

January 2025

Valeriia Ivanova

A Reconstruction

Law

for Ukraine

From Band-Aids to Lasting Solutions

G | M | F
IDEAS LEADERSHIP HOPE

Series on the
Governance of a
Marshall Plan
for Ukraine

Summary

While facing one of the most significant acts of military aggression in modern history, Ukraine must not only defend itself but also rebuild its cities, critical infrastructure, and economy. However, the absence of a comprehensive reconstruction law leads to fragmentation and significant risk of corruption. Projects are addressed through ad hoc government resolutions, and this prevents strategic planning, optimal resource allocation, and coordination between central and local authorities.

While ad hoc or experimental approaches and temporary regulatory acts allow for rapid responses to urgent needs, they fail to ensure sustainability and transparency. The lack of defined rules, clear financing mechanisms, and a unified chain of accountability among government agencies exacerbates the risk of inefficient resource use and erodes trust among international partners.

The experiences of countries such as Germany and Japan demonstrate that successful recovery is most easily achieved through comprehensive legislation that establishes clear rules, delineates responsibilities, prioritizes projects, and ensures accountability. Ukraine urgently needs this type of law not only to address current challenges but also to lay the foundation for long-term development.

Recommendations for a Comprehensive Reconstruction Law

- **Define key concepts** such as “reconstruction project” and “construction object”.
- **Establish criteria** for project prioritization.
- **Develop strategic documents** introducing a national reconstruction strategy that integrates local, regional, and sectoral plans to ensure a unified approach.
- **Create a central coordinating body** by granting the Reconstruction Agency special status to ensure its independence, expanded powers, and oversight of project implementation.
- **Integrate Financing Systems** to coordinate public, international, and private funding with clear mechanisms for accountability and transparency.
- **Enhance Transparency and Digitalization** by implementing a digital reconstruction management system covering all stages—from planning to reporting.

A comprehensive reconstruction law is urgently needed to address the existing chaos, reduce risks, and build trust. The law should not only act as a tool to mitigate the war’s consequences but also serve as the backbone of a coordinated and sustainable recovery system capable of functioning even in the midst of ongoing conflict.

Rebuilding a Nation Under Fire: The Need for a Strategic Decision

As it defends itself against the largest military aggression in Europe since World War II, Ukraine is simultaneously compelled to plan and implement large-scale recovery processes. Fighting a war of this magnitude while rebuilding territories and protecting critical infrastructure from constant massive airstrikes is an immense challenge.

Given the complexities of planning and regulating reconstruction processes, a comprehensive approach is necessary to ensure effectiveness.

Without an overarching law on the principles of reconstruction, Ukraine risks focusing only on short-term initiatives without laying the groundwork for sustainable and transparent recovery.

The emotional and hastily made decisions that characterize processes to date pose a significant threat to sustainable recovery. Only a comprehensively planned recovery, anchored in a robust legal framework, can safeguard against this and enable not just the restoration of individual assets but the creation of a solid foundation for Ukraine's sustainable development in the future.

Existing Regulation of Recovery: The Absence of a Unified Framework

The absence of a comprehensive law on the principles of recovery creates a fragmented system in which each issue—whether it is the latest damage to energy infrastructure or efforts to comprehensively restore affected communities—is addressed through ad-hoc government decrees and new regulations tailored to specific projects. This makes long-term planning and coordination impossible.

The lack of a unified framework for recovery processes leads to certain risks:

- **fragmented and duplicative efforts**, significantly slowing the recovery process and reducing its efficiency
- **corruption and misuse of resources**, including both domestic and international funds

- **unequal distribution of resources**, leading to social tensions that complicate the restoration of national unity

Currently, there are no legally established requirements for the systematic integration of financing. Recovery efforts are funded through various sources—state budgets, international aid, and donor contributions—but mechanisms for their coordination and distribution are lacking. This results in the underfunding of some projects, the neglect of others, and significant delays in utilizing funds. A comprehensive recovery law should establish a clear structure for financial planning that integrates all funding sources under a unified strategy.

It remains critically important that Ukraine has not yet established an institution capable of coordinating the large-scale recovery process while maintaining independence, authority, and resilience. In 2023, the State Agency for Restoration and Development of Infrastructure (SARDI) was created on the foundation of Ukravtodor, formerly the Ukrainian state agency for highways, enabling the swift implementation of urgent, large-scale projects through a network of restoration services in each region. However, its operations are regulated solely by a Cabinet of Ministers resolution that is lacking special status or adequate authority, which limits its effectiveness.

SARDI manages significant budgetary and international funds, but the absence of legislative backing and guarantees of independence creates risk. The agency's employees lack additional protections and adequate support, complicating the execution of complex projects. Instead of a systemic solution, Ukraine has received a temporary structure that does not match the scale of its challenges and fails to ensure effective recovery processes.

Current Approaches to Regulating Recovery Processes

Ukraine's government bodies have adopted several laws and regulations to lay the foundation for recovery in specific areas. For example, legislation has introduced distinct definitions for planning documents at the local recovery level, established regulations for a registry of damaged property for future compensation mechanisms, and experimentally implemented digital tools for monitoring and managing recovery processes.

One of the key documents is the **Law of Ukraine "On the Principles of State Regional Policy"**,¹ which includes specific definitions and terms related to recovery. The law also defines functional categories of recovery territories, meaning micro-regions or communities affected by hostilities, temporary occupation, or war-related destruction.

A crucial provision of this law is the article regulating the planning of regional and territorial recovery. The provision stipulates the development of recovery and development plans for regions and territorial communities (local administrative units comprising residents of villages, settlements, or cities with a shared administrative center) and outlines the authority of the central executive body responsible for regional policy. This body collaborates with other agencies to develop recovery plans and prepare the regulatory framework governing these processes.

Another important document is the **Law of Ukraine "On the Regulation of Urban Development Activities"**, which introduces the concept of "comprehensive recovery programs".² These programs encompass a wide range of tasks including spatial, socioeconomic, and urban planning priorities. The programs are designed to restore areas affected by war or those experiencing crises. The law also specifies the detailed content of comprehensive recovery programs at the regional or territorial community level.

Furthermore, the development of these laws is supported by the adoption of by-laws. For instance, in January 2024, an order was issued to introduce the **Unified Digital Integrated Infor-**

mation and Analytical System for Managing the Reconstruction of Real Estate and Infrastructure Objects (the DREAM system).³ This system was created to ensure transparency in managing

recovery processes, monitoring, and reporting. However, it remains merely a technical tool and does not address strategic issues of planning or coordination.

Rules for Using Special Funds: Key Regulation in Recovery Processes

In addition to the laws and regulations governing recovery, one of the most impactful normative documents in this sphere is the set of **rules for using monies from special funds**. These funds are designed to ensure financing for recovery

projects. The most significant among them is the **Fund for the Elimination of the Consequences of Armed Aggression**, which has become a kind of “treasury” within the state budget dedicated to supporting reconstruction projects.

The Fund for the Elimination of the Consequences of Armed Aggression⁴

The Fund for the Elimination of the Consequences of Armed Aggression was established in 2022 as part of Ukraine’s state budget. Its purpose is to finance activities aimed at restoring territories affected by military actions.

In 2023, the fund was financed through:

- assets forcibly seized or confiscated by Ukraine from Russian entities;
- fifty percent of the profits transferred to the state budget by the National Bank of Ukraine (derived from lending to banks, securities, currency sales, and international reserves placement).

The funds from this reserve were allocated for:

- protection of critical infrastructure: ₴18.8 billion (\$451 million);
- compensation for damaged and destroyed housing: ₴11.7 billion (\$280 million);
- regional reconstruction projects: ₴9.2 billion (\$220 million).

A significant portion of the fund was used to address the aftermath of the destruction of the Kakhovka Hydroelectric Power Plant, including the construction of water mainlines, and for specialized recovery projects for the State Emergency Service, the Ministry of Defense, and educational institutions.

The Fund was established to respond promptly to the needs of affected territories, becoming one of the most important “savings pots” in Ukraine’s state budget for recovery. It serves as a crucial regulatory instrument, as its operational framework not only specifies the directions of funding but also sets conditions that must be met to receive financing.

The regulation specifically governs the conditions for fund allocation, the procedure for implementing recovery initiatives, and the prioritization process for recovery projects through an inter-governmental working group.

While the framework for the fund’s use is an essential tool, its scope is limited. It does not encompass all aspects of recovery and remains disconnected from broader strategic planning. The lack of integration with other regulatory documents and inadequate oversight of fund utilization creates risks of corruption and inefficient resource use.

Notably, recent amendments to the framework have introduced provisions allowing funds to be allocated without adherence to the previously established prioritization procedures. A simple protocol decision by the Cabinet of Ministers, based on proposals from any central or local authorities, is now sufficient.

In practice, the conditions outlined in the framework are often applied superficially and are frequently disregarded. Projects selected by local self-governance bodies are still overridden by central authorities. Early privatization projects, which incorporated assets that did not meet the framework’s conditions, are a notable example.

Thus, the mechanisms for utilizing fund resources only partially address the challenges facing the country in the context of large-scale recovery. They cannot replace comprehensive legislative regulation that would encompass all aspects of planning, financing, and oversight of the recovery process.

Regulating the Response to Emergencies: Challenges and Approaches

Russia’s war against Ukraine has brought unprecedented challenges in restoring critical facilities. While the reconstruction of housing and social infrastructure remains an urgent task, even in the absence of a comprehensive recovery law, there are at least some regulatory acts in place to govern the use of budget funds, project evaluation, selection, and implementation. Although these

acts are neither comprehensive nor fully aligned with the needs of sustainable recovery, they provide a basic level of predictability for recovery processes.

However, when it comes to addressing damage to critical infrastructure, delays are unacceptable. Any postponement in restoring facilities that

provide basic services to the population or are key to national security could significantly worsen the scale of the disaster. Such emergencies demand the rapid mobilization of resources, coordination across all levels of government, and collaboration with international partners. At the same time, this area lacks any sustainable regulation.

In the absence of a systematic approach to such situations, the Ukrainian government operates on the principle of adoption of experimental resolutions by the Cabinet of Ministers of Ukraine. Thus, when urgent action is needed to restore infrastructure or critical facilities following significant destruction, decisions are made swiftly—without an established framework or agreed-upon procedures.

Experimental Acts: Rapid Response vs. Risky Compromises

In response to the consequences of Russian aggression and widespread destruction, the Cabinet of Ministers of Ukraine has introduced a series of “experimental procedures”. The key initiatives include:

Protection of Critical Energy Infrastructure

- **Resolution No. 1482, December 27, 2022**
- **Objective:** Strengthening the resilience of energy infrastructure against attacks
- **Description:** This document governs an experimental project focused on construction, repairs, and implementation of engineering and technical measures to protect facilities within the fuel and energy sector. The goal is to enhance security and ensure uninterrupted functioning of energy infrastructure under conditions of armed aggression.

Construction of Water Trunklines to Ensure Water Supply

- **Resolution No. 566, June 6, 2023**
- **Objective:** Addressing the consequences of the Kakhovka Hydroelectric Power Plant destruction.
- **Description:** This resolution funds the construction of water trunklines to restore water supply to affected settlements. The project aims to eliminate water shortages and stabilize the humanitarian situation in regions left without access to drinking water.

Restoration of War-Affected Population Centers

- **Resolution No. 382, April 25, 2023**
- **Objective:** Reconstruction of war-affected settlements.
- **Description:** This resolution provides for the comprehensive restoration of villages and

towns that have suffered significant destruction due to military actions. The project includes the reconstruction of residential, social, and communal infrastructure, along with measures to ensure basic living conditions for local residents.

Temporary regulatory acts issued by the Cabinet of Ministers of Ukraine are adopted for specific cases and facilitate the expedited implementation of projects. They often include:

- **simplified procedures** that, for example, bypass environmental impact assessments or requirements for project documentation;
- **rapid land acquisition** that ensures a swift start to construction projects but may infringe on property owners' rights;
- **procurement without tenders** when, to avoid delays, direct contracts with service providers are allowed, reducing the transparency of the process.

These regulations are essential, as they allow for a drastic reduction in project implementation

timelines. However, they remain outside the framework of comprehensive legislative regulation: there are no defined criteria or clear procedures for determining which projects require immediate action. Furthermore, there is no unified protocol outlining how responsible parties should act in such situations or who should be tasked with implementing specific projects. This lack of clarity creates risks of inefficient use of funds, corruption, and decisions made based on political expediency or personal interest rather than objective circumstances.

At the same time, this category of projects is the most expensive and requires the largest share of resources. Thus, developing and implementing a “unified pathway” that remains flexible in the face of challenges is a critical task. Moreover, the experience gained from implementing previous decrees provides valuable insights into which mechanisms have proven effective, which have streamlined processes, and where existing norms have failed to deliver the desired results.

Existing Legislative Initiatives: Steps Forward, But Not Far Enough

In 2024, the Ministry of Communities, Territories, and Infrastructure Development of Ukraine, together with the Committee of the Verkhovna Rada on State Governance, Local Self-Govern-

ment, Regional Development, and Urban Planning, began drafting a bill titled “On the Fundamental Principles of Ukraine’s Recovery”. This initiative aimed to fulfill the requirements of the Ukraine

Facility plan, under which Ukraine is to receive €50 billion in assistance from the European Union.⁵

However, during the revision process, most sections of the draft bill were removed, leaving only provisions for the implementation of the DREAM system.

While the integration of DREAM is an important step toward ensuring transparency and efficiency in the recovery process, it does not address all fundamental needs for a comprehensive approach to the country's reconstruction.

At the same time, the draft law remains underdeveloped and has yet to be registered in the Verkhovna Rada.

In parallel, in October 2024, a new draft law was registered in the Verkhovna Rada, proposing the creation of a unified state digital system for Ukraine's recovery and development. According to the draft's summary, the initiative envisions the establishment of an integrated platform to automate processes related to the country's recovery. The system's proposed functions include management of construction projects, infrastructure development, territorial planning, public investment implementation, and resource monitoring. Key components of this system are expected to include a digital reconstruction management system, an urban planning property registry, and a geographic information system for regional monitoring.

The Digital Restoration Ecosystem for Accountable Management (DREAM)⁶

is a state-level digital ecosystem launched in pilot mode. The system aims to integrate all stages of project implementation—from planning to completion—and provide real-time monitoring of progress. In its intended design, DREAM will automate processes for collecting, processing, and publishing data, eliminating functional duplication, reducing corruption risks, and ensuring accountability to the public and international donors. The primary goal of the system is to create an open digital pathway that allows all stakeholders to track resource utilization, evaluate implementation efficiency, and support more informed decision-making throughout the recovery process.

The draft law was introduced without proper engagement with the public and expert communities. Given the importance of the topic, the process should have included public consultations, expert discussions, and working groups to ensure alignment with existing tools such as the already operational DREAM system.

International Experience: Lessons in Effective Recovery

Global practice offers examples of countries that have managed to rebuild successfully after devastating wars or natural disasters. In every case where the approach can be deemed successful, the state established a specific legal framework to regulate key aspects of recovery and coordinate efforts.

Germany: Targeted Legislation as the Foundation for Successful Recovery

Postwar Germany stands as an example of how targeted legislation can significantly enhance the efficiency of national recovery after widespread destruction. Following World War II, the country faced the monumental task of rebuilding virtually from scratch its infrastructure, housing stock, and industries. To coordinate this complex process, special laws were enacted that became the cornerstone of the country's recovery.

One of the key documents was the "Law on the Elimination of War Consequences and the Promotion of Reconstruction" (Gesetz zur Beseitigung der Kriegsfolgen und zur Förderung des Wiederaufbaus). This law provided a framework for allocating financial resources, including international aid under the Marshall Plan. It set priorities for recovery, such as rebuilding infrastructure, industry, and housing. Transparent reporting mechanisms minimized the risk of resource mismanagement.

Other significant laws supporting this approach were the "General War Consequences Act", which addressed issues of compensation and legal clarity for creditors, and the "Burden Equalization Act", which facilitated the redistribution of resources to those affected by the war.

These comprehensive legislative changes established specialized agencies responsible for managing recovery processes at regional and federal levels, introduced clear accountability mechanisms, and identified priority economic sectors for reconstruction. This approach enabled Germany to ensure a clear division of responsibilities and integration across various levels of governance, and this became a key factor for the efficient use of resources and the resilience of recovery processes.⁷

Japan: Recovery From Natural Disasters

In March 2011, Japan faced a triple disaster that could have paralyzed any nation: an earthquake, a tsunami, and a nuclear meltdown at the Fukushima Daiichi Nuclear Power Plant. Despite these unprecedented challenges, Japan not only overcame the crisis but also became a global example of how to organize effective recovery. The cornerstone of its success was the swift enactment of special legislation and the establishment of the Reconstruction Agency, a unique institution with specific powers.

Immediately after the disaster, Japan passed the “Act on Special Measures for the Reconstruction after the Great East Japan Earthquake”.⁸ This act not only formalized recovery processes but also became the foundation for mobilizing resources and coordinating efforts among various levels of government, businesses, and international donors. The law established special economic zones, provided tax incentives to businesses involved in recovery, and streamlined bureaucratic procedures to enable work to begin without delays.

The key element of Japan’s recovery system, however, was the Reconstruction Agency, estab-

lished in 2012. This institution assumed the role of a central coordinating body, bringing together all efforts at the local level. The agency not only ensured a clear division of responsibilities between ministries and regions but also developed strategies, coordinated funding, and monitored project implementation.

Thanks to transparent financial management mechanisms, substantial private investments were attracted, and the risk of misallocation of funds was minimized.

Recommendations: Key Elements of a Comprehensive Recovery Law

Despite the significant number of stakeholders involved in the recovery processes and concerns that adopting comprehensive legislation might slow down rapid responses to challenges, Ukraine cannot afford to operate without a clear legal framework. The absence of a systemic approach has already created chaos in coordination, resource allocation, and project implementation. A comprehensive law should address large-scale corruption risks, establish frameworks for swift and coordinated responses to current challenges, and lay the foundation for long-term sustainable development.

Thus, Kyiv must adopt a special recovery law that includes the following key elements:

Definitions of Key Terms

The law must establish standardized terminology and criteria to streamline recovery processes, ensure transparency, and eliminate ambiguities. “Recovery” should encompass not only the rebuilding of damaged facilities but also broader measures to restore the economic and social state of affected areas.

Development of Strategic Documents

A central component of the law should be the mandatory development of a **national recovery strategy**. Currently, Ukraine has various planning documents, such as regional and local recovery and development plans, as well as national-

level strategies such as the national transport strategy. However, there is poor coordination among these documents. The law should:

- mandate the creation of a national recovery strategy;
- establish procedures for its drafting, approval, amendment, and implementation;
- define the authority responsible for overseeing its execution;
- ensure integration with sectoral and regional plans, linking them to funding sources.

Establishment of a Dedicated Recovery Coordination Body

Effective recovery requires a single entity responsible for coordination, implementation, and oversight. While Ukraine has established the **State Agency for Restoration and Infrastructure Development**, it functions under a government decree without the necessary independence, special powers, or resources. The law must:

- grant the Recovery Agency **special status** to ensure independence from political influence and long-term stability;
- expand its powers to include coordination of projects at national, regional, and local levels, as well as oversight of standards, timelines, and expenditures;
- provide legal guarantees for the agency's staff, including competitive salaries, protection from political interference, and professional development support;
- clearly define its responsibilities for prioritizing, approving, and monitoring projects to ensure transparency and efficiency.

Clarification of Regional and Local Roles and Responsibilities

Currently, many stakeholders are involved in recovery efforts without clear coordination, leading to a lack of priorities and long-term planning. The law should:

- establish clear roles for national agencies developing recovery policies;
- assign responsibilities for regional authorities to implement projects within their territories;
- designate local authorities for the execution of specific initiatives. This delineation of roles will eliminate duplication and ensure effective coordination across all levels of governance.

A Legal Framework for Emergency Projects

To enable swift responses to war-related consequences, the law must provide a legal basis for launching and implementing emergency projects. Regulations should address:

- **a unified decision-making mechanism** for emergency projects;
- **simplified procedures** for implementation, with mechanisms to mitigate potential negative impacts;
- **clear criteria** for identifying emergency projects;
- **procedures to minimize corruption risks** and ensure accountability.

A Unified Approach to Project Preparation and Implementation

The law should establish a systematic approach to:

- selection, prioritization, and funding of projects;
- grouping projects into sectoral or geographic programs to achieve economies of scale;
- standardizing requirements for project documentation.

Resource Management

The law should regulate:

- coordination of limited resources for recovery;
- measures to prevent inflation through the regulation of construction material and labor costs;
- incentives for greater private sector participation in recovery efforts.

Transparency and Oversight

The law must:

- mandate the use of a **digital recovery management system** to include:
 - transparent project prioritization processes and selection criteria
 - tracking project documentation, approval stages, and sectoral programs
- establish clear reporting and auditing mechanisms;
- strengthen public participation in monitoring and decision-making during the recovery process.

ing effectively even during wartime. By leveraging its accumulated experience in addressing urgent needs, Ukraine can create a law that meets real demands without excessive formalism or bureaucracy. This will transform the recovery process into a successful case study of overcoming severe challenges such as the ones the Ukrainian people are facing today.

Even amid enormous uncertainty, Ukraine needs a comprehensive recovery law. This law should serve not only as a tool for addressing the consequences of destruction but also as a foundation for a robust recovery system capable of function-

Endnotes

- 1 Law of Ukraine “On the Principles of State Regional Policy”, dated February 5, 2015, no. 156-VIII. <https://zakon.rada.gov.ua/laws/show/156-19>
- 2 Law of Ukraine “On the Regulation of Urban Planning Activity”, dated February 17, 2011, no. 3038-VI. <https://zakon.rada.gov.ua/laws/show/3038-17#Text>
- 3 Order of the Ministry for Communities, Territories, and Infrastructure Development of Ukraine “On Approval of the Procedure for Conducting Environmental Impact Assessments”, dated February 16, 2024, no. 198. <https://zakon.rada.gov.ua/laws/show/z0198-24#Text>
- 4 Resolution of the Cabinet of Ministers of Ukraine “On Approval of the Procedure for Organizing and Conducting Construction, Reconstruction, and Capital Repair of Infrastructure Objects”, dated February 17, 2023, no. 118. <https://zakon.rada.gov.ua/laws/show/118-2023-%D0%BF#Text>
- 5 “The Law on Comprehensive Recovery of Ukraine Will Provide for an Audit of All Reconstruction Projects: How It Will Be Conducted”, Servant of the People Party. <https://sluga-narodu.com/zakon-shchodo-povnotsinnoho-vidnovlennia-ukrainy-peredbachatyme-audit-vsikh-proektiv-vidbudovy-yak-yoho-provodytymut/>
- 6 “About Us”, Digital Restoration Ecosystem for Accountable Management (DREAM). <https://dream.gov.ua/ua/about>
- 7 Institute of Analytics and Advocacy, “Research on Post-Destruction Recovery Practices of Countries: Germany.” <https://iaa.org.ua/articles/doslidzhennya-praktyk-vidnovlennya-krayin-pislya-rujnacziyi-nimechchyna/>
- 8 National Diet of Japan, “Basic Act on Reconstruction in Response to the Great East Japan Earthquake”. <https://www.japaneselawtranslation.go.jp/en/laws/view/2434/en>



A Reconstruction

Law for Ukraine

Series on the
Governance of a
Marshall Plan
for Ukraine

From Band-Aids to Lasting Solutions

Valeriia Ivanova

G | M | F

IDEAS LEADERSHIP HOPE

Washington, DC • Berlin • Brussels • Ankara • Belgrade • Bucharest • Paris • Warsaw

www.gmfus.org