

2 Towards a place-based approach for an effective post-war recovery

This chapter explores the importance of effective multi-level governance to support Ukraine's post-war recovery and reconstruction by adopting a disaster management approach. It highlights the role of subnational governments in the different phases of the disaster management cycle, including recovery and reconstruction. It also explores the importance of adaptable and “fit-for-purpose” co-ordination and communication mechanisms to help communities prepare for and respond to emergencies, and increase their resilience to future shocks. Finally, the chapter reflects on how a place-based approach can support effective post-war recovery and reconstruction at the subnational level in Ukraine.

Introduction

Until the Russian Federation's large scale aggression against Ukraine in February 2022, and from 2014 onwards, Ukraine had made substantial progress in addressing regional disparities in various areas, such as poverty and access to broadband internet. Moreover, it had made considerable progress implementing ambitious judicial and governance reforms. In particular, success was achieved at the subnational level, through a significant expansion of the administrative and service delivery mandate of municipalities. Despite these advances, however, Ukraine's ability to generate economic growth, stimulate territorial cohesion and increase citizen well-being throughout the country had been strained by several shocks. These included the occupation of Crimea by the Russian Federation in 2014, as well as the most active period of the Donbas conflict (between 2014 and 2015). Ukraine's socio-economic development was also severely restricted by the 2008 global financial crisis and the COVID-19 pandemic, which tested the crisis management and recovery capacities of national and subnational governments around the world.

As this report shows, crises such as these have highlighted the importance of multi-level governance, regional development and effective decentralisation arrangements, and in turn the importance of a place-based approach to disaster management and recovery. Furthermore, they have underscored the role that trust in public institutions, availability of adequate human and financial resources, and the power of effective communication with stakeholders play in preparing for and responding to disasters.

These successive crises have also highlighted the immediate need for adaptability and flexibility at and by all levels of government. This holds particularly true for Ukrainian municipalities during the war. National, regional, and local governments can seldom count on following a pre-established and perfectly sequential course of policy-action to manage, exit and recover from major shocks. Furthermore, the territorially differentiated impact of the recent emergencies demonstrates the value of place-based regional development as a tool for building territorial resilience, including through a mix of public services that is tailored to local needs. These lessons are not only crucial for Ukraine, they also hold true for other countries and regions as they deal with or prepare for the consequences of both man-made and natural disasters.

The vast destruction that has been wrought by Russia's war against Ukraine (Box 2.1) highlight the importance of strengthening Ukraine's capacities to effectively manage shocks and subsequent recovery. Strong institutional capacity to manage and recover from shocks will also be needed to help governments around the world to address other challenges, such as more frequent and severe natural disasters exacerbated by climate change (IMF, 2017^[1]). With this in mind, this chapter has two objectives. First, it seeks to contribute to the growing discussion on how to strengthen multi-level governance systems, so that they can effectively respond to the differentiated needs of regions and cities during and after a disaster. Second, it analyses how Ukraine can support effective post-war recovery at the subnational level by building on the advances it has made in regional development and decentralisation since 2014, and by adopting a place-based approach.

Box 2.1. Scale of the destruction caused by the 2022 Russian aggression against Ukraine

Russia's large-scale aggression against Ukraine, launched in February 2022, unleashed a catastrophe in the country. It has triggered the largest wave of refugees in Europe since World War II. By July 2022, 5.8 million people had fled the country, and millions more are internally displaced. On 1 August 2022, the Office of the UN High Commissioner for Human Rights (OHCHR) recorded 12 584 civilian casualties in the country: 5 327 killed and 7 257 injured. The actual figures are expected to be considerably higher, as information from some parts of the country where intense hostilities are ongoing or that are now controlled by the Russian Federation is sparse or difficult to verify.

Russia's aggression has also had a devastating impact on Ukraine's economy. By August 2022, damage to Ukraine's buildings and infrastructure as a result of the war was estimated at over USD 108 billion, and will likely continue to rise. Up to 129 000 residential buildings, over 9 600 healthcare institutions, 235 000 kilometres of roads and 2 200 education institutions have been destroyed or damaged. It is projected that the war is causing USD 4.5 billion in damage per week to Ukraine's infrastructure and its economy is expected to shrink by 45% in 2022.

The war has also had a profound environmental impact. With a steady barrage of strikes on refineries, chemical plants, energy facilities, industrial depots or pipelines, the country's air, water and soil have been polluted with immediate and longer-term consequences for human health and ecosystems across Ukraine and in the wider region. Moreover, with fighting taking place close to the Zaporizhzhia nuclear power plant, the threat of nuclear pollution looms large.

While the war has touched all of Ukraine's regions, there are profound differences in how different parts of the country have been affected. The regions that border the Russian Federation and the Black Sea have been on the frontline throughout the war and have grappled with the widespread destruction of homes, lives and critical infrastructure. Despite Ukraine's recent territorial gains, large parts of the Donbas region are occupied by Russian forces (as of September 2022). At the same time, many of the country's western regions have been affected by a vast influx of internally displaced people and a shortage of essential supplies, as well as significant pressure on infrastructure and the provision of basic services.

Note: The data presented in this box was collected in August 2022.

Source: Author's elaboration, based on (OHCHR, 2022^[2]; World Bank, 2022^[3]; IMF, 2022^[4]; The Guardian, 2022^[5]; KSE, 2021^[6]; OECD, 2022^[7]).

This chapter introduces the different stages of the disaster risk management cycle and discusses the role of subnational governments in disaster management, recovery and reconstruction, particularly in the context of the war in Ukraine. Second, it reflects on how a country's degree of decentralisation can affect its disaster management capacity. Third, the chapter addresses the value of adaptable and "fit-for-purpose" co-ordination and communication mechanisms, and briefly discusses how these could apply in Ukraine, given the highly asymmetric impact of the war on regions and municipalities. Finally, the chapter reflects on how Ukraine can support subnational recovery and reconstruction efforts, at the appropriate time, to address urgent humanitarian needs, rebuild regional and municipal economies and communities and strengthen their resilience. In doing so, it builds on the data and analysis presented in the following chapters of this report that are focused on: regional demographic, economic, labour and social trends in Ukraine (see Chapter 3); the country's regional and municipal development policy frameworks (see Chapter 4) and the framework surrounding regional and local development funding (see Chapter 5).

Box 2.2. Recommendations to support Ukraine's post-war recovery at the subnational level

The following recommendations should be considered in a timeframe that is appropriate to the current context of war and post-war reconstruction and recovery.

To allow reconstruction and recovery efforts to meet territorially differentiated needs and strengthen resilience going forward, Ukraine is advised to:

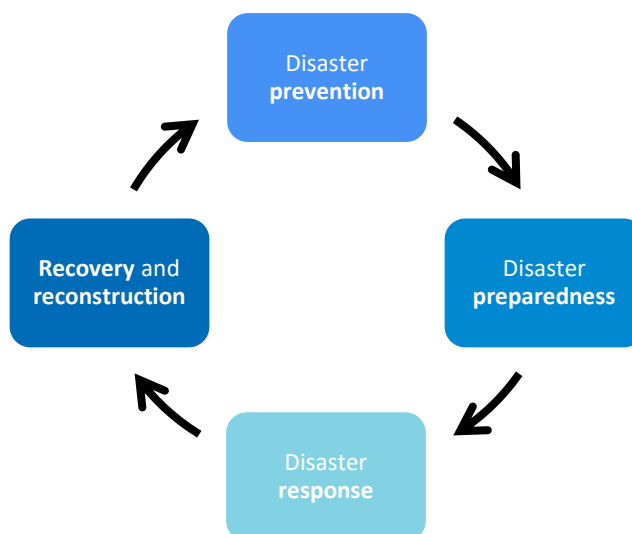
- Ensure that the recovery and reconstruction plans adopt a short-, mid- and long-term perspective and address regional demographic and socio-economic disparities and governance challenges that existed before 2022, while taking into account changes that may have occurred as a result of the war.
- Sequence recovery efforts in a clear way, making sure that citizens regain their pre-war standard of living quickly and do not have to wait for more ambitious reforms to bear fruit, which would hamper trust in the recovery process.
- Ensure that the recovery implementation and funding mechanisms, while reflecting national priorities, can also take account of specific regional and local needs and assets. This can be done by:
 - Involving subnational governments and their representatives (e.g. different associations of local governments) in the design of immediate recovery support schemes, as well as more long-term strategies to boost territorial resilience.
 - Encouraging subnational governments to take a national inventory of territorial needs, design and implement reconstruction projects and track progress of local recovery efforts.
 - Establishing a formal national-level body that is responsible for co-ordinating recovery funding that incorporates representatives from subnational governments so that the design of the funding mechanisms takes into account territorially differentiated needs and absorption capacities.
- Leverage the potential of existing regional development funding, implementation and co-ordination mechanisms to support post-war reconstruction and recovery, for example by:
 - Building on the experience and skills that municipalities have gained since the start of the 2014 regional development and decentralisation reform process in providing citizens with a wide array of public services, as well as managing investment funding.
 - Ensuring the Congress of Regional and Local Authorities meets on a regular basis to facilitate upward and downward exchange between the different levels of governments, identify cross-jurisdiction recovery needs, design tailored projects and track progress.
 - Mobilising existing co-ordination bodies—or establishing new ones—at the *oblast* level and in larger cities to allow public institutions, as well as (international) non-governmental actors to share information, co-ordinate activities and mobilise diversified resources.
 - Updating Ukraine's seven-year State Strategy for Regional Development (2021-2027), as well as its regional and municipal development planning documents, to ensure they are linked to the recovery plan.
 - Considering a shift in the overall aim of Ukraine's State Regional Policy by placing more emphasis on increasing territorial resilience.
- Build capacity of weaker municipalities to develop and implement local reconstruction projects, monitor their results, and absorb recovery funding, for example by:
 - Promoting and facilitating national and international peer-to-peer learning initiatives.

- Encouraging or even temporarily requiring increased cross-jurisdiction co-operation whereby subnational governments share staff and expertise or the provision of services (including contracting out certain services).
- Promote and facilitate the involvement of non-governmental actors in the development, implementation and monitoring of recovery and reconstruction initiatives in the short term, and ensuring increased public participation in decision making processes after the initial reconstruction period.
- Establish mechanisms that allow for the transparent use of recovery funding by subnational governments and strengthening anti-corruption efforts, for example by:
 - Balancing the provision of direct aid to municipalities and aid that is managed by higher levels of government.
 - Supporting municipalities on issues related to local public procurement and transparent decision making, for example by providing targeted training or developing easy-to-use procurement guidelines.
 - Setting up digital platforms that enable governmental and non-governmental actors to track funds and projects.
 - Investing in community-based accountability processes that can be established relatively rapidly (e.g. participatory budgeting, public expenditure tracking and monitoring of public service delivery).
- Invest in subnational government capacity to produce and disseminate publicly accessible, up-to-date information on the results of reconstruction efforts. To prevent overburdening subnational governments, in the short term, they are advised to focus on a limited number of indicators on which they can easily report. If necessary, this list can be gradually expanded as the recovery progresses.

Disaster management and the role of subnational governments

A variety of disaster risk reduction models have been developed to understand better the management of emergencies. The cyclical nature of these models highlights that managing emergencies is an ongoing process that requires continuous effort on the part of governmental and non-governmental stakeholders involved in the process. While the number of stages in the cycle can vary among models, they generally cover the same basic elements: prevention, preparedness, response and recovery (Figure 2.1). While the stages of the cycle can be applied to emergencies as diverse as natural disasters, civil unrest and war, the specific measures related to each situation differ significantly. The following sections will focus on the application of disaster management, recovery and reconstruction in the context of war and draw on examples from Ukraine.

Figure 2.1. Disaster risk reduction life-cycle



Source: Author's elaboration, based on (Australian Council of Social Service, 2015^[8]; Federal Emergency Management Agency, 2013^[9]; University of Central Florida, 2022^[10]; WHO, 2017^[11]; Bello, Bustamante and Pizarro, 2021^[12]).

Prevention

The first stage of the cycle focuses on disaster prevention. This means identifying potential hazards and their drivers, as well as mapping the populations and infrastructure that are at risk before, during or after an emergency. The relevance of mapping and securing such critical assets is underlined by the Russian Federation's recent use of the Zaporizhzhia nuclear power plant in southern Ukraine as a base for storing and launching weapons, creating significant risk of nuclear pollution (The Wall Street Journal, 2022^[13]). In recent years, there have been calls in Ukraine for the development of a state system for the protection of critical infrastructure. If properly embedded in legislation, this would establish criteria for classifying critical infrastructure, as well as clarify the division of tasks and responsibilities for critical infrastructure protection (Ivanenko, 2020^[14]).

Prevention measures also include actions to reduce the likelihood that risks will materialise (University of Central Florida, 2022^[10]; UNDRR, 2015^[15]; Bello, Bustamante and Pizarro, 2021^[12]). For example, depending on the context, the organisation of military exercises and investment in (local) defence capabilities might function as deterrents to armed conflict. Although prevention involves putting mechanisms and capacities in place to avoid disaster, it is important to recognise that emergencies cannot always be foreseen or even prevented.

Preparedness

As preventive measures might fail, investing in disaster preparedness is a prerequisite for effectively managing an emergency. It requires administrative and analytical capacity to detect a potential disaster and monitor its development, as well as the ability to design and regularly update strategic response plans. Preparedness primarily encompasses measures being taken before emergencies happen, such as the creation of early warning systems, conducting emergency simulations or creating emergency and evacuation plans (UNDRR, 2015^[15]). The creation of territorial emergency plans is particularly relevant as the risks associated with potential disasters, as well as the capacities to effectively respond to shocks, tend to vary across regions.

Effective disaster preparedness requires building the necessary financial and human capacity of the actors involved. Effective horizontal and vertical co-ordination and communication mechanisms must also be set

up. These enable the swift communication of disaster risks and ensure that different governmental and non-governmental actors know what to do and how to respond when a disaster is detected. They can also be used to co-ordinate disaster response and recovery efforts across sectors and jurisdictions (e.g. regions and/or municipalities).

Ukraine offers several examples of disaster preparedness measures. In recent years, it adopted a series of norms (State Standards) for the different stages of disaster management. These deal with, for example, emergency response requirements, as well as information sharing in pre- and post-disaster contexts (Terentieva et al., 2021^[16]). In addition, in the months leading up to the 2022 war, Kyiv City created local evacuation commissions to be activated in the case of an attack by the Russian Federation (Zerkalo Nedeli, 2022^[17]). In addition, on 1 January 2022, a new law entered into force that clarified the roles and responsibilities of the different levels of government related to territorial defence. The law indicates that *oblast* (region), *rayon* (district) and municipal councils are responsible for supporting the preparation and implementation of tasks involved in national resistance and ensuring adequate funding for territorial defence measures (Verkhovna Rada, 2022^[18]). In response, in January and February of 2022, several *oblasts* and municipalities approved programmes to fund such measures (Romanova, 2022^[19]). These have facilitated the formation of volunteer (paramilitary) units at the municipal level, thereby complementing the activities of the Armed Forces of Ukraine, and have helped municipalities to resist invasion.

Response

The response stage refers to the efforts of public and non-governmental actors to reduce a disaster's harmful impact when it occurs. During this stage, contingency plans are put into action and the available human and material resources are deployed.

Disaster response activities may require legislative action. For instance, to enable an effective response to the Russian aggression, on 24 February 2022, Ukraine declared martial law, a general mobilisation and a ban on male citizens between the ages of 18 and 60 from leaving the country (President of Ukraine, 2022^[20]). It also facilitated the creation of regional, district and municipal military administrations. Following this, complementary legislation was passed to clarify the powers and responsibilities of subnational governments under martial law. For example, subnational authorities were allocated additional powers to transfer funds from local budgets to Ukraine's armed forces and to inspect buildings and structures damaged as a result of the war. Furthermore, the conditions for the creation of local military administrations were clarified. These include potential situations where municipal administrations, or their mayors, fail to execute their constitutional or legislative mandate (Association of Ukrainian Cities, 2022^[21]). In late February 2022, the government also eased the criteria for civilians to join the territorial defence forces. As a result, by early April 110 000 civilians had joined territorial defence units across the country and subsequently supported the defence of critical infrastructure (Romanova, 2022^[19]).

Given that disasters tend to play out in unexpected ways, responding effectively requires a significant degree of adaptability on the part of the involved stakeholders, as well as for disaster response mechanisms.

Recovery

The recovery phase can be split into different stages. The first involves emergency measures aimed at attending to the affected population, as well as getting the essential physical and economic infrastructure back into operation (Calame, 2005^[22]). This means rebuilding the capacity to provide basic services to citizens and normalising production activities (Bello, Bustamante and Pizarro, 2021^[12]). For example, in the wake of the 1999 Kosovo war, different international institutions worked together to assess Kosovo's urgent reconstruction needs. Based on this assessment, a variety of international donor conferences were held to raise funds for Kosovo's reconstruction. The needs assessment identified short-term reconstruction priorities, including housing, water and sanitation, energy, telecommunications and economic infrastructure.

The second stage of recovery involves reviewing and upgrading strategic infrastructure and mechanisms to prevent the reoccurrence of the hazard that triggered the disaster, as well as any other threats to which the territory is exposed. It is crucial to learn from current disasters to prevent those risks from reoccurring. An effective recovery response often requires the development of an integrated recovery strategy that identifies short-, mid- and long-term reconstruction priorities and establishes the means of implementation.

Measures related to different stages of the disaster management cycle may have to be implemented in parallel, depending on the type and scale of the disaster. For example, as the war in Ukraine has affected regions and municipalities in vastly different ways and moments in time, in some cities such as Irpin and Bucha, reconstruction efforts are already underway, whereas in others that are still on the frontline, disaster response measures are still required.

Subnational governments play a crucial role in risk management and recovery

Effective disaster management is best achieved with the active participation of all levels of government, as well as civil society organisations, the private sector, local leaders, and individual citizens. The role of subnational governments is particularly noteworthy. As the institutional level closest to citizens, regional—and especially local—governments are often the first to identify an emergency (or predict a potential emergency) and are generally at the forefront of disaster response and recovery efforts. This is exemplified by the actions of Ukrainian municipalities post-24 February 2022, many of which swiftly responded to the changing security environment and needs of their populations, for example by working with volunteers to organise aid for the military and internally displaced people.

The growing recognition of the role of subnational governments with respect to disaster management is illustrated by different mechanisms and guidelines put forth by international organisations. For example, the Sendai Framework for Disaster Risk Reduction 2015-2030 aims for “the substantial reduction of disaster risk and losses” (United Nations, 2015^[23]). The Framework recognises the vital role subnational governments play in achieving this goal, explicitly calling for empowering subnational governments through regulatory and financial means to collaborate and co-ordinate with relevant stakeholders in disaster risk management at the local level. For example, the Framework indicates that “while the enabling, guiding and coordinating role of national and federal State Governments remain essential, it is necessary to empower local authorities and local communities to reduce disaster risk, including through resources, incentives and decision making responsibilities, as appropriate” (United Nations, 2015^[23]).

The central role subnational governments play in disaster management and recovery is also highlighted in the *OECD Recommendation of the Council on the Governance of Critical Risks* (OECD, 2014^[24]). It proposes actions that all levels of governments can take, in collaboration with the private sector and with each other, to better assess, prevent, respond to and recover from emergencies (Box 2.3).

Box 2.3. OECD Recommendation on the Governance of Critical Risks

The *OECD Council Recommendation on the Governance of Critical Risks* recommends that OECD Member (and non-Member) countries should:

- Establish and promote a comprehensive, all-hazards and transboundary approach to country risk governance, to serve as the foundation for enhancing national resilience and responsiveness;
- Build preparedness through foresight analysis, risk assessments and financing frameworks, to better anticipate complex and wide-ranging impacts;
- Raise awareness of critical risks to mobilise households, businesses and international stakeholders and foster investment in risk prevention and mitigation;
- Develop adaptive capacity in crisis management by co-ordinating resources across government, its agencies and broader networks to support timely decision making, communication and emergency responses;
- Demonstrate transparency and accountability in risk-related decision making by incorporating good governance practices and continuously learning from experience and science.

Source: Author's elaboration, based on (OECD, 2014^[24]).

Regional and local governments can play an important role in all phases of the disaster management cycle. Their first-hand knowledge of the community's social, economic, infrastructure and environmental needs and assets leaves them ideally placed to detect potential hazards, map physical and economic damage, and identify particular groups that may be at risk in emergency situations. Subnational governments can also build the response capacity of local civil servants and non-governmental stakeholders through education programmes on disaster prevention (UCLG, 2015^[25]). Furthermore, they can adopt local disaster risk reduction strategies, and set up multi-actor disaster prevention co-ordination platforms (Malalgoda, Amaratunga and Pathirage, 2010^[26]). Such platforms are used to communicate disaster risks and ensure that different governmental and non-governmental actors know what to do when a disaster is detected and how to respond. They can also be used to co-ordinate disaster response and recovery efforts. In addition, subnational governments can organise periodic emergency simulation exercises. Furthermore, as discussed below, they are often called upon to lead the response when an emergency is detected and provide information on urgent local needs to higher levels of government.

Despite the recognised value of subnational governments in supporting disaster management efforts, they often lack the financial and human resources to carry out disaster risk reduction and resilience-building actions (Malalgoda, Amaratunga and Pathirage, 2010^[26]). In addition, regional and local governments often face challenges related to effective co-ordination and communication with other levels of government and with non-governmental actors. In this regard, the multi-level governance arrangements that are in place are crucial because they set subnational government mandates, support their ability to act, and provide the necessary resources and mechanisms to carry out tasks—all essential elements in assessing the ability of subnational governments to support disaster management.

Adaptable multi-level governance arrangements for effective disaster management and recovery

This section reflects on the pros and cons of adopting a decentralised approach to disaster management, recovery and reconstruction. It addresses the value of adaptable co-ordination and communication

mechanisms, and discusses the benefits of adopting a place-based approach to disaster management. This is followed by a discussion of how and under what conditions the clear assignment of responsibilities among and across levels of government can help governments prepare for, respond to and recover from emergencies.

The trade-offs between decentralisation and centralisation for disaster management

Several arguments can be made in favour of adopting a decentralised approach to disaster risk management. For example, the strong understanding that regional and local governments have of local contexts and vulnerabilities can help them prepare for the specific types of natural or man-made disasters that could occur in their territory. In addition, as disasters may occur unexpectedly, subnational governments are, in principle, well-positioned to detect emergencies and mount an immediate response (Bae, Joo and Won, 2016^[27]). Furthermore, in a recovery and reconstruction scenario, a decentralised approach may better support the provision of emergency relief that is tailored to local needs. Finally, it can also facilitate innovation, as disaster management and recovery measures can be tested quickly and scaled-up if successful (Hermansson, 2018^[28]; OECD, 2021^[29]).

There are, however, also arguments in favour of a more centralised approach to disaster management. For instance, it can enable political control and reduce short-term co-ordination costs through top-down decision making. Moreover, decentralisation can generate a more fragmented government response to disaster, undermining its effectiveness. The decentralisation of disaster management can also lead to more complex accountability systems, creating opportunities for different levels of government to avoid taking responsibility or shifting blame when faced with public criticism (Hermansson, 2018^[28]). Furthermore, and particularly in the case of mega-disasters, subnational governments may not have the necessary human and material resources to mount an effective response (Bae, Joo and Won, 2016^[27]). The United States (US) Army Corps of Engineers offers one such example. In the US, emergency preparedness and response are primarily state and local responsibilities. However, when the scale of a disaster exceeds subnational capabilities, the Army Corps of Engineers can provide state and local governments with technical advice, engineering services and emergency contracting support (Center for Homeland Defense Security, n.d.^[30]).

There is limited evidence of clear links between a country's degree of political, administrative or fiscal decentralisation and the quality of its disaster management and recovery efforts. Ultimately, it depends on the type and scale of emergency, the quality of the multi-level governance system and decentralisation design, including the clear assignment of responsibilities across and among levels of governments and the extent to which the involved levels of government have adequate human and financial resources to fulfil their mandate (Hermansson, 2018^[28]; OECD, 2021^[29]). Moreover, it depends on whether disaster management follows a place-based approach, if there is effective co-ordination and communication among actors (Box 2.4) (Bae, Joo and Won, 2016^[27]).

Box 2.4. Effective disaster management requires a place-based approach

Whether man-made or natural, crises tend to have territorially differentiated causes and effects. As such, disaster management and recovery efforts can benefit from a place-based approach.

A place-based approach assumes that a territory's social, economic, environmental and institutional characteristics matter. It also presupposes that the involvement of subnational actors is important, whether solely to identify and articulate local needs and priorities or also to implement specific actions.

A place-based approach to disaster management and recovery refers to a set of measures and actions that are adapted to the most pressing territorial needs and the preparedness of specific local actors. This approach can be applied to all stages of the disaster management cycle, from the design of local early-warning systems and establishment of local co-ordination bodies, to the development and implementation of territorial disaster management plans and recovery strategies.

There is evidence that at the local level, in the wake of violent conflict and emergencies, the capacities to contribute to reconstruction and recovery are higher than at higher levels of government. For example, a World Bank report on aid programmes in fragile countries found that place-based approaches can produce constructive results if their design is based on: (1) an assessment of local characteristics and local stakeholder consultation, and (2) if the implementation is flexible and allows local input to be considered. For example, in the 1990s, the Sheila Programme was created to support Cambodia's post-conflict recovery. The programme channelled funds through provincial governments to finance small infrastructure projects that were designed with input from residents. A crucial element of the programme's success was a willingness of the programme's managing authorities to make regular adjustments based on the needs and concerns of different (local) stakeholders.

Source: Author's elaboration, based on (Barca, McCann and Rodríguez-Pose, 2012^[31]; UNDP, 2008^[32]; World Bank, 2007^[33]).

The scale of destruction in Ukraine, which differs across regions and municipalities, means that a mix of both the centralised and decentralised approaches may be needed. In large swaths of the country, regional and municipal governance structures still function relatively well and allow local self-governments to continue to provide basic services to citizens, despite the severely strained conditions. In such places, a decentralised approach can support the design and implementation of recovery efforts that are tailored to local needs. Such an approach can also be beneficial for mobilising the contribution of local communities and testing innovative local recovery measures. At the same time, there are many municipalities where most infrastructure has been destroyed, a large part of the population displaced and municipal government severely weakened or missing altogether. In such instances, a more centralised approach to disaster management and recovery may be necessary if local human, material and financial resources are inadequate to mount an effective response.

Good co-ordination and communication reduce the risk of disaster management failures

Disasters often transcend local, regional or even national boundaries. Therefore, effective risk management at the subnational level is dependent upon multi-level and cross-jurisdiction co-ordination and collaboration (Wilkinson, Comba and Peters, 2014^[34]). Due to their multi-dimensional effects, emergencies, whether caused by an armed conflict or a natural disaster, cannot be addressed by a single sector (e.g. defence, healthcare). Instead, they require a horizontally-integrated response. Such a response could involve, for example, the ministries in charge of economic development (to provide financial relief and recovery measures), social services (to reinforce social safety nets), as well as institutions

responsible for public safety and security (to effectively respond to violence, enforce public order or provide logistical support) (Bello, Bustamante and Pizarro, 2021^[12]).

The importance of striking a balance among diverse forms of co-ordination

A co-ordinated response among and across levels of government can minimise disaster management failures. There are different forms of co-ordination that can be used, ranging from centralised command structures to more or flexible multi-actor networks. The main risk of non-coordinated action in a disaster situation is to “pass the buck” to other levels of government, which can result in a disjointed response and generate collective risk. For example, there may be limited incentives for cross-jurisdiction co-operation (e.g. sharing equipment, skilled personnel, etc.) if supporting a neighbouring municipality may undermine one’s own ability to adequately respond to a disaster situation (OECD, 2014^[24]; OECD, 2021^[29]).

In the face of a disaster, co-ordination arrangements need to respond to different needs. For instance, there is often a demand for solid leadership and central direction, clearly defined responsibilities and well-established chains of command through hierarchical structures (Christensen et al., 2015^[35]). A good example of this comes from Ukraine. Early in February 2022, the country’s central military command, together with representatives of national and subnational governments, participated in a meeting of the Congress of Regional and Local Authorities in which the head of the armed forces presented how local governments could contribute to the country’s territorial defence in case of an emergency (Romanova, 2022^[19]).

Networks for disaster management have become another important tool in the response to complex crises and necessitate the engagement of multiple stakeholders (Kapucu and Garayev, 2016^[36]). For example, co-ordination networks can be particularly helpful when many national and international development organisations and civil society actors are implementing disaster response and recovery actions.

While centralised and networked approaches to disaster co-ordination each have their advantages, sometimes they are not effective. This can happen, for example, when hierarchical structures do not allow bottom-up learning to take place or take a predominantly sectoral approach to managing a multi-dimensional disaster. Likewise, without careful design and commitment from the involved stakeholders, flexible network arrangements might not be effective (Christensen et al., 2015^[35]). For instance, in the wake of 2011 Great East Japan Earthquake, there were few co-ordination mechanisms in operation to leverage the support provided by the networks of non-governmental organisations, undermining the effectiveness of their efforts (Ranghieri and Ishiwatari, 2014^[37]).

A key question for policy makers is how to set up disaster management co-ordination mechanisms that strike a balance between organisational stability, specialisation, and rapid response, while allowing for adaptation in the face of changing circumstances. The answer to this question should be based on a close assessment of a country’s multi-level governance arrangements. For example, the more decentralised the country, the greater the need may be to establish vertical co-ordination platforms to minimise the risk of a fragmented policy response. In this regard, associations of subnational governments can play a fundamental role in facilitating vertical co-ordination and communication efforts—by disseminating information, identifying and sharing solutions, and supporting the implementation of emergency measures by their members (OECD, 2021^[29]). In Ukraine, for example, the different associations of local governments contributed to the development of legislation on the tasks and responsibilities of municipalities under martial law, thereby addressing the needs of their members. They have also organised meetings with national and international partners to mobilise support for Ukrainian municipalities.

The question of how to set up disaster management co-ordination mechanisms depends on the scale and type of disaster that a government faces. For example, vertical co-ordination may be particularly valuable in situations where the impacts of a shock are considered of national importance and where regions may be affected in similar ways. For shocks that affect a small number of regions, a more decentralised approach may be beneficial as it enables the implementation of more tailored solutions and may facilitate

a swift response. Due to the scale of the destruction caused by the war in Ukraine, as well as its territorially differentiated impact on regions and cities, the work of national co-ordinating bodies may be complemented by more flexible networks at the regional and municipal levels. Such networks can pool expertise from governmental and non-governmental actors to address specific local challenges, be they military, humanitarian, economic or environmental.

Depending on the type of disaster and its territorial impact, cross-jurisdiction co-ordination mechanisms can also be established. For example, in the wake of hurricane Andrew, several southern US states created a mutual aid system to facilitate the sharing of resources (Box 2.5). Similarly, in Ukraine, *oblasts* located farther from the frontline have provided humanitarian aid to *oblasts* more affected by the war. They have also facilitated the evacuation of citizens (PROSTO, 2022^[38]).

Box 2.5. United States Emergency Management Assistance Compact

The Emergency Management Assistance Compact (EMAC) was originally designed as a mechanism that states could use to quickly provide material and human resources in response to the early stages of a disaster. Later, the compact was expanded into a nationwide, state-to-state mutual aid agreement that has facilitated inter- and intra-state support for disaster management and recovery.

During governor-declared states of emergency, whether man-made or natural, the Compact offers assistance through a system that allows state governments to send staff and equipment to support the disaster response and recovery efforts of other states. Deployments are co-ordinated with the federal response to avoid duplication of efforts.

The strength of EMAC lies in its relationship with federal agencies, national organisations and subnational authorities. At the same time, success depends on the familiarity of subnational governments with the system and how prepared they are to provide designated personnel and other resources.

Source: Author's elaboration, based on (Vaughn, 2007^[39]; EMAC, 2022^[40]).

Clear co-ordination and communication among all parties is fundamental

In the context of disaster management and recovery, co-ordination across and among levels of government, and co-ordination with non-governmental actors is equally important. Often the scope of crises goes beyond a government's ability to cope with the disaster on its own. For example, citizens might be required to comply with emergency measures such as evacuation or shelter-in-place orders. Likewise, businesses can be called upon to produce supplies deemed necessary for managing a disaster and recovery, as per the example of United States Defense Production Act (Federal Emergency Management Agency, 2021^[41]). Consequently, public-sector disaster management efforts should be co-ordinated with businesses, civil society organisations and individual citizens.

Involving governmental and non-governmental actors in the development of disaster management plans and organising communication campaigns about emergency prevention and control can help mobilise diverse actors quickly to meet disaster-induced challenges. Furthermore, organising disaster simulation exercises can provide insight into the effectiveness and efficiency of the different types of co-ordination mechanisms, build understanding of the responsibilities of the relevant stakeholders involved, and test lines of communication.

Effective disaster communication depends on the relationships among all levels of government and with the public and private sectors. It means communicating early, clearly, regularly and with a coherent message. Stakeholders need to know what is happening, what is expected of them, and feel reassured

that they are being supported during an uncertain and difficult period (OECD, 2021^[29]). This can be particularly challenging as different actors may push opposing narratives about the disaster, its causes and development, such as in the case of the Russian aggression against Ukraine. In addition, the evolving nature of a disaster means that messaging may have to be adjusted to match new realities or/and understanding of the emergency. This challenges the ability of governments at all levels to be consistent and may give the impression that communication is incoherent. Furthermore, social media has become a key communication tool during disasters. Its widespread use, however, raises particular challenges, for example regarding the ability of governments and citizens to cope with a vast amount of information and to determine its credibility.

Clear assignment of responsibilities can facilitate disaster management

An effective emergency response depends on the clear assignment of responsibilities among levels of government. However, determining the appropriate level at which public tasks and responsibilities ought to be carried out is complex and depends on different elements. These include the availability of human and financial resources, as well as oversight mechanisms. The latter can include formal audits of disaster response and recovery efforts, as well as more bottom-up strategies, such as social audits, public expenditure tracking and monitoring by citizens.

For many countries, responsibilities are not clearly assigned among levels of government. This may generate major obstacles to ensuring overall efficiency and local political accountability. A lack of clarity may stem from poorly-defined policy areas, as well as the fact that functional responsibilities (e.g. tasks related to planning, funding, implementation, oversight and control) are not clearly defined or are inconsistent (Allain-Dupré, 2018^[42]). An unclear allocation of responsibilities and tasks is particularly notable in policy areas that are the most “shared” among levels of government, such as education, healthcare and infrastructure management (Allain-Dupré, 2018^[42]). This can undermine the effective delivery of public services and accountability as actors may avoid taking responsibility by “passing the buck” to other levels of government. These challenges are especially problematic in the context of a disaster, which requires swift, co-ordinated and decisive action, as well as clear communication and accountability structures.

Improving the legislative and regulatory framework is a basic step in deploying subnational governments in disaster response (Yilmaz and Boex, 2021^[43]), which “allows multi-agency, multi-sectoral response actions by identifying mutual and dynamic tasks rather than individual and static roles” (Yilmaz and Boex, 2021^[43]). The legal and regulatory framework developed by Colombia (Box 2.6) can serve as an example of how to improve legislation and regulation supporting disaster management and recovery. This example is particularly instructive as the renewed framework enables complementary high-level and decentralised co-ordination bodies to be established.

Box 2.6. Legal and regulatory framework for improved disaster management in Colombia

In 2012, the Government of Colombia adopted the National Policy on Disaster Risk Management and established a corresponding National System for Disaster Risk Management (NSDRM). Among other elements, the policy defines the oversight and co-ordination bodies and mechanisms for the NSDRM, as well as their role and responsibilities.

The legal and regulatory framework facilitates high-level oversight through the National Council on Risk Management, the members of which include the President, as well as line ministers. It also calls for decentralised co-ordination through provincial, district and municipal Disaster Risk Management Councils, which are tasked with disaster risk management within their respective territorial jurisdictions. While these councils are normally composed of the governor or mayor and representatives of their administrations, depending on the disaster, experts, representatives of civil society associations or universities can be invited to participate in the meetings to discuss issues relevant to risk management. This gives the subnational councils the flexibility to engage with multiple public and non-governmental stakeholders.

Source: Author's elaboration, based on (The Congress of Colombia, 2012^[44]; UNDP, 2020^[45]).

A lack of clarity in the assignment of responsibilities is often accompanied by resource deficits. In some instances, there may be insufficient guidance for allocating revenues, identifying spending requirements, or building capacity. In other instances, even when subnational government responsibilities are clearly defined, the human and financial resources that would be a prerequisite to successfully carrying out their tasks might not be available (Garschagen, 2016^[46]). Across OECD member countries, there are myriad examples of unfunded or underfunded mandates where subnational governments have the responsibility to provide services or manage policies but lack the much-needed financial resources (OECD, 2019^[47]). For example, in the wake of devastating earthquakes in 1999, the Republic of Türkiye gave governors and municipal authorities more responsibilities to manage crises. However, this was not accompanied by an investment in upskilling subnational staff or a significant increase in subnational revenues, undermining the effectiveness of the disaster management reforms (Hermansson, 2018^[28]).

The importance of a clear assignment of responsibilities among levels of government, and the provision of adequate (recovery) funding are highlighted by the results of a 2020 survey of 300 subnational governments, conducted by the OECD and the Committee of the Regions (CoR) during the early months of the COVID-19 pandemic. Seventy-five percent of respondents indicated that funding was one of the most helpful levers for addressing the next crisis (OECD-CoR, 2020^[48]). In addition, national government support was considered particularly welcome in relation to clearly establishing roles and responsibilities among levels of government (58%) (OECD-CoR, 2020^[48]).

Moreover, as recovery may be funded through different sources, for example inter-governmental transfers, national and subnational taxes, international aid, private sector financing and community contributions, etc., governments should establish mechanisms for tracking both official and private funds. This can build confidence among donors and citizens alike in how disaster management and recovery funding and financing is managed and can help mobilise additional funds (World Bank, 2015^[49]). The website recovery.org, which was established in the wake of the 2008 global financial crisis as part of the 2009 American Recovery and Reinvestment Act, serves as an example. It enabled the public to track the spending of funding that was awarded as part of the federal stimulus package (OECD, 2020^[50]).

To assess and improve the effectiveness of the assignment of responsibilities for disaster management, policy makers could consider applying a subsidiarity framework (Melo Zurita et al., 2015^[51]). This is based

on the principle that tasks and responsibilities should be allocated to the lowest competent authority (Box 2.7).

Box 2.7. Subsidiarity framework for assigning responsibilities among levels of government

The subsidiarity framework centres on four basic questions whose responses can help policy makers determine whether tasks and responsibilities can or should be effectively assigned to subnational governments. They also enable the authorities to identify what measures need to be taken to ensure that the necessary mechanisms and resources are in place to allow the subnational governments to adequately execute their mandate.

1. **Is there an area of shared competence?** Answering this question facilitates the mapping of possible overlapping responsibilities and functions.
2. **Is there a need to act in concert?** The answer to this question will depend on the nature and territorial scope of the disaster, among other elements. For example, cross-jurisdictional or cross-border co-operation might be necessary.
3. **Is the task execution feasible?** It could be that a particular level of government does not possess the administrative, financial or material resources or even the constitutional mandate to effectively implement specific disaster management and recovery tasks. If so, responsibilities may have to be allocated to a higher level.
4. **Are mechanisms in place to ensure the transparent and accountable execution of tasks and responsibilities?** By answering this question authorities can identify whether oversight mechanisms are in place or could be set up to ensure that the relevant levels of government can be held accountable. If this is not the case, the assignment of disaster management and recovery functions might create the risk of misallocation of funds or the abuse of disaster management powers.

Source: Author's elaboration, based on (Melo Zurita et al., 2015^[51]).

Clarity in the assignment of responsibilities in fields that are not exclusively related to disaster management is also vital as it may facilitate the rebuilding of key infrastructure in the wake of a disaster. For example, the reconstruction of roads, broadband networks or water systems can be problematic if different levels of government are not sure about the scope and limitations of their responsibilities (World Bank, 2015^[49]). This is one of the challenges that Ukraine will have to address when mounting a comprehensive recovery and reconstruction strategy that focuses on immediate humanitarian needs, as well as on rebuilding local economies, infrastructure and service delivery.

Already prior to the 2022 aggression by Russia, the assignment of responsibilities among levels of government in Ukraine required clarification in several sectors. Responses to a 2021 OECD survey of Ukrainian municipalities¹ indicated that the areas in which surveyed municipalities reported least clarity with respect to responsibilities are public transport and roads, support to small and medium-sized enterprises (SMEs), and energy (OECD, 2021^[52]). This is borne out by current legislation, which, for example, does not clearly stipulate which level of subnational government is in charge of funding and undertaking the construction and maintenance of local roads. Indeed different laws assign the responsibility to *oblasts*, *rayons* or municipalities (Verkhovna Rada, 2021^[53]; Verkhovna Rada, 2021^[54]; Verkhovna Rada, 2021^[55]). In the context of post-war reconstruction, this could hamper Ukraine's swift reconstruction of critical road infrastructure, unless the government opts for a fully centralised approach to road construction and maintenance, which might not take sufficient account of local needs and capacities.

The pre-war challenges related to the lack of clarity in the division of tasks and responsibilities among levels of government and the availability of funding to carry out their legal mandate are compounded by the war itself. While the fiscal capacity of all subnational governments has weakened, some frontline municipalities also face an important reduction in staff, as civil servants may have fled or joined the war effort. In other municipalities, the service delivery demands have increased drastically due to the influx of internally displaced people. Thus, while some subnational governments are still able to carry out most administrative and service delivery tasks, others are not. To address this challenge, the government could request that *oblasts*, *rayons* and municipalities indicate whether they can (temporarily) carry out specific functions. Based on this information, the national government could, for example, encourage or even temporarily require increased cross-jurisdiction co-operation whereby subnational governments share staff and expertise or service provision (including contracting out certain tasks).

Applying a place-based approach to support post-war recovery in Ukraine

Drawing on lessons from the recent reconstruction experiences of countries such as Afghanistan or Iraq can be problematic. The nature of their conflicts, the level of ethnic divisions within the countries, and the relative strength of their governance structures going into and coming out of the war were highly different from those of Ukraine. Given this, the experience of the post-1945 recovery of Western European states may hold more relevance for Ukraine. For example, Ukraine's technical and institutional capacity is more comparable to that of post-World War II Western Europe than that of many countries that have received post-war recovery and reconstruction support in recent decades (Centre for Economic Policy Research, 2022^[56]). In addition, just as the Marshall Plan provided an impetus for regional economic integration, industrialisation and building confidence about the future of post-World War II Europe, a national recovery plan for Ukraine could contribute to the necessary conditions for EU integration. For example, reconstruction support could help the country further align its legislative and regulatory environment with EU standards, as well as facilitate peer-to-peer learning trajectories with EU member countries. Accession to the EU is one of the main aims of the National Council for the Reconstruction of Ukraine, and an important step was taken in June 2022 when Ukraine was granted EU candidate status.

How and when Russia's invasion of Ukraine might end is, of course, not yet clear. Ukrainian and international policy makers have already taken a series of important steps towards post-war recovery. In April 2022, the Government of Ukraine established the National Council for the Reconstruction of Ukraine, which is responsible for devising a national recovery plan. During the Ukraine Recovery Conference in Lugano, Switzerland, the draft recovery plan for Ukraine was presented by the Prime Minister, and the Lugano Declaration, highlighting principles for the recovery process, was agreed by most of the participants (Box 2.8).

Box 2.8. Draft national recovery plan and the Lugano Declaration

A draft national recovery plan

An early draft plan for post-war recovery prepared by the Government of Ukraine identifies 15 strategic areas of recovery intervention, including EU integration, strengthening the business environment, energy independence, and modernising regions among others. Strengthening institutional capacity is considered a pre-requisite for the successful implementation of the plan. To this effect, the draft plan identifies several priority initiatives such as improving access to digital registers to strengthen transparency and accountability; finalising the anti-corruption system reforms; digitalising public service delivery; and professionalising the public service. To implement the draft plan, the government estimates it needs USD 750 billion (375% of Ukraine's GDP in 2021), of which two-thirds would have to be provided by international partners.

Lugano Declaration

During the Ukraine Recovery Conference 2022, the EU outlined plans for the development of the Ukraine Reconstruction Platform co-led by the EU and Ukraine to monitor progress towards recovery and support donor co-ordination. The Government of Ukraine also presented a Ukraine-led recovery platform. In addition, over 40 countries and several international organisations, including the OECD, agreed on seven principles for the recovery process, forming the Lugano Declaration:

1. **Partnership.** The recovery process is led and driven by Ukraine and conducted in partnership with its international partners.
2. **Reform focus.** The recovery process has to contribute to accelerating, deepening, broadening and achieving Ukraine's reform efforts and resilience, in line with Ukraine's European path.
3. **Transparency, accountability and rule of law.** The recovery process has to be transparent and accountable to the people of Ukraine.
4. **Multi-stakeholder engagement.** The recovery process has to facilitate collaboration between national and international actors, including from the private sector, civil society, academia and local government.
5. **Democratic participation.** The recovery process has to be a whole-of-society effort, rooted in democratic participation, local self-governance and effective decentralisation.
6. **Gender equality and inclusion.** The recovery process has to be inclusive and ensure gender equality and respect for human rights, including economic, social and cultural rights.
7. **Sustainability.** The recovery process has to rebuild Ukraine in a sustainable manner.

Source: Author's elaboration, based on (Ukraine Recovery Conference, 2022^[57]; National Recovery Council, 2022^[58]).

With so much of the country's physical and human capital having been destroyed, adopting a disaster management framework and implementing it in a place-based manner can help Ukraine plan for and implement recovery and reconstruction measures. Even though the causes of the destruction of livelihoods and infrastructure differ per disaster, disasters share the same management principle: designing and implementing a long-term, integrated recovery and reconstruction strategy and bolstering resilience, rather than merely rebuilding the damaged infrastructure. The OECD's eight guiding recommendations for building resilient regions after a natural disaster (Box 2.9) can be a useful input as the National Council for the Reconstruction of Ukraine advances with the design and implementation of a long-term national recovery plan.

Box 2.9. Guiding recommendations for building resilient regions after a natural disaster

In the wake of the 2009 earthquake that struck a wide area of Italy, with the city of L'Aquila at its epicentre, the OECD assisted the Italian government in designing a long-term strategy to re-launch the economy of the Abruzzo region. Drawing on this collaboration, as well as experiences from other OECD regions where natural disasters had prompted the rethinking of development models, the OECD formulated eight policy recommendations for building resilient regions after a disaster.

1. **Ensure that short-term decisions do not constrain long-term options.** Recovery efforts should be integrated into a coherent strategy of economic and social development focused on the long-term economic potential and job creation of the affected areas.
2. **Identify the economic base and the socio-economic drivers specific to the region to increase its resilience.** Since recovery may take time, it is essential to identify the actions with the greatest potential for rapid impact on the economy and society. Finally, sequencing priorities will help to provide a feasible timeline for recovery and give early success signals to create endorsement and ownership.
3. **Develop an integrated strategy for redevelopment after a disaster by strengthening the dialogue among stakeholders to raise the profile of needed reforms and quality of decisions.** Co-operation among public-private actors and different levels of government is needed, as bearing the social cost of a disaster goes beyond the financial and organisational capacity of the affected region.
4. **Strategic choices should be locally led.** While the required resources, whether financial, organisational, or of capacity, cannot be entirely devolved to local institutions, the strategic choices for the development of the region and the policy instruments to implement that development should be locally led.
5. **Use the occasion of a disaster to introduce reforms or standards for the country.** Because national resources and capacity play a role in defining the development strategy for post-disaster regions, once the disaster is over, standards beneficial for the entire country in case of future shocks should be drawn.
6. **Foster public participation to help decision making.** Disasters undermine not only physical capital but also the social and cultural fabric of territories. Therefore, recovery strategies should understand and reflect a community's vision.
7. **Make public deliberation a regular component of the regional development strategy.** Subnational governments are advised to identify physical and online spaces for community deliberation as well as to organise institutional meetings to discuss progress, and to ensure that the opinions expressed have an effective influence on decision making related to the recovery.
8. **Build trust, increase accountability of policy-making and improve capacity of administrations.** The accessibility, quality and disclosure of information on reconstruction expenditures, criteria and timelines are fundamental to build trust in the recovery. This should be paired with investment in skills and funds to set up public performance monitoring systems.

Source: Author's elaboration, based on (OECD, 2013^[59]).

National and local policy makers can also use the *resilience systems analysis* tool developed by the OECD to help governments identify and integrate risk and resilience into their strategies and programme planning (OECD, 2014^[60]). This tool can help national and local governments increase resilience by building three capacities (OECD, 2014^[60]; UN-ADB-UNDP, 2018^[61]):

1. **Absorptive capacity:** the ability of a system to prepare for or prevent shocks, and/or cope with their negative impact.
2. **Adaptive capacity:** the ability of human systems to adapt in response to multiple, long-term and/or future risks. It also refers to the ability to learn from and adjust after a disaster materialises.
3. **Transformative capacity:** the ability to take deliberate steps to change existing human systems so that (potential) shocks will no longer have any impact.

Addressing persistent challenges and building on existing assets using a place-based approach

Taking a place-based approach to disaster management and recovery could help Ukraine overcome territorial development challenges that existed prior to the war, while also supporting territorially differentiated reconstruction needs. Adopting such an approach is particularly important as the war has affected regions and municipalities in vastly different ways, with some communities being destroyed, while others continue delivering basic services and have governance structures that remain largely intact. Furthermore, taking a place-based approach would allow Ukraine to tailor recovery measures to the capacity of subnational authorities and non-governmental actors, which differs from place to place. Ukraine could support this effort by building on the successes of its regional development and decentralisation reforms introduced in 2014.

Post-disaster reconstruction can provide an opportunity to overcome pre-existing development challenges

Short-term reconstruction decisions will affect the options available for long-term sustainable and equitable development. Thus, recovery efforts should be integrated into a coherent strategy of socio-economic development focused on the long-term economic potential and job creation of all affected territories and sectors, as well as the well-being of their citizens. In doing so, policy makers should pay close attention to the national and territorial socio-economic development trends and governance challenges in Ukraine prior to the 2022 aggression by the Russian Federation, and how they may have shifted or exacerbated by the war.

Ensuring that recovery efforts meet specific regional and local needs requires strengthening subnational government capacity to absorb financial aid. It also depends on boosting their ability to adequately mobilise the material and financial contribution of non-governmental actors. Finally, as in many post-conflict and post-disaster situations, once the emergency subsides, more ambitious reforms can be explored, including a revised longer-term regional development strategy. This is particularly important as Ukraine considers the economic, institutional and governance reforms that are necessary to advance towards EU membership.

Post-war reconstruction can create the conditions to improve on the past by introducing radical reforms, for example, or possibly even skipping certain policy or development stages entirely (OECD, 2009^[62]). The recovery strategy developed by Puerto Rico after it was hit by hurricanes Irma and Maria in 2017 is a relevant example of a planning document that takes into account the damage caused by a disaster, as well as pre-existing conditions, while also articulating a vision for future development (Box 2.10).

Box 2.10. Puerto Rico's reconstruction strategy

In the aftermath of the 2017 hurricanes that devastated Puerto Rico, causing widespread destruction to homes, lives and critical infrastructure, its government developed an economic and disaster recovery plan. Despite the vast differences in terms of landmass and population, and the type of disasters that hit both countries, the recovery efforts of Puerto Rico may hold relevant lessons for Ukraine.

Similar to Ukraine, Puerto Rico was faced with depopulation, which was undermining economic growth. In response, Puerto Rico's recovery strategy placed particular emphasis on rebuilding a strong and competitive economy to which migrants who had left the island prior to or in the wake of the disaster would want to return.

The recovery plan, which was developed with input from municipal governments, as well as non-governmental actors, among others, was cast as an opportunity to transform the island by implementing solutions that were forward-looking and could revitalise growth. Its main objective was to: "build the new Puerto Rico to meet the current and future needs of the people through sustainable economic development and social transformation; transparent and innovative approaches to governance; resilient, modern, and state-of-the-art infrastructure; and a safe, educated, healthy, and sustainable society."

The plan differentiated between needs and priorities in the short (1–2 years), medium and long term (3–11 years). Short-term priorities included re-establishing the delivery of key public services and infrastructure (e.g. water, transportation, electricity) and rebuilding homes. Longer-term objectives included stemming the flow of outgoing migration by lowering the costs of doing business, stimulating formal employment, and broadening the tax base. The plan also incorporated actions for upgrading the island's workforce, stimulating increased digitalisation and expanding opportunities for entrepreneurship.

The estimated cost of implementing the recovery plan was USD 139 billion, equivalent to 138% of the island's GDP in 2018, the year the recovery plan was presented. By 2021, USD 63 billion had been allocated for disaster relief and reconstruction activities, of which USD 18 billion was actually spent.

Source: Author's elaboration, based on (World Bank, 2022^[63]; Government of Puerto Rico, 2018^[64]; CSIS, 2022^[65]; CNE, 2021^[66]).

The shocks induced by the war can be a catalyst to break historic paths for regions that were previously struggling. For example, most regions in Ukraine were dealing with declining populations and labour forces (see Chapter 3). In addition, the national economy was increasingly reliant on Kyiv City and Kyiv *Oblast*, with other regions failing to catch up. There were also vast regional differences in labour informality. While in 2020, almost half of the total workforce of Chernivtsi *Oblast* and Rivne *Oblast* was informally employed, in other *oblasts*, it was only 10% (CabMin, 2021^[67]). In its efforts to regenerate its economy and rebuild communities, Ukraine, supported by its international partners, could design specific programmes that seek to address such challenges. For example, enhanced access to (international) funding and financing could help to reduce labour informality. It could also target investment in the digitalisation of services and the creation of one-stop-shops to increase the access of informal workers to public resources (e.g. information on business registration and funding for start-ups, social security benefits, etc.).

There is evidence to suggest that the pre-existing strengths and challenges of subnational governments are often amplified in the course of recovery efforts. For example, cities that were growing at a rapid pace before suffering vast damage caused by war tend to recover quickly. Conversely, cities whose development was stagnant or declining prior to war may even witness an acceleration of their decline (Calame, 2005^[22]). As such, Ukraine's territorial economic and well-being trends, as well as governance

strengths and challenges, should be taken into consideration when developing recovery and reconstruction plans that seek to rebuild critical infrastructure and increase territorial resilience.

Consideration should also be given to ensuring that the country's territorial-administrative structure is functional for the post-war period. As Ukraine advances with the design and implementation of a national recovery plan, it may be opportune to address the inconsistencies that exist between the Constitution and legislation related to the territorial-administrative organisation of power. Key issues to be resolved include finding a new role for the *rayon* level of government, which has seen its local-level responsibilities and funding hollowed out as a result of the amalgamation and decentralisation reforms; strengthening the implementation capacity of *oblasts*; and establishing adequate oversight mechanisms among levels of government (e.g. through the introduction of prefectures) (see Chapter 4).

At the same time, policy makers should be aware that public goodwill and the hope that often marks the first years of reconstruction tend to be short-lived (USAID, 2022^[68]). Analysis from different post-war settings shows that in most countries, people become frustrated and lose trust in the reconstruction process within three to six years. After a devastating conflict, people want to regain the standard of living that they were used to, as soon as possible, and are impatient for more ambitious reforms to bear fruit (Galtung, 2008^[69]). This means that the government, supported by international partners, will have to clearly sequence recovery efforts and make sure that in the short term the delivery of basic services is restored, housing is provided and local economies are kick-started. Achieving progress in these areas quickly can sustain trust in government and donors and generate buy-in for more ambitious reforms.

A national recovery plan should build on territorially differentiated needs and assets

Since the war began, many countries and international organisations have provided financial and in-kind support to help Ukraine continue its military operations, provide humanitarian relief, pay salaries to civil servants and ensure the ongoing delivery of services, such as healthcare, drinking water and electricity. Significant financial and technical support, whether from national governments, international organisations or private sources (e.g. private foundations and diaspora) will likely be mobilised to fund and finance Ukraine's reconstruction. This is exemplified by the results of the Ukraine Recovery Conference in Lugano, during which multilateral development banks, including the European Investment Bank, announced the creation of different multi-donor trust funds (European Union, 2022^[70]).

In line with the principles of the Lugano Declaration (Box 2.8), recovery objectives—as well as funding and financing provided by the international community—should reflect national priorities. However, they should also be tailored to meet territorially differentiated needs (Box 2.11) and local absorption capacities.

Box 2.11. The differentiated needs of Ukrainian municipalities during wartime

To understand how the war has affected Ukrainian municipalities, different categories can be identified:

- **Municipalities located behind the frontline** with a relatively undamaged physical infrastructure that have been able to continue providing basic services, such as education, healthcare, water and electricity. Many have seen a large inflow of internally displaced people who are in need of housing, food and other necessities.
- **Municipalities on the frontline** that continue to contend with the destruction of homes, lives and critical infrastructure and whose delivery of basic services has been severely affected. Municipalities in this category often face human resource challenges, as key staff may have joined the military, fled, been injured or killed.
- **Municipalities that were occupied by Russia but have been liberated.** These municipalities face particular challenges such as rehabilitating damaged homes and civilian infrastructure, managing the slow return of civilians who fled the violence, as well as managing any adverse effects of the occupation on social cohesion. The possible presence of landmines creates a particularly acute security risk. In addition, the demand for mental health services may be particularly high in these municipalities.
- **Besieged municipalities** face severe security challenges. Such municipalities may be cut off from outside support and food, fuel, water and medicine might be in very short supply. Often many residents, including local civil servants, have either joined the military or fled to safer places. In addition, some besieged municipalities have been unable to maintain regular contact with the *oblast* administration, leaving them to manage the crisis autonomously.
- **Temporarily occupied municipalities** in which the official governing structures are either absent or have been replaced by the occupying force. There tends to be limited information about the specific humanitarian needs. However, needs are likely related to the destruction of homes, lives and critical infrastructure, interruptions in the delivery of basic services, human resource shortages stemming from mass flight of the local population to other parts of Ukraine or to other countries. Moreover, citizens in these municipalities are likely to have significant mental health needs.

Source: Author's elaboration, based on (PROSTO, 2022^[38]).

Already prior to the war, the fiscal and human resource capacity of different types of municipalities to carry out their mandate varied significantly (see Chapters 4 and 5). For example, responses to the 2021 OECD survey of Ukrainian municipalities showed that 83% of the 741 responding urban municipalities considered that they had the necessary human resources to carry out their tasks. For settlement and rural municipalities² this was 73% and 62% respectively (OECD, 2021^[52]). This may give some indication of their ability to absorb investment funding. However, effectively managing investment funding is complex and depends on more than just the availability of human resources.

The demands on subnational governments are increasing with the war as new challenges are added—ranging from supporting territorial defence, to clearing debris and repairing damaged infrastructure. To compound the situation, some municipalities' financial capacities may be diminished as revenues plummeted. However, the degree of change varies significantly across regions. For example, municipalities that were besieged (or continue to face attack) often have less human resource capacity than prior to the war, as civil servants may have fled to safer places, for example. In addition, while all subnational governments' fiscal capacity dropped precipitously in the first few months of the war, the revenues of several regions and municipalities that are not on the frontline have slowly started to recover (Onyshuk,

2022^[71]). As such, the territorially differentiated impact of the war may contribute to deepening existing regional divisions, particularly between the east and west of the country.

As it advances with the design and implementation of a national recovery plan, the government would do well to tailor support to meet the different needs and capacities of municipalities throughout the country and ensure that no place is left behind. Failing to do so will not only thwart the rebuilding of local economies and livelihoods, it may also create the impression that reconstruction is not equitable, undermining trust in the government and donors. The categories presented in Box 2.11 can provide a useful starting point for implementing specific recovery initiatives that meet local demands.

Ukraine can build on the success of its post-2014 regional development and decentralisation reforms

Defining the recovery vision and policy at the highest levels of government is necessary to ensure acceptance and coherent application across policy sectors. However, as it finalises and implements a national recovery plan, Ukraine should be careful not to adopt a heavily centralised approach. This would ignore the important potential for support that subnational governments, especially municipalities, can contribute to the reconstruction efforts. Instead, the government should pursue a place-based recovery as a basis to return to integrated regional development. The proposals for reinforcing public administration through a national recovery plan represent a good starting point from a multi-level governance perspective. These include improving co-ordination and collaboration among municipalities, *rayons*, *oblasts* and the national government; increasing the skills of subnational public servants; updating the division of tasks and responsibilities among levels of government; and ensuring that subnational governments have sufficient financial resources to execute their mandate (National Recovery Council, 2022^[58]).

Close attention should be paid to how subnational governments can be effectively involved throughout the reconstruction process, including in the finalisation of a national recovery plan, the design of mechanisms to fund and finance recovery, and the implementation and monitoring of specific projects. In addition, policy makers need to ensure that *oblasts*, *rayons* and municipalities have the capacity to deliver on national and local recovery priorities.

The government is advised to assess to what extent existing regional development funding, implementation and co-ordination mechanisms can be leveraged and improved to support post-war recovery and reconstruction. National and international policy makers should build on the success of Ukraine's post-2014 regional development and decentralisation reforms, which led to more robust regional development planning and improved local public service delivery. With these reforms, the national, regional and municipal levels of government have gained ample experience in designing and implementing strategies for territorial development (see Chapter 4).

The regional development and decentralisation reforms also introduced new inter-governmental transfers for regional development (see Chapter 5). This allowed local governments throughout the country to implement territorially-specific development projects. It also provided subnational governments with new skills to manage investment funding. The government should leverage these skills to support subnational recovery and reconstruction efforts. Furthermore, the reforms created regional development agencies, as well as different vertical and horizontal co-ordination bodies that can support the coherent implementation of Ukraine's State Regional Policy at all levels of government, particularly if a series of financial, administrative and operations challenges are overcome (Chapter 4). The reforms also resulted in the development of a more robust framework of complementary regional development plans and strategies at the national and subnational levels. These achievements can function as steppingstones for rebuilding Ukraine's local economies and communities.

Partnering with subnational governments and civil society in recovery efforts

In post-conflict countries where the international community has supported the implementation of recovery programmes, there is evidence that local and community-driven development efforts tend to be more effective in addressing recovery needs than those developed and implemented by higher levels of government (World Bank, 2007^[33]). At the same time, care needs to be taken that reconstruction and recovery efforts do not get diluted (or fall apart entirely) due to local power dynamics, limited oversight and a lack of accountability mechanisms.

Subnational governments can support recovery efforts with existing policy and service delivery tools

Across Ukraine, despite the war, and thanks at least in part to Ukraine's decentralisation reforms, many of its subnational governments have been able to make the most of the administrative and service-delivery responsibilities and skills gained post-2014. For example, municipal administrative service centres (ASCs) that were established as part of the decentralisation reform process are now being used to register internally displaced people and give them access to social benefits. Some ASCs are also functioning as co-ordination centres for humanitarian aid (PROSTO, 2022^[38]). As such, the role of ASCs has moved beyond merely providing administrative services. Under these circumstances, municipal governments may have a better sense than the national government of urgent needs and particularly vulnerable populations. There are also examples of municipalities located in the west of the country that have provided space for businesses that operated close to the frontline to relocate their production facilities. Moreover, municipalities facing a host of challenges (e.g. drop in revenues, particularly in the first few months of the war, an influx of internally displaced people, etc.) have developed action plans to cut back on non-essential expenditures, while continuing to provide key services (U-LEAD, 2022^[72]).

To support these efforts, many national and international development partners, such as the EU-funded U-LEAD initiative, have adjusted programming to meet the needs of municipalities during the war. For example, U-LEAD has used its network of regional offices throughout the country to provide municipalities with technical and material support. Municipalities received emergency aid packages to clear debris or accommodate internally displaced people. In addition, U-LEAD has organised numerous in-person and virtual training sessions, international workshops and peer-to-peer exchanges for municipalities on topics such as recovery and reconstruction through municipal partnerships, the implications of martial law for local administration and service delivery, and how to promote the return of refugees to their home communities (MinRegion, 2022^[73]; MinRegion, 2022^[74]; MinRegion, 2022^[75]).

Leveraging local expertise is exceptionally important for a place-based approach and to channel resources where they can have the most impact (OECD, 2022^[76]). This makes it vital for the national government to create space for, promote and facilitate the active participation of subnational authorities in defining immediate recovery support schemes, as well as more long-term strategies to boost territorial resilience. In particular, the different associations of local governments (e.g. the Association of Ukrainian Cities and the Association of Amalgamated Territorial Communities) can be called upon to ensure that the prioritisation of recovery efforts and the distribution of financial and material support is tailored to territorial needs and local absorption capacity. In addition, Ukraine's different tiers of subnational government can support the development of an open-source national inventory of territorial needs, design and implementing reconstruction projects and track progress of the local recovery efforts.

There are, however, some areas in which municipalities may need support to ensure that they have the necessary capacity to manage reconstruction efforts (see Chapter 4). For example, responses to the 2021 OECD survey of Ukrainian municipalities indicate that about 40% of the 741 responding municipalities did not consider they had the necessary expertise to involve the private sector and individual citizens in the design and implementation of development plans (OECD, 2021^[52]). However, this challenge is particularly acute for rural municipalities and less so for settlement and urban municipalities. Thus, while rural

municipalities may need some form of technical support to adequately design and implement local recovery projects, the urban and settlement municipalities might be more favourably positioned to engage in recovery early on.

To support this effort, Ukrainian and international policy makers are advised to promote and facilitate national and international peer-to-peer learning initiatives, such as the European Alliance of Cities and Regions for the Reconstruction of Ukraine that was launched in June 2022. This initiative aims to bring together regional and local authorities in Europe to support reconstruction efforts, for example by organising training sessions, mobilising material and financial support for local projects and supporting the further integration of Ukraine's subnational governments into European networks. Policy makers should ensure that such peer-to-peer learning initiatives are tailored and targeted to the recovery challenges of each type of local community (urban, settlement, and rural) as their specific recovery needs will likely be different.

Many subnational governments might not have the specific technical expertise to estimate the cost of complex local recovery projects, which could lead to an over- or underestimation of the financial resources necessary for project implementation. Building the capacity of subnational governments to carry out project appraisals, which refers to the process of assessing the costs, benefits and risks of project alternatives, is recommended to support evidence-based decision making on recovery. Furthermore, with many people having fled the violence, skilled labour (e.g. engineers, electricians) might be in short supply. As such, the national and subnational government levels are advised to collaborate with vocational and higher education institutions to build up the type of knowledge that is needed to design and implement initiatives to repair damaged or construct new roads, bridges, schools, electrical grids, etc.

The magnitude of post-conflict reconstruction requires the involvement of civil society and other non-governmental actors

The cost of rebuilding critical infrastructure and re-establishing the delivery of basic public services will likely go far beyond what the national government and international community are able to mobilise in the short and medium term. To facilitate Ukraine's recovery and reconstruction, it will be pivotal to promote and facilitate the contribution of the private sector, academia, civil society organisations (CSOs), social economy organisations (e.g. associations, foundations, co-operatives, mutual organisations and social enterprises) and individual citizens.

Non-governmental actors can contribute to identifying and verifying local needs, while defining reconstruction priorities. For example, facilitating stakeholder engagement in developing urban reconstruction plans can help determine whether cities should focus almost exclusively on rehabilitating damaged infrastructure or also seek to address urban challenges that existed prior to the war (e.g. limited access to public transport). For instance, in the wake of World War II, there was significant diversity in how heavily damaged cities decided to reconstruct. While some targeted rebuilding (historic) infrastructure, others, such as Coventry in the United Kingdom focused more on addressing user needs and key urban functions. Throughout Europe, urban policy makers often had to balance the public's wish for rebuilding "cherished scales, monuments, and details" with "[f]unction-oriented goals for urban renewal" (Calame, 2005^[22]). Carefully designing stakeholder engagement mechanisms can help ensure that urban reconstruction efforts take into account the specific demands of citizens, which can support public ownership of and trust in urban reconstruction efforts. Participatory budgeting, which allows citizens to propose or prioritise public expenditure, is one such tool.

Non-governmental actors may also provide financial, material and human resources to implement reconstruction projects, and to monitor the adequate use of funding. In addition, they can provide grassroots knowledge and capacity to deliver services in places that subnational governments may not be able to reach on their own, particularly in the early post-conflict stage. Similarly, social economy organisations are important partners to mitigate the impacts of disasters. They pioneer resilient business

models to provide essential services by espousing solidarity, putting people ahead of capital considerations, and encouraging participative governance (OECD, 2022^[77]). For example, the Mondragon Corporation, a federation of worker co-operatives, helped restore employment and drive economic development in the Basque region following the Spanish Civil War, and is still active today (OECD, 2020^[78]). Moreover, during the 2008 Global Financial Crisis, social economy organisations were important sources of job creation. While in 2008 employment in the public and private sectors fell in Belgium and Italy, employment in social enterprises in both countries grew by 11.5% and 20% respectively (European Union, 2016^[79]). More recently, social economy organisations were at the forefront of the crisis-response to the COVID-19 pandemic, during which they addressed urgent health and social needs (OECD, 2020^[50]). Japan's experience in using public-private partnerships to support recovery and reconstruction efforts in the wake of the 2011 Great East Japan Earthquake can serve as an example (Box 2.12).

Box 2.12. Example of public-private partnerships to support Japan's 2011 recovery

Following the 2011 Great East Japan Earthquake, the government of Japan launched an innovative cash-for-work project to support people who had lost their jobs due to the emergency. As part of this initiative, over 31 000 jobless people were hired to work on reconstruction projects, support local governments issue resident cards or perform need assessments at evacuation centres. This scheme allowed the government to incorporate women and the elderly, groups which are often overlooked in post-emergency recovery projects.

By setting up partnerships with private staffing agencies, the government reduced red tape related to the hiring of public servants. This allowed it to quickly employ affected people to work in disaster-response organisations and municipal governments.

The efforts by Japan's national and subnational governments were supported by non-governmental organisations that launched a project to hire jobless people to support reconstruction projects. Their income was financed through national and international private contributions.

Likewise, in the immediate aftermath of the earthquake, social economy organisations rapidly provided relief services such as free meals, housing, childcare and volunteer co-ordination. During the recovery process, municipal governments partnered with social economy organisations to organise debris removal and set up logistic support systems.

Source: Author's elaboration, based on (Ranghieri and Ishiwatari, 2014^[80]; Saito, 2020^[81]; Sakamoto, 2012^[82]).

Despite the significant amount of international support received by municipalities, the bulk of humanitarian aid has been raised by Ukrainian sources: civil society, local businesses, churches, and individuals (PROSTO, 2022^[38]). In fact, ever since the Maidan Revolution and the start of the Donbas war in 2014, the country has witnessed an impressive mobilisation of volunteers who have helped localities manage successive crises. In many municipalities, volunteers support local authorities, for example by organising the delivery of aid to residents, the military, internally displaced people and temporarily occupied territories (U-LEAD, 2022^[72]).

Recovery and reconstruction can create space to address pre-existing development challenges. In Ukraine, efforts by non-governmental actors to support the country's response to the war have been invaluable. Yet, current legislation leaves relatively little room for non-governmental actors such as social economy organisations to contribute to the design and implementation of territorial development strategies (see Chapter 4). Moreover, there is no legal framework in Ukraine for the overall social economy (European Commission, 2018^[83]). As such, many social economy organisations have limited access to support measures such as tax benefits, preferential borrowing rates or access to public tenders, which risks limiting

their overall social impact (European Commission, 2018^[83]; OECD, 2022^[84]). This, in turn restricts the ability of subnational governments to leverage the support of businesses, academia and citizens to meet territorial development objectives.

Local power dynamics and limited oversight may hamper recovery and reconstruction

Subnational government involvement in reconstruction and recovery processes can make for more successful outcomes. However, to ensure this, the government, as well as international partners should also be prepared to mitigate the pre-existing risks associated with vested interests and corruption, which tend to be exacerbated in post-disaster contexts. This is due to a combination of a vast inflow of recovery funds, pressure on authorities to allocate resources swiftly, and strained absorption capacity in national and subnational institutions (Transparency International, 2012^[85]).

Important lessons can be learned from the post-war reconstruction of Bosnia and Herzegovina, during which different international actors dealt with whichever local authority had direct control over physical infrastructure. This practice enabled unofficial power structures to benefit from the reconstruction initiatives both materially (e.g. through provision of goods and services to international reconstruction agencies), and politically (e.g. by being able to nominate the beneficiaries of international aid) (Cox, 2001^[86]). This reflects a need for policy makers to strike a balance between providing direct aid to municipalities and aid that is managed by higher levels of government. It also underscores the importance of anti-corruption, accountability and transparency efforts. This is particularly relevant in Ukraine, as assessments of the legal and efficient use of communal resources published by the State Audit Service prior to the war revealed major violations and shortcomings (CabMin, 2021^[87]). As such, the government and international partners should support municipalities on issues related to local public procurement and transparent decision making. For instance, targeted training or developing easy-to-use procurement guidelines could be provided.

Experience from other post-war reconstruction settings indicates that anti-corruption efforts are often not adequately prioritised, particularly early on. During the first stage of recovery, expectations from local communities and donors are high, there is a low demand for accountability, a very high inflow of external funding and fighting corruption can be considered an obstacle to achieving “quick wins”. This tends to be followed by a period when corruption becomes entrenched and the initially high expectations for recovery turn into frustrations as the public perceptions of corruption rises (Galtung, 2008^[69]).

Ukraine’s government has been explicit about the corruption risks posed by the recovery and the need to address this head on. As indicated in Box 2.8, the draft national recovery plan identifies finalising the anti-corruption system reforms that were initiated after the Maidan-revolution as a key priority area. Such high-level reforms, however, may take time to produce tangible results. To reduce the risk of corruption in the short term, national policy makers and donors should consider investing in community-based accountability processes that can be established relatively rapidly. For example, citizen-based accountability mechanisms such as participatory budgeting, public expenditure tracking, monitoring public service delivery and citizen advisory boards are used in many countries (Galtung, 2008^[69]; World Bank, 2004^[88]). For these mechanisms to work, though, citizens must have access to quality data on planned budget expenditures, public procurement, budget execution and the results of recovery activities (USAID, 2022^[68]). Therefore, the government should consider setting up digital platforms that enable governmental and non-governmental actors to track funds and projects.

An assessment of (international) reconstruction assistance in eight post-conflict settings found that up-to-date information on aid flows was difficult for local CSOs and local communities to obtain. Moreover, in the few cases where international development partners made efforts to communicate aid results, documents were often not accessible or only available in English (Galtung, 2008^[69]). The online aid information management system in Myanmar, which is called Mohinga, serves as an example. Launched

in 2015, it provides publicly accessible information and analysis on donor spending by sector and region using the International Aid Transparency Initiative (IATI) format (GPEDC, 2019^[89]).

To strengthen transparency, as well as donor and government accountability to citizens, the government should also support the capacity of subnational government to produce and disseminate updated information on the results of reconstruction efforts. This is essential for keeping the public informed about the country's progress in meeting recovery targets. It can also improve evidence-based decision making on recovery and reconstruction. However, prior to the war, the capacity of subnational governments to generate territorially differentiated data was limited (see Chapter 4). As such, in the early phase of the reconstruction, the government should identify a limited number of indicators on which subnational governments can report. This list can be gradually expanded as the recovery progresses.

Ukraine could also consider establishing recovery communication focal points in *oblasts* and municipalities who can provide information to the public about the status of projects, funding and procurement processes, etc., thereby managing expectations about the speed and success of recovery. Doing so can contribute to sustained public confidence in the government's recovery efforts, as well as in the support provided by international partners. Box 2.13 presents examples of recommendations from Chapter 4 on how effective data management for regional development policy in Ukraine can improve evidence-based recovery decision making, accountability and transparency.

Box 2.13. Strengthening effective data management: some possible actions for Ukraine

The following recommendations are based on the data and analysis provided in Chapter 4. They focus on the generation, analysis and sharing of territorially-disaggregated data related to regional development. However, they can also contribute to evidence-based decision making for recovery and reconstruction and support public accountability.

- Invest in the generation, analysis and dissemination of information on citizen experience with public services at the national, regional and local levels.
- Strengthen the role that the State Statistics Service of Ukraine (SSSU) plays in gathering, analysing and disseminating data across ministries and among levels of government. For example, this could entail:
 - Expanding the available territorially-disaggregated data on the SSSU portal and integrating data presented on the portals of other state institutions.
 - Identifying functional urban areas (FUAs) that can serve as a basis for reconstruction and recovery policies in urban areas. A FUA consists of a densely inhabited city and of a surrounding area (commuting zone) whose labour market is highly integrated with the city.
 - Creating inter-agency commissions—for instance for regional development—that are charged with defining the sectoral data needs, establishing standards to generate and present statistics, as well as ensure current databases are up-to-date and new ones are developed.

Note: The full list of recommendations for strengthening effective data management for regional development policy in Ukraine can be found in Chapter 4.

Building on regional development and decentralisation successes to advance recovery planning and implementation

To support the regional and local reconstruction and recovery objectives of a national recovery plan, ensuring effective co-ordination of the various specific initiatives and actors will be essential for aligning

objectives, agreeing upon priorities, and establishing responsibilities for action. The National Council for Recovery may need additional support in co-ordinating efforts at the subnational level, and could make use of existing co-ordination bodies. In addition, Ukraine's regional and local governments have been gaining experience with regional development planning, as well as regional development funding and investment mechanisms since 2014. These recently honed capacities can be further refined to meet the specific demands of investment in a reconstruction and recovery context.

Existing co-ordination bodies can be used to ensure policy coherence

The co-ordination bodies supporting Ukraine's regional development and decentralisation reforms can also help the National Council for Recovery to track progress and facilitate dialogue across and among levels of government on recovery and reconstruction. These include the Congress of Local Authorities and Regions and the Inter-Departmental Co-ordination Commission for Regional Development (ICC). An important task for these bodies could be to ensure that recovery initiatives meet local demand but do not lead to a fragmented approach that undermines funding effectiveness and efficiency. This requires strong national and subnational government co-ordination to identify inter-locality/cross-jurisdiction needs and design tailored projects. The Congress and ICC could also help to co-ordinate the support that other countries, as well as subnational governments from around the world, are providing to Ukrainian *oblasts* and municipalities. At the same time, the government and international partners should be cognisant of and address challenges that have limited the effectiveness of both co-ordination bodies (see Chapter 4). This includes upward and downward communication between the national government—in particular with the National Council for Recovery—and subnational authorities.

International experience shows that effective co-ordination of the many national and international organisations involved in post-disaster reconstruction activities can be a challenge, particularly at the subnational level. As such, *oblasts* and larger municipalities should consider establishing recovery co-ordination bodies—or mobilising existing ones—that allow public institutions, as well as (international) non-governmental actors to share information, co-ordinate activities and mobilise diversified resources (Ranghieri and Ishiwatari, 2014^[37]). Ukraine's regional development agencies could possibly function as platforms to co-ordinate recovery regional efforts. However, this would require significant external support as, already prior to the war, the financial, material and human resource capacity of regional development agencies varied significantly, with most agencies facing staffing problems (see Chapter 4).

Box 2.14 presents examples of recommendations from this report on how to strengthen horizontal and vertical co-ordination mechanisms, particularly in the field of regional development, which can also support the co-ordination of recovery efforts.

Box 2.14. Strengthening co-ordination bodies: some possible actions for Ukraine

The following recommendations are based on the data and analysis provided in Chapter 4. They focus on the vertical and horizontal co-ordination bodies supporting regional development and decentralisation. However, they can also contribute to the coherent implementation of recovery and reconstruction initiatives across and among levels of government.

- Reinforce the Inter-Departmental Co-ordination Commission for Regional Development (ICC). This could be accomplished, for example by streamlining the ICC's broad set of responsibilities to ensure its meetings focus on key regional development issues and by creating technical working groups within the ICC. These working groups could focus more in-depth on technical questions, such as the monitoring and evaluation of the State Regional Policy, as well as on regional development funding mechanisms.
- Improve the effectiveness of the Congress for Local and Regional Authorities to facilitate debate and exchange among levels of governments. One approach is to establish a transparent process for selecting which subnational representatives can take part in the meetings of the Congress.

Note: The full list of recommendations for strengthening the horizontal and vertical co-ordination of regional development in Ukraine can be found in Chapter 4.

Experience with regional development planning and funding can support reconstruction

As it implements a national recovery plan, it will be important for Ukraine to continue building on the regional development planning and funding frameworks, which have been developed since 2015. These frameworks provide the national and subnational governments, as well as non-governmental actors, with relative clarity regarding the government's territorial development aims, as well as possible funding and implementation mechanisms. The government should also learn from the challenges that subnational governments have faced in funding and financing, as well as implementing local development projects.

One essential step for post-war regional development will be updating the existing seven-year State Strategy for Regional Development (SSRD) (2021-2027), as well as regional and municipal development planning documents, with an eye on ensuring that strategic documents link to a national recovery plan. In particular, it should ensure alignment with the section dedicated to "Recovery and Stimulation of Regional Development". In addition, in the light of the destruction that has been wrought by the war, policy makers should reflect on whether it is necessary to modify the overall aim of Ukraine's State Regional Policy going forward, for example by placing more emphasis on bolstering territorial resilience. This would require amending article 2 of the Law "On the Principles of State Regional Policy", which specifies the purpose of the State Regional Policy. This move could also entail integrating aspects related to territorial resilience into the SSRD results framework, such as strengthening subnational disaster management capacities.

To ensure the effective delivery of a recovery and reconstruction plan, Ukraine should also consider streamlining the planning requirements for subnational governments in order to facilitate decisive recovery action. With the gradual rollout of the regional development reforms and decentralisation beginning in 2014, there was a proliferation of required territorial development strategies and plans for subnational governments to develop. These risks overlap among different planning documents, potentially resulting in a duplication of efforts. It also has the potential to create confusion regarding the hierarchical relationship among the different strategies and plans and can lead to a fragmented use of resources, particularly when the objectives of the different strategies and plans are not aligned. Furthermore, "regional and local planning should be considered in the choice of the short, medium and long-term investments that allow for

immediate needs of different regions to be met, but also facilitate the achievement of longer-term priorities, such as supporting the green and digital transitions” (OECD, 2022^[76]) Box 2.15 presents examples of recommendations from this report on strengthening strategic planning for regional development to contribute to Ukraine’s longer-term recovery.

Box 2.15. Strengthening strategic planning: some possible actions for Ukraine

The following recommendations are based on the data and analysis provided in Chapter 4. They focus on the strategic planning framework for regional development. However, they can also contribute to the place-based implementation of a national recovery plan, particularly in the mid to long term.

- Ensure continued alignment between the State Strategy for Regional Development and subnational development strategies. This can be done by modifying the legal framework to establish that—after the first three or four years of implementation—state, regional and municipal authorities should conduct a mandatory assessment of the strategies in light of any significant economic, social, environmental or political changes.
- Strike a balance between development planning and implementation, and promoting horizontal and vertical policy coherence. The enactment of a national planning law that defines the long-, medium- and short-term planning instruments to develop, and who should be responsible for their design, implementation and monitoring can help accomplish this.

Note: The full list of recommendations for strengthening Ukraine’s strategic planning framework for regional development can be found in Chapter 4.

Ukraine can also build on the experience that subnational governments have gained since 2015 in managing regional development funding (see Chapter 5) through several regional development grants and subventions³, including the flagship State Fund for Regional Development. Ukraine’s framework for funding regional development has been very fragmented. Between 2015 and 2019, a total of 110 grants and subventions linked to regional and local development were implemented by a wide array of institutions. This hampered the effectiveness of public spending and risked a duplication of efforts. These challenges were compounded by the absence of a formal body—such as an inter-ministerial commission—to co-ordinate regional development funding. Efforts should be made to avoid this when designing and implementing the recovery and reconstruction funds at the national and subnational levels.

The vast destruction caused by the war has drastically increased the need for investment in roads, bridges, hospitals, factories and other crucial “hard” infrastructure, particularly in areas that were at the frontline. Repairing roads, electricity networks and schools, among other assets, can support the delivery of basic services and utilities and facilitate the relaunch of economic activity. At the same time, investments in physical infrastructure should be complemented by investments in human capital development, and support for the development of small and medium-sized enterprises (see Chapter 5). OECD analysis highlights that investing in “hard” infrastructure alone has little impact on regional growth unless it is combined with “soft” investments (OECD, 2009^[90]; OECD, 2020^[91]). This is particularly important in the context of Ukraine’s post-conflict recovery, as many skilled workers have fled the country. In addition, the upskilling of internally displaced people may be necessary to facilitate their economic integration into their host communities. Stimulating territorial economic development is of crucial importance for rebuilding communities and encouraging residents who have fled to return. To support this effort, the government can consider requiring international development partners to contract a certain percentage of their goods and services from local businesses.

Box 2.16 presents examples of recommendations from this report on how to improve the effectiveness of regional development funding and investment, which may be relevant in the context of Ukraine's post-war reconstruction.

Box 2.16. Strengthening public funding and investment: some possible actions for Ukraine

The following recommendations are based on the data and analysis provided in Chapter 5. They focus on funding regional development. However, they can also help increase the effectiveness and efficiency of recovery funding at the subnational level.

- Streamline the number of grants and subventions for regional development (but not reducing their value) to increase spending efficiency, avoid overlap and strengthen the quality of implementation.
- Strike a balance between investment in “hard” and “soft” infrastructure to promote balanced regional development, for example by:
 - Ensuring that funds and subventions with a cross-sectoral focus, such as the State Fund for Regional Development, facilitate investment in areas such as innovation and skills, as well as “hard” infrastructure.
- Develop and implement methodologies that municipalities can use to identify investment needs, given the scarcity of territorially-disaggregated data, and to effectively engage with governmental and non-governmental actors.
- Provide training and advice to municipalities, particularly those with more limited capacities, in areas such as stakeholder engagement, procurement, and monitoring and evaluating investment projects.

Note: The full list of recommendations for improving the effectiveness of Ukraine's grants and subventions for regional development can be found in Chapter 5.

Based on these lessons, Ukraine is advised to establish only a limited number of dedicated recovery funds and subventions. In addition, the government should consider introducing a formal national-level body that is responsible for co-ordinating recovery funding and financing. This body could be linked to the National Council for Recovery, and should incorporate representatives from subnational governments so that the design of the funding mechanisms takes into account territorially differentiated needs and absorption capacities. This body could manage the open-source digital platform to track funds and projects mentioned earlier. Mexico's former Trust Fund for Natural Disasters (*Fideicomiso Fondo de Desastres Naturales*, FONDEN), which was created in 1999 and dissolved in 2020, could serve as an example, provided robust oversight mechanisms are established. FONDEN's governing bodies, in which representatives from various national ministries were represented, assessed funding applications from national and subnational governments, and tracked reconstruction and funds. FONDEN was supported by state-level natural disasters funds. Moreover, in the immediate aftermath of disaster, a committee to assess damages would be convened in which national and state-level representatives participated (World Bank, 2012^[92]; Helfgott, 2021^[93]).

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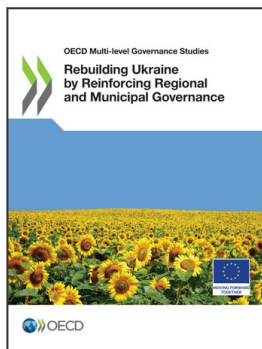
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Notes

- ¹ The online survey was completed by 741 municipalities (51% of all Ukrainian municipalities in 2021).
- ² In Ukraine, municipalities are qualified as rural, settlement and urban depending on a number of factors, including population size.
- ³ The Budget Code of Ukraine defines subventions as inter-governmental transfers of funds to be used for specific purposes through procedures defined by the authority that decides to provide the subvention (Verkhovna Rada, 2021^[94]).



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