrapolate the increasing role of the state post-war

**vs**

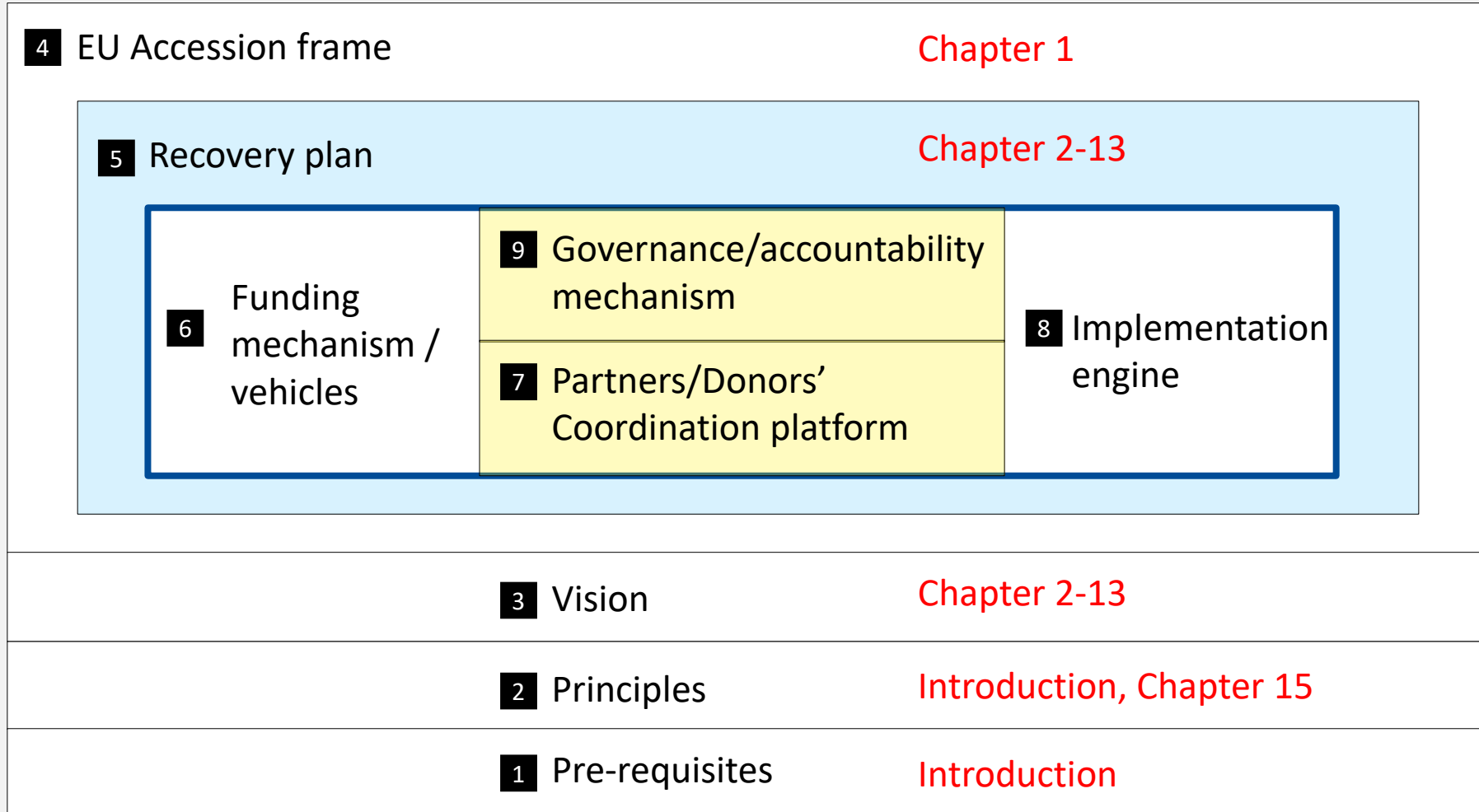
## Liberal idea and economic freedoms

Economic freedom (not the state) attracts foreign investment, which is key to increasing productivity, another aspect of modernization

- **Liberal** economic policies to be implemented – the role/size of the state involvement should decrease post-war

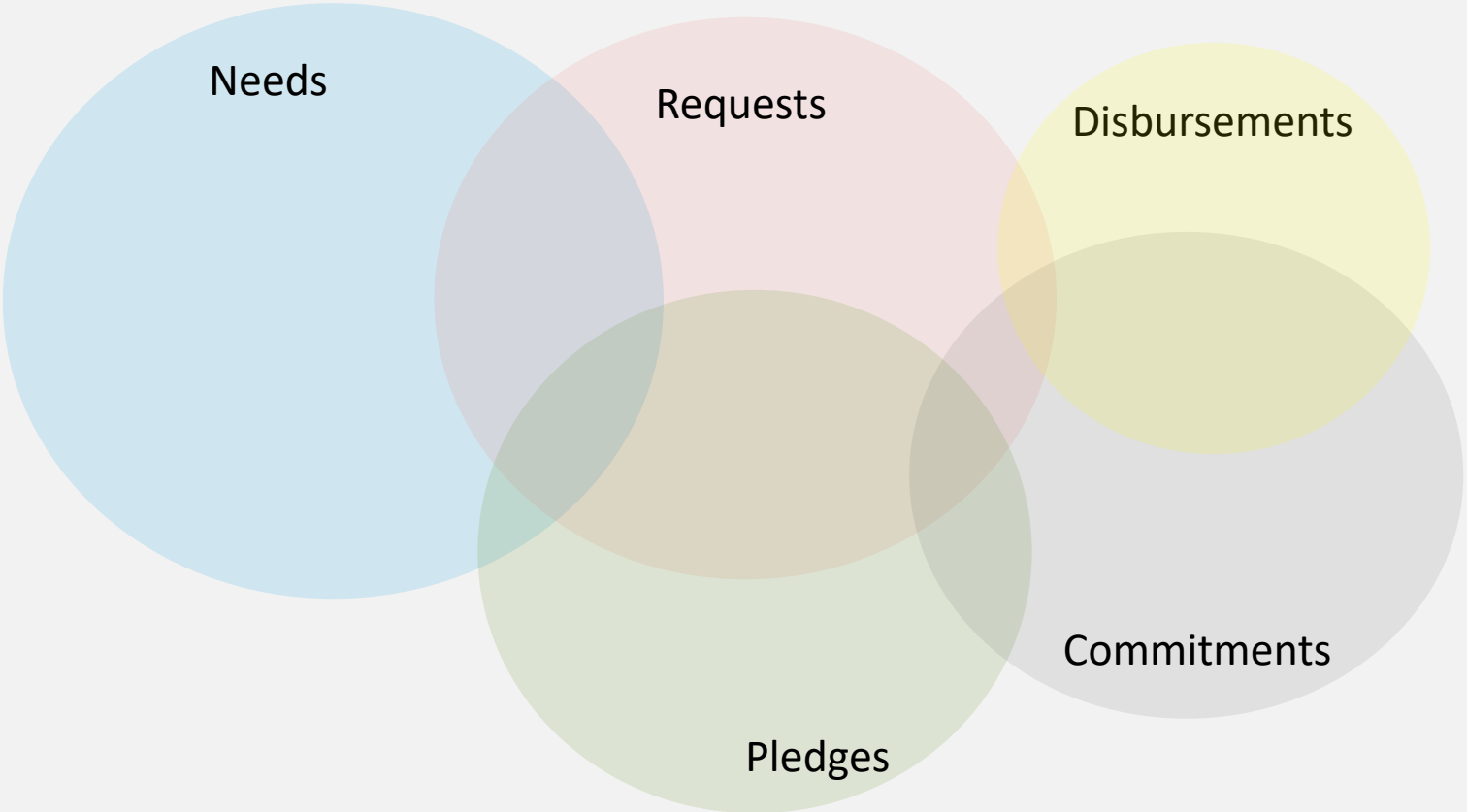
# To go through crossroads of the recovery a 10-element recovery architecture framework has been developed

Chapter 15



**10** Who is Mr/Ms Marshall?  
?

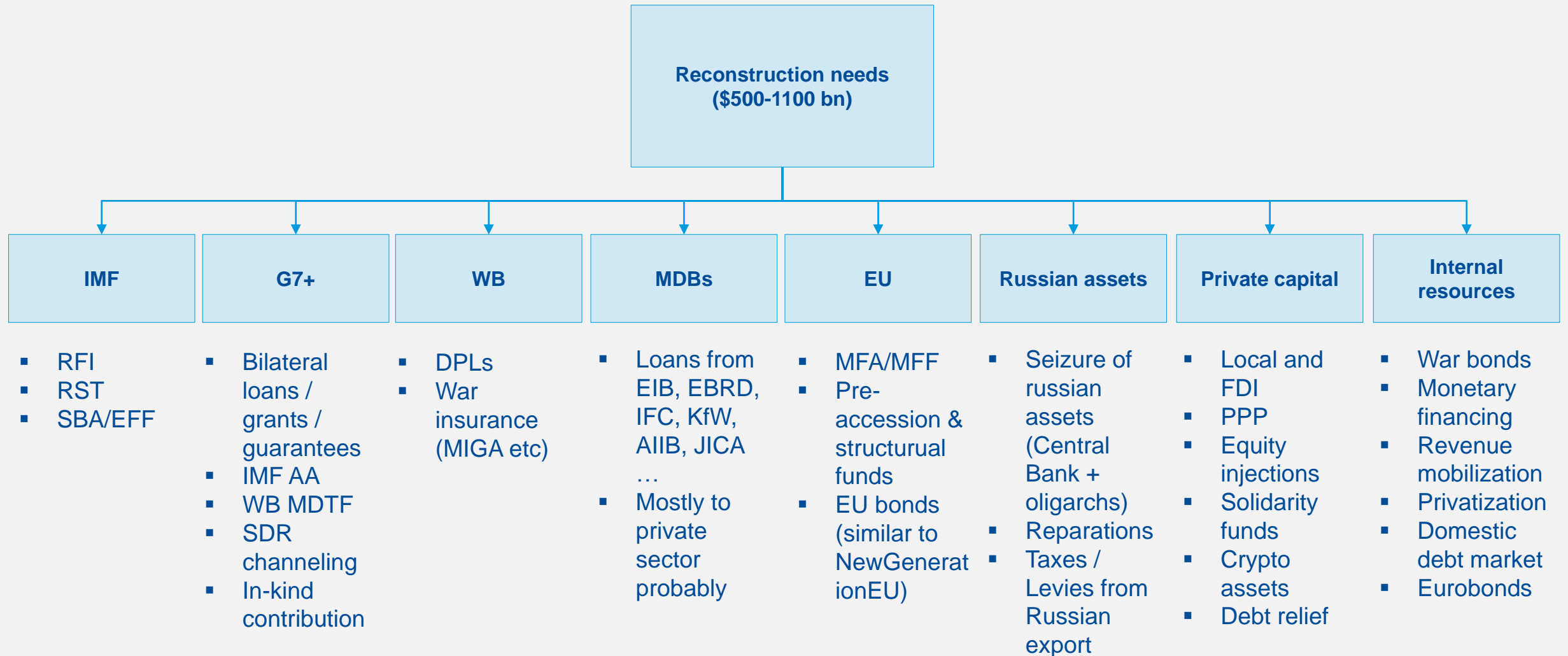
**Needs, requests, pledges, commitments and disbursements are completely different figures – lets hope that they at least overlap**



**There are huge running costs of the country during a war. In no single month foreign partners managed to support Ukraine with \$5 bln needed to close the current financing gap...**

		Foreign aid of the budget needs - actual, USD equivalent											
	Country / IFI	February	March	April	May	June	July	August	September	October	November	December	total
	<b>Multilateral organizations</b>	40	3,263	274	624	201	0	1,103	482	3,238	2,588	105	11,917
1	EU		667	131	612			1,016	482	1,955	2,534		7,397
2	IMF		1,411							1,283			2,694
3	World Bank	40	466	143	11	201		87			54	105	1,106
4	EIB		720										720
	<b>Bilateral arrangements</b>	0	125	1,410	870	4,216	1,700	3,588	1,500	499	15	1,847	15,769
1	USA			500	500	1,300	1,700	3,000	1,500			1,500	10,000
2	Canada			237	156	779		349					1,521
3	Germany			163		1,209						211	1,583
4	UK			62	30	449				499			1,039
5	Japan				100	479							579
6	France			332								106	437
7	Italy		125					207					331
8	Netherlands				85			21					106
10	Denmark			23								30	54
9	Sweden			49									49
12	Lithuania			5				10			10		26
11	Norway			22									22
13	Austria			11									11
14	Latvia			5									5
15	Belgium										5		5
16	Albania							1					1
17	Island			1									1
	<b>Totals</b>	40	3,388	1,683	1,494	4,416	1,700	4,691	1,982	3,736	2,603	1,952	27,686

# No single institutional balance sheet can absorb Ukraine's financing needs - Reconstruction to be supported by bilateral and multilateral donors and international organizations





# ... but financing of the reconstruction to be seen as a multidimensional task — still to be solved

Who and how to pay for reconstruction?

## 5 “horizontal” questions for post-war financing:

- How to change perceptions of the country as corrupt
- How to achieve efficiency & cost effectiveness in the reconstruction/rebuilding process
- How to ensure inclusiveness in the reconstruction process
- How to build trust between country authorities and partners/donors/civil society and make each party accountable?
- How to ensure timeliness of financing and other necessary steps in course of the reconstruction/rebuilding process

- Grants
- Direct transfers (of reparations/Russian money)
- Guarantees
- Loans
- FDI
- Solidarity funds from foreign business
- Liberty/freedom diaspora bonds

Sources

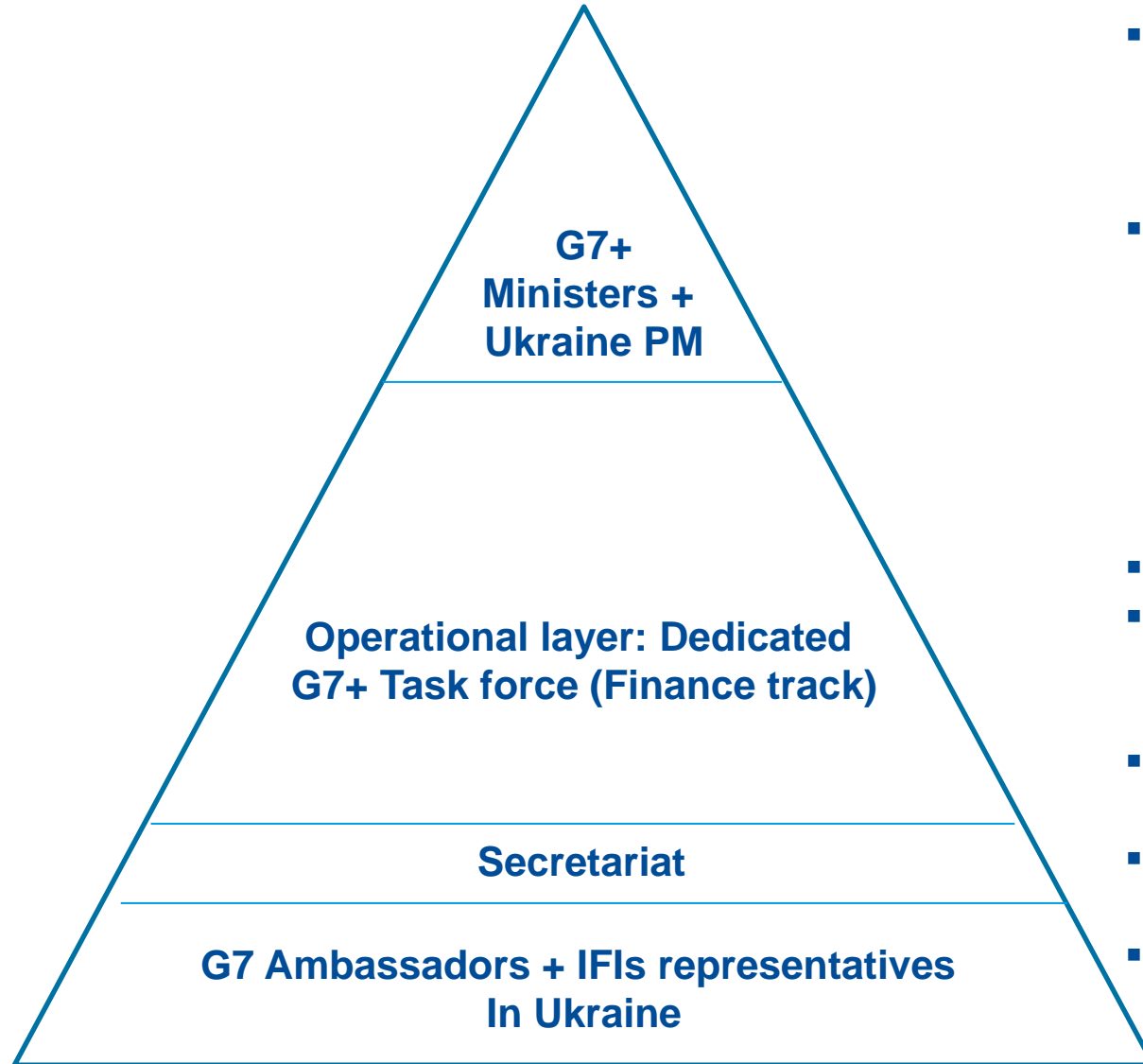
- IMF
- World Bank
- G7+ bilateral funding
- EU (pre-Accession funds + Rebuild facility)
- Development banks (EBRD, IFC, EIB, KfW)
- Seized Russian assets
- FDI
- Donations/philanthropy
- Remittances
- Government revenue mobilization
- Government borrowing
- Debt relief

Vehicles / Institutional arrangements

- One or multiple donor pools?
  - What kind of coordination of multiple pools?
- Headquartered and administered where?
  - Inside or outside the country?
- New arrangements or existing ones?
- Organized and administered how?
- Bank or fund/funds?

Instruments

# G7 leaders supported the idea to set up the multi-agency Donor Coordination Platform for Ukraine recovery – the first meeting is scheduled for January

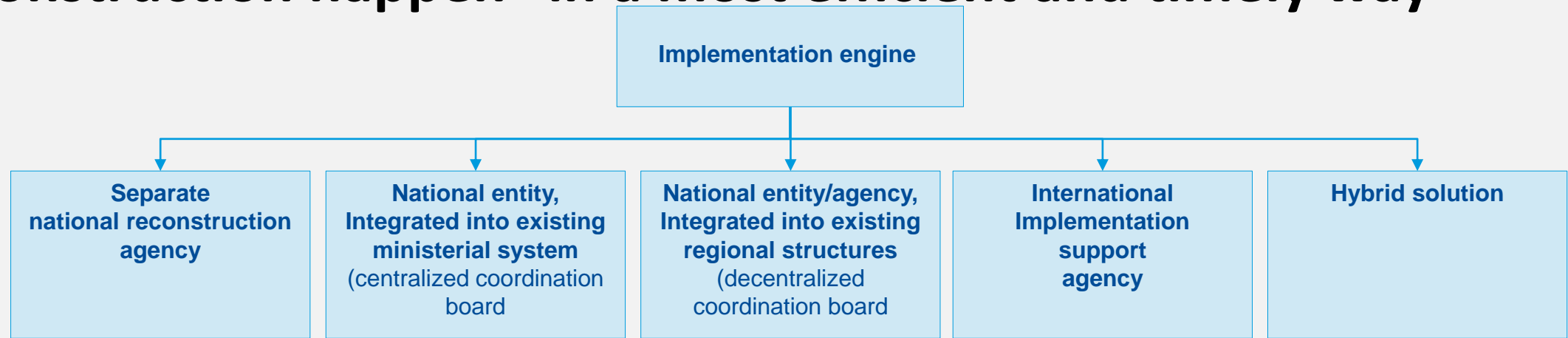


- Together with Ukraine and G7 international partners and in close coordination with relevant International Organizations and International Financial Institutions, G7 establishes a multi-agency Donor Coordination Platform.
- Through this platform, G7 will coordinate existing mechanisms to provide ongoing short- and long-term support – with particular responsibility of the Finance Track for short-term financial support –, coordinate further international funding and expertise, and encourage Ukraine’s reform agenda as well as private sector led growth.
- G7 will also set up a Secretariat for the Platform.
- A senior government representative from each G7 country will be designated to the platform + representatives of the key IFIs
- The operation layer of the Platform is already working – meeting bi-weekly
- G7 Finance Ministers to convene shortly to discuss a joint approach for coordinated budget support in 2023.
- G7 re-affirmed that the International Monetary Fund (IMF) should be central to this effort.

# Who will be a new Mr/Ms Marshall?



# Implementation engine to be properly designed to “make reconstruction happen” in a most efficient and timely way



## Institutional options

### Separate national reconstruction agency

### National entity, Integrated into existing ministerial system (centralized coordination board)

### National entity/agency, Integrated into existing regional structures (decentralized coordination board)

### International implementation support agency

### Hybrid solution

## Advantages

- Independent and fully focused on reconstruction – task can be effectively addressed
- Effective establishment of the mechanisms for resource allocation, procurement, staffing

- Planning, budgeting and oversight system in place
- Established links with the intl community, donor and partners
- Sufficient implementation capacity

- Full local/regional ownership
- Recovery usually linked with the regional distribution – therefore capacity will be there is most needed

- Trust and access to the international community of donors

- Leveraging both – having a local knowledge and national level support

## Disadvantages

- Takes time to establish and clarify its role and responsibilities
- Possible disconnect from other government activities
- May lack of local ownership
- Difficult to phase out

- The task may be not effectively addressed
- Risk of lacking independence / leadership
- Civil service rules impede recruitment of professional staff from outside

- Potential inadequate / unequal capacity to manage a large reconstruction program –
- May not adequately address the reconstruction challenges
- Civil service rules impede recruitment of professional staff from outside

- Optically may look like external governance of the country
- May lack domestic support
- May lack understanding of the real local needs

- Complexity in managing the process

# A dedicated Public financial and investment accountability mechanism (PFM/PIM) to be built to ensure resilient and transparent recovery

