



20 May 2025 | OECD Ministerial Meeting

Rebuilding Ukraine Investments in the Future of Communities & Regions

Side event Background Note

Introduction

Ukraine's regions and municipalities are a cornerstone of the country's resilience. They have helped organise frontline defence, maintain basic services, and play a vital role in rebuilding war-affected areas. This resilience is underpinned by ambitious decentralisation reforms launched in 2014, which expanded municipal mandates and increased fiscal capacity, providing municipalities with greater autonomy.

Building on this foundation of subnational resilience, Ukraine is confronting the immense task of reconstruction and recovery. This requires mobilising substantial funding and reinforcing governance capacities at all levels. In turn, long-term recovery and resilience requires regional development and investment policies that are tailored to the extremely different development needs of Ukraine's regions.

This note outlines recent developments and challenges related to two key areas that can help deliver on that goal:

- Public investment for reconstruction and recovery using a territorial approach; and
- Co-ordinating short-term disaster reconstruction and longer-term regional development.

1. Public investment for reconstruction and recovery: a territorial approach

By December 2024, Ukraine's recovery and reconstruction needs over the next decade were estimated at USD 524 billion, about 2.8 times its nominal GDP¹. Despite strong international support, significant financing gaps remain, requiring difficult decisions on which investments to prioritise.

To address these gaps, Ukraine is reforming its public investment management system to make public investment more transparent and aligned with strategic development goals at all levels of government. The reform includes the launch, in 2024, of Ukraine's Single Project Pipeline, used to consolidate and appraise proposals against strategic and technical criteria. As part of this system, the Strategic Investment Council, chaired by the Prime Minister, selects priority projects from a list submitted by government bodies. In the first round, 304 of 787 proposed projects were prioritised for 2025, with 92 securing confirmed funding (USD 5.25 billion).

The average prioritisation score of the 787 proposed projects was low (3.01/10), often due to limited strategic alignment with national priorities, project readiness and expected impact. Strengthening capacities to prepare relevant and feasible investment proposals—including at the subnational level—can improve the quality and impact of reconstruction investments, and foster greater public confidence in the recovery process.

Recovery must also address large and increasing regional disparities. Six of 24 regions account for 72% of recorded damage, with frontline areas devastated. Western regions, which have suffered less destruction, face other significant pressures, such as hosting large numbers of internally displaced persons. Addressing these challenges requires strong local engagement to ensure that interventions reflect community needs and priorities. Monitoring territorial development gaps is also essential to promote regional and national cohesion.

Recognising the risks of widening disparities, Ukraine is implementing measures to foster more inclusive regional development. One example is the "Side by Side: Cohesive Communities" project, which matches municipalities located in the west and centre of the country with those on the frontline to help meet their reconstruction needs, build cohesion, and enhance national solidarity.

Ukraine can draw on OECD Member country experience to support its recovery. OECD countries can offer lessons on setting robust guidelines for investment prioritisation and management (e.g. Australia, Chile, UK). They can also provide insights into building systems and capacities—especially at the local level—to manage increased access to territorial development funding, for instance following EU accession (e.g. Czechia and Poland). Additional lessons can be found in countries with pronounced territorial disparities (e.g. Mexico) that use strategic planning and investment policies to achieve more balanced territorial development.

¹ Sources consulted for this background note can be provided upon the request.

Questions for discussion include:

- What tools can help Ukraine prioritise public investment projects for subnational reconstruction when urgent investment needs far exceed available resources?
- What approaches can Ukraine take to structure public investment mechanisms that are able to support vastly different territorial needs?
- What is needed for a sustainable and green reconstruction of Ukraine?
- What can Ukraine do to strengthen regional and local capacities for investment mobilisation and absorption?

2. Co-ordinating short-term disaster reconstruction and longer-term regional development

Effective two-way exchange and co-ordination among national and subnational governments is critical for Ukraine's reconstruction and recovery. In a 2021 OECD survey, 29% of responding municipalities cited an urgent need to improve dialogue and exchange with the national level, especially in investment planning. These gaps are now even more critical given the scale of reconstruction efforts.

The challenges partly stem from limited subnational participation in key co-ordination bodies, such as the Inter-departmental Co-ordination Commission for Regional Development. Strengthening such bodies could improve place-based recovery, reduce fragmentation, and track progress more effectively.

To make the most of large-scale international funding, including from the EU, Ukraine needs to reinforce dialogue among national and subnational governments. A strong co-ordination model—with municipalities playing a leading role to ensure funding reflects local needs and capacities—should align with core governance principles such as partnership, multi-level governance, and territorial fairness.

Estimates suggest that the private sector could contribute up to one-third of total reconstruction funding. This makes reinforcing subnational public-private engagement essential. The Government has prioritised reforms to attract private investment, including public-private partnerships. Building municipal capacity to design and manage such arrangements represents a key opportunity to unlock private sector involvement and ensure effective project delivery. Even before the war, many local authorities did not see economic development as a core function and struggled to involve businesses in planning processes. Addressing these limitations is even more pressing in the current context, as municipalities are called upon to rebuild competitive local economies.

Regional development agencies could help connect public and private sectors in recovery planning. With membership including subnational governments, business associations and academia, these agencies are well placed to co-ordinate multi-actor engagement. However, their effectiveness depends on clear mandates and stable human and financial resources where challenges remain.

Emerging technologies also offer tools to support reconstruction. Ukraine has created a digital register of damaged property and uses an app to enable citizens to claim compensation online. The Digital Restoration Ecosystem for Accountable Management (DREAM) further supports transparent planning and monitoring of recovery projects, serving as the IT backbone of Ukraine's public investment reform. Ukraine is planning a local statistics database to enhance data analysis and policy decisions for regional development. The government and private sector are also exploring AI applications for reconstruction, including to help demine agricultural land.

Valuable lessons may be drawn from OECD Members, such as Chile, France, Italy and Japan, and non-member countries such as Indonesia. These countries have successfully implemented reconstruction strategies following emergencies that required national and subnational governments to act in concert. There may also be important opportunities for exchange with countries such as Australia, Chile, Estonia and Japan, given their experiences with digital solutions to assess disaster risks and damage, and enhance evacuation processes.

Questions for discussion include:

- How can emerging technologies and data analytics support disaster response and reconstruction efforts?
- How can regional and local authorities be effectively integrated into national decision-making structures to support disaster reconstruction co-ordination?
- How can regional and local authorities support subnational recovery?
- How can regional and local authorities effectively engage with international financial institutions and the private sector to support regional and local recovery?