

Recommendations for the Future Reconstruction of Ukraine

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Introduction

As a result of the war in Ukraine, which is still continuing after twelve months, dwellings and public infrastructure have been demolished or damaged, public services and economic activity have been impeded, and significant numbers of Ukrainians have been displaced from their homes.

Since the Rapid Damage Needs Assessment carried out by the World Bank in spring 2022, local experts already estimate the cost of reconstruction to be significantly higher. Indeed, their estimate is \$138 billion, compared to the original estimate of \$97 billion. Beyond damage costs the World Bank estimates total reconstruction needs in the order of \$350 billion. Since October 2022, Ukraine's critical energy infrastructure has been further damaged, threatening supplies and exposing Ukrainian citizens to a lack of electricity, heat and hot water during the winter.

In the light of the growing global construction market, on the one hand, and the lack of manpower in the global construction industry, on the other hand, CICA, FIEC and EIC, with the other co-signatories call on international donors to create attractive financial and legal framework conditions for construction companies and their suppliers that are ready to use their scarce resources for the reconstruction of Ukraine. The reconstruction effort should be led by the Ukrainian authorities in close partnership with the European Union and other key partners, such as G7, as well as international financial institutions.

Against this background, we would like to give the following recommendations to the international donor community which will finance Ukraine's reconstruction:

Recommendations for the Future Reconstruction of Ukraine

1. Rebuild better, quicker and more sustainably, without reducing quality:
 - a) Reconstruction should be carried out as quickly as possible to help displaced families and to put the Ukrainian economy back to or beyond pre-war performance, without jeopardising quality.
 - b) The involvement and training, in co-operation with local partners, of local institutions and officials, designers, local contractors and subcontractors, as well as local architects and consulting engineers should be one of the primary objectives of the reconstruction effort.
 - c) In order to shield contractors, consulting engineers and their suppliers active in Ukraine from the (significant) risk of non-payment, pre-agreed payment security mechanisms, preferably set up with the involvement of a multinational third party such as the EU, World Bank or other donors instead of local banks/security providers, could be put in place up to defined limits to allow early mobilisation/start-up including during the contract negotiation/finalisation phase.
 - d) Construction works related to buildings and infrastructure, including their restoration, must be procured in a way that ensures they meet environmental requirements, that they are carried out in an environmentally friendly manner and with the use of appropriate machinery and equipment complying with the environmental regulations and standards.

2. With the perspective of possible accession of Ukraine to the EU, buildings and infrastructure should be procured, designed and rebuilt sustainably and in accordance with European standards (Eurocodes, etc.). Use of local materials and circulation as well as digital solutions in the design, permitting and construction process should be encouraged, in order to obtain both transparent and low-carbon solutions.

3. The project preparation phase is of utmost importance:
 - a) The projects should be selected or prioritised on the basis of an overall assessment, ex ante, of their relevance: debt sustainability, environmental impact, transparency, capacity building, innovation, market and non-market benefits.
 - b) The lifecycle cost and carbon footprint of infrastructure assets should be taken into account in the cost part of the project documentation during tenders.
 - c) The technical preparation should be streamlined to reduce execution costs and increase sustainability. It should also involve the architects, consulting engineers and the contractors at the earliest possible stage of the project.
 - d) Facilitating teamwork between designers and architects, where applicable, consulting engineers and contractors is helpful to optimise design and to guarantee the “constructability” of the projects.
 - e) Pre-qualification should be used in accordance with EU rules and regulations.

4. The Ukrainian authorities, the EU Institutions and the Multinational Development Banks should use procurement methods which prevent corruption (active and passive). Following EU anti-corruption and compliance legislation is mandatory.
5. International contract standards (FIDIC, etc.) should be applied to speed up negotiations and contract awards. Open book and integrated project delivery may be used where necessary. Training should be provided to all stakeholders.
6. Invoice approval procedures should be simplified to reduce the time-limits for payments and reduce costs.
7. The bank guarantees system should be simplified and harmonised to reduce costs.
8. The private sector should be encouraged to long-term investments, especially brownfield, for example by first-loss public guarantees, to acquire eligible assets and accelerate the re-use of public finance and consequently a multiplication of reconstruction projects.

- ACE – Architects' Council of Europe (www.ace-cae.eu)
- CBU – Confederation of Builders of Ukraine (www.kbu.org.ua)
- CECE – Committee for European Construction Equipment (www.cece.eu)
- CICA – Confederation of International Contractors' Associations (www.cica.net)
- EDA – European Demolition Association (www.europeandemolition.org)
- EFCA – European Federation of Engineering Consultancy Associations (www.efcanet.org)
- EIC – European International Contractors (www.eic-federation.eu)
- ERA – European Rental Association (www.erarental.org)
- FIEC – European construction Industry Federation (www.fiec.eu)
- UEG – Union Europäischer Gerüstbaubetriebe/ Scaffolding in Europe (www.ueg-eu.org)