



# Ukraine Recovery and Peacebuilding Assessment

**ANALYSIS OF CRISIS IMPACTS  
AND NEEDS IN EASTERN UKRAINE**

**Volume II:  
FULL COMPONENT REPORTS**



# **Ukraine**

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AND NEEDS IN EASTERN UKRAINE**

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FULL COMPONENT REPORTS**

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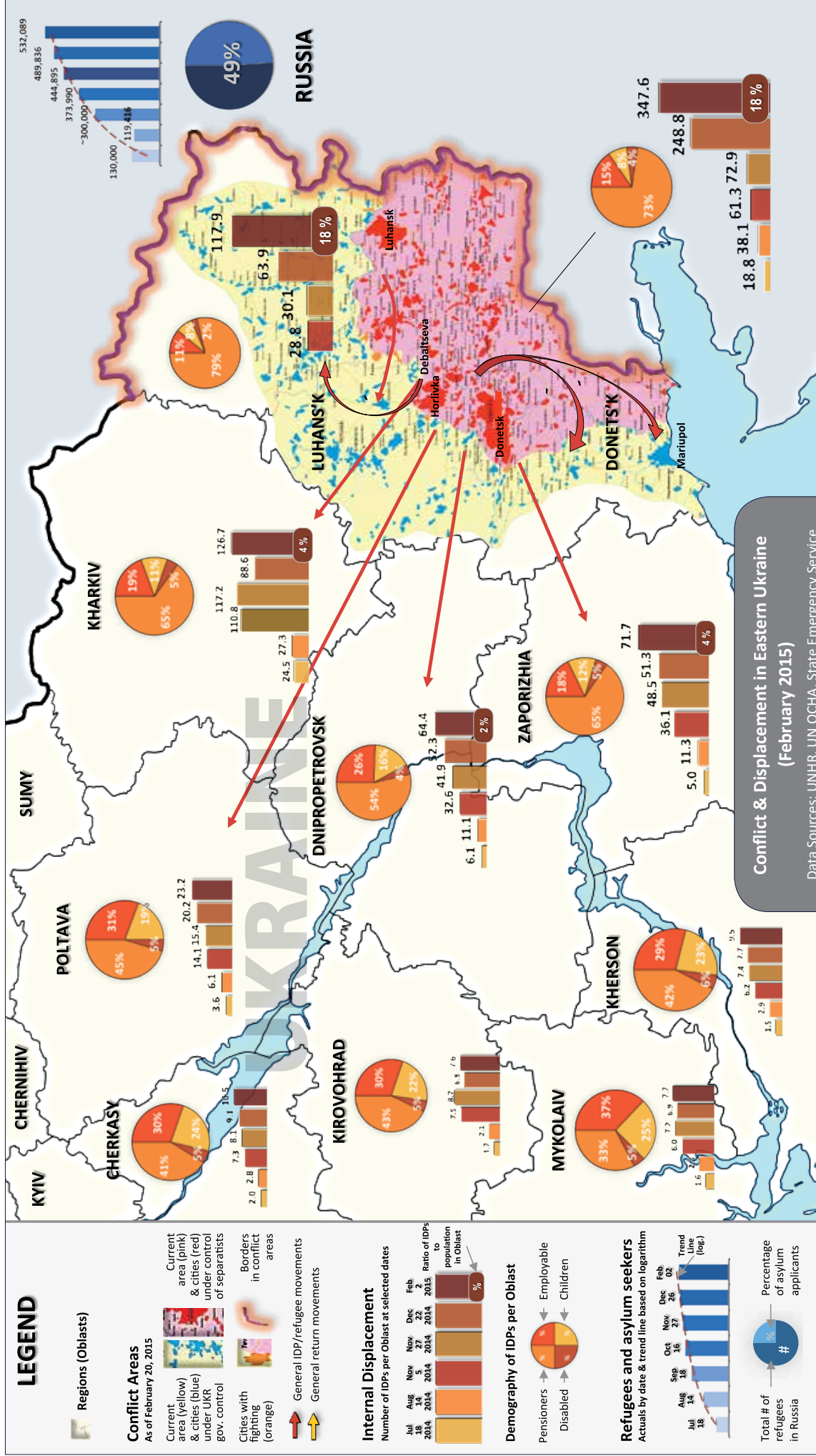
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# ACRONYMS AND ABBREVIATIONS

BBBS	Building Back Better and Smarter
CSO	civil society organization
DDR	disarmament, demobilization and reintegration
DRA	Donbas Recovery Agency
DRP	Donbas Recovery Programme
EBRD	European Bank for Reconstruction and Development
GoU	Government of Ukraine
ICT	Information and Communication Technology
IDP	internally displaced person
IHL	international humanitarian law
ILO	International Labour Organization
IOM	International Organization for Migration
IS	infrastructure and social services
LEP	local economic planning
MoH	Ministry of Health
MoJ	Ministry of Justice
MSME	micro, small, and medium enterprise
MSP	Ministry of Social Policy
M&E	monitoring and evaluation
NBU	National Bank of Ukraine
NPM	National Preventive Mechanism
NGO	nongovernmental organization
OO	Ombudsperson's Office
OHCHR	Office of the High Commissioner for Human Rights
POS	point of sale
PCNA	Post-Conflict Needs Assessment
PTSD	post-traumatic stress disorder
RPA	Recovery and Peacebuilding Assessment
SGBV	sexual and gender-based violence
SME	small and medium enterprise

SES	State Emergency Services
SRF	Strategic Results Framework
TNA	training needs analysis
TPP	Thermal Power Plant
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNOCHA	United Nations Office for the Coordination of Humanitarian Affairs
UXO	unexploded ordnance
WHO	World Health Organization

## RECOVERY NEEDS—AT A GLANCE

Estimated Aggregate Recovery Needs		
		US\$ (millions)
<b>Infrastructure and Social Services</b>		<b>1,257.7</b>
	Health	184.2
	Education	9.7
	Social welfare	329.4
	Energy	78.9
	Transport	558.2
	Water and sanitation	40.1
	Environment	30.0
	Public buildings and housing	27.2
<b>Economic Recovery</b>		<b>135.5</b>
	Employment	40.0
	Productive capacities and livelihoods	33.0
	Local economic planning	7.5
	SMEs and private sector	30.0
	Financial services	25.0
<b>Social Resilience, Peacebuilding, and Community Security</b>		<b>126.8</b>
	Understand vulnerability, risk, and social cohesion	2.5
	Promote social cohesion and trust building	19.7
	Promote a culture of tolerance through dialogue	11.4
	Protect conflict-affected populations	5.8
	Promote access to justice	8.1
	Provide legal assistance	6.6
	Offer psychosocial support	28.4
	Restore community security	23.9
	Prepare for Disarmament, Demobilization and Reintegration (DDR)	20.4
<b>Total</b>		<b>1,520.0</b>

## COMPONENT 1

# INFRASTRUCTURE AND SOCIAL SERVICES

## Needs At a Glance

Infrastructure and Social Services: Total Costed Needs Breakdown	
	US\$ (millions)
<b>Education</b>	<b>9.7</b>
Infrastructure reconstruction and rehabilitation (including BBBS)	5.8
Service delivery	1.0
Capacity development	2.0
Risk mitigation and contingency budgeting	0.9
<b>Energy</b>	<b>78.9</b>
Electricity	49.2
Coal	1.3
District heating	25.0
Oil and gas	3.4
<b>Environment</b>	<b>30.0</b>
Post-conflict environmental assessment	3.0
Strategic environmental assessment of the Donbas Recovery Programme (DRP)	1.5
Reestablish an environmental monitoring program	2.5
Reforest and rehabilitate protected areas	17.5
Remove and dispose of debris	5.0
Strengthen environmental emergency preparedness and response capacity	0.2
Reinforce national capacity to combat illegal natural resource exploitation and environmental crime	0.3
<b>Health</b>	<b>184.2</b>
Infrastructure recovery: Health-care facilities/infrastructure	5.6
Infrastructure recovery: Equipment, providing access to tertiary-level care	101.6
Restore surveillance	1.0
Provide social counseling services	9.8
Deliver systemic responses to gender-based violence	0.3
Modify and develop new models of services delivery	2.0
Guarantee access to pharmaceuticals	63.9

<b>Housing</b>	<b>27.2</b>
Residential buildings	20.1
Municipal and general public buildings	7.1
<b>Social Welfare</b>	<b>329.4</b>
Infrastructure reconstruction	2.9
Additional staff for all types of social protection benefits	3.5
Unemployment benefits for IDPs	15.2
Active labor market measures for IDPs	6.5
Benefits for IDPs	301.3
<b>Transportation</b>	<b>558.2</b>
Roads	477.0
Railways	14.7
Airport	66.4
<b>Water and Sanitation</b>	<b>40.1</b>
Water supply infrastructure recovery	18.7
Sewage infrastructure recovery	8.2
Engage additional personnel and hardware needed for appropriate water and sanitation services	0.4
Scientific research and design development to diversify sources of water supply and modernize sewage treatment plants	12.8
<b>Total</b>	<b>1257.7</b>

# 1. OVERVIEW

## Government leadership

The assessment of the Infrastructure and Social Services (IS) component has been conducted under the leadership of the GoU. At the central level, the Ministry of Regional Development, Construction, Housing and Communal Services, and the Ministry of Infrastructure have been the primary counterparts for this component of the RPA. In addition, designated sector focal points from other ministries assisted in the provision of damage- and needs-related data. The Ministry of Regional Development, Construction, Housing and Communal Services also facilitated data collection through oblast and raion administrations. All of these government agencies have played a critical role in providing damage data and contributing perspectives on the associated recovery strategies and needs.

This report must not be seen as a definitive end to the process of damage and needs assessment, but more as the beginning of a “continuous process and mode of assessment.” Some sectors—such as housing, transport,<sup>2</sup> and environment in particular—require more work due to the present unavailability of full damage data, particularly in areas under active conflict. Given the unpredictability and uncertainty of the situation in some parts of the crisis-affected region, this assessment will need updating as conditions evolve. This may require incorporating the data template and analysis methodology employed for this assessment into the government’s preexisting systems. Such institutionalization of this data collection and recovery planning approach will help create a temporal, sectoral, and geographical “damage and needs database” comprised of actionable and comparable information. This will contribute toward more systematized and “time-sliced” recovery planning to meet the unprecedented challenges and requirements posed by an ongoing conflict. RPA partners aim to continue providing active technical support to the government in this effort.

## Significance and role of IS delivery toward crisis recovery

Component objectives: The key objectives of the IS component are to: (i) characterize and estimate the impact of the crisis on the physical infrastructure and associated social services of the affected regions; and (ii) propose preliminary strategic options and scenarios for the restoration and recovery of infrastructure and service delivery. Within the framework of these strategic options and the guiding policies laid out by the government, IS subsector teams have also attempted to identify, quantify, and cost the corresponding transitional recovery needs. While this chapter summarizes the crisis impact and recovery needs in all IS subsectors, more detailed analysis and tabular data may be found in the respective sector annexes.

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2 For example, damages to Donetsk airport could only be partially established in the present assessment.

Contribution toward RPA goals: The sustainable restoration and improvement of IS holds the key to societal normalization and stabilization in the crisis-affected areas, as well as to creating conditions for eventual IDP returns. Efficient and effective recovery of infrastructure and service delivery will not only help ameliorate the suffering of the affected populations, but substantively catalyze the restoration of citizen trust in the state. Hence paying immediate attention to addressing critical service delivery disruptions and shortcomings caused by the conflict is not a choice but an imperative. For example, immediate energy sector recovery is necessary to avoid the potentially devastating impacts of inaction on the affected population during winter.<sup>3</sup> Similarly, the loss of tertiary health-care facilities puts the populations in government-controlled areas of Donetsk and Luhansk at severe risk.<sup>4</sup>

In addition to the “brick-and-mortar” damage to infrastructure, the loss of equipment, the exodus of employees, and a drop in staff capacity in the directly affected regions are other challenges that need to be addressed. Ensuring satisfactory provision of social services in indirectly affected areas is further complicated by the influx of displaced populations. For example, preschools are fast approaching enrollment capacity, the road network is suffering from increased usage, and sewage systems need to handle increased loads due to a steady influx of IDPs in various raions.

## Relationship with other RPA components

Linkages with social cohesion and economic recovery components: IS encompasses a broad swath of public life. A reliable energy supply powers public, private, and government operations, helps educational institutions function, frees caretakers (mostly women) to seek employment, and allows transport networks to become the arteries of a healthy economy. As such, this component has multiple linkages with the social cohesion and economic recovery components of the RPA. For example, the rehabilitation and reconstruction of damaged infrastructure will provide opportunities to introduce labor-intensive construction technologies. This could link well with Component 2 priorities for jump-starting local employment, particularly in the case of subdistrict and community infrastructure. Similarly, the equitable, consistent, and harmonious provision of basic services across host and IDP populations will improve social cohesion and protection of vulnerable groups (Component 3). Inclusive recovery planning based on a culture of consensual decision making, within and across host and IDP communities, will further help restore citizen trust in the state and thus contribute to longer-term peacebuilding objectives.

## Assessment methodology and outputs

Use of improvised, locally adapted, and context-specific methodology: The methodology developed for this assessment brings together a blend of post-conflict and postdisaster needs assessment tools and builds upon local knowledge and national systems for damage characterization, classification, and quantification. Key outputs for each IS subsector include: (i) quantitative estimate of physical damages; (ii) characterization and quantification of impacts of the crisis on associated service delivery; (iii) subsector strategy for transitional recovery; (iv) quantification and costing of the corresponding recovery needs, including for returnees and IDP inflows; and (v) proposed institutional and performance management arrangements for recovery.

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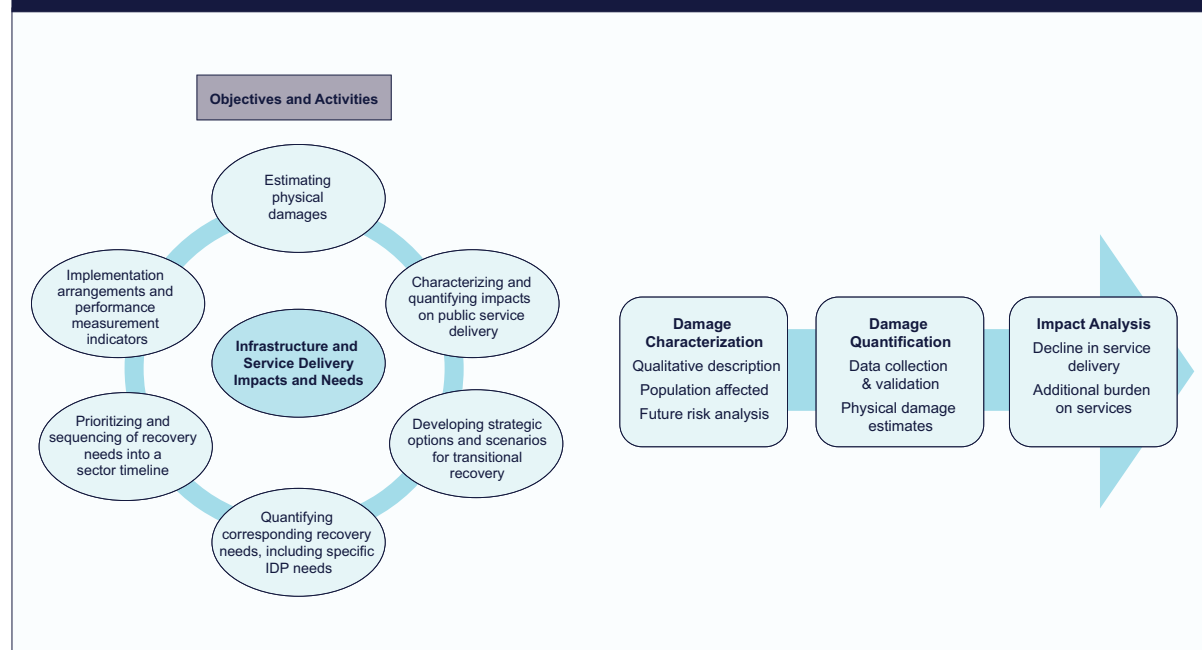
3 Due to the risk of exposure-related illnesses and even possible fatalities.

4 All tertiary care facilities in the two oblasts were under separatist control at the time of the assessment, putting particular strain on natal care requirements.



**Damage and impact classification:** The impact of the conflict on each subsector has been evaluated in terms of direct damage and recovery costs. Direct damage refers to the monetary value of replacing completely or partially destroyed assets and movable assets like goods, furniture, machineries, and inventories. Indirect losses have not been the emphasis of this assessment. However in specific instances where private sector losses were particularly relevant, such as in the electricity and transport sectors, these have also been factored in for needs assessment but not reported separately. Importantly though, impact analysis has factored in the decline in service delivery in the directly affected areas and taken stock of the additional burden on services in areas hosting IDPs. It must also be noted that facilities lost to separatist control are currently not included or quantified in the damage estimates. However, the determination of needs includes those arising out of the unavailability of these facilities to people residing in government-controlled areas. A primary example of this is the tertiary health-care network that fell into separatist-held areas and for which the health sector assessment proposes providing alternative arrangements over the next two years.

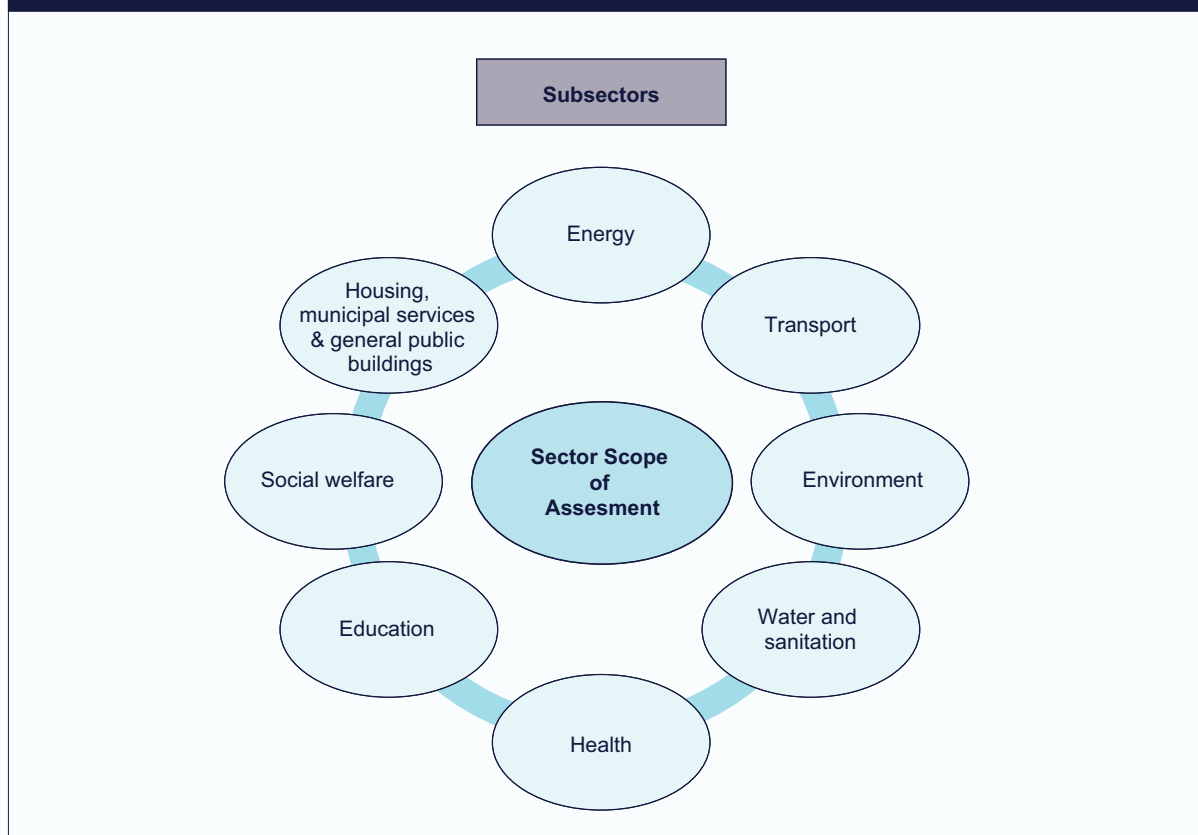
**Figure 1. Methodology for assessing damages, losses, and needs**



**Classification and quantification of recovery needs:** Recovery needs are the costs of recommended interventions that include the reconstruction and rehabilitation of damaged and destroyed infrastructure and equipment. These costs have been calculated using the replacement value of assets and infrastructure, plus additional differentials for the process known as Building Back Better and Smarter (BBBS). Recovery needs also include capacity building and operational costs that are necessary for the implementation of interventions over the next two years to bring stability to affected areas.

**Data collection and validation:** The key source of information for damage and needs estimation has been data compiled by the Ministry of Regional Development, Construction, Housing and Communal Services. This data, last updated on November 10–11, 2014, accounts for the bulk of damages to infrastructure and equipment. This was supplemented by independent secondary

**Figure 2. Subsectors included in the infrastructure and social services component**



data collection by the RPA team. To this end, customized templates were developed for each sector and distributed through the Ministry of Regional Development, Construction, Housing and Communal Services to oblast and raion administrations. In the case of the electricity and transport sectors, data was also collected by contacting private sector service providers. Data validation techniques included field inspection visits, interviews with relevant stakeholders such as civil society, and desk reviews. Further validation of data was performed using process verification techniques, empirical plausibility checks, and other analytical tools. Due to time constraints and lack of gender-disaggregated data in infrastructure sector prior to conflict, data in the report are mostly not segregated by gender. But when collecting new data, it is highly encouraged to segregate them by age and gender.

## Key assumptions, constraints, and limitations

**Sectoral scope of assessment:** As agreed between the government and RPA partners, the current scope of the IS component is limited to the following subsectors: energy, transport, water and sanitation, health, education, social welfare, environment, and housing, municipal services, and general public buildings.

**Geographic scope:** The assessment primarily focuses on the directly conflict-affected raions of the Donetsk and Luhansk oblasts that are under government control. In addition and where possible, the other raions under government control in the Luhansk and Donetsk oblasts, termed as indirectly affected areas, have been included on a more selective, sector-to-sector basis. Finally,

some adjoining oblasts that are hosting IDPs and have as a result experienced additional strain on service provision and livelihood opportunities have also been included where possible.

Administrative and temporal scope: The assessment primarily focuses on crisis impacts and recovery related to public sector assets, with the exception of some sectors such as energy, where private sector-run public services have also been included. Since the private sector is providing vital public services like electricity, heating, and gas supply, the government may want to subsequently consider private-sector facilitation measures based on practices adopted for crisis recovery in other parts of the world.

Where possible, the analysis of damages and needs is disaggregated at a raion level and collated at the oblast level. The assessment takes stock of damages and impacts created by the crisis since it began in spring 2014, with a cutoff date of the end of November 2014, for analytic purposes. This is notwithstanding should the conflict continue to evolve and the associated damages and needs continue to accrue. Hence there would be a need to take a “ring-binder” approach to periodically update the damage and needs analysis at agreed intervals, or on a needs basis.

## 2. OVERVIEW OF PRECRISIS CONDITIONS OF IS IN THE AFFECTED REGIONS

**Introduction:** This section provides a consolidated overview of subsector characteristics and conditions prevalent in the affected regions prior to the crisis. This is important in order to contextualize and frame sector damages and needs relative to precrisis sector conditions. For each subsector, such baseline conditions include: (i) a brief profile of the subsector; (ii) an inventory of infrastructure assets; (iii) status of service delivery; (iv) costs of service delivery, and; (v) sector developmental challenges.

**Education:** The state is the main provider of education services, and with changing demographics and fiscal scenarios, the education sector is in acute need of quality and service delivery reform. Meanwhile, the correlation of poverty with childbearing puts particular pressure on the education sector, as households with children tend to be poorer than those without, and are most in need of accessible provision of education. The groups most at risk of poverty in Ukraine are families with three or more children, and those with children under the age of three, persons with disabilities, newly displaced persons, households comprised of retired persons, and single-parent households (most of which are led by women). Thus it is expected that a disruption to educational services will have a particularly negative impact on poorer households and marginalized groups.

**Health:** Ukraine inherited its health system from the Soviet Union era and no major reforms have been undertaken in this sector since independence in 1991. The system is generally regarded as in need of major improvement, by virtue of being fragmented and input based, with an excessive focus on infrastructure. This has resulted in health outcomes that are among the lowest in the European region. Inefficient precrisis health services delivery infrastructure (polyclinics, hospitals, and so on), including human resources, accounted for a major share of all public resources allocated to the health sector. This left little or no funds for improvement in the quality of services, and the implementation of modern models of care. As a result, even the current number of 2,000 health-care facilities does not necessarily correspond with health-care capacity commensurate with existing and emerging needs.

Health services are delivered through primary, secondary, tertiary, and highly specialized health-care facilities. Most health facilities are under the direct supervision of the Ministry of Health (MoH). Highly specialized and tertiary care services are mostly if not always placed at the central oblast level, while secondary and primary levels of services are concentrated in cities. This has resulted in low, uneven, and inequitable geographical coverage of health services in rural areas, particularly so in more remote settlements and villages.

**Energy:** Major strategic shifts are currently being contemplated for the country's energy sector, including heat supply, in alignment with Ukraine's international commitments. A new draft Energy Strategy of Ukraine provides (i) short-term interventions to deal with the crisis, (ii) mid-term interventions targeting some energy sectors, and (iii) long-term strategies that will take into consideration world trends. A draft National Action Plan until 2020 focuses on an effective use of biofuel for heat production, among other goals. The draft National Emergency Plan in the energy sector for Autumn–Winter 2014–2015 has been developed to deal with the current crisis. The plan identified major threats to heat production facilities (boiler houses and thermal plants) that

provide heat and hot water to socially important facilities and the general population.

- *Electricity:* Donetsk region is the largest industrial region of Ukraine, accounting for about 18 percent of both its industrial production and national exports. The Luhansk oblast also has significant economic potential and is among the five largest industrial and economic regions of Ukraine. Its share in the total national gross added value was 4.5 percent. The Donbas power sector was built to meet the needs of this industrial community along with some of the largest concentrations of domestic consumers in Ukraine. The main power generators in the Donbas regional system are thermal power stations with total installed capacity of 10,977 MW.
- *District heating:* The Ukrainian heat supply sector is characterized by many problems, including the current tariff-setting policy; monopoly of the suppliers; lack of proper metering, accounting, and market mechanisms for communal services provision; lack of penalties for non-payment of bills by consumers; and the high depreciation of facilities and energy-generating equipment. The sector suffers from low efficiency. Major reasons for this include: (i) high levels of energy wastage; (ii) a deficient system of accounting for heat energy; (iii) lack of incentives to support energy efficiency; (iv) the current steam heating system's inability to regulate final consumption; and (v) absence of market mechanisms.
- *Oil and gas sector:* This sector is characterized by a low level of energy security due to the sheer lack of its own resources in Ukraine, high levels of imports, and the absence of source diversification for such imports. The government has carried out work to diversify imports of natural gas from Slovakia, Hungary, and Poland. The sector has a number of systemic problems, including high debt, low rate of sector reform (including reformation of the National Joint Stock Company), as well as problems of natural gas consumption inherent in the municipal sector.

**Environment:** Donbas is considered to be one of the most polluted regions in Ukraine and the former Soviet Union. Significant environmental liabilities have accumulated from an almost 200-year history of intensive coal mining, combined with a substantial industrial fleet of metallurgical, chemical, power, and heavy engineering industries. As the industrial heartland of Ukraine, Donbas is estimated to host about 900 large industrial plants, including 140 collieries, 40 metallurgical plants, 7 thermal power stations, and 177 chemically dangerous operations, including 113 operations that use radioactive materials. Environmentally, the most harmful industry is mining, which comprises 248 mines, many of which are run-down and nonfunctioning. In addition, the region is also traversed by 1,230 kilometers of oil, gas, and ammonia pipelines. By 2002, an estimated 10 billion tons of industrial waste had accumulated in Donbas, equivalent to a total of 320,000 tons per square kilometer.

Donbas also possesses significant natural assets—including open steppe grasslands, forests, and secluded streams—which are prized areas of recreation and leisure for the local population living in a highly stressed environment. The state environmental protection departments under Donetsk and Luhansk oblast administrations are responsible for overseeing the region's environment and the rational use of its natural resources. Their duties include issuing permits for the emission of harmful substances into the atmosphere, special use of natural resources, waste disposal, and land allocation approvals. They are also mandated to report on the state of the environment and to carry out environmental education and awareness campaigns.

**Housing:** Housing and the country's communal economy have not been significantly altered by post-Soviet market reforms. These continue to operate based on inefficient institutional models

and economic relations developed during the Soviet era. Adopted five years ago, the National Program of Reforming and Development of Housing and Communal Economy in 2009–2014 and other interventions have failed to improve the situation, especially in multi-apartment housing.

Critical issues facing the housing sector include: (i) lack of clarity among residents on “effective ownership” in multi-apartment housing; (ii) lack of a market for good quality housing services; (iii) the need for capital repairs and modernization of deteriorated multi-apartment residential housing;<sup>5</sup> (iv) the need for increased energy efficiency in multi-apartment houses; (v) poor access to credit resources; and (vi) inadequate legal documentation and norms to regulate transactions between house owners, service providers, public sector, and business and financial institutions.

### Transport

- *Road network:* This sector is of key importance to the Ukrainian economy and has a share of more than 11 percent of the GDP. While transport in the country continues to rely strongly on rail and pipeline for heavy freight and long haulage, road transport demand has grown steadily for the past several decades and is expected to continue to rise in the coming years. Insufficient budget allocation to maintain and develop roads for the past decade has resulted in significant deterioration of the network,<sup>6</sup> affecting average speeds and increasing transport costs. Besides chronic underfunding of the road network, the road sector faces organizational and governance issues that affect its ability to deliver and manage a high quality road network.
- *Rail network:* Rail transport is a leading industry of the country’s transport sector, accounting for 82 percent of the overall freight and almost 50 percent of passenger traffic. Donetsk Railways<sup>7</sup> serves a population of approximately 8.5 million people and is the largest in Ukraine in terms of freight transportation. It is the main form of transportation for more than 3,000 industries in the Donetsk and Luhansk regions including coal mines, iron and steel, engineering and machine tool factories, processing plants and chemical companies, and more.
- *Air transport:* The Donetsk and Luhansk airports are the two major airports in the Donbas region, each under the administrative control of its respective oblast. The Donetsk International Airport was the most modern and one of the three largest airports in Ukraine. With a 1-meter thick concrete runway that is 4,000 meters long and 60 meters wide, and with state-of-the-art equipment, it could accept all types of aircraft with almost zero visibility under any weather. The Luhansk International Airport underwent capacity improvements in 2005–2006 and is also now able to receive various types of modern planes.

### Social Welfare

- *Pensions:* Donetsk oblast, being the largest region of Ukraine, had the highest number (1.4 million) of pensioners before the outbreak of conflict. In Luhansk region, there were more than 730,000 pensioners. In total, at the start of 2014, 2.1 million pensioners resided in these two regions. Both the Luhansk and Donetsk regions recorded around 320 pensioners per 1,000 population, compared to a national average of about 300. The average pension in 2014 was 1,793 UAH and 1,739 UAH in Donetsk and Luhansk respectively; only Kyiv provided higher

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5 65.4 percent of the houses were constructed before 1980.

6 Characterized by increasing pavement IRI, structural deficiencies, and capacity bottlenecks.

7 Serving the oblasts of Donetsk, Luhansk, Dnipropetrovsk, Kharkiv, and parts of Zaporizhzhia.

pensions.

- The pension system in Donbas has several peculiarities, including: (i) mostly urban settlements and industrial employment; (ii) relatively high levels of formal employment and higher wages, particularly in the form of wage labor at large enterprises; (iii) prevalence of employment doing hazardous and heavy work, in recognition of which workers in the region are entitled to relatively early retirement;<sup>8</sup> and (iv) the highest level of industrial accidents and occupational diseases and disabilities in Ukraine. Very importantly, there is an increased risk of female pensioners and single households falling into poverty; while women constitute over 70 percent of overall pensioners, female pension rates are 40 percent less than those of men.
- *Employment:* Key labor market indicators within Donbas have varied little from the national average. Slightly higher labor force participation rates (such as employment and unemployment) were characteristic of the Donetsk region, and slightly lower labor force participation rates were characteristic of the Luhansk region. However, due to deterioration in the business and political environment, unemployment rates for the working-age population reached 9.9 percent in the Donetsk region and 9.3 percent in the Luhansk region between January and June 2014. IDPs face daunting challenges in finding employment in host communities given existing levels of unemployment combined with the high prevalence of female-headed households and pensioners within the IDP population.

**Water and sanitation:** A significant portion of the precrisis water supply and sewerage systems in the crisis-affected regions were outdated and maintained at minimal operational levels. Decades of underinvestment and poor maintenance resulted in an asset base that was in dire need of replacement and upgrading. Therefore, the system already needed major rehabilitation and modernization to combat high water losses and sewer infiltration and exfiltration due to increased leakage of the piping network; this has further added to the deterioration of the system. In many areas, water supply is intermittent because service providers have inadequately maintained infrastructure due to cash flow issues. This has created a vicious cycle whereby financial constraints limit investments needed to rehabilitate the sector. This in turn causes losses and inefficiencies within the system that continue to adversely affect the financial situation of water and sanitation utilities.

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8 5–10 years earlier than generally established age.



### 3. IMPACT ASSESSMENT: RESULTS AND FINDINGS

#### Introduction and summary of damages and loss

This section provides a summary of the direct and indirect impacts of the conflict in the various subsectors assessed. Impact on physical infrastructure and associated ability to provide social services can be divided into three broad categories: (i) damages caused by intensive fighting and artillery usage around key facilities; (ii) the loss of facilities to antigovernment armed groups; and (iii) damages to service provision and supply infrastructure that prevents services from reaching the affected population.

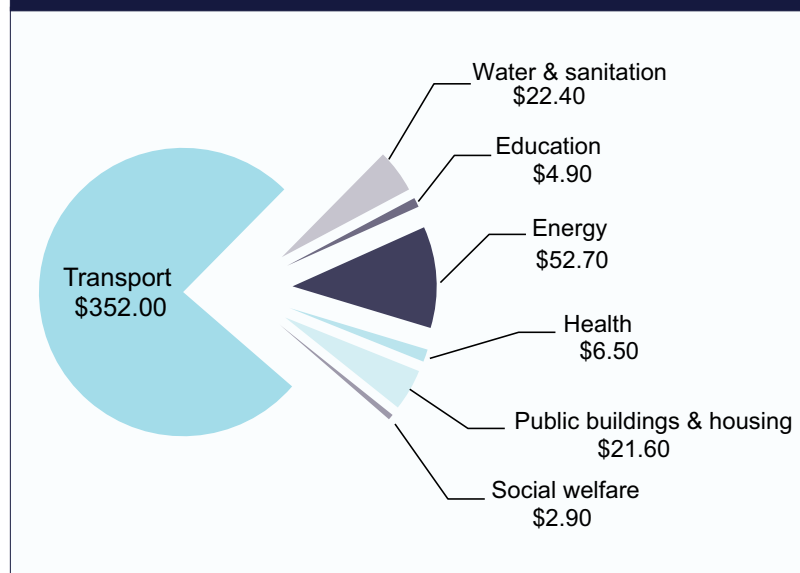
Total damages to IS are estimated at US\$463 million. Of these, damages to the transport and energy sectors constitute a bulk of the impact. While the impact on the environment could not be quantified in this phase, it is substantial and needs attention. Further, losses that have been incurred in various subsectors but not fully quantified in this phase of the assessment include: (i) diminished output capacity due to infrastructure damage and fuel shortages affecting revenue; (ii) increased production costs, and cost hikes

resulting from emergency infrastructure repairs; (iii) the inability to efficiently transmit and deliver services as a result of infrastructure damage (which has also been impeded by the need for emergency infrastructure repairs); and (iv) reduced ability of consumers to pay for services received.

#### Sector damage summaries

Education (US\$4.86 million): Intensive shelling and fighting caused significant infrastructure damages and prolonged periods of disruption in educational service delivery. Data from the Ministry of Education and Science indicates that a total of 126 facilities in areas currently under government control have been impacted. Damages have been sustained primarily in the Donetsk oblast where all 36 impacted preschools are located; 57 primary and secondary schools, 8 vocational schools, 12 higher education facilities, and 15 other educational institutions have been affected across Luhansk and Donetsk. Many schools have damage to windows, a debilitating issue

Figure 3. Damages by sector (in US\$ millions)





given the severity and duration of the Ukrainian winter. Other schools have suffered substantial infrastructure damage to walls, roofs, and to electrical and heating systems. Furthermore, there are troubling reports that many educational institutions have been laced with land mines.

The decline in available educational institutions is doubly worse due to the increase in children to be serviced. A total of 127,991 displaced children have been registered, of which 68,000 are reported to be in primary, middle, and high school. Another 5,538 are continuing university studies at new schools. As a result, schools are rapidly reaching enrollment capacity, and with a further influx of IDPs expected, matriculation numbers will need to be increased. This is particularly true of preschools. In some locations, schools have already resorted to double sessions and longer hours to accommodate increased numbers of school children in primary and middle school.<sup>9</sup> No significant differences are observed in terms of enrollment of boys and girls in preschools and schools.

**Health (US\$6.530 million):** The conflict has caused damage to 20 health-care facilities in Donetsk and Luhansk oblasts under government control. Heavy artillery usage has broken windows and doors, damaged roofs and walls, and incapacitated utility systems. Three-quarters of these 20 facilities are in the most affected areas of the two oblasts. The most significant of these facilities is the Donetsk Psychiatric Hospital, which accounts for 80 percent of the damages recorded in the two oblasts. There has also been loss of infrastructure due to takeover by separatist groups. Damages to epidemiological control apparatus are estimated at US\$0.948 million. In addition, as of November 2014, all tertiary-level facilities are now located in separatist-controlled areas, leaving the population under government control with no infrastructure for high-level care. Although this figure is not included in the reported cost of damage, it is reflected in the needs estimate, in the form of replacement tertiary-level facilities.

The conflict has also impacted health service delivery; state target programs for chronic and acute diseases are only partially provided. Human resources for health services in the most affected regions of Donetsk and Luhansk oblasts have also been affected; approximately 5 percent of capacity has been lost. Further strain is expected to be put on service delivery and associated infrastructure as the lack of health services in areas outside of government control is expected to create mass movement to government-controlled territory. Capacities to procure and store medication have also been impacted; public procurement enterprises in Donetsk and Luhansk oblasts have had to relocate their warehouses elsewhere. Finally, in addition to lost services and infrastructure, the conflict has also exacerbated the immunization problem that Ukraine was already facing, with rates plummeting to 30.5 percent for parts of Luhansk.

Table 1. Infrastructure and social services, total estimated damages	
	US\$ (millions)
Education	4.9
Energy	52.7
Health	6.5
Public buildings and housing	21.6
Social welfare	2.9
Transport	352.0
Water and sanitation	22.4
Environment	n/a
<b>Total</b>	<b>463</b>

<sup>9</sup> While scientific research institutions have also suffered damages, these have not yet been accounted for in the totals due to lack of available data at the time of the assessment.

Another prospective issue appears to be a possible rise in gender-based violence due to the conflict. Although no data is currently available to the team on physical and sexual violence in the conflict-affected regions of eastern Ukraine, evidence from other parts of the world suggests that gender-based violence almost invariably increases in conflict environments. This is a priority issue that is treated extensively in Component 3 of the RPA. Another problem to be further explored is rates of alcohol and drug abuse in affected areas, especially among male IDPs and ex-combatants.<sup>10</sup> Preventative programs and appropriate support and treatment mechanisms are discussed in Component 3 of the RPA.

**Energy (US\$52.72 million):** The energy sector is critical for the health and well-being of the affected population over this winter and beyond. Primary crisis impacts in this sector include decreased production and disruptions in supply in the areas of electricity, coal production, district heating services, and the oil and gas sector.

**Electricity (US\$48.01 million in damages)**

- *Power generation:* Given its position at the front line of the conflict, Luhansk has absorbed severe damage to its power generation infrastructure. The Luhansk Thermal Power Plant (TPP) is only partially operational as a result of heavy shelling, with damage to the facility totaling US\$3.82 million. Of the four power generation facilities that service government-controlled areas of Donetsk, the Slovyanska TPP suffered the most severe damage. Damages include destruction of all of its overhead transmission lines and main unit transformer, building damages, and heavy spillage and combustion of crude oil. Damages to the Slovyanska facility are estimated at US\$21.74 million.
- *Power transmission and distribution:* The Donetsk oblast is served by three power distribution companies, all of which suffered severe infrastructure damage, with substantial lengths of power lines partially damaged or fully destroyed. Damages to the Donetsk distribution system and infrastructure are estimated at US\$10.38 million. The power distribution company in Luhansk suffered similar infrastructure damage totaling US\$0.6<sup>11</sup> million. Damage to transmission infrastructure in Donetsk is estimated at US\$6.4 million, while transmission damages in Luhansk are estimated at US\$4.6 million. The conflict has caused financial losses to all of the power companies in the Donetsk and Luhansk oblasts. Interruption in operation, losses due to changes in electricity supply routes, and additional social obligations have decreased revenues and increased operating costs. Losses have been heavier in the Luhansk oblast, totaling to US\$21.78 million, with a majority of them concentrated in the Luhansk TPP. In Donetsk, losses are estimated at US\$2.5 million.

**Coal (US\$1.27 million in damages):** While the conflict has had substantial impact on coal industry infrastructure, the most prominent result of the hostilities in the Donetsk basin has been the takeover of coal production facilities and mines by antigovernment armed groups. Only 55.5 percent of the Donetsk oblast and 3.5 percent of the Luhansk oblast coal 2013 production remains under government control. Moreover, of the 93 mines (about 60 percent of all the mines) not under government control, 60 of them are in “life support” mode (mainly pumping water and/or ventilation), and 7 mines are completely destroyed. This sharp decline in coal production, along with

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10 Based on patterns and historical knowledge of similar conflict situations in other countries.

11 Most of the affected assets that were not inspected /reviewed due to impossibility of access are not included here. According to expert estimates the total cost may exceed this estimate by 2–3 times.

disruptions in rail transport that impeded the import of coal has caused an acute fuel shortage.

Within government-controlled areas, the conflict has affected two coal mining companies: SE Dzerzhynskvugillya in Donetsk oblast and SE Lisichanskvugillya in the Luhansk oblast. SE Lisichanskvugillya sustained the vast majority of the damages, and US\$1.15 million has been spent in emergency repairs and construction. This amount has been included in the damage estimate for the sector. The conflict has caused financial losses to all the coal production companies in the Donetsk and Luhansk oblasts, including operational interruptions, losses due to disruption of rail transport, and increased operating costs. Losses have been heavier in Donetsk oblast, totaling US\$18.37 million, with a majority of them resulting from the impeded railway system. In Luhansk, losses are estimated at US\$7.055 million.

**District heating (US\$1.11 million in damages):** In the Donetsk oblast, damages to the heat supply infrastructure are limited to the cities of Kramatorsk and Slovyansk, totaling US\$0.061 million and US\$0.025 million respectively. Slovyansk has seen additional damage to boiler houses and associated infrastructure of US\$0.963 million. In the Luhansk oblast, the infrastructure damage has been limited to Stanytsya Luhanska and totals US\$0.033 million. In Stanytsya Luhanska, other damages to assets and buildings (including roofs and windows) total US\$0.026 million.

**Oil and gas sector: (US\$2.34 million in damages):** The conflict has affected the physical infrastructure of the gas sector, also cutting it off during certain times. Damages have also been sustained to gas supply and transmission infrastructure, including main pipelines, distribution pipelines, and gas distribution stations. Of these, damages to pipelines in Donetsk oblast account for US\$0.435 million, while damages to the production facility and associated infrastructure in Kramatorsk total US\$0.745 million. Damages to pipelines in Luhansk oblast are estimated at US\$0.062 million. Furthermore, in the Donetsk oblast, damages to oil sector infrastructure including main pipelines amounts to US\$0.009 million.

Table 2. Energy sector damages	
	US\$ (millions)
Electricity	48.014
Coal	1.265
District heating	1.107
Oil and gas	2.337
<b>Total</b>	<b>52.723</b>

**Environment:** The conflict has exacerbated existing pollution in the Donbas region and caused further environmental damage and loss.

- *Environment pollution hotspots:* Military action has damaged several environmentally hazardous sites, posing both immediate concerns and future risks to public health, ecosystems, and people's livelihoods. While the hostilities have hampered accurate data collection, it is expected that a relatively large but unknown number of industrial installations and mining sites are likely to have been damaged by military operations. This would have created land, water, and soil contamination and difficulties for hazardous waste management. It is expected that 10–20 mines in the region have been flooded, potentially causing massive environmental damage in the region. Other public and industrial hotspots not covered in this phase of the assessment may have incurred similar impacts. Some hazardous industries located in areas that are not under government control may also pose risks to Ukraine-controlled areas.
- *Environmental services infrastructure:* Military operations have also impacted environmental infrastructure that provide waste disposal and pollution control services. In addition to infrastructure, military action has also caused a decrease in service provision due to lack of staff, material inputs, and/or basic operation and maintenance services. In addition to the solid

waste collection systems, dedicated waste management facilities are needed for debris waste generated from damage to buildings. Evidence also indicates that damage to critical environmental services infrastructure is concentrated in specific regions. In Donetsk, for example, it is reported that waste disposal at the municipal landfill is often interrupted by roadblocks that prevent the evacuation of waste. Similarly, the collapse of the sewage system in Slovyansk is, according to the city's mayor, causing the release of untreated sewage into the Sukhyi Torets river.

- *Natural resource assets:* There has been extensive damage to natural resources, namely forests and protected areas, steppe grasslands, and cultivated fields, both directly from military activity and indirectly from an inability to execute environmental management interventions. A satellite-based study estimates that around 2,970 square kilometers equivalent to around 17 percent of the vegetation cover in the conflict-affected zone is impacted by fire outbreaks. In effect, over 3,000 forest fires were reported in the conflict zone in 2014, which is 15 times more than those detected during the same period in 2013. Four main causes are cited for the increase in fire incidence, namely: (i) shelling and ammunition explosions; (ii) weakened capacity of fireguards to detect and suppress the spread of fires; (iii) build-up of dead vegetation in forests, which fuels more intense fires due to inadequate forest management interventions; and (iv) intentional arson. In addition to fire damage, the movement and maneuvering of heavy military equipment—particularly tanks, bomb craters, building of fortifications, excavation of dugouts and tunnels, and laying of landmines—has also damaged important landscapes, including within protected areas.
- *Environmental governance:* The rapid erosion of environmental governance is one of the singular consequences of the conflict in eastern Ukraine. Most of the government agencies in charge of enforcing environmental regulations and managing natural resources, as well as environmental data collection and monitoring systems, are now largely dysfunctional and archived information has been lost. The State Environmental Inspectorate has suspended its legal inspections of enterprises. Both Luhansk and Donetsk environmental and forestry authorities had to move to other locations and relocate staff, causing significant losses in staff and expertise. Work is additionally hampered by damages to office premises, vehicles, and equipment of the local environmental government administration. This depreciation of governance capacity is causing a rise in unlawful and environmentally damaging activities, such as illegal logging and unprecedented looting of existing timber stocks by armed groups. Unauthorized coal mining is also expanding to the larger quarries and turning into a large organized business that is known to have connections to criminal networks. Another growing issue of concern is that the loss of state control over Ukraine's eastern borders may lead to a proliferation in illegal trafficking of hazardous waste, banned or unregistered pesticides, counterfeit chemicals, and ozone-depleting substances. There is an established precedent in the region for smuggling hazardous goods, and while there are no statistics on the volume of this illicit trade, multiple sources are reporting increased observation of foreign-registered chemical products.

**Public buildings and housing (US\$21.64 million):** There are reports that the conflict has damaged and destroyed many houses and apartments in rural, periurban, and urban areas in the most affected raions of the Donetsk and Luhansk oblasts. However this damage information has not been centrally and systematically collected at any level of government. The RPA housing team was, however, able to collect information limited to the following raions and municipalities: Novovoidarsky and Slovyansky raions, and municipalities of Severodonetsk, Mariupol, Kramatorsk, Slovyansk, and Lysychansk (including the adjoining settlements of Novodruzhesk and Pryvillia).

For these areas, 7 multi-apartment residential houses and 266 single-family houses were completely destroyed and are now uninhabitable. In addition, the structural elements (roofs, walls, windows) of 429 multi-apartment residential houses and 2,129 single-family houses sustained damages of various degrees and require urgent repairs. For the purposes of this analysis, overall housing sector damage is estimated at 15–20 percent of the present replacement value of the damaged housing and public building stock, while also taking asset depreciation into account. In addition to the impact already caused by the conflict, the structural elements of the damaged apartments and houses are deteriorating rapidly, which increases the costs of recovery. In addition to the structural damage, damage to walls, roofs, and windows is also contributing to heat loss and is making homes uninhabitable during the winter.

Many families have lost their real estate and currently lack permanent residence. As of November 2014, damage to residential facilities has affected roughly 251 families in Donetsk oblast and 121 families in Luhansk oblast, and 848 individuals in Donetsk oblast and 291 in Luhansk oblast. This is expected to increase significantly as the conflict continues. Moreover, internally displaced people (IDPs) cite physical insecurity and the loss of accommodation as the two biggest reasons they have left their home areas, and suggest that increased security and restoration of homes constitute basic requirements for their return.

Social welfare (US\$2.87 million): A total of 26 facilities in government-controlled territory have been affected. Of these, 19 are in Donetsk oblast and have an estimated reconstruction cost of US\$0.88 million; 7 are in Luhansk oblast and have an estimated reconstruction cost of US\$1.987 million. Damaged facilities include residential and nonresidential care and rehabilitation facilities for people with disabilities, children, the elderly, and the homeless. These also include administration buildings of the pension fund, and social welfare and employment centers.

Transport (US\$ 352 million in damages): Damages in the transport sector involve various categories of roads, railways, bridges, and airport infrastructure. The most extensive and fiscally significant of these has been damage to the roads network. In the road sector, damages are the result not only of intense shelling and other explosives, but also of the use of roads by heavyweight armored vehicles: 1,100 km of state roads—including 10 bridges, and 235 km of municipal roads—have been affected. This has resulted in a cumulative US\$284 million worth of damages to the roads network in the Donetsk and Luhansk oblasts. The team has validated the damage reported by the government using various sources and supporting data<sup>12</sup> analyzed by the team. Damages to the rail network have been caused by shelling and other explosives, many of which have already been repaired using the railway administration's own resources. Two substations and two bridges, all located in Luhansk, however, remain to be repaired. These damages are estimated at US\$12.2 million.

Both major airports in the Donetsk and Luhansk oblasts have been the site of intense conflict and have sustained severe infrastructure impact. Luhansk airport is not currently under government control, and consequently, damages have been assessed only for the Donetsk airport. These are estimated at US\$55.4 million.<sup>13</sup> The influx of IDPs into Luhansk, Donetsk, Kharkiv, Zaporizhzhia,

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<sup>12</sup> Including photographic evidence, analytical reports, and cost details produced by government.

<sup>13</sup> For the current assessment, it has not been possible to assess damages to the terminal and runway due to armed ongoing conflict at the airport premises. Therefore the current estimate of airport subsector damages included in this report pertains only to air traffic control facilities and radar complexes.

and Dnipropetrovsk has also raised the road network's maintenance and operating costs. The increased traffic, coupled with the deterioration of the network's infrastructure integrity, has also caused congestion, extending travel time for passenger and freight traffic. This is particularly acute in places where bridges and major arteries have been affected. The resultant losses in the roads sector are estimated at US\$192.3 million. Infrastructure damages in the railroad network have forced rail vehicles to take alternative routes, increasing operating and maintenance costs and transport time. This loss has been exacerbated by a decline in revenues that have resulted from a reduction in passenger and freight traffic. Total losses in the railways are estimated at US\$269.2 million. A similar reduction in traffic has caused substantial losses in the air transport sector, totaling US\$50 million.

Water and sanitation (US\$22.4 million): Armed conflict in Donetsk and Luhansk oblasts has seriously damaged water, sanitation, and power supply infrastructure, affecting about 4.5 million people who live in these areas. The total value of damaged infrastructure in Donetsk is estimated at US\$16.77 million, while damages in Luhansk are estimated at US\$5.59 million. The water supply sector has sustained damages to its electrical equipment; pumping equipment; chlorination systems; piping, water mains, and water tanks; utility bridges, which have collapsed and blocked flow in main water supply channels; water treatment and filtration plants; disinfectants; chemicals; laboratory equipment and reagents; utility vehicles, and water intake systems. Damage has been sustained to the Siverskyi Donets–Donbas canal, which cuts across the Donetsk and Luhansk oblasts and accounts for a majority of the impact. Damages to the water supply system are estimated at US\$12.2 million across the two oblasts.

Damages to the sewage systems also include impacted piping and plumbing; treatment plants and pumping stations; laboratory equipment, reagents, and chemicals; utility vehicles; and sludge disposal sites. Damages to the sewage system are estimated at US\$4.5 million across the two oblasts. The effects of the reduced infrastructure capacity are made worse by the influx of IDPs, since this places additional strain on drinking water provision, sewage treatment, and sludge disposal facilities. This is particularly true for raions closest to the current line of confrontation, where the concentration of IDPs is the highest and damage from earlier rounds of fighting the most pronounced. The inadequacy of sanitation facilities disproportionately impacts vulnerable groups, including women and girls and poor families.



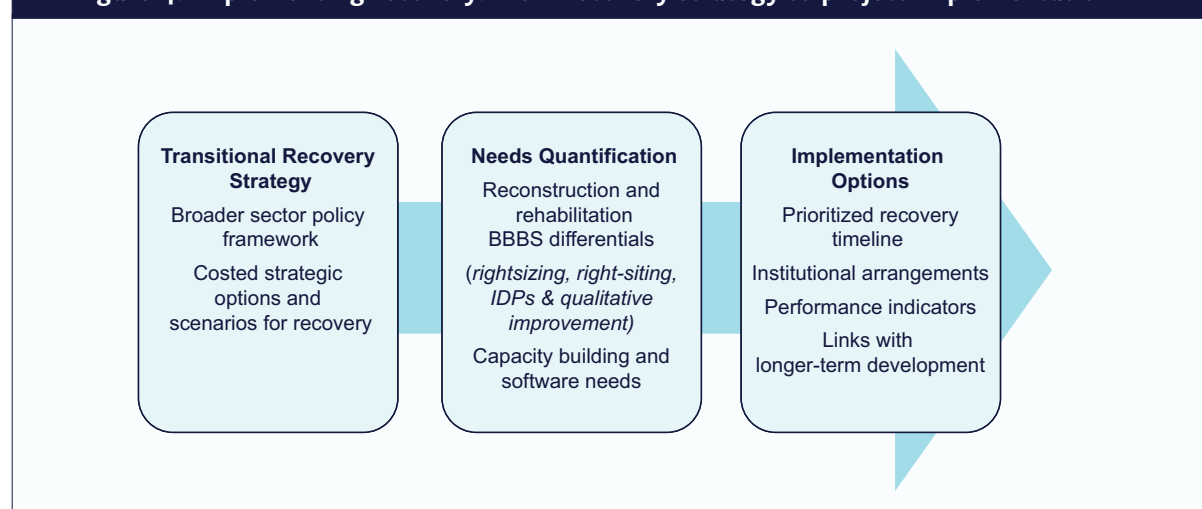
## 4. OVERVIEW OF SHORT-TERM (24-MONTH) RECOVERY OBJECTIVES, OUTCOMES, AND NEEDS

### Strategic options and scenarios for recovery

This section provides an overview of costed strategic options and scenarios for transitional recovery and reconstruction strategy for the subsector. This includes a qualitative assessment of infrastructure, service delivery, capacity and human development needs, as well as quantification of resources required to reconstruct needed infrastructure and restore social services.

Total recovery needs for the IS component are estimated at US\$1.258 billion. Needs are greatest in the transport, health, and energy sectors, at US\$558 million, US\$184 million, and US\$79 million respectively. Needs estimates build upon the damages reported to infrastructure to additionally (i) reconstruct impacted infrastructure to improved standards; (ii) restore service delivery to individuals residing in Donetsk and Luhansk, and replace facilities; and (iii) provide social services to IDPs. These also include other capacity and human development resources required to reconstruct needed infrastructure and restore social services.

**Figure 4. Implementing recovery: From recovery strategy to project implementation**



### Key Features of the Emerging Transitional Recovery Strategy

- The interventions recommended by individual sectors are aligned with the GoU's broad vision for recovery. As such, while the measures proposed for each sector are designed as short-term measures to stabilize living conditions in the affected communities, they contribute toward the government's 2015–2017 reform agenda.
- Costed options have been provided relating to the impact and needs for recovery in each sector that supply the government several options to choose from when enacting recovery. These relate to: (i) reconstructing impacted infrastructure; (ii) restoring service delivery to individuals residing in Donetsk and Luhansk, and; (iii) providing social services to individu-

als displaced as a result of the conflict who now reside mostly in Donetsk, Luhansk, Kharkiv, Dnipropetrovsk, and Zaporizhzhia oblasts.

- Stabilizing living conditions in affected areas may require reconstructing and rehabilitating infrastructure and service delivery to at least precrisis conditions,<sup>14</sup> but preferably to improved standards. This is the case, for example, in the education sector, where it is proposed to increase enrollment capacity in preschools to offer all children educational spots—while potentially also offering their caretakers the possibility to earn a living as well. It is similarly true of the reconstruction of impacted bridges, health-care infrastructure, and water and sanitation systems that may have to service large numbers of the long-term displaced for an indefinite period of time.
- The BBBS principle has been applied differentially and selectively in calculating recovery costs across and within subsectors. This is to ensure cost-optimized reconstruction and recovery programs that are sensitive to the needs of vulnerable populations, and those displaced by the conflict. BBBS recommendations in this component focus on recovery that improves upon precrisis conditions. For example, needs in the transport sector include the costs of constructing footpaths and sheltered bus stops to better serve women and youth. Similarly, to deal with the loss of all tertiary care facilities in Donetsk and Luhansk to antigovernment armed groups, the health sector recommends the purchase of new equipment better suited to meeting the needs of the population. The education sector similarly recommends training children to identify unexploded ordnances (UXOs) to address the demining of schools, common areas, and other public property (this is addressed under Component 3 of the RPA).
- The implementation of recovery—particularly including elements of BBBS—will require developing the capacity of the respective government agencies. Accordingly, subsector needs estimates incorporate the costs and modalities of undertaking such capacity development programs.
- All needs have been prioritized by urgency of implementation and magnitude of impact for beneficiaries, with the needs of vulnerable groups particularly considered. Additionally, financial needs and implementation plans have been presented across a time span of two years (select interventions extend beyond that period). Needs have also been reconciled across sectors to avoid overlaps and identify gaps, including through preliminary discussions with the government. Coordination has been maintained across different sectors to ensure consistency in various cost calculation factors.
- While most of the sectors covered in this assessment also require significant reform and improvements in governance, these have not been specifically identified in this phase of the RPA. An exception to this is the environment sector, where pressing improvements in governance are necessary even to launch immediate recovery interventions over the next two years.

## Addressing key transversal issues

Sector needs have been formulated and costed to also address the specific requirements of IDPs, the rights of vulnerable populations, gender sensitivity, youth inclusion, and human rights. To ensure this, needs assessments have been developed in consultation with experts on these issues.

**Incorporation of Gender Concerns and Needs:** A gender checklist was compiled, circulated, and

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14 While acknowledging that these conditions were suboptimal.



discussed with sector teams to make sure that women's, men's, and youth needs and capacities are taken into account in the assessment of IS-related needs, and are reflected in recovery strategies and properly costed. In terms of needs assessment, the following issues were considered: (i) safety and security of access to public infrastructure for men, women, children, and the elderly, and making sure that public places (transport, hospitals, schools, markets, and so on) are free of violence and abuse of rights. These needs could be met by improving illumination, longer hours of operation, locating critical infrastructure assets closer to residential areas, and by housing male and female IDPs from different families in different premises; (ii) ensuring comfortable access to infrastructure for people with mobility impairment, people who use wheelchairs, and other vulnerable groups; and (iii) maximizing affordability of access, as many IDPs and other people in the conflict-affected areas lack steady sources of income, a particularly acute issue for female-headed households.

Applying the gender lens is also helpful for designing BBBS strategies. Gender-sensitive planning of recovery efforts is essential to ensure that the renewed infrastructure will equitably improve the well-being of women, men, girls, and boys. The provision of needs-based infrastructure that takes into account changes in the demographic mix caused by the conflict (such as changes in population size, age, and gender composition) has been reflected in the recovery strategies and needs quantification of various IS subsectors.

**Treatment and Incorporation of IDPs' Needs:** The key objective of ensuring the equitable delivery of IS to IDPs and their hosts in conflict-affected areas has been incorporated in various subsector needs assessments. Further recommendations to mainstream IDP issues into the recovery agenda include: (i) ensuring that schools, health-care facilities, water and sanitation systems, and other infrastructure are rebuilt to accommodate new demand associated with the presence of IDPs; (ii) ensuring that IDP and host populations have equal and adequate access to rehabilitated services, so as to avoid engendering conflict between IDPs and hosts in areas with high concentrations of IDPs; (iii) involving both IDPs and hosts in the process of identifying rehabilitation priorities in communities from the beginning of the recovery process; (iv) surveying return intentions, triggers, and needs of IDPs to prioritize the rehabilitation of IS that will enable and sustain return; and (v) creating opportunities to use IDPs' skills—such as in public works, electrical engineering, and hydrological engineering—during the recovery process.

## Identifying and quantifying subsector recovery needs

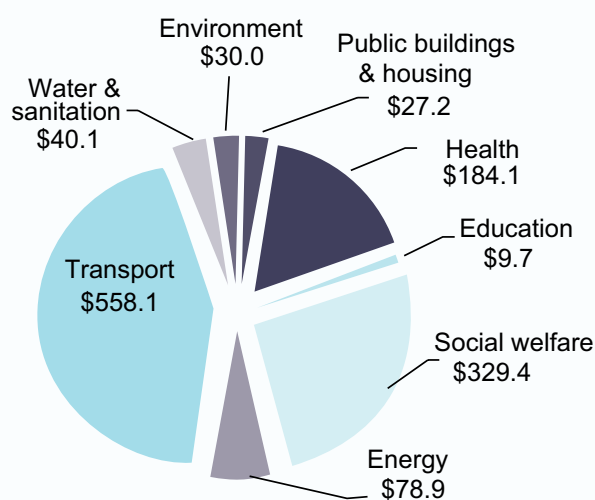
**Introduction and Summary of Needs:** Total recovery needs for the IS component are estimated at **US\$1.258 billion**. Needs are greatest in the transport, health, and social welfare sectors, at US\$558 million, US\$184 million, and US\$329 million respectively.

**Education (US\$9.71 million):** Recovery interventions have been costed with the principles of BBBS and protection of vulnerable communities in mind. The key short-term recovery objectives are: (i) reconstructing infrastructure; (ii) restoring service delivery (in conflict-affected and IDP-receiving regions); (iii) developing the capacity of the education authorities for crisis-sensitive planning and preparedness; and (iv) mitigating risks related to the crisis, such as protecting children and youth from violence, landmines, and UXOs.

Recovery should be used as an opportunity to improve access to higher-quality education through better design of learning spaces; teacher development; and to strengthen the capacity of education authorities at all levels to plan and implement the education system's recovery. With a view to BBBS, recommended rehabilitation interventions include: ensuring accessibility for children with

special needs; water and sanitation in schools; more efficient heating systems; compliance with up-to-date environmental standards and requirements; and the ability to accommodate the protracted presence of displaced children who may integrate into these communities. In the primary and secondary education subsector, construction and rehabilitation should take into account the required consolidation of education facilities. In terms of staff, it is possible to employ female IDPs with experience as teachers in schools and kindergartens.

**Figure 5. Recovery needs by sector (US\$ millions)**



The reconstruction of impacted infrastructure is estimated at US\$5.83 million. Service delivery costs are estimated at a further US\$1.03 million. The successful implementation of these interventions will require investments in capacity building and governance enhancement measures, such as training teachers and staff to expedite and facilitate the enrollment of displaced children. Capacity development needs are estimated at US\$1.95 million. Associated public awareness campaigns and other measures to mitigate risks to students from mines and UXOs are estimated at US\$0.89 million and would be organized in collaboration with wider mine and ordnance removal activities anticipated under Component 3.

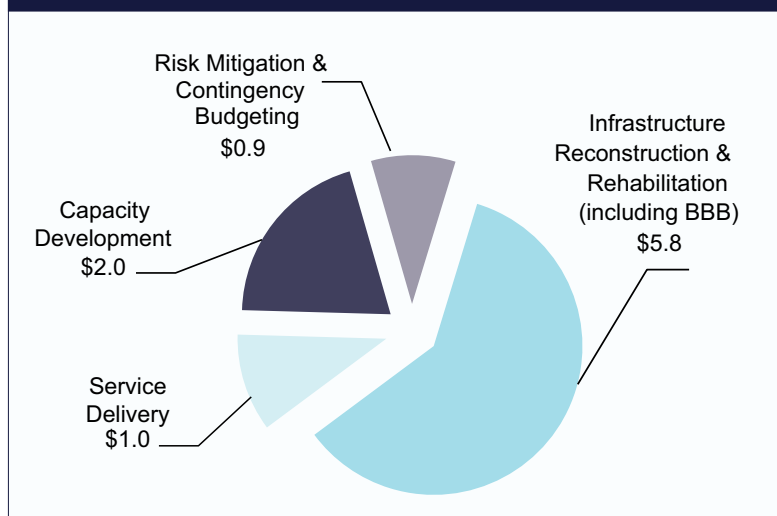
**Table 3. Infrastructure and social services, total estimated needs**

	US\$ (millions)
Health	184.2
Education	9.7
Social welfare	329.4
Energy	78.9
Transport	558.1
Water and sanitation	40.1
Environment	30.0
Public buildings and housing	27.2
<b>Total</b>	<b>1,257.8</b>

**Health<sup>15</sup> (US\$184.2 million):** To maximize the long-term impact of health sector interventions, the proposed recovery strategy prioritizes the adequate provision of health services over infrastructure reconstruction needs. The bulk of recovery spending is allocated toward strengthening the health system to be able to address both the urgent health needs of IDPs and to support host communities (US\$86.8 million). A similarly large portion of spending is dedicated to guaranteeing access to pharmaceuticals for affected communities, including IDPs and host populations,

<sup>15</sup> It must also be noted that health sector estimates exceed education sector needs due to peculiar and pressing medical demands such as the need to reestablish tertiary care facilities that have been lost to rebel-held parts of Luhansk and Donetsk.

**Figure 6. Education sector needs for all oblasts  
(in US\$ millions)**



through cost reimbursement or other ways of assuring availability of drugs to patients (US\$48.2 million). The reconstruction of damaged health-care infrastructure is estimated at US\$6.5 million. For a number of damaged health facilities (mental health hospitals, tuberculosis hospitals), commensurate capacity can be partially achieved through models of ambulatory care designed in coordination with social services and nongovernment organizations (NGOs). For infrastructure recovery beyond repairing damaged fa-

**Table 4. Education sector needs**

	UAH (millions)	US\$ (millions)
Infrastructure reconstruction and rehabilitation (including BBBS)	75.8	5.83
Service delivery	13.4	1.03
Capacity development	25.4	1.95
Risk mitigation and contingency budgeting	11.6	0.89
<b>Total</b>	<b>126.2</b>	<b>9.71</b>

cilities, there is an urgent need to reestablish tertiary care capacities to replace those situated in Luhansk and Donetsk cities that are currently not under government control. In this respect, costs include upgrading the existing high-capacity, secondary-level facilities in two oblasts with the necessary equipment and technology to guarantee the population's access to highly specialized care. Systemic response to gender-based violence—which entails training doctors to deal with survivors of violence—should be also introduced. The total estimated cost of equipment for these two oblasts is US\$101.5 million.

**Energy (US\$78.86 million):** Comprised of the electricity, coal, district heating, and oil and gas subsectors, the energy sector is critical for the health and well-being of the affected population over this winter and beyond. A major portion of this sector's recovery costs are concentrated in the electricity sector, since major energy generation plants have been affected. However, needs in the coal and district heating sectors also require urgent attention. Acute fuel shortages and winter heating needs require priority interventions.

**Electricity (US\$49.214 million):** Seven power generation and supply companies<sup>16</sup> in the region have been substantially impacted. These companies face the multiple challenges of having to conduct urgent repair work and maintain energy flow to end consumers while revenues and profits

16 These are the DTEK Power Grid LLC, PJSC Donbasenergo, PJSC DTEK Donetskoblenergo and PJSC DTEK Energougol ENE in the Donetsk oblast, DTEK Skhidenergo LLC, LLC Luhansk Energy Association in Luhansk, and NEC Ukrenergo, which transmits to both Donetsk and Luhansk.

Table 5. Health sector recovery needs		
		Cost (US\$ million)
<b>(1) Infrastructure recovery, including:</b>		<b>108.2</b>
Health-care facilities/infrastructure	Capital	5.6
Equipment; providing access to tertiary-level care	Capital	101.6
Restore surveillance	Capital/ operational	1.0
<b>(2) Addressing urgent health needs, including:</b>		<b>10.1</b>
Social-medical support	Operational	9.8
Systematic responses to gender-based violence	Operational	0.3
<b>(3) Guaranteeing access to pharmaceuticals</b>		<b>63.9</b>
<b>(4) Modifying and developing new models of services delivery</b>		<b>2.0</b>
<b>Total for all areas</b>		<b>184.2</b>

decline. Recognizing this, the National Commission for State Energy and Public Utilities Regulation has already taken measures to alleviate the burden. These include the provision of US\$50 million to replenish the severely depleted fuel reserves of the power generation facilities.

*Facilitating private sector recovery in the power sector:* As previously highlighted, it is also recommended that the government facilitate private-sector recovery in the power sector. This will be essential for restoring a vital public service, the absence of which can severely jeopardize the lives and living standards of resident and IDP populations.

*Electricity provision to IDPs:* The IDP influx has been significant in Kharkiv, Dnipropetrovsk, and Zaporizhzhia oblasts. Fortunately, power generation capacity in Dnipropetrovsk and Zaporizhzhia is estimated to sufficiently meet the increased demand. Power needs in the Kharkiv oblast warrant additional evaluation if the IDP population continues to rise.

*Coal (US\$1.296 million):* Infrastructure damage to facilities in government-controlled areas is relatively minor. However, two service providers—SE Dzerzhynskvugillya in Donetsk oblast and SE Lisichanskvugillya in Luhansk oblast—have incurred substantial losses. Since both of these are state enterprises, their losses will eventually be underwritten through state budgets. However, it is necessary to make funding available in the short term to enable a return to full-scale production at the facilities, and to prevent further losses. This is proposed only as a short-term emergency measure and is not an endorsement of retaining these unprofitable enterprises in the long term, for which government subsidies should preferably be discontinued at the earliest opportunity.

*District heating (US\$24.986 million):* Damages to infrastructure are heavily concentrated in Donetsk, which accounts for 97 percent of the recovery needs. The vast majority of Donetsk's recovery needs (also 97 percent) are required to reconstruct infrastructure responsible for supplying heat to consumers. Of this, 92 percent of the funds are required to reconstruct heat generation facilities such as boiler rooms. Considering the harsh winter, it is critical that this financing be made available in a timely manner. This is particularly important since interrupted heat supply in the winter is likely to cause massive use of electrical appliances (such as heaters) at the household level, which sharply increases the load on the electric power networks and may affect electricity supply. Such a scenario could risk the consumer losing access to electricity along with heat-

ing. The influx of IDPs is also creating additional needs for increased hot water supply. IDPs' district heating needs included in this estimate are for a six-month period; they are based on current IDP figures and current tariffs on hot water and heating for the Donetsk and Luhansk oblasts, as well as Kharkiv, Zaporizhzhia, and Dnipropetrovsk.

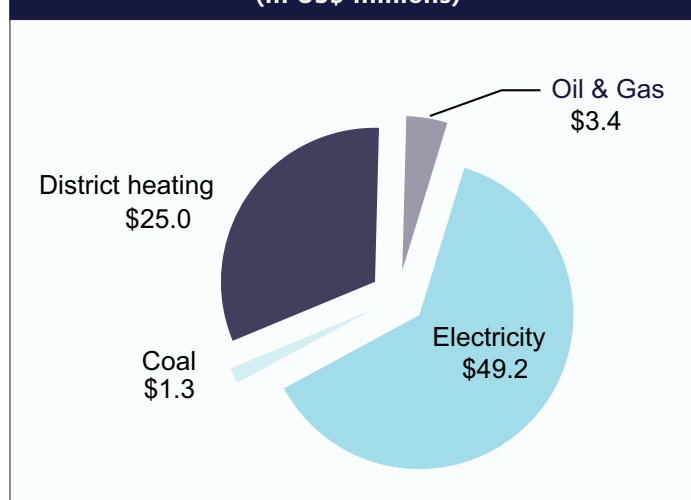
*Oil and gas (total needs US\$3.4 million):* Given winter needs, priority should be given to reconstructing infrastructure that impacts immediate service delivery to end consumers. The oil and gas sector needs estimate also includes gas supply for IDPs based on current IDP figures and current tariffs on gas supply for the Donetsk and Luhansk oblasts, as well as Kharkiv, Zaporizhzhia, and Dnipropetrovsk.

**Environment (US\$30 million):** It is estimated that a total of US\$30 million is required to achieve an environmentally acceptable recovery strategy over the next 24 months. Priority recovery needs in the environmental sector include: (i) a post-conflict environmental assessment that focuses on contaminated sites (US\$3 million); (ii) a strategic environmental assessment of the DRP (US\$1.5 million); (iii) reestablishing an environmental monitoring program (US\$2.5 million); (iv) reforesting and rehabilitating protected areas (US\$17.5 million); (v) removing and disposing of debris (US\$5 million); (vi) strengthening environmental emergency preparedness and response capacity (US\$200,000); and (vii) reinforcing national capacity to combat illegal natural resource exploitation and environmental crime (US\$300,000). It must be noted that estimates for physical works are notional at this stage and based on standard global yardsticks; they will need verification in subsequent phases of the assessment. The needs estimate for reforesting and rehabilitating protected areas is based on the assumption that around 30 percent of the total estimated burned forest area may be so severely damaged that it will require priority rehabilitation, which is then multiplied by a global unit cost for this activity.<sup>17</sup> Similarly, costs for debris removal are derived from a broad-based lump sum estimate based on the assessment team's operational experiences elsewhere to jump-start a cleanup process. The estimated cost of the post-conflict environmental assessment is based on a detailed evaluation of the 20 priority contaminated sites, including technical advice on emergency containment measures.

**Table 6. Summary of energy sector needs**

	US\$ (millions)
Electricity	49.214
Coal	1.297
District heating	24.986
Oil and gas	3.400
<b>Total</b>	<b>78.900</b>

**Figure 7. Energy sector recovery needs (in US\$ millions)**



17 Using data from a 2005 World Bank assessment for a potential reforestation project in Ukraine.

Table 7. Breakdown of energy sector recovery needs	
Component 1: Infrastructure and social services	US\$ (million)
Power sector	
Intervention 1: Repair power distribution networks	11.742
Intervention 2: Repair power transmission network	11.273
Intervention 3: Repair power-generating capacity	26.199
Coal sector	
Intervention 4: Repair coal mines	1.296
District heating	
Intervention 5: Repair damaged heating networks and boiler houses	1.108
Intervention 6: Buildings repair, including glazing windows	1.135
Gas sector	
Intervention 7: Repair gas pipelines	0.473
Intervention 8: Other assets (buildings repair, garage, workshop, communication, warehouse, and so on)	1.912
Oil sector	
Intervention 9: Repair oil pipelines	9.000
Energy sector support for IDPs	
Intervention 10: State budget needs for reimbursing IDPs the cost of thermal energy for Donetsk region, Luhansk region, Kharkiv, Zaporizhzhia, Dnipropetrovsk	23.851
Intervention 11: State budget needs for reimbursing IDPs the cost of gas for Donetsk region, Luhansk region, Kharkiv, Zaporizhzhia, Dnipropetrovsk	0.970
<b>Total energy sector needs</b>	<b>78.87</b>

Table 8. Environment sector needs	
	US\$ (millions)
Post-conflict environmental assessment	3.00
Strategic environmental assessment of the DRP	1.50
Reestablish an environmental monitoring program	2.50
Reforest and rehabilitate protected areas	17.50
Remove and dispose of debris	5.00
Strengthen environmental emergency preparedness and response capacity	0.20
Reinforce national capacity to combat illegal natural resource exploitation and environmental crime	0.30
<b>TOTAL</b>	<b>30.00</b>



**Figure 8. Environment sector needs (in US\$ millions)**



**Public Buildings and Housing (US\$27.21 million):** Housing recovery needs have been calculated for rebuilding damaged and destroyed multi-apartment and single-family housing, at the average unit cost of housing estimated by local authorities in various cities and raions of Donetsk and Luhansk regions. This is based on the assumption that the government, in line with its past practices, may consider compensating homeowners for the reconstruction of their houses at a standard per square meter rate. This is the preferred scenario for this needs estimate using a compensation and contractor-based reconstruction model. It must be noted that these estimates are only limited to the raions and municipalities of the Donetsk and Luhansk oblasts where data was available. More data still needs to be collected regarding the remaining affected raions and municipalities of the Donetsk and Luhansk regions. These costs total US\$20.06 million, of which US\$16.26 million are in the Donetsk region and US\$3.8 million are in the Luhansk region. In the Donetsk region, damages are highest in Sloviansk (at US\$7.474 million); in the Luhansk region, the damages have been concentrated in Lysychansk (US\$3.514 million).

**Other Alternatives for Housing Reconstruction:** Other options for housing recovery not factored in the needs estimate include the possible provision of a one-time payment for the purchase of a new house to individuals and families whose homes have been damaged. It is estimated that 372 families have been displaced in three municipalities and raions of the Donetsk region and in one municipality of the Luhansk region (updated

**Table 9. Public buildings and housing sector needs**

	Recovery Needs (US\$ millions)
<b>Residential buildings</b>	<b>20.060</b>
<b>Municipal and general public buildings</b>	<b>7.145</b>
Village council	0.093
Cultural centers	0.289
Assisted living facilities	0.115
Military offices	0.072
City administration offices	3.657
Police station	2.511
Security services offices	0.115
Public prosecutor's office	0.042
Emergency services office	0.107
Tax inspection	0.142
Civil state register	0.001
Libraries (7)	0.001
<b>Total</b>	<b>27.21</b>

data and data for additional municipalities and raions will need to be collected). Under this option, and given prevailing market rates for two-bedroom apartments in the impacted areas, it is estimated that a total of US\$7.14 million may be needed to underwrite the purchase of houses for these families. A third option could be to base payments on the basis of the mandatory residential square meterage allocated per person by the law—which is closer to a subsidy-based approach rather than a compensation-based one.

At 13.65 square meters per person, and an extra 10 meters per family, the cost of such payments for all impacted individuals is estimated at US\$5.95 million.

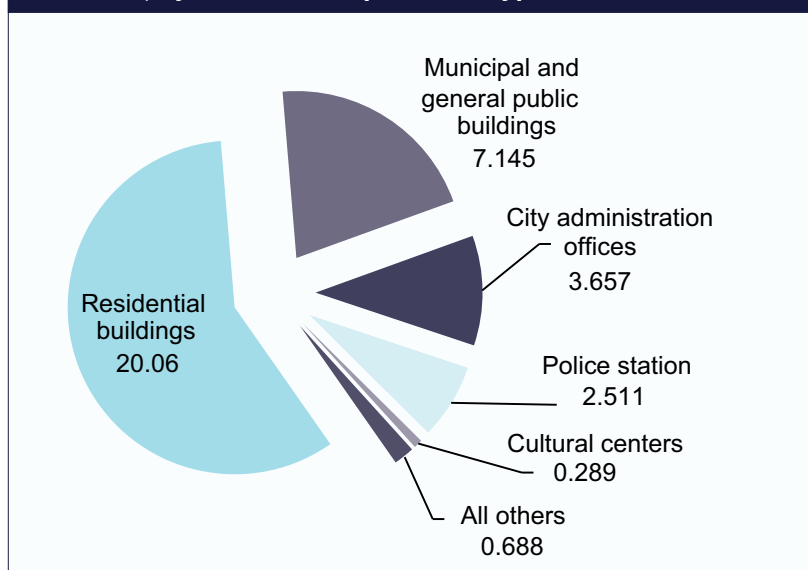
Finally, the recovery needs estimates for general public buildings include reconstructing or repairing damaged assets and providing equipment for service delivery restoration. These are based on estimates provided by local authorities in various cities and raions of the Donetsk and Luhansk oblasts visited during the assessment.

**Social Welfare (US\$329.4 million):** The social welfare needs assessment mainly focuses on the additional funds needed to extend benefits and services to IDPs. The estimate also includes the cost of repairing damages to the physical infrastructure associated with the delivery and distribution of social welfare benefits. It is expected that IDPs would become recipients of the regular social assistance programs that are operated in Ukraine, and that the number of beneficiaries of the Guaranteed Minimum Income Program would increase, along with those who receive disability benefits. This increase would be expected to be offset by the amount of benefits no longer paid in Crimea. Additionally, active labor market policies to promote employment among IDPs would cost around US\$6.5 million. The social welfare system in five oblasts would also need additional social workers to be able to arrange uptake and case management for the increased number of applicants and clients. It is estimated that an additional 500 social workers would be needed in five oblasts. The cost related to their wages and trainings is estimated at US\$3.5 million for 2015. In summary, interventions proposed for the social welfare sector encompass the following elements:

**Aid to IDPs (US\$301.3 million):** Per the decision by the Cabinet of Ministers, registered IDPs holding a bank account are to receive a six-month allowance of up to UAH 2,400 per family per month to cover living payments. IDP aid expenditure through January 2016 has been estimated at US\$301.3 million based on the lower estimate of IDPs as forecast by the World Bank.

**Unemployment benefits (US\$15.2 million):** Unemployment benefits have been calculated for the two-year period based on the current number of IDPs. Payments for 2015 are higher in Donetsk

**Figure 9. Housing and general public buildings sector needs, by oblast and expenditure type (in US\$ millions)**





(followed by Kharkiv, Zaporizhzhia, and Dnipropetrovsk), while Luhansk registers relatively lower unemployment needs.

*Active labor market measures (US\$6.5 million):* In addition to unemployment benefits, there is also a need to devise and institute active labor market policies, including public works, training, and retraining. This especially concerns women due to their considerably higher unemployment rates. The estimated cost in 2015 for instituting active labor market policies is US\$6.5 million.

*Pensions:* The conflict has led to a massive exodus of pensioners from Donetsk and Luhansk to Kharkiv, Zaporizhzhia, and Dnipropetrovsk oblasts, which respectively account for 26.5 percent, 24.4 percent, and 15 percent of all new pension applications received. Transferred pension applications in Donetsk and Luhansk are relatively lower. Thus the transfer of pension benefits from conflict areas to other regions does not change the pension fund's overall needs. However, while additional resources are not required for this, adjustments for redistribution of resources between oblasts are urgently required.

*Hiring additional social workers (US\$3.5 million):* To address the greater processing load of all types of benefits due to increased population in areas receiving IDPs, it is estimated that 478 new staff will be required across the five oblasts. This will cost around US\$3.5 million in 2015, and complements other measures to improve access to social protection services identified in Component 3 of the RPA.

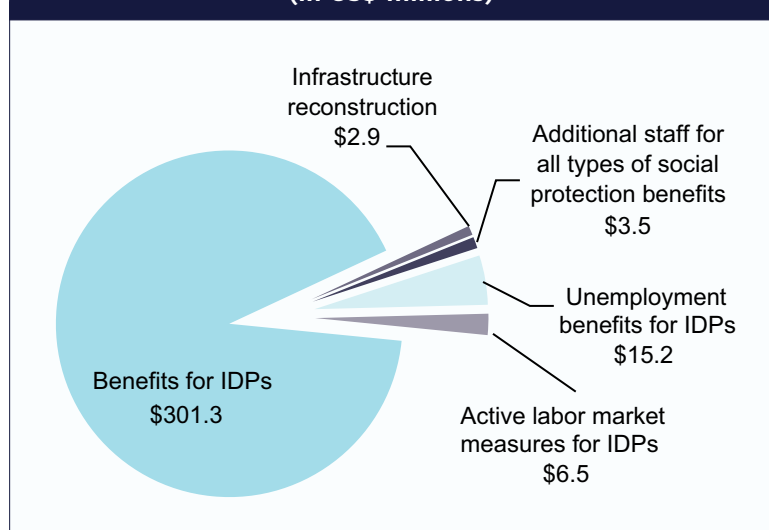
*Infrastructure reconstruction (US\$2.867 million):* A total of 26 facilities in government-controlled territory have been affected. Of these, 19 are in the Donetsk oblast with an estimated reconstruction cost of US\$0.88 million, and 7 are in the Luhansk oblast with an estimated reconstruction cost of US\$1.987 million. Damaged facilities include residential and nonresidential care and rehabilitation facilities for people with disabilities, children, the elderly, and the homeless, as well as administration buildings and employment centers.

*Residential care needs:* The conflict has led to an evacuation of residential institutions for vulner-

**Table 10. Social welfare sector needs for 2015–2016**

	Recovery needs (US\$)
Infrastructure reconstruction	2,867,239
Additional staff for all types of social protection benefits	3,486,450
Unemployment benefits for IDPs	15,184,615
Active labor market measures for IDPs	6,500,000
Benefits for IDPs	301,308,653
<b>Total</b>	<b>329,346,954</b>

**Figure 10. Social welfare sector needs by subsector (in US\$ millions)**

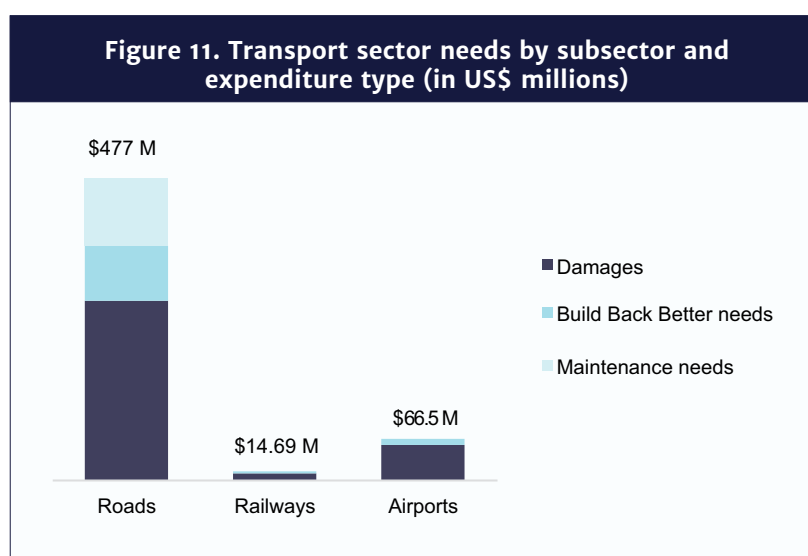


able groups, including the elderly, orphans, and disabled persons. Financing these institutions is estimated at US\$10 million. However, these needs are not additional for Ukraine, but require funds to be reallocated between oblasts.

**Transport (US\$558.15 million):** The cost to reconstruct impacted transport infrastructure has been calculated with a view toward BBBS and gender-sensitive construction. In the roads sector, this means prioritizing the reconstruction of both state and municipal roads to international standards of road safety. It will also mean constructing infrastructure to facilitate nonvehicular transport, particularly illuminated and accessible sidewalks, sheltered bus stops, and pedestrian crossings and bridges. Road sector costs also include increased costs of maintaining the network due to the additional traffic load created by the influx of IDPs. These interventions have been estimated to add 30 percent to reconstruction costs in the roads sector, for a total of US\$357 million. BBBS needs are also estimated to raise reconstruction costs by 20 percent in the railways and air transport sectors, for respective totals of US\$14.7 million and US\$66.7 million.

Table 11. Damages and needs for transport subsector				
SECTOR	Roads	Railways	Airports	TOTAL (US\$ millions)
<b>Damages</b>	284.08	12.231	55.385	<b>351.69</b>
<b>BBBS needs</b>	85.23	2.462	11.077	<b>98.77</b>
<b>Maintenance needs</b>	107.69	-	-	
<b>Total needs</b>	<b>477.0</b>	<b>14.7</b>	<b>66.5</b>	<b>558.2</b>

It should be noted that at present, airport facilities are strictly divided by ownership; only air traffic control facilities and radar complexes are under the direct control of the Ministry of Infrastructure,<sup>18</sup> while the Donetsk municipality holds assets such as the passenger terminal and runway. For the current assessment, it has not been possible to assess damages to the terminal and runway due to ongoing armed conflict at the airport. Therefore the current estimate of airport subsector damages included in this report pertains only to air traffic control facilities and radar complexes.



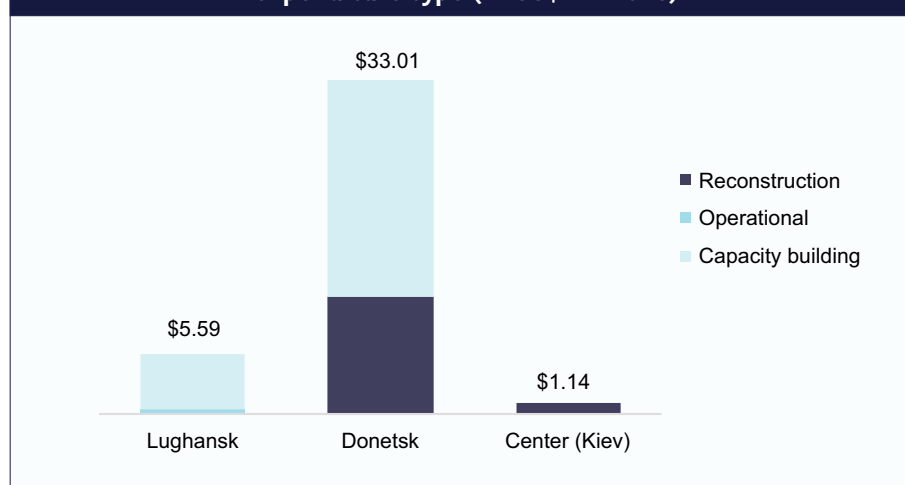
18 The Ministry of Infrastructure is the general IS component focal point as well as the specific transport sector counterpart for this assessment.

**Water and sanitation (US\$40.1 million):** Water and sanitation sector recovery needs entail: (i) recovering water supply and sewage infrastructure; (ii) increasing the capacity of water supply and sewage systems; (iii) engaging additional personnel and hardware needed for appropriate water and sanitation services; and (iv) engaging in scientific research and design development to diversify sources of water and modernizing sewage treatment plants. Intermittent water supply, along with the irregular provision of electricity and heating, is expected to worsen the conditions and vulnerability of people residing in or seeking to return to the conflict-affected areas. A severe winter will cause water pipes to burst and make it extremely difficult to maintain a centralized water supply system in conflict-affected areas. This highlights an urgent need to constantly monitor water supply disruptions and their impact on sanitation, and the overall hygiene and health conditions of people who live in and around conflict-affected areas. This will enable efficient responses and remedial measures for the urgent restoration of these services in the directly affected parts of the Luhansk and Donetsk oblasts, and other indirectly affected areas.

**Table 12. Water and sanitation sector needs**

	Type	Total cost (UAH millions)	Total cost (US\$ millions)
Water supply infrastructure recovery	Capital	243.262	18.712
Sewage infrastructure recovery	Capital	107.277	8.252
Increase the capacity of water supply systems	Capital	0	0.000
Increase the capacity of sewage systems	Capital	0	0.000
Engage additional personnel and hardware needed for appropriate water and sanitation services	Operational	4.748	0.365
Scientific research and design development to diversify sources of water supply and modernize sewage treatment plants	Capacity building	166.101	12.777
<b>Total for all areas</b>		<b>521.388</b>	<b>40.107</b>

**Figure 12. Water and sanitation sector needs, by oblast and expenditure type (in US\$ millions)**



## 5. TRANSITIONAL IMPLEMENTATION STRATEGY AND INSTITUTIONAL ARRANGEMENTS FOR RECOVERY

### Strategic results framework (SRF) for Component 1

Considerations for Developing the RF: Component 1 Results Framework provides a consolidated RF for Component 1, which combines individual sector frameworks into a cohesive whole. This provides the baseline conditions, performance indicators, and implementation sequencing of various subsectors at the level of individual interventions. This could prove a useful intra- and inter-sectoral tool to prioritize and sequence recovery needs in the future, as well to monitor, evaluate, and make subsequent readjustments and course corrections to the recovery program.

The Component 1 SRF provides actions that will be more visible to the public and can generate modest but tangible “quick wins” that deepen or broaden national ownership over and support for the recovery and peacebuilding process. Along with these visible results, it also outlines less visible but equally important actions in the areas of institutional capacity building and reform, transparency, and governance of natural resources. These are critical to underpinning future governance, state capacity, and accountability, without which ownership of the process risks becomes nominal, rather than national, and can lead to reversals at a later date.

### Proposed institutional arrangements for recovery

Overall Institutional Arrangements for Cohesive and Programmatic Recovery: Hybrid institutional arrangements—which are a mix of dedicated central agencies and existing institutions—may best suit the peculiarly challenging circumstances faced during efficient and effective recovery of the conflict-affected parts of eastern Ukraine. The central agencies identified throughout this analysis may assume a central role toward policy setting, implementation oversight, and performance management at a core programmatic level. Actual implementation will likely be carried out by various sector, oblast, and raion-level line agencies and departments. However, making such a hybrid arrangement work will require clarifying from the outset the operational mandates of key recovery actors and mechanisms for policy development, coordination, monitoring and evaluation (M&E), and reporting. Special mechanisms for resource allocation, financial management procurement, capacity development and staffing, quality assurance, transparency, communications, grievance redress, data collection, and monitoring will also need to be established.

Sector-by-Sector Arrangements and Considerations for Recovery Implementation: This section provides a summary of the sector-by-sector arrangements and requirements for efficient and effective crisis recovery.

- *Education sector:* The government has already made some headway toward normalizing the delivery of education services. While the State Emergency Service (SES) will be responsible for carving out the broader contours of an education sector recovery policy, various tiers of government will need to play a key role in planning and implementing such recovery. Small towns and villages will be in charge of preschools; raions and cities will be responsible for primary and secondary education; oblasts and cities of special status will be in charge of technical and vocational schools; and the central government will be responsible for higher educa-

tion. However, the capacity of education authorities at all levels for crisis-sensitive planning, budgeting, and implementation will need to be strengthened. This will include enhancing the capacity for operationalizing recovery at the ministry, regional, raion, municipal, and school levels.

- *Health sector:* Local health authorities confirmed their commitment to take the lead on all recovery efforts. Though the Cabinet of Ministers, MoH should request full support from other industries and ministries (infrastructure, finance, and so on) by simplifying tenders and procurement procedures to obtain reconstruction services, as well as medicines and medical supplies. At the same time, local health administrations may benefit from receiving technical assistance from international experts and learning lessons from international experiences with bolstering health systems, especially regarding health services delivery, pharmaceuticals, and health sector financing systems. In addition, civil society organizations (CSOs) can provide some services, such as social support for IDPs.
- *Energy sector:* Effective energy sector recovery is expected to constitute a complex mix of public sector-led implementation and regulation and facilitation of private sector recovery interventions. The government structure responsible for coordinating recovery efforts in the Donbas region will need to significantly reinforce its staff, skills, and capacity to coordinate across public and private sector recovery. It will also have to work in close cooperation with the National Commission for State Energy and Public Utilities Regulation, which is responsible for tariff policy, and other sector state bodies including ministries, the tax administration, and oblast administrations.
- *Transport sector:* In cooperation with the Ministry of Regional Development, Construction, Housing and Communal Services, the Ministry of Infrastructure will be responsible for recovery measures regarding the national transport and communications networks. However, the process of full transport sector reconstruction will not be quick, and each area of damage will need to be prioritized. Major roads should be dealt with first, with local roads to follow. Any towns or villages that are cut off should have temporary access constructed for them. Pedestrian bridges and crossings and protected bus stops should also be a priority since they mostly serve more vulnerable populations.
- *Housing sector:* Local self-government institutions could be made responsible for coordinating the housing sector recovery, although in a way that puts the lowest possible burden and administrative costs on these already undercapacitated local bodies. It is therefore proposed that in each municipality, specific plans and schedules of housing recovery and possible compensation depend on which scenario/scheme the municipality will approve, taking into account provisions of the legislation, availability of funds, and the local situation. In each raion and municipality, where necessary, local bodies of self-government shall form temporary grievance and need assessment commissions to perform the following functions: (i) develop standardized local policy and “one-stop shop” procedures for processing claims, verifying eligibility for compensation and paying these out (as addressed in Component 3 of the RPA); (ii) identify and register all owners of damaged and destroyed single-family houses and apartments in multi-apartment houses; and (iv) distribute and transmit funds to claimants and monitor receipt of compensations. However, such commissions will need to be provided with training and resources for arranging office space and utilities, equipment, staff salaries, communication, and other administrative costs.
- *Water and sanitation sector:* The GoU, along with its agencies (especially those in affected oblasts and raions) and other partners, is already directly or indirectly involved in water and

sanitation sector repairs. However, central oversight by the Ministry of Regional Development, Construction, Housing and Communal Services will be needed to coordinate recovery in this sector, as well as to further strengthen and reinforce regulatory controls. There are few other options to arrange fuller and longer-term recovery in this sector. While the GoU should take the lead for such recovery, other organizations and donors would be expected to play key roles in providing advisory, technical, and financing assistance.

- *Environment sector:* Environmental sector recovery implementation will need to be coordinated at three levels: the Ministry of Environment and Natural Resources at the central level; the government structure responsible for coordinating Donbas recovery efforts at the regional level; and the state (oblast) environmental protection administration and CSOs at the local level. Technical administrations at the oblast level, such as the State Environment Inspectorate or State Forestry Committee, have highly qualified experts with the technical skills and experience to lead implementation of the proposed projects. It will be necessary to involve and capitalize on the professional skills of environmental NGOs that have played a critical role in monitoring and reporting on the conflict-related environmental damages. To promote ownership and active involvement, it is important that local communities be involved in discussions and decision making on key issues, and be provided with job opportunities through environmental rehabilitation work to the extent possible (such as reforestation projects, waste cleanup operations, and so on). Finally, it will be important to collaborate with international organizations that could provide specialized technical assistance and quality assurance oversight, and share experiences and lessons from relevant initiatives. In addition, international partners could provide project management support, especially given the reduced operational capacity of national institutions in the immediate post-conflict phase.

## Component 1 Results Framework

### STRATEGIC OBJECTIVE 1: RESTORE CRITICAL IS

Subsector: Energy							
PRIORITY INTERVENTIONS (activities)	BASELINE (outputs)	INDICATORS (as per activity)	EXPECTED IMPLEMENTATION FRAMEWORK (in % completion/financial terms)				RESPONSIBILITY
			6 months	12 months	18 months	24 months	
<b>Objective: Restore services in the power sector</b>							
Repair power distribution networks	Donetsk oblast 35,000 residents in 33 settlements did not have power <sup>a</sup> as of November 20, 2014 1390 km of power lines 6–110 kV damaged or destroyed, 50 substations 6–150 kV damaged or destroyed, 3 dispatch control systems completely destroyed Luhansk oblast 20,000 residents in 25 settlements <sup>b</sup> 13 power lines 6–110 kV destroyed, 3 substations 6–150 kV damaged or destroyed	Donetsk oblast Renewed power supply to 35,000 residents in 33 settlements Luhansk oblast Renewed power supply to 20,000 residents in 25 settlements	25%	50% <sup>c</sup>	75%	100%	Ministry of Energy, Municipalities of Luhansk and Donetsk oblasts
Repair power transmission network	In Luhansk oblast the integrity of the United Power System of Ukraine was broken; Luhansk TPP operates in “island mode.” 57.4 km of overhead 220–330–500–750 kV damaged or destroyed, 10 substations 220–330 kV damaged	Integrity of the United Power System of Ukraine and its transmission capacity are restored	25%	50%	75%	100%	Ministry of Energy, Municipalities of Luhansk and Donetsk oblasts

<sup>a</sup> Data for all the Donetsk oblasts and figures for government-controlled territory shall be specified.

<sup>b</sup> The number of affected individuals and affected settlements provided here is an estimate based on expert analyses. Due to lack of available data, the exact number could not be ascertained at the time this report was finalized.

<sup>c</sup> Cumulative percent presented throughout the table, unless indicated otherwise.



Repair power-generating capacity	Two TPPs lost capacity: Slovianska TPP from 880 MW to 80 MW, Luhanska TPP from 1460 MW to 385 MW.	Capacity of Slovianska TPP is 880 MW Capacity of Luhanska TPP is 1460 MW	25%	50%	75%	100%	Ministry of Energy, Municipalities of Luhansk and Donetsk oblasts
<b>Objective: Restore functioning of the coal companies</b>							
Repair coal mines	4 mines of SE Dzerzhynskvugillya in Donetsk oblast and 2 mines of SE Lisichanskvugillya in Luhansk oblast have been damaged	Monthly production of SE Dzerzhynskvugillya and SE Lisichanskvugillya are according to planned amount	100%	0%			Ministry of Energy, Municipalities of Luhansk and Donetsk oblasts
<b>Objective: Restore services in the district heating sector</b>							
Repair damaged heating networks and boiler houses	Partially damaged heating networks in Slovyansk Damaged main heating networks in Kramatorsk Damaged boiler houses, resulting in lower thermal energy output in Slovyansk and Stanytsya Luganska	Heat supply to all affected persons recovered	100%	0%			Municipalities of Luhansk and Donetsk oblasts
Buildings repair, including glazing windows	In Slovyansk, four boiler houses of the external heat network have window frames damaged (159 mm. x 45 running meters)	Heat supply facilities recovered and in operation	50%	100%			Municipalities of Luhansk and Donetsk oblasts
<b>Objective: Restore functioning in the gas sector</b>							
Repair gas pipelines	In Mariupol and in Stanytsya Luganska, partially damaged distribution gas pipelines	Gas supply has been recovered to all affected consumers	100%	0%			Ministry of Energy, Municipalities of Luhansk and Donetsk oblasts

Other assets (buildings repair, garage, workshop, communication, warehouse, and so on)	In Kramatorsk, buildings, garages, workshops, communications, and warehouses have been damaged	Recovered work all affected gas sector enterprise	25%	50%	75%	100%	Ministry of Energy, municipalities
<b>Objective: Restore functioning of the oil sector</b>							
Repair oil pipelines	Artemivsk and Slovyansk raions, Donetsk oblast: For damage repair, the enterprise plans—as part of maintenance repairs—to identify damages and repair cable of technological communication of the oil pipeline at 6 km and 82 km. It plans to carry out works after normalizing the situation and sweeping the for mines.	Oil transportation has been recovered to all affected clients	0%	100%	0%	0%	Ministry of Energy
<b>Objective: Extend energy sector support to IDPs (district heating)</b>							
State budget needs to reimburse displaced persons the cost of thermal energy for Donetsk region, Luhansk region, Kharkiv, Zaporizhzhia, Dnipropetrovsk	Restoring heating supply in full to all heat consumers affected by infrastructure damage		100%	0%			Ministry of Social Policy (MSP), municipalities
<b>Objective: Extend energy sector support to IDPs (gas sector)</b>							
State budget needs to reimburse displaced persons the cost of gas for Donetsk region, Luhansk region, Kharkiv, Zaporizhzhia, Dnipropetrovsk	Restoring gas supply in full to all heat consumers affected by infrastructure damage		100%	0%			MSP, municipalities

Subsector: Transport							
PRIORITY INTERVENTIONS (activities)	BASELINE (outputs)	INDICATORS (as per activity)	EXPECTED IMPLEMENTATION FRAMEWORK (in % completion /financial terms)				RESPONSIBILITY
			6 months	12 months	18 months	24 months	
Objective: Restore access to and use of the key transport infrastructure							
Rehabilitate state road network	1,100 km of roads affected	km rehabilitated	10%	40%	70%	100%	Ministry of Infrastructure, Municipalities of Luhansk and Donetsk oblasts
Rehabilitate state network bridges	10 bridges affected	number of bridges rehabilitated					
Rehabilitate municipal infrastructure (roads and bridges)	235 roads and 12 bridges affected	km of roads and number of bridges rehabilitated					
Subsector: Water and Sanitation							
Objective: Restore water and sanitation facilities in highly affected and less-affected areas							
PRIORITY INTERVENTIONS (activities)	BASELINE (outputs)	INDICATORS (as per activity)	EXPECTED IMPLEMENTATION FRAMEWORK (in % completion /financial terms)				RESPONSIBILITY
			6 months	12 months	18 months	24 months	
Recover damaged objects to their parameters prior to their destruction (according to BBBS concept)	Water and sanitation facilities destroyed in highly and less affected areas of Donetsk and Luhansk oblasts	% of destroyed water and sanitation facilities reconstructed	25%	50%	75%	100%	Vodokanal departments in Donetsk and Luhansk oblasts; (Minregionbud) Ministry of Regional Development, Construction, Housing and Communal Services and its departments

Objective: Restore functioning of water and sanitation service departments in Donetsk and Luhansk oblasts							
PRIORITY INTERVENTIONS (activities)	BASELINE (outputs)	INDICATORS (as per activity)	EXPECTED IMPLEMENTATION FRAMEWORK (in % completion /financial terms)				RESPONSIBILITY
Restore water and sanitation service departments operating in Donetsk and Luhansk oblasts, including additional equipment and personnel; complete services for displaced	Water and sanitation services in the region have difficulties in their activities because of damage that includes office buildings, damage, or destruction of equipment and reduction in number of employees, as many moved to other regions. Donetsk and Luhansk departments (and some others) have been forced to leave their offices and operate in other cities (see Annex C to water and sanitation report)	% recovery of services according to specified value	6 months	12 months	18 months	24 months	Vodokanal departments in Donetsk and Luhansk oblasts; (Minregionbud) Ministry of Regional Development, Construction, Housing and Communal Services and its departments
			20%	60%	80%	100%	
Objective: Decentralize water and sanitation service delivery and diversify the region's water supply sources							
PRIORITY INTERVENTIONS (activities)	BASELINE (outputs)	INDICATORS (as per activity)	EXPECTED IMPLEMENTATION FRAMEWORK (in % completion /financial terms)				RESPONSIBILITY
Decentralize water and sanitation service delivery and diversify water supply sources of the region	The main water and sanitation service provider in the region is the "Water of Donbas" (Voda Donbasa) company, which is not able to respond to urgent needs as the situation changes in remote areas.  The main source of drinking and industrial water is Siverskyi Donets–Donbas Channel. At the same time, the region has other local resources that should be explored and utilized.	% activity according to specified value	6 months	12 months	18 months	24 months	Vodokanal departments in Donetsk and Luhansk oblasts; (Minregionbud) Ministry of Regional Development, Construction, Housing and Communal Services and its departments
			6%	22%	64%	100%	

Subsector: Health							
PRIORITY INTERVENTIONS (activities)	BASELINE (outputs)	INDICATORS (as per activity)	EXPECTED IMPLEMENTATION FRAMEWORK (in % completion/financial terms)				RESPONSIBILITY
			6 months	12 months	18 months	24 months	
Objective: Recover health infrastructure to precrisis levels							
Reconstruct facilities	9% of infrastructure destroyed/damaged 100% of destroyed/damaged facilities to be recovered	% of facilities rebuilt/reconstructed	20%	50%	100%		Luhansk oblast administration, Donetsk oblast administration
Restore surveillance	Equipment lost in 3 facilities in charge of surveillance in most affected area	Number of facilities with regained equipment	2 facilities	1 facility			
Equipment: Provide access to tertiary-level care for the population in Donetsk and Luhansk oblasts	No tertiary-level facilities available	Availability of tertiary-level services (text)	Plan for reinstalling tertiary-level services developed, with temporary solution found to provide access to population	50% of action plan completed	100% of action plan completed, population of 2 oblasts has access to tertiary-level care		Luhansk oblast administration, Donetsk oblast administration, MoH
Objective: Strengthen the health systems of 5 oblasts to address IDPs' health needs and support hosting communities							
Increase health system budget in 5 oblasts to provide services to IDPs	Health system budget calculated without considering IDPs' needs	% of total health budget needed to support IDPs for 2 years; needs provided to oblasts according to number of IDPs	25%	25%	25%	25%	Ministry of Finance, MoH
Provide social counseling services to IDPs	Social counseling provided on a limited scale		Comprehensive social counseling services provided	Comprehensive social counseling services provided	-	-	Luhansk oblast administration, Donetsk oblast administration, MSP, CSO

Introduce appropriate systemic responses to gender-based violence	Response to gender-based violence is limited	Number of trainings on coordination of systemic multisectoral responses to gender-based violence	3	6 <sup>a</sup>				MSP, MoH, CSO, oblasts
<b>Objective: Provide IDPs access to pharmaceuticals</b>								
Develop pharmaceuticals cost reimbursement mechanism	Reimbursement mechanism used on a limited scale	Reimbursement mechanism developed	Yes	-	-	-	-	MoH, Luhansk oblast administration, Donetsk oblast administration
Introduce reimbursement mechanism to eligible <sup>b</sup> IDPs in order to provide access to pharmaceuticals via reimbursement mechanism	0%	% of eligible IDPs have access to pharmaceuticals via reimbursement mechanism	100%	100%	100%	100%	100%	MoH, Luhansk oblast administration, Donetsk oblast administration
<b>Subsector: Education</b>								
<b>Objective: Reconstruct education facilities in liberated areas of Luhansk and Donetsk regions</b>								
PRIORITY INTERVENTIONS (activities)	BASELINE (outputs)	INDICATORS (as per activity)	EXPECTED IMPLEMENTATION FRAMEWORK (in % completion/financial terms)				RESPONSIBILITY	
			6 months	12 months	18 months	24 months		
Complete facility-by-facility survey	126 education facilities damaged by the armed conflict	Facility-by-facility survey completed with precise estimates of rehabilitation needs (buildings, furniture, equipment, learning materials, and so on)	100%					Ministry of Regional Development, Construction, Housing and Communal Services in collaboration with the Ministry of Education and Science and local economic and education authorities of all levels
<sup>a</sup> Cumulative amount presented. <sup>b</sup> In this report, eligibility criteria per access to reimbursement mechanism is defined as having IDP status; other eligibility criteria might be considered.								

Rehabilitate, furnish, and equip educational facilities	Number of facilities requiring rehabilitation, furnishing, and equipping as a result of the facility-by-facility survey	% of rehabilitated, furnished, and equipped education facilities (damaged in the armed conflict in Luhansk and Donetsk regions)	10%	30%	70%	100%	
<b>Objective: Support service delivery in conflict-affected and IDP-receiving regions</b>							
PRIORITY INTERVENTIONS (activities)	BASELINE (outputs)	INDICATORS (as per activity)	EXPECTED IMPLEMENTATION FRAMEWORK (in % completion/financial terms)				RESPONSIBILITY
			6 months	12 months	18 months	24 months	
Assess education and psychological support services to children and youth in conflict-affected and IDP-receiving regions and completed, results publicly discussed and service delivery adjusted accordingly	No assessment	Assessment of education and psychological support services publicly discussed and service delivery adjusted accordingly	100%				Ministry of Regional Development, Construction, Housing and Communal Services in collaboration with the Ministry of Education and Science and education authorities of all levels
Develop and initiate Mine Risk Education (MRE) program	No training program	MRE program developed and training initiated	100%				Ministry of Regional Development, Construction, Housing and Communal Services in collaboration with the Ministry of Education and Science and education authorities of all levels
Provide psychosocial support for affected students	0	Estimated 25% of kids requiring psychosocial support		40%	70%	100%	Ministry of Education and Science, MSP, and education authorities at all levels
Offer catch-up classes for students who have missed school days due to displacement or conflict	0	Estimated 25% of kids requiring support		40%	70%	100%	Ministry of Education and Science and education authorities at all levels



<i>Objective: Strengthen capacity of the authorities in conflict-affected and IDP-receiving regions to respond to challenges raised by the armed conflict</i>							
PRIORITY INTERVENTIONS (activities)	BASELINE (outputs)	INDICATORS (as per activity)	EXPECTED IMPLEMENTATION FRAMEWORK (in % completion/financial terms)				RESPONSIBILITY
			6 months	12 months	18 months	24 months	
Train professionals from the education sector and beyond (school psychologists, teachers, social and health workers) to support parents and children affected by the conflict (priorities by the number of IDPs in schools)	0	1,000 professionals from education sector and beyond (school psychologists, teachers, social and health workers) are trained to support parents and children affected by the conflict (priorities by the number of IDPs in schools)	0%	30%	60%	100%	Ministry of Regional Development, Construction, Housing and Communal Services in collaboration with the Ministry of Education and Science, MSP, MoH, and education authorities at all levels
Put a mechanism in place to closely monitor (by gender) enrollment of eligible/ compulsory schooling age registered IDP children in schools and preschools	No mechanism in place	Mechanism developed and used to ensure children's right to education	0%	0%	100%		Ministry of Education and Science, MSP, and education authorities at all levels
<i>Objective: Mitigate risks related to the crisis</i>							
PRIORITY INTERVENTIONS (activities)	BASELINE (outputs)	INDICATORS (as per activity)	EXPECTED IMPLEMENTATION FRAMEWORK (in % completion/financial terms)				RESPONSIBILITY
			6 months	12 months	18 months	24 months	
Conduct a safety impact assessment for potential hazards (such as UXOs, environmental hazards, power lines)	No safety impact assessment	Safety impact assessment completed and informs reconstruction and MRE training program	100%	0%			Ministry of Regional Development, Construction, Housing and Communal Services in collaboration with the MSP and education authorities of all levels

Raise public awareness by developing and disseminating supporting materials for the displaced students	PR materials and hotline of the Ministry of Education and Science, the MSP, and the SES	Monthly updates of websites of MSP, Ministry of Education and Science, and SES, with information for displaced students and parents (12 updates)	25%	50%	75%	100%	Ministry of Education and Science, SES, MSP, Ministry of Regional Development, Construction, Housing and Communal Services
<b>Subsector: Social Welfare</b>							
PRIORITY INTERVENTIONS (activities)	BASELINE (outputs)	INDICATORS (as per activity)	EXPECTED IMPLEMENTATION FRAMEWORK (in % completion/financial terms)				RESPONSIBILITY
			6 months	12 months	18 months	24 months	
<b>Objective: Adapt the social welfare system to the needs of the conflict-affected population</b>							
Reconstruct or rehabilitate social protection infrastructure (pension fund office, employment offices, social welfare offices)	5% of infrastructure require rehabilitation	% of offices reconstructed	20%	40%	70%	100%	Local authorities
Provide aid to IDPs	10% of IDPs are getting aid	100% of IDPs are getting aid	50%	60%	80%	100%	MSP and Ministry of Finance
Provide unemployment benefits to IDPs	5% of IDPs are getting unemployment benefits	100% of IDPs are getting unemployment benefits	30%	50%	80%	100%	MSP and employment services
Hire additional social workers	No additional social workers hired	500 social workers hired	100	200	400	500	Regional and local authorities
Introduce active labor market measures for IDPs	0% of IDPs are participating in active labor market measures	30% of IDPs are getting unemployment benefits	0%	5%	10%	30%	MSP and employment services

Subsector: Housing							
PRIORITY INTERVENTIONS (activities)	BASELINE (outputs)	INDICATORS (as per activity)	EXPECTED IMPLEMENTATION FRAMEWORK (in % completion/financial terms)				RESPONSIBILITY
			6 months	12 months	18 months	24 months	
Objective: Repair housing and provide compensation							
Pay eligible indemnities to owners of 266 destroyed (inhabitable) single-family houses	266 destroyed single-family houses	33 in Lysychansk 64 in Slovyansky raion 130 in Slovyansk 38 in Kramatorsk 1 in Mariupol	100%				At the time of the report's finalization, discussions are still underway within the Cabinet of Ministers of Ukraine regarding the appropriate ministry to take primary responsibility for these activities. Likely ministries and agencies include: Ministry of Regional Development, Construction, Housing and Communal Services (Minregion); Ministry of Social Policy; Donbas Recovery Agency
Pay eligible indemnities to families/owners of apartments in 7 destroyed (uninhabitable) multi-apartment buildings	4 destroyed multi-apartment buildings in Lysychansk 3 destroyed multi-apartment buildings in Slovyansk	88 families in Lysychansk 40 families in Slovyansk	100%				
Pay eligible indemnities to owners of 2,129 damaged single-family houses	2,100 damaged single-family houses	180 in Novoiarsky raion 22 in Severodonetsk 207 in Lysychansk 321 in Slovyansky raion 1,220 in Slovyansk 150 in Kramatorsk 29 in Mariupol	60%	100%			

Repair 429 damaged multi-apartment houses	429 damaged multiapartment houses	16 in Severodonetsk 156 in Lysychansk 210 in Slovyansk 47 in Kramatorsk	50%	100%			
Subsector: Environment							
Objective: Reestablish and strengthen environmental governance in the crisis-affected areas							
PRIORITY INTERVENTIONS (activities)	BASELINE (outputs)	INDICATORS (as per activity)	EXPECTED IMPLEMENTATION FRAMEWORK (in % completion/financial terms)				RESPONSIBILITY
			6 months	12 months	18 months	24 months	
Reestablish an environmental governance system	All areas impacted by the conflict	Properly staffed, equipped and functional departments and inspectorates	25%	100%			Ministry of Environment and Natural Resources, including State Environmental Inspectorate and State Water Management Agency
Conduct Post-Conflict Environmental Assessment (PCEA)	All areas impacted directly or otherwise	Publication of PCEA report	50%	100%			Ministry of Regional Development, Construction, and Municipal Economy, Ministry of Agrarian Policy, including State Forestry Agency and State Agency for Land Resources, Ministry of Environment and Natural Resources, including State Environmental Inspectorate and State Water Management Agency, oblast state administrations
Conduct Strategic Environmental Assessment (SEA) of the DRP	All areas directly impacted	SEA report finalized	100%				Ministry of Regional Development, Construction, Housing and Communal Services, Ministry of Environment and Natural Resources, including State Environmental Inspectorate and State Water Management Agency
Strengthen environmental emergency response capacity	All of Ukraine, but focus on impacted areas	Risks assessed; procedures established; staff trained	25%	50%	75%	100%	Ministry of Regional Development, Construction, Housing and Communal Services, State Emergency Situations Service

Reinforce national capacity to combat illegal natural resource exploitation and environmental crime	All of Ukraine, but focus on impacted areas	Establish a coordinating unit for environmental crime	100%					Ministry of Agrarian Policy, including State Forestry Agency and State Agency for Land Resources, oblast state administrations, Ministry of Interior (police), Customs Ministry of Environment and Natural Resources, including State Environmental Inspectorate and State Water Management Agency
<b>Objective: Achieve visible environmental restoration to contribute to peace building</b>								
PRIORITY INTERVENTIONS (activities)	BASELINE (outputs)	INDICATORS (as per activity)	EXPECTED IMPLEMENTATION FRAMEWORK (in % completion/financial terms)				RESPONSIBILITY	
			6 months	12 months	18 months	24 months		
Reforest and rehabilitate protected areas	National parks in Donetsk and Luhansk oblasts	30–50 percent of damaged territory in each protected area	0%	50%	75%	100%	Ministry of Agrarian Policy, including State Forestry Agency; Ministry of Environment and Natural Resources; Academy of Sciences of Ukraine	
Remove and dispose of debris	Crisis-impacted areas		50%	75%	100%		Ministry of Regional Development, Construction, Housing and Communal Services, oblast state administrations	
Rehabilitate environmental services in cities	Crisis-impacted areas	Number of waste removal and waste water treatment facilities rehabilitated	50 %	100%			District regional administrations, oblast state administrations, municipalities	

## COMPONENT 2

# ECONOMIC RECOVERY

### Needs At a Glance

Economic Recovery: Total Cost Needs Breakdown	
	US\$ (millions)
<b>Employment</b>	<b>40.00</b>
Overcome legal and informational barriers to support job seekers	1.28
Better match workers to new labor markets to increase (re)employment options	1.92
Increase income-earning opportunities through public and temporary works	30
Invest in human capital improvement opportunities to increase employability	3.2
Offer integration and psychological counseling and mobility options	0.4
Increase capacity of state employment centers and local governments to implement	3.2
<b>Productive Capacities and Livelihoods</b>	<b>33.0</b>
Support to elaborate on and implement productive capacity development programs	10.0
Elaborate on and implement livelihood programs	20.0
Develop rural extension services network	3.0
<b>Local Economic Planning</b>	<b>7.5</b>
Introduce efficient local economic planning mechanism	7.5
<b>Small and Medium Enterprises (SMEs) and Private Sector</b>	<b>30.0</b>
Elaborate and Implement SME support program	25.0
Develop business support infrastructure	5.0
<b>Financial Services</b>	<b>25.0</b>
Loans for SMEs and other specialized loan programs	25.0
<b>Total</b>	<b>135.5</b>

# 1. INTRODUCTION

**O**bjectives, geographic focus, and target groups. The economic recovery component of the RPA aims to estimate the impact of the crisis on the affected regions' economy, identify priorities for effective and sustainable economic recovery, and quantify their costs. The geographic focus is on Luhansk and Donetsk oblasts that are currently under the Ukrainian government's control. Given wider impacts, recovery needs in adjacent oblasts of Kharkiv, Zaporizhzhia, and Dnipropetrovsk are also considered. The main target groups for employment considerations are the IDPs displaced in Dnipropetrovsk, Donetsk, Luhansk, Kharkiv, and Zaporizhzhia oblasts, and the pre-conflict existing population in all five oblasts concerned who have similar needs and problems.

The methodology used to assess the conflict's economic consequences brought together a blend of post-conflict needs assessment (PCNA) tools and built on local knowledge and national systems. Both qualitative and quantitative research methods were used. The process included a desk review of available primary and secondary official data; field visits in affected areas; interviews with informants in affected regions and at the central level; and focus group discussions with stakeholders in affected regions. Key outputs include description and quantification (where possible) of what impact the crisis has had on economic activity; subsector strategies for transitional recovery; cost estimates of recovery strategies and related monitoring/impact assessment activities; and institutional and performance measuring arrangements.

This analysis has limitations, but preliminary conclusions can be drawn to form the basis for rapid response measures. Even though a few quantitative indicators were updated where possible in early February 2015, in other cases, data are not reliable as they are out of date, incomplete, or missing altogether. In these cases, analysts used proxy indicators or drew inferences from more reliable data. For this reason, the findings and recommendations on priority interventions were further discussed and developed with the government during the RPA reviews in January/February 2015. Notwithstanding the "fragility" of data, this needs assessment serves as a foundation and evidentiary base for an elaboration of rapid response measures that could contribute to economic recovery in the concerned territories. In turn, the set of suggested measures and activities provide a basis for a provisional estimate of the required financial resources.

It must, however, be emphasized that recovery prospects in the East are closely linked to, and in turn affect, Ukraine's broader economic challenges. Recovery efforts in the East need to be viewed through the prism of the unprecedented economic crisis in Ukraine, and additional security problems in these regions further undermine investor and consumer confidence. More specifically, it is imperative to restore macroeconomic and banking sector stability; address wider structural challenges, including by making the overall environment friendlier for investors; curb widespread corruption so public services can be delivered to citizens efficiently and cost-effectively; and deal with problems in the gas sector. These steps are preconditions for recovery in the East. Of course, this is challenging given that problems in the East and overall economic problems are closely linked—with links running both ways. However, without macroeconomic stabilization and structural reforms, it will be difficult to talk about recovery in the East in isolation. In other words, if the rest of the country does not grow and create jobs, it will be difficult to employ people dis-



placed in the East and have the fiscal space to provide social assistance in a sustainable manner.

The recommendations in Component 2 will be executed in two phases: priority measures during Phase 1 that will be enacted within the next 24 months, and medium/long-term measures that will be enacted during a provisional Phase 2. Thus the recommendations are outlined in a sequential manner that prioritizes critical and practical interventions. Considering the rapidly changing situation in the East, as well as various time frames required for allocating funds, not all suggested measures foreseen for Phase 1 can be undertaken immediately; a more flexible approach is needed. Nevertheless, it is useful to formulate a list of priority projects so they are “ready for launch” when conditions permit. Depending on the situation in conflict areas as well as lessons learned from Phase 1 interventions, topics and objectives for medium/long-term projects will need to be evaluated. In addition to new targets, the most effective projects from the Phase 1 would be extended and expanded during Phase 2.

M&E and impact assessment will be executed on a regular basis in compliance with donors’ policies. Efficient communication among all stakeholders and transparent decision-making processes would contribute to the fine-tuning of the recovery efforts in terms of focus, approach, and human and financial resources. Moreover, all lessons learned and efficient approaches related to economic recovery will be collected and widely disseminated.

## 2. OVERVIEW

Ukraine's unprecedented economic challenges in 2014 came on the heels of two years of economic stagnation, with GDP growth averaging 0 percent in 2012–2013. For years preceding the current crisis, Ukraine's economy was underperforming. Characterized by systemic weakness and inefficiencies, the economy did not recover from the 2008 global economic crisis.<sup>19</sup> Weak macroeconomic policies and delayed structural reforms led to widening internal and external imbalances. The government embarked on much-needed macroeconomic adjustment in early 2014 and began steps to ease structural constraints to growth, but its efforts were stymied by conflict in the East, which is the industrial heart of Ukraine.

Donetsk and Luhansk regions are economically important to Ukraine, accounting for 15.7 percent of Ukraine's GDP in the pre-conflict period and 12.5 percent of the population. Coal mining, steel, petrochemicals, and the fertilizer industry are the main sectors in these two regions. Around one-fourth of Ukraine's industrial activity and an equal share of its exports came from these regions in 2013. Of the regional exports, metals exports were high at around 60 percent. In the first 11 months of 2014, exports from Donetsk region dropped by almost 30 percent and by 43 percent from Luhansk oblast, compared to the same period of previous year.<sup>20</sup> Given the geographical location of Donetsk and Luhansk at the eastern border, they have close economic relations with Russia. During January–September 2014, export of metals to Russia declined by 28 percent y/y, with the share to Russia declining to 10 percent of total metal exports from 14 percent in 2013. As a consequence of direct and indirect impacts, SMEs lowered their economic activities by 80–90 percent, leading to a similar percentage of jobs lost.

This component of the report first considers the macroeconomic situation. Cross-cutting issues pertaining to gender equality, human rights, and capacity development are integrated throughout the analysis, which consists of five parts:<sup>21</sup>

- I. Financial services
- II. Employment
- III. Productive capacities and livelihoods
- IV. Local economic planning
- V. The private sector and SMEs

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19 International Finance Corporation. 2014. "Ukraine: Opportunities and Challenges for Private Sector Development." Report, World Bank, Washington, DC. <https://openknowledge.worldbank.org/handle/10986/16711>.

20 State Statistics Service of Ukraine. n.d. [http://ukrstat.org/en/operativ/operativ2014/zd/oet/oet\\_u/oet1114\\_u.htm](http://ukrstat.org/en/operativ/operativ2014/zd/oet/oet_u/oet1114_u.htm)

21 The report presents an overview on the subsectors. Additional details and specific information are presented in the subsectors' annexes.

### 3. IMPACT ASSESSMENT: RESULTS AND FINDINGS

#### Macroeconomic impact

Ukraine is in the midst of a severe macroeconomic crisis—a deepening recession, soaring inflation, acute balance of payment pressures, and a fragile banking system. Faced with large accumulated fiscal and external imbalances, the authorities embarked on a major macroeconomic adjustment in early 2014—supported by an IMF Stand-By Arrangement (SBA). Sharp currency devaluation—after the fixed exchange rate was abandoned in March—combined with fiscal consolidation triggered significant decline in consumption and investment. The contractionary impact of the adjustment was compounded by an escalating military conflict that led to serious economic disruptions in the industrialized East and undermined investor and consumer confidence. After a 3.9 percent decline over the first three quarters, real GDP fell by 15.2 percent y/y in the fourth quarter, bringing the full year decline to around 6.8 percent in 2014. Meanwhile, sharp devaluation and increase in gas and utility tariffs has led to inflationary pressures, with CPI reaching 24.9 percent y/y in December. The banking system remains under severe stress due to macroeconomic instability and deep-seated structural weaknesses. External financing needs and balance of payment pressures remain acute, compounded by capital flight, low foreign direct investment (FDI), and delays in official financing. Foreign reserves declined to US\$7.5 billion (1.4 months of import cover) at year's end and dropped further to US\$6.0 billion at end of January. The IMF reached staff-level agreement on February 13, 2015, to replace the existing SBA with an Extended

**Table 13. Contribution of Donetsk and Luhansk regions to key sectors, share in respective indicator**

	Donetsk region	Luhansk region	Together
<b>Population</b>	<b>9.6%</b>	<b>5.0%</b>	<b>14.6%</b>
<b>Employed population</b>	<b>7.5%</b>	<b>5.0%</b>	<b>12.5%</b>
<b>GDP</b>	<b>11.7%</b>	<b>4.0%</b>	<b>15.7%</b>
Industry	18.5%	6.1%	24.6%
Construction	9.5%	1.9%	11.4%
Trade	7.4%	2.9%	10.3%
Agriculture	4.9%	2.8%	7.7%
Exports of goods	19.6%	5.6%	25.2%
export of metals	50.3%	9.5%	59.8%
Exports of services	4.3%	1.1%	5.4%
<b>State budget revenues</b>	<b>4.6%</b>	<b>1.7%</b>	<b>6.3%</b>
<b>Pension fund</b>	<b>10.7%</b>	<b>4.7%</b>	<b>15.4%</b>

Source: Based on Ukrainian State Statics Service and the Ministry of Finance.

**Table 14. Direct share of lost economic activity in areas outside of government control in overall GDP**

	Share of the area outside government control in the respective sector	Share of respective sector in GDP	Estimated loss of GDP
Industrial production (including mining and processing)	14.4%	25.7%	3.7%
Agricultural production in agricultural enterprises	1.7%	8.0%	0.1%
Retail trade	9.4%	18.0%	1.7%
Construction	11.6%	3.0%	0.3%
<b>Total</b>			<b>5.9%</b>

Source: Ukrainian Statics Service, World Bank staff estimates.

Fund Facility that is expected to unlock needed external financial support and anchor macroeconomic policies, thereby laying the foundation for stabilization and recovery.

The conflict-affected regions are economically important. They are major industrial producers (including mining and energy production) with strong value chain links to the rest of Ukraine. They account for 15.7 percent of GDP and almost one-fourth of industrial production and merchandise exports (see Table 13). The areas outside government control alone—which are only part of the two administrative regions of Luhansk and Donetsk—are estimated to directly account for about 6 percent of GDP (see Table 14). All of Ukraine’s coal production comes from these two regions—an important input for the steel industry and electricity generation. Fiscally, Donetsk and Luhansk contribute nearly 22 percent of general government revenue, although they have traditionally been net recipients of fiscal transfers.

The conflict is contributing significantly to macroeconomic challenges. It is estimated that direct and indirect impacts of the conflict accounted for about 2–3 percentage points of the overall GDP decline in 2014. Economic activity is severely disrupted by the conflict. Production facilities and economic infrastructure have been destroyed or severely damaged (see Table 15). Large outmigration is dislocating labor. Weak revenue collection and security-related expenditures add to the fiscal burden. Uncertainty is further eroding confidence beyond the directly affected areas, with negative impacts on investment and consumer spending, (which are already battered by the ongoing macroeconomic crisis).

- *Real sector impact:* Industrial production in Luhansk and Donetsk declined by an estimated 42.0 percent and 31.5 percent in 2014 respectively, compared to an average decline of 10.1 percent for Ukraine. About 78 percent of industrial capacity (share in 2013 industrial production in the Donetsk region) is currently in areas controlled by separatists, with 66 percent of employees (share of employees in the region in 2013). In Luhansk region about 84 percent of industrial capacity is currently in areas not under government control, with 81 percent of employees. Given the regional economic structure, coal, chemical, and engineering industries were most affected, dropping by 30 percent, 14.7 percent, and 21.3 percent in 2014 respec-

tively, compared to 2013.<sup>22</sup>

- *Labor impact:* The virtual collapse of production and output resulted in significant job losses. Preliminary figures show that reduction in net employment in Donetsk from December 2013 to December 2014 was around 40 percent, and 70 percent in Luhansk. These reductions amount to a total of about 800,000 jobs in the Donbas region alone.
- *Trade impact:* Exports from the two regions declined by a staggering 37 percent, compared to a 13.5 percent overall decline. Given the region's close trade links with Russia, it has been most affected by the periodic trade restrictions by Russia.
- *Fiscal impact:* Donetsk and Luhansk regions contribute nearly 22 percent of general government revenues; however, they were traditionally net recipients from the state budget due to subsidies and transfers. Budget revenues (excluding pension funds) in Luhansk and Donetsk regions declined about 53 percent and 35 percent y/y in 2014 respectively, putting pressure on the overall budget performance. Meanwhile, expenditures in two regions were executed as planned until November, when the Cabinet adopted a decree to suspend spending in areas outside government control (in effect since December). At the same time, security spending almost doubled in 2014 and reached nearly 2 percent of GDP in 2014, adding to the overall deficit. In addition, there are rising spending needs to provide for the increasing number of IDPs.
- *Uncertainty:* Uncertainty generated by the conflict weighs on business and consumer confidence throughout the country, and also on investors' perceptions of country risk. Uncertainty is particularly harmful given the already fragile macroeconomic and weak banking environment. While it is very likely that the conflict aggravated capital flight (including deposit outflows from the banking sector), deterred foreign and domestic investment, and affected consumer spending, these indirect impacts of conflict-induced uncertainty cannot be fully quantified. Credit default spreads, which are commonly used to gauge risk sentiment, have been extraordinarily volatile over the past year.

**Table 15. Description of main destruction due to conflict in areas outside of government control**

Industry	Description of damage
Coal industry	Of 93 coal mineries in total, 12 are destroyed and 55 are not functioning. The average daily production of coal dropped by nearly 60 percent.
Metals production	Two metal plants in Donetsk have stopped production. In addition, Alchevskiy Metalwork Plant is not operational. Enakiev Metalwork Plant was closed.
Coke-chemical industry	Enakievskiy Coke-Chemical Plant stopped production because of damage to its production facilities and difficulties with supply of coal. Makiyv Coke was partly damaged (infrastructure and production facilities). As a result the company is not operating at a full capacity.
Machine building	The production facilities of Luhansk Teplovoz (the large producer of locomotives) were also destroyed.

Source: Ministry of Economic Development and Trade, different media sources, World Bank staff summary.

22 State Statistics Service of Ukraine. n.d. [http://ukrstat.org/en/operativ/operativ2014/zd/oet/oet\\_u/oet1114\\_u.htm](http://ukrstat.org/en/operativ/operativ2014/zd/oet/oet_u/oet1114_u.htm)

Going forward, the conflict—unless credibly resolved—will complicate macroeconomic stabilization and hamper economic recovery. Ukraine’s macroeconomic challenges are not entirely caused by the conflict, but the conflict makes it much more difficult to overcome these challenges, address instability, and return to a sustainable growth path. In 2014, the most severe impacts of the conflict only materialized in the second half of the year when the conflict started to escalate. In 2015, the loss of control of economically significant regions on output, fiscal balances, and trade may have a more severe impact. Moreover, while markets may have already priced in uncertainty, investment—which is expected to be a critical driver of economic recovery—will remain subdued until confidence in a politically stable Ukraine is restored. If and when stability is restored, productive capacity and infrastructure will need to be rebuilt, which will require time and financing before these regions will recover economically.

## 4. FINANCIAL SERVICES

**T**he banking sector in conflict-affected areas suffers from many of the same stresses and structural weaknesses as the entire Ukrainian banking system,<sup>23</sup> with large numbers of insolvent banks, a falling deposit base, and increasing volumes of nonperforming loans. Banks in the East have additional operating problems due to security related issues. Of specific concern are banking services' needs for IDPs. In addition, physical damage, territorial threats, and diminished rule of law have taken a toll on the risk appetite of both entrepreneurs and banks in conflict-affected areas. Security risks in the formerly rebel-held areas make access to credit using market mechanisms unlikely. Stabilizing the banking sector in areas returned to government control requires two crucial factors: overcoming Ukraine's general banking crisis and reducing the perception of security threats.

The main areas assessed here are: (i) access to basic financial services, banks, branches, and cash machines (primary impact); (ii) the impact of the conflict on banks' balance sheets (secondary impact); and (iii) liquidity conditions in the overall banking system in Ukraine (secondary impact).

### Primary impacts

In areas returned to Ukrainian control, financial services were temporarily interrupted but have since been restored. No banks are headquartered on the territories that were returned to Ukrainian authorities' control. The cities that were temporarily out of Ukrainian control faced interruptions in financial services but these have since been restored (although some uncertainty remains). When this area was out of control of Ukrainian authorities, rebels blocked the normal functioning of almost all (with some exceptions) bank branches, seized assets, and captured armored vehicles. In areas retaken by Ukrainian authorities, financial service operations at branches, ATMs, and point of sale (POS) terminals have resumed. Banks report that the overall crime rate, acts of vandalism, and attacks on branches and ATMs has markedly decreased since the expulsion of the rebels. Bankomats are reportedly operating normally (except there is still high demand for cash, so they are refilled frequently). Some of this increased demand is also coming from residents of territories presently out of Ukrainian authorities' control, where banking services at branches and ATMs have ceased and only POS terminals continue to accept deposits. Discussions with bankers revealed similar situations in Kramatorsk, Slovyansk, Dobropolye, and Mariupol. Social payments and salary payments are reportedly received normally in territories returned to Ukrainian authorities' control, and these are transferred automatically and without interruption by the State Pension Fund. The decision to stop social transfers to areas not under government control is putting pressure on bordering areas because affected residents have to register in the retaken regions to receive payments; however, banking institutions seem to be ready to serve this additional client base.

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23 A more comprehensive assessment of structural weaknesses in the Ukrainian banking system is presented in World Bank Program Document for Ukraine Financial Sector Development Policy Loan.



Other areas bordering territories not under government control are also experiencing increased demand for banking services. For example, in Mariupol in December, observers described increasing pressure on banks. Although bankers indicate that branches and ATMs operate normally, the city witnesses “cash tourism”—people coming from areas controlled by separatists territories to withdraw cash from ATMs. There is a liquidity squeeze caused in part by the constant cash withdrawals of displaced people. The payments infrastructure in these areas appears to be functioning effectively, with minor interruptions. Although hard to quantify, there is anecdotal evidence that households and enterprises in these bordering areas are hoarding cash, jewelry, and other valuables.

Areas outside the conflict’s perimeter are also seeing increased nervousness among depositors, unlike that which is being experienced in the rest of Ukraine. In Kharkiv, for example, the banking infrastructure was never under siege, but is being strained by the increased demands caused by internal migration and nervous depositors. The numerous banks and ATMs in Kharkiv are reportedly operating normally, however the perception of criminal risk is high. Bankers are observing above normal demand for cash in Kharkiv, driven mainly by people from areas not under government control.

Banks headquartered in areas not under government control face an uncertain future, and the clients of these banks are in limbo. Most of the banks headquartered in Donetsk regions have either been declared insolvent or moved their headquarters to Kyiv since the beginning of the conflict. According to the National Bank of Ukraine (NBU) database, four licensed banks remain to be registered in Donetsk and Luhansk oblasts. UkrSWIFT, the payments operator in Ukraine that utilizes SWIFT technology, reports that it cannot contact the member banks in areas not under government control by phone and has no other connection to them. When the conflict escalated in the summer, the NBU attempted to destroy vaults of cash in the conflict zones to prevent stealing. As of now, banks with nationwide networks have suspended operations of their outlets, ATMs, and POS terminals in the portions of Luhansk and Donetsk oblasts not under government control.

There are no reports of people having problems accessing their bank accounts anywhere in Ukraine, even if they were opened in branches in areas currently outside of Ukrainian control. This relates to healthy large modern banks that upgraded their IT and business structure to a “single balance sheet.” One banker said that for most people, accessing their account takes a few minutes. However, more advanced banking services—like opening new accounts and obtaining loans or credit cards—would require registering a person in a region under government control, which could be problematic.

Legal entities relocating away from the conflict zone report different experiences with accessing their accounts. Clients of large banks with advanced IT infrastructure can access their accounts via web-based or electronic banking services, while resuming other bank and payment services may require reregistering with another branch of the client’s bank. The difficulty of this process seems to vary from case to case; for small banks without unified accounting (“single balance sheet”), it may be much more complicated. In such banks, even for legal entities to access current accounts, the owner may need to provide substantial documentation of business accounts. Some report that they were asked to provide permissions from their previous home branch, which is almost impossible for IDPs. Banks have seen a number of enterprises unable to produce documentation that may have been lost or destroyed. Accessing banking credit lines would normally require reregistering a business in a nonconflict zone.

## Secondary impacts

Uncertainty has gripped businesses and banks alike in much of Ukraine, especially in the East. A sizable portion of banking assets and deposits are located in the Luhansk (1 percent of total assets and 2 percent of retail deposits) and Donetsk oblasts (5 percent of total assets and 8 percent of retail deposits) and the conflict has had a damaging impact on the depositing and lending sides of banks' balance sheets in both affected and neighboring oblasts. However, it appears as though general depositor confidence continues to fall in the East but is recovering in the center and West.

The conflict is unfolding against the background of the country's general banking crisis, as 42 banks have been sent into resolution since the beginning of 2014. Private individual hryvnia deposits fell by 2.3 percent month-on-month in January, whereas private foreign exchange deposits witnessed a 3.8 percent month-on-month outflow (in US\$ equivalent). Cross-currency weighted average retail deposit outflow from the banking system reached 31 percent in 2014 and has been continuing in all months since January, except for June. At the same time, the active phase of military operations seems to be the primary factor driving deposits outflow, given the huge difference in deposit outflows between regions. The closer the area is to the conflict, the faster the deposits are leaving the banks; the deposit outflow in Donetsk and Luhansk oblast during 2014 was 62 percent and 69 percent respectively, while it was under 20 percent in Kyiv city and Kyiv oblast, and near or slightly above 20 percent in central and western oblasts that do not border the conflict area.

The deposit outflow situation in areas returned to government control has currently stabilized, but problems remain. For example, bankers in Kramatorsk and Kharkiv report deposit outflows in these cities on par with the rest of Ukraine. In Mariupol, by contrast, deposit withdrawals are described as more panicked. However, the conflict is not the only culprit; observers note that limitations on deposit withdrawal undermine depositor confidence in the system. Internal migration and loss of livelihoods also explain the increased withdrawals.

Lending has stalled as credit to private enterprises has been reduced and frozen across the country, but is worse in the East. Banks' corporate hryvnia loan portfolio declined 7.7 percent during 2014, whereas foreign exchange corporate portfolio dropped 21.5 percent during the last year. Private individual local currency loan volumes has fallen 12 percent, whereas retail foreign exchange loan portfolio plummeted 24.2 percent. However, collected evidence suggests that the situation regarding access to credit is even worse in the conflict-affected areas.

While there are no regulatory obstacles or limitations for banks to lend in areas returned to government control or areas bordering the conflict zone, overall uncertainty and risk aversion is mirrored in the banks' approaches to lending in the East. In the absence of official detailed regional credit statistics, anecdotal evidence suggests that many banks have decided not to lend in these territories due to the uncertainty and risk. Old credit lines and overdrafts are honored until maturity but are not being extended. Evidence suggests that banks are reluctant to accept the collateral property or assets located in conflict zones; in particular, banks do not accept future crops from farmers as collateral (a long-standing practice in Ukraine), which may seriously hinder farming in 2015. Discussions with the head of SMEs lending from a midsize bank in Mariupol indicated a reluctance to make new loans, as the risks and cost of capital cannot be properly estimated in order to price the loan. Representatives of business associations from conflict-affected zones also report de facto zero possibility of getting a new bank loan in those areas.

There is no statistic currently available to estimate the potential damage to bank collateral from military actions in the conflict zones. However, the share of these potential losses should be negligible compared to the asset damage suffered in the areas not under government control and the general asset quality problems of banks in Ukraine (with broad-definition nonperforming loans estimated at the level of above 35 percent). At the moment there is anecdotal evidence that banks have no control over the loan collateral situated in the separatist-controlled areas, plus preliminary estimates suggest that from 10 percent to 20 percent of total residential property stock might have been damaged there. The NBU has issued special rules of accounting the assets write-off in the East in the regulatory capital, giving the banks, which fully provision such assets, a temporary capital relief.

The crisis has also affected banking sector soundness. The economic and security crisis has led to a deposit outflow and an increasing number of bank insolvencies. Ukraine's banking system recorded a net loss of UAH53 billion for 2014, according to NBU data. Since the beginning of 2014, 42 banks have been declared insolvent and are being resolved. Some banks continue to face extreme liquidity pressures and rely on NBU refinancing.

Hryvnia volatility has increased, and reflects, in part, lack of consumer confidence in the currency and banking system. Foreign exchange demand remained high in the face of economic uncertainty and the security threat, and exporters are reportedly hoarding foreign exchange proceeds. Anecdotally, banks in territories returned to Ukrainian control and areas bordering the conflict zone report that households are withdrawing their small UAH savings accounts to convert them to foreign exchange, and more households and enterprises are reportedly hoarding cash.

## 5. EMPLOYMENT

### Introduction to the employment situation in the conflict-affected region

The numbers of IDPs from this region are large and growing. In February 2015, Ukraine's MSP estimated there were 980,000 registered IDPs,<sup>24</sup> from which 219,042 are work-able (not children, pensioners, or ill) and potentially seeking employment. This figure may rise as newly uprooted people become registered.<sup>25</sup> In addition, some 600,000 Ukrainians sought asylum or other forms of legal stay in neighboring countries, particularly the Russian Federation, as well as Belarus, Moldova, Poland, Hungary, and Romania since February 2014. In Ukraine, IDPs are mainly concentrated in the Donbas region (in districts away from the fighting), which includes Donetsk (334,618), and Luhansk (111,977) oblasts under government control, and the rest of the IDPs are distributed in the nearby regions of Kharkiv (122,027), Zaporizhzhia (69,240), and Dnipropetrovsk (62,433).<sup>26</sup> There are also a substantial number of IDPs in Kyiv and Kyiv region (101,622).

Luhansk and Donetsk—also referred to as the Donbas region or conflict-affected region—are substantial sources of employment. Manufacturing, mining, and quarrying employ 15.7 percent of all of Ukraine's working population, which equals 3.2 million people.<sup>27</sup> The importance of the mining and manufacturing sectors in terms of employment in the Donbas region cannot be overstated. Almost all of the country's coal production is concentrated there, and much of the metals are mined and power produced in the conflict-affected region. These sectors account for 31.3 percent of the working population in the Donbas, equivalent to almost 1 million people. Municipal and district-level data on industrial production, numbers of industrial enterprises, and production indicate that more than three-quarters of (pre-conflict) industrial production originated in areas that are no longer under government control. As a result, many people have left the conflict-affected districts, and many of the remaining inhabitants in government-controlled areas have to rely on agriculture and services provided by the state, as well as social transfers for their livelihoods.

The employment subsection is broken down as follows: the first part profiles the labor market in the Donbas region and adjacent regions prior to the conflict. The second part sheds light on the employment situation, focusing on the Donbas and adjacent regions where large shares of IDPs are concentrated, with estimates of the magnitude of employment loss. The third section provides an overview of the occupational and skill levels of the working-age population in the Donbas region compared to adjacent areas and other parts of Ukraine, which provides a clearer picture of their potential to be absorbed in other regions. The fourth part sets out short- and medium-term recommendations to help people become economically active via access to distinct types of eco-

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24 Which corresponds to about one-fifth of the total population in the Donbas region, which was 5.2 million prior to the conflict.

25 Unofficial sources report that there are considerable numbers of working-age people from the crisis-affected areas who have not registered as IDPs because they are seeking work abroad; this may help explain the disproportionately high numbers of female IDPs, pensioners, and children as compared to the average demographics in Ukraine.

26 Estimates are provided by Ukraine's Ministry of Social Policy.

27 2013 Labor Force Survey.

conomic opportunities such as wage work, self-employment, or income support (such as pensions and social transfers).

## Labor market profile in eastern Ukraine

### *Labor force participation, employment and unemployment*

An overview of the Ukrainian labor markets helps contextualize and understand how the conflict-affected area compares to the rest of the country, where IDPs are likely to seek temporary shelter and work. The labor force participation rates (LFPRs) of people 15 years and older was around 65 percent in 2013, which is similar to the world average and to other countries in Europe and Central Asia. In the Donbas region, the LFPR is similar to the national average, but it is higher (68 percent) in the three regions surrounding the conflict region (see Table 16).

Prior to the conflict, the near-conflict oblasts were more economically active—higher labor force participation, higher employment rates, and lower unemployment—than the Donbas region. Ukraine's employment-to-population ratio<sup>28</sup> was 62.8 percent, excluding the Donbas and the near conflict-affected oblasts. A similar estimate is found in the Donbas region and higher in the near conflict-affected oblasts (65 percent), where a large number of IDPs are currently situated. Unemployment rates in 2013 were also similar in the rest of Ukraine and the Donbas region—around 7.3 percent. Estimates were lower (6.5 percent) in the conflict-affected oblasts. The three indicators—labor force participation rate, employment ratio, and unemployment rate—provide an indirect indication of the labor market's economic activity level.

The Donbas region had comparable levels of economic activity, especially in metallurgy and energy, and is intertwined with international markets (especially through exporting to the Russian Federation). According to the most recent State Statistics Service data (for January through September 2014), the unemployment rate for the 15–70 population was 10.2 and 10.4 percent for men and women respectively. However, given the difficulty collecting information in parts of the Donbas region, these figures will likely be revised (upwards).

From the employment perspective, and in the short term, having economically active neighboring oblasts and other economically active regions (such as Kyiv city) has served to buffer some of the unemployment pressures and difficulties in labor market integration. But based on the analysis presented below, it is unlikely that the skills of many potential IDPs are aligned with the needs of employers in the nearby oblasts or other parts of Ukraine. The willingness of employers to offer work to potentially temporary workers is also unclear, especially in a generally stagnant economy.

Another important factor is whether IDPs are interested in or are able to seek new employment. By early February 2015, the number of IDPs who expressed a need to access employment was around 85,487 persons.<sup>29</sup> This estimate is low given that official figures of work-able IDPs living across Ukraine were around 219,042 in late January 2015. Map 1 shows that work-able IDPs have

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28 The employment-to-population ratio is calculated as the total number of employed divided by the total number of workers in the working-age range, which can be from 15 years of age or older, or the official working age, or the internationally comparable working age range (15–64). In this note, some estimates are made for the 15+ working population, and not for the 15–64 range. Many Ukrainians work past the official retirement age, and some work well above the age of 64.

29 At the start of the assessment, in October 2014, only 21,741 IDPs had approached the State Employment Service seeking various types of assistance. Of those individuals, around 40 percent were still officially listed as employed at their previous firm, and approximately 10 percent did not have any documentation. While 10,445 of the overall number declared that they were unemployed, only 4,829 were formally registered to receive unemployment insurance benefits.

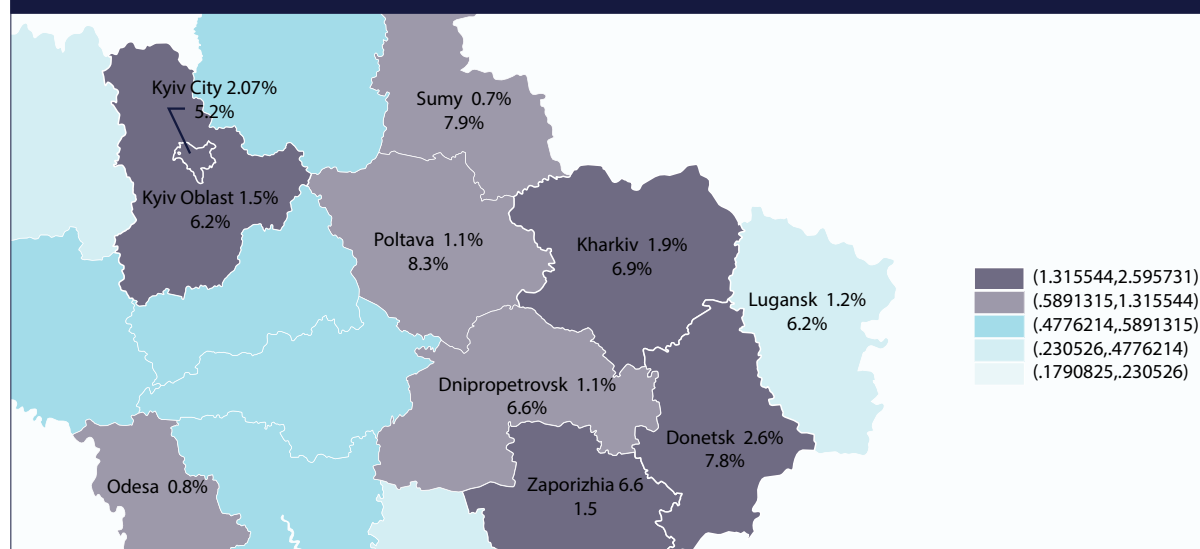
**Table 16. Pre-conflict profile of the workforce across Ukraine, 2013**

Geographic area	Indicator	LFS*
<b>National*</b>	Employment to working age population ratio	62.8%
15–64 years of age	Labor force participation rate	67.8%
	Unemployment rate	7.4%
<b>National, except conflict and near-conflict</b>	Employment to working age population ratio	62.2%
15–64 years of age	Labor force participation rate	67.4%
	Unemployment rate	7.6%
<b>Three oblasts near conflict region (Kharkiv, Dnipropetrovsk, Zaporizhzhia)</b>	Employment to working age population ratio	64.8%
15–64 years of age	Labor force participation rate	69.4%
	Unemployment rate	6.5%
<b>Two oblasts in conflict (Donetsk, Luhansk)</b>	Employment to working age population ratio	62.9%
15–64 years of age	Labor force participation rate	67.9%
	Unemployment rate	7.3%

Source: World Bank staff calculations using the 2013 Labor Force Survey.

\*Note: Unless noted otherwise, all estimates here and in the rest of the note exclude Crimea and Sevastopol.

**Map 1. Ratio of work-able registered IDPs (in 2014) to active population in host communities (in 2013)**



Source: World Bank staff calculations using the 2013 Labor Force Survey and official IDP registration numbers, MSP.

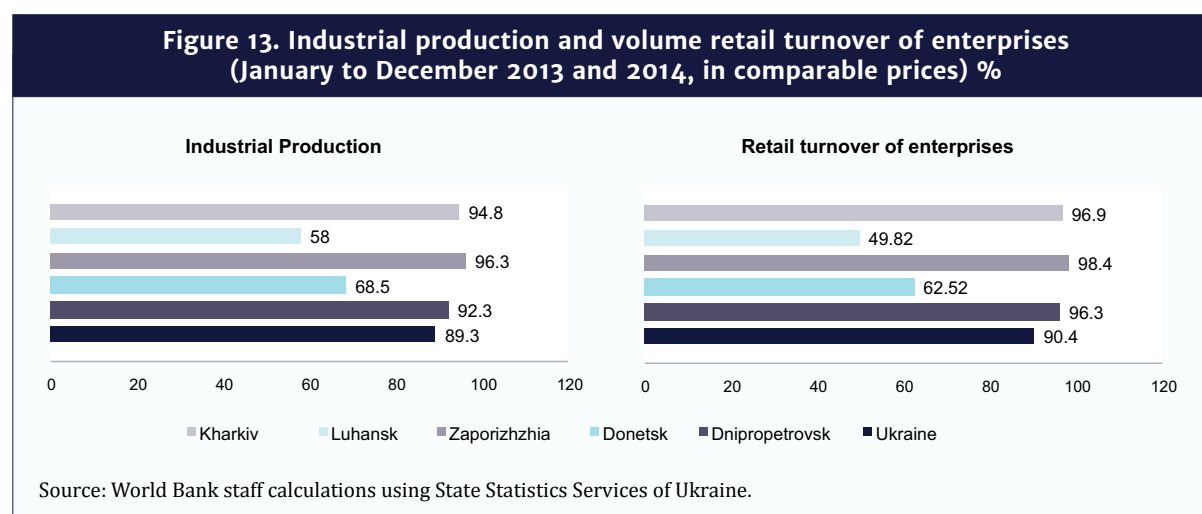
located in various districts within Donetsk, in neighboring regions, and also in larger economic labor markets such as Kyiv city, Kyiv region, Odesa, and Lviv, among others. The ratio of work-able IDPs to economically active population is shown next to the name of the oblast. The number shown below the oblast name (italicized) is the unemployment rates of each of these regions in 2013, prior to the start of the conflict. Looking solely at the pre-conflict unemployment rates in

regions such as Poltava or Sumy, or even Donetsk itself, we can posit that it may be more difficult for IDPs locating there to find employment. As more IDPs seek refuge in those regions (and districts in Donetsk), higher unemployment rates are likely.

It is also important to note that the average inactivity rates (defined as all people within the working age but not actively seeking employment) for men and women in Ukraine is around 32 percent, with similar estimates in the Donbas region and lower (30 percent) in the near-conflict oblasts. The inactive population is heterogeneous; it includes people currently studying or training, people doing household work, pensioners, and disabled. The inactivity rate of women between the ages of 15 and 64 is around 37 percent in the conflict and near-conflict areas. Many of these women are work-able and could potentially enter the labor market when they complete or interrupt their studies, or if they lose their main income source (as may have happened as a result of the conflict). In other words, about 40 percent of the inactive are work-able and not receiving pensions, and may become active job seekers.

### **Economic sector of work**

Conflict has adversely affected the industrial sector. Across Ukraine, the agricultural sector employed over 4 million workers (or 20 percent), and the wholesale and retail trade and manufacturing sectors employed around 3.5 million (or 17 percent) and 2.5 million (13 percent) of workers respectively.<sup>30</sup> The performance of the wholesale and retail trade and manufacturing sectors has been severely affected by the conflict in the Donbas. Figure 13 shows that overall industrial production (including mining and processing) and retail turnover decreased in Ukraine (comparing the performance of 2014 to the same period in 2013).

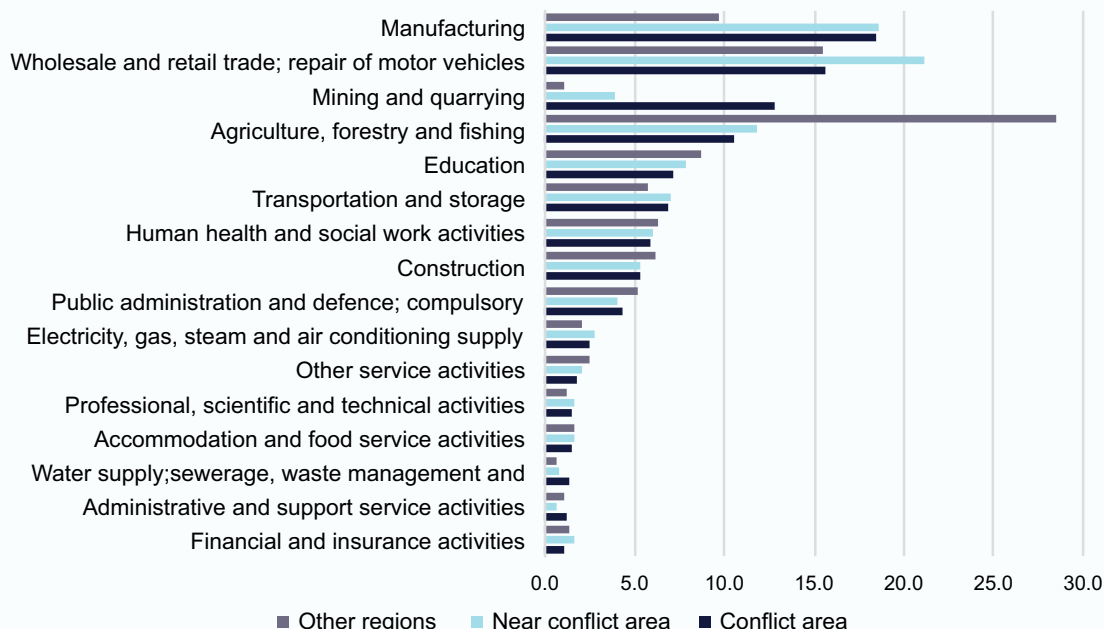


The decrease in industrial production was substantial in Luhansk and Donetsk, but also in the surrounding oblasts. Industrial production in Luhansk was 42 percent lower than the previous year, and 31 percent lower in Donetsk. Even though much of industry encompasses larger firms, there is some light industry in the region and many smaller firms provide downstream or upstream goods and services. It is estimated that about 78 percent of the industrial capacity in Donetsk is

30 These estimates include Crimea and Sevastopol. Data source is the 2013 Labor Force Survey.



**Figure 14. Economic sector of occupation in the region in conflict, near conflict, and the rest of Ukraine (% of workers, by sector and areas, 201)**



Source: World Bank staff calculations using the 2013 Labor Force Survey.

outside of the government-controlled areas, and the estimate is higher in Luhansk (84 percent); these territories are the epicenter of the war, and the firms located there have endured the most damage. Thus, it is probable that much of the observed decreases in other sectors, namely the retail trade sector, are a result of the drastic industrial slowdown. In addition, many small and medium firms, and self-employed people, are likely to continue seeing their revenues decrease as the conflict limits economic activity.

The declines in economic activity in conflict-affected areas will have significant impacts on employment. The importance of the industrial sector (including mining and processing) and retail sectors, and the challenge posed by firm closures and overall slowdown of these sectors, is illustrated in Figure 14. The economic sectors are shown in descending order in terms of the employment share in the conflict area. Before the conflict, the manufacturing sector was the main employment sector in the Donbas region; it employed more than 550,000 workers. Wholesale and retail sectors employed around half a million people, while extractive activities such as mining and quarrying employed 380,000 (or 13 percent). Agriculture is fourth in importance, it employed around 310,000 workers (or 10 percent of) workers. Regions near the conflict-affected region have a large manufacturing sector, comparable to the Donbas in terms of the share (18.6 percent) of workers employed, which translates to almost 700,000 workers. Mining and quarrying outside the Donbas on the other hand is smaller in terms of workforce size.

Evidence suggests that it may be difficult to integrate workers from Donbas into other regions because manufacturing and mining sectors contain distinct subsectors. For instance, mining in the Donbas region is largely focused on coal and lignite, whereas mining in the nearby regions is largely focused on metal ores (see Figure A1 in the annex). Manufacturing in the Donbas is large-

ly focused on manufacturing basic metals and employs around 360,000 people, whereas basic metal manufacturing is less common in other parts of Ukraine. In terms of employment, the larger manufacturing subsectors in other parts of Ukraine are food products, clothing and apparel, wood products, and machinery and equipment. Distinctions stem partly from the requirements for these sectors to exist; for instance, natural resource endowments, proximity to supply and export markets, and the level of sophistication and specialization required, among other factors. Such differences, accompanied by the economic viability of the sector to absorb more workers, limits the ease of integrating manufacturing or mining workers from the Donbas region into these sectors in other parts of Ukraine, at least in the short term and without intensive training.

The public–private and gender dimensions of employment reveal interesting patterns. More than one-third of all economically active workers in the Donbas region worked in state-owned enterprises (SOEs) and public sector, and almost half work in private enterprises.<sup>31</sup> The remainder work in the private sector. When broken down by gender, about 42 percent of women in the Donbas region are employed in the public sector, and 42 percent in the private sector. In the public sector, they are largely concentrated in education (31 percent), health care (23 percent), public administration (12 percent), and transport/postal service (10 percent). Around 8 percent of women work in the extractive mining sector. One-third of men work in public sector or state-funded enterprises; and a substantial share holds posts in the extractive mining sector (38 percent), with public administration and defense account also significant (14 percent), with an equal share in transport/storage and postal services. Women and men working in SOEs and public sector jobs have distinct education levels—women have substantially higher levels of education than men. About 75 percent of women have tertiary education or higher, while only 46 percent of men do.

A notable characteristic of the Donbas region is the large magnitude of workers that depend on state employment. In the short term this may be a favorable characteristic, because many of these workers will have access to unemployment and other benefits that can help them cope with the unemployment period. However, in the recovery phase, workers previously employed by the state are potentially more likely to have reemployment expectations.

As mentioned previously, half of all workers in the Donbas are employed in the private sector (see Table A1 in the annex). The processing and manufacturing sector is by far the most important private sector employer of women (37 percent) and men (41 percent) in the Donbas region. One-fourth of women are employed in wholesale and retail while 18 percent of men work in privately-held mining and extractive firms. Similar to the public sector, women employed in the private sector have higher levels of education than men; approximately 61 percent of women (compared to 46 percent for men) have tertiary education or higher. As reported by official government sources, a large share of registered IDPs are women, and the vast majority of IDPs seeking employment (as of October 2014) have completed some form of vocational training, secondary education, or tertiary education. Only a few of the registered IDPs had lower levels of education, had worked in unskilled occupations, or had no professional skills at all.<sup>32</sup>

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31 Private enterprises as presented here include two distinct types of firms: (i) joint stock; limited partnership, with full, partial, or additional responsibility; association, corporation, concern, consortium; cooperative, collective enterprise; and (ii) private, rented, family enterprise, private company (institution, establishment), farm, registered as legal entity. These are clearly distinct types of firms; the first type employs about 40 percent of all workers while the second only 15 percent.

32 State Employment Service.

Another interesting feature of the Donbas region is the high concentration (60 percent) of workers employed in relatively larger (50+ employee) firms. This is true for both men and women in their prime working age. For instance, 40 percent of all workers in the region are 25–49 years of age and work in larger firms (see Figure A2 in the annex). About 95 and 87 percent of workers in mining and quarrying, and manufacturing, respectively, work in larger firms. Only workers in the wholesale retail and construction sectors are in predominantly smaller firms. Some (largely anecdotal) evidence suggests that, despite several subsectors (and firms) having reduced their production as a result of the conflict, many workers remain attached to their employment, and some continue to receive salaries. This may be explained by the fact that large numbers of people are employed in relatively larger firms in the manufacturing and mining (private) sectors, which rely on specialized labor and prefer to retain experienced workers so that production can resume as soon as the conflict ends.

Nearly 40 percent of IDPs registered in October of 2014 were still officially employed. It is estimated that a considerable number of IDPs continue to be formally employed in the non-government-controlled areas. In addition, even though they do not receive salaries and have no access to their old employment, their official status is employed. Specific data on this group do not exist, but data on those that have recently registered for the housing allowance via the MSP show that out of the 642,861 who have registered as IDPs, 85,487 have said that they are “in need of work” despite their official employment status. For those who continue to be attached and receive salaries, it is unclear how long their employers will be able to retain these workers and pay salaries if full production does not resume. Therefore, many workers who may now be displaced but not actively searching for employment are likely to begin searching for jobs in the near future if the conflict persists, as their employers can no longer fulfill their payroll responsibilities, and as their savings/assets become depleted.

## Employment situation: Reduction in labor demand

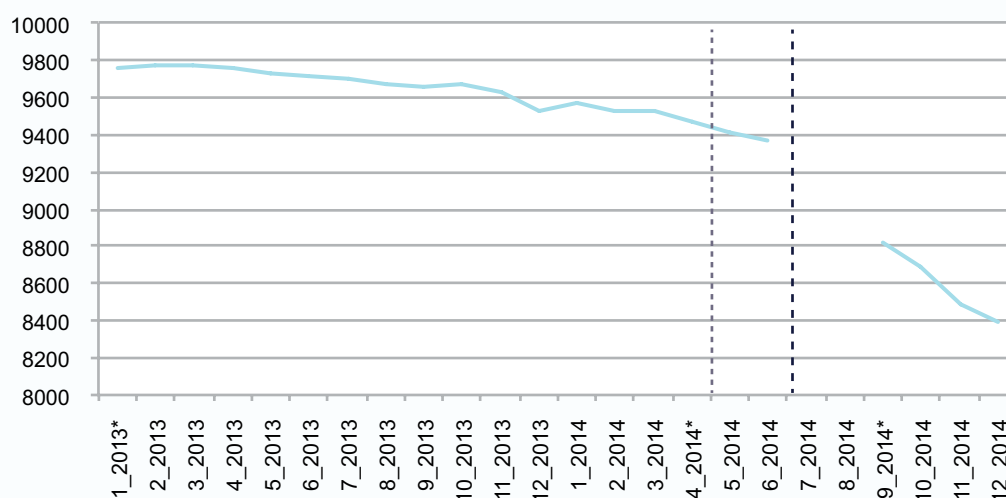
Employment patterns in Ukraine have been unfavorable for a few years, but there has recently been a sharp drop in formal employment stocks. Figure 15 shows the stock of formal employment in Ukraine as reported by employers to the State Statistical Agency. There is one consideration for the sudden drop in April 2014 (orange line); it marks the exclusion of employment stocks from Crimea and Sevastopol City. The dotted black line marks the peak of the conflict when no reliable data was collected from the East; data began to be collected again in September 2014 (mainly from the area controlled by Ukrainian authorities), and the sudden decrease since then is a reflection of the employment stock in Ukraine.<sup>33</sup>

It is clear from the available data that apart from human losses, the conflict has directly affected the ability of the Donbas region labor market to sustain existing jobs and create new ones (Figure 16). The harmful effect of the conflict, coupled by other macroeconomic factors, has also had deteriorated the ability of the broader economy to create new jobs. As expected, the contraction is most striking in the conflict-affected regions. Preliminary figures show that a reduction in net employment from December 2013 to December 2014 has been around 40 percent in Donetsk and 70 percent in Luhansk (the right hand axis shows the percentage change). These reductions amount to a total of about 800,000 jobs in the Donbas region alone (the green line refers to the left axis,

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33 Data for Donetsk and Luhansk oblasts are preliminary and subject to change (since September 2014).

**Figure 15. Employment trends in Ukraine, January 2013–December 2014 (in thousands)**

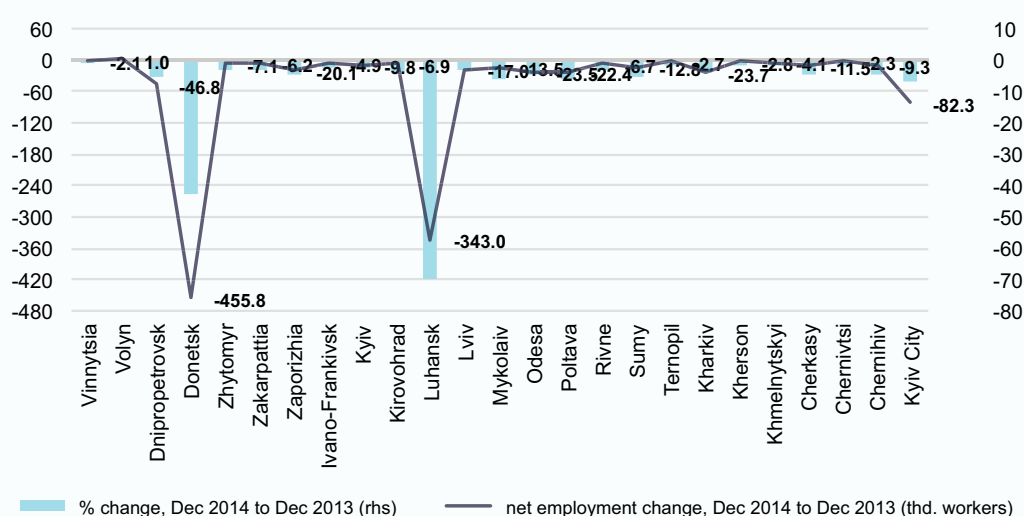


Source: Authors' calculations using official firm-level data from the State Statistics Service of Ukraine.

net number of jobs lost). The three nearby oblasts in the East also experienced a reduction in net employment, highlighting the potential difficulty for IDPs to find employment in these regions.

As presented in Figure 13, industrial production in Ukraine has been dramatically reduced; much of the reduction stems from stoppages in industrial production in the Donbas region. Figure 16 shows how the reduction in production translates to a reduction in net employment. Net employment in industry in Ukraine experienced an 18 percent reduction from December 2013 to December 2014. This amounts to a loss of approximately 480,000 formal jobs. Mining coal and lignite,

**Figure 16. Net employment changes, by region, from December 2013–December 2014**



Source: World Bank staff calculations using firm-level data from the State Statistics Services of Ukraine.

plus extraction of peat—an industry that is almost fully located in the Donbas region—saw a 52 percent decrease in jobs (136,000 of them). Such findings are not surprising since it is estimated that of the 93 coal mines in the Donbas region, 12 are destroyed and 55 are not functioning; as a result, the average daily production of coal dropped by nearly 60 percent. The manufacturing of basic metals, food products, machinery and equipment, and chemicals—among the larger industrial employers, outside of mining—have seen substantial decreases in net employment, of about 172,000 jobs altogether. There are reports that the machine-building production facilities of Luhansk Teplovoz (the large producer of locomotives) have been destroyed, that two metal production plants in Donetsk have stopped production, and that a metalwork plant in Alchevskiy is not operational.

The plant and firm closures reported in this section account for large numbers of employees working in larger formal firms; however, the total number of workers affected is not known. Accurate estimates are difficult to calculate because many workers are not employed in large plants and are only indirectly affected by the reductions in production. In developed countries it is estimated that for every job in the tradable (industrial) sector, between three and five jobs are created in the nontradable sector (these are jobs in wholesale and retail, public and private services) to provide services to the workers in that sector and for themselves. There are no similar estimates for Ukraine, and one approximation in the Donbas region is 3.5, which is the ratio of industrial jobs to nonindustrial jobs in the region. However, using a much more conservative estimate of two, one can try to estimate potential job losses as a result of the conflict. There were over 930,000 workers employed in industry—mining and manufacturing—in the Donbas region in 2013. Most of these industries have substantially reduced their production.<sup>34</sup> Assuming that on average industry is operating at 40 percent (so 60 percent is temporarily or permanently shut down<sup>35</sup>), then about 560,000 jobs in the tradable sector would be temporarily or permanently lost. If for every one of those jobs two are lost in the nontradable sector, then the total job loss would be estimated at 1.68 million. This significant share amounts to 56 percent of the employed (only) population in the Donbas region; however, that estimate excludes the people who were already unemployed (231,000). Assuming these people continue to be unemployed then the total rises to 1.91 million, or 59 percent of the economically active (employed and unemployed) workforce.<sup>36</sup>

It is important to note that it is very likely that many of the workers who potentially lost their job have work experience and skills that are in demand in other parts of Ukraine or abroad. It is estimated that some people emigrated to the Russian Federation or to other neighboring countries such as Belarus, Moldova, Poland, Hungary, and Romania, while others may have stayed in the region and joined the fighting. Others may have gone to other parts of Ukraine and found employment. In fact, official data shows that only a minor fraction of those potentially unemployed and displaced have registered with the State Employment Service as of February 2015. Anecdotal evidence obtained from interviews with IDPs show that there are some opportunities to find employment in their new localities, but the jobs are usually at levels not commensurate with IDPs’

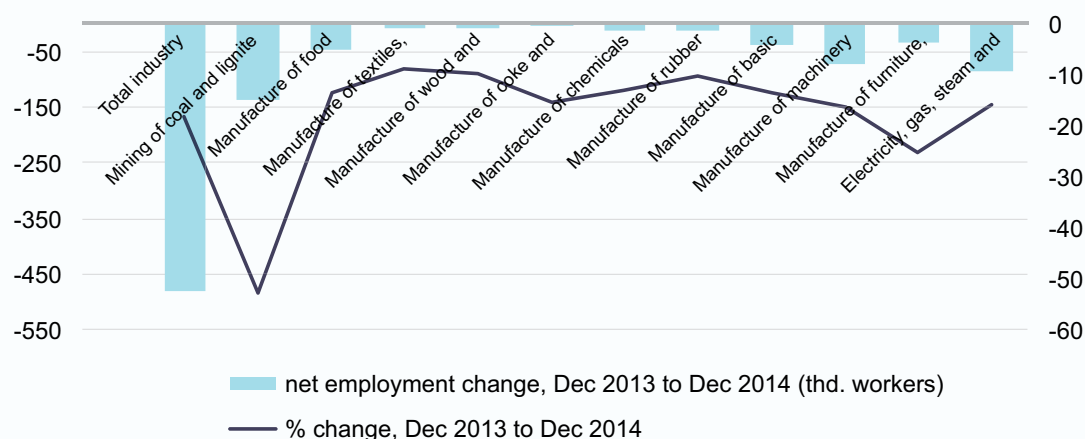
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34 An estimated 80 percent of the Donbas economy’s formal sector is not operational. Q4 2014 figures show year-on-year declines in industrial production of 60 percent in Donetsk and 85 percent in Luhansk. It has been reported that 19 out of 23 major enterprises in Luhansk oblast have closed, while half of the enterprises in Donetsk oblast are experiencing job cuts and partial employment.

35 The 60 percent estimate used to calculate job losses is derived from the estimate for the Donetsk oblast. The estimated production losses for Luhansk are much higher, but its workforce amounts to a smaller share (one-third) of the total workforce in the Donbas region. The estimate is a conservative one and represents a lower-bound estimate.

36 Using the 15+ age range, there were approximately 2.9 million employed people in the Donbas region in 2013, and 231,000 unemployed people in the same year. The total is 3.2 million economically active people.

**Figure 17. Net employment change by industry, from December 2013–December 2014<sup>a</sup>**



<sup>a</sup> Data estimates by industrial sectors are rough because January 2013 statistics include Crimea, Sevastopol, and part of the Donbas region, which is now under rebel control, while the estimate for December 2014 does not include them.

Source: World Bank staff calculations using firm-level data from the State Statics Services of Ukraine.

skill levels, and salaries and benefits are below previous earning levels. This may be the result of having a relatively skilled and experienced IDP group vying for a limited pool of jobs.

## Occupations and skills of the economically active population in eastern Ukraine

Immediate (potential) job displacement in the conflict-affected region has been obtained by analyzing the economic sectors in which workers were employed prior to the conflict and by taking into account the damage that has been inflicted on those sectors and the jobs they offer. Previous sections attempted to quantify the potential job losses and identify the sectors that have been most negatively affected by the losses. This section focuses on understanding the profiles of people who may have lost their job as a result of the conflict, and those who were unemployed and who may be unable to access a job in the current situation.

The employment center in Zaporizhzhia city conducted a brief survey of IDPs registering there and reported on the job opportunities that exist. The figures are disaggregated by major professional groups, and while they may not be sufficient by quantity and quality, they are at least suitable as trend indicators. There are two major trends that can be reliably observed: (i) the number of job seekers per vacancy has at least doubled in recent months; and (ii) salary levels of open vacancies have dropped to half of the average salary of employed persons in that region in nominal terms. Trends in Zaporizhzhia highlight the fact that many of the IDPs may be entering labor markets that were already strained, and their presence—and competition for jobs and downward pressure on wages—likely exacerbate potential tensions with local communities. According to the survey, jobs in the agriculture sector have recently been on the rise (though it is unclear how demand will change in the winter), and there seems to also be demand for unskilled workers.



## Work occupations and wages

Given the predominance of industry and mining in the conflict-affected region, a large share (30 percent) of workers in the region held operational (blue-collar) occupations in industry, mining, and construction. These occupations include metal, machinery and related jobs, extraction and building trade jobs, miners, construction workers, and plant workers and operators in factories of machines and transport equipment, among others. Another significant share (20 percent) of workers in the region who are likely to have been negatively affected are salespersons, service workers, and clerks in shops and offices. The professional occupational category is the most varied, as it contains many distinct professions and accounts for 19 percent of workers. The professional category includes teachers and professors, physical and mathematical professionals, engineers, and life science and health professionals. In the managerial category, workers classified as directors and chief executives, corporate managers, and managers of small enterprises amount to 7 percent (Figure 18). Occupations in the figure are shown in descending order in terms of employment in the conflict-affected area.

The estimate for white-collar occupations (including salespeople and clerks) in the conflict-affected region is in line with the estimates in nearby regions, as well as the rest of Ukraine. This comparison does not mean that white-collar workers from the Donbas will be easily absorbed into other areas if they seek employment, but it indicates that their occupation is commonplace in other parts of Ukraine, thus making it easier for them to seek similar work, even if it is in a different sector. On the other hand, blue-collar occupations (about 30 percent) common in the Donbas region are less common in the nearby oblasts, where only 23 percent of jobs are classified as blue collar, and much less so in the rest of Ukraine (18 percent). One implication of such distinct occupational differences is that blue-collar workers from the Donbas region may find it difficult (more so than white-collar workers) to find similar work in other parts of Ukraine; as a result they may be more vulnerable to unemployment, and seek similar work in other countries where labor demand for mining and manufacturing workers is higher. Most blue-collar workers that stay in Ukraine will likely require retraining and retooling to access employment. And even when the conflict ends, the sectors where they were active prior to the conflict—namely mining—may not sufficiently recover to reemploy them.

In 2014, a new survey collected information from employers throughout Ukraine (except in Crimea, Sevastopol, and the Donbas region) in four growing sectors: agribusiness growers, agribusiness food processors, information technology, and renewable energy.<sup>37</sup> These companies were asked for their most recent hiring patterns and about their desire to hire new people. Figure A3 in the annex shows that in Kyiv oblast and Kyiv city, most of the new hires were professionals and technical staff in the information and communication technology (ICT) sector. Few blue-collar jobs were in demand.

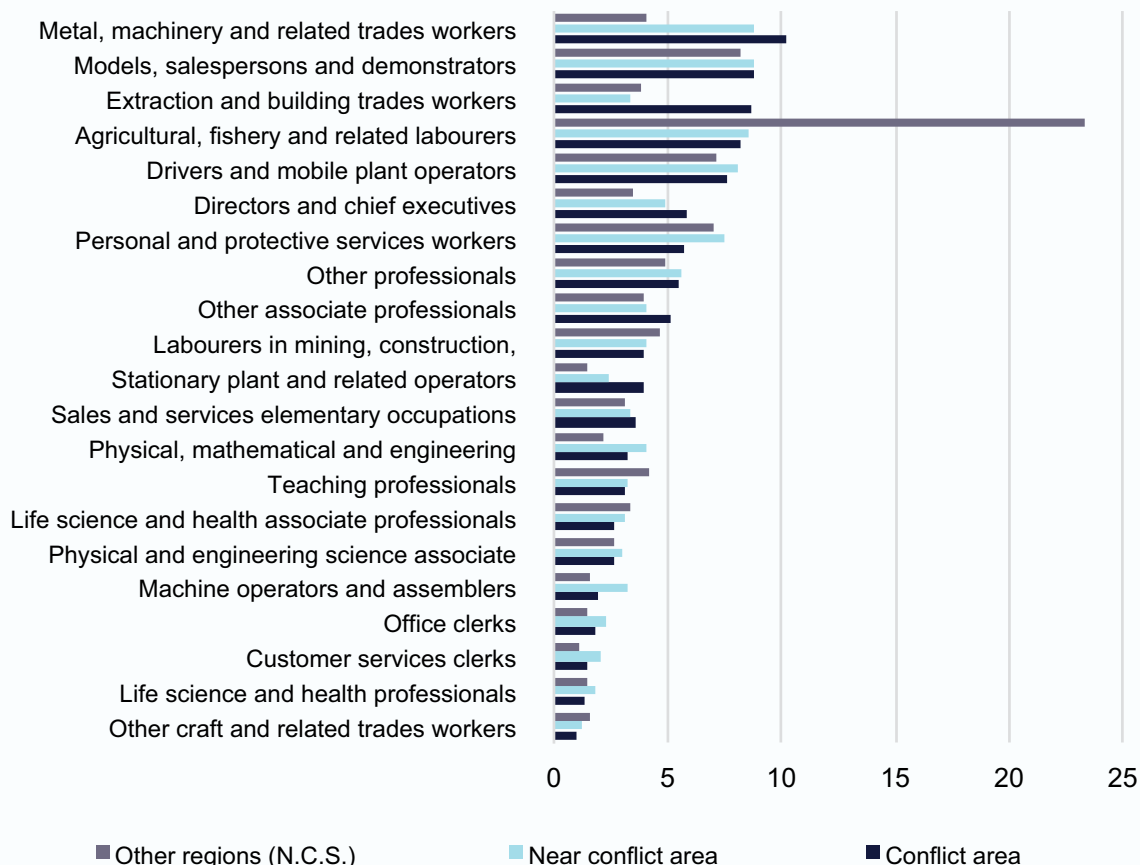
By contrast, blue-collar occupations have been in highest demand near conflict-affected areas—in Kharkiv, Zaporizhzhia, and Dnipropetrovsk. Elementary workers, plant and machine operators, and trade workers were all in high demand by the agribusiness and food production manufacturing sectors. This gives some indication that IDPs with experience working blue-collar jobs in the

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37 Using labor force survey data we estimate that about 165,000 people worked in these subsectors in the Donbas region prior to the conflict. Many of these jobs were likely medium- and high-skill jobs.



**Figure 18. Workers in the region in conflict, near conflict, and the rest of Ukraine profiled by their primary occupational category, (% , 2013)**

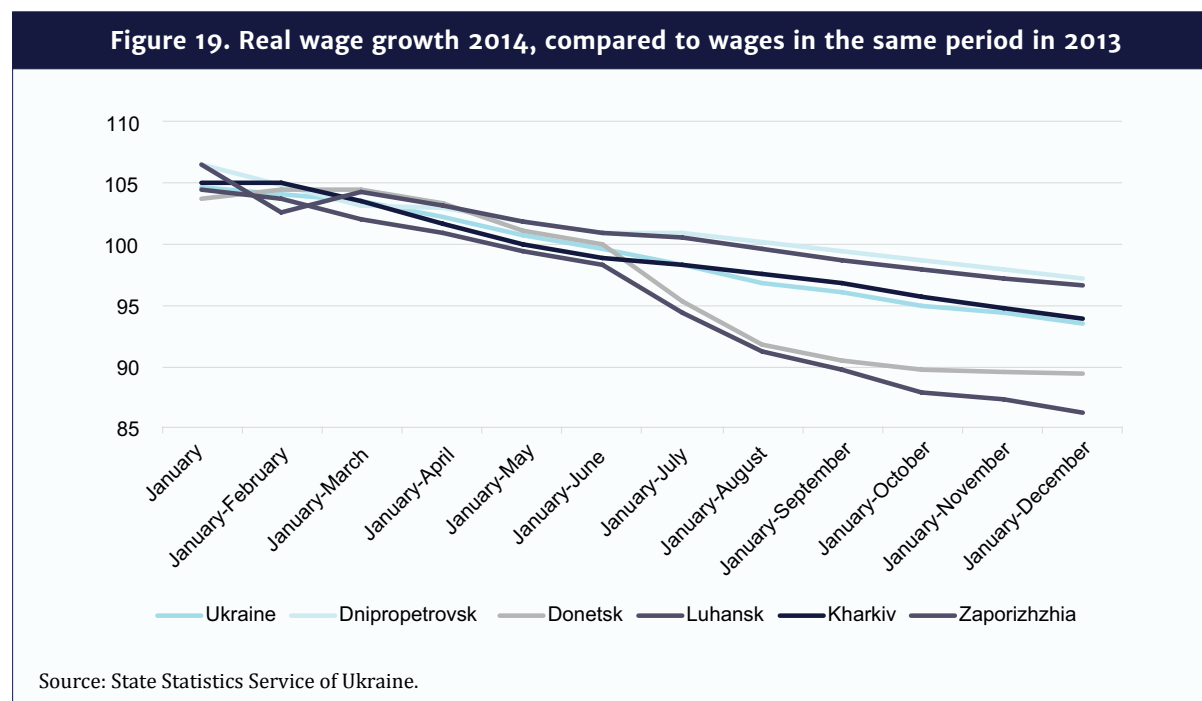


Source: World Bank staff calculations using the 2013 Labor Force Survey.

food processing sector and agribusiness more generally may have found employment opportunities in the neighboring areas. On the other hand, only a fraction of skilled professionals, especially in the ICT sector, were hired in the neighboring regions, contrary to the hiring patterns observed in Kyiv city and oblast. If displaced workers seek to stay outside the Donbas region, it will be important to help them identify labor markets where their occupational profiles match the labor demand; this can be done by empowering them with access to labor demand-related information and providing financial assistance to those that cannot afford to move but would benefit from doing so.

The conflict has affected virtually all population groups in the Donbas region. Conflict-affected areas, and to some extent neighboring regions, have also experienced sharp increases in rent, food prices, and communal service tariffs. Conflict-affected regions prominently feature wage cuts and wage arrears, especially as employers are not producing. Cash shortages due to unpaid salaries and transfers, as well as breakdowns in the Donbas banking and financial systems, have limited households' abilities to purchase those supplies that are available. Reliance on remittances and subsistence agriculture—which in the Donbas urban setting can be quite problematic—is increas-

ing. In districts in the Donbas where IDPs are concentrated, and in neighboring oblasts, IDPs are being blamed for pushing up prices, rents, and unemployment. Grievances with the authorities' failure to protect local residents from these economic burdens were commonly expressed to the RPA teams. Figure 19 shows that real wages in Ukraine declined in 2014; as expected, the most drastic decline is in Luhansk and Donetsk.



## Micro-small enterprises and entrepreneurial activity

Considering the large concentration of big industries in the Donbas region, most of the micro, small, and medium enterprises (or MSMEs which are defined here as firms employing 1 to 49 workers) in the Donbas area were founded to engage in downstream or upstream linkages with the major industrial enterprises. Proximity to agricultural lands led to the opening of a modest number of agricultural processing enterprises and light industry. The vast majority of these smaller firms provide services and engage in trade-related activities. About 41 percent of workers report being employed in a firm with fewer than 50 employees (see Figure A2 in the annex); but this estimate includes people in public sector services such as schools and hospitals, and branches of larger firms.

Large enterprises were affected first in the spring by deteriorating relations with the Russian Federation—the main export market—and then by military action in the East. Many MSMEs are likely to have also experienced a decline in their activity in the conflict-affected areas, given that their economic activity is likely to be directly linked to the shrinking activity of large enterprises. The military conflict has amplified the negative trends, including through partial or complete physical damage. As a consequence of the above direct and indirect impacts, MSMEs are expected to have also lowered their economic activities by similar estimates as the larger firms. These smaller firms will likely necessitate a set of interventions that focus on providing access to capital to re-open, restock, and rehire workers, and perhaps even reconstruct their establishments.

Apart from small businesses, there were also entrepreneurs in the Donbas region. These are often classified as self-employed or employers in the nationally representative data. This section excludes people who are self-employed (and informal) because they have lower levels of education and have limited wage employment choices. The analysis here includes only people who are self-employed and have higher education levels, and those who employ others. Figure A5 in the annex shows that a substantial amount of people (56,000) are engaged in entrepreneurial activity in the wholesale and retail, and repair sectors. The remaining breakdown of work is in professional services of various types (22,000), construction (7,000), and construction and manufacturing to a lesser extent.

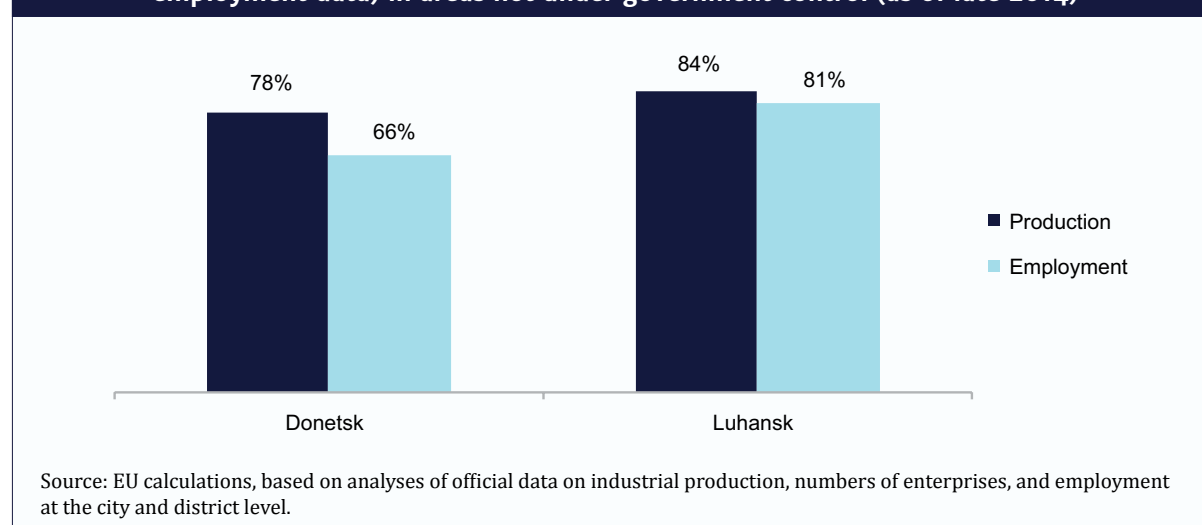
Much like MSMEs, entrepreneurs who were registered and have ceased operations likely need support to temporarily (or permanently) shut down their businesses so that they do not continue to accrue costs (such as taxes). From April–November 2014, the Chamber of Commerce and Industry issued 1,200 Force Majeure certificates for medium-sized companies, but many small enterprises and individual entrepreneurs did not request them. They simply left the regions—with some of them suffering a complete loss of all business assets.

Those entrepreneurs and micro-small businesses that wish to continue operating are unable to do so largely due to credit constraints and the absence of reliable suppliers. Anecdotal evidence shows that suppliers demand an up-front payment of 100 percent of the price of supplied goods, compared to 15 percent in the pre-conflict period. In addition, there are few suppliers in the area, and many of their old suppliers are no longer operating. Like MSMEs, entrepreneurs looking to return to the conflict-affected region will need help to reengage in their previous economic activity and to grow their businesses.

## Productive capacities and livelihoods

Understanding sector trends, strengths, weaknesses, and opportunities is in general very important for development programming. However, in conflict and post-conflict circumstances, critical human needs take precedence. The priority is on livelihoods programming—the timely implementation of measures to improve the welfare of those adversely affected by the crisis, both in

**Figure 20. Shares of Donbas industrial capacity (measured by 2013 production, employment data) in areas not under government control (as of late 2014)**

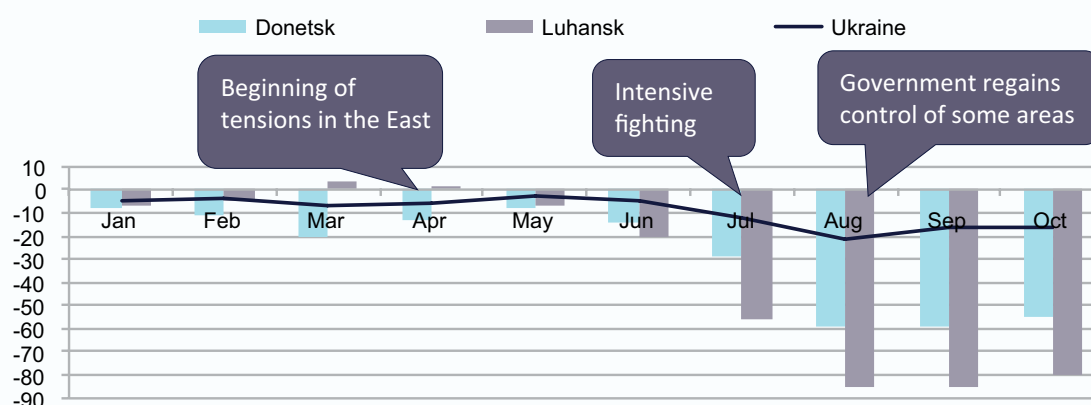


terms of addressing their immediate needs and promoting more permanent solutions.

Productive capacities were affected by both the conflict and the macroeconomic problems. The ceasefire that took effect in late summer 2014 left the vast majority of the Donbas's industrial capacity in the hands of the separatists. Donbas inhabitants who remained in government-controlled areas are therefore more likely to rely on agriculture and services (especially those provided by the state), as well as social transfers, for their livelihoods. Productive capacities in the conflict-affected regions have also been hit by the macroeconomic problems affecting the rest of Ukraine, including exchange rate instability, growing inflation, declining employment, a gridlocked banking system, and disruption in supply and demand chains (on both domestic markets and abroad).

These hardships have affected virtually all population groups in the Donbas region. Conflict-affected areas have also experienced sharp increases in rents, food prices, and communal service tariffs, as well as wage cuts. Income-generating opportunities as well as access to water, food, medicine, shelter, and other basic goods and services have been severely limited. Precrisis figures indicate that cash transfers (such as pensions, stipends, and social assistance) accounted for 33 percent of household incomes in both Donetsk and Luhansk oblasts. However, cash shortages due to unpaid salaries and transfers, as well as to breakdowns in Donbas's banking and financial systems, have limited households' abilities to purchase those supplies that are available. Reliance on remittances and subsistence agriculture—which in the Donbas's urban setting can be quite problematic—is increasing. In some communities, IDPs have been blamed for pushing up prices, rents, and unemployment. Anger at the authorities for failing to protect local residents from these economic burdens was commonly expressed to the RPA teams.

Figure 21. Y/Y dynamics of industrial production in 2014, %



Source: Ukrainian State Statistics Service, Ministry of Finance.

## Primary impacts

The negative trend before the onset of the conflict is to be noted. Enterprises in these regions suffer from the same problems as those in the rest of Ukraine and are now challenged by additional conflict-related troubles—insecurity, disruption in supply and market chains, difficulties in transporting goods through areas not under government control or insecure areas, difficulties in accessing finance, and a decline in exports to Russia due to a slowdown within Russia and periodic border disruptions.

Continuing displacement, winter, and weakened economic resilience among people in conflict areas, IDPs, and host communities are worsening the humanitarian situation. A government decree from early November 2014 has closed all government offices in non-government-controlled areas, and halted funding of pensions, hospitals, schools, benefits, and other government services. In addition, inflation and the negative impact on the national economy, as well as energy shortages, are affecting livelihoods.

Rural livelihoods are negatively affected by similar factors. The migration level among rural populations is estimated to be lower compared to the amount of IDPs from urban areas, which to some extent is explained by the ownership of land plots, livestock, and lower mobility caused by age. Like elsewhere in Ukraine, prior to the conflict rural areas of Donbas suffered from limited employment opportunities and unsatisfactory conditions for independent farming, which provided little incentive to the young and middle-aged to envisage a future in their villages. The rural labor force was in continuous decline, following outmigration, aging, and low fertility. In January 2014 the rural population of Luhansk and Donetsk oblasts accounted for 13 percent and 9 percent of the total population, respectively. Support to rural livelihoods is of particular importance in this respect.<sup>38</sup>

## Secondary impacts

Given the region's location at Ukraine's eastern border, close economic relations with Russia have long been important, and recent deteriorations in relations have had a crucial impact on exports. The conflict has added to the already weak performance in the industrial sector. Decline in industrial production caused by ongoing military operations affects the employment situation and income-generating opportunities of both men and women in the region. There is not only a lack of employment opportunities, but also a mismatch between jobs offered on the labor market and IDPs' skills (for example, low-qualified jobs for highly qualified IDPs, or jobs in the agricultural sector for factory and mine workers). Psychological factors further impact IDPs' employment situation. For example work "on land" is commonly perceived with contempt among miners. According to the anecdotal evidence, young educated IDPs have the fewest problems with employment and integration into host communities.

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38 The agricultural sector is not assessed in depth in this volume of the RPA. A more extensive description of the destructive impact of military conflict on agriculture in the Donbas region can be found in FAO and Ukraine Ministry of Agrarian Policy. 2015. "Donetsk and Luhansk Regions: Joint Rapid Needs Assessment (Agriculture)." Draft report. FAO and Ukraine Ministry of Agrarian Policy.

## 6. LOCAL ECONOMIC PLANNING

**F**ocusing on strengthening the links between the technical and social dimensions of local economic planning in the post-conflict context reflects the belief that, under present circumstances, bringing together local resources to address the impacts of the crisis in the Donbas is critical and must be supported. Local responses to the crisis have been critical in helping those in need, and the country owes a great debt to the citizens of the communities who have received the displaced as well as to local government officials for their selfless and prompt response to their countrymen's suffering. Their action, however, has been ad hoc and depends entirely on local initiative and capacity. From a systemic perspective, the impact of the conflict on local planning concerns the extent to which they accelerate, promote, support, or retard the processes by which municipalities and communities can be mobilized to address post-conflict reconstruction and development challenges.

### Primary impacts

The primary impact of the crisis on this sector has actually been positive—local governments, civic organizations, and people have mobilized, organized, and taken action to address their communities' immediate needs. However, their capacities are limited and over several months, the resilience of many of communities has been exhausted. Moreover, forward economic planning has been difficult to implement in an environment of budgetary uncertainty, ambiguity over the future of the conflict, and uncertainty over the ultimate number of IDPs that continue to flow from conflict areas in the East. Even if effective forward planning were possible now, no efficient mechanisms exist to include these displaced into local economic planning processes.

Local governments lack the political mandate, legal authority, institutional capacity, and resources needed to autonomously discharge local development planning responsibilities. There are also no established partnerships with local CSOs or informal IDP representatives that could usefully aggregate and articulate grassroots needs and priorities. Local initiatives are stressed and can no longer be counted on to provide additional recovery assistance without external support.

### Secondary impacts

The conflict itself has been accompanied by increases in local social and political activism. This grassroots activity also includes reconciliation efforts and thus offers a certain hope in terms of prospects for mobilizing local communities around social projects for reconciliation and recovery. However, while the developments of 2013–2014 have built certain “bonding/bridging social capital” within certain groups, they have also heightened divisions among a number of political, ethnic, and regional cleavages.<sup>39</sup> This has weakened the social capital and tolerance ultimately needed for peacebuilding, reconciliation, and recovery. This bodes less well for prospects to mobilize local communities around social projects for reconciliation and recovery.

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<sup>39</sup> These cleavages include, among other things, differences along: (i) ethnic lines (such as the Russian/Ukrainian divide); (ii) regional lines (Donbas versus the rest of Ukraine); and (iii) political lines, concerning such issues as the desired extent and pace of decentralization. These three cleavages have nuances that would need to be unpacked to fully understand their significance for post-conflict recovery prospects.

## 7. PRIVATE SECTOR AND SMES

Apart from the labor impacts described above, various constraints and barriers prohibit the development of a strong SME sector in Ukraine. These have been detailed many times in different reports; however, it is still useful to reiterate some of the main ones here in line with this background:

- Widespread corruption and the arbitrary and fragmented application of the law, which makes the business environment unpredictable
- Confusion and duplication in the roles and responsibilities of government institutions and agencies, whose remit is to support business development and investment
- Lack of a coordinated and rationalized business support organization network that can provide high quality and relevant business support services to SMEs
- A system of vocational education that fails to assess the real demand and equip workers with the skills needed in the private sector

### Primary impacts

The conflict has severely affected the large enterprises, many of which are in areas outside of government control, and this has led to a decline of SME activity in Donetsk and Luhansk. Deteriorating relations with Russia and then military action in the East affected large enterprises. As a consequence SMEs have reduced the majority of their economic activity and reduced jobs.

Most SMEs have not taken any steps toward revitalizing businesses in post-conflict areas given the security situation. Rather than requesting Force Majeure certificates, many small enterprises and individual entrepreneurs simply left the region—with some of them completely losing all business assets. For those that stayed, credit has dried up. Retail companies report suppliers demand total payment for supplied goods upfront, compared to 15 percent prior to the conflict. In addition, they face the frequent need to identify new suppliers because the old ones are gone, and thus the costs of doing business rise steadily.

### Secondary impacts

The reduction in private-sector activity means a significant reduction in national and local revenue from taxes and fees. Recovery is threatened due to problems throughout the entire life cycle of a company from business registration through operations and into voluntary liquidation. In the near term, this negative impact on firms' legal standing and access to credit threatens their survival, and in the medium and long term complicates the resumption of business operations.

Business start-up and reregistration for those coming from areas outside government control is extremely difficult. The lack of documentation required as per the Law on State Registration of Legal Entities and Individual Entrepreneurs cannot be fulfilled because these confirmative documents in many cases have been lost. Operations are also threatened by a lack of necessary documentation for obtaining permissive acts, licenses, authorizations, certificates, and so on, and the limited capacity to fulfil tax and reporting obligations as requirements of relevant laws are applied with no exemption despite the region's post-conflict situation. Also, voluntary liquidation of companies falls under standard norms of the tax code, civil code regulations, and so on. This prevents SMEs that are willing to move from doing so, and directly hampers recovery.



## 8. OVERVIEW OF SHORT-TERM (24-MONTH) RECOVERY OBJECTIVES, OUTCOMES, AND NEEDS

**T**he following sections set out recommendations for each subsector, including interventions targeted at particular segments of the population as well as those with a broader application. All people feel the economic impact regardless of demographic descriptors, gender, age, or income aspects, but it is important to recognize that the conflict affects different groups and individuals differently, and the elderly, women, children, and persons with disabilities might in some cases be particularly vulnerable in terms of employment, livelihoods, and income generation. Vulnerable groups are also likely to be less able to protect the real value of their assets, especially if inflation remains high or rises further.

Based on extensive field research by three separate economic assessment teams building on lessons learned and best practices identified in economic recovery efforts in conflict areas around the world, this section highlights suggestions for prioritized recovery interventions. These will be crucial to address critical needs and support the country's transition toward full economic recovery, with the understanding that the feasibility of some proposed interventions depends on improvements in the security environment and a resolution of the crisis. All interventions serve as quick response measures and are envisioned to have an implementation time frame of 24 months. Most of the proposed interventions are based on documented, communicated, and clearly defined needs. Some are of a more complicated nature and will require additional information and discussion with the government as part of the ongoing review and assessment process.

### Employment: Recommendations and costs

#### *Objectives and key needs*

Employment has deteriorated throughout Ukraine in the last year, largely as a result of the conflict; the deterioration has been substantial in the Donbas region. Even though production has halted or slowed down substantially in large and smaller firms, and entrepreneurs have shut down their businesses, only a subset of firms—shops, factories, mines, among others—have been damaged or destroyed (see infrastructure damage assessment section). Much of the damage has been to the supply of energy and infrastructure (electricity, water, and transport), rather than physical damage to the plants. The magnitude of the damage varies by district, and by whether the area is (or was) under rebel control.

In areas that were previously taken by rebels but retaken by the Ukrainian government, some of the infrastructure damage has begun to be (or has already been) repaired. In some cases, production has resumed and economic activity revived. The following six concerns continue to affect economic activity in the region: (i) security-related concerns; (ii) disruption in supply-and-demand chains; (iii) difficulties transporting goods through the conflict zone; (iv) difficulties in accessing finances; (v) very high risk perception and adverse investor sentiment; and (vi) decline in demand for exports to Russia due to a slowdown there as well as periodic stoppages of exports

Addressing the aforementioned concerns now and in the postrecovery stage will be central to reviving economic activity in the Donbas region. Also important will be measures to support Ukraine's overall economic recovery—by stabilizing the economy and undertaking structural re-

forms. It is important to view the recovery of conflict-affected regions within the broader context of Ukraine's recovery. In the longer term, mechanisms for increasing the full recovery of the Donbas region should be put in place to allow people who have left and those who remain to have access to economic opportunities and be able to prosper. The recommendations that follow focus on addressing the short-term needs through a proposed set of initiatives to help IDPs and people in communities that have hosted large numbers of IDPs.

### **Solutions**

Many IDPs in need of work have employed some coping strategy either by themselves, through nonstate employment organizations, or with assistance from their personal social network. But many IDPs are in urgent need of income (and employment), which requires a more comprehensive approach, mainly from the state employment services, and financial assistance from the central government and the donor community. Given the magnitude of the need stemming not only from the influx of IDPs but also from host communities facing increasing unemployment rates, it is sensible to recommend that the state employment services be enlarged and revamped. The needs are especially high in the localities that host most work-able IDPs (see Map 1 for the ratio of work-able individuals to the working population).

Sustained job creation and labor market recovery can be achieved only through employment policies that are well informed by lessons of what has worked in similar situations, and customizing them to the Ukrainian context. Appropriate customization can only be achieved by using reliable data sources and extensive local-level knowledge. The recommendations proposed here draw from lessons learned from other countries (South Africa, South Korea, Latvia, Argentina, and El Salvador), while also taking into account the local context.

In the short term, while many people continue to be displaced and/or unemployed, the focus should be to help them successfully integrate into their current location or reintegrate them into their own community when it becomes safe. A lesson from international experience is that successful integration (and reintegration) depends largely on people being self-reliant through employment. Therefore, the focus of short-term assistance should be on identifying strategies to enhance access to employment for IDPs. A second lesson learned from international experience is to include host communities in programs established to help IDPs. An inclusive approach will be critical for people most affected by the growing competition for jobs, namely the current unemployed and underemployed, to avoid the deterioration of IDP–host relations. Table 17 outlines the six overarching objectives and proposed short-term activities recommended to facilitate labor market integration.

Short-term recommendations revolve around two actions: (i) addressing legal and informational barriers to employment; and (ii) reforming existing active labor market programs (managed by the state employment services) so that it can become a crisis response work program that effectively and efficiently helps IDPs and the unemployed in host communities.

Table 17. Overview of the proposed holistic approach to employment and reemployment			
Obj. #	Objective	Act. #	Proposed activity
I	Overcome legal and informational barriers to support job seekers	1	Legal constraints: Documents to work, shut down a business, validation of existing qualifications
		2	Employment data focused on skills and needs of IDPs and hosts, and inventory of local demand <ul style="list-style-type: none"> <li>a. Collect data from IDPs and local communities most affected by IDPs</li> <li>b. Collect vacancy information from local and national jobs to facilitate job search</li> </ul>
II	Better match workers to new labor markets to increase (re) employment options	3	Services to better match workers to labor market demands and services
		4	Mobility vouchers to incentivize migration to more suitable labor markets
III	Increase income-earning opportunities through public and temporary works, and facilitating access to microcredit and grants	5	Temporary job creation through temporary works <ul style="list-style-type: none"> <li>a. Partial wage support (direct benefit to employers)</li> <li>b. Social security exemption (indirect benefit to employer)</li> </ul>
		6	Public works (or cash for work) activities to help people have access to cash in the short term <ul style="list-style-type: none"> <li>a. Manual (more labor-intensive) activities</li> <li>b. Skill-intensive (less labor-intensive) activities</li> </ul>
		7	Facilitate access to microcredit to promote entrepreneurship (and self-employment)*
IV	Offer human capital investment opportunities to increase employability	8	Retraining programs, in skills and competencies aligned with labor market demands
		9	Restart education for people who wish to resume their education
		10	On-the-job training, linked to public works and temporary works
V	Offer integration and psychological counseling and mobility options	11	Expectation management and psychological counseling <ul style="list-style-type: none"> <li>a. Mobility vouchers to more suitable localities, including abroad or the Donbas region</li> </ul>
		12	Social cohesion-oriented activities (linked to community-driven development activities)*
VI	Increase capacity of state employment services to manage CRWP and new responsibilities	13	Capacity training for local governments to plan activities and manage resources
		14	National state employment services to address legislation issues, scale program, and engage partners

Source: Authors' summary drawn from various sources.  
\* Not developed in this piece; see other sections of the RPA.

## Legal and informational barriers

IDPs face various legal barriers that hinder them from accessing services by the State Employment Service, make them liable to the tax authorities, or hinder them from starting a new business in the new locality. One of the most common barriers is having the wrong legal employment status. Anecdotal evidence suggests that some workers remain registered as employed in their former workplace, despite having left the job due to the conflict. This not only limits these people from accessing unemployment benefits but also hinders them from finding a new job. Another constraint is having insufficient documentation to prove work experience, education or certifications, or even identity.

Displaced individuals who have relocated to a new labor market with few social and professional networks face significant employment-related information barriers. To address this, job search support should be enhanced by growing the labor market information system. This requires strengthening the capacities of the State Employment Service (and establishing partnerships with other legal entities engaged in employment services provision in the regions) to improve their information collection and dissemination. This revamped system should be set up first based on existing information, with the quality of the content improved over time. This not only includes revamping the information system so that it provides up-to-date job-related information for all skill levels, but also to establish proactive mechanisms to incentivize employers (through tax breaks and financial and other incentives) to post all vacancies in their revamped labor market information system. All registered IDPs and active job seekers will be channelled to the portal and IDPs will be guided through the search process to get them acquainted with the local labor market's needs, and the needs in other labor markets where their skills may be in more demand.

Another informational constraint stems from the limited ability of the state employment services to collect regular labor market data and to conduct analysis that will improve the agency's services and overall effectiveness. In the short term, assistance should be provided to the state employment services to collect information on IDPs and workforce in communities that host IDPs so it can better monitor the crisis situation and so it can plan its services more effectively. Such data can also be used to improve the local employment offices and change the content of courses offered to be more responsive to employer needs. In the medium term, a data collection system should be put in place so the state employment services can better respond to future crises.

## Crisis Response Works Program

Evidence from other countries suggests that public works and temporary works programs can be effective crisis response measures because they address short- and medium-term economic hardships, as well as promote longer-term employment. These programs are social protection instruments used in response to a variety of circumstances and create temporary jobs. The output of public works programs has a double benefit, with temporary jobs providing wage income to participations, and the creation of public goods. Public works are typically financed and/or implemented by a national or regional government, or by a donor agency. Private employers carry out temporary works, and the public employment services assist in the provision of workers (and offer other forms of help; see below).

Ukraine's State Employment Service has two schemes—public works and temporary works. They currently serve as a channel for employment, albeit mostly temporary and low skill in nature. The current objective of these programs is to provide short-term employment to unemployed per-

sons. However, the current program has several limitations that will need to be addressed to work effectively as a crisis response measure. One of the limitations is that the law requires local governments to cofinance the program. Such a cofinancing measure has at least two drawbacks; first, it dissuades some local governments from using public works or temporary works at all, while others use it for very short-term projects that limit the duration of the public works employment to an average of one to two weeks. Second, cofinancing constrains poorer localities, those with fewer resources to do public works and which are most vulnerable to shocks, from using public works. The current system thereby limits the use of public works as a tool to help vulnerable people when it is most needed.

The proposed reforms aim to bolster the capacity of the state employment services to respond to the needs of *all* job seeking IDPs and members of the host communities, and to encourage employers to hire workers from the state employment services for temporary work schemes. The Crisis Response Works Program (CRWP) consists of several mutually reinforcing components. It aims to have a wide target of beneficiaries, *from all skill levels*. These include IDPs, the unemployed, and underemployed and individuals working in the informal economy in host communities. The short-term action will fall into two main categories: (i) policy reforms and initiatives to improve government efficiency and effectiveness, as well as reforms that will encourage employer hiring; and (ii) public works and temporary works programs that also integrate different services such as job training, psychological counseling, and mobility and placement assistance.

The CRWP will begin by revamping the two existing works' schemes in the state employment services by addressing the limitations mentioned. For instance, the legislation will need to be changed so that local governments are not limited by the cofinancing obligations and can freely offer public works and temporary works schemes to IDPs *and* the local unemployed for a longer period of time (up to 180 days, which is the legal limit) in places where IDPs are most present and where labor market pressures abound. As highlighted previously, and based on countless international evidence on the displaced and refugees, the success of the integration of displaced people and improvements in social cohesion—between IDPs and host communities—can only be possible if *all local* inhabitants who may benefit from the CRWP are eligible for participation.

To improve the ability of the state employment services to cope with large numbers of service seekers, it will be important to convert the existing registration system—which already collects data on job seekers—into a more functional profiling system so that service seekers are properly “triaged” using the data already collected, and before they are assigned to a particular set of services. As stated, such a system relies on registration data that is currently being collected, and the process will only need to be reformatted so that the information collected can be better used to determine the best match for reemployment for each individual. If reforming the registration system is not feasible in the immediate term, it should be implemented in the short-to-medium term so that the state employment services can continue to increase its coverage of beneficiaries, and to increase the number of people assigned to the labor activation path and decrease the number on social assistance.

To incentivize employers to hire workers from the state employment services for temporary works, we recommend extending social security tax exemptions. Such exemptions would be eligible for all workers—displaced as well as from the host community—hired for two weeks or longer. But as learned through consultations with the state employment services, there are localities where employers do not respond fully to tax exemption incentives to hire IDPs or unemployed workers to perform temporary work. This poses a potential risk to increasing employment of

IDPs and people in localities facing increasing labor market pressure. Such risk can be addressed by providing additional incentives to employers in localities where IDPs are most present and labor opportunities for locals are limited. Additional incentives could be partial wage compensation (percentage should be determined using various data inputs) for workers in the most vulnerable situations; such workers can include IDPs, new entrants to the labor market and long-term unemployed in host communities. Given the potential financial burden of this aspect of the program, it will be critical to establish clear eligibility criteria—vulnerable individuals from specific localities should be eligible for the incentive. It will also be important to map out clear criteria for when the wage incentive scheme will end, so it is clear it is a crisis response measure that should not be expected to remain in place perennially.

As for the public works scheme, the goal is to convert it into an active crisis response tool that can help work-able individuals with livelihood support (income), while simultaneously improving public goods and increasing individuals' labor market readiness. The program will also provide training opportunities beyond the skills acquired on the job to prepare participants for possible longer-term employment, self-employment, or further education and/or training. For example, youth employed as manual laborers on a labor-intensive road project may be offered training in building skills such as bricklaying, which will be very likely in demand in the Donbas region during the reconstruction phase. Training activity may result in some form of accredited certification that can be used to find longer-term employment elsewhere.

Keeping in mind that Ukrainians, like many of the registered IDPs, have relatively high levels of education, it will be important to offer public works activities that cover all skill levels. In fact, the current program has not been attractive to many semi-skilled or skilled workers because the activities were mostly limited to low-skilled work. Therefore, it is very important to learn from developed countries with similar schemes in times of crisis. Using triage mechanisms, individuals will be steered toward activities based on their employment and educational backgrounds. The system can also help the local employment service offices prioritize the groups that need the most help. Given that local governments are in charge of planning the public works projects, and that preparation requires drafting a detailed activity plan, it will be important to factor in (in terms of time for preparation and costs) capacity training for local governments to enhance their capacity to offer a menu of activities. This part of the process will need to be tackled in the immediate term to ensure that the list of activities targets people from multiple skills levels and backgrounds.

It will be important to take into account measures for women to be able to work. This is of special importance given that many of the unemployed IDPs registering are women. Measures such as day care support for children can be incorporated into the public works program, or extension of child care services in the new localities can be negotiated so that working mothers can access services.

Lastly, the state employment services should not only facilitate access to labor market information across the country for all job seekers, but also incentivize people—especially IDPs—to move to labor markets where demand is higher by providing financial assistance for active mobility. To promote mobility to labor markets that are more suitable for IDPs (given the cost of this incentive, this part of the program may only be offered to IDPs and long-term unemployed) financial incentives to move should be considered. Such financial support measures will be largely aimed at avoiding clusters of unemployed people in localities where employment prospects are limited. This may be undertaken using mobility vouchers, thus providing financial incentives for those willing and able to move to an area that offers more long-term employment opportunities. They may also be matched to training opportunities in the new locality so that people have more op-



portunities to become familiar with the local labor market context and needs.

Some of the activities discussed in these recommendations, such as subsidized temporary employment, are temporary measures to help people access income during the crisis period. They have the dual benefit of enabling those people most affected by the crisis to be economically active and earn income and also accrue work experience in new labor markets. The downside is that they are not necessarily avenues for permanent employment or long-term labor market integration. The same is true for public works jobs; they are most helpful for getting cash to those most vulnerable to long-term unemployment, while helping to (re)construct damaged infrastructure and property, but they have a time limit and cannot be perennially offered to the same people. As a result, the short-term approach also emphasizes investments in activities that have more lasting effects, such as better data collection, mobility, and retraining vouchers, and measures that aim to improve government service delivery effectiveness.

### ***Estimated costs for the proposed short-term recommendations***

Activities proposed in the previous section are estimated to cost between US\$40 and 60 million. The main difference between the three scenarios developed is the number of people to be offered services. The first, second, and third scenarios are estimated to cost US\$40, 50, and 60 million, respectively. Other factors that will affect the actual costs of the employment subcomponent include (i) the intensity of the treatment in terms of number of services to be provided and the length of time benefits will be paid; (ii) the number of localities in which the program will be offered; (iii) the amounts allocated to each benefit (for example, mobility vouchers, training vouchers, wage support, type of public works supported); and (iv) the amount of resources that will be spent on capacity training to the local governments and staff in the state employment services. Table 18 presents estimated costs for the three scenarios. The first scenario assumes that assistance will be provided to 1.4 million job seekers; the second assumes 1.6 million, and the third assumes 1.8 million. All three scenarios include IDPs and job seekers from the host communities.

We used a three-step approach to estimate the number of people that may benefit from each scenario. First, sum the total number of unemployed in the conflict-affected area, the near-conflict-affected area, Kyiv oblast, and Kyiv city prior to the conflict. Sixty percent of previously unemployed job seekers are expected to request services from the public employment services. This usage estimate is higher than what the state employment services has seen in the recent past; however, as the conflict continues, the economy continues to deteriorate, and services are improved, more users are likely to request assistance. A 60 percent usage rate from the total unemployed in the aforesaid regions translates to 366,000 people.

Second, as estimated in a previous section of this note, about 1.6 million previously employed people from the Donbas region are deemed to be at risk of losing their jobs. The first scenario assumes that 30 percent of these people will seek services from the public employment office. The second and third scenarios assume 40 and 50 percent, respectively.

Third, given the deteriorating labor market conditions in the whole country, and the amount of pressure that IDPs may be putting on host communities, there are likely to be segments of the host population—new labor market entrants and less experienced people, low-skilled workers, older workers, and women with young children—that are more vulnerable to job losses. Accordingly, we assume that 10 percent of previously employed people will face unemployment and seek services; we add this number to the total potential number of IDPs and unemployed to get the total potential service seekers and CRWP participants.



Table 18. Estimated costs for three distinct scenarios				
Objective #	Objective	Estimated costs (US\$)		
		Scenario 1	Scenario 2	Scenario 3
I	Overcome legal and informational barriers to support job seekers	1,280,000	1,600,000	1,920,000
II	Better match workers to new labor markets to increase (re)employment options	1,920,000	2,400,000	2,880,000
III	Increase income-earning opportunities through public and temporary works, and facilitating access to microcredit and grants	30,000,000	37,500,000	45,000,000
IV	Offer human capital investment opportunities to increase employability	3,200,000	4,000,000	4,800,000
V	Offer integration and psychological counseling and mobility options	400,000	500,000	600,000
VI	Increase capacity of state employment services to manage CRWP and new responsibilities	3,200,000	4,000,000	4,800,000
	Estimated amount in US\$	40,000,000	50,000,000	60,000,000
	# of people	1.4 million	1.8 million	1.6 million

Source: World Bank staff calculations.

We conclude by noting that not all state employment services participants and CRWP participants will require the same intensity of treatment. For instance, some job seekers that are more easily employable may only need a minimal set of services, such as training and access to job searches, or a mobility voucher. On the other hand, a person that has been unemployed for a long period of time may need a broader set of services. To increase the likelihood of success for each service seeker, IDP, or host community member, and the financial viability of the program, a triage mechanism will be put in place to ensure that each person is allocated an adequate set of services.

## Productive capacities and livelihoods

**Objective: To support the productive capacities' development and help target groups meet their immediate needs via livelihoods programs.**

In this context, "livelihoods" involve improving the well-being of those adversely affected by the crisis by providing them with opportunities to engage in productive economic activities. These activities would need to address their most urgent needs and enable more permanent solutions.

### Key Needs

As a result of the conflict, salaries are no longer paid, and many people cannot find stable jobs. The specific primary impact is a very substantial number of people (among both IDPs and the local population) without a living wage. While existing data do not allow us to specify a number, it is clear that this amount is large and growing by the day.

In addition, the worsening economy has affected all layers of the population and has directly im-

pacted different aspects of life and well-being, including access to potable water, food, fodder for livestock, basic services (such as medical treatment and education), shelter, and other basic needs. As unemployment in the regions has increased significantly, it is extremely hard to find any job, much less gainful employment at a previous level of remuneration that corresponds to job seekers' professional background and work experience, as the excess labor has depressed wages and the types of jobs available are skewed toward lower-level positions.

## Solutions

- Offer skills training in income-generating activities, including off-farm businesses and support for micro and group businesses, including fostering service and consumer cooperatives, rural credit unions, and so on.
- Create or develop the existing networks of rural extension services that would benefit both IDPs resettled to rural areas and local rural residents. This would provide a wide range of advisory and training services to support people as they open and operate micro and small businesses to take advantage of a very broad range of market opportunities. According to the survey conducted in the framework of the United Nations Development Programme (UNDP) CBA: Community Based Approach to Local Development project in rural area of Konstantynivka raion (Donetsk oblast), backyard farming is the only source of livelihood for 50 percent of its residents. Rural populations lack the skills, inputs, and financial resources to optimize agricultural production.<sup>40</sup> Basic training in business skills and financial literacy, supported by access to micro loans, would be of particular value to women and the less educated and to the larger rural population.
- Given the increasing number of children, elderly, and disabled people in the affected oblasts, provision of child care, elderly care, medical care, education, and psychological assistance services could be a possible income-generating opportunity.
- Elderly people should be integrated into the recovery and peacebuilding process whenever possible. This will help them cope with psychological trauma caused by the conflict and ease pressure on social services delivery. For example, cases of elderly women registering as IDPs, being issued humanitarian aid packages, and so on—even on a volunteer basis—were observed in Donetsk oblast. Pensioners constitute over 26 percent of Ukraine's population, but they are also one of the most "abandoned" population groups. Special assistance programs for elderly people (including IDPs) are needed.
- Foster added value in agriculture through small- to medium-scale processing, improved supply chains, marketing, and sales. A new agribusiness service center in Luhansk region (based out of Luhansk National Agricultural University) could offer business consulting services to agriculture-related businesses to maximize their chances of success in the difficult environment while fostering growth.
- Provide psychological rehabilitation and life skills training to restore individual and community resilience. With their lives turned upside down, many have a sense of hopelessness, and residents of host towns also face uncertainty and fear for their futures. This mindset is

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40 Beyond emergency needs for animal feed, seeds, and fertilizer costing US\$13.4 million that are included in the Humanitarian Response Plan for eastern Ukraine (UNOCHA Ukraine, January 2015), the uncosted agricultural recovery needs for the Donbas region over 24 months are farm machinery, agricultural inputs for IDPs, fruit seedlings, improved technology for larger farms, access to agricultural insurance, and disaster risk reduction initiatives (FAO and Ukraine Ministry of Agrarian Policy, 2015).

destructive and threatens to derail peacebuilding. In a series of workshops, IDPs will achieve the transformation in thinking that helps develop the temperament needed to lead a positive and productive life under very difficult circumstances. All people, irrespective of age and gender, who require assistance in training provision and skills development should be offered the opportunity. The 544 IDPs in a German-funded IDP settlement in Zaporizhzhia offer proof of this.

## Local economic planning

***Objective: to assist in mobilizing local resources for recovery in a productive and inclusive manner.***

This should be achieved through the design and implementation of local governance initiatives that can meet communities' immediate needs using existing in situ resources and improved local development planning processes.

### **Key Needs**

The Ukrainian government's ability to address local governance issues in the regions concerned, and to support the rapid emergence of more effective and accountable state institutions, is essential to the goal of achieving durable peace. The voices of all citizens must be represented in decision making. An inclusive planning process with the participation of all interested stakeholder groups will address the critical needs in the affected areas in an efficient, flexible, cost-effective, and rapid manner.

The participants of the consultation process highlighted a number of obstacles and challenges in this respect.<sup>41</sup> On the part of community groups and NGOs there is a need for better expertise in working with authorities (regarding disclosure requests, advocacy, lobbying, public relations), while local governments need to be better prepared to lead intensive and inclusive planning initiatives. At present, both lack the required knowledge and skills, in particular regarding public-private partnership, strategic and operational planning, project-based approaches, and so on.

It is important to ensure that more women are directly involved in budget management and economic planning at the raion, city administration, and village council level. It would be recommended that local women's NGOs be mainstreamed into the economic planning process, as economic issues are not usually the focus of their activity.

Local governments need more legal authority so they can efficiently manage budgets and better response to socioeconomic needs. For example, there is anecdotal evidence of effective allocation of local budget funds in response to the IDPs' inflow problems. However, since no respective legal provisions for financial resource management were issued and no additional decision-making power was delegated to local governments, local authorities took the initiative in helping IDPs at their own risk.

Inflow of IDPs into the oblasts considered in the RPA has increased pressure on social services delivery, increased the workload of civil servants employed in medical and social care, education, employment centers, and so on (usually female-dominated occupations), and put pressure on the

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41 Matveeva, Anna. 2014. "Peacebuilding and Reconciliation in Donbas Region: Mapping of Civil Society Roles and Needs." UNDP-Ukraine, Kyiv, October.

allocation of local budgets. The problem should be addressed by implementing gender budgeting principles at the state, oblast, and raion levels in order to better address the needs of different population groups.

### **Solutions**

The short-term solution involves introducing efficient and democratic forms, methods, and principles into the local economic planning processes in the communities and administrative units of the concerned regions. These will yield specific, actionable activities that address the wide range of critical needs in the conflict-affected areas. This approach also establishes the following processes as permanent assets for Ukraine.

- Build the capacity for local government, NGOs, and other stakeholders in practical application of modern economic planning methods and tools.
- Establish a small grant facility to (i) help initiate action to address the priorities as agreed by the community; and, very importantly, (ii) validate the process and support the work of the local planning team.
- Identify “economic localities.” Economic activity rarely aligns with administrative boundaries. In Ukraine, economic areas often cross raion borders while falling far short of being oblast-wide issues. Intermunicipal cooperation could be considered as one of the approaches.
- Form a working group for each economic locality from the trained staff at municipal or raion administration offices that will lead the community through a strategic planning process. The working group will establish a mission, identify information needs, set priorities, and produce a viable and validated plan for local economic recovery. Communities will apply for supplemental grant funds to fund priority actions/activities upon which they have reached agreement.
- Implement gender-responsive planning and budgeting at oblast and raion levels: conduct gender-sensitive analysis of public expenditure at oblast and raion levels; provide trainings on gender budgeting (concepts, analysis, and implementation) for local government and civil society activists.

## **Private sector and SMEs**

**Objective:** *To create a business-enabling environment to ensure income generation, job creation, and the foundation of new businesses and the growth of existing ones.*

### **Key Needs**

Outside investment in the conflict-affected areas and in the neighboring oblasts is highly unlikely, and government resources for investment either do not exist or are limited. Private enterprises face serious obstacles in Ukraine’s unfavorable business environment, and the grey economy segment is still large. The enterprise structure can be rebuilt better, notably by facilitating sectoral diversification and by fostering the emergence of more SMEs and private individual entrepreneurs.

#### **The development of business environments means the development of SMEs**

*“The state and local authorities shall elaborate efficient policies and tools to support SMEs in the region. These types of companies are easier to reorient toward new businesses, so risks can be better diversified.”*

~Banker, Kramatorsk

## Solutions

- Reenergize local enterprises. The proposed near-term solution recognizes that outside investment in the conflict-affected areas is highly unlikely, so economic recovery must be led by enterprises already in the area. For longer-term growth, the strategy transitions into a dynamic local economic development one to grow the overall economy.
- Implement a highly targeted and flexible recovery strategy to support existing enterprises in the affected area. Enterprises that already deal with risk and rapidly react to changing conditions are the only likely engines of recovery and growth; these firms will preserve and create the great majority of productive employment opportunities in the conflict areas for years to come. They must be provided with targeted support specific to their needs in supply chain, logistical, infrastructure, human capital, market access, and a wide range of similar operational challenges.
- Enact an emergency set of favorable tax regimes and additional regulatory relief. This is vital to enabling SMEs to operate effectively in the nearly chaotic commercial environment of the conflict-affected areas of Donetsk and Luhansk oblasts and contiguous oblasts. It is necessary to apply derogations, based on business needs, from the companies' life cycle regulations along with strong enabling legislation to allow local authorities to properly implement the changes. A sunset clause can end this period as conflict decreases.
- Facilitate further development of business support infrastructure for provision of advisory and training services for business start-ups and growth, with special focus on export promotion, energy efficiency, innovations, and women in business. Various loan programs should be developed to encourage the foundation of new businesses and development of those already established.
- Use this period to gather and analyze policy-relevant data to inform discussions of broader improvements to the business-enabling environment.

The Association Agreement (AA) with the EU could provide an important anchor for reforms. Implementation of the AA, together with the Deep and Comprehensive Free Trade Area (DCFTA) Agreement, could offer substantial benefits for Ukraine that could among others, foster SME sector development. EU accession had a positive effect on the new EU members in central and eastern Europe, which took advantage of engagement with the EU to increase exports, attract FDI, and enhance competitiveness. The entrance of the EU agreements into full force could create similar opportunities for Ukraine to better support private sector and SME development.

## Financial services

***Objective: To help ensure access to basic financial services, introduce SME loans programs, and offer support to opening savings cooperatives and credit.***

This should be viewed as a remedial action for stabilizing financial services provision and supporting SME development.

### Key Needs

The banking sector in the affected areas suffers from many of the same stresses and structural weaknesses as the entire Ukrainian banking system, with a large number of insolvent banks, a falling deposit base, and an increasing volume of nonperforming loans. These issues need to be resolved. In addition, physical damage, territorial threats, and the diminished rule of law have

taken a toll both on the economic infrastructure and on the risk appetite of entrepreneurs and banks alike. In the presence of security risks, enhancing access to credit in the areas returned to government control seems to be unlikely using market forces only, and may require creative donor-supported solutions. Of more specific concern are the needs for banking services among the new niche market of IDPs and the long-term cost of recovery and reconstruction.

### **Solutions**

The challenges in this sector are deeper and more systemic than in other subsectors, so solutions will require coordinated action at the highest level. These are not the sort of activities that can be packaged into discrete projects typical of most internationally funded development efforts.

- Stabilize the financial sector in the areas under government control. This requires two crucial factors—overcoming Ukraine’s general banking crisis and reducing the perception of security threats. Support from international financial institutions such as the World Bank Group or the European Bank for Reconstruction and Development (EBRD) guarantees (using grants from bilateral donors that are put at first loss to mitigate risks) could help spur post-conflict lending by sharing risks with banks that operate in the conflict-affected areas.

## **Transitional implementation strategy**

Economic recovery depends on the delivery of essential social, administrative, and communal services; building social cohesion and promoting peace and reconciliation at the community level; and including all citizens in decision making. As evident throughout this document, economic recovery and improving the lives of those affected by conflict is best, most immediately, and most sustainably achieved through targeted local solutions that add up to a coherent whole. Support for improved local governance is implicit throughout and specific in many proposed solutions.

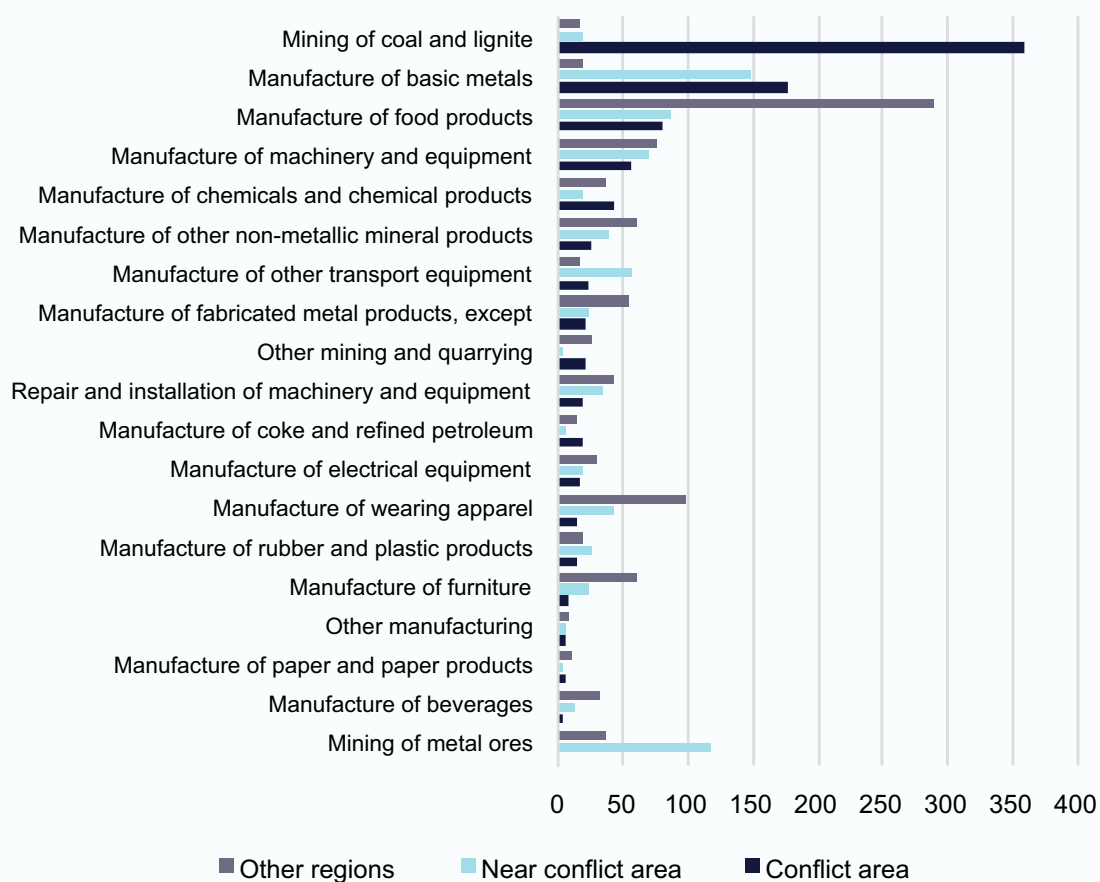
### ***Institutional Arrangements, Governance, and Implementation Capacity***

Both the National Employment Centre and the Ministry of Economic Development and Trade have been instrumental in preparing this report, along with important contributions from oblast officials in Luhansk and Donetsk. Their capacity to respond is evident, though the scale of this crisis and the ongoing challenge of moving the country forward are daunting. In addition to the specific capacity building recommendations throughout the proposed solutions, it is of primary importance that the institutional arrangements and governance regarding the state’s relationship to the economy and to economic actors improve significantly, including through temporary regulations.

Capacity building will address implementation issues and the projects proposed here will be completed as planned. However, genuine improvement can come only from leadership committed to change and willing to decentralize to a very substantial extent, while also being open to working with the subnational levels. This openness needs to result in an agreement on and implementation of an effective and efficient division of labor, reflected in the allocation of fiscal mandates and commensurate funding.

## ANNEX 1. ADDITIONAL BACKGROUND ON EMPLOYMENT

**Figure A1. Breakdown of manufacturing, mining and quarrying, and industry in the region in conflict and near-conflict regions, and the rest of Ukraine (in thousands), 2013**

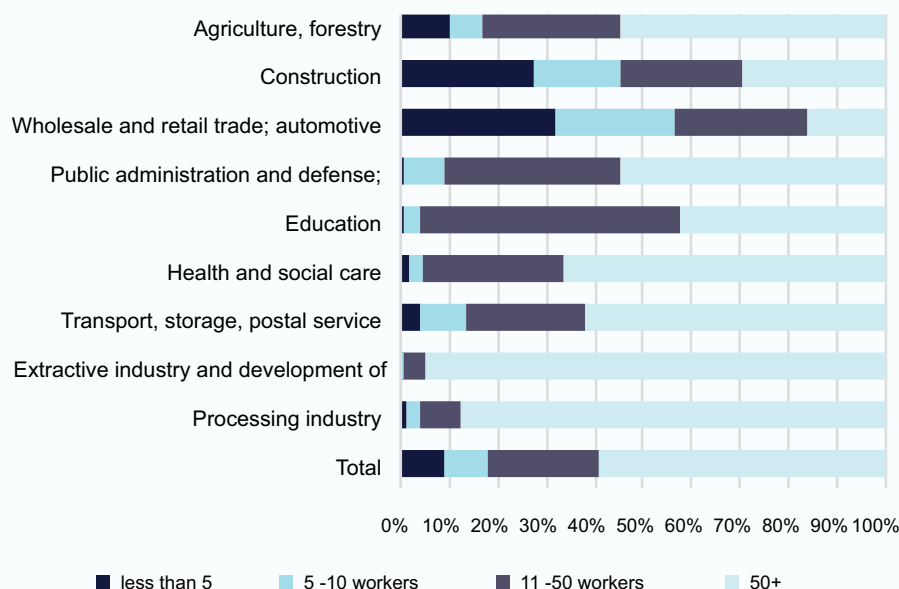


Source: World Bank staff calculations using the 2013 Labor Force Survey.



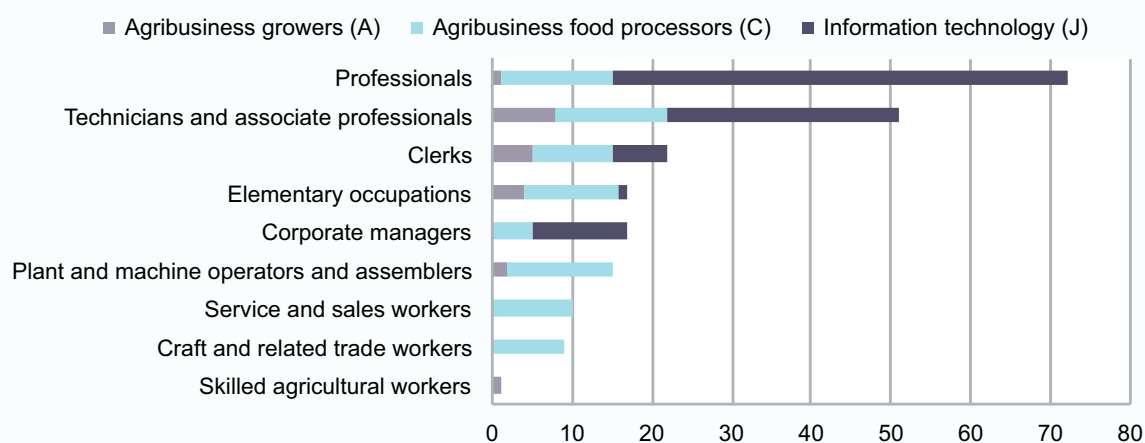
Table A1. Profile of employment in public sector and private sector firms in the Donbas region (% of total in the corresponding group of interest), 2013				
	<i>SOE and public sector</i>		<i>Private sector<sup>a</sup></i>	
Total, all	35.1%		48.2%	
	Women	Men	Women	Men
Agriculture, forestry	0.3%	0.6%	3.9%	5.9%
Extractive industry	7.9%	38.2%	7.0%	18.0%
Processing and manufacturing industry	0.9%	1.4%	37.0%	41.1%
Electricity, gas, steam supply, and air conditioning	2.8%	3.8%	3.6%	3.1%
Water supply, sewerage, and drainage	2.9%	3.5%	0.6%	0.8%
Construction	0.5%	2.1%	3.3%	7.0%
Wholesale and retail trade, automotive	0.6%	0.0%	26.2%	10.1%
Transport, storage, postal service	9.9%	15.0%	2.1%	5.5%
Temporary accommodation and arrangement	0.3%	0.1%	3.4%	1.4%
Information and telecommunications	0.2%	1.0%	1.4%	1.2%
Financial and insurance activities	0.8%	0.1%	2.9%	1.1%
Real estate operations	0.9%	1.1%	1.0%	0.4%
Professional, scientific and technology	1.5%	1.3%	1.8%	1.4%
Administrative activities	1.4%	1.7%	1.8%	1.5%
Public administration and defense	12.4%	14.2%	0.1%	0.1%
Education	31.3%	7.6%	0.4%	0.2%
Health and social care	23.3%	7.4%	0.9%	0.2%
Art, sports, entertainment, and recreation	2.0%	0.8%	0.3%	0.2%
Provision of other service types	0.1%	0.0%	2.3%	0.7%
<p>a The definition of private sector includes joint stock; limited partnership, with full, partial, or additional responsibility; association, corporation, concern, consortium; cooperative, collective enterprise; private, rented, family enterprise; private company (institution, establishment); and farm, registered as legal entity. It excludes other private sector activities such as those that are subjects of entrepreneurship with or without registering their activity as physical entities, or those hired to work in private households, or those hired work for physical persons or entrepreneurs. It also excludes agricultural plot self-employment and international and NGO employment.</p> <p>Source: World Bank staff calculations using the 2013 Labor Force Survey.</p>				

**Figure A2. Percentage of workers in the Donbas region by firm size and economic sector, 2013**



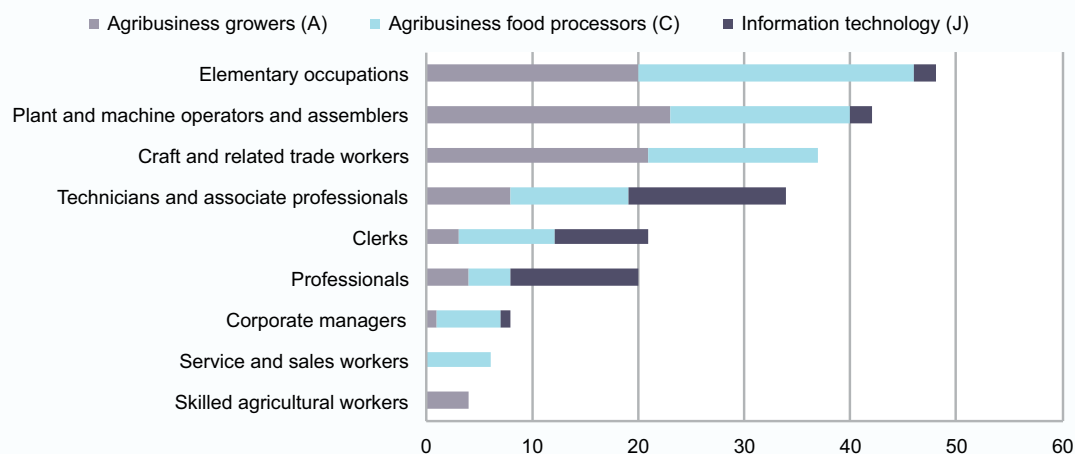
Source: World Bank staff calculations using the 2013 Labor Force Survey.

**Figure A3. Percent of firms (in three sectors) based in Kyiv city and Kyiv oblast that tried to hire workers in any of these occupations, 2013–2014**



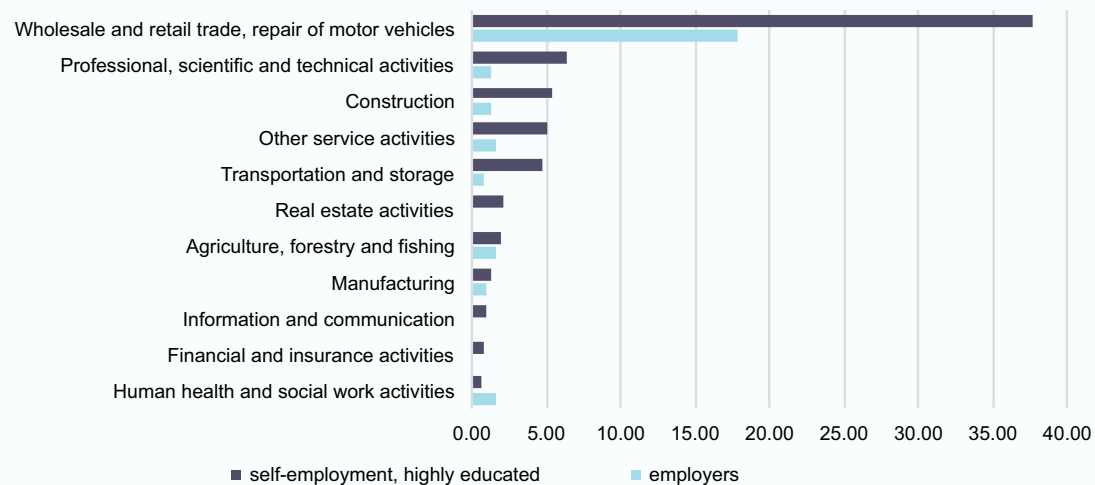
Source: Authors' calculation using the World Bank's STEP employer survey, 2014.

**Figure A4. Percent of firms (in three sectors) based in the three oblasts near the Donbas region that tried to hire workers in any of these occupations, 2013–2014**



Source: Authors' calculation using the World Bank's STEP employer survey, 2014.

**Figure A5. Number of people (in thousands) engaged in entrepreneurship in the Donbas region, 2013**



Source: World Bank staff calculations using the 2013 Labor Force Survey.

## Component 2 Results Framework

### STRATEGIC OBJECTIVE 2: PROMOTE ECONOMIC RECOVERY

Subsector: Employment							
PRIORITY INTERVENTIONS (activities)	BASELINE (outputs)	INDICATORS (as per activity)	EXPECTED IMPLEMENTATION FRAMEWORK (in % completion/financial terms)				RESPONSIBILITY
			6 months	12 months	18 months	24 months	
Objective: Overcome legal and informational barriers to support job seekers							
Legal constraints: Legal documents to work, shut down a business, validation of existing qualifications	# of people with legal issues that constrain them from working or opening a business	# of solved cases # of people able to work	50%	80%	100%		National Employment Centers
Collect employment data to better understand the skills and needs of IDPs and local communities	Assessment of current data	Survey completed Data analyzed Lessons implemented	50%	70%	100%		National Employment Centers
Collect vacancy information from local and national jobs to facilitate job searching. Also, enhance the job-searching mechanism through strengthening employment services to offer tailored services to IDPs and job seekers in the host communities	# of current vacancies posted # of low-skill, medium-skill and high-skill vacancies posted # of current job seekers suitability to posts Current level of satisfaction with job-searching mechanism	# of vacancies posted Diversity (in skill levels) of vacancies posted #of job seekers finding a suitable job to pursue Satisfaction with job-searching mechanism	50%	70%	90%	100%	National Employment Centers
Objective: Better match workers to new labor markets to increase (re)employment options							
Provide services to better match workers to labor market demands and services	Current levels of referrals at each local employment center	# of job referrals made	20%	40%	60%	100%	National Employment Centers

Support mobility of job seekers through financial incentives or support measures to accept employment if and when available in other regions of the country.	# of IDPs and applications	# of applications serviced	50%	100%		
	# of applications from long-term unemployed	# of long-term unemployed serviced	20%	40%	60%	100%
<b>Objective: Increase income-earning opportunities through public and temporary works</b>						
Facilitate temporary job creation through temporary works, including partial wage support social security exemption	# of employers using the state employment services to source for workers # of weeks of employment for people ready and able for work and actively seeking employment	# of employers using the state employment services to source workers # of weeks of employment for individuals in temporary employment	40%	60%	80%	100%
Facilitate public works (or cash-for-work) activities to help people have access to cash in the short term, including manual (more labor-intensive) activities and skill-intensive (less labor-intensive) activities	# of local government embarking in public works # of weeks of employment for low-skilled people ready and able for work and actively seeking employment # of medium-high-skilled people ready and able for work and actively seeking employment	# of local government embarking in public works # of weeks of employment for low-skilled individuals in public works # of medium-high-skilled individuals in public works	40%	60%	80%	100%
<b>Objective: Invest in human capital improvement opportunities to increase employability</b>						
Develop retraining programs, in skills and competencies aligned with labor market demands, including language	# of courses and training currently offered # of jobless people wanting to train	# of courses and training offered # of jobless completing training # of trainees accessing work	40%	80%	90%	100%
Restart education for people who wish to resume their education	# of people who stopped their education due to the conflict	# of people who resume their education	50%	80%	100%	
						National Employment Centers and Ministry of Education and Science Ministry of Education and Science

Offer on-the-job training linked to public works and temporary works	# of practical trainings offered # of public works and temporary works participants completing training	40%	60%	80%	100%	National Employment Centers
Objective: Offer integration and psychological counseling and mobility options						
Manage expectations and offer psychological counseling	# of IDPs using counseling services	50%	80%	100%		National Employment Centers and MoH
Offer mobility vouchers to more suitable localities, including abroad or back to the Donbas region	# of IDPs and applications	# of applications serviced	50%	80%	100%	MSP
Objective: Increase capacity of state employment centers and local government to manage CRWP and new responsibilities						
Offer capacity training for local governments to plan activities and manage resources	# of current works programs planned # of current trainings offered	# of works programs planned # of trainings offered	30%	60%	80%	100%
Offer national state employment services to address legislation issues, scale program, and engage partners	# of job seekers registered	Legislation changed # of job seekers serviced Efficiency improved	50%	70%	80%	100%
Subsector: Productive Capacity and Livelihoods						
PRIORITY INTERVENTIONS (activities)	BASELINE (outputs)	INDICATORS (as per activity)	EXPECTED IMPLEMENTATION FRAMEWORK (in % completion/financial terms)			RESPONSIBILITY
Objective: Support to elaborate on and implement productive capacity development programs						
Contribute to capacity development by providing training services and advice regarding income generation, setting up new businesses and growing	Selected indicators from official statistics and performance indicators of providers of business support services in the regions concerned, on the date programs are officially launched	At least 1 program in each of the 5 regions formulated and implemented # of trainings courses and business	40%	80%	90%	100%
						Funding donor agency(ies), regional authorities of the concerned oblasts as main beneficiaries

existing ones, and acquiring new professional skills in compliance with the demands of the labor market	counseling sessions provided; # of people trained # of new businesses registered Selected SME economic performance indicators						
<b>Objective: Support to elaborate on and implement livelihoods programs</b>							
Elaborate and support the implementation of livelihood programs aimed at fostering income-generating activities, starting and growing income-generating activities, agricultural and off-farm businesses in the rural areas, broad introduction of a community-based approach to respond to the community development needs, support in establishing service cooperatives, rural credit unions, increased value added locally/increased local processing, local branding, efficient marketing and sales	Selected indicators from official statistics and performance indicators of rural extension services and other providers of business support services in the regions concerned, on the date programs are officially launched; Households' statistics	At least 1 livelihood program in each of the 5 regions, formulated and implemented # of new businesses # of development projects initiated and implemented by local communities Improved households' statistics # of service cooperatives, rural credit unions, and other entities of collective ownership forms	40%	80%	90%	100%	Funding donor agency(ies), the Ministry of Regional Development, Construction, Housing and Communal Services, regional authorities of the concerned oblasts as main beneficiaries
<b>Objective: Develop rural extension services</b>							
Improve the rural population's access to advisory, training, and information services to support the development of income-generating activities, establish and grow agricultural and off-farm businesses	Number of extension service providers in the regions concerned, and their corporate statistics on main performance indicators on the date the project is launched	# of new providers of extension services in the regions concerned # of services provided (trainings, counseling sessions, and so on) # of customers Level of positive feedback in customers' satisfaction surveys	50%	75%	90%	100%	Funding donor agency(ies), agricultural universities in the regions concerned, Ukrainian Association of Rural Extension Services, Ukrainian Association of Rural Credit Unions, Association of Service Cooperatives



Subsector: Local Economic Planning						
PRIORITY INTERVENTIONS (activities)	BASELINE (outputs)	INDICATORS (as per activity)	EXPECTED IMPLEMENTATION FRAMEWORK (in % completion/financial terms)			
			6 months	12 months	18 months	24 months
<b>Objective: Introduce efficient local economic planning mechanism</b>						
Conduct capacity-building needs assessment and delivery of corresponding training courses for local government, NGOs, and other stakeholders in practical application of modern economic planning methods and tools.	zero	TNA conducted, trainers identified, training courses customized, participants selected, capacity-building measures executed	50%	100%		Funding donor agency(ies) in partnership with the Ministry of Regional Development, Construction, Housing and Communal Services and oblast administrations
Establish the “working groups” local economic planning to lead inclusive stakeholders through the planning process, with the aid of a Ukrainian consultant, toward an actionable plan for recovery activities	zero	Working groups for LEP established in every city and raions of 5 oblasts concerned # of women NGOs participating in LEP working groups	50%	100%		oblast, city, and raion administrations
Establish a small grant facility to (i) help start action to address the priorities as agreed by the community; and, very importantly, (ii) to validate the process and support the work of the local planning team	zero	Facility established and is operational	100%			Funding donor agency(ies) in partnership with Ministry of Regional Development, Construction, Housing and Communal Services

Subsector: Private Sector and SME						
PRIORITY INTERVENTIONS (activities)	BASELINE (outputs)	INDICATORS (as per activity)	EXPECTED IMPLEMENTATION FRAMEWORK (in % completion/financial terms)			
			6 months	12 months	18 months	24 months
<b>Objective: Stimulate private sector recovery and growth</b>						
Draft and implement a highly targeted and flexible recovery strategy and elaborate the corresponding action plan to support existing enterprises in the regions concerned.	n/a	Strategies and action plans drafted and adopted in each oblast concerned Institutional capacities, human and financial resources identified Implementation of the strategy is in progress Approved progress and financial reports available M&E and impact assessment reports in place	50%	100%	100%	100%
The strategy-related action plan should consider enacting an emergency set of special taxes for LLCs and consider additional regulatory relief where reasonable. Legislation to allow local authorities to properly implement the changes. A "sunset clause" can end this period as conflict reduces.						Funding donor agency(ies), Ministry of Economic Development and Trade, oblast administrations, selected banks, business support organizations, business community at large
Facilitate further development of business support infrastructure for providing advisory and training services for business start-ups and growth with a special focus on export promotion, energy efficiency, innovations, and women in business. Various loan programs should be developed to encourage the foundation of new business and the development of those already established.	# of business service providers in the regions concerned, on the date the project is launched # of training and advisory services provided on the date the project is launched # of SME-focused funding programs on the date the project is launched # of SME loans granted on the date the project is launched	# of business service providers in the regions concerned # of training and advisory services provided # of SME-focused funding programs # of SME loans granted	30%	60%	90%	100%
						Funding donor agency(ies) Ministry of Regional Development, Construction, Housing and Communal Services, oblast administrations, business support organizations

Subsector: Financial Services						
PRIORITY INTERVENTIONS (activities)	BASELINE (outputs)	INDICATORS (as per activity)	EXPECTED IMPLEMENTATION FRAMEWORK (in % completion/financial terms)			
			6 months	12 months	18 months	24 months
<b>Objective: Develop nonbanking financial services</b>						
Attract private capital with a post-conflict "National Saving Bonds for Development;" the model for which are the equivalent to the UK War Bonds, U.S. Liberty Bonds, and French Bons du Trésor. The purpose is to attract "under the mattress" savings from Ukrainian individuals and businesses to provide reconstruction and development funds through safe deposit of savings. The legacy for this is the KFW's evolution as a strong German development bank launched with funding from the U.S. Marshall Plan.	# of saving cooperatives, credit unions, insurances, leasing companies, development funds, and other institutions providing financial services in the regions concerned	# of saving cooperatives, credit unions, insurances, leasing companies, development funds, and other institutions providing financial services in the regions concerned Selected performance indicators of the financial services institutions	10%	30%	100%	100%
						Funding donor agency(ies), Ministry of Economic Development and Trade, Ministry of Finance, NBU, regional administrations
<b>Objective: Banking loans for SMEs and other specialized loan programs</b>						
Encourage banking institution to develop SME credit loans programs, targeted long-term/low-interest loan programs to respond to social needs (education, individual construction, business start-ups, consumer loans, and so on); at least 1 program in all 5 oblasts.	# of banks providing SME loans and special consumer loans on the date the program is launched # of related loans released on the date the program is launched	# of banks providing SME loans and special consumer loans on the date the program is launched # of related loans released on the date the program is launched National Saving Bonds Program is operational	20%	60%	100%	100%
			50%	100%	100%	Funding donor agency, Ministry of Finance, NBU, interested banks

## COMPONENT 3

# SOCIAL RESILIENCE, PEACEBUILDING, AND COMMUNITY SECURITY

## Needs At a Glance

Strengthen Social Resilience, Peacebuilding, and Community Security: Total Cost Needs Breakdown	
	US\$ (millions)
<b>Rebuild social cohesion and strengthen resilience</b>	<b>33.67</b>
Better understand vulnerability, risks, and problems of social cohesion	2.55
Build back trust and strengthen social cohesion	19.68
Promote a culture of tolerance through dialogue and civic participation	11.44
<b>Protect conflict-affected populations</b>	<b>20.46</b>
Ensure access to social support for conflict-affected populations	5.76
Improve delivery of citizen justice	8.10
Provide legal assistance	6.60
<b>Offer psychosocial support for conflict-affected populations</b>	<b>28.40</b>
Greatly expand capacities for psychosocial and mental health support for those with psychological disturbance and trauma, including post-traumatic stress disorder (PTSD)	28.40
<b>Restore community security</b>	<b>44.30</b>
Restore community security (establish community-based early warning and tracking mechanisms, remove static mines and UXOs)	23.88
Prepare for DDR <sup>a</sup>	20.42
<b>Total</b>	<b>126.839<sup>b</sup></b>

a In the event that a political settlement is reached within the two-year time period envisaged in the RPA, a comprehensive DDR process will need to be developed and initiated. This will require significant revisions to these costings, and will also need to be implemented as part of an overall Security Sector Reform process.

b This total does not include US\$329.4 million for the social protection of conflict-affected communities (unconditional cash transfers for housing and unemployment benefits), which has been costed under Component 1. However, it is important to recognize the importance of social protection service delivery as a major element of rebuilding social cohesion. Restoring basic social services and support for livelihood opportunities not only meets the fundamental needs of the conflict-affected populations, but also serves a critical conflict mitigation function by defusing competition over scarce resources. It also facilitates a range of peacebuilding processes, such as dialogue and reconciliation.

# 1. OVERVIEW

**T**he social resilience, peacebuilding, and community security component of this RPA considers issues related to restoring the social fabric, which is a critical foundation for any effective and sustainable recovery process. This includes supporting the early recovery of conflict-affected populations, including the displaced, host, and other resident communities, volunteers and ex-combatants, and victims of conflict by providing livelihoods support and protection; and promoting reconciliation, peacebuilding, and access to justice. Crosscutting issues of gender equality, human rights, and, where appropriate, capacity development are integrated throughout the assessment, and are reflected in the recommendations specific to this component.

The objective of this component is to identify the impacts of the crisis on conflict-affected populations around core aspects of social cohesion, peacebuilding, and community security. The assessment makes recommendations to promote recovery through reintegration support for displaced populations and ex-combatants, strengthening host communities, investments in reconciliation activities, and strengthening justice and citizen security systems.

These are fundamental to sustainable recovery and peacebuilding—they lay the foundation for the effective implementation of other aspects of recovery, such as infrastructure rehabilitation, restoring social services, and revitalizing economic activity. Of particular importance is the notion of trust building and reconciliation; bringing various groups together to overcome differences and grievances through dialogue. This is a difficult and sensitive process, but the first steps need to be taken immediately. Without reconciliation—between different members of the community, between different communities, and between citizens and authorities—lasting peace and recovery are unlikely to be achieved.

As social cohesion continues to erode and deteriorating socioeconomic conditions cause further tensions, it is crucial that reconciliation and conflict mitigation activities commence as soon as possible, irrespective of the cessation or continuation of armed conflict. While more explicit peacebuilding activities such as large-scale reintegration processes must await the end of overt conflict, there is no time to waste in preventing further erosion of social cohesion. Effective responses must situate social cohesion and reconciliation interventions within practical and tangible local recovery efforts, including both restoring services and community infrastructure (as detailed in Component 1) and economic recovery, including livelihoods and income generation (as detailed in Component 2).

**Geographic Scope.** There is substantial overlap in the needs of various conflict-affected groups (host/resident communities, returnees, IDPs, ex-combatants). Given this, it is important that national-level policies and reforms support and facilitate specific and local initiatives. Therefore, while this component primarily focuses on the recovery of government-controlled areas of the Donbas region and surrounding oblasts, to be effective and sustainable the proposed activities will need to be designed and implemented within a wider national framework of dialogue and governance reform. For instance, some interventions recommended in this report will need to be supported by a countrywide information and strategic communication campaign to convey the government's intentions and vision to the wider population, to give “voice” to minority communi-

ties, and to create space for grassroots and higher-level dialogue on issues of critical importance to the country's future.

**Temporal Scope.** Recognizing that planning for resettlement or return, integration, reintegration, and reconciliation is particularly challenging in the absence of a political settlement, the recommended activities are presented in a manner that prioritizes the most critical and practical interventions. It is important to recognize, however, that even where activities cannot be launched immediately, their planning and design should commence as soon as possible to ensure effective implementation as and when conditions permit. Although this assessment looks at the short term (24 months), reconciliation and peacebuilding processes require a longer-term implementation period if they are to be meaningful and sustainable. Therefore, recommended interventions herein are a starting point and will need to be continued and expanded beyond the 24-month horizon. That said, dialogue and reconciliation activities must be initiated as soon as possible to prevent further deterioration in social cohesion and lay the basis for more systemic peacebuilding programs when conditions permit.

**Methodology.** The assessment methodology for this component comprised a desk review of existing primary and secondary data, and semistructured interviews and focus groups with key informants in affected oblasts in eastern Ukraine and in Kyiv, and with counterparts within the central government, including the MSP, the Ministry of Defense, the Ministry of Justice (MoJ), and the Ombudsperson's Office (OO). Field teams visited municipalities in Donetsk, Luhansk, Kharkiv, Zaporizhzhia, and Dnipropetrovsk oblasts. During these visits, they met formally and informally with a wide range of affected people and groups, including oblast officials, local authorities, local services and departments (including personnel from SES, social protection, pension, migration, employment, education, health, planning, capital construction, justice, public prosecutors, and the police), military commanders, IDPs, IDP center staff, CSOs, volunteer groups, and host/resident community members. The recommendations provided in this component are based both on the data gathered from this qualitative research as well as on lessons learned from international experience. In particular, this chapter has drawn extensively on lessons from similar conflict and crisis contexts, which have highlighted the importance of rapidly addressing issues of reconciliation, peace, and tolerance building, access to justice, citizen security, and psychosocial recovery as fundamental elements of a sustainable recovery process.

**Limitations.** One key finding is that there is a notable lack of baseline data available on indicators of social resilience. Due to the rapid nature of this assessment and the more extensive time frame required to gather representative data on social dynamics, sufficient quantitative data (on issues such as social cohesion, justice, respect of rights, and security) could not be gathered during this first phase of the assessment. Nonetheless, such data will be crucial to ensuring the relevance and appropriateness of recommended recovery programming over time, as well as to measuring the relative effectiveness of different interventions. Further work will need to include a robust system for both qualitative and quantitative data gathering on issues of social cohesion, reconciliation, peacebuilding, and community security. It is also important to note that many issues addressed in this report—and the recommended initiatives—are relatively new for Ukraine, and therefore relevant data had not been systematically collected precrisis. In this regard, new systems may need to be established to collect and analyze relevant data in order to inform and adjust programs both in the conflict-affected areas and on a national level. Such data systems should be gender-disaggregated to permit better analysis and therefore improved targeting of interventions.

## 2.IMPACT ASSESSMENT: RESULTS AND FINDINGS

**T**he ongoing conflict in eastern Ukraine has had a direct and highly negative impact on social cohesion, resilience, livelihoods, community security, and the rule of law. Displacement, fear, and diminishing levels of trust are acute social problems, and conflict-related distress is widespread. While social fragmentation, prejudices, regional divides, and low levels of trust in local authorities and institutions existed prior to the crisis, these have been exacerbated as a result of the conflict, in particular in the Donbas region.<sup>42</sup> In many ways, the conflict and resulting displacement from Donetsk and Luhansk oblasts has magnified Ukraine's pre-conflict fragility. As the numbers and the duration of stay for the displaced increase, pressure on local resources, service delivery, livelihoods, and governance builds.

### Affected populations

Affected populations comprise all residents of conflict-affected areas, including displaced persons; host and other resident communities; communities in oblasts adjoining the conflict-affected areas that have experienced economic losses due to conflict; members of the armed forces, volunteer battalions, and their families; civil society volunteers; and to varying degrees, all Ukrainian citizens. Notwithstanding the impact of the crisis on the population as a whole, the conflict has had various impacts on different groups, and on men, women, and children. Displaced persons who are elderly, women (when sole caregivers or pregnant), children (particularly those not in the care of their parents or lawful guardians), and persons with disabilities are particularly vulnerable in terms of access to social services, jobs, and livelihoods. Adults and children in institutional care in affected areas are at risk of a disruption to their care. Men of fighting age are vulnerable to recruitment into armed groups or forced labor, and male IDPs are at high risk of social exclusion and stigma as collaborators or sympathizers; their access to services and support can be seriously constrained by these stereotypes and associated risks, and makes many men reluctant to register for support as IDPs for these reasons. Females are at evident risk of trafficking and forced prostitution. Finally, the economic situation of many vulnerable families in eastern Ukraine has been further weakened, forcing many deeper into poverty and creating conditions for increased social tensions. While the tremendous spirit of civic activism and volunteerism on the part of local communities (and indeed Ukrainian society) is to be commended—including in supporting and caring for the numerous waves of IDPs in the absence of a well-organized and large-scale response by the authorities—without urgent support this positive dynamic may wither in the face of growing fatigue and increasing resentment.

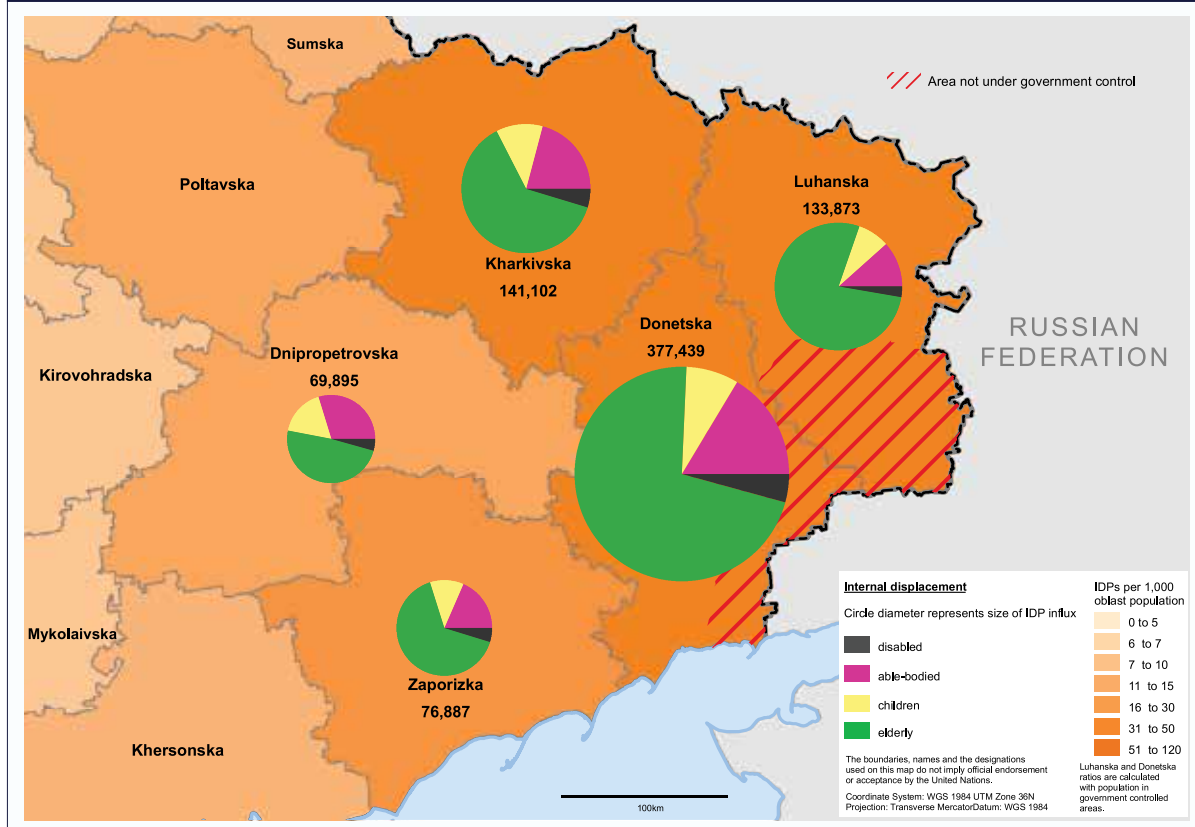
There are currently some 1 million IDPs in Ukraine (of whom two-thirds are women and children, and including 19,400 from Crimea). In addition, there are an estimated 650,000 refugees outside Ukraine. The majority of IDPs (75 percent) are located in the five eastern oblasts of Dnipropetro-

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<sup>42</sup> An opinion poll conducted by the NGO Democratic Initiatives Foundation in December 2014 (within the framework of USAID's UCBI project) found that 47 percent of respondents in Slovyansk and 52 percent of respondents in Kramatorsk had a negative opinion of both local and national authorities.



Map 2. Displacement map as of February 6, 2015



vsk, Donetsk, Kharkiv, Luhansk, and Zaporizhzhia, with almost half of all IDPs remaining in the Donbas region under government control, swelling the population of conflict-affected communities closest to the fighting.<sup>43</sup> The situation remains highly fluid, and new waves of IDPs are likely to be particularly vulnerable and will require more urgent and/or additional assistance.

## Perspectives from Affected People

“The displaced need immediate help as soon as they arrive. They need to be registered, find temporary shelter, get medical assistance, psychological help, and assistance finding jobs. But the state systems are not ready to provide that quickly. In most cases all the work is done by volunteers. But we cannot replace the government. We can only add to what should be done by the state.”

~ Member of a volunteer organization, Kharkiv, February 2015

Social resilience impacts are especially acute in the five oblasts mentioned above. As the IDP distribution map suggests (see Map 2), IDP concentrations are greatest within raions in these oblasts. However, local needs can be as great in the indirectly affected areas that are hosting significant IDP communities, including in parts of the country geographically distant from the conflict’s epicenter. Because the presence of IDPs and the origin of armed forces and volunteer security per-

43 Statistics provided by the SES and the MSP.

sonnel are, to varying degrees, a factor nationwide, the stresses of conflict on social cohesion are present throughout the country.

## Social cohesion

It is apparent that the conflict has contributed to increased tensions and violent crimes outside the area of active conflict. Identity-driven violent crime constitutes a growing share of overall crime. Reversing this trend will require a complex mixture of tools that can build back tolerance of, and respect for, diversity and a plurality of views. In the Ukrainian context this is particularly centered on differences relating to language, religion, cultural references, regional identity, and political views. In the current context, self-identity and perceptions of identity have become a divider—whether between residents of various parts of the Donbas or between citizens throughout Ukraine who hold different sociopolitical viewpoints. Intercommunal trust is fragile not just in the areas directly impacted by the conflict, but also in other areas with a high level of heterogeneity. The result has been a lack of a sense of belonging and a disinclination for civic participation—conditions that are exacerbated both by economic and political crises. Interactions are becoming increasingly bitter and confrontational, particularly toward men from the East who may be suspected of antigovernment sympathies. The undercurrents of “East versus West” and “us and them” are spreading in both scope and intensity, particularly in cities like Kharkiv and Dnipropetrovsk, and it is not uncommon to hear in major host cities, including Kyiv, that “people from the East have different values,” “are not Ukrainian in their thinking,” or “have a different mentality.”<sup>44</sup>

## Perspectives from Affected People

“I went to Karlivka when Ukraine took it under control, and there Ukraine tells me to come and fight for the motherland. But I am not for them and not for the others, I do not want to fight, I do not understand this war. And when I went back to where the DPR is they forced me to fight on their side.”

*~ Focus group of male IDPs in Slovyansk, October 2014*

“We were in Zaporizhzhia oblast then in Dnipropetrovsk. Then we understood that we are different. They think all of us here in Slovyansk are separatists and terrorists.”

*~ Focus group of young women returnees to Slovyansk, October 2014*

In sum, there are increasing tensions between IDPs and host communities, including with respect to increasingly limited access to income-generating opportunities and basic services. The combined impact of armed conflict and national economic distress has generated additional tensions within communities, creating potential for increased hostilities as host community resources become exhausted. As new waves of IDPs arrive, living conditions in some apartment blocks and neighborhoods have deteriorated for residents and the displaced alike. Greater demand for rental accommodation has led to increased brokerage fees and rents, which were immediately passed on to local residents, including those who hold existing leases. The presence of IDPs has also contributed to increases in food prices (especially on meat, fruit, wheat, and wheat flour). While such price increases are attributable to economic circumstances generally as much as to the effects of forced displacement, many local residents attribute the economic distortions to the influx

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44 Quotes taken from interviews with residents in Kyiv, Kharkiv, and Dnipropetrovsk, as well as discussions with representatives of three different policy research centers in Kyiv in November 2014.

of IDPs and “separatist sympathizers.” The presence of IDPs has also placed downward pressure on wages and employment opportunities, which causes further resentment in host communities, combined with a loss of trust in authorities for failing to protect local residents from these economic burdens. At the same time, many IDPs have faced discrimination in the housing, rental, and job markets, and have been the target of fraudulent transactions.

## Perspectives from Affected People

“People who were in Novoazovsk, Pershotravneve moved out and sought to rent apartments, but they did not have enough money to pay rent. People were initially renting out for 50 UAH per day and now it is 200 UAH.”

*~ Focus group of young women returnees to Slovyansk, October 2014*

Male IDPs are at particularly high risk of social exclusion and stigma as collaborators or sympathizers; their access to services and support can be seriously constrained by these stereotypes and associated risks. This has made many men reluctant to register for support as IDPs. Additionally, as loss of life increasingly affects host communities, resentment of IDPs is also likely to extend to women (two-thirds of the IDP population). Social and economic stresses are compounded by the nexus between these three elements—perceptions of an inherently threatening “other” identity, opposing political views, and increased competition for diminishing resources.

## Perspectives from Affected People

“There are people who did not register. There are some who do not want to register because of the fear. One family came to register because they have a newborn child but they were very careful; please do not write this, please do not put down that, where did you register my kids... They are afraid that their men will be conscripted to ATO (that is, government forces).”

*~ Focus group of social workers, Lviv, October 2014*

“We do accept IDPs, but it is not fine with us to accept men. Our boys go there to fight and their men come here to hide...”

*~ Focus group of local activists, Lviv, October 2014*

The most effective approach to IDP integration and socialization is to treat IDPs as equal partners alongside the local population by drawing on their skills and other available resources to solve common problems. IDPs include a diverse group of professionals, including academics, engineers, and skilled workers, farmers, managers, teachers, doctors, and numerous other professionals. Many IDPs are potential partners and important contributors to the local economy, and creative community development projects may be a good starting point for matching needs with skills and resources of both the permanent and temporary residents.

Gender-inclusive livelihood stabilization and local economic recovery efforts are, therefore, important elements for rebuilding social cohesion, as they: (i) alleviate immediate tensions over access to employment between affected communities, host community individuals, and displaced individuals; (ii) help IDPs cover their increased living costs; (iii) provide immediate, visible community benefits via the rehabilitation of socioeconomic community infrastructure; (iv) boost the purchasing power and revive the local markets in the host communities, increasing the overall economic absorption capacity and resilience of host communities to support IDP inflows; and (v) support more diversified livelihoods opportunities, enterprise recovery, and skills development for communities; most vulnerable groups.

## Protection of conflict-affected populations

### Perspectives from Affected People

“I was trying to get my child benefit here but they said that they are waiting for a response from Luhansk. I asked them couldn’t they just check with Kyiv that the banking system is not functioning in Luhansk and it is impossible to receive there, so that I do not have to wait for four months? I was talking to them in the welfare office, explaining that I count on this one thousand very much, that I need this money badly. I understand that she is just a clerk. She sits and tells me she can not do anything.”

*~ Focus group of female IDPs, Lviv, October 2014*

“Besides IDPs we have plenty of other categories of clients. We start kind of forgetting about them, but they also need assistance. They are not less needy. We were essentially not paying attention to them recently.”

*~ Focus group of social workers, Lviv, October 2014*

While trends such as regional divisions and low levels of trust in authorities and institutions existed prior to the crisis, many of these have sharpened as a result of it. In communities affected by conflict, law enforcement agencies, security services, and justice institutions are ill equipped to ensure respect for rights and rule of law, to mitigate disputes and tensions, and to address crime and violence. Current hostilities, related community-level violence, and misinformation contribute to prejudice, polarization, and deepening divisions. Recovery challenges become more pronounced as this fragility and divisiveness intensifies.

Impacts are especially acute in areas with a high percentage of IDPs compared to the host communities, such as the Konstantynivka and Marinskyi raions of Donetsk oblast, the Borivskyi raion of Kharkiv oblast, and the Berdianskyi and Zaporizhkyi raions of Zaporizhzhia oblast. These areas, as well as those likely to experience significant returns of ex-combatants and/or displaced persons in a post-conflict period, should serve as priority areas for targeting peacebuilding and recovery support. Needs in indirectly affected areas that are hosting significant IDP communities—including those geographically distant from the conflict’s front line—should also be addressed, targeting both IDPs and poor and vulnerable host community members alike.

### Perspectives from Affected People

“Displaced women are often subject to gender-based violence. There are many cases of insults and rape. Quite often they are afraid to file official complaints because of the negative attitude toward the displaced.”

*~ Member of local NGO, Kharkiv, February 2015*

Of particular concern is sexual and gender-based violence (SGBV). While this assessment was unable to access data on the impact of the crisis on such violence in eastern Ukraine, anecdotal evidence and international experience suggest that the current context of conflict, combined with widespread social and economic stresses, can trigger an increase in domestic violence. The lack of SGBV data is likely due to a combination of the following factors: (i) victims often do not report violence for fear of being stigmatized or prosecuted, or see reporting as pointless; (ii) there is

lack of adequate or safe reporting systems;<sup>45</sup> and (iii) according to Ukrainian legislation, forensic examiners can report on SGBV only after the victim files a formal complaint with law enforcement structures, which is not possible in areas outside of government control under current circumstances.<sup>46</sup> Considering that prior to the conflict, 75 percent of SGBV victims never sought help or reported cases of violence,<sup>47</sup> it is reasonable to assume that SGBV cases are heavily underreported now. Numbers are also likely to increase upon the return of ex-combatants to their home communities if they are not properly supported with specialized psychological care and reintegration assistance.

In conflict-affected areas, local authorities' and civil society's capacities have severely degraded. In addition, given the heightened risk of SGBV, mainstreaming gender in recovery and peacebuilding activities at the local level is important but has become more difficult due to the destruction or closure of many women's centers or organizations in the conflict areas. Only 4 percent of senior officials in local authorities are female, so particular efforts will be needed to promote the participation of women in all aspects of the recovery initiatives recommended in this component (c.f. the UN Secretary-General's Seven-Point Plan on Gender Responsive Peacebuilding).<sup>48, 49</sup>

## Psychosocial issues

Exposure to conflict-related violence among IDPs, populations in conflict-impacted areas, and combatants has resulted in widespread conflict and crisis-induced mental health problems, including grief, distress, trauma, and PTSD. While the scope of the problem cannot be estimated with precision, WHO methodology<sup>50</sup> suggests that up to 4 percent of the total conflict-affected adult population has developed severe mental health conditions directly related to the crisis and is in need of immediate care. An additional 15 percent to 20 percent are estimated to be suffering from mild mental health disorders also requiring specialized care, including PTSD. The MSP has identified significant needs in terms of developing an overall program and system of rehabilitation and adaptation, including new facilities, the introduction of modern methodologies and health rehabilitation practices, specialist training, and significant additional needs related to prosthetics and orthotics.<sup>51</sup>

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45 Council of Europe. 2014. "Preventing and Combatting Violence Against Women and Domestic Violence in Ukraine." <http://www.coe.int/en/web/kyiv/preventing-and-combatting-violence-against-women-and-domestic-violence-in-ukraine>. This project highlighted the need for common data categories for collecting data on violence against women and domestic violence in the country and is working to strengthen the capacity of the relevant Ukrainian authorities to collect and analyze data on SGBV.

46 La Strada Ukraine, interview. <http://povaha.org.ua/problemy-dobrovolyts-pereselenok-zhinok-v-zoni-vijskovoho-konfliktu-obhovoryuyut-doslidzhuyut-i-namahayutsya-vyrishyty>.

47 Equal Opportunities and Women's Rights in Ukraine Programme. 2010. "Prevalence of Violence in Ukrainian Families." Survey. [http://www.undp.org.ua/files/en\\_5843415\\_JAN\\_violence\\_prez\\_fin\\_UKR.pdf](http://www.undp.org.ua/files/en_5843415_JAN_violence_prez_fin_UKR.pdf).

48 United Nations. n.d. "Report of the UN Secretary-General on Women's Participation in Peacebuilding (A/65/354-S/2010/466)." [http://www.un.org/en/peacebuilding/pbso/pdf/seven\\_point\\_action\\_plan.pdf](http://www.un.org/en/peacebuilding/pbso/pdf/seven_point_action_plan.pdf).

49 Significant international experience on gender-sensitive recovery programming, including from the UN Security Council Resolution 1325 on Women, Peace and Security, is available in support of the implementation of the RPA.

50 World Health Organization. 2012. *Assessing Mental Health and Psychosocial Needs and Resources: Toolkit for Humanitarian Settings*. Geneva: WHO.

51 Information provided by the Ministry in the course of the RPA process, including a written submission dated February 19, 2015.

## Perspectives from Affected People

“[...] the teacher said that children are fine while she is in the class, but she cannot leave the room. They start crying, running after her. They are afraid that their mothers may not be able to make it to the school on time to take them home if shelling starts.”

~ *Focus group of young women returnees to Slovyansk, October 2014*

“Psychological assistance is extremely important for both militaries and IDPs. People are going through a real turmoil and they have trouble coming back to normal life. There are only volunteer psychologists who work in hospitals and IDP centers. We need a well-organized system and institutions supported by the government to deal with that.”

~ *Round table discussion with NGO representatives, Kharkiv, 2015*

As psychosocial needs rapidly increase, the formal mental health system is not well-equipped to meet increased demand for services, particularly around trauma. The mental health-care system relies predominantly on the state’s highly medicalized psychiatric care system, as well as on private counselors and privately operated clinics unregulated by the legal and health-care systems. Currently, the bulk of the increased psychosocial support needs are being met by volunteers and community-based organizations. However, the majority of volunteer counselors are either untrained or trained in different curricula, and often lack the specialized capacity required to deal with trauma, including PTSD. Many are overwhelmed by the high number of people who need support. In this situation, secondary trauma among counselors and support personnel (that is, trauma related to processing patients’ war-related experiences) and burnout is already evident.<sup>52</sup> Furthermore, there is an increasingly high rate of burnout and PTSD among volunteers who support IDPs and combatants owing to frequent travel to the conflict zone, chronic fatigue due to shortages of resources and personnel, and the neglect of personal needs due to the psychological focus on serving others. This makes volunteers a high-risk group with regard to psychosocial problems. The situation is also aggravated by the fact that in early 2014, funding for social workers was transferred from the Ministry of Social Services to local administrations, which reduced the number of social workers by more than 12,000, and thus reduced the capacity of the state to respond effectively to psychosocial needs, particularly among vulnerable populations.

## Community security

The conflict has resulted in a high level of personal insecurity and citizen exposure to violence in eastern Ukraine. As a result of widespread mobilization and TV images, civilians throughout Ukraine are also exposed. The increased circulation and availability of weapons and ammunition have resulted in citizens becoming armed outside security structures and beyond the geographic scope of the conflict-affected areas. This poses a concern not only for the security of the civilian population in areas affected by the conflict, but also has potentially serious long-term implications for violence, crime, and the rule of law in the rest of the country. In the short term, the establishment of community-based reference groups or networks—supported by innovative technological solutions—could serve as important early warning and tracking mechanisms, and would also allow community-driven identification of priority concerns and needs. Such systems have been successfully implemented in similar post-conflict contexts (for example, in Georgia,

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52 WHO, January 2015.



Cyprus, and Kenya), and have contributed to enhancing community security from the outset by improving communication both within the affected communities and between communities and security providers. In the longer term, these mechanisms offer a vehicle for tracking and generating analytical data for social cohesion and community security indicators.<sup>53</sup>

Other sources of community insecurity, such as UXOs, the availability of illegal weapons, and DDR of ex-combatants, will remain after the end of the armed conflict and will require a time horizon beyond that envisaged in this assessment. It is important to ensure that adequate and early attention is given to initial planning for these challenges. The needed initiatives are flagged but not fully costed in this assessment (with the exception of specific interventions appropriate to the current context, such as the demobilization of the first cohort of armed forces combatants announced for April 2015). It is possible, however, to begin preliminary planning of these medium-term interventions, and some modest funding is included to that end.

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53 For examples of such community-based technologically supported initiatives, see [http://www.cy.undp.org/content/cyprus/en/home/operations/projects/action\\_for\\_cooperation\\_and\\_trust/mahallae](http://www.cy.undp.org/content/cyprus/en/home/operations/projects/action_for_cooperation_and_trust/mahallae) or <http://www.ae.undp.org/content/georgia/en/home/ourwork/crisispreventionandrecovery/successstories/mobiletechnology.html>.



### 3. OVERVIEW OF SHORT-TERM (24-MONTH) RECOMMENDED INITIATIVES

**B**ased on the above assessment of crisis impacts and needs, this section identifies programmatic responses that can lay a foundation for strengthening social resilience and community trust, which are essential in order to transition from crisis to recovery. As noted above, due to the rapid nature of this assessment and the lack of quantitative data, this report cannot provide detailed location-specific analysis or recommendations. Recommendations are made generally for conflict-affected communities and, in some cases, on a national level, but with a priority focus on the five eastern oblasts that are closest to the line of separation and that host the largest concentrations of IDPs. This initial set of recommendations can be complemented by a more detailed and targeted set of interventions designed on the basis of further and deeper analysis (including quantitative analysis). Targeting is appropriate both geographically and by population groups.

The objectives of these recommendations is to strengthen the resilience of all conflict-affected communities, and in the first instance to displaced populations and their host communities; better protect conflict-affected populations; promote reconciliation and social cohesion; and strengthen community safety and access to justice where conditions allow.

The social cohesion approach is premised on the principle that the needs of vulnerable populations, IDPs, and members of impacted communities alike must be central to any recovery effort. All such assistance must be perceived to promote collaboration and mutual understanding in the target communities in contexts where social, economic, and political divisions have hardened. Specific measures that facilitate confidence and trust building can be directly linked to community involvement in recovery measures, as presented in Components 1 and 2 of this assessment. The sequentially overlapping phases of humanitarian, early recovery, and development assistance need to incorporate these principles.

This report identifies a number of priority interventions that should begin in 2015 and 2016. Recommendations also reflect international experience, which demonstrates that there cannot be any meaningful or lasting peace or recovery without addressing and resolving grievances and root causes of conflict via a process that involves all affected groups. In addition, this cannot happen without a national policy framework that underpins regional and local interventions.

Recommendations are presented as distinct sets of issues but are closely interrelated in terms of both priority needs and timelines. Flexibility in implementation is important, both in response to changing circumstances and to the scale of the challenge. While deeper analysis is needed to develop a disaggregated and targeted program, this should not diminish the urgency of the response: Such analysis should be the first step of implementation.

#### Better understand vulnerability, risk, and social cohesion

***Objective: Establish a baseline to better understand vulnerability, risk, and social cohesion.***

Doing so will allow good targeting of activities and justify flexibility as circumstances change. Put-

ting in place a number of indices and tools can provide a clearer and more dynamic understanding of needs. Social cohesion and resilience are notoriously challenging to measure, and a significant investment needs to be made in tools (polling, focus groups) that can track a number of indicators essential for measuring whether communities and societies are getting more or less cohesive. This type of data tracking and analysis will inform and support the prioritization of investments across the recovery spectrum, including reconstruction and service delivery, and livelihoods. It can also identify trends, opportunities, potential areas for community-driven initiatives, and existing and emerging conflict triggers. This will help inform the timing, location, and types of social cohesion efforts that would be most appropriate. Setting up such systems is recommended as a high priority. A rigorous research design and methodology will need to be carefully developed to take into account context-specific variables; for example, the impact fluid population groups (such as IDPs wishing to settle or resettle in search of employment opportunities or a safer environment, or for fear of being conscripted) have on data analysis as well as the reluctance of individuals or groups to respond for fear of persecution due to their views or opinions.

Key indicators would need to include degrees of social and political participation; continued demographic movements; equity in access to education, training, housing, social services, and livelihoods; the incidence of identity-based crime or discrimination; national policies that reflect respect for cultural diversity; trust between the public and security services; and a sense of identity and belonging in both target communities and on a national level. In addition, surveys can reflect opinions and attitudes of the general population with regard to access to income-generating opportunities, and access to public services, which can be compared to results in conflict-affected communities. Measuring such indicators needs to be linked to national-level efforts that convey advocacy messages at a higher level.

### **Activities**

- Vulnerability and Social Cohesion Assessment/Index: To monitor and track levels of social cohesion and conflict resurgence risks.
- Perception surveys: Perception survey/risk assessments to monitor the dynamics of social and economic vulnerability and political fragility. These will reflect behavior, opinions, and attitudes of the Ukrainian population with regard to access to income-generating opportunities, family expenditure data, access to public services, and other indicators. Enhanced analytical capacities of local community-based organizations and think tanks to monitor the situation and provide recommendations for decision making both on national and regional levels should be linked to this initiative.
- Introduce gender-disaggregated data collection and analysis in government systems, initially where most relevant to indicators that are important to conflict and peacebuilding.

## **Promote social cohesion and build back trust**

***Objective: To promote the building and rebuilding of relationships and trust in communities directly impacted by the conflict (IDPs, hosts and resident populations, communities with high levels of ex-combatants) and indirectly impacted by the conflict (areas where there have been supply chain disruption or government service provision deficits).***

Significant social tensions are likely to exist among resident populations that have been exposed to the polarizing effects of violence, civil unrest, and polarizing media content. Both intra- and intercommunity reconciliation need to be supported, including by national-level interventions.

Building the capacity of front-line actors—including CSOs, local authorities, service providers, and community volunteers—around reconciliation programming will also be important.

### **Activities**

- Develop national conflict-sensitive information and communication campaigns in collaboration with local and regional authorities and civil society actors. Campaigns would reinforce efforts to communicate positively regarding tolerance, reconciliation, and recovery, and to facilitate broad-based participation in national and community-level dialogue and consultation processes. Various formats—notably new social media in addition to newspapers, radio, television, and other means—need to be strategically employed to reach and engage the population at large, as well as specific groups such as IDPs, with targeted messages.
- Support economic development projects in affected communities to provide new livelihood options for the displaced, hosts, and residents of conflict-affected areas. This recommendation draws on international research that highlights that economic stresses—including poverty, unemployment and income inequality—are drivers of conflict,<sup>54</sup> and that conflict and violence are associated with lagging poverty reduction. These economic projects should be identified through the consultative processes described above and adapted to specific local needs and opportunities, and verified by expert/external assessments as part of the activities indicated under the section titled “Better understand vulnerability, risk, and social cohesion.” Special targeting strategies to reach IDPs should be envisioned and implemented in ways that do not isolate them or engender rivalries with host populations. Specific recommendations on livelihoods are found in Component 2.
- Identify and support measures to promote tolerance through community-led projects (rehabilitating social, economic, and cultural infrastructure) and events (cultural, sporting, learning, and so on) of benefit to conflict-affected communities in eastern Ukraine. Such projects should be identified through participatory and inclusive consultative processes that help to rebuild both infrastructure and social cohesion. Mobilized with the assistance of local authorities and CSOs, and facilitated by civic groups and trained dialogue facilitators, such projects would help to create short-term employment and highlight the contributions of IDPs or returnees. The specific activities should be decided by communities in response to agreed upon local needs, and with the full participation of women, youth, and any minority groups. The most vulnerable communities, including those with the highest proportion of IDPs, should be initially prioritized. Specific recommendations on facility rehabilitation needs are found in Component 1.
- Support community and national-level dialogues on peace and develop a shared, national vision, beginning with support for the design and implementation of productive and genuine dialogue processes—that is, dialogues where participants speak with each other rather than at each other. Sufficient time and resources must be allocated to dialogue process design, drawing on technical expertise and international good practices, and should involve diverse stakeholders and voices prior to implementation. This could include:
  - Training for respected facilitators regarding how to design and facilitate effective dialogues (teachers, journalists, religious leaders, local officials, magistrates, youth leaders), with a particular focus on women and women’s groups (women’s CSOs provide an invaluable source of motivated and skilled people for these roles)

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54 World Bank. 2011. “World development report: Conflict, security, and development.” Washington, DC: World Bank.

- Design and implementation support for facilitated community dialogue processes on tolerance and social cohesion, with particular attention to ensuring “safe spaces.”
- Promote trust between state and conflict-affected communities by enhancing participatory, inclusive, and accountable governance processes. Supporting local authorities and CSOs with guidance and financial support to strengthen participatory governance measures, such as public councils (attached to local councils and already defined by law but poorly implemented), can provide a forum for long-term social engagement into recovery planning and implementation. These forums should have representatives from IDPs as well as host communities. Since trust-building between the state and society highly depends on incentives for the former to become more accountable to the latter, pilot social accountability initiatives on service delivery and on the use funds allocated to the recovery should be supported.
- The restoration of governance functions in the conflict-affected areas is likely to occur in a context of complex transformations in the entire public administration system’s structures and functions, both at central and local levels, and possibly involve comprehensive decentralization reform. The latter involves particularly profound changes in the territorial, administrative, budgetary, tax, and local government areas. It is essential, therefore, that local authorities, civil society, and private sector actors are duly consulted to ensure that conflict-sensitive safeguards are applied to these processes.

## Promote a culture of tolerance through dialogue and civic participation

***Objective: Foster support for balanced, objective, and impartial dialogue and civic engagement.***

Given the polarization that characterizes much public debate in Ukraine, there is a clear need for a more balanced, objective, and impartial dialogue and civic engagement if public life is to move beyond a narrative of blame. Inclusive dialogue will support greater recognition of diversity and tolerance within Ukrainian society and help reduce intercommunal tensions in the Donbas and throughout Ukraine. Encouraging and supporting politically neutral public discourse on issues of common interest—including citizenship, the economy, even a common vision for the future—will also help to address the growing trust deficit between the citizens and public institutions, in particular in conflict-affected areas.

### **Activities**

- Design and support a program of national dialogues on common concerns around the country—such as stereotyping, ineffective governance, endemic corruption, the weak economy, and poor social service delivery—to build bridges between all parts of the country and reduce national divides as citizens come together to deliberate and identify feasible solutions to shared problems.
- Support universities and CSOs to promote structured dialogues between intellectuals, youth, women’s groups, and professional associations that encourage tolerance.
- Support youth and women’s groups to have exchanges within Ukraine and beyond to break down unhealthy stereotyping. Initiatives should consider using champions and positive role models (such as sports figures or music idols) and have a strong social media component. Youth exchange visits should be supported.
- Aim media training on conflict sensitivity at improving standards among key groups of jour-

nalists from affected regions, so that their professional skills match the demand of working in conflict areas. A credible third party should undertake the task of monitoring hate speech.

- Promote youth and women's civic engagement through programming that promotes their roles as peace builders—including support for youth leadership skills development, civic education, human rights training, and development of peace and tolerance curricula for schools and universities.

## Ensure social protection for conflict-affected populations

***Objective: To enhance the government's capacity to deliver social protection benefits to conflict-affected communities and ensure a consistent supply of benefits to vulnerable community members in conflict-affected areas.***<sup>55</sup>

A significant proportion of IDPs are expected to become recipients of the regular social assistance programs that operate in Ukraine, and the total number of beneficiaries of the Guaranteed Minimum Income Program and of disability benefits is thus expected to increase.<sup>56</sup> In addition to social benefits, a rise in demand for housing for displaced persons must also be anticipated.

### Activities

- Improve information and communication on social payments to conflict-affected communities, initially to IDPs and their host communities:
  - establish a web portal on recovery-oriented information and assistance programs
  - establish telephone hotlines at the central level and in the most affected regions
  - produce and distribute, at the local level, bulletins/manuals on IDP registration procedures and social payments mechanisms, for IDPs, local authorities, and service providers to use
  - establish administrative one-stop shops to provide support and referrals for conflict-affected populations. Initially, both volunteer centers and local administrations can fill this role, but both need capacity strengthening
- Improve procedures for delivering basic social services and benefits to conflict-affected populations, initially to IDPs, specifically with regard to:
  - housing costs, for example to better inform IDPs of the decision by the Cabinet of Ministers that provides for registered IDPs holding a bank account to receive a six-month unconditional cash transfer to cover living payments up to a maximum of UAH 2,400 per family per month
  - unemployment benefits, particularly in areas that are hosting a large number of IDPs (Donetsk, Luhansk, Kharkiv, Zaporizhzhia, and Dnipropetrovsk oblasts)
  - pensions, to address the large movement of pensioners from Donetsk and Luhansk oblasts to Kharkiv, Zaporizhzhia, and Dnipropetrovsk oblasts, which now account for 26.5 percent, 24.4 percent and 15 percent of all new pension applications received respectively.

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<sup>55</sup> The needs and estimated costs for the repair of damages to the physical infrastructure associated with the delivery and distribution of social welfare benefits are included under Component 1. Public transfers (pension, stipend, and social assistance) accounted for 33 percent of monetary household incomes in the Donbas oblasts prior to the crisis (Rapid Economic Assessment UNDP, forthcoming).

<sup>56</sup> This increase is expected to be offset by the amount of funds allocated to benefits that are no longer paid in Crimea.

Pension applications have also been transferred within Donetsk and Luhansk oblasts. Adjustments to redistribute resources between oblasts are urgently required, as is capacity to support transfers and reregistrations.

## Promote access to justice

***Objective: To expand and strengthen citizens' access to justice by increasing the capacity, legitimacy, and accountability of law enforcement and justice institutions.***

Expected outcomes include improved citizen security and access to justice, and strengthened capacity, legitimacy, and accountability of law enforcement and justice institutions to respond to conflict-related grievances.

### **Activities**

- Develop safe and effective mechanisms for citizens to formally report conflict-related crime/violence, including SGBV, and to receive legal aid for such reporting. This includes improving incentives for law enforcement agencies to record and investigate crimes and related grievances in conflict zones. Arrangements to ensure the safety of security and justice personnel pursuing investigations in hazardous areas will need to be developed. Capacity building of law enforcement agencies and security forces (including relevant personnel within the MoJ, Ministry of Defense, the Ministry of Internal Affairs, and the Military Prosecutor's Office) to ensure compliance with international humanitarian law (IHL) and human rights obligations in responding to conflict-related crime and violence. Focus areas include greater investigative capacity; skills for handling cases of sexual assault, domestic violence, and cases involving children; and training on new patterns of crime and violence exacerbated by the conflict, such as arms trafficking and interpersonal violence.
- Establish a clear and transparent system for investigating allegations of violence and human rights violations of civilians by armed forces and groups. Systems must have clear mandates and sufficient financial and technical resources to undertake timely investigation and prosecution.
- Support domestic and SGBV prevention and monitoring in conflict-affected areas and nationwide, with particular attention to likely increased family stress.
- Continuously monitor all detention centers in the conflict-affected regions under government control using the National Preventive Mechanism (NPM).<sup>57</sup>
- Expand the availability of free primary legal assistance, both through the MoJ and through citizen support bureaus, and "one-stop shops" in local administrations.
- Expand the network of representatives of the OO and build their capacity to help redress citizen grievances.
- Support partnerships between the representatives of the OO and civil society and community organizations.

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<sup>57</sup> The NPM is the national component of the preventive system established by the Optional Protocol to the UN Convention Against Torture and Other Cruel, Inhuman or Degrading Treatment and Punishment (OPCAT). The NPM is mandated to conduct regular visits to all places where persons are deprived of liberty to ensure their protection.



## Provide legal assistance

**Objective:** *To ensure that conflict-affected populations have access to legal support and administrative assistance.*

The range of priority needs for legal advice and support among IDPs includes restoring legal documents, accessing social services and employment, establishing and enforcing property rights, receiving support for ongoing legal proceedings and financial obligations such as loans and mortgages in their home areas, attaining compensation (such as registering claims for property loss or damage), as well as other civil and administrative matters. The MoJ is responsible for the system of free secondary legal assistance when required.

### Activities

- Establish a legal aid program for victims of conflict-related crime.
- Raise awareness to encourage victims to report crimes and seek redress.
- Support the resolution of title, property, and access disputes when formal judicial procedures are involved.
- Mobilize additional legal expertise at the local level as well as train for legal and judicial specialists on specific conflict-related legal issues.

## Provide psychosocial support for conflict-affected populations

**Objective:** *To meet the psychosocial and mental health needs of conflict-affected groups such as combatants and civilian conflict victims, children, victims of SGBV, IDPs, returnees, and service providers and emergency services personnel.*

At present, there is insufficient capacity to meet the large and growing needs of these affected groups.<sup>58</sup> A high priority is to hire and train additional social workers and psychologists to provide specialized support for trauma and PTSD patients. Many practicing psychologists need additional training on treating trauma. To address the increased case load, it is estimated that at least 500 new staff need to be hired for just the Donetsk, Luhansk, Kharkiv, Dnipropetrovsk, and Zaporizhzhia oblasts.<sup>59</sup> Additional trained personnel will also be required in other oblasts or cities that host large IDP communities and/or provide health care to wounded combatants, especially Odesa and Kyiv.

### Activities

- Psychosocial support:
  - Develop community-based psychosocial support and referral networks through identification, mobilization, training, and oversight of local psychosocial assistance for affected populations, including social workers and community-based groups, particularly in isolated and small communities

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<sup>58</sup> Infrastructure-related health care needs are included in Component 1. This section focuses exclusively on service-related needs with respect to mental health/psychosocial/trauma support.

<sup>59</sup> Interviews with WHO representatives and psychologists treating conflict-affected people, Kyiv, January 28, 2015.



- Reinforce psychosocial support programs for emergency services personnel, the armed forces, security personnel, volunteers, and their families
- Community mobilization for self-help, social support, and safe school environments
- Mental health:
  - Additional training for existing local mental health and medical specialists, and mobilization of additional specialists from state and civil society
  - Trauma/PTSD diagnosis and treatment for IDPs/returnees and combatant families
  - Mental health support to SGBV victims
  - Rehabilitation services for ex-combatants
  - Comorbidity (trauma and substance abuse) treatment
  - Supervision/burnout prevention for mental health para/professionals
- Enable community-based social service providers to target vulnerable children and their families in stressed environments
- System strengthening:
  - Strengthen psychosocial support services at the local level by integrating mental health care into primary health care
  - Build coordination between the mental health systems and other sectors to ensure capacity building of the related institutions (between the MoH, the MSP, the Ministry of Defense, the Ministry of Internal Affairs, the SES, and the Ministry of Education and Science)
  - Build a more adapted human resource system by changing mental health educational curricula, and ensuring coordination of efforts between all relevant state authorities
  - Develop targeted programming to serve vulnerable and most at-risk populations, including children, the elderly, the disabled, and survivors of SGBV, and to suppress sexual trafficking and forced labor. Design and implementation should be led by the relevant ministries in collaboration with local mental health and medical specialists, and community-based psychosocial care providers
- Encourage women's NGOs to establish referral and support systems for victims of SGBV and other conflict-related crimes

## Restore community security

***Objective: To address risks to community security, including physical hazards such as static landmines, UXOs, and the proliferation of illegal weapons—and to address high levels of distrust resulting from physical insecurity.***

Many community security interventions, such as demining in the Donbas, are a necessary precursor to activities recommended in Components 1 and 2 concerning reconstructing infrastructure, restoring services, and reviving the economy. To support the restoration of local safety and security, there is a need for inclusive security interventions with strong governmental and community buy-in. At the community level, this needs to be accompanied by a large number of “Safer Community Plans” that are supported through facilitated forums that draw together concerned citizens and officials to take decisive, local action on safety concerns ranging from removing land mines to improving street lighting. These needs should be established through a series of baseline assessments, with local citizens’ participation.

## Activities

- Develop community-embedded early warning mechanisms,<sup>60</sup> which can also be used to analyze social cohesion trends. Ideally, these would combine a network of local community reference groups trained in a common methodology and user-friendly, low-cost technological information management platforms. Such innovative solutions have been successfully used in similar post-conflict settings, such as in Cyprus, Georgia, and Kenya, as noted above (see “Community security”).
- Establish local advisory panels on community security to strengthen the relationship between local authorities and their communities. These formally engage and involve community members in local decision-making processes, promoting collaboration to solve local security problems. Advisory panels would include representatives of all members of the community, including women’s groups, IDPs, youth, and other marginalized or vulnerable groups.
- Remove static mines and UXOs, conducted according to established international standards (IMAS).<sup>61</sup> It should include capacity building for local experts and could be pursued in conjunction with area-based development work. Clearance of corridors and routes that will be used by IDPs to exit or return to home areas should be prioritized.

## Prepare for DDR of returning ex-combatants

**Objectives: (i) to support the government in developing a national DDR framework and plan; and (ii) to support the reintegration of ex-combatants in light of the government’s announcement that the first cohort may be demobilized as early as April 2015.**

In preparation for an eventual return of volunteer and other military units to their communities, a number of interventions are proposed as precursors to a national DDR program that will support

ex-combatants’ effective socioeconomic reintegration into civilian society.<sup>62</sup> It is recommended that initial planning be launched immediately so that a community-based reintegration program with broad stakeholder support, clear institutional and legislative frameworks, appropriate implementation arrangements, and adequate financial and technical resources can be launched as soon as the situation allows. The cost of implementation is not included, as it is not yet known when a full DDR program could begin.

## Activities

- Provide technical support to government counterparts for the development of a national DDR strategy. The development of a national DDR framework will be required to prepare for an eventual larger-scale demobilization and reintegration process. Many combatants in Ukraine are volunteers, while other units fall under the oversight of different ministries or entities, including the Ministry of Defense, the Ministry of Internal Affairs, and the National Guard.

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60 See: [www.elva.org](http://www.elva.org) or [www.wanepnigeria.org/index.php?option=com\\_content&view=article&id=22&Itemid=36](http://www.wanepnigeria.org/index.php?option=com_content&view=article&id=22&Itemid=36).

61 See <http://www.mineactionstandards.org>.

62 As combatants (including those from volunteer battalions) were recruited from various parts of the country, it is recommended to start profiling them and assessing their needs during demobilization, as this will become more complicated once combatants have returned to their respective communities.

Robust estimates of combatant numbers, including volunteer forces, will need to be developed. Clear administrative oversight for DDR support will also need to be established under a national framework. Clearly delineated and broadly comparable reintegration opportunities for all combatants should be promoted so as not to create tensions between different groups; consistency should also be sought regarding benefits for veterans of other conflicts.

- Support socioeconomic opportunity mapping. International lessons on reintegration programming highlight the value of an assessment of potential economic and social opportunities and resources for ex-combatants, as well as profiling their skills and civilian experience. This will serve to identify job opportunities and alternative livelihood opportunities.
- Identify community-based, socioeconomic reintegration support and identify priority support options for ex-combatants to support their peaceful return to their communities. This includes support with respect to social reintegration, including family reunification, counseling, as well as medical care for conflict-associated health needs, including prosthetics and specialized longer-term care. Also included are livelihood opportunities and income-generating skills tailored to individual capacities and needs, such as retraining programs, job placement and referral programs, support to self-employment opportunities through small grants for micro and small enterprises, business skills training, and life skills training. Support options will need to take into account specialized assistance to meet the needs of female combatants and children associated with military forces, as well as any other vulnerable subgroups of ex-combatants.
- Develop programs and needs assessments for ex-combatants' psychosocial support. Many former combatants have suffered from various forms of conflict-associated trauma, including anxiety, chronic depression, sleep disorders, anger management, and substance abuse. Screening of ex-combatants for PTSD and provision of appropriate services should begin during the demobilization process and continue to be available for all veterans of the conflict after they return home, as many symptoms and related problems may only become apparent later. Preparations will need to be made to ensure that: (i) needs are identified (including the special needs of women and children engaged in the conflict); (ii) mental health staff and social workers are in place (see section on psychosocial support); and (iii) programs are developed.
- Support socioeconomic reintegration of combatants in the immediate future. Such a program will need to include reintegration support, including rehabilitation, livelihood support, psychosocial support, and other medical care as part of an immediate and coordinated effort between all involved line ministries.

## 4. TRANSITIONAL IMPLEMENTATION STRATEGY

**M**eaningful and sustainable social resilience and peacebuilding must have a dual focus: (i) on activities related specifically to conflict-affected areas; and (ii) activities that simultaneously target the national (countrywide) level. Although activities targeting conflict-affected communities would be prioritized, the messages and approaches in both must be consistent. Themes such as reintegrating the displaced, social cohesion, building tolerance and confidence, and access to justice and security must be featured at both the regional and national levels. For example, while community-level social and economic projects to promote social cohesion will prioritize directly affected areas where IDPs and host communities are under great strain, recommendations related to legal aid for conflict-related crimes and violations of rights should be developed and implemented across the country as a whole, as should forums for local dialogue, exchanges between populations, and development of a DDR program. Genuine and meaningful reconciliation, both within and between the various communities, groups, and authorities can prevent the reemergence of conflict triggers that could undermine recovery efforts and erode the critical foundation for sustainable and peaceful development.

Recommendations are an integrated package and should be implemented in parallel as resources allow and local needs dictate. All need to be initiated soon; many will continue beyond 2016. Some recommendations may be immediately enacted, such as legal assistance facilities, peace and tolerance campaigns, and community-level reconciliation activities—especially those connected to urgent rehabilitation works. Others, such as recommendations that require training and capacity building to deploy new specialists or develop new legal or institutional frameworks, may require 6–12 months of preparatory activities. The implementation time frame for many activities—such as community-level reconciliation projects, economic development investments, and conflict monitoring—is likely to be 3–5 years or more. Priority should be given to the eastern raions most affected by population movements and conflict-related damage.

Activities can be adapted and phased to address changes in the country's security context. Some medium-term activities should be conceptualized and planned in the short term. Similarly, while some activities will sit clearly within the recognized mandate of a single government entity, others will require clarity on institutional frameworks between a number of entities at both national and local levels before they can be enacted. Ideally, overall leadership and coordination should be housed at an appropriately senior political level, such as the Office of the Prime Minister.

There may be significant returns of both IDPs and refugees over the next 24 months if current levels of violence decline or if political agreements convincingly resolve the conflict. Returns are based on individual judgments that balance independent rational decision making about their own and their family's future along with the values, experiences, and opportunities acquired during displacement. Iterative movements may be made to large cities where livelihood options or accommodations are better or to areas near homes of origin. Or, decisions may be made to stay in place until the displaced feel prepared to return. These decisions depend on more than security operations or peace building alone. The calculus and the sustainability of returns include development considerations such as livelihoods, reconstruction assistance, governance, and access to justice and adjudication mechanisms. Return is not an event. It is the beginning of a process in

which the displaced continually weigh and assess the viability of their circumstances—and may well choose to be displaced again if conditions in home areas are unsuitable. Activities that address host-IDP tensions may also be necessary when IDPs return to their home communities, such as livelihood, public service, grievance resolution, and psychosocial support. Two areas of particular importance to returnees are housing rehabilitation assistance and legal assistance in instances where property access disputes arises. Accordingly, should significant returns begin to occur, new return areas should be prioritized for recovery and peacebuilding assistance to sustain returns in the same way that conflict-affected raions with large concentrations of IDPs should be prioritized at present.

The recommendations made in this component offer considerable flexibility to the government and its partners. There are a range of implementation methods, from direct service delivery at local levels through public service providers, to civil society-led or donor-supported initiatives, to information and communication activities deployed through national media. Implementing this package of recommendations requires close collaboration among national, regional, and local level actors as well as strongly community-driven processes led by affected peoples.

## 5. INSTITUTIONAL ARRANGEMENTS, GOVERNANCE, AND IMPLEMENTATION CAPACITY

**T**he social resilience, peacebuilding, and community security strategies will need to be closely coordinated at the central level of government. However, ownership for local-level activities must lie with the oblast and local councils and administrations, including in identifying priority activities, implementation modalities, monitoring arrangements, and openings for civic engagement, all in close consultation with CSOs and target communities. Specifically, a strategic communication plan will need to be developed by the central authorities and provided to local government, raion, and hromada councils to ensure a common and consistent vision and approach. This will require additional implementation capacity, including staff and budget at the oblast and raion level. Such arrangements will need to work as a two-way channel, however, with the oblast and local-level staff members channeling information on priority issues and needs to the central level, and serving as an early warning mechanism on emerging issues or triggers that threaten to reignite conflict and/or undermine recovery efforts.

More specific institutional recommendations of relevance to social resilience, peacebuilding, and community security activities include:

- At the national level, authorities will need to create an enabling environment, including by supporting and promoting peace and reconciliation messages in public statements and in the national media. At the same time, local authorities and other actors—such as civil society and community-based organizations—will need to be empowered to implement targeted activities on the ground. This may require new and/or amended policy and/or legislative frameworks, as well as dedicated financial and human resources.
- Given the crosscutting nature of the social resilience and peacebuilding strategy, it is important to ensure close coordination between numerous line ministries (the Ministry of Social Policy, SES, the MoJ, the Ministry of Defense, the Ministry of Internal Affairs, and so on), as well as between these ministries and senior levels of the executive and legislature. External technical expertise (international best practice) may be required to address specific issues. The OO has a particularly important role to play in supporting social resilience. With its unique mandate, the office is well placed to ensure that conflict-affected populations benefit from the services they need by providing a mechanism for people with grievances to receive redress. The Office in Zaporizhzhia should be reinforced and additional offices created throughout the conflict-affected and adjoining areas.
- At the regional and local level, strong leadership will be required to ensure the strategy is implemented consistently. The financial situation of decentralized levels of government will need to be addressed as a matter of urgency—many local budgets have experienced increased expenditures to support restoration of local infrastructure and services to IDPs, while local revenues have declined due to the conflict. Fatigue among host communities, CSOs, and volunteer service providers combined with resource depletion has also meant that civil society's capacity to fill the gaps of struggling local administrations is weakening. Special attention will need to be paid to local councils. As directly elected officials, local councils are perceived to be particularly accountable to, and representative of, the local populations. Their involvement in the design, implementation, promotion, and oversight of activities is very important. Indeed,

building ownership over recovery activities by oblast and local councils and administrations is a priority. This includes empowering them to lead participatory and inclusive processes to identify priority activities, implementation modalities, and monitoring arrangements. Dedicated capacity for reconciliation and peacebuilding activities within local and oblast administrations is needed to enable them to monitor social cohesion dynamics and to collaborate effectively with community leaders and local civil society actors.

- Civil society and individual volunteers have played a central role in responding to the crisis, and their continued, strong involvement is essential. They are well placed to implement important activities such as IDP orientation and information sharing, reintegration programs, grievance redress, information flows to the displaced and resident populations, peacebuilding and tolerance promotion activities for children and youth, and legal referral services. They can also play a supportive role by leading local community consultations and developing mechanisms for participative processes, monitoring the provision of state services to ensure equity and responsiveness to the needs of local populations, provide advocacy on behalf of vulnerable groups, and gather data on social cohesion and peacebuilding.
- Communities are the ultimate beneficiaries of these processes, and it is essential that they are involved in the design, implementation, and evaluation of all activities. Direct participation, including by vulnerable groups, will also help increase public confidence in state institutions and further strengthen the overall recovery effort by creating synergies at the local level and between the reconstruction of infrastructure and service delivery on the one hand, and by strengthening the social fabric on the other.
- To ensure that analysis and design of peacebuilding interventions is targeted and more responsive to context-specific needs, all data collected and analyzed should also be disaggregated by gender. This will improve monitoring and cross-reference with gender indicators across the range of envisaged activities.



## Component 3 Results Framework

### STRATEGIC OBJECTIVE 3: STRENGTHEN SOCIAL RESILIENCE, PEACEBUILDING AND COMMUNITY SECURITY

PRIORITY INTERVENTIONS (activities)	BASELINE (outputs)	INDICATORS (as per activity)	EXPECTED IMPLEMENTATION FRAMEWORK (in % completion/financial terms)				RESPONSIBILITY
			6 months	12 months	18 months	24 months	
<b>Objective: Make more information available on vulnerabilities, risks, and problems related to social cohesion</b>							
Monitor and track levels of social cohesion and conflict resurgence risks Run perception surveys on social and economic vulnerability and political fragility Introduce gender-disaggregated data collection and analysis in government systems	Absence of baseline data on how the conflict has impacted social cohesion, economic vulnerability, and political fragility Policy makers do not have access to comprehensive gender-disaggregated data and analysis	<ul style="list-style-type: none"> <li>- Social cohesion data collected from all eastern oblasts</li> <li>- Quarterly social cohesion tracking reports produced</li> <li>- Validation of reports by key stakeholders, including civil society</li> <li>- Vulnerability and Social Cohesion Assessment/Index</li> <li>- Availability of gender-disaggregated official data related to conflict and peace and tolerance building</li> <li>- # of trainings of local CSOs and think tanks to monitor the situation and provide recommendations for decision making both on national and regional levels</li> </ul>	10%	50%	75%	100%	Office of the Prime Minister, Ministry of Regional Development, Construction, Housing and Communal Services, State Statistics Service, and other relevant stakeholders
<b>Objective: Foster greater trust and strengthen social cohesion in conflict-affected communities</b>							
Conduct national conflict-sensitive information and communication campaigns Foster tolerance via community-led projects (rehabilitation of social, economic, and cultural infrastructure) and events (cultural, sporting, learning, and so on)	High levels of mistrust and uncertainty in conflict-affected communities Polarized narratives of the conflict and societal tensions	<ul style="list-style-type: none"> <li>- # of hours of peace and tolerance programming broadcast nationally</li> <li>- % of the population reached by public media campaigns for peace and tolerance</li> <li>- # of journalists and media trained in peace and tolerance</li> </ul>	30%	60%	80%	100%	Office of the Prime Minister, Ministry of Regional Development, Construction, Housing and Communal Services, and other relevant stakeholders

Encourage community- and national-level dialogues on peace and developing a vision for a better Ukraine	Fractured social relationships, lack of trust between state and conflict-affected communities and different parts of the country	- # of training programs for respected facilitators on how to design and facilitate effective dialogues (teachers, journalists, religious leaders, local officials, local authorities, youth leaders), with a particular focus on women and women's groups (women's CSOs provide an invaluable source of motivated and skilled people for these roles)- # of supported pilot social accountability and good governance initiatives, on service delivery and on the use of funds allocated to recovery					
Promote trust between state and conflict-affected communities	Local authorities' capacity is limited due to destroyed infrastructure and/or overload with new challenges.	- % of conflict-affected communities benefitting from recovery projects					
Restore governance functions in the conflict-affected areas	Deteriorated well-being of communities and persons in the conflict-affected areas	- % of IDPs and local community participating in decision making for recovery projects					
Support new livelihood options for the displaced, hosts, and residents of conflict-affected areas		- % of women involved in decision-making processes					
		- % of conflict-affected men and women who benefit from temporary employment opportunities (disaggregated by gender)					
Strengthen capacity of local authorities and civil society to provide needs-targeted and effective recovery and peacebuilding programs through a gender-sensitive approach <sup>a</sup>	Local authorities' capacity is limited due to destroyed infrastructure or/and overload with new challenges Gender issues are not considered a priority, causing gender gaps and gender-based disproportions and discrimination No experience on post-conflict recovery and peacebuilding	- # of gender specialists in oblast administrations and in targeted raion authorities are trained in gender-sensitive policy in all sectors of recovery and peace and tolerance - % of local civil servants and # of civil society activists trained in gender-sensitive post-conflict policy (gender-disaggregated data, gender-sensitive needs assessment, planning, budgeting, and monitoring)	25%	50%	75%	100%	Local authorities and relevant stakeholders
<sup>a</sup> Please see the analysis on gender-related impacts and implications of the conflict in the section of the report on cross-cutting themes							



Support the development of youth leadership skills, civic education, human rights training, and peace and tolerance curricula for schools and universities	Lack of long-term strategy for building peace and tolerance	<ul style="list-style-type: none"> <li>- # of interregional exchange events for children</li> <li>- % of national youth events involving young people from all oblasts</li> <li>- # of women's CSOs involved in peace and tolerance programming and conflict resolution</li> <li>- availability of curricula reflecting peace and tolerance needs</li> </ul>	30%	60%	80%	100%	MSP and local authorities; women's NGOs
Empower women and women's CSOs (displaced women in particular) to participate in decision making and implementation of recovery and peace-building activities (needs assessment, planning, budgeting, realization, and monitoring)	<p>The armed conflict deepened gender gaps in all sectors: participation in political, economic, and social life; access to social services, employment, and resources</p> <p>Civil society is poorly developed in Donbas, especially in the targeted raions</p> <p>Women present the majority of vulnerable population in the conflict-affected areas</p>	<ul style="list-style-type: none"> <li>- % of women (displaced and local) community leaders, leaders of women's NGOs participating in public councils, local authorities, local councils</li> <li>- # of women's NGOs involved in recovery, dialogue and reconciliation activities</li> <li>- # of women's NGOs received capacity-building training</li> <li>- # of women's NGOs participating in a local civil society network</li> <li>- # of joint consultation and meetings of local authorities and civil society on assessing needs, planning, budgeting, and monitoring and coordinating recovery and peace and tolerance activities</li> <li>- # of women activists involved in inter-regional and international educational trips</li> </ul>	30%	60%	80%	100%	
Improve support for and inclusion of vulnerable women (in all sectors) (IDPs in particular)	<p>Women present a majority of affected vulnerable population</p> <p>Vulnerable women (IDPs in particular) face double discrimination and stigma.</p>	<ul style="list-style-type: none"> <li>- # of Women for Women Centres under the local administrations or communal organizations.</li> <li>- # of women activists trained on post-conflict gender-sensitive needs assessment, planning and budgeting, assistance</li> </ul>	30%	60%	80%	100%	

Improve support for and inclusion of vulnerable women (in all sectors) (IDPs in particular)	Women present a majority of affected vulnerable population Vulnerable women (IDPs in particular) face double discrimination and stigma. Gender-based violence and insecurity increased CSOs (mainly women) were mobilized, but their human and financial resources are exhausted	<ul style="list-style-type: none"> <li>- # of gender-sensitive programs developed and provided in all sectors (employment and small business, legal and psychological aid and rehabilitation, and so on)</li> <li>- a functioning network of Women for Women Centres created for sharing information, experience, and best practices</li> <li>- # of informing and raising awareness campaigns on women's rights and opportunities</li> <li>- % of women received assistance and training in the centers</li> <li>- # of joint events on building dialogue and reconciliation of IDPs and local community</li> <li>- # of events for children and youth</li> <li>- # of women activists involved in inter-regional and international study tours</li> </ul>						
<b>Objective: Increase access to social support for conflict-affected populations</b>								
Improve information and communication on social payments to conflict-affected communities Improve procedures for delivering basic social services and benefits to conflict-affected populations	Confusion among IDPs and host communities on recovery planning, subsidies for housing/living expenses, decrees, assistance programs, and so on Administration of social services and benefits to conflict-affected population is inefficient	<ul style="list-style-type: none"> <li>- A web portal for IDPs and hosts on recovery-oriented information is established.</li> <li>- A Donbas Recovery Agency (DRA) telephone hotline is established</li> <li>- Bulletins/manuals on IDP registration procedures are available</li> <li>- % of affected population covered by targeted informational campaigns</li> <li>- Administrative one-stop shops established</li> </ul>	40%	80%	90%	100%		Ministry of Regional Development, Construction, Housing and Communal Services

<b>Objective: Improve delivery of citizen justice through strengthened capacity, legitimacy, and accountability of law enforcement and justice institutions related to the conflict</b>							
Build capacity of law enforcement agencies and security forces to ensure compliance with IHL and human rights obligations in responding to conflict-related crime and violence Establish a clear and transparent system for investigating allegations of violence and human rights violations of civilians by armed forces and groups	Lack of specialized expertise and resources for investigation and prosecution in areas such as: handling cases of sexual assault, domestic violence, and cases involving children; arms trafficking and interpersonal violence Lack of trust of conflict-affected populations in justice institutions	- % of civilian and military prosecutors and judges trained in violence prevention and protection aspects of IHL and criminal law - Improved levels of trust in justice institutions	10%	25%	75%	100%	Ministry of Internal Affairs, MoJ, Ministry of Defense, the Military Prosecutor's Office
Support domestic and SGBV prevention and monitoring in conflict-affected areas and nationwide Continuously monitor all detention centers in the conflict-affected regions under government control using the NPM	High exposure of citizens to violence Underreporting of conflict-related crime and violence	- % of police precincts registering cases of victims of conflict-related crime and violence - More women encouraged to join police and to work with affected populations	10%	30%	75%	100%	Prosecutor General's Office, National School of Judges of Ukraine
Expand the network of OO representatives and build their capacity to help redress citizen grievances Support partnerships between the representatives of the Ombudsperson and civil society and community organizations Develop safe and effective mechanisms for citizens to formally report conflict-related crime/violence, including SGBV, and to receive legal aid for such reporting	OO offices are not present in all conflict-affected oblasts and lack structures for addressing additional needs generated by the conflict High exposure of citizens to violence Underreporting of conflict-related crime and violence Lack of institutional arrangements for providing primary legal assistance	- OO regional offices established in all conflict-affected and adjoining oblasts - # of cases registered and resolved by the OO network - % of police precincts registering cases of victims of conflict-related crime and violence - % of allegations and complaints being actively investigated and resolved - Procedures for registering conflict-related crime and violence are established and available in all police precincts, including special procedures for addressing SGBV	30%	60%	90%	100%	OO

Ensure the safety of security and justice personnel pursuing investigations in hazardous areas									
Expand the availability of free primary legal assistance									
<b>Objective: Improve conflict-affected populations' and IDPs' access to legal information and assistance (free primary and secondary legal assistance)</b>									
Develop a legal aid program for victims of conflict-related crime	Lack of an efficient and effective system to address legal assistance and information needs across a wide range of topics for conflict-affected populations	- % of conflict-affected population with access to legal assistance - # of trainings for legal and judicial specialists on specific conflict-related legal issues	40%	60%	80%	100%	MoJ		
Raise awareness to encourage victims to report crimes and seek redress									
Support the resolution of title, property, and access disputes when formal judicial procedures are involved									
Mobilize additional legal expertise at the local level as well as training for legal and judicial specialists on specific conflict-related legal issues									
<b>Objective: Meet the psychosocial and mental health needs of different conflict-affected groups (civilian conflict victims, children, and survivors of SGBV, IDPs, returnees, service providers, and ex-combatants)</b>									
Psychosocial support:	Insufficient capacity for psychosocial and mental health support for conflict-affected populations including IDPs and communities adjacent to conflict areas,	% of conflict-affected communities in which qualified psychosocial support is available - % of current medical and social specialists receiving training on conflict-related trauma	30%	50%	90%	100%	MoH, MSP, Ministry of Defense, Ministry of Interior, Ministry of Education and Science, and other stakeholders		
• Develop community-based psychosocial support and referral networks									
• Reinforce psychosocial support programs for emergency services personnel, the armed forces, security personnel, volunteers, and their families									



<ul style="list-style-type: none"> <li>Community mobilization for self-help, social support, and safe school environments</li> <li>Mental health: <ul style="list-style-type: none"> <li>Offer additional training for existing local mental health and medical specialists, and mobilize additional specialists from state and civil society</li> <li>Improve trauma/PTSD diagnosis and treatment for IDPs/returnees and combatant families</li> <li>Offer mental health support to SGBV victims</li> <li>Offer rehabilitation services for ex-combatants</li> <li>Offer comorbidity (trauma and substance abuse) treatment</li> <li>Supervision/burnout prevention for mental health para/professionals</li> </ul> </li> <li>System strengthening: <ul style="list-style-type: none"> <li>Strengthen psychosocial support services at the local level</li> <li>Reinforce psychosocial Build coordination between the mental health systems and other sectors</li> <li>Build a more adapted human resource system</li> <li>Develop targeted programming for vulnerable and most-at-risk populations, including children, the elderly,</li> </ul> </li> </ul>	<p>combatants, and so on at the national and local levels</p> <p>Lack of unified methodological approach to meeting mental health needs</p> <p>Lack of policy coordination between various stakeholders in the area of psychosocial services provision</p>	<ul style="list-style-type: none"> <li>% of combatants, IDPs, and returnees with access to specialist psychosocial service providers</li> <li># of counseling services and rehabilitation for women</li> <li># of local NGOs involved in forming of the support and referral networks</li> <li>establishment of referral services for SGBV victims</li> <li>revised mental health educational curricula</li> <li># of training and capacity-building activities for the mental health and medical specialists</li> <li>developed state policy targeting vulnerable and most-at-risk populations in the area of psychosocial support</li> </ul>	30%	50%	90%	100%	MoH, MSP, Ministry of Defense, Ministry of Interior, Ministry of Education and Science, and other stakeholders
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<b>Objective: Launch DDR process</b>						
Provide technical support to the government for the development of a national framework for DDR, which can be implemented in a post-conflict setting to cover the community-based, socioeconomic reintegration of various groups of ex-combatants including: <ul style="list-style-type: none"> <li>• socioeconomic opportunity mapping</li> <li>• needs assessment for psychosocial support</li> </ul>	Absence of a national plan for managing economic, social, and psychosocial reintegration needs of ex-combatants Limited baseline data available on the scope and needs of ex-combatants, available economic opportunities in areas of return and ex-combatant skills Limited accurate data available on the specific mental and psychosocial needs of combatants	<ul style="list-style-type: none"> <li>- National DDR framework is developed, including budget and implementation arrangements</li> <li>- National DDR framework includes the various different groups of armed forces, national guards and volunteer battalions and is gender-sensitive (that is, provides for the specific needs of female combatants)</li> <li>- Clear triggers and processes are established for launching the plan</li> </ul>	10%	50%	75%	100%
Support the socioeconomic reintegration of returning combatants	No existing plans for ex-combatant demobilization and reintegration Small numbers of ex-combatants are currently supported with physical rehabilitation	<ul style="list-style-type: none"> <li>- # of male and female combatants who benefit from alternative livelihood opportunities</li> <li>- # of community members who have received socioeconomic support</li> <li>- # of men and women who received psychosocial or mental health support</li> </ul>	10%	25%	65%	100%
						Office of the Prime Minister, Ministry of Defense, Ministry of Internal Affairs, MSP
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