

REBUILDING CITIES AND TERRITORIES OF UKRAINE: PRINCIPLES, CHALLENGES AND OPPORTUNITIES

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STRUCTURE OF PRESENTATION



CHALLENGES



**CAPABILITIES
& OPPORTUNITIES**



PRINCIPLES

CHALLENGES

Underlying long-term weaknesses:

- Direct existential threat from neighbouring country
- Weak public institutions
- Corruption and oligarchism
- Long-term depopulation trends
- Large fragmented territory
- Erosion of natural capital

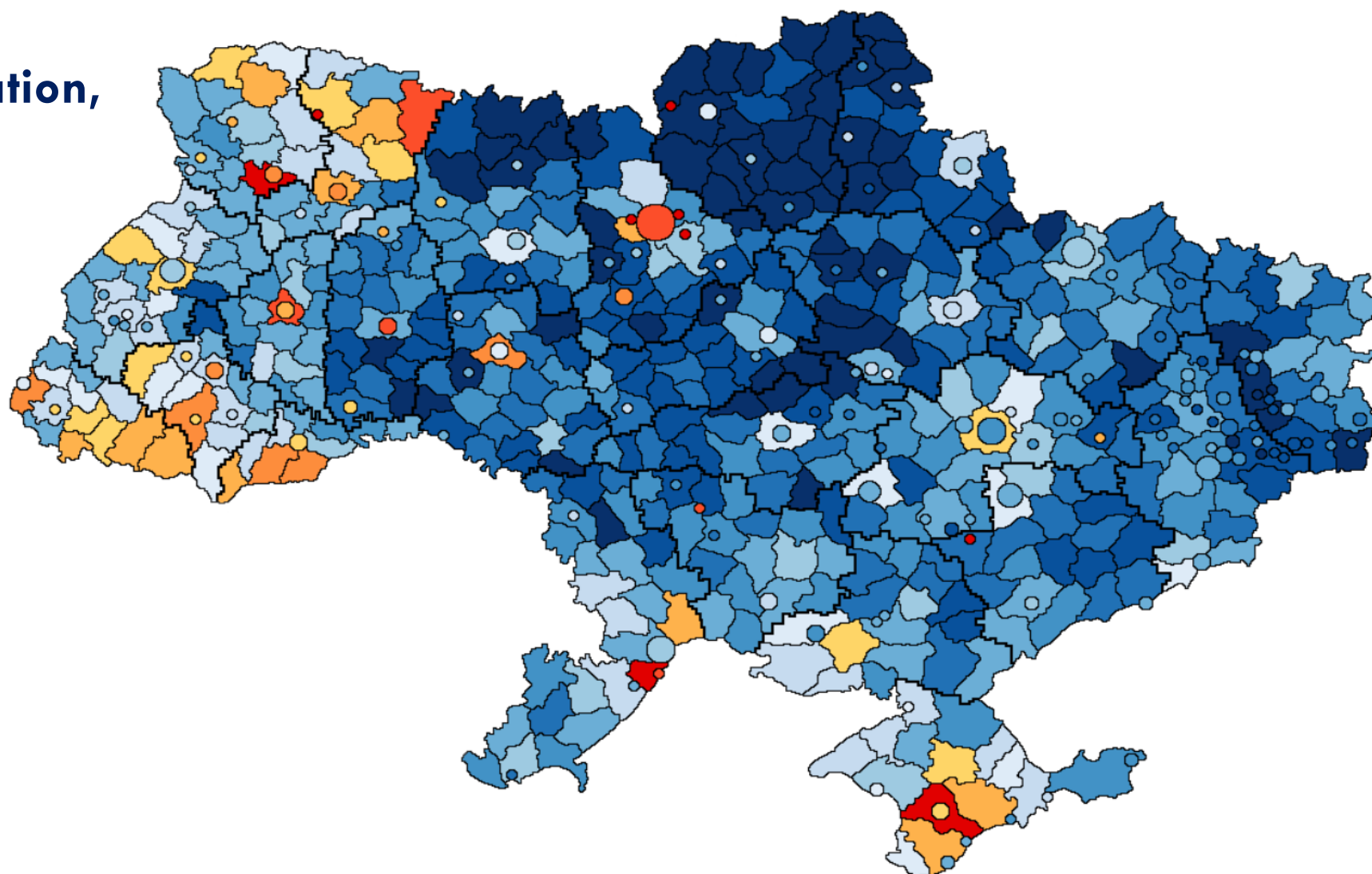
Losses due to the Large-scale War

- Territory
- Human capital
- Natural capital
- Economic assets
- Curtailed powers due to martial law

Dynamics of population, 1989-2014

War started on 27 February 2014 with the occupation of Crimea

- Ukraine lost 7% of its sovereign territory
- 2.5 million citizens on occupied territories
- 1.35 million of IDPs

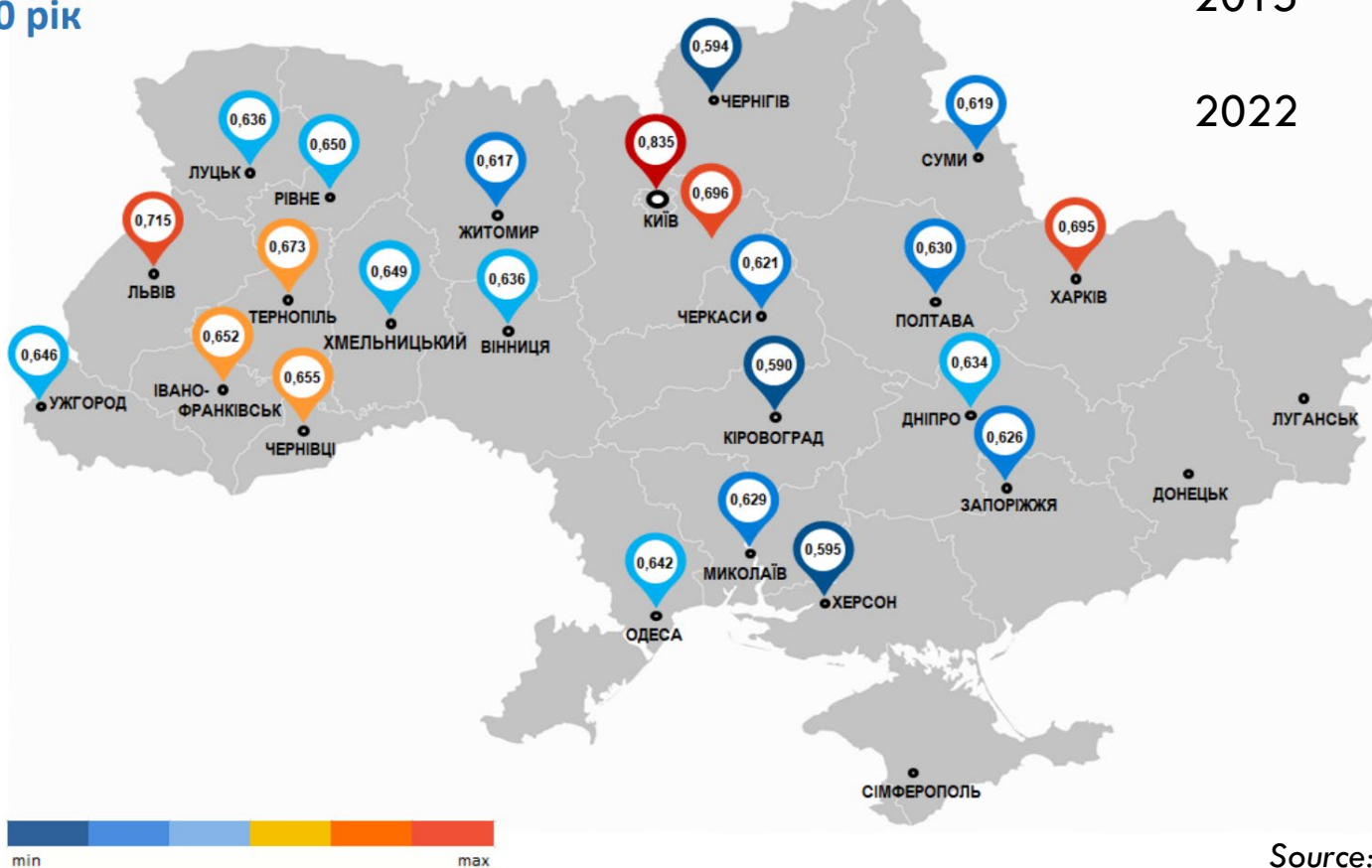


+15 +10 +7 +3 0 -3 -7 -10 -15 -20 -25 -30

Source: State Statistics Service (SSS) of Ukraine

DEPOPULATION

ІНДЕКС РЕГІОНАЛЬНОГО ЛЮДСЬКОГО РОЗВИТКУ
2020 рік



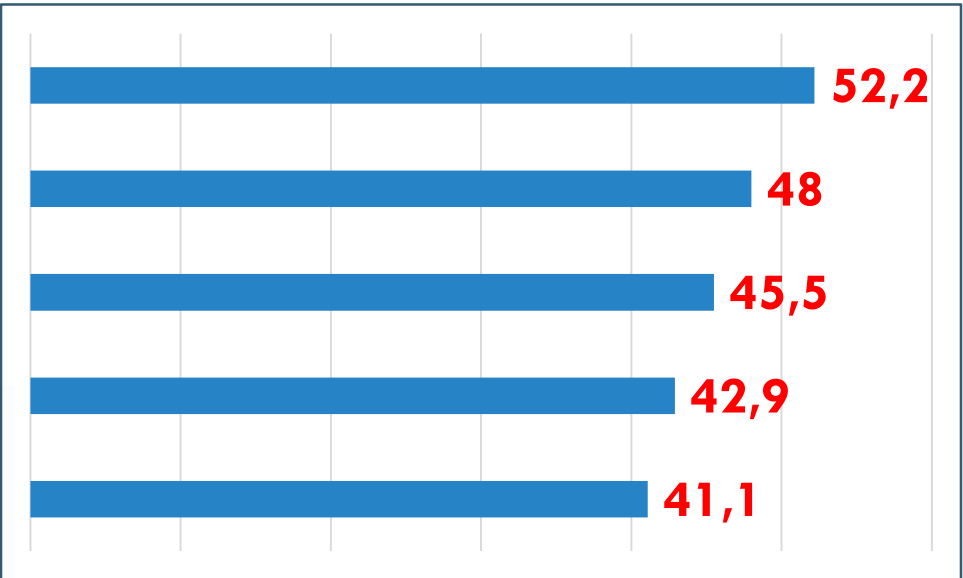
1993

2003

2013

2015

2022



Ukraine lost **11.1 mln people** in almost three decades
6.5 mln emigrated from Ukraine in 2022-2018

Source: MinRegion, SSS, Ukraine

LARGE-SCALE WAR

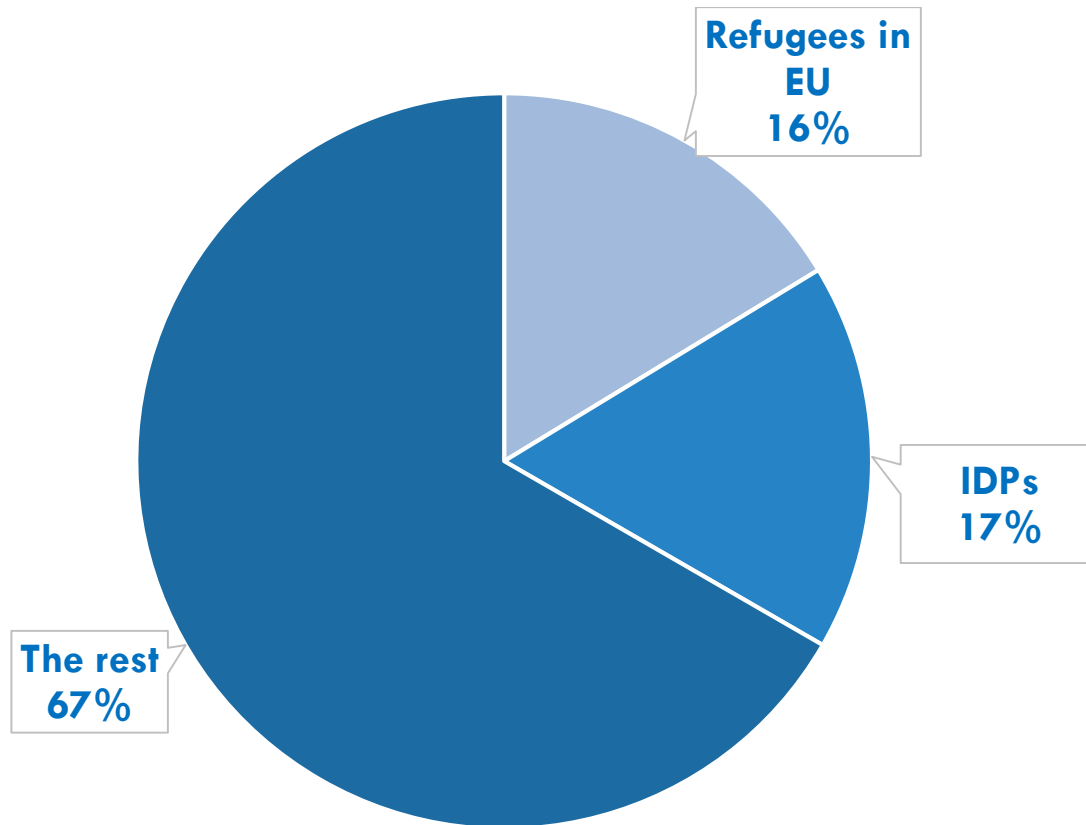


Territory

- ✓ **603,672** sq km
- ✓ **5.4%** of Europe
- ✓ **25%** of Ukraine was occupied by russia In March 2022
- ✓ **54%** of the occupied territories are now regained
- ✓ **139,000** sq km: area potentially contaminated by landmines = Greece

Source: MinRegion, SSS, Ukraine

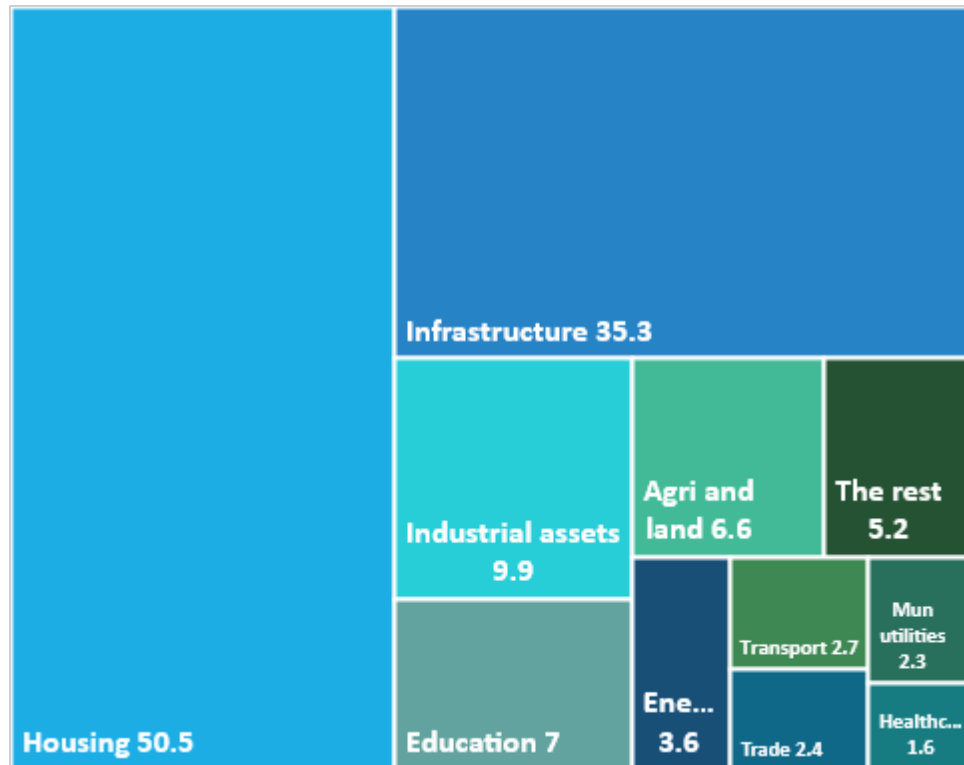
THE WAR: HUMAN LOSSES



Source: UN, September 2022

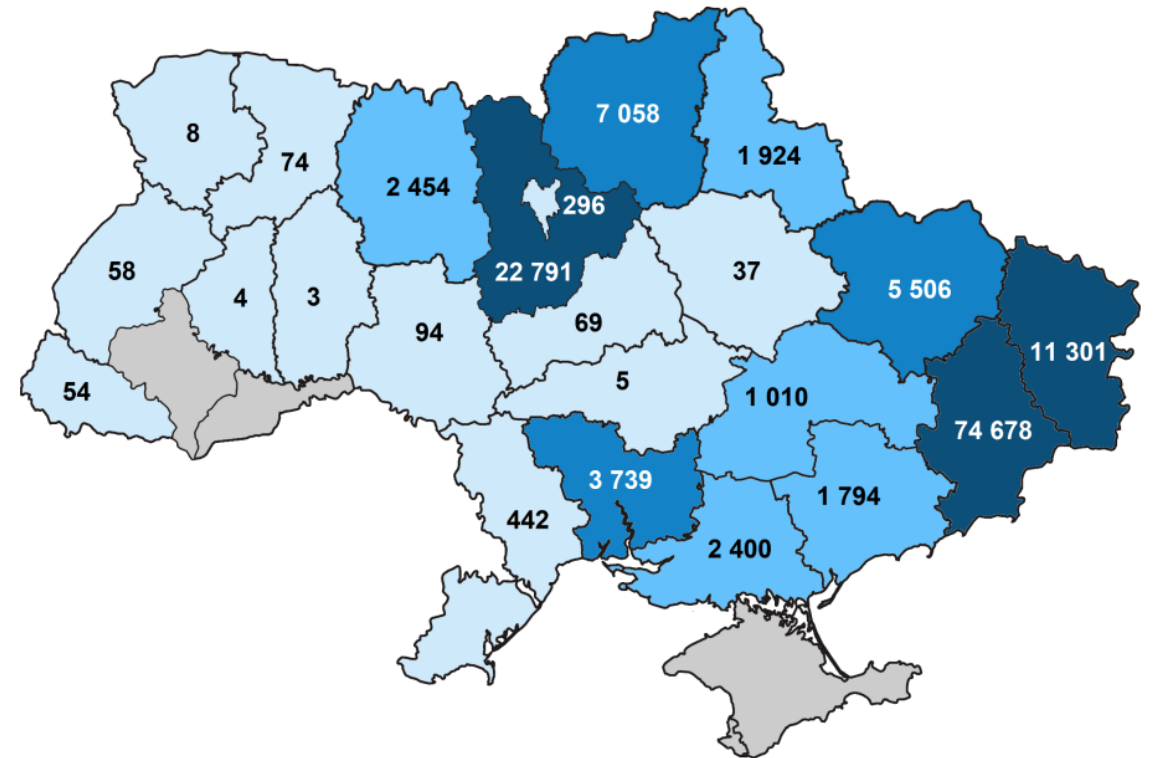
- ✓ **7 million** registered refugees only in the EU
- ✓ **14,000**: confirmed civilian deaths
- ✓ **372**: confirmed children deaths
- ✓ **7,000**: confirmed number of Ukrainian children deported to russia – 51 returned
- ✓ **1.9 mln** deported, including **307,000** children, according to russian sources

THE DAMAGES



Source: KSE, September 2022

Damaged / destroyed housing stock, by oblast



Rapid Damage and Needs Assessment, based on WB's methodology

- 127 bn USD: cumulative damages
- 105 bn USD needed in the next 36 months to address urgent needs
- 19 out of 35 airports destroyed
- Sea blockade

THE COSTS

Of War

Budget

- Incomes 1.3 tn UAH
- Expenditures: 2.5 tn UAH
- Deficit: 1.3 tn UAH
- Deficit: 20% (vs 2.3%)
- 50% to be spent on military
- 5 million people lost their jobs

Reconstruction needs: 350 bn USD

Russian frozen assets in the EU:

300 bn + 19 bn USD

Forecast:

GDP growth: 4.6%

Inflation: 30%

1 USD = 42 UAH

Sources

- Domestic borrowings: 90 bn UAH
- External borrowings: 1.6 tn UAH
- Debt to GDP 100.1

IMF and EU monthly direct budget support of
1 bn USD (42 bn UAH)

US monthly direct budget support 1.5 bn USD
(61 bn UAH)

Relocation: 772 enterprises; 35,000 jobs

THE POWERS OF REGIONS AND CITIES

During Martial Law

Executive:

All oblast and rayon state administrations became military administrations to perform the functions of:

- Defence
- Law and order
- Safety and security of population
- Overall maintaining of wellbeing and livelihood

Self-government:

Mayors of cities leaders of hromadas and local councils continue to function. Military administration could be created when elected bodies are:

- self-dissolved
- Stopped performing their functions (council sessions are no longer happening)
- De facto non-execution of their authorities
- Termination of authorities according to the Law

After de-occupation: city/community is governed by military administration until Martial Law is terminated and new councils /mayors/ heads are elected

OPPORTUNITIES AND CAPABILITIES

Long-term and created through recent reforms

- Decentralisation
- Experience of reconstruction: Chernobyl
- Society pre-existing self-organisation
- Digitalisation
- Ukraine's connectedness

Brought by the War

- Antifragility and resilience capabilities
- Society self-organisation reaching new records
- Cross-domain innovations, with military, security & humanitarian playing central role
- Re-imagining fundamentals of economy
- Re-shaping structure of national production

WHAT'S THE DIFFERENCE?

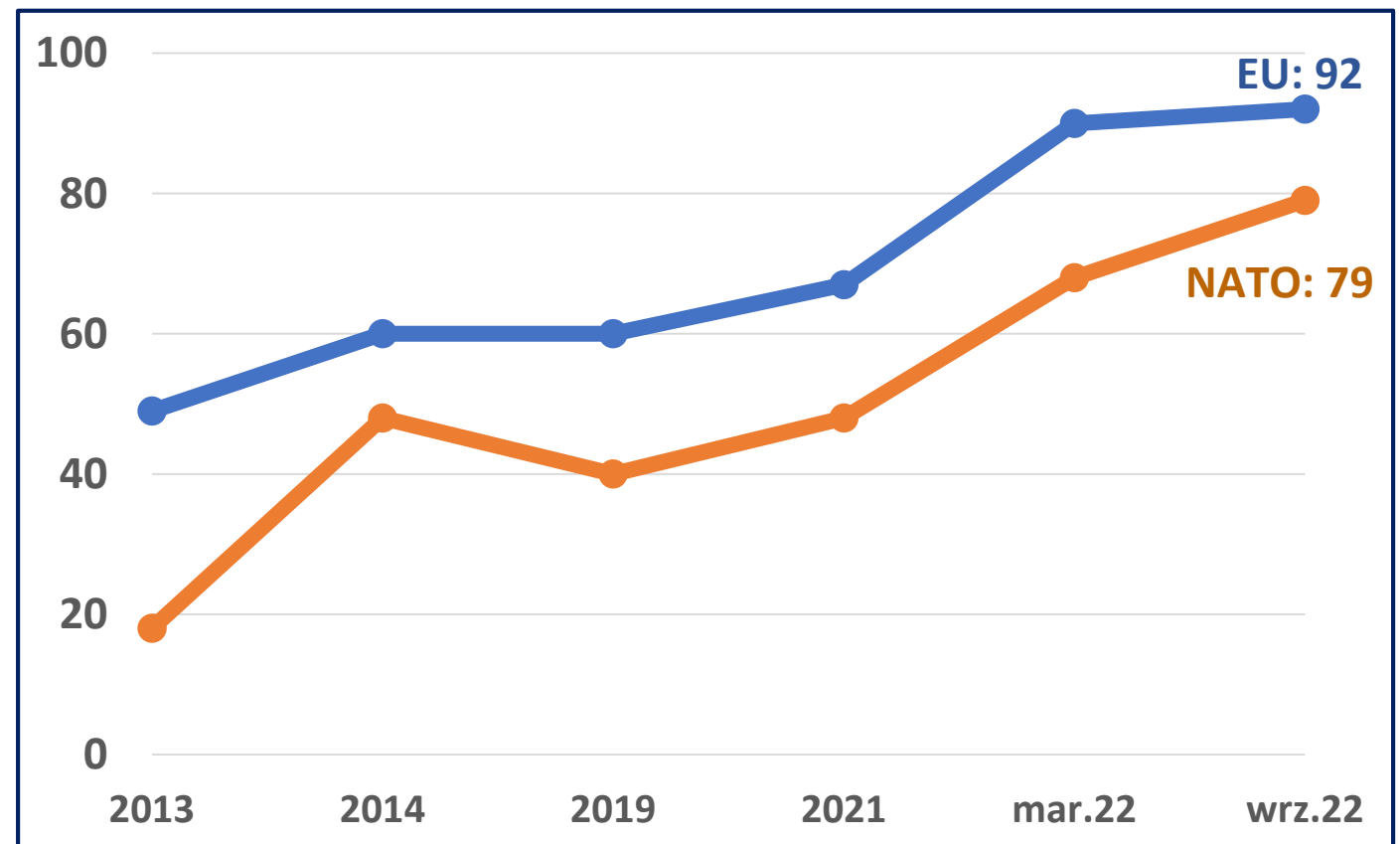
Antifragility: a property of systems in which they increase in capability to thrive as a result of stressors, shocks, volatility, noise, mistakes, faults, attacks, or failures

Resilience: the ability to recover from failure through 4 stages of resistance; recovery; renewal; and reorientation

Robustness: the ability to resist failure

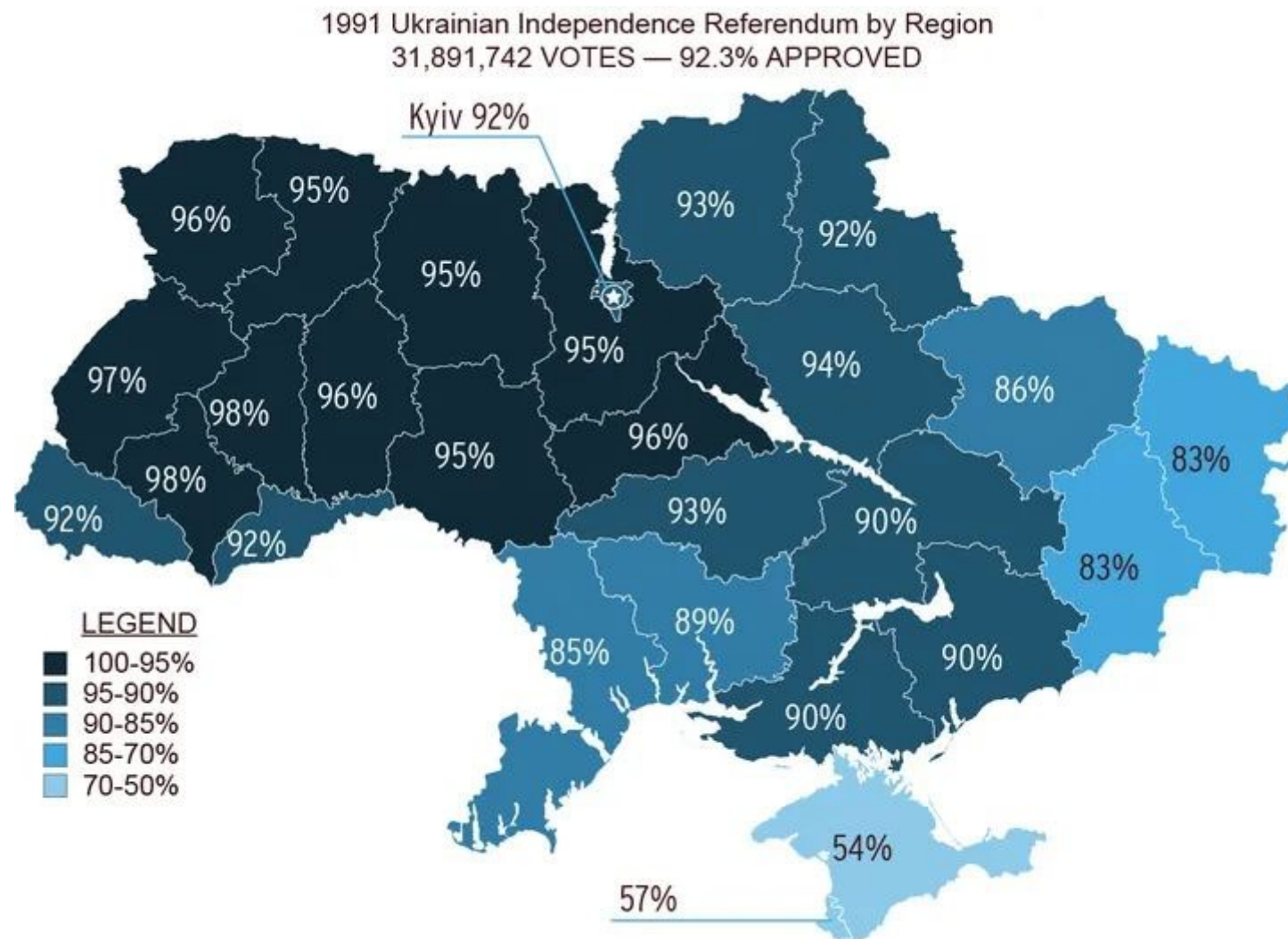
OPINIONS

Share of Ukrainians supporting accession to the EU and NATO has grown consistently. Especially after the start of war in 2014 and its escalation in February 2022. Regional disparities in acceptance are substantially smaller



HISTORICAL TREND

Regional homogeneity in attitudes in 2022 is similar to the one in 1991

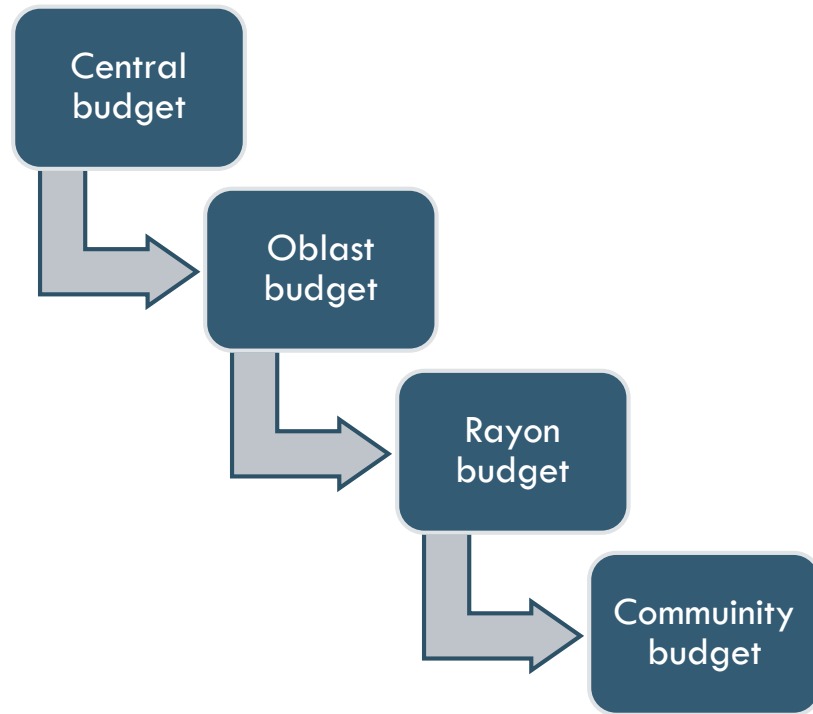


Source: Data from Verkhovna Rada (Supreme Council) of Ukraine and the State Archival Service of Ukraine

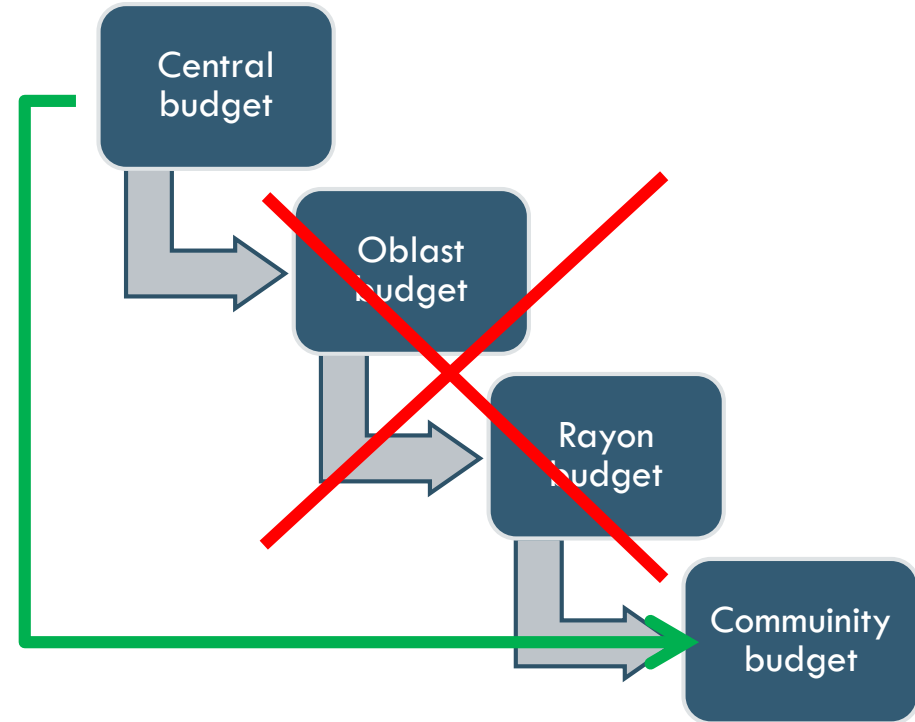
DECENTRALISATION EFFECTS

- Decentralisation created strong foundation for resilience
- Reform was completed in 2020/21 despite pandemic
- In 2014-2019 LAs' own incomes increased by UAH 200 billion (€6.1 billion): from ₺ 68.6 billion to ₺ 267 billion — mainly due to 60% of PIT given to local budgets
- Share of SNG (sub-national government) tax revenues in GDP increased to 6.5% (2017) and to 7.3% in 2021 — compared to UK 1.6%, Poland 4.3%, France 5.9%, Sweden 13.5% (OECD)
- Greater control over own incomes and expenditures, as well as savings (didn't exist before)
- BUT capital spending of hromadas is only at 15%, while salary — at 70% (2020 average)
- No artificial “normatives” — LAs can plan their incomes and expenditures realistically
- Real stimuli for generating own income, even with reverse subsidy (kicks off at 1.1 of national average — 50% surplus to be sent back to state budget)

CHANGE OF RELATIONS BETWEEN CENTRAL AND LOCAL BUDGETS

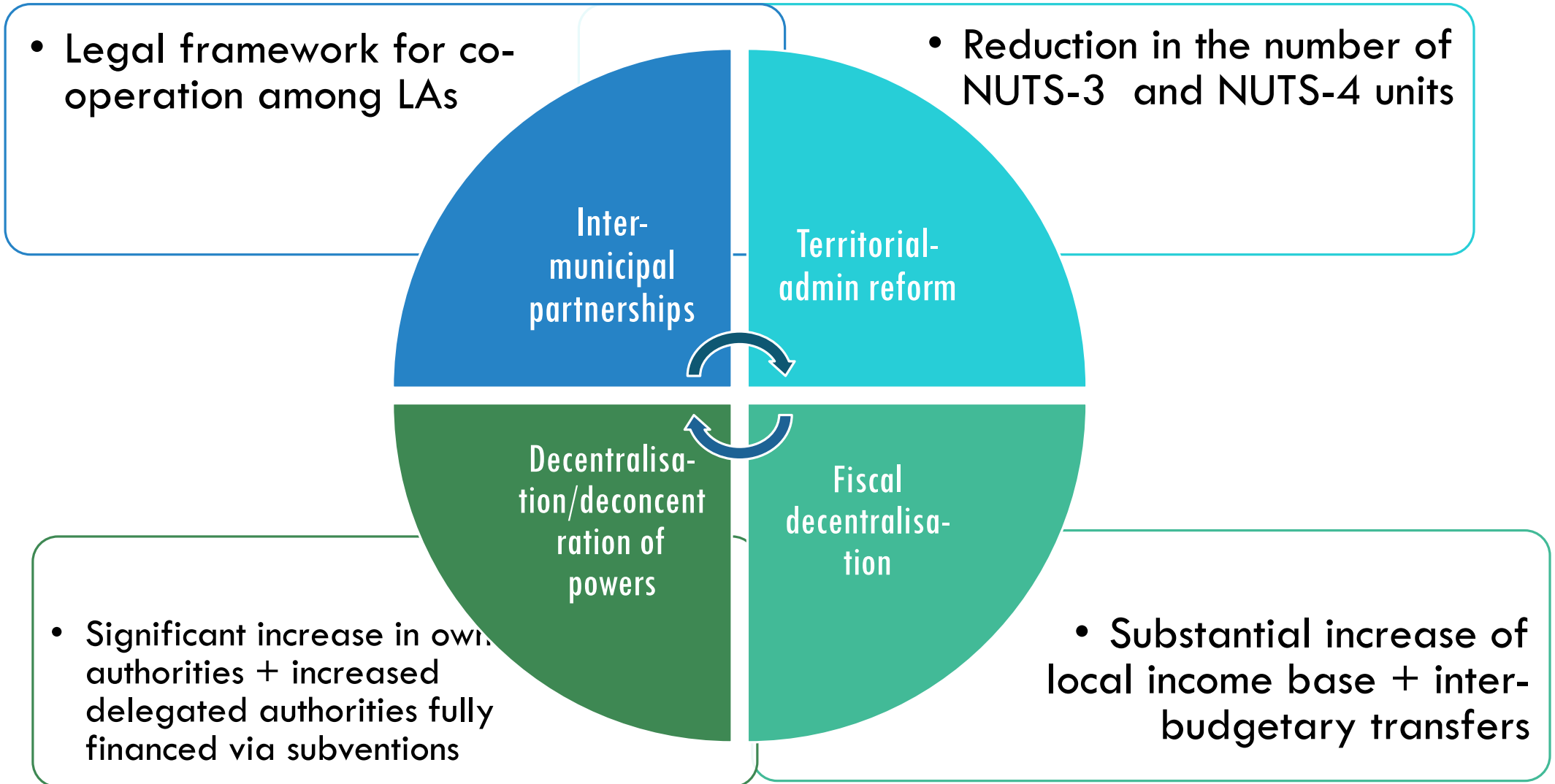


Before reform



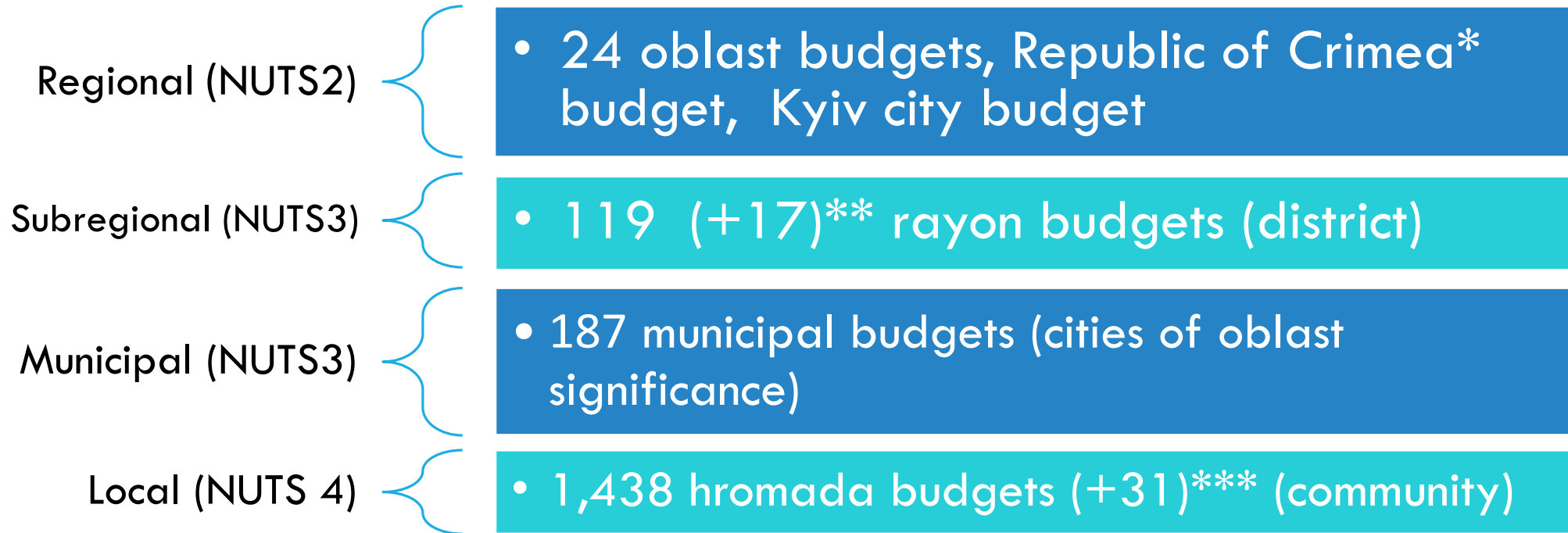
After reform: amalgamated communities

DECENTRALISATION REFORM IN UKRAINE



REGIONAL AND LOCAL BUDGETS

ALL HAVE DIRECT RELATIONS WITH STATE BUDGET as of 2021



* Autonomous Republic of Crimea is under illegal occupation of Russia

**17 rayons are located in Crimea, and on occupied territories of Donetsk and Lugansk oblasts

***31 communities are located on occupied territories of Donetsk and Lugansk oblasts

FINANCING OF STATE'S REGIONAL AND LOCAL DEVELOPMENT POLICY IN UKRAINE, 2014-2019

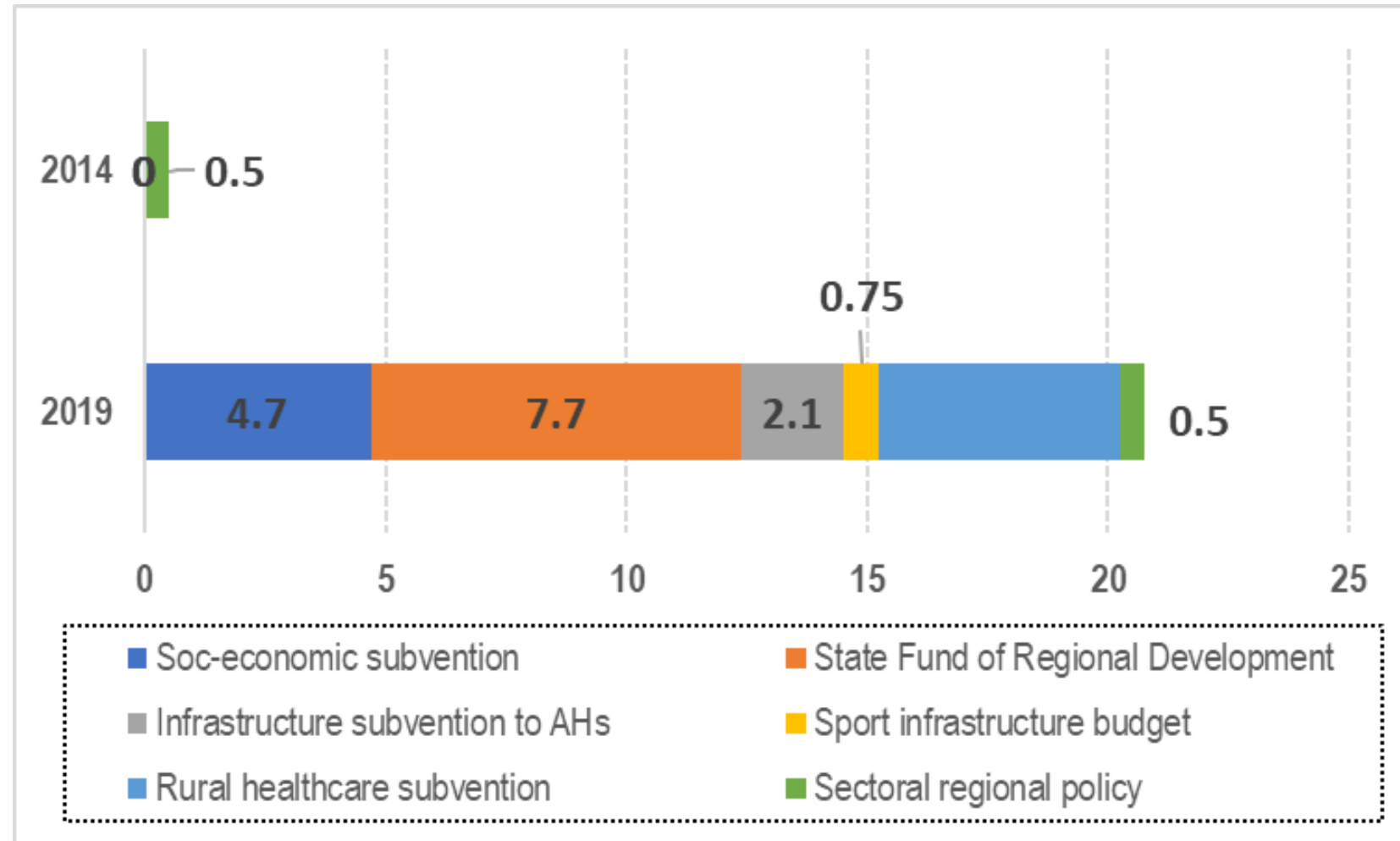


Funding from state budget increased by a factor of 41.5

₾ 0.5 billion



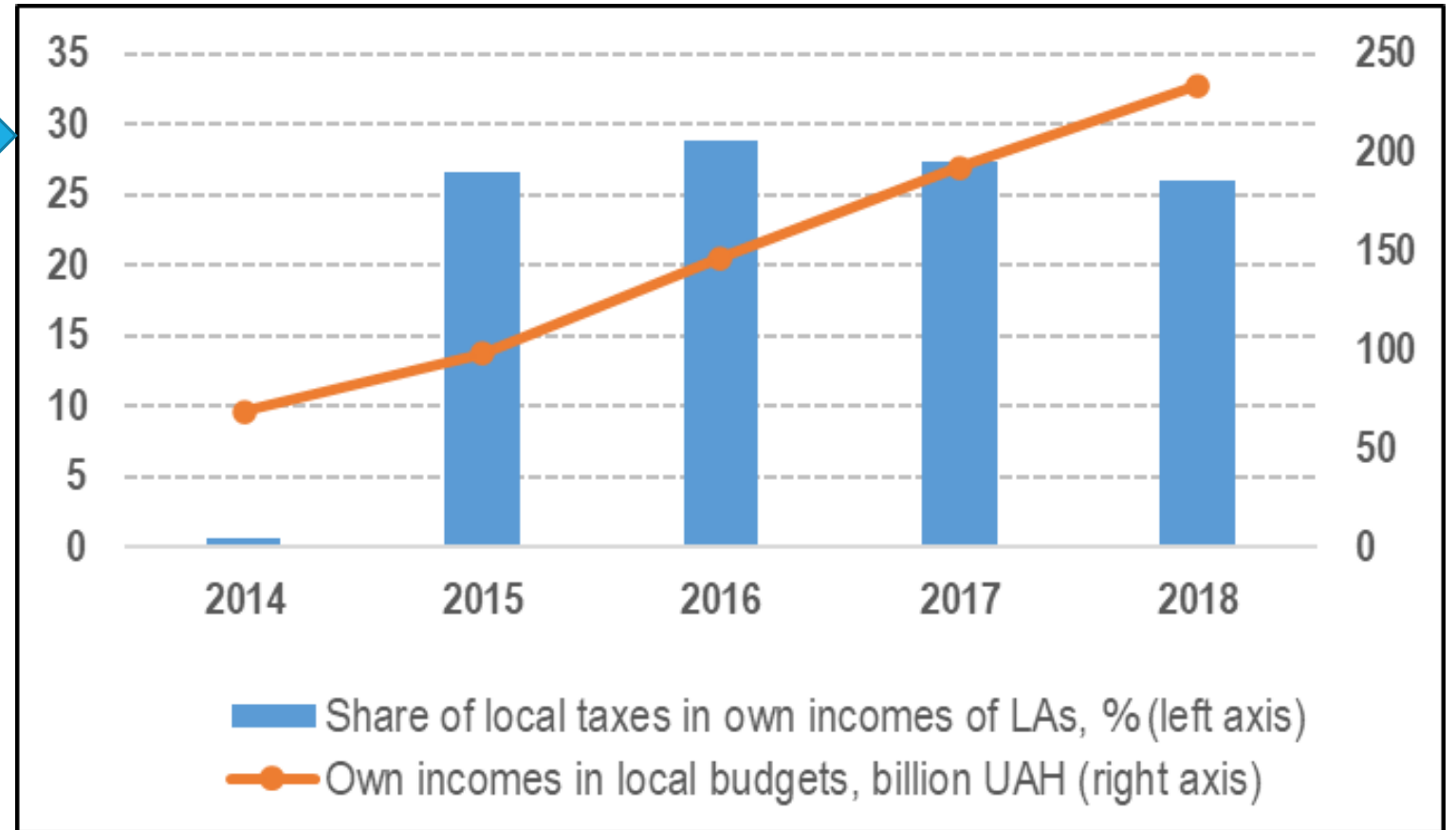
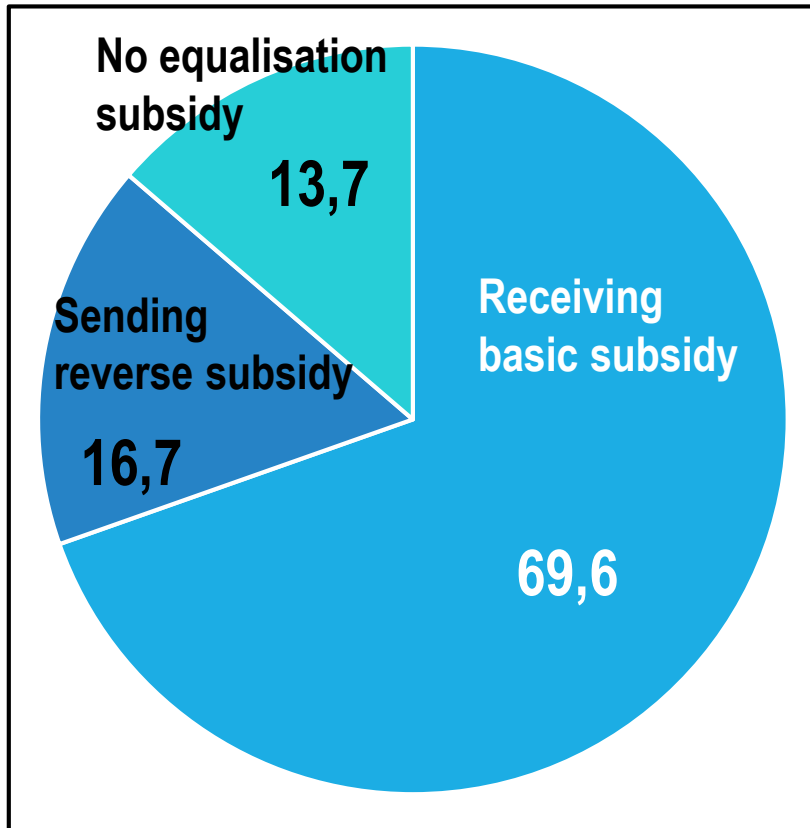
₾ 20.75 billion



2020: TOTAL SUPPORT TO REGIONS AND TERRITORIES ₾ 101.9 BILLION

Source: Ministry for Regional Development, Construction and Communal Housing

OWN INCOMES IN LOCAL BUDGETS, 2014-2018



Equalising subsidies: donor and recipient local budgets (cities and communities) (2019)

LOCAL BUDGETS IN H1 2022

Significantly impacted by IDPs, refugees and business relocations

- Incomes increased by 11.8% to 173.8 bn UAH
- March-May 2022 increase by 1% to March-May 2021
- 14 oblasts saw increase and 9 decrease in incomes

Kherson by -35%;

Kharkiv by -21.7%;

city of Kyiv by -8.7%

Lviv by +29.2%

Sources:

- PIT increase by 12.7%, mostly due to payments to military/ mobilised
- in some regions increase is as high as 50% (Transcarpathian and Zhytomyr)
- Other taxes decreased, i.e. 0% of fuel excise duty
- People and businesses continue paying taxes when can

CAPABILITIES: TOLOKA

- Sense of belonging enhanced dramatically
- The notion of “territories left behind” has in reality disappeared
- “No one left behind” is the reality principle
- People is the biggest investor in army; each bombing results in donations spike. E.g. 55 mln USD donated after country-wide air strikes on 10 October 2022



CAPABILITIES: REBUILDING

SLAVUTYCH, 1986



KYIV, 2022

FEBRUARY



NOVEMBER



CAPABILITIES: DIGITAL

Rapid assessment of damages: case of Kyiv oblast

DIGITIZATION OF DESTRUCTION | Methodology



1. Drone photography and orthophoto creation
The use of drones allows the project team to collect detailed data on the destruction: to fly at low altitudes, and shoot buildings at different angles and from all sides. For localities where drone shooting is not possible, we use high-resolution satellite images.



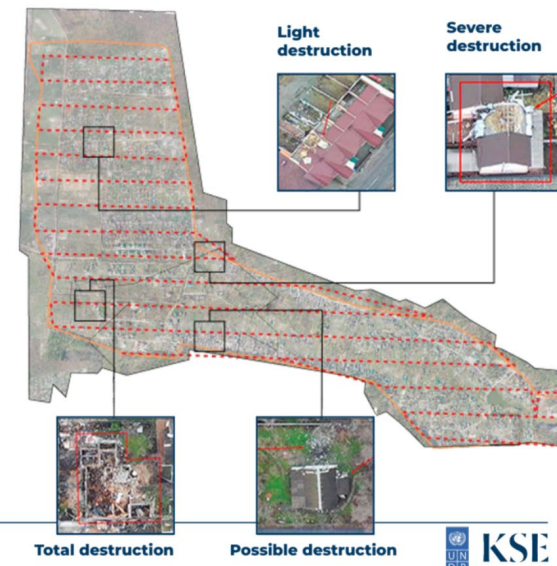
2. Collection of photos and videos
To ensure completeness of the input data, the project team captures photos and videos, as well as collects additional information from verified sources.



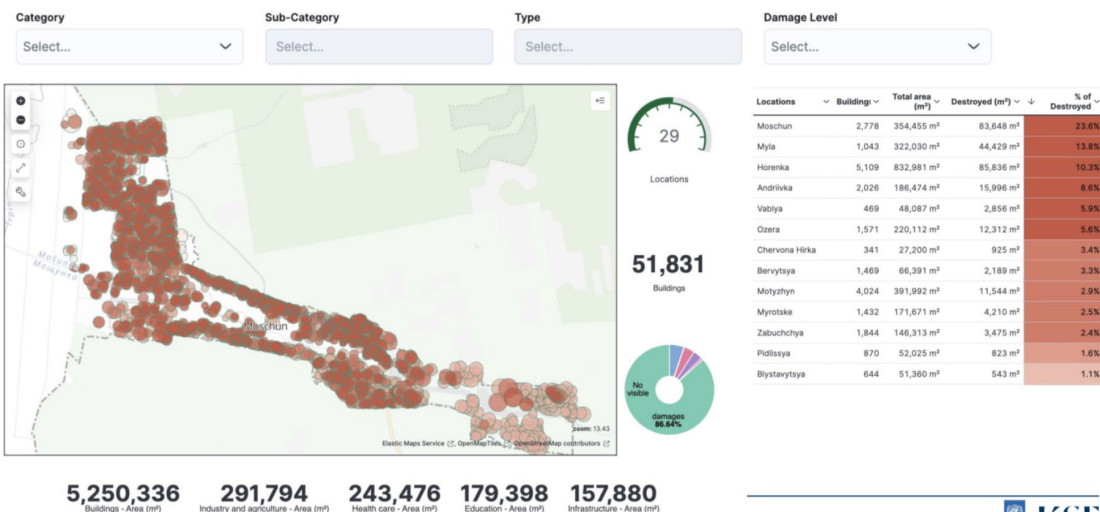
3. Destruction detection and data processing
Based on orthophotos, GIS specialists digitize all buildings, identify destroyed objects, classify building types, and determine levels of destruction.



4. Publication of analytical reports
Designers and content managers present the complete information in public infographic reports.



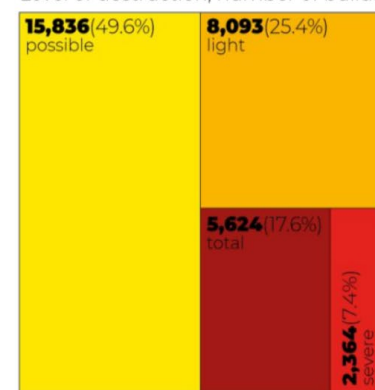
Analysis of damages in Kyiv district (work in progress)



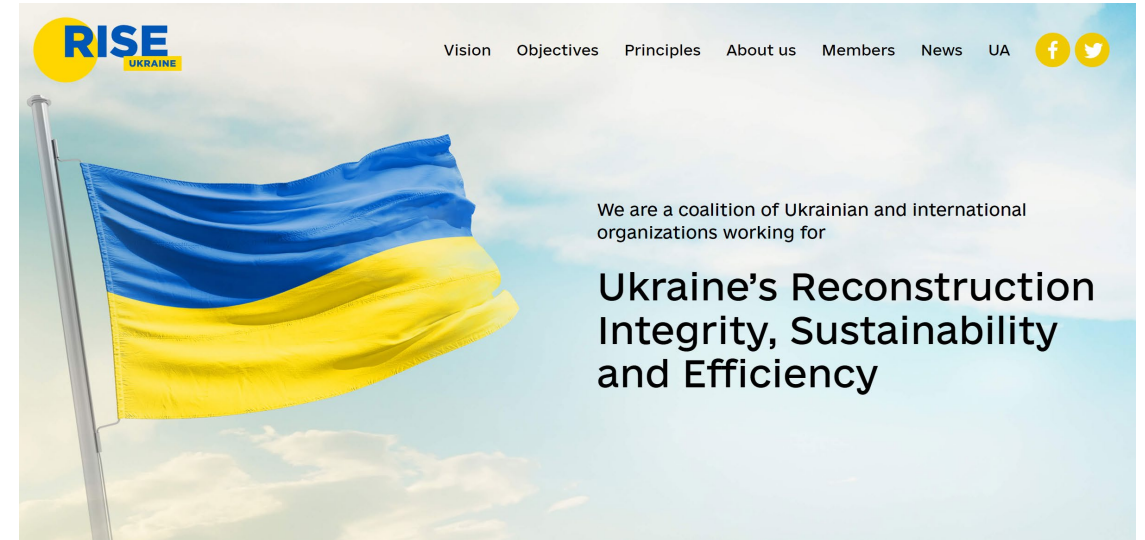
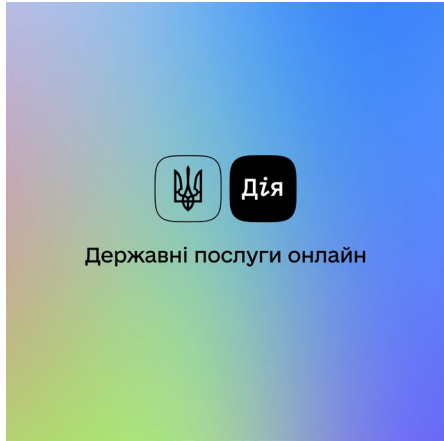
LEVELS OF DESTRUCTION

Buildings destroyed:
31,917 / 192,729

Level of destruction, number of buildings



CAPABILITIES: DIGITAL



RESPONSE

- The government response — economy and society in martial law; Reconstruction Plan presents principles and plans for reconstruction
- The corporate response — both SOE/SOB and private sector — amazing demonstration of solidarity
- Foundational economy is taking shape: basic infrastructure, utilities, goods and services
- What we are seeing: society innovations; technological innovations
- Some companies continue to invest
- Backline cities and communities attract relocated businesses and IDPs

INGENUITY

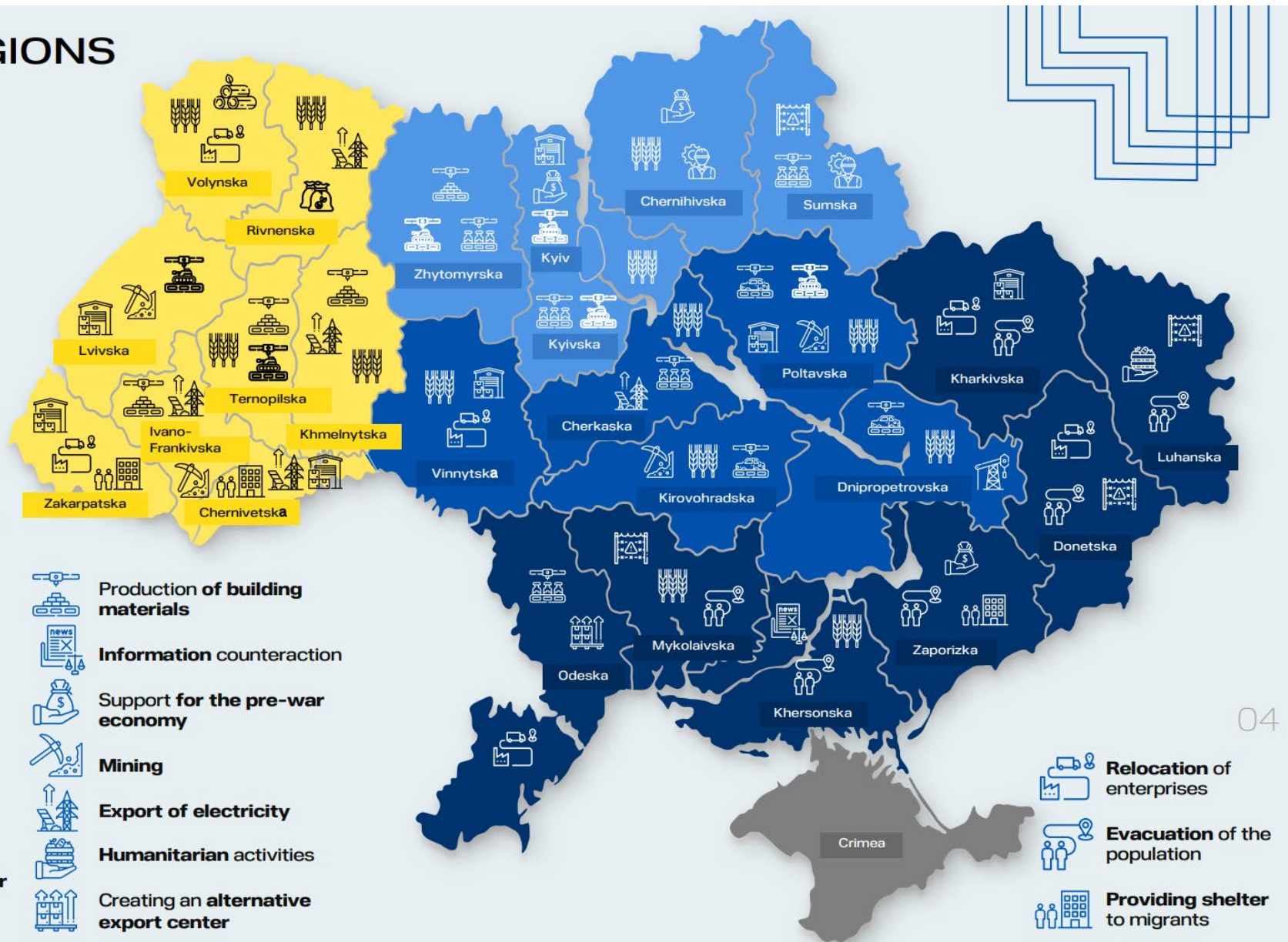


GROUPS OF REGIONS

- Group I** | Frontline regions
- Group II** | Support regions
- Group III** | Backline regions
- Group IV** | De-occupied regions

- Agro-industrial complex
- Logistics center
- Provision of mineral fertilizers
- Provision of wood
- Mining and metallurgical complex
- Engineering
- Elimination of the consequences of the occupation
- Defense of Ukraine's borders
- Food production
- Re-equipment of enterprises for the needs of the military-industrial complex

- Production of building materials
- Information counteraction
- Support for the pre-war economy
- Mining
- Export of electricity
- Humanitarian activities
- Creating an alternative export center



NATIONAL RECOVERY PLAN (JULY 2022)

- Objectives identified: Resilience; Recovery; Modernisation and Growth
- Principles:
 - 1) Start now, rump-up gradually
 - 2) Grow prosperity in equitable way
 - 3) Integrated into EU
 - 4) Build back better (for the future)
 - 5) Enable private investment and entrepreneurship
- Implementation approach includes **regional focus** where “recovery projects to be localised in specific regions and supported by specific international partners”

PRINCIPLES

ENERGY INDEPENDENCE

TRANSPARENCY AND INTEGRITY

EQUITY

HUMAN CENTRICITY AND INCLUSION

SUBSIDIARITY

HARNESSING ANTIFRAGILITY CAPABILITIES & LEAPFROGGING

SUSTAINABILITY & CIRCULARITY

INSTRUMENTS

Own budgetary resources

Direct lending

Capital markets, including new instruments such as social impact bonds, green bonds, sustainable/sustainability linked bonds

Hybrid instruments aimed at derisking

Crowdfunding and co-creation

THANK YOU

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