Infrastructure Policy Review of Ukraine

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Foreword

Infrastructure sits at the centre of Ukraine's defining challenges: sustaining essential services under attack, restoring connectivity for trade and logistics, strengthening resilience to future shocks, and supporting the long-term trajectory towards deeper European integration. In wartime, infrastructure is also a strategic asset for sovereignty and national defence. Even as the country endures the human, economic and institutional pressures generated by Russia's full-scale invasion, it continues to advance essential reforms to strengthen its infrastructure governance and financing architecture and build the foundations for a resilient, modern and EU-aligned economy.

This Infrastructure Policy Review of Ukraine supports these efforts. It assesses the strengths and weaknesses of Ukraine's infrastructure governance and investment frameworks, examining how policies, institutions and financing mechanisms can contribute to a more selective, better prepared and implementable portfolio of infrastructure projects.

Developed as part of the OECD-Ukraine Country Programme, the Review examines the entire lifecycle of infrastructure delivery – from needs identification and strategic planning, to project preparation, appraisal, procurement, financing, contract management and asset stewardship. It also assesses the broader enabling environment for public and private investment, including fiscal sustainability, integrity safeguards, corporate governance of state-owned enterprises, financial sector capacity, sustainability requirements and reconstruction-related risks. Throughout, the Review identifies practical reforms that can enhance readiness, delivery discipline and medium-term resilience.

The Review benchmarks Ukraine's progress against OECD standards and international practice, identifying areas where reforms have accelerated and where further improvements are needed to convert strategic priorities into real, timely and durable infrastructure outcomes. As the first OECD Infrastructure Policy Review, it draws upon the OECD High-Level Approach to Enhance and Better Integrate OECD Work on Infrastructure, the OECD Recommendation on Infrastructure Governance, the OECD Recommendation on the Principles for Public Governance of Public-Private Partnerships, and the OECD Principles for Private Sector Participation in Infrastructure, reflecting an integrated OECD perspective across the infrastructure governance and investment and financing dimensions. The OECD Secretariat collected primary data, information and stakeholder inputs through questionnaires and exchanges with government officials and stakeholders from the international donor community as well as through online fact-finding interviews and desk research.

The OECD commends Ukraine's commitment to strengthening its infrastructure system under unprecedented circumstances. The findings and recommendations in this Review aim to help the Government of Ukraine deepen institutional reforms, reinforce transparency and discipline across the infrastructure lifecycle, and create the conditions necessary to mobilise private finance to support reconstruction efficiently and credibly.

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Part I (Planning for delivery: core functions of infrastructure governance) was prepared by Anna Bilous and Dejan Makovsek under the overall direction of Paulo Magina. Part II (Enabling environment for financing and investment in infrastructure by the private sector) was prepared by Hector Tajonar de Lara under the overall direction of Mamiko Yokoi-Arai. Iryna Koshel-Repnevska provided valuable inputs and support with local co-ordination. Nicolas Pinaud, Deputy Director of the Directorate for Financial and Enterprise Affairs, and Janos Bertok, Deputy Director of the Public Governance Directorate, revised the report and oversaw its development.

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Abbreviations and acronyms

ADB	Asian Development Bank
AMCU	Antimonopoly Committee of Ukraine
AMP	Asset management plan
AVK	Automated construction cost-estimation software (Ukraine)
BGK	Bank Gospodarstwa Krajowego (Polish Development Bank)
CBA	Cost – benefit analysis
CEA	Cost-effectiveness analysis
CIT	Corporate income tax
CMU	Cabinet of Ministers of Ukraine
DBOM	Design – build – operate – maintain
DFI	Development Finance Institution
DOZORRO	Civil-society platform for monitoring public procurement
DREAM	Digital Restoration Ecosystem for Accountable Management
DSCR	Debt service coverage ratio
DSTU	State Standards of Ukraine
ECA	Export Credit Agency
EC	European Commission
EIA	Environmental Impact Assessment
EIFO	Export and Investment Fund of Denmark
EN	European norm (standard)
ESG	Environmental, social and governance
EU	European Union
FDI	Foreign direct investment
FPRC	Fiscal Policy Research Center
GDP	Gross domestic product
GIS	Geographic Information System
ICMS	International Construction Measurement Standards
IFI	International Financial Institution
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IRR	Internal rate of return
ISO	International Organization for Standardization
ITF	International Transport Forum
JASPERS	Joint Assistance to Support Projects in European Regions
MDB	Multilateral Development Bank
MIGA	Multilateral Investment Guarantee Agency
MoE	Ministry of Economy (Ukraine)
MoF	Ministry of Finance (Ukraine)
NACP	National Agency on Corruption Prevention
NBU	National Bank of Ukraine
NPV	Net present value
OECD	Organisation for Economic Co-operation and Development

O&M	Operation and maintenance
PDF	Project Development Fund
PIM	Public investment management
PPP	Public – private partnership
RDNA	Rapid Damage and Needs Assessment
SASU	State Audit Service of Ukraine
SEA	Strategic Environmental Assessment
SIC	Strategic Investment Council
SME	Small and medium-sized enterprise
SOE	State-owned enterprise
SPP	Single project p
UAH	Ukrainian Hryvnia
USD	United States Dollar
VfM	Value for money

Executive summary

Ukraine's infrastructure faces the dual challenge of sustaining operations amid wartime disruption and preparing for reconstruction and modernisation. The fifth Rapid Damage and Needs Assessment (RDNA5), undertaken jointly by the World Bank Group, the Government of Ukraine, the European Commission, and the United Nations, with support from additional partners, estimates recovery and reconstruction needs at USD 587.7 billion over 2026-2035, equivalent to almost three times Ukraine's 2025 GDP. Ukraine must determine how to meet investment needs, the role that private participation can have in addressing them, and how priorities are converted into implementable projects that are delivered with integrity and value for money and managed across the asset lifecycle.

Planning for delivery: Core functions of infrastructure governance

Ukraine is moving from project accumulation towards a more disciplined and credible portfolio. According to RDNA5, 2026 recovery priorities comprise 195 projects and programmes drawn from the Single Project Pipeline (SPP). The SPP contains priority projects that have undergone formal appraisal procedures and were identified as eligible for budget financing by the Strategic or Local Investment Councils. The 44% reduction in the number of public investment projects and programmes compared with 2025 signals tighter oversight, more realistic planning horizons, and improved portfolio management, rather than a contraction of investment ambition. Continued progress will depend on strengthened readiness assessments and better co-ordination across levels of government.

The 2025 reform package strengthens the link between strategic priorities, the project portfolio and the budget. Stronger Ministry of Finance gatekeeping helps ensure that projects competing for public resources are assessed against medium-term fiscal ceilings. Inclusion in the funded portfolio is increasingly conditional on readiness, credible costing and financing plans, with clearer sequencing between ongoing commitments and new starts. To further reinforce the effectiveness of reforms, Ukraine could:

- Improve readiness discipline at portfolio entry: require minimum proposal-related evidence, realistic cost ranges and clear responsibilities for entry and continued inclusion, supported by periodic portfolio correction.
- Standardise project preparation: apply proportional methods for feasibility, appraisal and independent challenge and build preparation capacity so readiness is comparable across sectors and levels of government.
- Rebalance lifecycle governance: strengthen asset-management evidence and integrate lifecycle costing and decommissioning into preparation and budgeting.

The Digital Restoration EcoSystem for Accountable Management (DREAM) is intended as the digital "spine" linking concepts, appraisal, procurement and monitoring. It is important that DREAM is operationalised as a common project data environment rather than treated only as a transparency or registry tool. Its value depends on mandatory data fields, persistent project identifiers, role-based validation

responsibilities and traceable links between project concepts, appraisal records, budget decisions, procurement notices, contract modifications, payment information and implementation monitoring. For DREAM to become an instrument for better infrastructure governance and project management that connects project-related processes and operations and improves decision making process, as well as traceability and transparency of project information, Ukraine could:

- Operationalise DREAM for accountability. Prioritise persistent identifiers, mandatory data standards, interoperability with budget/procurement/treasury processes, validation responsibilities and interoperability with budget, Prozorro, treasury/payment and construction-monitoring systems, supported by audit and control arrangements that ensure identified risks are acted upon and reporting that supports oversight and portfolio learning.

Application of OECD's Infrastructure Governance Indicators (IGIs) benchmarking suggests relative strengths in formal appraisal and fiscal-control disciplines, with weaker performance downstream where projects meet markets and assets enter operation. The largest gap is evidence-informed decision making for infrastructure management, implying that upstream gates are necessary but insufficient.

Procurement strategy remains a weak bridge between preparation and tendering. Where key pre-tender decisions – including delivery model choice, contract packaging and allocation of exogenous risks – are not made explicit before tender, the system is exposed to thin competition, defensive pricing and higher likelihood of disputed. These risks are amplified under wartime volatility. To address the issues related to infrastructure project delivery, Ukraine could:

- Make procurement strategy mandatory for major works. Assign ownership for delivery model choice, packaging, market engagement and risk allocation before tender launch.
- Rebalance lifecycle governance. Strengthen asset-management evidence and integrate lifecycle costing and decommissioning into project preparation, budgeting, and procurement decision making.

Ukraine's upstream public investment management reforms have created a credible architecture; the decisive test is whether project readiness discipline, procurement strategy and lifecycle evidence become operational, repeatable practice across the delivery system. To ensure that reforms create a lasting positive effect on infrastructure governance and project implementation, public sector capacity has to build up to match the reform ambition. The infrastructure governance aspects represent one of the key pillars to ensure success in terms of public or private investment into infrastructure. The other key pillar is the creation of enabling conditions for investment that can support investor confidence and mobilise domestic and foreign private finance towards infrastructure.

Enabling environment for private infrastructure investment and private sector participation

The enabling environment for infrastructure investment in Ukraine is shaped by the risks that war conditions present in terms of loss, damage or disappearance of tangible assets (hereafter referred to as war risk), challenges related to integrity and corporate governance of state-owned enterprises (SOEs), and limited financial market opportunities. These factors hinder private sector participation in infrastructure, which remains very limited.

Despite modernisation of its public-private partnership (PPP) and concession frameworks (including as part of Ukraine's public investment management reforms), and stronger project-level feasibility criteria, few PPP projects reach financial close. Institutional capacity constraints and wartime legal uncertainty remain material to further develop PPPs in Ukraine. Further efforts are also needed to improve the management of environmental and social risks throughout the infrastructure asset lifecycle and strengthen frameworks that can support sustainability-aligned investments. To address these challenges, Ukraine could:

- Ensure macroeconomic and debt sustainability, which should be safeguarded to build investor confidence around the country's capacity to manage long-term liabilities.
- Consolidate enabling conditions for investment in infrastructure through land acquisition reforms, improved corporate governance of SOEs and reinforced anti-corruption and integrity safeguards to reduce risk to investors.
- Strengthen key components that support PPP bankability, notably: feasibility, quality, affordability and fiscal risk assessments, as well as adequate public-private risk allocation.
- Support financial market development. The financial market is not sufficiently developed to provide long-term infrastructure financing at scale, or issue investible capital market instruments. There is a need to develop financial instruments, such as guarantees, that can mitigate the risks that face private investors who are interested in seeking opportunities in the Ukrainian market.
- Improve the governance and commercial discipline of state-owned banks, expand domestic banking sector project finance skills through partnerships and syndications with international banks, and advance capital market reforms to enable longer tenor instruments and asset-backed financing.
- Shift to routine climate risk assessments and strengthened environmental and social reporting aligned with EU standards to unlock sustainable financing and safeguard long-term asset performance.

1 Improving the governance and financing architecture for Ukraine's reconstruction: Key findings and recommendations

Ukraine's reconstruction challenge is defined not only by the scale of needs but by the governance and financing capacity required to translate scarce resources into durable infrastructure outcomes. This synthesis chapter consolidates the main findings from the report, highlighting reforms needed to strengthen project selectivity, readiness and delivery credibility under wartime disruption, fiscal constraints and EU-accession objectives. The review finds that Ukraine has made substantial progress in upstream reforms, including strategic planning, fiscal gatekeeping, appraisal procedures and the creation of a unified digital pipeline through DREAM. However, these advances are not yet matched by downstream delivery discipline. The review also emphasises that public and donor funding will remain the backbone of reconstruction in the medium term, while private participation should expand selectively where project economics, governance and risk mitigation are credible. Further efforts will also be needed for sustainability, resilience and integrity to be embedded across the full infrastructure lifecycle.

Ukraine's infrastructure challenge is not only one of scale. While the country faces exceptionally large reconstruction and modernisation needs under wartime disruption, fiscal scarcity and EU-accession pressures, Ukraine is also under conditions of unusually strong international attention, reform momentum and external support that create opportunities for deeper institutional upgrading. The central policy question is how scarce public resources and private capital are mobilised and allocated to well-prepared projects. In that sense, the review presents the policy measures needed to establish a reliable system for project selection, delivery and long-term asset stewardship that can support investor confidence and mobilise private capital for reconstruction.

This Review examines, first, infrastructure governance across the lifecycle, and second, the enabling environment for infrastructure investment and financing. With this, the report builds on a distinction between funding and financing. *Funding* refers to the ultimate sources of payment for infrastructure that is public, including budget resources, donor grants, concessional funding and user revenues. *Financing* refers to the provision of private capital through loans, bonds, equity, guarantees and other types of instruments. Ukraine's constraints are binding on both sides. Scarce and uncertain funding makes it essential to be selective and to focus on completing projects. At the same time, underdeveloped financial intermediation and capital markets, combined with war risk, limit the availability and cost of private financing. This matters because Ukraine's immediate constraint is not only a shortage of finance. It is also the limited availability of durable funding and the need to strengthen the state's capacity to channel both funding and financing into a credible, prioritised and implementable infrastructure portfolio.

RDNA5 estimates recovery and reconstruction needs at USD 588 billion over 2026-2035, It also estimates USD 195 billion of direct damage and USD 667 billion of economic and social losses. For 2026, priority recovery and reconstruction needs are estimated at USD 15 billion, with an overall funding gap of about USD 9 billion against confirmed state budget allocations and partner financing. The Review does not assess Ukraine's budget system as such. References to budgeting are limited to the infrastructure-governance interface: medium-term fiscal ceilings, affordability screening, commitment control, portfolio prioritisation, and the link between project selection and budget allocation.

1.1. Ukraine's first-order challenge is to make scarce funding more selective, credible and durable

Ukraine's reconstruction needs are vast, while confirmed budgetary and partner resources remain far below total needs. Under these conditions, the state cannot afford a broad or weakly filtered investment portfolio. The practical implication is that public funding, donor funding and guarantee capacity must be allocated through stronger gatekeeping and stricter selectivity rather than through dispersed project accumulation.

The review therefore supports public investment management reforms that link project initiation more tightly to medium-term planning, budget constraints and portfolio discipline. The move towards a smaller and more selective Single Project Pipeline, together with the stronger role of the Strategic Investment Council and the use of DREAM as a common data environment, is broadly sound. The main issue is no longer whether Ukraine has started to build a pipeline and set the procedures right. It is whether the pipeline is credible enough that projects entering it are sufficiently prepared, costed, screened and institutionally owned to justify scarce funding commitments.

Portfolio credibility also depends on public integrity. A more selective pipeline will only improve delivery outcomes if project selection, costing, procurement strategy, contract changes and payments are protected from undue influence and manipulation. This is particularly important in reconstruction, where urgency, large works contracts and exceptional procedures can weaken ordinary controls. Integrity safeguards should therefore be treated as part of infrastructure governance, not as a separate compliance layer added after projects have already been selected and designed.

1.2. The reform frontier has shifted from pipeline creation to project preparation and delivery readiness

A repeated finding across the governance chapters is that Ukraine's reform challenge is broader than appraisal in the narrow sense. The emerging framework now covers preparation, screening, prioritisation, appraisal, selection, implementation and monitoring. This broader scope is important because the quality of selection depends heavily on the quality of preparation before formal appraisal begins: whether needs are translated into credible concepts, whether options are compared, whether technical solutions are sufficiently developed, whether cost estimates are realistic, and whether project sponsors have access to preparation support before they are expected to compete for portfolio entry.

This is why DREAM should be treated not merely as a transparency or registry tool, but as a strategic-planning and learning instrument. A persistent project identifier, common maturity tiers, standard project information and stronger interfaces across planning, budgeting, procurement and monitoring would allow the state to move from seeing projects as isolated approvals towards managing them as part of an evidence-based portfolio. The point is to reduce the gap between formal prioritisation and actual readiness to procure and deliver. This does not mean that DREAM can substitute for procurement oversight, internal control, audit or enforcement. Its role is to make decisions, documents, identifiers and implementation records traceable. Accountability depends on whether responsible institutions use that information to detect anomalies, challenge weak documentation, scrutinise contract modifications and act on identified risks.

1.3. Ukraine's stronger upstream architecture is not yet matched by downstream delivery discipline

The IGI results sharpen the central governance diagnosis. Ukraine performs relatively strongly on long-term strategic vision and especially on fiscal sustainability, affordability and value for money, but is weaker on procurement strategy, stakeholder systematisation and evidence-informed management across the asset lifecycle. This suggests that reforms have advanced further in planning, appraisal and fiscal-control functions than in the downstream functions that determine whether approved priorities are converted into delivered and well-managed assets. That indicated progress in the reformed areas, while also exposing the next reform frontier: advancing on infrastructure projects' delivery strategy and packaging, procuring, managing and learning from them. This will help Ukraine convert priorities into infrastructure outcomes.

The operational risk is therefore not that upstream improvements in infrastructure governance may not deliver their full effect without stronger procurement strategy, contract management, asset-management evidence and feedback into future portfolio decisions. Procurement remains too price-driven for complex works, competition is limited even where procedures are formally competitive, and wartime flexibility has expanded non-competitive routes in areas where pricing and integrity risks are already high. At the same time, asset management remains underdeveloped, with weak condition evidence, limited service-level monitoring, and insufficient distinction in budgeting between routine maintenance, major rehabilitation and replacement. Decommissioning is also treated too narrowly as a late disposal issue rather than as a lifecycle consideration. Ukraine therefore needs to connect planning strength to delivery strategy, balanced contractual relationships, stronger contract management, asset-management plans and more explicit end-of-life planning.

That downstream weakness appears in several forms. Procurement remains too price-driven for complex works, competition is limited even when procedures are formally competitive, and wartime flexibility has expanded non-competitive routes in areas where pricing and integrity risks are already high. At the same time, asset management remains underdeveloped, with weak condition evidence, limited service-level

monitoring, and insufficient distinction in budgeting between routine maintenance, major rehabilitation and replacement. Decommissioning is also treated too narrowly as a late disposal issue rather than as a lifecycle consideration. The practical conclusion is that Ukraine must connect planning strength to delivery strategy, balanced contractual relationships, stronger contract management, asset-management plans and more explicit end-of-life planning.

1.4. Public funding and donor support remain the backbone, but financing capacity must be built around them

The financing chapters show that publicly backed structures dominate infrastructure transactions in Ukraine. Road and rail investment has been funded largely through state budget resources and loans from multilateral development banks, while private investment has been concentrated in ports and, to a lesser extent, airports. In the 2025 budget, large shares of infrastructure-related allocations were supported by state guarantees and bilateral or multilateral funding. This confirms that the immediate reconstruction model is still driven primarily by public and donor funding rather than by a mature domestic infrastructure-financing market.

That reality should not be obscured by the language of mobilisation. Ukraine does need more private financing, but financing cannot replace weak project preparation, poor governance or unstable risk allocation. Domestic bank lending remains shallow relative to peers, capital markets are underdeveloped, domestic project-finance capability is limited, and state-owned banks and enterprises still present governance and balance-sheet issues that affect investor confidence and intermediation capacity. The immediate task is therefore dual: preserve and allocate public and donor funding more credibly, while gradually building the institutional, financial-sector and risk-mitigation conditions that make more sophisticated financing structures possible.

This is also where the distinction between funding and financing has direct policy implications. Donor grants, concessional loans, budget transfers and guarantee envelopes are primarily funding-side enablers or risk absorbers. Bank lending, equity participation, bond markets, securitisation and blended finance structures belong to the financing-side architecture. Ukraine will need both, but in sequence and with discipline. Weakly prepared projects cannot be made bankable merely by layering guarantees on top. Conversely, well-prepared projects in viable sectors may still require public or donor funding support, especially where war risk, affordability constraints or limited user revenues make purely commercial financing unrealistic.

1.5. Private participation should be expanded selectively

Ukraine still faces significant implementation challenges in developing bankable PPPs, including fragmented institutional responsibilities and weak project preparation capacity. At the same time, debt sustainability remains a real constraint, and the fiscal implications of PPPs and guarantees need to be identified, assessed, disclosed and managed within the relevant fiscal-risk and budgetary frameworks. Private participation should expand where the underlying project economics, contractual structure and risk-mitigation tools are credible, building on recent public investment management reforms.

The transport sector findings reinforce this differentiated approach. Ports are the clearest near-term area for private financing and private participation because they can generate freely usable currency revenues and build on past experience with concession structures. Airports may become candidates when airspace conditions allow. Roads and rail remain strategically important, but for now rely on public funding and MDB-backed structures. Here, better maintenance planning, stronger integrity safeguards and, in due course,

more disciplined use of blended finance structures may be more realistic than a rapid expansion of commercially financed PPPs.

1.6. Sustainability, resilience and integrity need to be built into the core system

The report also shows that sustainability and resilience are no longer peripheral concerns. Ukraine is aligning its sustainable finance and disclosure architecture with the EU acquis, climate adaptation has become materially relevant for infrastructure performance, and recent reforms have clarified the need to integrate environmental and social considerations into feasibility studies. The next step is to move from compliance at the point of approval to lifecycle integration: climate risk, environmental and social reporting, resilience measures and broader non-financial performance need to inform planning, design, financing and asset management rather than sit only in stand-alone environmental impact assessment (EIA) documents.

Ukraine has made progress in strengthening its anti-corruption and public integrity framework, but reconstruction creates concentrated risks because large volumes of funding, urgent delivery pressures, complex works contracts and wartime exceptions interact across the infrastructure lifecycle. The main risks extend beyond the tender procedure itself and can materialise across the infrastructure lifecycle: project identification, appraisal, design, cost estimation, tender documentation, bidder selection, contract modification, supervision, payment and asset operation. For this reason, digital tools, open data and traceable project records are necessary but insufficient. DREAM, Prozorro and related disclosure platforms can make project information more visible and comparable, but they do not automatically prevent tailored specifications, collusive bidding, manipulation of cost estimates, unjustified amendments or weak quality control during execution. Integrity safeguards therefore need to be embedded in the operating system for infrastructure delivery: internal controls, audit follow-up, competition enforcement, beneficial ownership transparency, civil-society scrutiny, investigative capacity and credible sanctions must work together with project-preparation, procurement and contract-management reforms. Stronger integrity safeguards are not only needed to prevent waste, misappropriation and corruption in public spending. They also support investor confidence, competitive markets, public trust and continued international support.

1.7. Transport provides the clearest test case for integrated reform

Transport provides a strong sectoral illustration of the report's wider argument. It combines very large reconstruction needs, major relevance for economic recovery and EU integration, a mix of funding and financing models, and clear differences across subsectors in their readiness for private participation. It also concentrates several of the report's hardest governance challenges at once: project prioritisation, land acquisition, procurement strategy, maintenance under fiscal stress, SOE governance, cross-border connectivity, and climate and resilience pressures.

For that reason, transport should be treated as a lead sector for phased implementation of the wider reform agenda. The sector offers the strongest case for using the new public investment management (PIM) framework aimed at strengthening the planning and execution of public investments through *inter alia* DREAM interoperability, better preparation support, more disciplined procurement strategy, stronger maintenance planning, targeted use of guarantees and blended instruments, and closer alignment with EU network and sustainability objectives. If these reforms cannot be made operational in transport, it is difficult to see them taking hold elsewhere at scale.

1.8. Priority recommendations

Ukraine does not primarily need a larger list of projects or a broader menu of financial instruments for now. It needs a tighter system that allocates scarce funding more selectively, prepares projects to a higher and more comparable standard, uses financing instruments where underlying project conditions justify them more effectively, and manages infrastructure as a full lifecycle responsibility rather than as a sequence of disconnected approvals and contracts. The strategic direction of reform is already visible. The decisive task is to turn that direction into repeatable practice across planning, preparation, procurement, financing, management and renewal. The key recommendations can be summarised as follows:

- **Treat the pipeline as a fiscally bounded portfolio, not as a registry.** Enforce readiness tiers and minimum data standards as conditions of entry and continued inclusion and use periodic portfolio correction to reallocate funding from non-performing projects to implementation-ready projects.
- **Consolidate appraisal and preparation requirements into a single framework.** Align project proposal grading, feasibility thresholds, independent challenge and quality assurance gates, and ensure consistent application across sectors and levels of government through standard templates and training.
- **Make procurement strategy a mandatory pre-tender decision for major infrastructure.** Assign clear ownership on the client side, require structured market analysis and packaging logic, and ensure risk allocation and price adjustment choices are decided before the launch of a tender.
- **Integrate PPP screening into the same front-end governance chain.** Use early screening followed by value for money (VfM), affordability, fiscal risk and market interest assessment where warranted, and avoid separate PPP pipelines outside PIM and DREAM.
- **Strengthen contract management and integrity controls where wartime derogatory regimes and exceptions may exacerbate risk.** Prioritise complete disclosure, disciplined change control, and traceable links between project records, procurement documentation and payment systems, using DREAM identifiers as the backbone.
- **Build credible evidence base for asset management and lifecycle performance.** Focus initially on condition evidence, service-level monitoring and maintenance planning for critical networks, with systematic feedback into planning and portfolio choices.
- **Target financing mobilisation to where governance and project readiness justify it.** Expand war-risk and political-risk mitigation tools in collaboration with international partners but treat them as complements to bankability rather than substitutes for preparation and integrity safeguards.
- **Strengthen financial intermediation for infrastructure over time.** Improve state-owned bank governance and gradually reduce the amount of government debt held by domestic banks, develop project finance capability in the domestic banking sector through syndications with international banks, and progress capital market reforms to enable longer-term instruments when conditions permit, including in local currency, and allow for securitisations that leverage Ukraine's existing asset base to undertake new investments.
- **Mainstream climate resilience and sustainability across the lifecycle.** Move from EIA compliance at approval to routine climate-risk assessment, resilience measures in design and maintenance, and stronger non-financial reporting that can support EU-aligned funding and financing requirements.
- **Use transport as the lead sector for operationalising reform.** Prioritise maintenance and integrity in roads, interoperability and cross-border connectivity in rail, and selective private participation in ports and airports where war-risk coverage, governance safeguards and revenue fundamentals make it credible.

PART I. Planning for delivery: Core functions of infrastructure governance

2 Governance for sustainable and quality infrastructure in Ukraine

This chapter examines how Ukraine is governing largescale infrastructure reconstruction under conditions of ongoing war. It sets out the emergence of a lifecycle-based framework for public investment, covering project prioritisation, appraisal, budgeting, execution and monitoring. It reviews the creation of new central gatekeeping institutions, the tightening of appraisal and environmental screening requirements, and the formal alignment of subnational recovery planning with national priorities. The chapter finds that Ukraine has moved decisively towards treating public investment as a strategic portfolio, supported by strengthened budget rules, multiyear fiscal ceilings and an integrated digital pipeline for project management. At the same time, the system is being implemented under exceptional uncertainty, capacity constraints and continued reliance on external financing. The chapter concludes that Ukraine's challenge is no longer only to establish a formal framework for public investment, but to ensure that institutional responsibilities, fiscal ceilings and digital systems work together as a coherent basis for prioritisation, project preparation and delivery.

2.1. Key government actors

Ukraine has moved from a project-accumulation model towards a more rules-based approach to strategic planning and public investment selection. In the current framework, strategic prioritisation operates through the Strategic Investment Council, the Single Project Pipeline, DREAM-based project registration, and the medium-term fiscal framework, while regional and community planning documents continue to feed project ideas into sectoral and national portfolios. Strategic prioritisation of projects is increasingly shaped by a combination of strategic alignment, implementation readiness, affordability within medium-term ceilings, likely funding source, the sequencing of ongoing versus new projects, and, where relevant, recovery, security and EU-alignment considerations.

Infrastructure decisions in Ukraine are shared across a relatively compact set of central institutions, line ministries, implementing agencies, local self-government bodies, state-owned enterprises, and oversight institutions. At the centre of government, the Strategic Investment Council (SIC), created by Cabinet of Ministers' Resolution No. 549 of 14 May 2024, provides portfolio-level steering. The Ministry of Finance acts as the fiscal gatekeeper through the budget framework, the Ministry of Economy develops core methodological elements of the public investment management reform, and the Ministry for Development of Communities and Territories anchors regional recovery planning and the DREAM digital system.

Around this central core sit sector ministries and agencies that prepare and manage project pipelines; subnational authorities that originate and implement a large share of smaller and medium-scale capital projects; and large state-owned enterprises that remain major investors, asset owners and contracting authorities in transport, energy and utilities. At the apex, the Strategic Investment Council (SIC), chaired by the Prime Minister, provides the political steering for a unified pipeline: it aligns sector priorities with fiscal space, considers graded project concepts, and signals which interventions proceed to budget preparation. Oversight and assurance are provided through institutions such as the Accounting Chamber, the State Audit Service, anti-corruption bodies, and public-facing data and monitoring platforms. The summary of the key actors is presented in Table 2.1.

The MoF is the budget gatekeeper, as mentioned in the previous section. It sets multi-year ceilings, screens projects for affordability and fiscal risk (including PPPs and concessions), and authorises inclusion in the budget only where selection and appraisal requirements have been met. MoF's role anchors portfolio discipline: it links SIC signals to fiscal constraints, requires DREAM registration, and challenges unit costs, indexation rules, and contingent liabilities before commitment.

The Ministry for Development of Communities and Territories of Ukraine shapes the delivery environment for the largest asset classes – transport, housing and communal services, urban development – and leads regional policy instruments. It sponsors sector strategies and programmes, sets technical and prioritisation criteria, and governs the DREAM, the national project database that follows investments from project proposal to implementation. Under the Ministry for Development of Communities and Territories, the State Agency for Reconstruction and Development of Infrastructure (SARDI) acts as a major client and project owner for large works and provides hands-on support to municipalities in preparation and delivery.

Line ministries are policy owners and portfolio managers within their sectors. They convert strategies into pipelines, run appraisal and readiness checks, and oversee delivery by their agencies and SOEs. Large SOEs – Ukrzaliznytsia (rail), Ukrenergo (transmission), Ukrhydroenergo (hydro), Naftogaz group (gas), and regional utilities – are major investors and contracting authorities. Their boards and supervisory ministries must align corporate investment plans with national ceilings and SIC priorities and disclose programme pipelines and contract performance.

Local self-government bodies are essential PIM actors. Oblasts and communities (hromadas) prepare recovery and development plans, originate most small- and medium-scale investments, and execute a substantial share of capital expenditure via budget transfers and municipal enterprises. Kyiv, Lviv, Dnipro, Kharkiv and Odesa play outsized roles as project owners and as markets for construction and utilities

contracts. Their decisions on packaging, procurement strategies, and tariff/own-revenue policies materially affect delivery capacity and the ability to crowd in enterprise finance.

Procurement institutions form the governmental spine in dealing with commercial entities. The MoE sets procurement policy and oversees the Prozorro e-procurement system and Prozorro Market. Contracting authorities publish complete, machine-readable dossiers and conduct tenders on Prozorro. Complex works such as major infrastructure projects require project-specific procurement strategies (market engagement, lotting, contract form, risk and price adjustment). The Antimonopoly Committee of Ukraine (AMCU), through its complaints board, adjudicates bid challenges and enforces non-discrimination. AMCU's decisions can affect procurement timelines and bidder confidence. Given this role, predictable procedures, transparent reasoning and effective safeguards against undue discretion are important for maintaining trust in procurement remedies (OECD, 2025[1]). Broader integrity risks related to procurement oversight and infrastructure delivery are discussed in the integrity and enabling-environment sections of the report. The MoF enforces commitment controls and payment discipline, providing the financial trail that must reconcile with DREAM identifiers and procurement records.

External assurance bodies provide independent checks. The Accounting Chamber conducts financial and performance audits of state programmes and major projects, assessing economy, efficiency and effectiveness. The State Audit Service of Ukraine (SASU) performs legality and effectiveness audits and procurement monitoring, with a focus on compliance with selection rules, tender procedures, contract changes, and achievement of stated results. Their findings feed back into MoF gatekeeping, the Ministry for Development of Communities and Territories of Ukraine's guidance, and SIC decision making, and should progressively pivot from line-item conformity to outcome-oriented assurance.

Civil society and market monitors close the transparency loop. Platforms such as DOZORRO, a platform for civil control of public procurement (DOZORRO, n.d.[2]) use open data to identify red-flags while professional associations and chambers provide supplier feedback. The organisations such as AmCham Ukraine (https://chamber.ua/ua/), European Business Association (https://eba.com.ua/en/), Ukrainian Chamber of Commerce and Industry (https://ucci.org.ua/), and the Confederation of Builders of Ukraine (CBU/KBU, https://kbu.org.ua/en) can provide feedback from businesses and contractors on tender design, documentation requirements and contractual conditions. International partners – EU, IFIs and bilateral donors – co-finance large parts of the capital programme and impose complementary appraisal, fiduciary and environmental requirements that should be mapped into national procedures to avoid duplication. Additionally, the Fiscal Policy Research Center (https://fiscalcenter.org/en/) (Fiscal Policy Research Centre, 2025[3]) think-tank tracks and traces all the receipts of capital expenditure on a national and subnational levels and provides unique insights as to the budget spending for improved government accountability and better donor co-ordination. Apart from digital maps of public expenditure FPRC also provides Shadow Reports on the topic, as well as dashboards on special issues. In 2025, for instance, FPRC published a monitoring dashboard on the spendings on the projects implemented with the funding from IFIs (Fiscal Policy Research Centre, 2025[3]).

Table 2.1. Key actors in infrastructure governance in Ukraine

Institution	Description of Functions
The Strategic Investment Council	chaired by the Prime Minister, made up of members of the Cabinet of Ministers – ensuring co-ordination of strategic priorities for public investments and approval of a single project pipeline. The Ministry of Economy will provide information and analytical support for the Council's activities
Ministry of Economy	Coordination of the national system of strategic planning and preparation of a long-term document of national development, which contains the main goals and priorities of investment; preparation of a medium-term 6 plan of priority public investments in close connection with the Budget Declaration; methodological support for the preparation, prioritisation, appraisal, selection and implementation of public investment projects to ensure unified approaches to all types of public investments both at the central and local levels; monitoring the implementation of single project portfolio; policy formation in the field of public procurement and ensuring the functioning of the Prozorro electronic procurement system

Institution	Description of Functions
Ministry of Finance	determination of the fiscal framework for public investment, taking into account all sources and mechanisms of financing and the need to ensure macro-financial stability; methodological support for budget planning of public investments aligned with the strategic goals and objectives and fiscal framework; assessment of the feasibility of attracting public investment and ensuring the selection of the optimal financing mechanism; assessment of fiscal risks related to public investments, primarily regarding PPPs and concessions; assessment of the reasonableness of the determined cost of projects and availability of financing; ensuring inclusion in the budget or provision of state support only for those projects that have passed established appraisal and selection procedures
Ministry of Development of Communities and Territories	Coordination of strategic planning of regional development, consisting of the State Strategy for Regional Development, the Plan for Reconstruction and Development of Regions and the Program for Integrated Development of Communities, on the basis of which public investments at the local level should be planned; preparation of sectoral strategies in the fields of transport and transport infrastructure, housing policy, housing and communal services and energy efficiency, determination of sectoral prioritisation criteria based on them, preparation of a sectoral project pipelines and proposals for the medium-term plan of priority public investments and co-ordination of the implementation of projects in the said sectors; development and implementation of DREAM, which will become a repository of public investment projects that meet the defined strategic priorities of national and regional development and established criteria, and will ensure effective monitoring of their implementation;
Line ministries	preparation of sectoral strategies, determination of sectoral prioritisation criteria based on them, preparation of a sectoral project pipelines and proposals for the medium-term plan of priority public investments and co-ordination and monitoring of project implementation in the relevant spheres of state policy;
State Agency for Reconstruction and Development of Infrastructure of Ukraine	preparation and implementation of large-scale infrastructure projects in accordance with the medium-term plan of priority public investments; provision of support to local self-government bodies during the preparation and implementation of infrastructure projects
Local self-government bodies	preparation of plans for the recovery and development of relevant territories, development, prioritisation and implementation of public investment projects based on them
Accounting Chamber of Ukraine	conducting a financial audit and performance audit of relevant programmes and expenses, developing proposals and recommendations for taking measures to eliminate violations and shortcomings and prevent them, developing recommendations for improving the relevant legislation
State Audit Service of Ukraine	analysis and verification of the legality and effectiveness of the implementation of investment projects using state and local budget funds, state support, state and/or local guarantees, as well as analysis and verification of the achievement of performance indicators, management of investments (funds) and their use.

Source: Ministry of Finance (2024[4]), Roadmap for Reforming Public Investment Management System, https://mof.gov.ua/storage/files/PIM%20roadmap_final.pdf.

The institutional architecture for PIM has become stronger, and the core institutions are now more clearly defined. However, implementation responsibilities remain uneven in practice, particularly where PPP development, project preparation support and cross-ministerial decision rights intersect. While some expertise centres may need further support and/or reinforcement, the core players are well established. Effective PIM depends on the key institutional actors using a single digital spine (DREAM), applying uniform appraisal and procurement standards, and reconciling decisions with medium-term fiscal ceilings so that projects progress from project proposal to payment with clear ownership, accountability and evidence.

2.2. Infrastructure needs

The latest joint Rapid Damage and Needs Assessment (RDNA5), prepared by the Government of Ukraine, the World Bank Group, the European Commission and the United Nations, estimates Ukraine's recovery and reconstruction needs at USD 587.7 billion over 2026-2035, equivalent to almost three times Ukraine's 2025 GDP (Government of Ukraine, World Bank, European Union, United Nations, 2026[5]). This represents an increase of USD 64.1 billion or 12.3% relative to RDNA4 (Government of Ukraine, the World Bank Group, the European Commission, and the United Nations, 2025[6]). Direct damage is now estimated at USD 195.1 billion, while economic and social losses have risen to USD 666.7 billion, underscoring that recovery requirements continue to expand rather than stabilise. Needs remain geographically concentrated in frontline oblasts and major metropolitan areas, and sectorally in transport (USD 96.3 billion), energy

(USD90.6 billion) and housing (USD89.8 billion), with particularly sharp increases since RDNA4 in water supply and sanitation, energy, transport, and telecommunications, digital and media.

For 2026, the Government of Ukraine has identified USD 15.25 billion in priority recovery and reconstruction needs, comprising USD 11.27 billion in public investment projects and programmes from the Single Project Pipeline and USD3.98 billion in non-investment programmes (Government of Ukraine, World Bank, European Union, United Nations, 2026[5]). Confirmed State Budget allocations and partner financing cover about USD5.77 billion, leaving an overall financing gap of approximately USD9.48 billion. RDNA5 also records that at least USD20.3 billion in needs have already been met since February 2022 through urgent repairs and early recovery measures, although the report notes uneven sectoral data on needs met. Compared with RDNA4, the 2026 prioritisation is more tightly aligned with the reformed public investment management (PIM) system: projects were screened for strategic alignment, readiness, and realistic financing prospects, and the previous treatment of state guarantees was corrected to avoid overstating needs (Government of Ukraine, the World Bank Group, the European Commission, and the United Nations, 2025[6]).

On the financing side, Ukraine's infrastructure reconstruction and recovery needs will require considerable financing from international partners and investments from businesses as well as the state. The EU's Ukraine Facility provides up to EUR 50 billion in 2024-2027 through a unified instrument tied to reforms and investment milestones, with an investment framework to crowd in private capital (European Commission, 2026[7]). The IMF's Extended Fund Facility anchors macro-fiscal policy and supports budget financing (Ministry of Finance of Ukraine, 2026[8]). The recent reviews confirm continued programme implementation and the importance of PFM and PIM reforms for fiscal sustainability and reconstruction readiness.

These quantified needs and financing envelopes frame the practical constraints for PIM reform. Gatekeeping must occur before commitment, methods must be standardised and proportional to project risk, and data must be integrated across DREAM, budgeting, procurement and treasury systems so that scarce resources are allocated to projects with the highest strategic value and deliverability.

2.3. Strengthening core infrastructure governance functions

2.3.1. Strategic planning and portfolio prioritisation

Ukraine's current planning and prioritisation framework is centred on the Strategic Investment Council and the Single Project Pipeline. The SIC provides a formal venue for applying cross-sector strategic filters before projects proceed to budget allocation. In practice, this has introduced a clearer distinction between broad reconstruction needs, the wider project pipeline, and the funded portfolio approved for budget support.

The project pipeline now sits within a more structured planning architecture. RDNA5 presents the 2026 priority programme as a filtered subset of broader recovery needs, and the reduced number of projects compared with the previous cycle reflects the operation of screening for strategic alignment, maturity and financing prospects. At the same time, sector and regional planning documents continue to feed project ideas into the national system.

The current framework combines several planning layers: national recovery and development priorities; sectoral strategies and programmes; regional and community recovery plans; and the state project pipeline managed through the new public investment procedures. The IGI Phase 1 survey recorded that Ukraine already used common prioritisation criteria and linked planning to budget allocations, and the reforms adopted since 2024 have placed those functions within a more explicit centre-led portfolio process.

2.3.2. Project appraisal and selection

Project appraisal and selection are now governed through a more formalised lifecycle than in earlier years. CMU Resolution No. 903 of 9 August 2024 established the project proposal's preparation, evaluation and grading procedure for the 2025 cycle, and the 2025 reform package further consolidated the public investment procedure through CMU Resolutions No. 294 and No. 527. These instruments organise projects around a sequence that runs from objective setting and identification to screening, appraisal, prioritisation, selection and implementation decision.

Under the current arrangements, project concepts are prepared and assessed before inclusion in the funded state portfolio, and project proposal grading results are recorded in DREAM. Feasibility requirements, cost modelling and risk analysis have also been progressively formalised through the public investment methodology and related secondary acts. This has given Ukraine a more standardised ex ante project entry process across sectors.

The IGI evidence presents this area as one where Ukraine had already established a relatively formal framework before the full-scale war. The Phase 1 survey recorded the existence of project appraisal methodologies, value-for-money related procedures and an independent assessment function. The Phase 2 survey, meanwhile, showed that evidence use within appraisal was stronger in some elements of cost and benefit estimation than in ex post analysis and wider lifecycle evidence. Taken together, these survey results describe a system with formal appraisal architecture and an ongoing shift toward more standardised use of project data.

2.3.3. Pricing and benchmarking of infrastructure projects

Ukraine does not yet have a single, integrated reference-price system for infrastructure projects. What exists is a layered regime that distinguishes between procurement objects and, within infrastructure, between civil works and non-construction inputs. Under the Public Procurement Law, "works" are defined broadly and include design documentation, new construction, reconstruction, overhaul, restoration and accompanying services included in the work cost estimate. For public procurement more generally, the Ministry of Economy's Methodology No. 275 is the default tool for determining expected value, but it is explicitly recommendatory (Ministry of Development of Economy, Trade and Agriculture of Ukraine, 2020[9]). For goods and services, it relies on market comparison, open sources and prior procurement prices, and it recommends sending at least three written requests for quotations and working from at least three comparable prices.

For works, the regulatory regimes are different (Cabinet of Ministers of Ukraine, 2005[10]), (Ministry of Infrastructure of Ukraine, 2022[11]). For works, contracting authorities divert away from generic quote collection and into sector-specific cost rules: non-road works are to be valued through approved design-and-estimate documentation under construction cost norms, while road works follow dedicated road-costing rules (Ministry of Restoration of Ukraine, 2023[12]). The civil-works component follows the construction-cost regime; separately procured non-construction components revert to the more decentralised goods/services regime.

For construction works, cost realism is assessed twice: during the project preparation (design costing) and at the contracting stage. Resolution No. 1512 requires price analysis by the customer when preparing investor estimate documentation and when agreeing the contract price. Where project documentation is prepared by the contractor, the contractor also performs the analysis, subject to agreement with the customer. In other words, the pricing check enters during project preparation/design-costing and then again when the contract price is formed. At contract-execution stage, the treatment depends on the contract-price regime:

- for dynamic-price contracts, settlements may reflect actual material costs but, *once the database is operational*, not above database averages where those exist

- for fixed-price contracts, settlements follow the prices embedded in the contract price (Cabinet of Ministers of Ukraine, 2025[13]).

In practice, the customer's investor estimate informs the expected value and procurement planning, but the legally operative price is the contract price agreed with the winning bidder, and for some design-build or design-later cases Ukrainian law now expressly envisages a later updated contract price, with updated material-price annexes disclosed once the design documentation is approved.

Hence, Ukraine's infrastructure pricing regime remains legally segmented. Publicly financed civil works are moving towards a codified benchmarking architecture built around investor estimates, contract-price analysis, disclosure of material-resource prices, a construction-product codifier and an emerging state price database. Non-construction components of infrastructure remain largely under decentralised expected-value setting by contracting authorities. The reform trajectory is therefore substantial but partial: Ukraine is building the foundations of a public benchmark system for construction inputs, not yet a unified reference-price system for infrastructure projects as a whole.

2.3.4. Procurement strategy and delivery model choice

Between project appraisal and tender launch, Ukraine's infrastructure system relies on a set of decisions that determine how a project is taken to market. These include the choice of delivery model, the division of works into lots or contract packages, the allocation of design and implementation responsibilities, and the sequencing of procurement relative to permitting, land and technical preparation. In institutional terms, these decisions are taken by contracting authorities, line ministries, sector agencies, local authorities and state-owned enterprises within the framework of public procurement law and sector-specific project preparation rules.

For most public infrastructure investment, the prevailing route remains conventional public procurement through ProZorro, with the contracting authority preparing technical documentation and procuring works, services or supplies under the standard procurement framework. Within that route, delivery strategy choices are expressed through the design of tender packages, qualification requirements, contract structure, award criteria and the timing of market engagement. In larger or more complex projects, those choices also interact with donor rules, wartime derogations, and the technical maturity of the project at the point of tendering.

Ukraine's legal framework also provides for alternative delivery arrangements, including concessions and public-private partnerships. The PPP and concession framework has been revised in recent years, and the public investment management reform increasingly treats delivery model choice as part of upstream project preparation rather than as a purely downstream contracting decision. In practice, however, the main body of reconstruction-related infrastructure procurement continues to move through public contracting authorities, state agencies, municipal entities and SOEs using standard procurement channels.

The IGI evidence is relevant here in two ways. Phase 1 survey responses indicated that formal value-for-money and appraisal procedures were present for both PPP and non-PPP projects. Phase 2 survey results, meanwhile, showed that Ukraine used evidence in parts of the procurement process, but that evidence use across the full infrastructure lifecycle remained uneven. Read together, these survey findings suggest that delivery strategy and procurement design are now increasingly situated within the broader project lifecycle, while still depending heavily on the capacity of individual contracting authorities and sector institutions.

2.3.5. Permitting and environmental compliance

Permitting in Ukraine's infrastructure system sits at the intersection of urban planning, land use, environmental assessment, technical construction approvals and administrative processing. The legal

architecture includes the Law on Regulation of Urban Development Activities, the Law on Strategic Environmental Assessment, the Law on Environmental Impact Assessment, construction norms and related permitting procedures. This means that permitting is embedded in several linked legal and administrative tracks rather than in a single infrastructure-specific code.

Recent reforms have placed more of this compliance architecture earlier in the project cycle. CMU Resolution No. 430 of 2 May 2023 established the Unified Register of Strategic Environmental Assessment, giving strategic and programme-level environmental screening a clearer administrative basis. At project level, environmental impact assessment and public consultation remain part of the route to implementation for relevant projects, while urban planning and construction approvals continue to be managed through dedicated legal channels.

Digitalisation has become a visible feature of the permitting environment. The Unified State Electronic System in the Construction Sector provides the core electronic channel for construction-related administrative services, while the eDozvil initiative introduces a more risk-based approach to licensing and permitting workflows. The urban development cadastre and associated geoportals form part of the information base that increasingly connects planning, construction and project registration systems.

2.3.6. Multi-level infrastructure planning

A substantial share of infrastructure recovery planning is organised through regional and local government channels. CMU Resolution No. 1159 of 14 October 2022 established the procedure for comprehensive recovery programmes, including consultation requirements, while CMU Resolution No. 731 of 18 July 2023 set out the preparation, implementation and monitoring procedures for regional and community recovery and development plans. These instruments place subnational planning within the broader reconstruction architecture.

Through these arrangements, oblasts and hromadas play a central role in identifying local needs, preparing project lists and feeding investment proposals into wider sectoral and state-level portfolios. This is consistent with the organisation of service delivery in Ukraine, where municipalities and communal enterprises remain central actors in water, heat, sanitation, local roads, housing-related investments and much of social infrastructure.

The regional dimension of the reform has also been accompanied by training and methodological outreach. Materials used for the public investment management reform and related regional workshops indicate that the new lifecycle approach is being translated for subnational users through standardised methods, project preparation training and integration with DREAM-based reporting and registration processes.

2.4. Enabling functions supporting infrastructure governance

2.4.1. Medium-term budgeting and allocation discipline

The 2025 Budget Code amendments repositioned budgeting as an enabling control on the infrastructure lifecycle rather than the main point at which projects first enter the system. The Ministry of Finance's gatekeeping role now sits alongside the SIC's portfolio role, and access to budget financing is tied more directly to prior selection and registration requirements. The revised framework also reduced the earlier role of parliamentary project-line allocation in shaping the capital portfolio.

Medium-term budgeting has re-emerged as the fiscal anchor for infrastructure planning through the Budget Declaration 2025-2027. This provides a multi-year reference point for sequencing projects, distinguishing ongoing commitments from new starts, and aligning annual budget preparation with a broader capital planning horizon. CMU Resolution No. 232 of 28 February 2025 further operationalises the selection and allocation process for public investment resources within the renewed framework.

The IGI Phase 1 survey recorded an institutional setting in which alignment between planning and budget allocations was already a visible feature of the Ukrainian system. The post-2024 reforms have built on that feature by tying budget access more explicitly to the renewed project lifecycle, fiscal ceilings and portfolio approval procedures.

2.4.2. Digitalisation of the infrastructure pipeline (DREAM)

DREAM now functions as the central digital registry and management environment for the public investment pipeline. Its role has expanded from a transparency-oriented platform into a core administrative instrument of the infrastructure governance system. The 2025 legislative changes confirm its place in the state public investment framework, while CMU Order No. 588-r of 18 June 2024 sets the direction for its integration with budget, treasury and procurement systems.

In operational terms, DREAM is used to register projects, record concept-grading results, structure project records through the lifecycle and provide a public-facing information layer on the pipeline. It therefore sits at the point where planning, appraisal, budgeting and monitoring information can be connected through a single system of record.

The IGI Phase 2 survey is consistent with this evolution. It recorded the existence of a digital platform for project information and showed that, within Ukraine's evidence architecture, the use of information is more established for strategic planning and selected appraisal tasks than for infrastructure management over the full asset lifecycle. DREAM's current role reflects that pattern: it is already central to upstream portfolio visibility and is progressively being linked to downstream execution systems.

2.4.3. Stakeholder participation, transparency and oversight

Stakeholder participation in Ukraine's infrastructure system is embedded through several channels rather than through a single infrastructure-specific participation framework. Public consultation is required in strategic environmental assessment and environmental impact assessment procedures, consultation provisions are included in the rules for comprehensive recovery programmes, and public information on projects is increasingly available through DREAM and open-data based monitoring tools.

The IGI Phase 2 survey described this arrangement as one built on general participation provisions, documented consultation practices and established grievance or oversight mechanisms. It also recorded that stakeholder oversight was more institutionalised than infrastructure-specific participation guidance. In practical terms, this means that Ukraine's current participation landscape combines legal consultation requirements, appeals and audit channels, civil-society procurement monitoring and an expanding public information environment around reconstruction projects.

Transparency and oversight also operate through institutions outside the project sponsor chain. The Accounting Chamber and the State Audit Service review expenditure and compliance. The existing anti-corruption institutions monitor risks in reconstruction-related processes. DOZORRO and similar civic tools use public procurement data to support external scrutiny. Finally, the international partners apply their own fiduciary and safeguard requirements where projects are co-financed. Together, these arrangements form the current transparency and assurance environment surrounding infrastructure delivery.

2.5. Overall state of affairs

Taken together, Ukraine's current infrastructure governance system is organised around a clearer lifecycle than in earlier years. Strategic planning and prioritisation are now anchored more explicitly at the centre of government; project appraisal and selection are governed through more standardised procedures; environmental and permitting requirements are increasingly linked to earlier stages of project development; subnational planning has been formalised through dedicated recovery instruments; and budgeting, digital registration and oversight functions are more tightly connected to the project pipeline.

The chapter therefore describes a system in transition from a more fragmented and annualised investment environment toward a portfolio-based reconstruction framework with defined institutions, procedures and digital infrastructure. That framework now combines central steering, sector management, subnational origination, state-owned enterprise investment, medium-term fiscal controls, and a common digital project environment. These are the principal current features of infrastructure governance in Ukraine at the planning-to-delivery stage.

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3 Improving the core functions of infrastructure governance

Improving the core functions of infrastructure governance is vital to ensuring that infrastructure projects are effectively managed from planning through to decommissioning. This includes both the technical elements specific to infrastructure lifecycles, as well as cross-cutting governance issues that must be addressed for successful delivery. The key distinction in this section is that all tasks relate directly to infrastructure and fall under the responsibility of the relevant line ministries and implementing organisations under them – such as those for transport or energy. These tasks involve sector-specific functions, from needs assessment to asset management, while also handling overarching governance issues like institutional capacity, risk management, and stakeholder engagement.

3.1. Needs assessment and strategic planning

3.1.1. Overview

Ukraine has moved from a permissive project-accumulation model towards a more rules-based approach to strategic planning and public investment selection. In the current framework, planning and preparation of public investment projects are anchored in the Budget Code, notably Article 33-1 for the state level and Article 75-2 for regional and local levels, and are operationalised through Cabinet of Ministers Resolution No. 527 of 28 February 2025 (Cabinet of Ministers of Ukraine, 2025[1]). These changes matter because they shift the logic of project entry from open-ended proposal generation towards fiscal filtering, readiness testing and portfolio management (Cabinet of Ministers of Ukraine (CMU), 2024[2]).

While the current practice is still transitional, from a regulatory perspective prioritisation is no longer meant to depend on *ad hoc* project promotion alone. It is increasingly shaped by a combination of strategic alignment, implementation readiness, affordability within medium-term ceilings, likely funding source, and the sequencing of ongoing versus new projects, and, where relevant, recovery, security and EU-alignment considerations. The Budget Code now requires that at least 70% of the planned public investment envelope be directed to continuing or completing ongoing projects, which is a direct attempt to reduce stop-go investment and the politically driven proliferation of new starts.

The Single Project Pipeline (SPP) should therefore be understood as an evolving portfolio-management instrument rather than as a simple registry. According to the Ministry of Economy, the SPP is the common pipeline for public investment projects and programmes; according to RDNA5, it supplied the majority of the 2026 priority public investment needs. That is progress, but not yet proof of full comparability across sponsors and sectors. The key analytical issue is whether the projects entering the system are sufficiently defined, costed and owned to justify scarce funding commitments (Government of Ukraine, World Bank, European Union, United Nations, 2026[3]).

Box 3.1. New procedures for the Single Project Pipeline in Ukraine

Ukraine's 2025 public investment reforms have introduced a more explicit mechanism for fiscal gatekeeping and portfolio triage. Resolution No. 232 established a new procedure for the distribution of public investments and created an inter-agency commission chaired by the Minister of Finance to decide how budget funding should be allocated across new and ongoing public investment projects and programmes over a three-year horizon, replacing the earlier framework under Resolution No. 571 of 2015 (Cabinet of Ministers of Ukraine (CMU), 2025[4]). Resolution No. 294, adopted the same day, established the procedure for developing and monitoring the medium-term plan of priority public investments, linking portfolio decisions more directly to the budget calendar and medium-term fiscal planning (Cabinet of Ministers of Ukraine, 2025[5]).

The importance of this reform lies less in its procedural detail than in the discipline it is intended to impose. Ministries are required to submit lists of projects together with information on priority score, readiness, timing, cost and financing sources. These lists are then reviewed by the Ministry of Finance against fiscal constraints and budget rules before the inter-agency commission makes a final decision on which projects should proceed. The framework also creates an explicit bias towards continuity: at least 70% of available resources are to be directed to ongoing projects, limiting the tendency to launch new initiatives at the expense of completing existing ones (Cabinet of Ministers of Ukraine (CMU), 2025[4]).

The new procedure also allows periodic portfolio correction. The list of projects is reviewed twice a year, and projects that materially exceed costs, fall behind schedule or deviate from their intended

purpose may be reconsidered, with funding potentially reallocated to projects that are implementation-ready and progressing on time (Cabinet of Ministers of Ukraine (CMU), 2025[4]). This marks a significant departure from a more permissive pipeline model in which projects could remain in the system with limited fiscal challenge or consequence.

From a strategic-planning perspective, the key point is that Ukraine now has a more formal mechanism for translating strategic priorities into a fiscally bounded portfolio. However, the effectiveness of that mechanism will depend on the quality of upstream needs assessment, project concepts and readiness information. A stronger selection process can improve discipline, but it cannot compensate for weak evidence at entry.

Source: Cabinet of Ministers of Ukraine (CMU) (2025[4]), CMU Resolution No. 232 (28 Feb 2025), Some issues of public investment distribution, https://ealegislation.com/document.fwx?rgn=165440; Cabinet of Ministers of Ukraine (2025[5]), Resolution No. 294 of 28 February 2025 on the approval of the procedure for developing and monitoring the medium-term plan of priority public investments of the state., https://zakon.rada.gov.ua/go/294-2025-%D0%BF.

As part of implementing Ukraine's PIM Roadmap, the government is currently developing a comprehensive PIM Procedure to streamline public capital expenditure. This initiative aims to ensure alignment of public investments with national priorities, enhance efficiency, and build trust with international partners. The methodology proposed under this system encompasses six key stages: Objective Setting, Identification & Development, Screening, Appraisal, Prioritisation & Selection, and Final Implementation Decision. Each stage ensures projects align with national objectives, meet feasibility standards, and undergo systematic evaluation for strategic impact and efficiency. The methodology follows an integrated approach, guiding project selection through alignment with national objectives as a first "test". Thus, projects must contribute to achieving the government's strategic goals.

The methodological architecture of the reform is now more advanced than the practice observed across many project sponsors. The July 2025 PIM guide shared by the government with the communities and other budget users referenced in the user-provided materials sets out a structured sequencing requiring a strategic justification, a clear statement of the problem or need, analysis of current service provision and demand, identification of constraints and risks, consideration of sustainability and inclusiveness, assessment of alternatives, market and procurement analysis, and financial justification. The central issue is therefore no longer the absence of a framework or developing methodological guidance to accompany it, but uneven capacity to apply it consistently and proportionately and the need for additional capacity building to ensure the absorption of the reform on the ground (by project initiators).

The emerging model is conceptually aligned with OECD guidance on infrastructure governance and public investment. OECD work stresses that sound infrastructure planning requires a rigorous assessment of current and future needs, explicit links to budget allocations and financing sources, clear co-ordination across levels of government, and evidence-based project selection and prioritisation rather than ad hoc project accumulation (OECD, 2020[6]). Box 3.2Box 3.2 provides additional details on the meaning of needs assessment in infrastructure that is aligned with international good practices.

DREAM is becoming the operational digital backbone of this new planning model (DREAM, 2026[7]). The legal status of the system was strengthened in January 2025, when the government confirmed that the unified state portfolio of public investment projects would be formed using the unified information system based on DREAM, and government reporting and user-provided draft materials indicate that the system is now being used for medium-term investment plans, project and programme preparation, evaluation, portfolio formation and monitoring (Cabinet of Ministers of Ukraine (CMU), 2024[2]).

That said, needs assessment is shifting from narrative to evidence, but practice is uneven. Sector documents identify service gaps and long-term objectives, and regional instruments collect bottom-up priorities from communities. Quantification is improving but inconsistent: baselines and demand models

are not systematically embedded, and scenario analysis is rare. Where indicators exist, they often specify "increasing/decreasing trends" rather than quantified outcomes tied to costs and milestones. This weakens the strategic case at the project entry stage and blunts trade-offs when ceilings bite.

Box 3.2. The role of needs assessment in strategic planning

Needs assessment is not a preliminary narrative exercise. It is the analytical process through which governments determine what service problem exists, where it exists, who is affected, how large the gap is, what options could address it, and whether a capital project is justified at all. OECD work treats this as a core condition of sound infrastructure governance because weak needs assessment distorts the entire investment cycle: it weakens prioritisation, encourages project accumulation, and makes later appraisal, procurement and delivery less reliable. Sound strategic planning should therefore align infrastructure proposals with development objectives, assess current and future demand, link priorities to budget allocations and sources of funding, and provide a basis for evidence-based project selection and prioritisation.

A robust needs assessment should contain at least five elements. First, it should define the service gap in operational terms, such as insufficient capacity, poor reliability, lack of access, safety failure or climate vulnerability. Second, it should be based on evidence about current and future demand, including past usage trends, demographic and economic projections, and, where relevant, territorial or network diagnostics. Third, it should be place-specific, since infrastructure needs differ across territories and sectors. Fourth, it should test alternatives, including rehabilitation, better use of existing assets, demand-management measures and phased responses, rather than assume that a new capital project is the only solution. Fifth, it should be tied to fiscal realism and prioritisation, so that strategic planning does not become an inventory of desirable but unaffordable projects.

In Ukraine, strategies usually contain the description of the main problems that a strategy plans to address, and the goals that it plans to achieve. However, needs assessment remains uneven and is often weaker than the description of sector conditions, reform ambitions and external alignment objectives. Some data is used to describe the state of the art in a certain sector rather than identify the bottlenecks. At the same time, Ukraine has a number of external benchmarks / goals that it has to achieve within the EU integration process. Thus, the strategic documents necessarily adhere to the EU-Ukraine reports suggestions, Ukraine Facility plan, and in terms of monetary and fiscal policy, with the IMF program. For example, Transport Strategy foresees development of trans-European transport corridors and introducing EU regulation of natural monopolies in the transport sphere. Besides, all the strategies address the issues of inclusivity and climate change (energy efficiency). Thus, on the one hand little space "for manoeuvre", and on the other hand limited capacity to collect and process necessary data do not allow the Ukrainian Government to perform proper needs assessment. Some feedback is collected during public discussion of strategy drafts: NGOs from a relevant sector usually can specify which problems are more important than others.

Source: OECD (2020[6]), Recommendation of the Council on the Governance of Infrastructure, https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0460;OECD Mission to Ukraine, July 2025.

3.1.2. Challenges

This section identifies four main challenges: overlap between planning instruments, weak translation of strategy into investable projects, uneven project-preparation capacity, and incomplete transparency around prioritisation and pipeline discipline. A first challenge is that strategic and recovery planning instruments remain numerous and partly overlapping, particularly across national, regional and local levels.

The result is that the route from needs identification to pipeline entry is still more crowded and less clearly delineated than the reform model implies.

Weak translation of strategic intent into quantified service gaps, credible project concepts and implementable portfolios represents one of the core issues that Ukraine is facing in this area. Strategic planning should identify infrastructure needs, link them to budget allocations and sources of funding, and support evidence-based project selection. By contrast, many Ukrainian strategic documents still describe broad sector conditions, reform commitments and desired directions of travel more readily than they define bottlenecks, quantify service deficits, compare options under fiscal constraint, or specify the sequence of interventions needed to close the gap.

This affects sectoral and municipal practices of needs assessment and planning, not only in abstract institutional design. The sectoral programmes and projects' audits often find strategic documents with weak specification of delivery activities, the absence of accompanying plans, and limited use of sectoral modelling and integrated planning documents where relevant. This suggests that planning remains too detached from investable project logic and spatially coherent prioritisation.

The bottleneck has therefore shifted from pipeline creation to pipeline credibility. DREAM and the SPP have improved visibility and common intake, but RDNA5 itself notes that local and regional projects were reflected in the 2026 priorities through national programmes because of differences in portfolio readiness, inconsistent criteria and fragmented information; that is a clear sign that transparency has advanced faster than comparability and that the system still struggles to convert a high volume of concepts into a genuinely decision-ready pipeline (Government of Ukraine, World Bank, European Union, United Nations, 2026[3]).

A further challenge concerns supply-side project-preparation capacity. Smaller communities and weaker sponsors often face high costs and limited access to the technical expertise needed to enter the pipeline on equal terms. Even where formal access to DREAM exists, credible pipeline entry still depends on whether economists, engineers, environmental specialists, design offices and project-preparation support can be mobilised at sufficient scale and quality.

Strategic planning thus remains insufficiently connected to project preparation capacity, which biases access to the pipeline. RDNA5 is explicit that large-scale recovery depends on ready-to-implement projects and on the use of project preparation facilities, yet the broader reform narrative shows that many communities still face high costs for project-cost documentation, feasibility material and supporting studies. This means that entry into the pipeline can reflect administrative and financial preparedness as much as objective infrastructure need (Government of Ukraine, World Bank, European Union, United Nations, 2026[3]).

This constraint persists despite expanded training and outreach under the reform. RDNA5 notes that local and regional projects are still being assessed and integrated into sectoral and national programmes, and that the final number of eligible projects and financing needs will continue to evolve (Government of Ukraine, World Bank, European Union, United Nations, 2026[3]). Ministry for Development reporting indicates that seven regional events reached more than 3 500 participants, and more than 470 representatives were trained in the Five Case Model methodology. Project preparation should therefore be treated as part of the strategic-planning challenge rather than as a downstream technical matter. If project entry depends on costly and technically demanding documentation, the pipeline will continue to favour administrative preparedness over objective need.

Project preparation should therefore be treated as part of the strategic planning challenge, not as a downstream technical matter. Credibility of the pipeline depends on whether sponsors can finance and procure the preparatory work needed to convert a stated need into a technically and fiscally testable concept. For larger or more complex infrastructure proposals, this means access to properly scoped feasibility work, early engineering input, site investigations where relevant, and realistic preliminary costings rather than bare project proposal notes. Ukraine's emerging project-preparation arrangements

under the PPP Agency are a useful starting point, but the wider reconstruction context suggests a need for broader preparation support that can also serve donor-financed and subnational pipelines. Without this, DREAM may improve visibility of needs faster than the state improves the quality and comparability of the projects entering the system.

Capacity asymmetries across levels of government continue to distort strategic representation in the pipeline. Investment quality depends heavily on co-ordination and capability across levels of government, and the Ukrainian reform materials point to staffing issues, turnover, proliferating templates and strengthened formal requirements that are significantly harder for smaller local governments to meet (Ministry for Development of Communities and Territories of Ukraine, 2025[8]). That skews the pipeline towards jurisdictions that already have stronger documentation capacity or donor access, rather than necessarily towards those with the sharpest infrastructure deficits (OECD, 2025[9]).

The planning system is not yet fully integrated across portfolio channels, identifiers and downstream controls. RDNA5 distinguishes between SPP projects and programmes and a separate set of non-SPP initiatives, while official reform communications show that the state is still in the process of building the digital and procedural spine linking planning, budgeting and implementation (Government of Ukraine, World Bank, European Union, United Nations, 2026[3]). The result is that Ukraine currently has greater transparency about what is in the system than analytical control over how strategy, portfolio status, budget decisions and delivery performance fit together (Cabinet of Ministers of Ukraine, 2025[10]).

Moreover, the reform is beginning to reach communities, but subnational capability remains uneven. RDNA5 reports that, by early 2026, all 24 regions and more than 895 hromadas had approved medium-term investment plans and SPPs. Parallel reporting by the Ministry for Development of Communities and Territories states that seven regional events reached more than 3 500 participants and that more than 470 representatives were trained in the Five Case Model methodology (Ministry for Development of Communities and Territories of Ukraine, 2025[11]), which is a serious mobilisation effort but not yet a substitute for durable planning capability across all territories. Subnational experience shows that the bottleneck is not only digital access to the pipeline, but the cost and complexity of producing admissible project documentation. This capacity challenge is already visible in feedback from hromadas on how the new system operates in practice. Box 3.3 illustrates how documentation burdens and preparation costs can distort pipeline entry at subnational level.

Box 3.3. Subnational feedback on pipeline entry and project-preparation capacity

Ukraine's PIM reform is being rolled out through regular engagement between the Ministry for Development of Communities and Territories and hromadas, including outreach and capacity-building on the practical implications of the new system. Feedback from these discussions suggests that, at subnational level, the main difficulty is not only understanding prioritisation rules, but meeting the documentation requirements needed to enter and progress through the pipeline. Some hromadas have questioned why their projects receive low priority, while central authorities have emphasised that prioritisation criteria are already defined in the legislation and that projects are reviewed by regional administrations and other bodies before reaching the Strategic Investment Council.

The more structural issue concerns project-preparation capacity. Hromadas report that the preparation of project cost documentation and related technical materials is often too expensive and technically demanding, especially for smaller projects or grant applications. Since these documents are required under the construction and urban-planning framework, weaker local governments may struggle to bring forward projects even where needs are acute (Verkhovna Rada of Ukraine, 2009[12]; 2011[13])This creates a practical bias in favour of jurisdictions that already have donor support, stronger internal capacity or access to specialised project bureaux.

This feedback illustrates a broader point about the new planning system. Formal transparency of criteria is necessary, but it is not sufficient. If project entry depends on costly and technically demanding documentation, the pipeline may still favour administrative preparedness over objective need. In that sense, subnational feedback reinforces the case for stronger project-preparation support, proportional documentation requirements and a more differentiated subnational support model.

Source: Information provided by the OECD Kyiv Office.

3.1.3. Recommendations

Ukraine now needs to move from pipeline visibility to pipeline credibility. That requires treating needs assessment as a practical filtering discipline rather than as a descriptive preface to project generation, which in turn means requiring a minimum evidence base for entry into the public investment project pipeline: quantified baselines, demand or usage forecasts where relevant, territorial or network diagnostics, a clear definition of the bottleneck to be addressed, the main alternatives considered, and at least an indicative statement of recurrent-cost and implementation implications. The recent collaboration between the Government of Ukraine and the International Transport Model (ITF) allow to build a basis on how transport modelling can help advance on this recommendation.

Box 3.4. The role of transport modelling in appraisal and option testing

Transport modelling is a critical component for appraising reconstruction options in the high-uncertainty context of post-war Ukraine. It can generate estimates of future transport demand and system performance under alternative infrastructure and policy scenarios. However, given the scale of demographic displacement and uncertainty around economic recovery, traditional modelling approaches based on fixed baseline assumptions are unlikely to produce robust results. Instead, Ukraine would benefit from a strategic, scenario-based approach that explores a range of plausible futures and supports the identification of “no-regret” investments that perform well across multiple recovery pathways.

Despite its importance, the application of transport modelling in Ukraine remains limited to urban and project-level models. Microsimulation models have been developed in major cities such as Kyiv and Lviv to support local decision making, while project-specific models, often produced by academic institutions or consultants, have been used to assess alternative infrastructure designs.

Between 2018 and 2024, the European Union supported the development of a National Transport Model to inform large-scale investment planning and the preparation of a national transport master plan. However, limited technical capacity, fragmented data systems, and the absence of institutionalised modelling requirements within government have constrained its systematic adoption. As a result, transport modelling is not yet consistently integrated into appraisal processes, weakening the evidence base for investment prioritisation.

Recent initiatives are beginning to address these gaps. In 2025, the International Transport Forum, through the Common Interest Group for Transport in Ukraine (CIG4U), launched a capacity-building programme to strengthen expertise in transport modelling within municipal and national administrations. This includes technical workshops, dissemination of international best practices, and case studies led by Ukrainian practitioners. In parallel, efforts are underway to establish a Ukrainian Association of Transport Modellers and Planners to promote professional standards and support the development of the discipline.

A structured framework to support scenario-based appraisal

To operationalise a more strategic, scenario-based approach to appraisal, Ukraine would benefit from adopting a coherent modelling framework. The ITF Policy Ambitions and Sustainable Transport Assessment (PASTA) framework provides one such approach.

PASTA consists of a suite of integrated simulation models covering urban and non-urban passenger and freight activity, alongside modules for vehicle fleet evolution. It enables the assessment of infrastructure and policy interventions, such as rehabilitating key rail corridors or introducing carbon pricing, on core performance indicators including CO_2 emissions, travel times and network connectivity. Importantly, the framework is designed to explore alternative future scenarios, making it well suited to high-uncertainty environments.

The framework has been applied in a range of country contexts to support evidence-based policymaking:

- India and Argentina: The PASTA framework was used to assess the impact of exogenous factors, such as trade regionalisation and teleworking, on long-term transport infrastructure requirements.
- Philippines: The freight component of PASTA helped to identify bottlenecks in intermodal connectivity and evaluate the decarbonisation potential of various freight policies, providing a path to reducing emissions.
- Uzbekistan: In Tashkent, scenario analysis compared baseline trends with “Climate Ambition” pathways, quantifying potential reductions in air pollutants (NOx, PM2.5) and CO2 emissions.

Source: CTS (2024[14]); ITF (2023[15]; 2023[16]; 2023[17]; 2022[18]; 2021[19]; ITF, 2020[20]); Stashkiv et al. (2023[21]); Lviv City Council (2019[22]).

Ukraine could harden the project entry stage and use DREAM as a strategic-planning instrument rather than merely a registry. The legal framework already supports medium-term planning and portfolio formation, so the next step is operational: project proposal entry should require a mandatory minimum dataset on policy objective, service gap, location, expected scale, readiness, likely implementation route, environmental and social flags, and indicative recurrent-cost implications, with differentiated editing rights and basic validation rules so that weak entries are filtered or corrected before they influence prioritisation.

Ukraine could make strategic planning more explicitly fiscally bounded at the point where plans and project proposals are formed, not only at the budget stage. Resolution No. 294 already links the medium-term plan of priority public investments to the Budget Declaration and indicative aggregate ceilings, which is institutionally sound (Cabinet of Ministers of Ukraine, 2025[5]). The unresolved task is to ensure that sector strategies and project proposals present prioritised and cost-aware options within those limits instead of simply accumulating eligible ambitions for later pruning.

Ukraine could connect planning much more deliberately to project preparation support. The Project Preparation Unit, PREPARE Ukraine and the wider preparation framework should operate as part of the planning system through a common intake logic, shared maturity tiers and standard terms of reference, so that preparation support is allocated not only to already visible priority projects but also to strategically important proposals that are currently too weakly developed to compete on their own.

Ukraine could adopt a differentiated subnational support model instead of imposing one demanding planning template on territories with sharply different capabilities. A concise subnational PIM manual, minimum documentation thresholds by project size and readiness, repeatable templates, and access to regional or sectoral centres of expertise would be more consistent with OECD principles on multi-level public investment than a formally uniform but practically uneven system; support should be targeted using

observable signals from DREAM and sectoral review processes rather than distributed only through generic training or first-come access.

The data spine of the reform should become a strategic-planning tool rather than as an ancillary digital upgrade. A persistent project identifier should attach to each public investment project proposal from entry stage and follow it through portfolio decisions, budgeting, procurement, contract execution and performance monitoring, because without that the state will struggle to learn systematically from project proposal's quality, preparation time, procurement outcomes and delivery performance across sectors and territories.

The practical objective is not a tidier pipeline but a more credible one. If needs assessment becomes more evidence-based, more spatially and fiscally grounded, and more closely linked to preparation capacity, Ukraine will be better placed to ensure that projects entering the SPP are not only strategically aligned but also sufficiently developed, comparable across sponsors and realistically capable of progressing through appraisal, procurement and delivery. To this end, Ukraine could complement procedural reform with targeted capacity-building measures focussed on the practical bottlenecks that weaken project entry. This should include: a structured training offer on needs assessment, option development, preliminary costing and project scoping for line ministries, hromadas and sector agencies; accredited pools of external experts or framework contracts for early engineering, environmental, economic and procurement input; regional or sectoral helpdesks able to review weak project proposals before formal submission; model terms of reference for feasibility, prefeasibility and design-support assignments; and a light-touch peer review or mentoring mechanism for subnational sponsors preparing more complex projects. Over time, Ukraine could also link this to a professionalisation agenda, including certification pathways for PIM and project-preparation functions, and stronger partnerships with universities and technical institutes to expand the supply of relevant skills.

3.2. Project appraisal and selection

3.2.1. Overview

Project appraisal and selection now operate through a more formalised pre-investment chain. Under the current framework, project preparation forms part of the pre-investment stage and covers pre-investment studies, project assessment, inclusion in sectoral portfolios, portfolio decisions by the Strategic Investment Council or local investment councils, and confirmation of implementation readiness. The 2026 priorities comprise 195 projects and programmes from the Single Project Pipeline, and the total number of public investment projects and programmes declined by 44% compared with 2025, suggesting a move away from dispersed project accumulation towards a smaller and more selective portfolio. RDNA5 indicates that this tighter architecture is already narrowing the pipeline, but it also shows that the portfolio remains in transition and that local and regional projects are still being assessed and integrated (Government of Ukraine, World Bank, European Union, United Nations, 2026[3]). The central governance issue is therefore no longer whether Ukraine has an appraisal framework, but whether projects are sufficiently prepared, tested and comparable before they reach selection.

In this context, the relevant governance issue is broader than project appraisal in the narrow sense. The Ukrainian reform package now extends well beyond a simple choice among competing proposals. It includes methodological work on project preparation, screening, prioritisation, appraisal, selection, implementation, monitoring and evaluation; capacity-building for reliable capital and current cost estimation; and the development of more consistent appraisal guidance with EU-oriented methods. In practice, this means that the quality of portfolio decisions depends not only on whether projects are appraised, but also on whether they are sufficiently prepared, technically developed, costed and tested before they reach the point of selection.

Within the current Ukrainian framework, project preparation and option development correspond primarily to the preliminary investment feasibility study, which is mandatory for all projects and is required to cover strategic, economic, commercial, financial and managerial justification. Its content includes analysis of the project's alignment with strategic documents, the problem to be solved, possible technical solutions, preliminary economic comparison of options, initial supplier and contractor market assessment, indicative procurement options, and early implementation planning. For projects above UAH 50 million that require state or local budget financing for preparation of the full investment feasibility study, the preliminary study also functions as the basis for sectoral evaluation and inclusion in the sectoral portfolio before further preparation support is unlocked. Resolution No. 1049 defines project preparation as the pre-investment stage of the project lifecycle, covering pre-investment studies, project assessment, inclusion in the relevant sectoral portfolio, decision by the Strategic Investment Council or local investment council on inclusion in the unified portfolio, and confirmation of readiness for implementation (Cabinet of Ministers of Ukraine, 2025[23]). Resolution No. 1049 also defines an *investment feasibility study* as a further stage whose content depends on projected cost. In addition, it defines a "large-scale project" as one with an indicative value above UAH 400 million.

For analytical purposes, this section therefore treats project preparation, appraisal and selection as a connected pre-investment chain rather than as a single administrative checkpoint. The sequence used here is not a verbatim restatement of Ukrainian statutory terminology. It is an analytical ordering intended to clarify the points at which project quality is formed, tested and filtered before entry into the portfolio. This clarification matters because the current reform framework is ambitious and cross-cutting, while implementation responsibility is distributed across central ministries, line agencies, regional authorities and local self-government bodies. A clearer articulation of the sequence would help operationalise the reforms and make expectations more intelligible for budget users at different levels of government.

The first component is project preparation and option development. This concerns whether an identified need is translated into a credible project proposal, whether alternative solutions are considered, and whether early preparation is adequately resourced. The second is technical design, engineering standards and implementation readiness. This concerns whether the preferred option has reached sufficient design maturity, whether technical standards and material specifications are fit for purpose, and whether key site and utility information is available before procurement. The third is cost estimation, pricing and materials benchmarking. This concerns whether the financial envelope rests on realistic quantities, up-to-date pricing evidence and a sufficiently robust benchmarking base across sectors. The fourth is appraisal methods and independent quality assurance. This concerns whether projects are subject to proportionate economic, financial, fiscal, environmental and risk analysis, and whether those analyses are challenged before decisions are taken. The fifth is prioritisation, selection and portfolio entry. This concerns whether projects that have passed the earlier tests are compared consistently and admitted into the portfolio on the basis of strategic fit, affordability, readiness and implementation prospects.

This sequencing matters because Ukraine's weaknesses are distributed across the pre-investment chain rather than concentrated at a single point. Audit and policy evidence points to thin feasibility preparation, limited use of integrated planning and modelling tools, uneven technical readiness before tendering, weak benchmarking beyond roads, variable estimate realism, and insufficiently structured independent challenge. These are not isolated technical defects. They affect the quality of appraisal, the credibility of selection and, downstream, the incidence of variation orders, cost escalation and contract instability. Strengthening the quality of pre-investment analysis and preparation would therefore serve two purposes at once: it would improve analytical clarity and reliability in project preparations, and it would help public authorities distinguish more clearly between projects that are strategically desirable, projects that are analytically justified, and projects that are sufficiently prepared to enter procurement and implementation.

To unpack this in a digestible format, the section is therefore organised as a single lifecycle chain with five analytically distinct but interdependent stages. Stage 1: project preparation and option development

concerns whether the problem is translated into a credible set of intervention options and whether early preparation is properly resourced. Stage 2: technical design, engineering standards and implementation readiness concerns whether the preferred option has reached sufficient design maturity and whether specifications, site data and standards are robust enough for later procurement and construction. Stage 3: cost estimation, pricing and materials benchmarking concerns whether the financial envelope is based on credible quantities, price data and market evidence rather than formal compliance or ad hoc quote gathering. Stage 4: appraisal methods and independent quality assurance concerns whether the project is tested through proportionate economic, financial, fiscal, environmental and risk analysis, and whether this analysis is subject to challenge before it informs decisions. Stage 5: prioritisation, selection and portfolio entry concerns whether the projects that survive the earlier gates are compared consistently and admitted into the portfolio on the basis of strategic fit, affordability, readiness and implementation prospects. A related institutional development is the emergence of more structured guidance on appraisal methods. Box 3.5 shows why this is relevant for Ukraine's wider PIM reform.

Box 3.5. Emerging appraisal guidance for Ukraine: Why the new methodology matters

Under its expanded mandate for Ukraine, EIB Advisory/JASPERS is supporting the government's PIM reform, including work on the methodology for appraisal of public sector capital expenditure proposals and support to the Ministries of Economy, Finance and Development (EIB Advisory/JASPERS, 2024; EIB, 2024; EIB, 2025). A public presentation prepared by JASPERS in December 2024 confirms that draft guidelines on the appraisal, management and evaluation of public sector capital expenditure proposals had been discussed with the Ukrainian authorities and were intended to support implementation of the PIM Roadmap, including actions on socio-economic, financial, environmental and risk analysis and the independent appraisal of large-scale projects.

The importance of this work lies less in the individual techniques than in the move towards a proportionate appraisal framework. The draft guidance does not assume that all projects should be assessed in the same way. Instead, it differentiates between cost-benefit analysis (CBA), cost-effectiveness analysis (CEA), least-cost analysis (LCA) and multi-criteria analysis (MCA), and links their use to the type and scale of investment. In the transport sector, for example, general transport projects are expected to rely primarily on CBA, while compliance-driven infrastructure and some technology-heavy projects may require CEA or MCA. In sectors such as sustainable urban development, the guidance points towards MCA at programme level combined with more detailed CBA or CEA for large constituent projects. This is analytically important because it moves Ukraine away from a binary choice between full CBA and no meaningful appraisal at all.

The guidance is also significant because it aligns Ukrainian appraisal practice more closely with established EU principles. The JASPERS presentation states that the draft methodology draws on the main EU project-appraisal texts and treats CBA as the preferred method where impacts can be monetised, while accepting other tools where impacts are harder to value in monetary terms. It also sets out core CBA principles, including comparison of "with project" and "without project" scenarios, use of a long-term perspective, application of a social discount rate, incorporation of residual value, conversion from market to economic prices where relevant, and monetisation of non-market effects and externalities. In institutional terms, this matters because it gives Ukraine a more coherent language for testing value for money, comparing projects and aligning domestic appraisal practice with EU-oriented investment governance.

At the same time, methodological improvement should not be mistaken for implementation capacity. A stronger menu of appraisal techniques is useful only if project sponsors can generate credible inputs and if the state can challenge them. The value of the new guidance therefore lies in providing a more disciplined analytical framework; its effectiveness will still depend on whether Ukraine develops the

data, sector expertise, cost information and independent quality-assurance functions needed to apply it consistently in practice. That is why appraisal reform should be seen as part of a wider shift towards more evidence-based project preparation and portfolio discipline, rather than as a stand-alone technical exercise.

Source: EIB Advisory / JASPERS (2024[24]), Ukraine: Economic Appraisal and Public Investment Management, https://jaspers.eib.org/files/activities/2024/5-ukraine-economic-appraisal-and-public-investment-management-martin-pospisil.pdf

3.2.2. Challenges

This section identifies five main challenges. These are: uneven project maturity at the point of appraisal; weak substantive preparation and technical readiness; underdeveloped cost-estimation and benchmarking infrastructure; insufficient independent challenge; and limited visibility of deprioritisation and project exit mechanisms. Together, these weaknesses reduce the comparability of projects entering selection and increase downstream risks in procurement and delivery.

Ukraine has created stronger formal pathways for project preparation, including a Project Preparation Unit intended to co-ordinate support from various project preparation facilities. But the evidence suggests that practical preparation remains uneven. Feasibility studies are often underfunded, multidisciplinary scoping is weak, early market engagement is sporadic, and there is still no consistently applied independent challenge function before budget decisions are made. In practice, this means that projects may reach appraisal with incomplete baseline evidence, underdeveloped technical options, weak demand analysis, unresolved land, utility or site constraints, and cost estimates that have not been robustly stress-tested. That is not a marginal defect but a systemic public sector capacity issue and it can distort later appraisal, selection, procurement and contract performance.

Project preparation and option development have a number of weaknesses. The first weakness is the limited depth and uneven quality of early preparation. Resolution No. 1049 makes the preliminary investment feasibility study mandatory for all projects and defines it as the stage for strategic, economic, commercial, financial and managerial justification. That is a major improvement in legal architecture. The operational weakness lies elsewhere: feasibility work remains underfunded, multidisciplinary scoping is often thin, option development is not consistently robust, and the capacity to prepare serious pre-investment documentation remains highly uneven across sponsors. Feasibility studies are often under-resourced, early market consultation is sporadic, and there is no formal independent peer review before budget approval. This means that projects can satisfy minimum formal requirements while still being conceptually weak and insufficiently prepared for later appraisal (Government of Ukraine, the World Bank Group, the European Commission, and the United Nations, 2025[25]).

Technical design maturity and implementation readiness remain a major control weakness. There is an insufficient use of integrated planning tools, limited access to modelling and technical evidence, weak or delayed design checkpoints, and inadequate provision of geotechnical, geological, geodetic and utility information before tendering. The infrastructure projects and programmes' audits point to a wider standards problem: technical specifications and material standards do not always reflect EU-oriented EN and ISO expectations, which matters for interoperability, safety, market confidence and accession alignment. In practice, this means that projects can be strategically justified yet still be underdesigned, poorly specified or insufficiently de-risked for procurement. A project may be "selected" in administrative terms without being truly ready for market.

Cost estimation and pricing remain among the most exposed points in the whole system. Ukraine has made progress in formalising construction pricing rules, but it still lacks a mature, trusted, cross-sector benchmarking infrastructure for materials and works. Benchmarking remains fragmented, estimate review

appears too formalistic, and public bodies often lack the in-house engineering, quantity-surveying and commercial capability needed to interrogate project documentation properly. The existing unit price database is limited and not systematically maintained beyond roads. The practical consequence is serious: weak investor estimates contaminate expected values in procurement and later feed variation orders, claims, indexation disputes and renegotiation pressure during implementation.

Institutional architecture and public sector capacity to accurately and reliably estimate costs remain weak. Resolution No. 1049 requires fuller financial justification and differentiates treatment by project value, including additional analytical demands for larger projects. But the surrounding institutional infrastructure for cost realism remains weak. The policy material points to a road-focussed and incompletely maintained price database, limited benchmarking outside roads, and insufficient client-side capacity to challenge quantities, assumptions, materials choices and rates. This matters because unreliable estimates do not remain confined to the appraisal stage. They distort expected values in procurement, weaken budget credibility, and later surface as claims, cost escalation, design correction and renegotiation pressure. Weak alignment between official price systems and actual delivery conditions can degrade transparency, bidding quality and later contract stability, as well as limit competition of contracts (OECD, forthcoming[26]). This is exactly why pricing cannot be treated as a minor annex to appraisal. It is a core governance function. Box 3.6 illustrates this point in more detail.

Box 3.6. Why weak price systems generate downstream risk: Lessons from Brazil's road concessions

OECD work on Brazil's road concessions illustrates why pricing systems should not be treated as neutral administrative tools. The review found that reference-price systems originally designed for budget control and contract administration were being used in contexts with very different risk structures, including concessions and more complex contractual models. When reference prices are applied without adjustment to those different environments, they can distort incentives, weaken the transparency and effectiveness of competition, and create problems for later contract monitoring. The report therefore argues that the purpose of reference pricing should be reconsidered: rather than acting only as a control instrument, it should help administrations understand cost behaviour under different contractual and delivery conditions.

Weak pricing architecture is directly linked to downstream disputes. To fix this, there is a need for stronger feedback loops from post-contract data, clearer differentiation between contractual environments, and better identification of cost drivers such as traffic management, terrain, weather, logistics and labour-market conditions. Moreover, where input-price volatility is not handled well, bidders respond by loading contingencies, participation is deterred and rebalancing disputes increase.

While the contractual setting in Brazil differs from Ukraine's public works environment, but the underlying lesson transfers: weak benchmarking and unrealistic pricing assumptions do not stay confined to the estimate. They reappear later as inflated contingencies, variation pressure, renegotiation and weakened confidence in the procurement process.

Source: OECD (forthcoming[26]), Addressing Bottlenecks in Brazil's Road Concessions: Managing Risk to Contain Costs and Assessing Social Finance.

The appraisal framework is improving but remains heterogeneous and incompletely embedded. The emergence of EU-aligned guidance through EIB Advisory/JASPERS, with proportional use of CBA, CEA, LCA and MCA and an intention to strengthen line-ministry capacity (see Box 3.3.) But the same material also indicates that methods remain inconsistent across institutions, that whole-life costing and risk analysis are unevenly applied, and that binding independent quality assurance at defined gates is still weak. That

is a structural problem because appraisal is not merely a calculation exercise. It is the point at which optimistic assumptions should be challenged, option choice should be tested, and poor-quality preparation should be stopped from entering the portfolio. Without credible QA, sophisticated appraisal tools risk becoming decorative rather than decisive.

Prioritisation and selection are becoming more disciplined, but the system still carries transitional features that limit confidence in outcomes. RDNA5 shows a clearer review process by the key PIM ministries and confirms that only initiatives with a defined financing need, adequate implementation readiness and consistency with strategic priorities were selected for the 2026 priorities. That is a material improvement. But the same evidence also shows that much of the subnational pipeline is still being worked through, that project and programme numbers remain subject to revision, and that financing coverage is highly uneven across sectors. The system is therefore moving in the right direction, but portfolio credibility still depends heavily on the quality of the upstream gates. If early preparation, design and pricing remain weak, prioritisation becomes a choice among incompletely prepared options rather than a robust allocation exercise.

While the PIM reforms and the introduction of the DREAM portal improved project prioritisation, selection, and appraisal, the system still operates on projects of uneven maturity. Resolution No. 1049 already creates differentiated paths depending on whether the project exceeds UAH 50 million, whether public financing is required for preparing the full investment feasibility study, and whether the project is large-scale, defined as above UAH 400 million. RDNA5 confirms that projects were filtered for strategic alignment, economic and financial justification, and implementation readiness, and that those lacking realistic financing prospects were excluded. That is the correct direction of reforms but the remaining weakness is that the system still lacks a sufficiently clear and commonly understood maturity logic around these thresholds. Building institutional capacity and technical capacity more specifically requires gradual improvements. Having policy-level consensus about this, as well as appropriate institutional design, staffing and professional training to involve engineers and technical experts in project prioritisation, selection and appraisal in a meaningful way is key to improving PIM. As long as preparation, design readiness, costing and quality assurance remain uneven, prioritisation is partly a comparison between projects at different stages of substantive maturity.

Development of public investment management methodologies is advancing faster than the quality-assurance regime needed to make it credible. Ukraine is moving towards more structured appraisal methods, including cost-benefit, cost-effectiveness, least-cost and multi-criteria approaches, supported in part by EIB Advisory/JASPERS. The challenge is that appraisal still depends on variable upstream inputs and a weak challenge function. Resolution No. 1049 already differentiates sectoral and expert assessment and requires separation of preparation and evaluation functions to reduce conflicts of interest (Cabinet of Ministers of Ukraine, 2025[23]). Plus, expert appraisal is not concentrated in a single ministry: under the current framework, assessment responsibilities are distributed across three ministries, which matters for both co-ordination and consistency of challenge. That is a sound design principle, but the independent technical peer review of feasibility work is still not formally embedded, even though this is precisely the point where assumptions that went into the project design should be examined and projects based on less adequate assumptions should be stopped from progressing. Without stronger quality assurance, appraisal risks becoming a more sophisticated form of documentary justification rather than a robust filter.

A further challenge is that portfolio exit remains less visible than portfolio entry. The current section explains how projects are prepared, assessed and selected, but it is still not sufficiently clear on how projects that lose readiness, fail to resolve preparation weaknesses, materially diverge from scope or cost assumptions, or no longer fit fiscal space are corrected, postponed or removed. Without a clearer maturity and exit logic, prioritisation risks becoming a comparison among incompletely prepared options rather than a disciplined portfolio-management process.

A more credible challenge function requires greater specificity about the minimum technical content of feasibility work. For major infrastructure projects, feasibility studies should not be treated as short economic justifications appended to a preferred option. They should include, on a proportionate basis, sufficiently developed engineering assumptions, option comparison, preliminary design parameters, risk analysis, environmental and social constraints, implementation planning, and an explicit costing methodology. For projects with significant technical complexity or uncertain site conditions, independent technical peer review before budget approval would provide a basic assurance that quantities, assumptions and delivery logic are robust enough to support appraisal. Without such checks, the system risks appraising projects whose apparent strategic and economic merits rest on under-specified technical inputs.

The same problem applies to the pricing infrastructure that supports early estimates. Ukraine has made progress in formalising construction pricing rules, but the benchmarking base remains narrow and unevenly maintained, with stronger reference material in roads than in many other infrastructure sectors. As a result, appraisal-stage estimates may still rely on weak or fragmented unit-price evidence, limited completed-project cost data, and insufficient client-side capacity to challenge quantities, assumptions, materials choices and rates. In practical terms, the pre-investment chain should include staged technical reviews at the points where design maturity, costs and funding assumptions materially change, so that revisions are reconciled before tendering rather than after procurement documents have already been prepared. Ukraine already has sector-specific pricing norms and road-cost methodologies, but the wider objective should be to make preliminary and full feasibility work more transparent about what has and has not yet been verified, and to stop poorly evidenced estimates from flowing unchallenged into portfolio and budget decisions.

The systemic consequence of the issues discussed is delayed tendering, revised estimates, variation orders, scope corrections and contract instability. OECD work on procurement strategy is relevant precisely because it shows that procurement failures are often embedded upstream, before bidder selection even begins (OECD, 2021[27]). The Support Tool for Effective Procurement Strategies (STEPS) assessments in Norway and Germany both stress the importance of reducing pre-contract uncertainty, understanding market structure, and aligning contract design with the actual characteristics of the project and the delivery market (OECD, 2021[27]; 2025[28]). Ukraine's current bottleneck is broader than procurement strategy alone, but the underlying logic is the same: immature projects create avoidable downstream risk.

3.2.3. Recommendations

The recommendations focus on five core priorities. Those are: (1) making the pre-investment chain more operational; (2) strengthening substantive project preparation; (3) improving cost-estimation and benchmarking infrastructure; (4) reinforcing independent challenge; and (5) making project maturity, deprioritisation and portfolio exit more explicit. The purpose is to make the current reform architecture easier to apply consistently across ministries, agencies, regional administrations and municipalities.

The first priority is to make the pre-investment chain more explicit and more operational building on the sequencing introduced in the current legislation. In practical terms, Ukraine should treat project preparation, technical readiness, cost estimation, appraisal and portfolio entry as distinct control points within one connected process. The purpose is not to add conceptual complexity. It is to make the reform architecture easier to implement across ministries, agencies, regional administrations and municipalities. The current legal framework already contains differentiated gates through Resolution No. 1049 and the wider PIM package. What is still needed is clearer operational sequencing and more consistent understanding of what each gate is intended to prove before the project moves forward.

Second, Ukraine should strengthen substantive project preparation rather than merely require more documentation. The preliminary investment feasibility study should function as a real option-development and project-definition stage. That requires more systematic scoping of alternatives, better early commercial

analysis, stronger linkage to strategic documents and more realistic assessment of whether the project is sufficiently developed to justify further preparation funding. The policy note is right to emphasise expansion of project preparation support and stronger feasibility quality as a system priority. Without that, the state risks using scarce preparation resources on projects that are politically visible but conceptually weak, while failing to mature those that are strategically stronger but technically less advanced.

Third, there is a need is to introduce a clearer technical-readiness discipline before projects move towards procurement. Technical design, engineering standards and implementation readiness should be treated as governance issues, not left to emerge informally from engineering practice. The evidence points to a need for firmer checkpoints on design maturity, availability of site data, adequacy of surveys, standards compliance, specification quality and early market testing. In practical terms, this would reduce the number of projects that are appraised and selected on the basis of strategic desirability but remain underdeveloped in engineering terms. It would also reduce the tendency to transfer unresolved risk into the procurement phase.

Then, the government can consider moving from dispersed price analysis towards a more credible benchmarking architecture. Ukraine's current reforms on construction pricing are useful, but the analytical material indicates that they remain closer to structured quote collection than to mature national evidence base for cost realism. The state therefore needs a stronger public benchmarking infrastructure with unified coding of work items and materials, auditable data sources, systematic updating, integration of historical contract-price information and more substantive scrutiny of estimate realism. This is also the point at which international good practice can contribute. ICMS is relevant because it offers a common framework for classifying, recording and comparing life-cycle costs across projects and sectors, including for feasibility studies, development appraisals, tender analysis and investment decision making. It is not a replacement for Ukrainian estimating rules. It is, however, a useful reference for improving comparability, whole-life reporting and benchmarking discipline.

There can also be additional consideration given to appraisal methods depending on the size and scope of projects. Ukraine does not need one rigid method for all projects regardless of their size. It does need a clearer national logic specifying which techniques are appropriate for which project types, what minimum evidence is required at each point, how risk and whole-life costs should be treated, and when independent review becomes mandatory. The absence of formal peer review processes is an important gap for major projects. Independent technical and economic review is especially important where project documentation, price evidence or delivery assumptions remain weak. Without that challenge function, better appraisal guidance will improve form faster than substance.

Additionally, there is scope to tighten the link between portfolio entry, maturity and financing realism. RDNA5 shows that Ukraine is already excluding projects without realistic financing prospects and using implementation readiness as a criterion for inclusion in the 2026 priorities (Government of Ukraine, World Bank, European Union, United Nations, 2026[3]). That logic should be reinforced. Prioritisation should operate not simply as a ranking exercise among strategically relevant ideas, but as a disciplined portfolio decision among projects that have cleared earlier maturity tests. This would help prevent the pipeline from being used as a holding area for projects that are desirable in principle but insufficiently prepared in practice. In a resource-constrained recovery context, that discipline is essential for preserving both budget credibility and donor confidence.

Finally, Ukraine should make project maturity and portfolio exit more explicit within the public investment framework. Projects that do not reach the required readiness level, fail to resolve critical preparation weaknesses, or materially diverge from approved scope, cost or financing assumptions should be subject to a traceable process of correction, postponement or removal. This would make prioritisation more credible and reduce the carry-over of weak projects into later budget and procurement decisions.

Ukraine should treat appraisal capability as an investment need in its own right. This requires not only training for current officials, but a wider effort to strengthen the supply of relevant professions through

universities, professional bodies and specialised public training providers, including engineers, economists, quantity surveyors, environmental specialists and project-preparation practitioners. Standardised digital tools and AI-enabled support may help sponsors structure documentation, identify omissions and improve comparability, but they should support rather than replace technical judgement and independent challenge.

More generally, the logic of the proposed solutions is to strengthen client-side capability. The underlying challenge in much of the material is not only weak rules, but uneven capacity to use the rules well. Better preparation, better design review, better costing and better appraisal all depend on stronger engineering, commercial, economic and project-management capability within project owners and contracting authorities, particularly at subnational level. Where that capability is absent, the system will continue to rely too heavily on external consultants, formal compliance and late correction, leading to project delays and cost overruns.

3.3. Infrastructure permitting

3.3.1. Overview

Infrastructure permitting in Ukraine should be treated as a governance function that connects planning, environmental compliance, land and urban-development controls, and implementation readiness. For infrastructure, permitting is not merely a downstream administrative formality. In practice, it sits at the interface between earlier project-development work and the transition to procurement and construction.

In Ukraine, the legal base is dispersed across urban-planning, environmental and sectoral legislation rather than concentrated in a single infrastructure-permitting code. The core framework includes the Law on Regulation of City Planning Activity, the Law on Environmental Impact Assessment, the Law on Strategic Environmental Assessment, and a growing set of digital instruments intended to make permitting and planning data more interoperable (Verkhovna Rada of Ukraine, 2017[29]; 2018[30]; 2011[13]). The permitting process is governed by a combination of national regulations and sector-specific guidelines.

Recent reforms aim to streamline the process by introducing digital tools and improving interoperability across systems. DREAM should not be described as the main operational system for managing permitting workflows. Its role is better understood as a project-information and traceability layer that can connect planning, project preparation and monitoring with permitting-related systems, while the main operational permitting functions sit in e-construction, eDozvil and related registries.

Ukraine has already built some of the core digital infrastructure for this. The Unified State Electronic System in the Construction Sector is a one-stop digital channel for many construction-related administrative services. The government also launched the eDozvil pilot in July 2024 to digitise licensing and permitting procedures through a risk-based model in which lower-risk cases may be processed automatically while higher-risk cases are escalated for official review. In parallel, the state-level Urban Development Cadastre Geoportal has been launched to consolidate urban-planning information nationally, with the government presenting it as a foundational layer for other systems, including DREAM and the register of damaged property (Cabinet of Ministers of Ukraine, 2024[31]; 2025[32]; Verkhovna Rada of Ukraine, 2019[33]). Digitalisation as an important reform vector, but digital tools should be understood as enablers, not as a substitute for simplification of the underlying rules.

EU accession pressures make the permitting agenda more demanding. Environmental permitting is becoming more complex as Ukraine aligns with the EU regulations. The Law on Integrated Prevention and Control of Industrial Pollution was adopted in July 2024 and created the legal basis for integrated environmental permits for specified industrial activities, alongside requirements related to best available techniques (Verkhovna Rada of Ukraine, 2024[34]). At the same time, strategic documents remain subject

to Strategic Environmental Assessment, while project-level Environmental Impact Assessment continues to apply to listed activities and requires public participation (Verkhovna Rada of Ukraine, 2018[30]; Verkhovna Rada of Ukraine, 2017[29]). The challenge Ukraine is currently facing in this context is whether Ukraine can move towards a more integrated, risk-based and digitally supported permitting model without weakening environmental safeguards or creating further fragmentation between legal regimes.

This also sharpens a wider governance issue. Ukraine is currently operating with recovery-specific planning instruments alongside the standing planning and permitting framework, but the long-term direction cannot be a permanent dual-track regime. The practical question is how to use temporary recovery instruments without creating durable fragmentation between the wartime recovery architecture and the post-war planning and permitting system.

From an infrastructure governance perspective, this section examines permitting as a co-ordination problem across four linked domains. From an infrastructure-governance perspective, the issue is not whether Ukraine has several distinct permitting regimes, but whether those regimes operate as a coherent and predictable sequence. This section therefore examines permitting as a co-ordination problem across five linked domains:

1. spatial and urban-planning consistency
2. land designation and land-rights assembly
3. environmental assessment and environmental permitting
4. construction and technical approvals
5. administrative process design including digital workflow and transparency.

3.3.2. Challenges

This section identifies four main challenges. These are: structural fragmentation across permitting regimes; weak synchronisation between recovery instruments and the standing planning framework; uneven transparency and predictability for project sponsors and affected stakeholders; and limited administrative capacity and process ownership under wartime conditions.

Ukraine’s permitting system remains structurally fragmented. The permitting regimes are governed by different laws, institutions and information systems, while project sponsors often have to navigate their interaction without a sufficiently coherent operating logic. This is especially visible at the interface between spatial planning, construction permitting, environmental assessment and sector-specific requirements. As in most advanced economies, these controls are governed through separate legal regimes rather than through a single infrastructure-permitting code. That institutional differentiation is normal and broadly consistent with international practice. The more relevant issue is whether the interaction between those regimes is sufficiently clear, sequenced and interoperable to support predictable project development. The law on city-planning activity establishes the urban-development framework and integrates the electronic construction system into that broader architecture (Verkhovna Rada of Ukraine, 2011[13]). Environmental assessment legislation imposes separate procedures with public participation and, where relevant, transboundary consultation. The consequence is that where sequencing is unclear or data are not interoperable, delay and uncertainty arise not because each individual control is unjustified, but because the system as a whole is poorly co-ordinated. The reform direction is therefore towards greater integration and transparency.

The more specific weakness is that the interfaces between these regimes remain insufficiently harmonised in the recovery context. The central challenge is not that Ukraine has separate planning, environmental and construction approval regimes. That degree of differentiation is common internationally and is consistent with good practice where different legal controls address different types of risk. In Ukraine, the recovery planning instruments are not fully synchronised with the established system of strategic, spatial

and budget planning: the Plan for Recovery and Development is treated as part of the state regional policy planning system and has a defined implementation horizon to 2027, whereas the Programme of Comprehensive Recovery is presented as sitting outside the formal planning-document system, lacking a clear implementation period, lacking a national-level counterpart, and lacking a clear vertical link between oblast and community documents (CSI, 2023[35]). This points to a more precise governance problem: overlap, uncertain hierarchy, inconsistent timing and weak alignment between recovery instruments and the wider planning framework, which in turn complicates permitting, project preparation and funding decisions (Podorozhnyi, 2023[36]).

Permitting systems have uneven transparency and predictability for project sponsors and affected stakeholders. The electronic systems improve visibility in some parts of the process, especially in construction-related services. But the wider permitting chain is still difficult to understand as one connected process. OECD guidance on permitting emphasises clear information, user-centred design, one-stop access and proactive disclosure of process requirements and decisions, particularly where environmental sensitivity is high (OECD, 2025[37]). Ukraine's reforms are consistent with that direction, but the country still lacks a fully integrated, end-to-end permitting journey that allows a sponsor, reviewer or citizen to see what permissions are required, in what order, on what timetable, and with what public-participation obligations. That is a serious weakness in a reconstruction environment where the volume of projects is high and administrative capacity is stretched. In that sense, the reform challenge is not merely one of "streamlining" permits. It is one of structured bargaining across legitimate controls: how to see constraints earlier, co-ordinate interdependent decisions, and make trade-offs more predictable before projects reach procurement and construction.

Administrative capacity and process ownership are a distinct challenge in the wartime context. Integrated permitting, statutory timelines and clearer process maps are only credible where permitting authorities have enough specialist staff, stable operating capacity and a clear lead institution for co-ordinating complex cases. In Ukraine, these constraints are sharpened by wartime turnover, stretched administrative resources and the high volume of reconstruction-related projects. The 2026 OECD report on accelerating infrastructure permitting stresses that integrated permitting and statutory time limits are only credible where there is adequate co-ordination capacity, stable funding and specialist capability within permitting authorities (OECD, forthcoming[38]). Lead authorities or case managers for complex projects are key for co-ordinating permitting-related work. This is directly relevant to Ukraine because where the legal framework and digital tools improve, complex infrastructure projects will continue to face delays if no institution is clearly responsible for co-ordinating inter-agency review, resolving sequencing issues early and maintaining a single authoritative process timetable.

A related constraint concerns land-rights clarification and land assembly, which interact directly with spatial planning and infrastructure permitting. Where cadastral information is incomplete, spatial plans outdated or land ownership fragmented, project sponsors face uncertainty in defining project footprints and securing the land rights required for environmental review, construction permitting and financing. These issues therefore sit at the interface between infrastructure governance and the enabling conditions for private investment and are discussed further in Section 4.2.2 on land acquisition.

3.3.3. Recommendations

The recommendations focus on four priorities. Those are: (1) clarifying the relationship between recovery-specific instruments and the standing planning framework; (2) improving co-ordination across existing permitting regimes; (3) using digital tools to support end-to-end process logic rather than isolated transactions; and (4) integrating environmental and spatial constraints earlier in project development. The objective is to make the existing system more coherent, predictable and easier to navigate for project sponsors, authorities and affected stakeholders.

For Ukraine, this means clarifying the hierarchy, timing and interdependence of recovery planning documents and ensuring that they connect more consistently with spatial planning, environmental procedures and budget processes. In practical terms, the government should reduce overlap between recovery-specific instruments and standing planning documents, define more clearly which document performs which function, and ensure that their implementation horizons and financing logic are aligned. That would address the Ukraine-specific source of avoidable delay more directly than generic calls for "streamlining permitting". Over time, the aim should be convergence rather than permanent duality: temporary recovery-specific instruments may remain necessary, but they should not harden into a parallel long-term planning and permitting framework.

A second recommendation is to use digital tools to support sequenced, end-to-end process logic, rather than simply to digitise individual steps. OECD guidance is explicit that licensing and permitting reforms work best when simplification precedes or accompanies digitalisation, when risk treatment is harmonised, and when users can see the full regulatory journey rather than isolated administrative transactions (OECD, 2025[37]). Applied to Ukraine, this means linking e-construction, eDozvil, environmental registries, the Urban Development Cadastre and DREAM through clearer interoperability, shared identifiers and more transparent process maps. The objective should be to make it easier for project sponsors, regulators and the public to understand what approvals are required, in what order, and on what basis, while preserving substantive review where risks are material.

Thirdly, Ukraine can consider integrating environmental and spatial requirements earlier in project development. Since the separate environmental impact assessment (EIA) and strategic environmental assessment (SEA) and construction-related controls are normal, the practical task is to ensure that they are anticipated early enough to shape project location, land footprint, design and implementation planning. The different infrastructure permits should be anticipated during preparation and technical development so that key constraints, consultation requirements and mitigation obligations are understood before the project reaches procurement. This does not mean compressing environmental procedures. It means reducing the common pattern in which environmental considerations are either delayed or handled in parallel without sufficient technical preparation. In practical terms, Ukraine would benefit from clearer guidance on (1) when SEA, EIA and integrated permitting are triggered, (2) how their outputs should inform project design and site selection, and (3) how related information should be visible through digital platforms and registries. In practical terms, this would improve not only permitting quality but also appraisal credibility, procurement readiness and the realism of project timelines.

The fourth recommendation is to develop one-stop and risk-based permitting arrangements in a more targeted way. Ukraine is already experimenting with this through the Unified State Electronic System of Permit Documents eDozvil (ePermit). That is sensible, but it should be developed carefully. OECD work is clear that one-stop shops are useful when they centralise access, guidance and data flow, but they do not justify weakening substantive review for higher-risk activities. The right model is therefore differentiated: automate and simplify genuinely low-risk permissions; preserve full review for higher-risk cases; and make the criteria for escalation transparent. For infrastructure projects, this matters because parts of the process may be suitable for standardisation or automation, while others, particularly environmentally sensitive or technically complex cases, are not. The value of digital permitting lies in reducing avoidable administrative friction, not in pretending that all approvals are routine.

The fifth recommendation is to strengthen capacity and institutional ownership. OECD evidence shows that time limits and integrated models are ineffective without sufficiently resourced authorities, specialist expertise and active co-ordination. Ukraine should consider dedicated permitting co-ordination capacity for major infrastructure projects, especially where multiple agencies and legally distinct permit streams are involved. The international examples in the OECD report suggest that case managers, dedicated project teams and stable funding for review bodies are practical complements to legal reform, not optional extras

(OECD, forthcoming[38]). Box 3.7 provides a more in-depth look into good practices identified in the recent OECD work.

Box 3.7. From streamlining to integrated case management: lessons from OECD work on accelerating infrastructure permitting

Good practice in infrastructure permitting does not consist in a single reform. It combines procedural streamlining, institutional co-ordination, digital case management, adequate administrative capacity, and, where justified, accelerated regimes for nationally significant projects. These measures improve predictability and transparency, but they do not remove the need for environmental safeguards, consultation rights, and legal scrutiny.

Integrated permitting and one-stop-shop models. Fragmented and sequential approvals are a major source of delay. More effective systems use a lead authority or case manager, a single application pathway, a co-ordinated timetable, and parallel processing of environmental, land-use and sectoral approvals. Examples include Denmark's co-ordinated model for large energy projects, France's autorisation environnementale unique, and the Netherlands' integrated framework under the Omgevingswet. These arrangements work only where mandates are clear and co-ordination is properly resourced.

Digital case management and transparency. Digitalisation is most useful when it supports an integrated workflow rather than merely storing documents. Good practice includes central portals for submission, automated completeness checks, real-time status tracking, shared case records, public dashboards, and common data standards across authorities. Denmark's Byg & Miljø and the Netherlands' Omgevingsloket illustrate how digital systems can reduce "stop-the-clock" interruptions and enable parallel review.

Capacity, deadlines and process discipline. Statutory time limits can improve predictability, accountability and early co-ordination, but they are not credible where permitting authorities lack staff, expertise or stable funding. Effective systems therefore pair deadlines with dedicated project teams, funded case-management capacity, and cost-recovery arrangements that allow resources to scale with workload and project complexity. Without this, deadlines risk producing superficial assessment or defensive refusals rather than faster decisions.

Priority regimes for nationally significant infrastructure. The strongest acceleration tools usually apply only to designated priority projects. Once recognised as nationally significant, projects may benefit from expedited procedures, co-ordinated review, binding timetables, additional administrative resources, and, in some jurisdictions, shorter litigation pathways. Examples include the United Kingdom's NSIP regime, the United States' FAST-41 framework, and New Zealand's fast-track consenting model. These regimes are best understood as an upper tier of the permitting system rather than a substitute for broader reform.

Data systems and benchmarking. Permitting reform is weak where governments do not measure how the system performs. Good practice is to map the full permitting workflow, including pre-application, consultation, appeals and litigation, and to collect comparable data on duration, resource intensity, mitigation spending and redesign frequency. This creates the evidence base needed to identify bottlenecks, benchmark performance, and assess whether reforms are improving delivery in practice.

Source: OECD (forthcoming[38]), Accelerating Infrastructure Permitting: From Streamlining to Structured Bargaining.

The sixth suggestion is to improve transparency for both project sponsors and the public. This requires more than publishing final decisions. Good practice is to publish process maps, guidance, standard

timelines, required datasets, consultation obligations, and key permit decisions in searchable form. In environmentally sensitive areas, OECD guidance also points to the value of proactive disclosure of environmental assessment processes and licences (OECD, forthcoming[38]). Ukraine's move towards integrated digital systems creates an opportunity here. If e-construction, the Urban Development Cadastre, environmental registries and DREAM are linked through common identifiers and visible process logic, permitting could become materially more predictable without becoming less rigorous.

A final, longer-term solution is to improve evidence and benchmarking. Most countries lack systematic data on permitting duration, resource intensity, redesign and litigation. That observation is likely to apply even more strongly in Ukraine's current reconstruction setting. A more structured permitting-performance dataset would help distinguish between delays caused by legitimate environmental or social safeguards and delays caused by avoidable duplication, weak co-ordination or poor project readiness.

3.4. Procurement strategy

3.4.1. Overview

In OECD terminology, procurement strategy is not the tender procedure itself – it is the pre-tender decision on how the project should be delivered and contracted. The OECD's Support Tool for Effective Procurement Strategies (STEPS) defines this as a structured, evidence-based process for bespoke outputs such as infrastructure, applied after project appraisal but before procurement activities, including market engagement (OECD, 2021[27]). At that stage, the key questions include whether the buyer has the capabilities required for the project, whether the project should be bought through one or several contracts, and what form of contractual relationship is appropriate given uncertainty, market structure and project objectives (OECD, 2025[28]).

Procurement strategy is also an upstream integrity control. Decisions on contract packaging, qualification requirements, technical specifications, standards, delivery model, risk allocation and price-adjustment mechanisms can shape the competitive field before a tender is launched. If these choices are weakly documented or tailored to specific suppliers, later transparency in Prozorro may reveal the procedure but will not necessarily correct the underlying distortion.

Procurement strategy should not be framed as a binary choice between public procurement and PPP. It concerns the broader front-end decision on how a project should be delivered, including contract packaging, sequencing, interface design, market engagement, risk allocation and, where relevant, whether private participation should be screened as a realistic route. Even within wholly public delivery, authorities still need to decide how to decompose the project into work packages, how far to bundle those packages into larger contracts, which interfaces to retain, how to protect competition, and where direct SME participation is preferable to subcontracting through a tier-one contractor. These choices should be informed by project objectives, buyer capability, market structure, uncertainty and the conditions under which private finance could improve value for money (VfM).

VfM is one input into this judgement, not the mechanism through which all packaging and delivery choices are made. Box 3.8 explains why value for money (VfM) is one input into procurement strategy for PPPs, not a stand-alone justification for private participation. A procurement strategy has to be developed for a specific project taking account of:

- the nature of the project
- the capabilities of the delivery entity
- the structure of the market
- whether and under which conditions can private finance involvement improve the overall value for money (VfM) proposition.

That distinction matters for Ukraine because the current framework appears stronger on procurement execution than on procurement strategy formation. The Law on Public Procurement is the core procedural framework for tendering, while Prozorro is the electronic platform through which procurement is published and conducted (Verkhovna Rada of Ukraine, 2015[39]). The wider PIM reform also envisages integration between DREAM, budget systems, Prozorro and the Treasury to enable end-to-end control (Cabinet of Ministers of Ukraine (CMU), 2024[2]). However, the reviewed legal and institutional material does not appear to establish a clearly mandated, stand-alone infrastructure-procurement-strategy gate comparable to STEPS. In practice, the strategic choices about packaging, delivery model, risk allocation, private-finance suitability and interface management therefore risk being made implicitly, late, or inconsistently across project sponsors.

International practice suggests that this is not typically the responsibility of an e-procurement platform or procurement regulator acting alone. In the German STEPS application, the procurement strategy was developed during project preparation and responsibilities were split across the user, the formal owner/operator, the technical supervision authority and the implementing authority. In Norway, Nye Veier undertook the relevant market analysis and pre-contract de-risking as the public project company. In other words, procurement strategy typically sits with the project owner/client side, supported by technical, commercial and procurement expertise, rather than with the procurement platform itself (OECD, 2021[27]; 2025[28]).

Box 3.8. Value for money assessment as part of procurement strategy for PPPs

Value for money (VfM) assessment is not a stand-alone justification for using PPPs. It is one element of procurement strategy used to determine whether private participation is likely to deliver better outcomes than the best feasible public-sector alternative. Under the OECD Recommendation on Principles for Public Governance of Public-Private Partnerships, PPP decisions should be co-ordinated with the budget process, transparently reflected in fiscal accounts, and pursued only where they are expected to deliver value for money over the project lifecycle rather than merely shift expenditures off the public balance sheet (OECD, 2012[40]).

A credible VfM assessment is therefore dynamic and comparative. It should assess the expected price-quality relationship of private participation against the relevant public delivery option, test whether risk allocation is realistic, and distinguish genuine efficiency gains from one-off tender effects. In that sense, VfM informs procurement strategy; it does not substitute for broader decisions on delivery model, institutional capability and long-term contract management.

Source: OECD (forthcoming[41]), Making Private Investments in Infrastructure Work: Rethinking Value for Money in Project Delivery.

Ukraine has PPP guidance and project-development materials, but PPP should not be treated as the organising concept of procurement strategy. The yes/no decision on whether private participation is plausible should be screened upstream, on the basis of sector economics, user-payment prospects, fiscal implications, market interest and public capability. Procurement strategy then optimises the chosen route rather than deciding from scratch whether private participation is desirable in principle. In Ukraine, public procurement remains the default in most sectors, and the new Law on Public-Private Partnership adopted in 2025 was an important legal development (Verkhovna Rada of Ukraine, 2025[42]) but it does not automatically translate into PPPs already being a mature operating model across the infrastructure pipeline.

In Ukraine, procurement strategy decisions are influenced by the size, complexity, and nature of infrastructure projects. While public procurement dominates in most infrastructure sectors, there is growing

interest in leveraging private investment to address funding gaps and improve efficiency The government worked on early integration of the SOURCE platform for PPPs and concessions, and newer project-preparation arrangements under the PPP Agency are intended to support the wider PIM system, with an explicit longer-term possibility of preparing projects under PPP modalities when macroeconomic conditions and market appetite permit. DREAM is envisaged as the disclosure and workflow environment for projects prepared through that facility. The direction of reforms is therefore towards bringing PPP development into the same project-preparation and pipeline logic as public investment, rather than handling it as an isolated niche process. While this logic is positive for making timely and informed choices on procurement strategy, this work should not be seen as a substitute for selecting a project delivery mode.

3.4.2. Challenges

This section identifies five main challenges. These are: (1) the absence of a consistently explicit pre-tender strategy stage; (2) weak client-side ownership of commercial choices; (3) underdeveloped market and package analysis; (4) risk allocation that remains too generic and too late; and (5) undisciplined integration of PPP screening into front-end project strategy.

The first challenge is that procurement strategy is not yet sufficiently explicit as a separate front-end governance function. For major infrastructure, these choices should be made after appraisal and before procurement, with enough information available to support serious analysis. In Ukraine, by contrast, the reviewed framework points to strong attention to project preparation, appraisal and e-procurement, but not to a distinct and consistently assigned stage at which the delivery model, packaging strategy, market approach, interface structure, payment mechanism and PPP option are assessed together. That gap matters because these choices materially affect bidder interest, risk pricing, contract manageability and whole-life value for money (OECD, 2015[43]; 2012[40]).

The second challenge is institutional ambiguity. The public procurement framework and Prozorro are not designed to act as project-specific procurement-strategy owners. Yet the project owner, beneficiary ministry, implementing agency and contracting authority do not appear to have a consistently defined obligation to produce a formal procurement strategy before tendering. This creates a practical vacuum. Where no actor is clearly accountable for the strategy, key decisions are liable to be taken piecemeal in tender documentation rather than through structured front-end analysis. International STEPS cases suggest the opposite approach: procurement strategy is owned on the client side during project preparation, with technical and commercial analysis feeding into a formal decision before launch (Verkhovna Rada of Ukraine, 2015[39]).

The third challenge is that market analysis and packaging logic remain underdeveloped. STEPS is useful precisely because it forces the buyer to move beyond generic discussion of “public versus private” and instead break the project into work packages, assess supplier-market conditions, test make-or-buy choices, and decide which activities should be bundled or separated. The Norway case shows this clearly: Nye Veier analysed the contractor market to determine the maximum contract size that would not undermine competition and then designed the procurement around that evidence (OECD, 2021[27]). The German case likewise used work-package analysis and market scanning to identify bottlenecks, tolerable contract size and the appropriate balance between interface reduction and SME access (OECD, 2025[28]). In Ukraine, there is currently no specific guidance on disaggregating large projects into manageable packages and limited capacity to evaluate delivery choices systematically.

The fourth challenge is that risk allocation is likely to be decided too late and too generically. OECD STEPS work is explicit that delivery-model choice should follow analysis of uncertainty, supplier switching costs, rarity of capability and other economic attributes at the work-package level. It also shows that certain packages should not be pushed into rigid lump-sum or price-based models where uncertainty remains high. In Norway, the OECD concluded that targeted de-risking before tender was close to best practice, including a fully costed reference design and compensation packages were identified as unsuitable for

lump-sum treatment (OECD, 2021[27]). Ukraine's general challenge, by contrast, is that projects often reach procurement with unresolved design and cost uncertainty. If procurement strategy is not formalised earlier, those unresolved risks are likely either to be priced inefficiently or to return later as claims and renegotiation pressure.

The fifth challenge is that PPP is not yet integrated into procurement strategy in a disciplined way. Ukraine has policy interest in PPPs, a specialised PPP Agency, SOURCE-related work, and project-preparation arrangements that anticipate later PPP modalities. It also now has a new Law on Public-Private Partnership adopted in 2025 (Verkhovna Rada of Ukraine, 2025[42]). But that does not mean PPP is yet functioning as a mature procurement-strategy option across the infrastructure pipeline. While some PPP-related experience and PPP capability exist, the conditions for broad deployment remain narrow and project-specific. Without a stronger procurement-strategy gate, PPP risks being treated either as a funding aspiration or as a legal speciality, rather than as one possible delivery modality.

3.4.3. Recommendations

The first recommendation is to make procurement strategy an explicit pre-tender stage in Ukraine's infrastructure lifecycle. It should sit after project appraisal and before market engagement and tender launch, consistent with the OECD STEPS logic. The purpose is not to create a new bureaucratic layer. It is to ensure that key delivery choices are made deliberately, on evidence, and early enough to shape design completion, market sounding and tender documentation. Procurement strategy should become a standard part of project preparation for complex and higher-value infrastructure projects, rather than being left implicit within procurement documentation.

Secondly, the most workable model could be for the project owner or beneficiary to lead preparation of the strategy and so that this responsibility is assigned more clearly. International practice suggests that procurement strategy should be owned by the project sponsor/public client, supported by the implementing authority and the relevant technical, commercial, procurement and financial specialists. It should not be assigned to Prozorro, whose function is digital tender execution, nor treated as a purely central-regulatory task for the Ministry of Economy. In Ukraine, the most workable model would be for the project owner or beneficiary to lead preparation of the strategy, with mandatory input from the contracting authority where different, and specialist advisory input from the Ministry of Finance, Ministry of Economy or PPP Agency where the strategy involves fiscal support, non-standard delivery models or PPP screening. That would also fit the broader PIM principle that project-level decisions should remain with the sponsor side, while central bodies provide rules, challenge and assurance.

The third recommendation is to specify the minimum content of a procurement strategy using a simplified STEPS logic. At a minimum, the strategy should state: the project objectives that matter for delivery choice; the client's own capability and what must be bought externally; the work-package breakdown; a basic market analysis of supplier depth and likely bottlenecks; the preferred contract packaging; the proposed delivery model and payment mechanism for each package or bundle; the intended approach to risk allocation; the implications for competition and SME access; and whether private finance or PPP should be taken forward for fuller testing. This is stronger than a generic narrative about "choosing procurement" because it forces structured trade-offs. The German and Norwegian STEPS cases show that such analysis can materially improve decisions on contract size, SME involvement, interface management and suitability of collaborative versus price-based delivery models (OECD, 2021[27]; 2025[28]). Box 3.9 shows that procurement strategy matters even where the project is wholly publicly financed and there is no immediate PPP decision. The German case shows that these decisions can be approached systematically, using project objectives, market limits and work-package characteristics rather than institutional habit or default tender models. For large Ukrainian infrastructure projects, especially where supplier markets are thin or technical uncertainty remains high, this type of structured work-package and bundling analysis would materially strengthen procurement strategy before tender launch.

Box 3.9. Work-package analysis and contract bundling: Lessons from Germany

The OECD's application of the STEPS methodology to the new campus of the German Federal Criminal Police Office (BKA) illustrates why procurement strategy should not be reduced to a binary choice between "traditional procurement" and PPP. The project was publicly financed, yet it still required a structured front-end decision on how to package works, allocate interfaces, preserve competition, and secure operational performance over time. Using STEPS, the project was broken down into 143 work packages across design, construction, maintenance and operations. These packages were then analysed for their economic characteristics, including uncertainty, rarity of supplier capability and the risk of procurement failure if they were bundled or priced inappropriately. A parallel market analysis was undertaken to test both individual bottlenecks and the overall contract size that the market could credibly absorb.

The analysis showed that contract bundling had to be constrained by market reality. The OECD concluded that the largest contract size should remain below EUR 500 million, with EUR 300-400 million the preferable range, because larger packages would reduce bidder turnout and undermine competition. It also identified package-specific constraints. Specialised planning in heating, ventilation and media systems needed monitoring as a potential bottleneck, while laboratory planning involved such high uncertainty that it should not be placed under a lump-sum payment mechanism. Security requirements created an additional cost and risk driver, but the analysis suggested that this challenge should be addressed through more careful scoping of security zones and appropriate contractual treatment, rather than through a wholesale change in delivery model.

On that basis, the German authorities did not compare only one "traditional" option with one "integrated" option. They developed five alternative procurement strategies, ranging from a design-bid-build model with one contract per object, to several larger bundled contracts, to a near-maximal interface-reduction approach based on one large DBOM arrangement. These options were then assessed against the project's consolidated objectives. The extreme options were rejected: the most disaggregated strategy created too many interfaces, while the most aggregated strategy risked a competition failure because a project of over EUR 1 billion was unlikely to attract more than one credible bidder. The preferred solution was an intermediate strategy combining several large DBOM contracts with a greater role for SMEs through smaller packages. In effect, bundling was used selectively to reduce interfaces and support service quality, while some less complex objects were reserved for more direct SME participation.

Source: OECD (2025[28]), The Procurement Strategy for the German Federal Criminal Police Campus, https://doi.org/10.1787/cd9b9a4e-en.

The fourth suggestion is to build procurement strategy around targeted de-risking before tender, not merely around procedure selection. The Norway case is especially relevant for Ukraine because it demonstrates practical measures to reduce pre-contract uncertainty: market analysis, transparent pre-selection criteria, a fully costed reference design, bidder compensation for compliant losing bids, and sufficient tender time. Ukraine does not need to replicate that model mechanically. But the underlying lesson is directly transferable where uncertainty remains high, procurement strategy should first ask how much risk can be removed, clarified or retained intelligently before asking which tender procedure to run. That is likely to be more valuable than further procedural tinkering alone.

For infrastructure projects, de-risking before tender should include more than market analysis and contract design. It should also require a disciplined approach to the technical information released to the market. Where site conditions, buried utilities, geotechnical constraints or interface risks are material to price and

buildability, contracting authorities should aim to disclose the underlying surveys, baseline data, design assumptions and cost-build-up logic in a usable form before bidding begins. Incomplete technical disclosure does not merely inconvenience bidders; it widens the scope for inflated risk premia, strategic underpricing followed by claims, and large post-award variations. A procurement strategy for reconstruction should therefore ask, before launch, which uncertainties can be measured, standardised or disclosed early enough to make competition more credible.

The fifth priority is to integrate PPP screening and preparation into the same front-end logic. PPP should be treated as one of the delivery options where they can bring most value. In practical terms, this means that for projects where private delivery, operation or finance may be relevant, the procurement strategy should include an early screening of PPP suitability, followed where warranted by fuller value-for-money, affordability, fiscal-risk and market-interest analysis. Ukraine already has institutional pieces that could support this: the PPP Agency, earlier SOURCE integration work for PPPs and concessions, and the new project-preparation facility structure under the PPP Agency that is designed to connect with the wider PIM system and may later prepare projects under PPP modalities. The right recommendation is therefore not to build a separate PPP pipeline outside PIM and DREAM, but to make PPP a disciplined branch of the same project-development and procurement-strategy process.

3.5. Procurement

3.5.1. Overview

Public procurement is the stage at which infrastructure projects are converted from approved project proposals and designs into binding works, goods and services contracts. It is therefore the point at which many earlier weaknesses in project preparation become financially and operationally consequential. For infrastructure projects, procurement outcomes depend not only on the legal framework for tendering, but also on whether the project reaches the market with a sufficiently mature scope, reliable cost estimates, coherent packaging, and an allocation of risks that bidders can price credibly. Where those conditions are absent, procurement tends to produce thin competition, strategic underbidding, inflated risk premia, or early contract disputes rather than genuine value for money.

Ukraine has a comparatively strong formal procurement framework, but some infrastructure-specific procurement risks remain. The Law of Ukraine “On Public Procurement” establishes an EU-oriented framework built around transparency, competition and electronic procurement, and it already contains tools relevant to infrastructure purchasing, including preliminary market consultations, life-cycle costing, automatic risk indicators, and competitive dialogue (Verkhovna Rada of Ukraine, 2015[39]). For infrastructure works, procurement quality also depends on whether the contracting authority is acting on the basis of documentation and commercial judgements prepared by the entity that actually owns delivery risk. Where the technical owner, formal beneficiary and contracting authority are misaligned, procurement weaknesses often emerge before the tender even reaches the market. However, the same law also constrains the practical weight of non-price criteria by requiring the share of the price or life-cycle cost criterion to be at least 70% in most procedures, which materially shapes evaluation practice for complex works contracts (Verkhovna Rada of Ukraine, 2015, Art. 29).

The wartime procurement regime has altered the operating context of infrastructure procurement in ways that are understandable but governance-sensitive. Resolution No. 1 178 introduced special procurement arrangements under martial law (Cabinet of Ministers of Ukraine, 2022[44]), and the 2025 European Commission report notes that wartime decrees have expanded exceptions from ordinary procurement legislation (European Commission, 2025[45]). In parallel, the OECD’s fifth round follow-up report records that direct contracts represented 45% of total procurement by value in 2024, a level it treats as concerning

even in wartime conditions because it weakens competitive pressure and heightens integrity risks in high-value sectors (OECD, 2025[46]).

Ukraine's reform agenda already recognises that reconstruction procurement requires more than routine tendering rules. The Public Procurement Reform Strategy for 2024-2026 links procurement reform explicitly to reconstruction, provides for integration between the procurement system and DREAM, calls for donor-compatible procurement tools, and envisages model forms for contracts for works and works-related services based on international practice. The PIM Action Plan complements this by providing for e-contracting and automatic transmission of contracts to Treasury bodies, which is directly relevant for traceability in infrastructure procurement (Cabinet of Ministers, 2024[47]). This direction was reinforced by Ministry of Economy Order No. 26 335 of 22 November 2024 approving methodological recommendations on the procurement of construction works during martial law and for 90 days thereafter. That is a useful operational step, but it does not by itself resolve the deeper problems of weak competition, documentation quality and pre-award control (Ministry of Economy of Ukraine, 2024[48]).

3.5.2. Challenges

This section identifies seven main challenges. These are: overuse of wartime exceptions; weak competition even in formally competitive procedures; excessive reliance on price; incomplete documentation and disclosure; weak pre-award integrity controls; oversight that remains more corrective than preventative; and fragmented traceability for donor- and IFI-financed procurement.

The first procurement-stage challenge is that wartime flexibility has widened the use of non-competitive routes at precisely the point where infrastructure projects are most exposed to pricing, collusion and favouritism risks. In ordinary circumstances, procurement is expected to test the market and reveal price and capability through competition. When a substantial share of contracts bypass that process, the state loses one of its main governance instruments for verifying whether technical specifications, quantities and prices are reasonable, and this is particularly problematic in works-heavy sectors where contract values are large and cost inflation can be hidden inside scope complexity.

The second challenge is that competition in Ukrainian procurement is weak even where competitive procedures are formally used, and this weakness is especially damaging for infrastructure works. The European Commission reports that 68% of procurement spending was contracted through competitive procedures, yet the average number of bidders was only 1.55, indicating that formal competition often does not translate into meaningful contestability; for infrastructure contracts, such thin bidder turnout reduces price pressure, weakens incentives for quality improvement, and increases vulnerability to repeated local-market concentration or tacit market sharing (European Commission, 2025, p. 65[45]).

The third challenge is that infrastructure procurement remains too price-driven relative to the quality, durability and maintainability concerns that should matter in works contracting. The Commission explicitly identifies an overreliance on price as the sole award criterion, while the procurement law, although it allows life-cycle costing and other criteria, still requires price or life-cycle cost to account for at least 70% of the total score in most cases; in practice, this creates a structural bias towards lowest-price selection in settings where implementation methodology, programme realism, warranty commitments, energy performance and long-term maintenance implications should often matter more than they currently do (European Commission, 2025[45]) (Verkhovna Rada of Ukraine, 2015[39]).

The fourth challenge is that tender documentation for infrastructure works is often not sufficiently complete, standardised or analysable for bidders to price risks properly. The NACP-linked corruption-risk analysis on civilian infrastructure reconstruction finds that the absence of legal requirements to publish a comprehensive set of documents needed to assess construction processes and estimated costs, including in machine-readable format, creates a non-transparent basis for selecting the winner (National Agency on Corruption Prevention (NACP), 2025[49]). This is a procurement-stage problem, and incomplete or poor-

quality disclosure directly distorts bidder behaviour, comparison of offers and the credibility of tender results. The Ministry of Economy's 2024 methodological recommendations on construction procurement are a useful response to this problem, but the need for such guidance itself underlines that documentation weakness remains systemic rather than incidental.

The fifth challenge is that pre-award integrity controls remain weaker than the risk profile of reconstruction procurement requires. This narrower procurement judgement should be distinguished from broader anti-corruption implementation progress. Anti-corruption work is ongoing. For instance, according to the NACP, 743 measures under the State Anti-Corruption Programme for 2023-2025 were fully or partially implemented by the end of Q4 2025 (National Agency on Corruption Prevention, 2026[50]). That broader progress is real, but as far as procurement is concerned it does not remove the specific pre-award vulnerabilities that matter most for infrastructure. The European Commission states that risk assessments, conflict-of-interest prevention and internal and external controls are still weak, particularly in the pre-award phase (European Commission, 2025[45]). This matters disproportionately for infrastructure because biased technical specifications, restrictive qualification criteria, weak scrutiny of bills of quantities and conflicts involving designers, evaluators or supervisors can shape the entire outcome before any contract is signed. These risks are not fully addressed by publishing tender information alone. Transparency improves visibility, but it does not by itself detect bid rigging, co-ordinated bidding through related companies, beneficial ownership conflicts, tailored specifications or weak supervision arrangements. Infrastructure procurement therefore requires a control ecosystem that combines disclosure with risk analytics, internal review, competition enforcement, audit follow-up and sanctions.

The sixth challenge is that oversight remains more corrective than preventative, which is too late for many infrastructure procurement failures. The procurement law defines monitoring as a tool to assess compliance during the procurement procedure and contract validity, and the electronic system makes monitoring requests and opinions public. Yet the only a minority of monitoring actions are triggered by automatic risk indicators and that follow-through in court remains limited, which reduces deterrence in a sector where many harmful decisions are effectively locked in once award has taken place. This does not mean that the State Audit Service of Ukraine or other control bodies lack a formal mandate or do not manage this work well. The problem is timing, targeting and infrastructure specificity: many of the most damaging procurement decisions are effectively locked in before the oversight bodies do compliance monitoring can alter the outcome.

The final challenge is that procurement for donor- and IFI-financed infrastructure can become operationally fragmented if interoperability is not fully institutionalised. Ukrainian law allows procurement to follow treaty-based or IFI rules where these apply, and the reform strategy rightly recognises the need for a procurement-system module for international financing and for interoperability with DREAM. However, unless contract data, tender stages and project identifiers remain visible across these channels, contracting authorities face duplicated processes and external stakeholders lose a clear line of sight from project approval to tender, contract and payment.

3.5.3. Recommendations

The recommendations focus on seven key priorities**.** Those are: restoring competition as the default; improving bidder conditions before tender; reducing excessive reliance on price; treating documentation quality as a control issue; shifting integrity controls upstream; making oversight more preventative and infrastructure-specific; and completing the digital traceability chain from pipeline to payment.

The first priority is to restore competition as the default operating logic for infrastructure procurement, while keeping narrowly framed wartime exceptions where they are objectively necessary. That requires much tighter justification for using non-competitive or simplified routes under Resolution No. 1 178, together with minimum disclosure obligations for the project scope, quantities, technical surveys and cost assumptions

wherever security conditions permit; the point is not to remove flexibility altogether, but to make exceptional routes reviewable, evidence-based and less vulnerable to routine use for convenience.

The second priority is to strengthen bidder participation in works procurement by reducing avoidable uncertainty before tender launch. Ukraine already has a lawful instrument for this in preliminary market consultations under Article 4 of the procurement law, and OECD STEPS work shows why it matters: better scoping, clearer packaging, more mature reference design and fuller information reduce the tendency of bidders either to stay away or to price uncertainty defensively. Infrastructure procurement would benefit from routine market-sounding for large works, standardised tender packs, clearer interface definitions between lots, and longer preparation windows where projects are technically complex (OECD, 2021[27]).

The third priority is to make evaluation methods more compatible with infrastructure value rather than short-term price minimisation. This does not necessarily require immediate legislative overhaul, although the 70% price floor is a real constraint. Even within the current framework, Ukraine could develop sector-specific evaluation templates for roads, bridges, water systems and public buildings that use verifiable non-price factors, clearer life-cycle cost methodologies and, where justified, competitive dialogue for complex projects, thereby shifting practice towards more credible whole-life value assessment without sacrificing transparency.

A related issue is the composition of the evaluation function itself. For major or technically complex infrastructure tenders, the credibility of non-price assessment depends on evaluators having access to genuine engineering and delivery expertise rather than only legal or procedural competence. This does not necessarily require creating wholly separate bodies, but it does require that contracting authorities can draw on independent technical input when assessing methodology, design responsiveness, programme realism, maintainability and the adequacy of proposed materials or equipment. Without that capacity, the formal availability of life-cycle cost or quality criteria will have limited practical effect.

The fourth priority is to treat documentation quality as a core procurement-control issue rather than an administrative detail. For infrastructure tenders, complete and usable disclosure should include the relevant design basis, bills of quantities, surveys, cost estimates, interface assumptions and evaluation methodology, and these should be published in machine-readable form to the greatest extent possible; this follows directly from the NACP risk analysis and is one of the clearest actionable measures for reducing both corruption opportunities and purely technical bid distortions (National Agency on Corruption Prevention (NACP), 2025[49]). For works contracts, this should normally include the applicable design standards, the basis for materials specifications, geotechnical and utility information where relevant, and a sufficiently clear explanation of which risks remain with the employer and which are being transferred to bidders. In sectors moving towards EU alignment, tender documents should also avoid locking procurement into outdated national norms where equivalent EN or ISO-based solutions are required for interoperability, safety or donor compatibility. The practical test is whether a technically competent bidder can reconstruct the employer's assumptions well enough to price the work without relying on speculation about hidden conditions or undocumented design choices.

The fifth priority is to shift integrity controls upstream into the pre-award and tendering phases. In practice, this can mean mandatory conflict-of-interest declarations for procurement teams and advisers on high-value works, automated checks against ownership and exclusion-related registers through procurement workflows, and standardised drafting controls that reduce the scope for tailored specifications or arbitrary qualification requirements. That focus is in line with the Commission's diagnosis of weak pre-award controls indicating that many procurement risks arise before monitoring bodies are realistically able to intervene (European Commission, 2025[45]). For major or high-risk infrastructure contracts, procurement strategy should also include proportionate integrity and competition-risk checks on tender design, bidder requirements, contract modifications and acceptance of works, supported by traceability through DREAM and Prozorro.

The sixth priority is to make oversight more preventative and more infrastructure specific. Ukraine already has a legal basis for monitoring and automatic risk indicators, but these tools should be sharpened for works procurement by focussing on a narrower set of high-risk signals such as single bidding, repeated winners in concentrated markets, abnormal low bids, high-risk amendments and inconsistencies between tendered and estimated prices. This would align better with the Commission's recommendation to strengthen preventive, risk-based audits and would improve the deterrent effect of control bodies at the stage where procurement decisions are still reversible (European Commission, 2025[45]).

For infrastructure markets, this narrower set of high-risk signals should also include repeated concentration patterns across works categories or regions, because weak competition can be structural rather than project specific. The practical objective is to target audit and monitoring attention on the tenders where restricted participation, abnormal pricing, repeated winners, or high amendment rates suggest that value-for-money and market contestability are deteriorating. This would make external assurance more relevant to infrastructure delivery risks rather than leaving it concentrated on formal compliance checks after the critical decisions have already been taken. One practical way to make this more operational is to stop rebuilding market intelligence from scratch for each tender and instead adopt a category-management approach for recurrent reconstruction packages, as illustrated in Box 3.10.

Box 3.10. Category management for recurrent reconstruction procurement packages

Category management is a structured approach to recurrent procurement in which the buyer develops and periodically updates shared intelligence on supplier markets, typical package sizes, recurrent risk points, concentration patterns and documentation standards. Its value in infrastructure is that it reduces the need for each contracting authority to rediscover the same market structure, bottlenecks and packaging problems tender by tender.

For Ukraine, this logic is particularly relevant in roads, public buildings, water and sanitation, and selected energy-related works where many projects involve similar work packages and supplier bases. A category-management approach would not replace project-specific judgement, but it would make procurement more repeatable and less dependent on fragmented local experience. It would also support more targeted risk indicators, better market-sounding and stronger benchmarking of documentation and contract performance.

This more data-driven approach should extend to technical standards and cost benchmarks. In sectors with recurrent project types, Ukraine would benefit from progressively expanding benchmark cost databases and reference assumptions beyond roads to other major infrastructure classes, so that sponsors and reviewers are not estimating each project in isolation. The purpose is to provide a transparent reference point against which quantities, rates and deviations can be examined. The same applies to technical standards: where projects are intended to integrate with EU networks or financing frameworks, procurement strategy should anticipate the use of contemporary EN and ISO-based material and engineering standards, including clear "or equivalent" treatment where national and European standards coexist during transition.

Source: OECD (2021[27]), Procurement strategy in major infrastructure projects: Piloting a new approach in Norway, https://www.oecd.org/en/publications/procurement-strategy-in-major-infrastructure-projects_38996343-en.html; OECD (2025[28]), The Procurement Strategy for the German Federal Criminal Police Campus, https://www.oecd.org/en/publications/the-procurement-strategy-for-the-german-federal-criminal-police-campus_cd9b9a4e-en.html.

The seventh priority is to complete the digital traceability chain from project pipeline to tender, contract, registration and payment. The reform strategy's integration of the procurement system with DREAM and its donor-procurement module, combined with the PIM Action Plan's provision for e-contracting and

automatic transmission to Treasury bodies, is a step in the right direction. For infrastructure governance, the practical objective should be a single traceable record linking project entry, procurement route, bidding, award, contract, amendments and payment, because that is the minimum digital architecture needed for reconstruction procurement to be both investable and auditable (Cabinet of Ministers, 2024[47]). Importantly, digital traceability chain should not be treated as a substitute for control: linking DREAM, Prozorro, contract records, payment data and implementation monitoring through persistent identifiers should be combined with ensuring that anomalies trigger institutional review, audit follow-up or enforcement action where warranted.

That same traceability logic should extend to the structure of contract disbursements. In infrastructure works, weak linkage between payment and verified technical progress creates obvious risks: front-loaded cash flow, poor leverage over performance, and difficulty distinguishing legitimate change from weak execution. As e-contracting develops, the stronger approach would be to align advance payments and interim disbursements with clearly defined contractual milestones, technical certification and variation controls, so that the payment trail reflects actual delivery progress rather than only financial authorisation. This would also improve the usefulness of audit and monitoring data by linking payment events to measurable implementation events.

3.6. Asset management

3.6.1. Overview

Asset management is the point at which infrastructure governance stops being about approving projects and starts being about sustaining performance. Asset management is a systematic management of infrastructure over its full lifecycle through condition assessment, maintenance planning, renewal programming and lifecycle costing. In mature systems, asset management links technical data on asset condition and performance to budget decisions, so that maintenance, rehabilitation and replacement are prioritised before failures become more costly. This is particularly important in infrastructure sectors, where deferred maintenance and weak condition data can quickly erode service quality and raise future capital costs (World Bank, 2018[51]; World Bank, 2019[52]). In practical terms, the question is whether public authorities and operators know what assets they own, what condition those assets are in, what level of service they deliver, what maintenance they need and when renewal becomes more efficient than patching. In mature systems, this evidence feeds directly into budget decisions, so that maintenance, rehabilitation and replacement are prioritised before failures become more costly.

Ukraine's current framework is stronger on ownership, accounting and project selection than on cross-sector asset management. The Law on the Management of State-Owned Property establishes the institutional arrangements for managing state property and provides for a Unified Register of Objects that Are in State Ownership, but this is principally a legal and ownership register rather than a full infrastructure asset-management system based on condition, risk and service performance (Verkhovna Rada of Ukraine, 2006). The current PIM reform, as set out in the Roadmap for Reforming Public Investment Management for 2024-2028 and its Action Plan, is focussed on strategic planning, project pipelines, appraisal, selection and monitoring. It does not yet establish a practical, cross-government regime for managing infrastructure assets once they enter operation (Cabinet of Ministers of Ukraine (CMU), 2024[2]).

Sector evidence suggests that Ukraine still needs the basic technical building blocks of modern asset management. In the road sector, the World Bank has called for systematic collection of traffic and road-condition data and the implementation of a GIS-based Road Asset Management System, including at oblast level after decentralisation (World Bank, 2018[51]). In the rail sector, World Bank analysis for Ukrzaliznytsia identified the need for an asset-management system capable of estimating maintenance and renewal budgets, measuring backlogs and applying lifecycle costing to investment (World Bank,

2019[52]). Recent recovery analysis reaches a similar conclusion from a different angle: RDNA5 highlights losses associated with deferred maintenance and stresses that reconstruction planning must be aligned with realistic long-term operation and maintenance capacity (Government of Ukraine, World Bank, European Union, United Nations, 2026[3]).

Ukraine's legal framework recognises life-cycle cost as a procurement criterion, but this is not equivalent to systematic whole-life costing in infrastructure management. The Law on Public Procurement (adopted in 2015, current edition effective from 31 October 2025) allows life-cycle cost evaluation to include operating, maintenance, collection and disposal costs, as well as certain environmental externalities, but the same law materially limits the practical weight of non-price criteria in ordinary evaluation practice (Verkhovna Rada of Ukraine, 2015[39]). Without condition data, maintenance evidence and sector-level renewal planning, lifecycle-cost provisions remain narrower than a full asset-management regime. Its practical effect is constrained in most procedures by the requirement that the weight of the price criterion must not be lower than 70%, except in competitive dialogue. This does not prevent quality-oriented procurement, but it does limit the room for non-price criteria in complex works contracts where delivery methodology, durability, maintainability and risk treatment are often central to value for money. All in all, although lifecycle cost is recognised in law, the procurement framework does not by itself generate a practical asset-management system.

3.6.2. Challenges

This section identifies three main challenges: weak asset visibility, insufficient linkage between maintenance evidence and budgeting, and uneven operational capability across sectors, SOEs, utilities and hromadas. Together, these gaps make it difficult to move from reactive repair to planned renewal.

The main difficulty is the absence of a coherent, cross-sector asset-management framework that converts infrastructure stocks into comparable, decision-ready information. Ukraine has legal rules on state property management and public-sector accounting, and some sectors have more developed maintenance routines than others. However, the reviewed materials do not indicate a common requirement for infrastructure owners to maintain standardised asset inventories, collect comparable condition data, estimate maintenance backlogs, apply lifecycle costing, or use risk-based renewal plans across central and subnational government. In practice, this means that infrastructure can remain visible on a balance sheet without being managed as a long-lived service asset with predictable future liabilities (Verkhovna Rada of Ukraine, 2006[53]).

Local-level reforms are increasing the planning and information demands on municipalities, but this does not yet amount to a mature asset-management regime. U-LEAD's work on public investment management in municipalities shows that recent Budget Code changes require communities to prepare medium-term plans for priority public investments, build a unified local investment portfolio and work through the DREAM ecosystem as part of the new approval and reporting logic (U-LEAD with Europe, 2025[54]). At the same time, U-LEAD's support programmes on municipal property management, internal control and monitoring suggest that many municipalities are still building the underlying administrative capabilities needed to manage assets consistently, including document packages, internal procedures, monitoring arrangements and co-ordination across departments. Ukraine's challenge is therefore not only regulatory design at the centre-of-government, but also the limited operational capacity of hromadas to translate new investment and monitoring requirements into systematic management of infrastructure stocks.

This gap has become more consequential under wartime damage, fiscal constraint and decentralised service delivery. Where asset condition is poorly measured and maintenance needs are weakly prioritised, scarce reconstruction funding can be diverted towards repeated emergency repair rather than value-preserving maintenance, while local governments and utilities may inherit growing liabilities without a clear picture of future renewal costs. The evidence from roads, rail and municipal infrastructure suggests that this is a practical delivery risk: without reliable condition data, asset-management tools and realistic

operation and maintenance planning, Ukraine will struggle to protect existing infrastructure value while also rebuilding damaged assets.

3.6.3. Recommendations

The recommendations focus on three priorities: establishing a phased minimum asset-management framework, translating that framework into sectoral and entity-level plans, and connecting asset evidence more directly to budgeting and digital implementation.

Ukraine should establish a phased minimum asset-management framework that complements the PIM reform rather than treating asset management as a separate technical niche. At a minimum, such a framework should define common requirements for asset inventories, asset classification, condition-assessment methods, minimum data fields, maintenance backlog estimation, risk-based maintenance planning and lifecycle costing for major infrastructure classes. The framework should also distinguish clearly between accounting registers, project-monitoring systems and operational asset-management systems, so that the state can move from recording what it owns to understanding what condition it is in, what service it provides and what it will cost to sustain. This should also be accompanied by procurement guidance for major infrastructure works so that lifecycle information is generated in forms that can actually be used in tender design and evaluation, bearing in mind that the current weighting rules still favour price in most procedures.

At implementation level, this should translate into sectoral and entity-level Asset Management Plans (AMPs) for the main infrastructure classes. These plans should not be treated as descriptive inventories. They should set out asset condition baselines, service-level expectations, maintenance and renewal cycles, backlog estimates, lifecycle-cost assumptions, and triggers for rehabilitation or replacement. The practical benefit is to move decision making away from reactive repair and towards predictable maintenance and renewal programming, which is particularly important under reconstruction pressures and tight fiscal space.

Ukraine should use current digital and reconstruction reforms as the entry point for phased implementation. In practice, this means linking the emerging PIM and DREAM architecture to sector asset registers and maintenance datasets, beginning with sectors where the service risks and capital intensity are highest, such as roads, rail, water and municipal networks. Sector agencies and local authorities should be required to introduce regular condition surveys, medium-term maintenance and renewal plans, and budget submissions that distinguish routine maintenance, major rehabilitation and full replacement. For local governments, this also implies simple, repeatable minimum requirements rather than complex stand-alone systems that smaller hromadas cannot maintain. Over time, these systems should support more credible renewal forecasting and help ensure that reconstruction decisions are consistent with future operation and maintenance capacity.

This also requires clearer treatment of operation and maintenance (O&M) in the budget process. Medium-term plans and annual submissions should distinguish more explicitly between routine maintenance, major rehabilitation and replacement, and should link these envelopes to asset-management evidence rather than treating maintenance as a residual category. Where recurrent spending is not tied to credible maintenance and renewal plans, the state risks rebuilding assets whose future upkeep is structurally underfunded, thereby importing deferred liabilities into the next investment cycle.

3.7. Decommissioning

3.7.1. Overview

Decommissioning is the planned management of infrastructure at the end of its useful life, including technical closure, removal or dismantling, environmental remediation, reuse or repurposing of assets and materials, and the management of residual fiscal and safety risks. In well-developed systems, decommissioning is considered early in the lifecycle so that sponsors understand future closure costs, environmental obligations and salvage or reuse opportunities before committing to build or rehabilitate long-lived assets. This is especially relevant in sectors with significant environmental footprints, complex land-use implications or valuable recoverable materials (Government of Ukraine, World Bank, European Union, United Nations, 2026[3]).

In practical terms, early consideration means that major projects should identify, in proportion to their risk profile, the likely end-of-life obligations before construction decisions are locked in. This includes potential dismantling or closure costs, waste and hazardous-material handling requirements, residual land-restoration obligations, and the scope for reuse, recycling or repurposing of materials and components. Without this forward view, infrastructure can appear affordable at entry while generating poorly understood environmental and fiscal liabilities later in the lifecycle.

Ukraine does have rules on write-off, disposal and waste management, but these do not amount to a general infrastructure decommissioning framework. For state-owned property, the Cabinet of Ministers' Procedure for the Write-off of State Property establishes a formal mechanism for writing off unfinished construction, completed assets and other state property (Cabinet of Ministers of Ukraine, 2007[55]). More broadly, the Law on Waste Management provides the overarching legal basis for waste regulation (Verkhovna Rada of Ukraine, 2022[56]), while decommissioning in the nuclear field is governed through specific legislation on radioactive waste and the special legal regime applicable to Chornobyl-related facilities (Verkhovna Rada of Ukraine, 1991[57]). These rules are important, but they are fragmented and directed at specific administrative or sectoral issues rather than at lifecycle planning for infrastructure end-of-life.

Recent reforms have started to address construction and demolition waste recovery, but the policy focus remains narrower than decommissioning in the full infrastructure sense. The 2025 EU enlargement report noted that Ukraine still needs to ensure proper management of construction and demolition waste, mining waste and hazardous waste as part of alignment with the EU *acquis* (European Commission, 2025[45]). In February 2026, the government approved a procedure for meeting targets on the reuse and recycling of construction and demolition waste (Cabinet of Ministers of Ukraine, 2026[58]). This is a useful step, but it addresses material recovery and waste management more directly than project-level decommissioning planning, fiscal provisioning, site restoration and asset repurposing.

Some local support is emerging around downstream waste and demolition management, but it remains narrower than full decommissioning policy. For example, U-LEAD supported 16 municipalities in Sumy oblast to prepare local waste-management plans, conduct strategic environmental assessment and co-ordinate those plans with the regional framework, explicitly linking these efforts to better waste-management investment planning (U-LEAD with Europe, 2024[59]). Such initiatives are useful, but they address local waste systems more directly than the broader fiscal, technical and environmental planning required for infrastructure decommissioning.

3.7.2. Challenges

This section identifies three main challenges: decommissioning is still treated too late in the lifecycle, the governing rules remain fragmented across disposal, waste and sector-specific regimes, and project documentation does not yet make future closure liabilities sufficiently visible.

The central issue is that decommissioning is treated mainly as an ex-post disposal or write-off issue rather than as a phase to be planned from the outset of the asset lifecycle. The current framework appears to activate formal procedures once an asset has already become obsolete, damaged, unusable or surplus, at which point a commission determines whether parts and materials can be reused and whether the remainder should be written off under the applicable authority. That is a narrower logic than infrastructure decommissioning as understood in international practice, where end-of-life obligations, environmental risks, dismantling methods, residual values and reuse options are considered before or during project development, not only when the asset is ready to leave the balance sheet (Cabinet of Ministers of Ukraine, 2007[55]) (Verkhovna Rada of Ukraine, 2022[56]).

This matters because late and fragmented decommissioning increases both fiscal waste and environmental risk. Ukrainian construction norms do not normally include decommissioning costs in project-cost documentation, and that, where decommissioning is needed, a special commission is typically formed to determine reuse, transfer and write-off, with the process dependent on permissions from the relevant manager and local council (OECD Mission to Kyiv, 2025). That approach may be administratively workable for individual cases, but it does not ensure that future closure liabilities are budgeted, that materials are systematically recovered, or that land and environmental remediation are planned in a consistent way. In the context of war damage, debris generation and ageing municipal infrastructure, those omissions are likely to become more significant (Cabinet of Ministers of Ukraine, 2026[58]).

U-LEAD's recent guidance on destroyed municipal property confirms that end-of-life decisions are handled mainly through post-damage administrative and technical procedures. In February 2026, U-LEAD described the termination of ownership rights to destroyed municipal property as a complex process combining technical inspection, administrative decision making and registry action, and stressed that certified engineers or construction experts are needed to determine whether the asset should be restored or whether demolition is more expedient (U-LEAD with Europe, 2026[60]). This is useful local-level evidence, but it also underlines the broader weakness identified in this review: the system is still oriented towards documenting and regularising destruction after the event, rather than requiring earlier planning for decommissioning costs, salvage value, site remediation and material recovery as part of project preparation or asset lifecycle management.

3.7.3. Recommendations

The recommendations focus on three priorities: making end-of-life obligations visible earlier, creating a proportional cross-sector framework, and linking decommissioning more clearly to waste, reconstruction and local asset-management reforms.

Ukraine should move beyond disposal rules towards a more explicit decommissioning discipline for infrastructure assets. A practical first step would be national guidance requiring major projects and major rehabilitations to consider decommissioning or closure as part of design and lifecycle planning, including indicative cost treatment where future dismantling, remediation or waste-management obligations are likely to be material. This does not require full precision at the appraisal stage, but it does require that end-of-life obligations cease to be invisible. Over time, sector guidance could differentiate between asset classes with limited closure risk and those, such as environmentally sensitive, networked or hazardous facilities, where costed decommissioning planning is a material part of prudent project design.

Ukraine should introduce a basic cross-sector decommissioning framework for public infrastructure, proportionate to sector risk and asset type. This framework should require project sponsors and asset owners to assess end-of-life scenarios for major assets and major rehabilitations to identify likely end-of-life obligations in proportion to asset and sector risk, including indicative treatment of dismantling, remediation and waste-management costs where these are likely to be material. It should not be designed as a heavy additional approval layer for all projects, but as a structured requirement for asset classes where dismantling, contamination, salvage value or land restoration are material issues. Existing

administrative rules on write-off should remain, but they should sit downstream of earlier lifecycle planning rather than substitute for it.

Ukraine should also connect decommissioning policy to waste, reconstruction and local-asset-management reforms. In practical terms, this means standard guidance on when decommissioning costs should be reflected in project documentation, model procedures for assessing reuse and transfer options, and clearer links between asset closure decisions, demolition-waste recovery rules and local permitting. The new 2026 procedure on construction and demolition waste provides one useful anchor (Cabinet of Ministers of Ukraine, 2026[58]), but it should be complemented by guidance for infrastructure owners and local governments on budgeting, sequencing and documenting closure decisions. Over time, this would allow Ukraine to move from *ad hoc* disposal towards planned end-of-life management that protects environmental outcomes, reduces waste and captures more value from reusable materials.

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4 Benchmarking Ukraine's performance on the infrastructure governance indicators

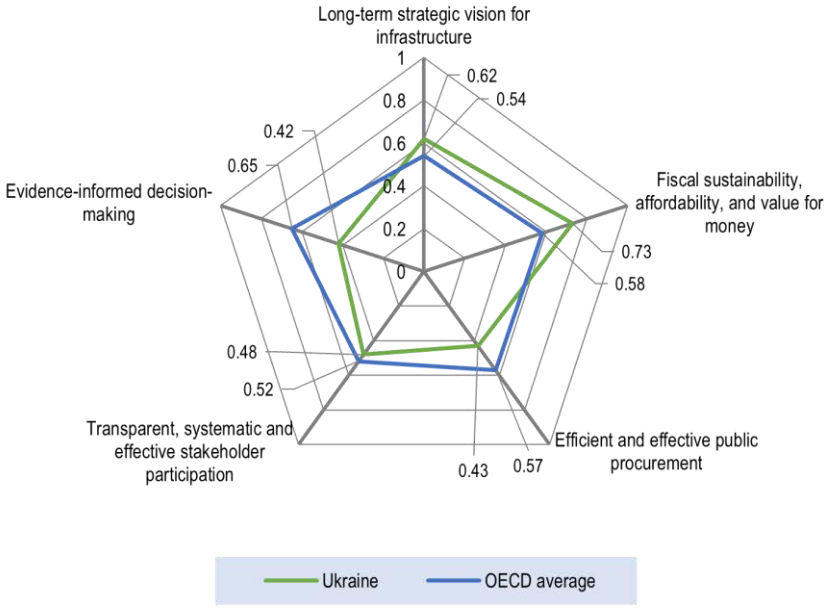
This chapter benchmarks Ukraine's infrastructure governance against the OECD Infrastructure Governance Indicators (IGIs), using Ukraine's 2025 assessment against OECD survey benchmarks from 2020 and 2022. It examines performance across five dimensions: long-term strategic vision, fiscal sustainability, affordability and value for money, efficient and effective public procurement, stakeholder participation, and evidence-informed decision making. The chapter finds that Ukraine's governance profile is stronger in upstream planning, appraisal and fiscal control than in delivery strategy, stakeholder systematisation and evidence use across the asset life cycle. The results are indicative rather than directly comparable to a current OECD ranking, but they point to a clear reform frontier: strengthening the back end of the infrastructure cycle through procurement strategy, contract management, asset performance, service-level monitoring and feedback into future planning.

OECD Infrastructure Governance Indicators (IGIs) support the implementation and monitoring of the OECD Recommendation on the Governance of Infrastructure (Ruiz Rivadeneira, Dekyi and Cruz, 2023[1]). Ukraine's performance on the Infrastructure Governance Indicators suggests a governance system with stronger foundations in upstream planning, appraisal and fiscal oversight than in delivery strategy, stakeholder systematisation and life-cycle evidence use. These results should be interpreted with caution. They compare Ukraine's 2025 governance environment with OECD survey benchmarks from 2020 for IGIs 1-3 and from 2022 for IGIs 4-5, so they are indicative rather than strictly like-for-like. Their value lies not in ranking Ukraine against today's OECD average, but in identifying where Ukraine appears stronger or weaker relative to the earlier OECD benchmark profiles while the OECD prepares for launching the new IGIs surveys to better capture the current reality of infrastructure governance across the OECD.

Relative to the OECD 2020 benchmark, in 2025 Ukraine performs above average on long-term strategic vision for infrastructure (IGI 1) and particularly strongly on fiscal sustainability, affordability and value for money (IGI 2). These results are driven by comparatively robust scores on the alignment of plans with strategic objectives and budget allocations, the treatment of contingent liabilities, project appraisal and selection, and independent assessment. By contrast, Ukraine performs below the OECD benchmark on efficient and effective public procurement (IGI 3), with the main weaknesses concentrated not in procedural openness as such, but in the more strategic dimensions of procurement, notably bidder selection, delivery mode choice and balanced contractual relationships.

Against the OECD 2022 benchmark, Ukraine is only slightly below average on stakeholder participation (IGI 4), but substantially below average on evidence-informed decision making (IGI 5). The stakeholder results indicate that oversight and grievance mechanisms are more developed than the underlying guidance, monitoring and targeting architecture. The evidence pillar shows a clearer structural weakness: Ukraine performs reasonably on needs assessment and some elements of ex ante analysis, but very weakly on evidence for infrastructure management, including asset management, service-level monitoring, performance benchmarking and ex post learning. Taken together, the IGIs suggest that Ukraine's reform challenge is no longer only to strengthen front-end project preparation, but to build a more complete infrastructure governance system that connects appraisal, procurement, contract management, asset performance and feedback into a coherent whole.

Figure 4.1. Ukraine's performance on the IGIs compared with the OECD average



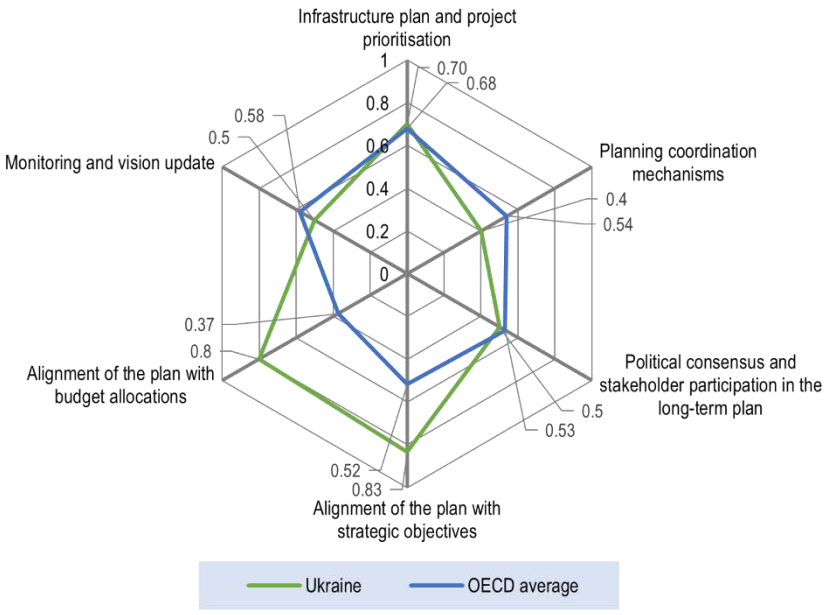
Note: For IGIs 1-3 Ukraine is benchmarked against the OECD 2020 Infrastructure Governance Survey, for IGIs 4-5 Ukraine is benchmarked against the OECD 2022 Infrastructure Governance Survey. These comparisons are indicative and should not be read as a direct ranking against the current OECD average.

The OECD's broader IGI framework treats these granular sub-pillars precisely as the basis for policy diagnosis, and this is one of the clearest places where such diagnosis matters. Ukraine's governance architecture appears stronger at the "front end" of the infrastructure cycle – strategy, appraisal, approval and some elements of procurement – than at the "back end", where governments need systematic evidence on asset condition, service performance, ex post results and portfolio management. The results reinforce the general finding that the policy problem is not simply one of "more data", but of building a system in which evidence is generated, used and fed back into planning, delivery and management on a continuing basis.

4.1. IGI 1. Long-term strategic vision for infrastructure

Ukraine's performance on the OECD Infrastructure Governance Indicators points to a governance profile that is stronger in upstream planning, appraisal and fiscal control than in delivery strategy, stakeholder systematisation and evidence use across the asset life cycle. Relative to the earlier OECD survey benchmarks, Ukraine's 2025 results are above the benchmark average on long-term strategic vision (IGI 1), and particularly strong on fiscal sustainability, affordability and value for money (IGI 2). By contrast, they are below the benchmark average on efficient and effective public procurement (IGI 3), slightly below on stakeholder participation (IGI 4), and materially below on evidence-informed decision making (IGI 5). This structure should be read as a comparative profile rather than as a current ranking.

Figure 4.2. Long-term strategic vision for infrastructure



Note: Ukraine's performance as benchmarked in 2025 against the original OECD country survey was conducted in 2020. These comparisons are indicative and should not be read as a direct ranking against the current OECD average.

Figure 4.2 shows that Ukraine's relatively solid result on long-term strategic vision is driven by a narrow set of strong sub-pillars rather than by an evenly balanced profile. Ukraine performs above the OECD average on infrastructure plan and project prioritisation, and markedly above average on alignment of the plan with strategic objectives and, especially, alignment of the plan with budget allocations. These are large positive gaps and suggest that Ukraine's framework places comparatively strong emphasis on linking infrastructure priorities to broader policy objectives and to fiscal decision making. The weaker elements lie in planning co-ordination mechanisms, political consensus and stakeholder participation in the long-term plan, and monitoring and vision update. The substantive message is clear: Ukraine's long-term infrastructure vision appears stronger on formal alignment and prioritisation logic than on cross-government co-ordination, political anchoring and structured updating.

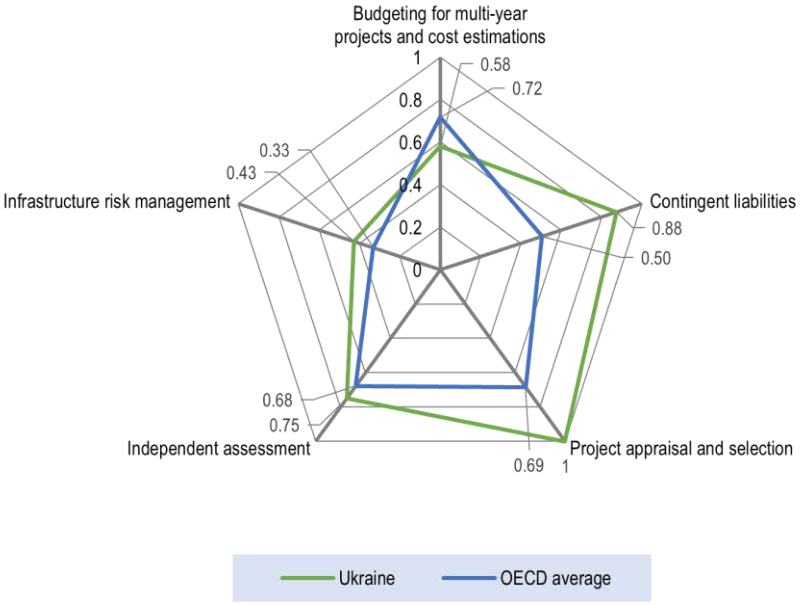
This is broadly consistent with the OECD's general reading of pillar 1, where the strongest average OECD performance is in infrastructure planning and project prioritisation, while alignment with budget and broader co-ordination remain more uneven across countries. In Ukraine's case, however, the alignment functions are stronger than the OECD benchmark, while co-ordination and monitoring lag behind its own strengths. That is the main point to draw from Figure 4.2: Ukraine does not primarily face a challenge of having no strategic logic, but of ensuring that strategic logic is embedded in a more coherent, co-ordinated and regularly updated planning system.

4.2. IGI 2. Fiscal sustainability, affordability and value for money

Figure 4.3 points to one of Ukraine's clearest comparative strengths in the IGI set. Ukraine scores above the earlier OECD benchmark on contingent liabilities, project appraisal and selection, independent assessment and infrastructure risk management. Budgeting for multi-year projects and cost estimations remains below the benchmark OECD average. The overall pattern suggests that Ukraine has put in place

comparatively strong formal disciplines for project screening and fiscal oversight, especially at the *ex ante* stage. Ukraine's survey results suggest that parts of the appraisal and fiscal-control architecture are already comparatively mature, even though there are areas where further improvements are needed.

Figure 4.3. Fiscal sustainability, affordability and value for money



Note: Ukraine's performance as benchmarked in 2025 against the original OECD country survey was conducted in 2020. These comparisons are indicative and should not be read as a direct ranking against the current OECD average.

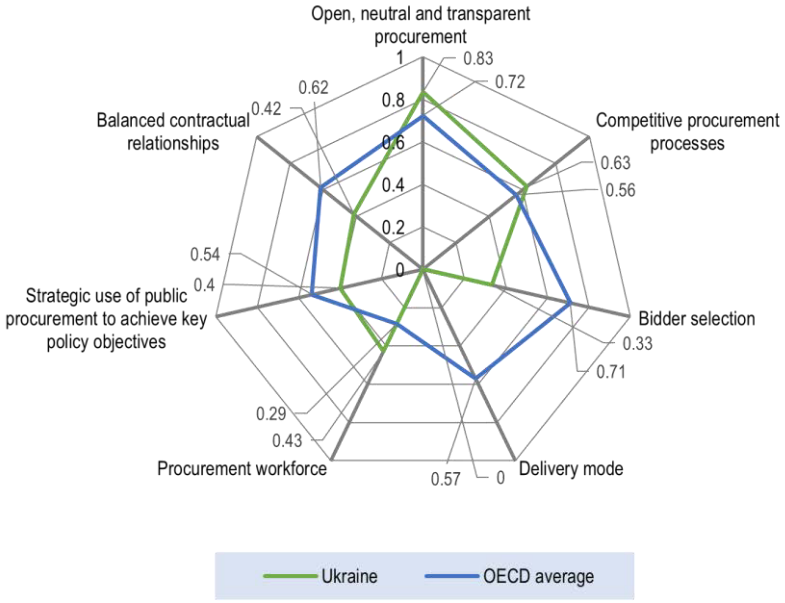
Ukraine records positive responses on formal value-for-money processes for both PPPs and other infrastructure projects, on methodologies for assessing both PPPs and other infrastructure projects, and on a formal Ministry of Finance gatekeeping role for project approval. At the same time, the lower score on multi-year budgeting and cost estimation suggests that affordability analysis is less complete than appraisal and approval procedures. This is also where caution is needed: strong formal appraisal rules do not by themselves guarantee strong project preparation quality in practice. Figure 4.3 supports a conclusion that Ukraine's main weaknesses are not in the existence of appraisal and approval gates, but in the completeness and consistency of cost estimation and budgeting practices over the project life cycle. This is fully consistent with the OECD's general interpretation of pillar 2, which treats appraisal and independent assessment as relatively strong across countries, but identifies risk allocation and some affordability tools as weaker areas.

4.3. IGI 3. Efficient and effective public procurement

Figure 4.4 shows a much less favourable picture. Ukraine performed above the OECD average on open, neutral and transparent procurement, competitive procurement processes and procurement workforce. It is, however, below average on bidder selection, delivery mode, strategic use of procurement to achieve policy objectives and balanced contractual relationships. The zero score on delivery mode is the most consequential result in the pillar. It indicates that, relative to the earlier OECD benchmark and on the basis of the 2025 assessment, a formal and consistently applied methodology for deciding how infrastructure

projects should be delivered was not yet clearly reflected in the legal framework and practice. This is consistent with the analysis presented in Section 2.4 Procurement strategy.

Figure 4.4. Efficient and effective public procurement



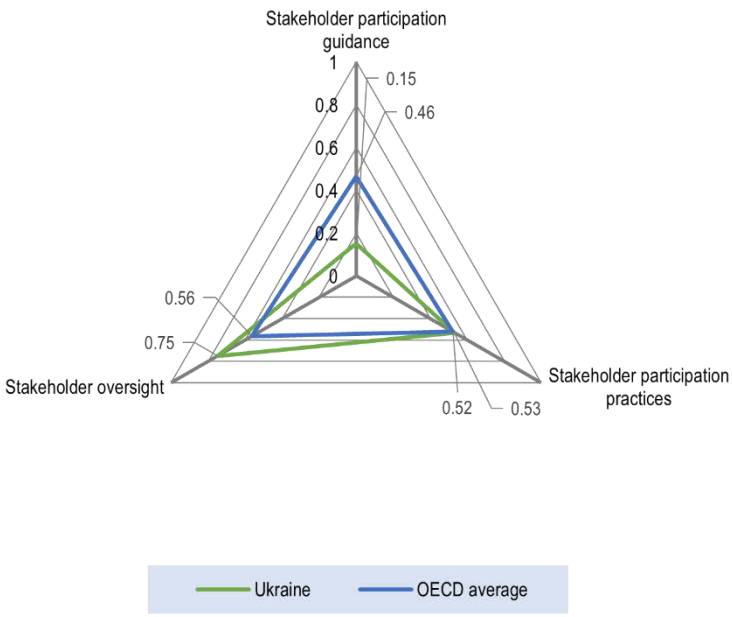
Note: Ukraine's performance as benchmarked in 2025 against the original OECD country survey was conducted in 2020. These comparisons are indicative and should not be read as a direct ranking against the current OECD average.

Ukraine's procurement challenge is not primarily one of openness or competition in the narrow procedural sense. It is a more strategic in nature. Ukraine has built important elements of transparent procurement architecture but remains weaker where procurement must operate as a project-delivery strategy: choosing the right delivery mode, structuring bidder selection well, and maintaining balanced contractual relationships over time. Open and transparent processes tend to be better developed than delivery mode selection and workforce professionalisation, and that life-cycle considerations remain underused in award decisions. In Ukraine's case, the gap is sharper because some strategic dimensions of procurement are not merely underdeveloped but close to absent in the survey results.

4.4. IGI 4. Stakeholder participation

Figure 4.5 suggests a mixed profile rather than a uniformly weak one. Ukraine scores well below the OECD average on stakeholder participation guidance, is roughly at the OECD average on stakeholder participation practices, and performs above average on stakeholder oversight. The overall score of 0.48, just below the OECD average of 0.52, therefore masks an important distinction: Ukraine appears to do better on concrete practice and oversight mechanisms than on the existence of a clear, systematic guidance framework. Ukraine appears to have mechanisms for stakeholder participation in spatial planning, a formal requirement to consider and respond to consultation inputs with public disclosure, and stakeholder oversight and monitoring arrangements, but no national guidance on stakeholder participation and no mandatory outreach to under-represented groups.

Figure 4.5. Stakeholder participation



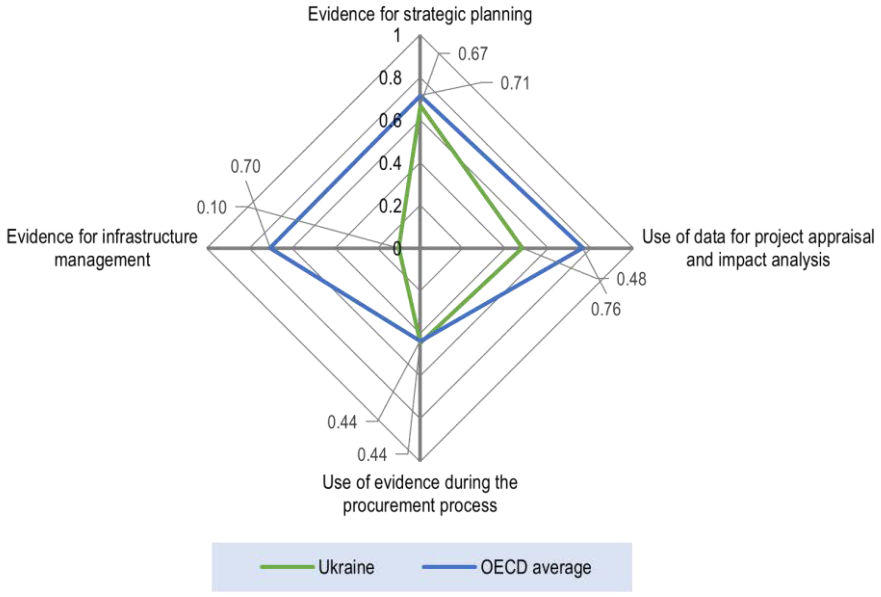
Note: Ukraine's performance as benchmarked in 2025 against the original OECD country survey was conducted in 2022. These comparisons are indicative and should not be read as a direct ranking against the current OECD average.

The issue is that stakeholder participation is insufficiently codified, standardised and targeted. Ukraine has elements of participation without a mature participation system. This points to a specific reform gap: the institutional guidance layer that would make participation more systematic, more predictable across projects, and more inclusive of groups that are otherwise likely to remain outside consultation processes.

4.5. IGI 5. Evidence-informed decision making

Figure 4.6 shows a considerable gap for Ukraine's infrastructure governance in the current benchmarking exercise. Ukraine is only modestly below the OECD average on evidence for strategic planning, is far below average on the use of data for project appraisal and impact analysis, is around the OECD average on use of evidence during the procurement process, and is significantly below average on evidence for infrastructure management. This last gap is the single largest negative deviation in the results. It indicates that the weakest part of the governance chain is not front-end policy vision alone, but the use of evidence once infrastructure moves into management, monitoring and feedback.

Figure 4.6. Evidence-informed decision making



Note: Ukraine's performance as benchmarked in 2025 against the original OECD country survey was conducted in 2022. These comparisons are indicative and should not be read as a direct ranking against the current OECD average.

Taken together, the IGI results suggest that Ukraine's infrastructure governance framework is comparatively stronger in strategic alignment, project appraisal and fiscal control than in procurement strategy, stakeholder systematisation and evidence-based asset management. The strongest relative scores are concentrated in the upstream stages of the project cycle, while the weakest results emerge where governance must connect projects to delivery choices, operational management and institutional learning. The main implication for this Review is that Ukraine's reform agenda should not be framed only as a need for better "front-end" planning. It should be framed more precisely as a need to connect planning strength to delivery mode choice, balanced procurement relationships, structured stakeholder systems and evidence use across the whole life cycle of infrastructure assets.

References

Ruiz Rivadeneira, A., T. Dekyi and L. Cruz (2023), *'OECD Infrastructure Governance Indicators: Conceptual framework, design, methodology and preliminary results,' OECD Working Papers on Public Governance, No. 59.*, OECD Publishing, https://www.oecd.org/en/publications/oecd-infrastructure-governance-indicators_95c2cef2-en.html. [1]

PART II. Enabling environment for financing and investment in infrastructure by the private sector

5 Macroeconomic developments and the enabling environment for infrastructure investment and financing

This chapter analyses the macroeconomic and institutional foundations necessary for fostering a conducive environment for infrastructure investment in Ukraine. It emphasises that sustained macroeconomic stability, coupled with a predictable regulatory landscape, constitutes a prerequisite for attracting long-term capital towards complex and capital-intensive infrastructure projects. The chapter highlights the centrality of a coherent enabling environment comprising sound public investment management practices, transparent procedures for land acquisition and spatial planning, and a clearly defined PPP framework. It also underlines the need to address corruption and integrity risks and SOE corporate governance challenges which undermine investor confidence.

Maintaining stable macroeconomic conditions and a robust enabling environment is essential for attracting and sustaining investments, especially long-term and complex investments into infrastructure. Macroeconomic stability and a strong investment climate provide the predictability and certainty that investors need to manage and mitigate risks, achieve returns, and commit to projects with long gestation periods. External shocks have had a major impact on the country's macroeconomic stability, with Ukraine struggling to create more favorable conditions for foreign and private investment over the years.

To address infrastructure gaps, an enabling environment should involve sound policy frameworks that support effective project planning and preparation procedures and build institutional capacity. Clear legal and regulatory frameworks for private participation in infrastructure are also essential as large-scale projects often entail complex contractual arrangements and long-term budgetary commitments. Managing corruption risks across the infrastructure lifecycle, addressing bureaucratic inefficiencies and improving co-ordination among relevant public entities can further enhance investor confidence and yield smooth project implementation. Strengthening these elements is key to unlocking private capital inflows and ensuring infrastructure projects – whether economic or social – are sustainable, resilient, and aligned with national development strategies.

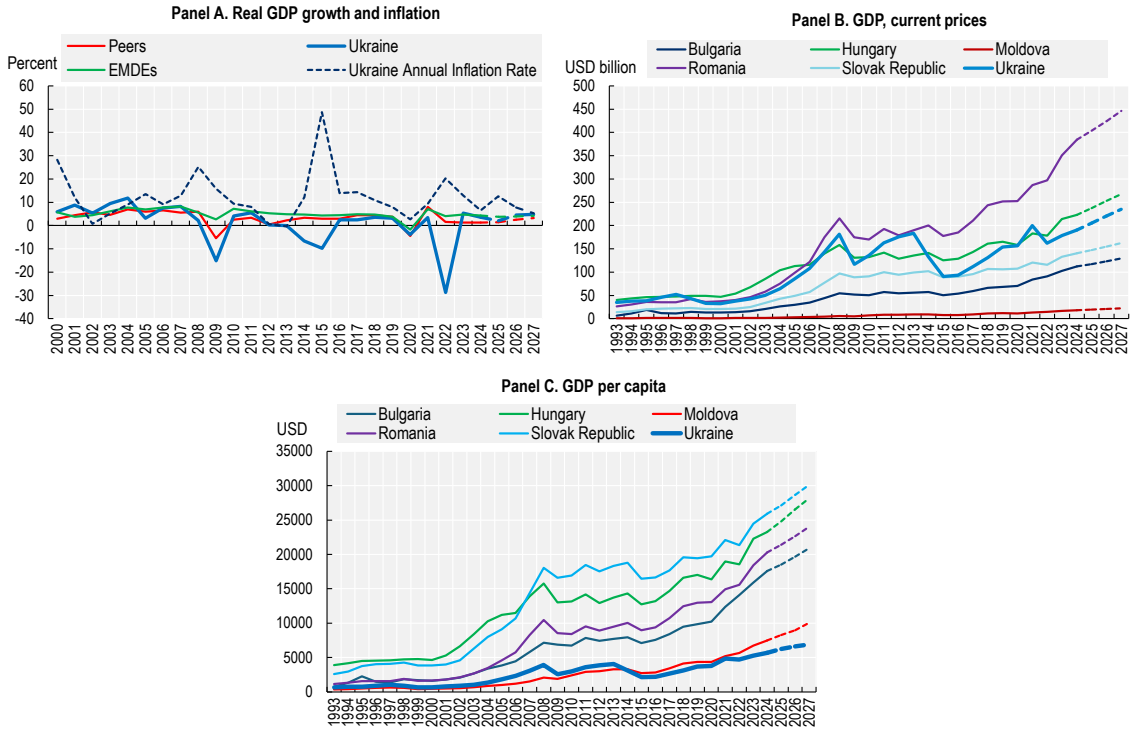
State-owned enterprises (SOEs) can play an integral role in sponsoring, operating, and financing infrastructure assets, as well as filling investment gaps where private sector participation remains limited. In Ukraine, SOEs have played a prominent role in the nation's economy, especially in sectors like energy, transportation, and utilities.[1] Ukrainian SOEs are an integral part of the infrastructure landscape as infrastructure assets and utilities are primarily owned and managed by SOEs. Their role is therefore critical when discussing private investment in infrastructure. While well-managed SOEs can mobilise public and private capital and enhance delivery of essential services, poorly managed SOEs can deter private investment. This is especially the case in economies where SOEs enjoy preferential treatment, have weighty public policy objectives that impact return on investment or have weak corporate governance.

5.1. Macroeconomic developments in Ukraine

The Global Financial Crisis of 2008-2009, Russia's invasion of Crimea and the Donbas in 2014, the COVID-19 pandemic and Russia's full-scale invasion of Ukraine in 2022 have constituted major shocks to Ukraine's economy which have severely affected its growth prospects (Figure 5.1, Panel A). Russia's full-scale invasion in 2022 resulted in a large fall in Ukraine's GDP of -28.8% and an increase in annual inflation of 20.2%. Despite achieving growth rates of 5.3% in 2023 and 3.5% in 2024 and lower levels of inflation – which decreased to 6.5% in 2024 but rebounded to 14% during the first half of 2025 – current IMF projections indicate that Ukraine's economy may not reach pre-invasion levels before 2029. Relative to peers, Ukraine's economy was half the size of Romania's in 2024, having been of almost equal size in 2013 (Figure 5.1, Panel B). GDP per capita in 2020 was at the same levels as in 2008, remaining the lowest among peers (Figure 5.1, Panel C).

Ukraine's budget deficit widened from -4% of GDP in 2021 to -19% in 2023 and remained above -17% in 2024 (Figure 5.2, Panel B). Ukraine's debt-to-GDP ratio has increased sharply, reaching 87% of GDP in 2024 (Figure 5.2, Panel A). External debt has doubled from USD 57 billion in 2021 to USD 120 billion in 2024 and now represents 72% of Ukraine's total state debt and state guaranteed debt, up from 58% in 2021. Ukraine's larger debt stock has increased the country's interest costs from 3% of GDP in 2021 to 4% in 2024 (OECD, 2025[1]). Concessional financing constitutes approximately 60% of outstanding public debt (OECD, 2026[2]).

Figure 5.1. Evolution of Ukraine's GDP and inflation

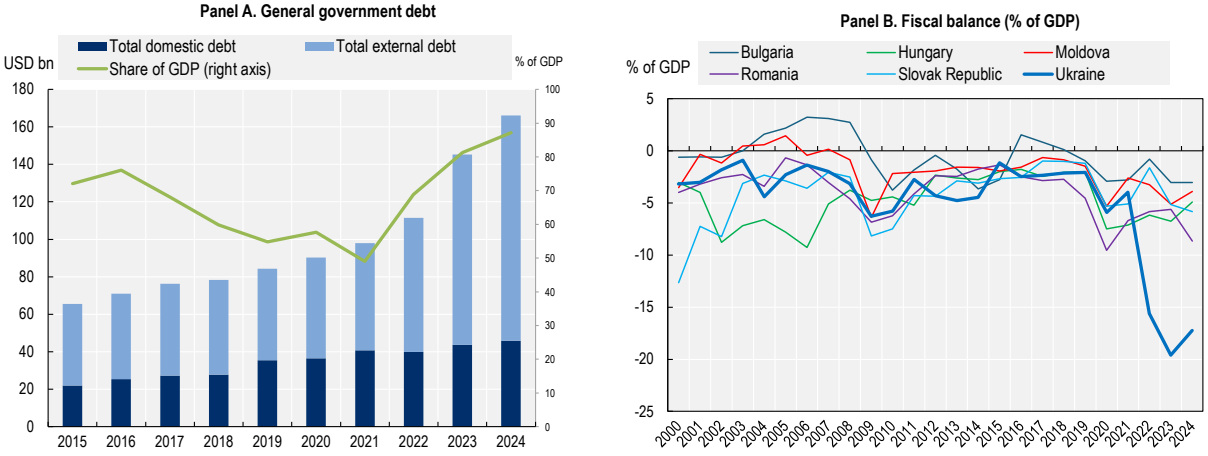


Note: In Panel A, EMDE=emerging markets and developing economies as defined by the IMF. Peers include Bulgaria, Hungary, Moldova, Romania and the Slovak Republic.
Source: International Monetary Fund (2025[3]), IMF World Economic Outlook Database, https://data.imf.org/en/datasets/IMF.RES: WEO.

Challenges to public debt management in Ukraine, which are limiting fiscal space, include a high and growing share of external and foreign currency debt leading to increased currency risks; a front-loaded redemption profile with short average maturities for domestic issuance; limited liquidity in the domestic bond market with ownership and risk concentrated in the banking sector; and rapidly growing explicit and implicit contingent liabilities which could have a substantial impact on debt sustainability (OECD, 2026[2]). The widening fiscal deficit and the sharp increase in public debt have also significantly constrained the government's ability to directly finance infrastructure investments, act as a co-investor in large projects or provide guarantees and other forms of risk-sharing instruments needed to mobilise private capital.

Restoring fiscal and debt sustainability will be critical to improve Ukraine's sovereign credit rating. A cautious approach will thus be required as Ukraine considers debt financing to support post-war spending priorities (International Monetary Fund, 2024[4]).

Figure 5.2. Ukraine's general government debt and fiscal balance



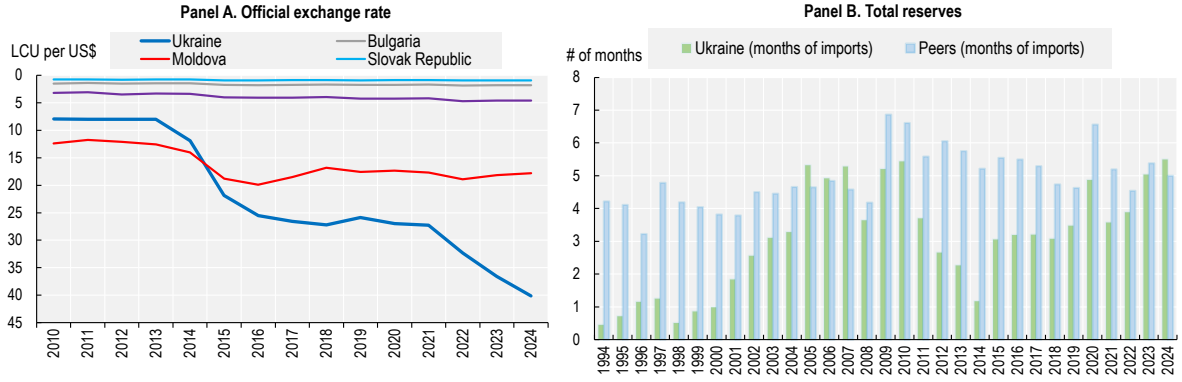
Source: International Monetary Fund (2025[3]), IMF World Economic Outlook Database, https://data.imf.org/en/datasets/IMF.RES:WEO; Ministry of Finance of Ukraine (2026[5]), https://mof.gov.ua/en/derzhavnij-borg-ta-garantovanij-derzhavju-borg.

The currency's value stabilised at around 27 hryvnias per US dollar until Russia's full-scale invasion in 2022. In the immediate aftermath of the 2022 invasion, the National Bank of Ukraine (NBU) temporarily established a fixed exchange rate regime – initially at UAH/USD 29.25 and subsequently at UAH/USD 36.57 in July 2022 (see Figure 5.3, Panel A). Since October 2023, the NBU transitioned to a managed, flexible exchange rate regime, which provides for bilateral exchange rate fluctuations depending on changes in market conditions. As a result, the exchange rate fluctuated at around 40 hryvnias per US dollar in 2024, 42 hryvnias per US dollar in 2025 and 43 hryvnias per US dollar in January-February 2026. Capital controls aimed at stabilising the currency were also introduced in areas such as import payments, dividend repatriation and foreign currency loans which are being progressively phased out although various restrictions remain in place. The latest measures introduced by the NBU in August 2025 allowed businesses to repatriate dividends for the period of activity starting on 1 January 2023 (rather than 1 January 2024 as was previously the case) with a monthly limit of EUR 1 million.

Companies are also able to service and repay external loans issued by a pool of foreign lenders not only to International Financial Institutions (IFI) who are participants in the pool but also to first-class foreign banks rated at least "A". Transfers to satisfy recourse claims of foreign guarantors and insurers that have repaid a Ukrainian borrower's debt on such loans have also been allowed (National Bank of Ukraine, 2025[6]).

Since the invasion of Crimea and the Donbas, Ukraine has been building up its foreign exchange reserves. These have increased from USD 7.5 billion in 2014 to over USD 57 billion by the end of 2025. Reserve levels in terms of months of imports have also increased from over 1 month in 2014 to 5.5 months of imports in 2024 (Figure 5.3, Panel B).

Figure 5.3. Ukraine's exchange rates and reserves



Note: Peers in Panel B includes Hungary, Bulgaria and Romania.
Source: World Bank (n.d.[7]), World Development Indicators Database, https://databank.worldbank.org/source/world-development-indicators.

Ukraine's economy is facing major challenges to maintain macroeconomic stability and address the country's financing needs across sectors. External support remains critical to navigate these difficult times and strike a balance between meeting defence spending requirements and responding to citizen needs. Ukraine should pursue its efforts to lay the foundation for stronger institutions and policy frameworks that can accelerate its recovery in the post-war period, contribute to the stability of its economy and strengthen the enabling environment for infrastructure financing and investment.

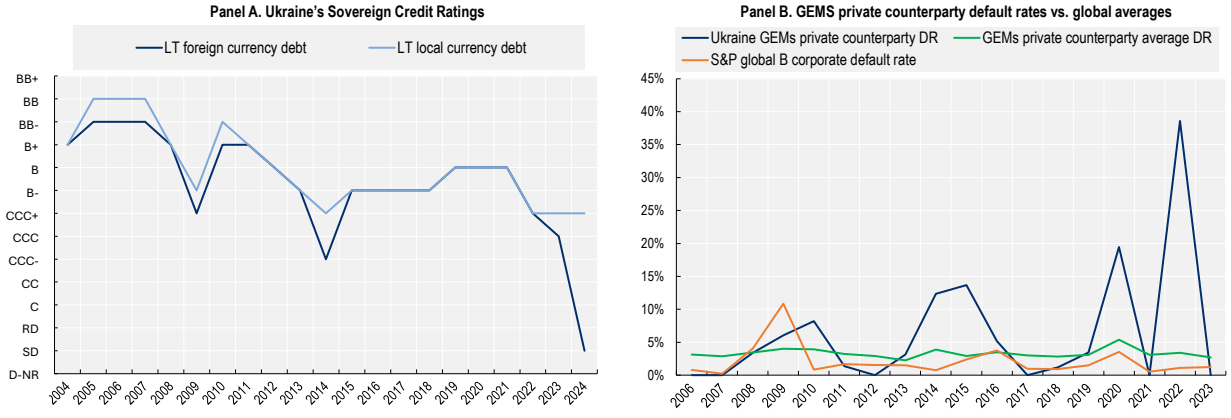
5.2. Consolidating Ukraine's enabling environment

5.2.1. Enabling environment for foreign investment

Ukraine has taken steps to create a more favourable environment for foreign investment by adopting legislation that protects foreign investors and is guided by the principle of non-discrimination (OECD, 2021[8]). These measures seek to provide protections against changes in legislation, nationalisation, improper performance by state or municipal bodies, termination of the investment activity and repatriation of profits. Ukraine's network of bilateral investment treaties and its PPP framework also recognises arbitration as a dispute settlement mechanism. Foreign business entities are entitled by law to the same rights and obligations as Ukrainian business entities and benefit from most favoured nation treatment (Verkhovna Rada of Ukraine, 1991[9]).

However, attracting foreign investment remains a critical challenge for Ukraine. External factors, notably Russia's invasion of Crimea and the Donbas in 2014 and its most recent full-scale invasion, have strongly influenced investment risks. The country's sovereign credit rating has suffered major downgrades and Ukrainian private counterparty default rates have significantly increased (see Figure 5.4, Panels A and B). International reinsurers and lenders have reduced exposure, and insurance for war-related risks remains costly or unavailable (EBRD, 2024[10]) (CSIS, 2023[11]) (MIGA, 2024[12]). At the same time, gaps in the enforcement and implementation of foreign investment protection measures, regulatory fragmentation and complex procedures have created legal uncertainties, regulatory challenges and lack of predictability that affect investor confidence and limit Ukraine's capacity to attract foreign investment.

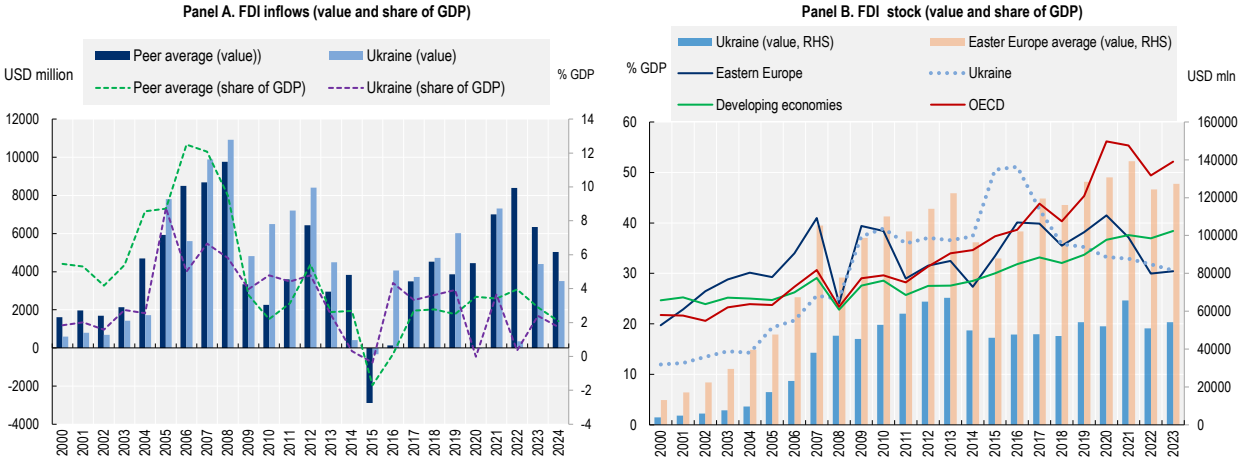
Figure 5.4. Ukraine's sovereign credit rating and default rates



Note: In Panel A LT=long-term. Takes latest value for each year.
Source: Panel A: S&P Global (n.d.[13]), https://www.spglobal.com/en; Ministry of Finance of Ukraine (2024[14]) Credit Rating, https://mof.gov.ua/en/kreditnij-rejting-potochni-rejtingi-zagalna-informacija-istorichni-zmini; Panel B: World Bank (2026[15]) Global Emerging Markets (GEMs) Risk Database, https://data360.worldbank.org/en/dataset/IFC_GEM; S&P Global (n.d.[13]), https://www.spglobal.com/en.

Foreign Direct Investment (FDI) has remained weak and volatile since the 2008-2009 Global Financial Crisis, following a similar pattern to peers in Central and Eastern Europe (see Figure 5.5, Panel A). Russia's 2022 invasion had a strong and immediate impact, with FDI inflows falling from USD 7.3 billion in 2021 to USD 348 million in 2022. In 2023 Ukraine was able to recover to USD 4.3 billion of FDI inflows but these dropped to USD 3.5 billion in 2024 (Ministry of Economy of Ukraine & Kyiv School of Economics, 2024[16]; National Bank of Ukraine, 2026[17]). FDI stock as a share of GDP has also been in decline, falling from 50% of GDP in 2016 to 33% in 2021 (see Figure 5.5, Panel B).

Figure 5.5. Evolution of FDI inflows and stock in Ukraine



Note: In Panel A, peers include Bulgaria, Hungary and Romania. In Panel B Central and Eastern Europe and Developing Economies classification are based on UNCTAD.
Source: OECD (n.d.[18]) FDI main aggregates, BMD4, https://data-explorer.oecd.org/s/4fx; National Bank of Ukraine (2026[17]), https://bank.gov.ua/en/statistic/sector-external.

According to the NBU, round tripping transactions, which are those where the ultimate control investor is a Ukrainian resident, represented 25.2% of FDI inflows in Ukraine (excluding reinvestment of earnings)

during the 2010-2025 period (National Bank of Ukraine, 2025[19]; Rogoff and Movchan, 2022[20]), signalling that FDI inflows may be even lower than official statistics present. These transactions were routed through some of Ukraine's main foreign investors such as Cyprus, the Netherlands, Switzerland and Austria.

Beyond external factors affecting Ukraine's macroeconomic stability and sovereign credit ratings – as well as currency controls under martial law which are being gradually eased but may continue to constrain foreign investment inflows to Ukraine – the country is seeking to improve its investment climate to attract greater levels of foreign investment. This has included the establishment of incentive schemes to support investment projects with significant investments (see Box 5.1). However, there may be scope to further assess the overall effectiveness of tax incentives provided within such programmes, in line with international practices (OECD, 2026[21]; 2025[1]).

Box 5.1. Ukraine´s *Law on State Support of Investment Projects with Significant Investments*

Ukraine has put in place a series of mechanisms to incentivise foreign investment into the country. The *Law on State Support for Investment Projects with Significant Investments* – which was adopted in 2020 but became effectively operational in 2024 following the adoption of CMU Resolution No. 468 – provides a legal framework for the provision of financial and non-financial state support to private investors through special investment agreements (Verkhovna Rada of Ukraine, 2020[22]; Cabinet of Ministers of Ukraine, 2024[23]). The law applies to projects exceeding EUR 12 million, with a duration of at least five years, subject to the eligibility criteria established by the legislation. Key benefits of the initiative may include: corporate income tax (CIT) exemptions, as well as exemptions from value-added tax (VAT) and import duties for new equipment and components, in accordance with the Tax and Customs Codes of Ukraine; the use of state or municipal land plots under the conditions defined by law; and compensation for the costs of connecting to engineering and transport networks necessary for the implementation of the project. The total amount of government support cannot exceed 30% of the planned investment amount. State support under this framework is granted on a case-by-case basis through individual investment agreements, subject to eligibility criteria, fiscal limits and approval procedures set forth in the legislation.

Although public incentives are not perceived as essential by private investors in infrastructure, OECD analysis has shown that their role in subsidising and/or incentivising private participation in infrastructure is important, particularly in markets where the role of public entities is still dominant and the PPP market is relatively small, as is the case in Ukraine (OECD, 2017[24])**.** International experience shows that investment incentives such as viability gap funding (grants) combined with project preparation support through public development funds have contributed to increase the value of private investment in PPPs (see Section5.3).

5.2.2. Land acquisition

Property rights and land acquisition remain key bottlenecks in the development of infrastructure, and require better co-ordination, vertically and horizontally, if infrastructure financing is to increase in the country. Recent changes to land market regulation have simplified the procedures to change the purpose of land plots for the rapid reconstruction of Ukraine and have made it possible for Ukrainian legal entities to buy up to 10 000 hectares of agricultural land.

However, challenges remain in allocating land for infrastructure development, particularly for large-scale transport projects. Uncertainties around land acquisition timelines and procedures increase project preparation risks and costs and deter private investment. The main difficulties include incomplete land registry information, with missing, outdated, or inaccurate information, complicating the identification and

formal allocation of plots for infrastructure development. In addition, local authorities lack approved or up-to-date spatial plans (master plans), which are essential to legally change the designated use of land plots and minimise integrity risks when doing so. In some cases, fragmented land ownership where land is privately owned in small parcels, with unclear or unregistered boundaries, limited availability of state or communal land adjacent to project corridors, and slow procedures for servitude establishment (legal right to use someone else's land for specific, limited purposes without owning it) or expropriation can also complicate the consolidation of land for large-scale infrastructure projects (Verkhovna Rada of Ukraine, 2002[25]).

The land registry needs to accelerate the identification of land ownership. Local authorities also need to clarify and update their master plans to be able to adjust the zoning if needed and render such procedures more transparent. Transparency of procedures to rent or sell state-owned or municipal land also needs to be strengthened. The digitisation of the land registry could also assist to ensure transparency of land rights and co-ordination across levels of government.

5.2.3. Corporate governance of SOEs

SOEs in Ukraine play a major role in key economic sectors such as energy and transport. According to the Ministry of Economy, 1 000 SOEs remained economically active in 2024 (Ministry of Economy of Ukraine & Kyiv School of Economics, 2024[16]). Prior to Russia's 2022 invasion, Ukraine's SOEs were estimated to account for 12% of total employment which is above the levels of OECD countries with the largest SOE sectors based on the percentage of total (non-agriculture) employment (OECD, 2021[26]).

Several of Ukraine's largest SOEs operate in the transport sector and play a strategic role in its national infrastructure. These include Ukrzaliznytsia (Ukrainian Railways), responsible for over 80% of freight and passenger rail transport; Boryspil International Airport, Ukraine's main air hub, and Ukrainian Sea Ports Authority (USPA), which manages and maintains port infrastructure.

In 2019, SOEs had an average return on equity of 0.3% compared to 8% for the private sector (European Commission, 2023[27]). In 2022, the SOE portfolio generated losses of UAH 154 billion (USD 3.7 billion), whereas it achieved a profit of UAH 22.5 billion (USD 540 million, resulting in a total net loss of UAH 131 billion (USD 3.1 billion) (OECD, 2026[28]). The total amount of outstanding long-term debt of SOEs amounted to UAH 211 billion (around EUR 5.3 billion) at the end of 2022. The portion of profitable SOEs as a share of all SOEs in 2022 was 18%, a steady decrease from 32% in 2018 and 25% in 2021 (Government of Ukraine, 2024[29]).

Ukrainian SOEs are undercapitalised as a result of weak corporate governance structures, with limited access to credit, and unable to undertake necessary long-term investments (Government of Ukraine, 2024[29]). A significant proportion of SOEs still operate under legal regimes anchored in the Commercial Code of Ukraine, which has been marked for full repeal by January 2028 (and majority repeal in 2025) under Law No. № 4 196-IX (Verkhovna Rada of Ukraine, 2025[30]). This reform includes a requirement for all unitary SOEs to convert into joint stock or limited liability companies with the aim of standardising the organisational and legal forms of Ukrainian enterprises, promoting greater efficiency and transparency in the management of Ukraine's SOEs and ensuring a level playing field between public and private companies.

Ukraine's Ministry of Economy and its State Property Fund have established a series of strategic objectives around the management of SOEs for the period 2024-2027 which includes preparing for privatisation, and continuing to improve their corporate governance and performance (Ministry of Economy of Ukraine & Kyiv School of Economics, 2024[16]). The State Property Fund has been given powers to liquidate assets under its control and accelerate the removal of inactive SOEs from the state's property portfolio, which could reduce fiscal risks for the state and curb corruption (OECD, 2025[1]; Government of Ukraine, 2024[29])..
Around 74% of SOEs are scheduled for privatisation or liquidation, 16% will remain under state ownership,

and 9% will temporarily remain state-owned during martial law, with potential divestment once conditions permit (OECD, 2025[1]). This restructuring of the SOE portfolio is expected to reduce fiscal risks and allow greater policy focus on economically significant infrastructure SOEs.

As privatisation of the main transport sector SOEs is not being envisaged, measures to improve their corporate governance will be critical. In the medium term, Ukraine could consolidate oversight of economically significant SOEs under a centralised or co-ordinated ownership model in line with recommendations (OECD, 2026[28]). More immediate measures could include the establishment of co-ordination frameworks to ensure oversight, monitoring and compliance with the 2024 *Law on Amendments to Certain Legislative Acts of Ukraine on Improving Corporate Governance,* which among other objectives aimed at limiting discretional practices and exceptions when defining and approving strategies and financial plans and when appointing managers to SOEs.

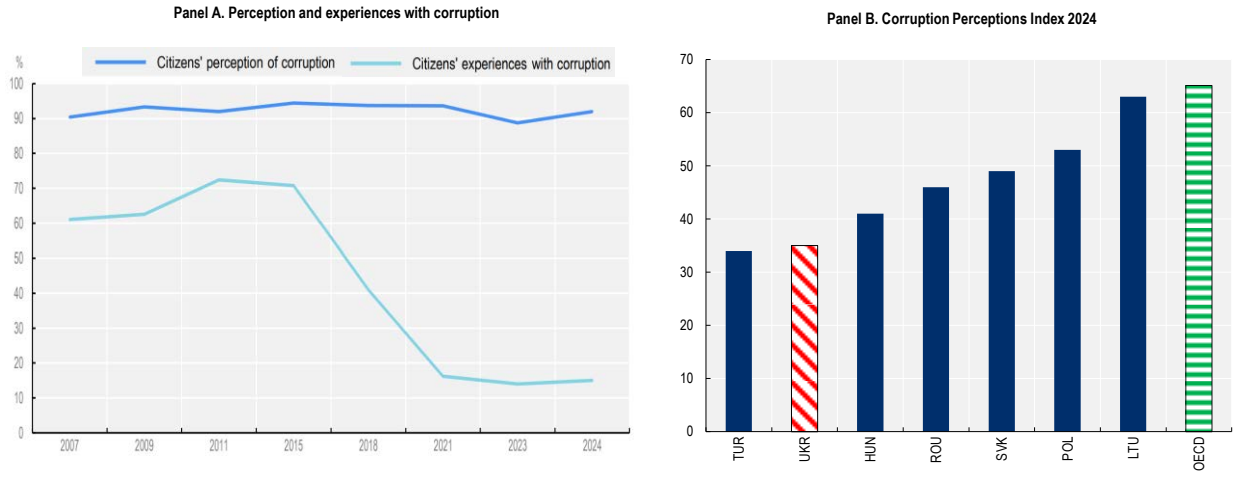
The process of mandatory adoption of International Financial Reporting Standards (IFRS) as established in the *Law on Accounting and Financial Reporting in Ukraine* should also be resumed as soon as exemptions related to martial law are phased out, in order to improve internal control and audit systems in SOEs and strengthen Ukraine's SOE management practices, performance and investment potential (Government of Ukraine, 2024[29]; Verkhovna Rada of Ukraine, 2024[31]).

Given the role that SOEs play in the transport sector, identifying the appropriate legal form, the expected level of state ownership/control and what this means in terms of corporate governance will be a key consideration for any investor who may wish to enter into a PPP or concession arrangement with such entities or provide financing through capital markets. In particular, steps taken on the financial management of SOEs to make them financially sound will be important to understand. SOEs need to be managed at arms' length if they are to be efficient and productive. Improved corporate governance of Ukraine's key transport SOEs could also facilitate capital market financing if listings of SOE shares are considered as part of efforts to revitalise domestic equity markets (OECD, 2026[2]). In the medium-term it could also lead to improved financing terms for companies which have listed in foreign exchanges, such as Ukrainian Railways (see section 8.2).

5.2.4. Anti-corruption efforts in infrastructure

Ukraine has been taking steps to develop its anti-corruption framework over the past decade. Citizen experiences with corruption have dropped in recent years, although perception of corruption remains elevated, even compared to the OECD average (see Figure 5.6, Panels A and B). Weakness in the rule of law, arbitrary law enforcement and the non-enforcement of court decisions, as well as compromised judicial independence continue to undermine investors' confidence and a level playing field for businesses (OECD, 2025[1]). Business surveys reflect concern with the overall effectiveness of the judicial system, with 72% of respondents noting that the risk of corruption in the judicial system remains a major obstacle (American Chamber of Commerce Ukraine, 2024[32]). According to the European Business Association survey, 80 CEOs from the largest international and Ukrainian companies believe that the investment climate in Ukraine is either rather unfavourable (59%) or extremely unfavourable (20%), citing corruption, weak judiciary and the shadow economy among their top five concerns (European Business Association, 2024[33]).

Figure 5.6. Experiences with corruption and perceptions of corruption in Ukraine



Note: In Panel A: Result are based on a poll that is part of the eighth Corruption Perception and Experience series (since 2007) and was conducted from June to August 2024 by the Kyiv International Institute of Sociology (KIIS). It surveyed 13 151 respondents across 3 groups: the general population, internally displaced Ukrainians (IDPs), and externally displaced Ukrainians (EDPs). In Panel B, 0=worse performing, 100=best performing.
Source: OECD (2025[34]), OECD Integrity and Anti-Corruption Review of Ukraine, https://www.oecd.org/en/publications/oecd-integrity-and-anti-corruption-review-of-ukraine_7dbe965b-en.html; OECD (2025[1]), Economic Survey of Ukraine, https://www.oecd.org/content/dam/oecd/en/publications/reports/2025/05/oecd-economic-surveys-ukraine-2025_0bb82ef9/940cee85-en.pdf.

Integrity of processes and governance can lead to trust in infrastructure projects and avoid adverse downstream effects such as misappropriation of resources, delays, inflated project costs, and ultimately poor-quality infrastructure (Zhang et al., 2023[35]). Systemic factors can compromise integrity and contribute to low levels of trust in government and the rule of law, raising the level of uncertainty and its negative impact on the business climate (Schoeberlein, 2019[36]).

Corruption risk can materialise across the different phases of the infrastructure lifecycle (see Table 5.1). Taking appropriate measures to tackle them is critical to support effective public investment, avoid loss of trust in the public sector, improve the government's capacity to mobilise domestic revenue and attract private investment (OECD, 2021[37]).

Table 5.1. Corruption risk across the infrastructure lifecycle

Project phase	Main corruption risks
Project identification	• Budget decisions are based on patronage instead of national priorities. • Resources are diverted to major works where there are more opportunities for corruption. • Costs are overestimated, or underestimated to win the contract at the initial phase with the intention to extract higher payments in subsequent phases. • Investment decisions reflect private interests of certain actors and do not align with a long-term vision and national, regional and sectorial objectives.
Financing and appraisal	• Financier bribes project owner to secure financing contract. • Inside information used to buy land needed for construction so it can subsequently be sold at an inflated price. • Bribes paid to ensure engineering report conceals adverse physical, social or environmental conditions. • Subjective approach or manipulation of social, economic and environmental feasibility of the project. • Inadequate delivery modes, which can reduce value for money and optimal allocation of responsibilities and risks.
Planning and design	• Bribes paid for favourable social or environmental impact assessments. • Officials extort bribes as a condition to provide relevant regulatory approvals for the project. • Private interests and undue influence on the planning process. • Specification designed to favour particular bidder(s).

Project phase	Main corruption risks
	• Over-designed and over-priced.
Tender management	• Tenders not properly advertised so only favoured bidders have access. • Officials demand percentage of government contracts as kickbacks. • In-kind corruption through linked business deals, e.g. bidder provides free services on another project to key decision maker. • Confidential details leaked to favoured bidder to create advantage. • Collusion among firms or between public officials and bidders. • Capture of the bidding process by organised crime
Project execution	• False reporting of invoices, such as unnecessary or inflated variation orders that benefit contractor and/or suppliers. • Restructuring and manipulation of cash flows to misrepresent financial viability or performance of a company. • Accounting and accruals fraud in which revenue is recognised inappropriately. • Bribes required to issue a payment certificate or an extension of time which is not properly required. • Official bribed to certify that work was done according to specification. • Government official demands a bribe in order to issue an import permit required by a contractor to bring equipment into the country. • Project is never executed or only partially.
Operation and maintenance (O&M)	• Bribes can be paid to win O&M contracts, and fraudulent practices can lead to inflated operation and maintenance costs. • Bribes can also be paid during contract renegotiations to secure extensions. • O&M contactor claims for ghost/absent workers. • Consumers forced to pay bribes for connections to services.
Evaluation and audit	• External and undue influence, which can alter the perception of the project's delivery vis a vis policy goals. • Conflicts of interest may exist and / or "capture" of auditing firms by large corporations. The auditing firm may do a "tick box" exercise in order to retain valuable business and not upset a big client.

Source: OECD (2025[38]) Infrastructure Anti-Corruption Toolbox, https://www.oecd.org/content/dam/oecd/en/networks/galvanizing-the-private-sector/Infrastructure-Anti-Corruption-Toolbox-Handbook.pdf.

Ukraine adopted an Anti-Corruption Strategy for 2021-2025 and is in the process of developing a new Strategy for the 2026-2030 period. The National Agency on Corruption Prevention (NACP) is in charge of monitoring implementation of the action plans of these strategies. In the 2021-2025 Strategy, infrastructure was identified as one of the priority areas. The Strategy highlighted the need to minimise corruption risk in construction, land relations and road infrastructure projects and noted that construction of large infrastructure facilities was perceived to be one of the areas where corruption is prevalent (National Agency on Corruption Prevention of Ukraine, 2021[39]). The new draft Anti-Corruption Strategy until 2030 also provides for a wide set of action priorities in construction, restoration, energy sector, public procurement, and land sector aiming at improving legislation, delivering better regulation, ensuring proper oversight measures, and increasing transparency.

These concerns are further explored in a report released in July 2025 by the NACP, the State Audit Service and the Basel Institute which have identified ten corruption risks across project identification, design, tender management, and evaluation and audit in the reconstruction of Ukraine's civilian infrastructure (National Agency on Corruption Prevention of Ukraine; et al., 2025[40]). These point to weaknesses in the selection and prioritisation of projects and oversight of the quality of project documentation; gaps in the legal procedures and oversight by procurement authorities of the pricing of construction materials; deficiencies in the criteria to define the content, scope and quality of supporting services in construction; unclear requirements to justify direct contracts under martial law; untimely or selective disclosure of the full scope of tender documentation which impacts open competition; lack of effective control over the procedure for changing terms in subcontract agreements; absence of integrated electronic systems for recording payments for completed construction works; and lack of state architectural and construction supervision over the implementation of reconstruction projects as a result of martial law.

OECD analysis on the alignment of Ukraine's frameworks with the OECD Guidelines on Corporate Governance of SOEs have also underlined that integrity and fairness in procurement processes involving SOEs remains an area of concern, as SOEs were among the procuring entities with the highest number of complaints (OECD, 2026[28]). These complaints suggested shortcomings in internal procurement capacity, procedural knowledge and oversight mechanisms within SOEs. Participation of SOEs in public procurement as bidders also present challenges resulting from implicit advantages in their access to state guarantees, concessional financing, tax deferrals which may not be available to private competitors and can distort competition in sector such as infrastructure.

Overall, by the end of 2025 half of the measures envisaged in the 2021-2025 anti-corruption strategy to minimise corruption risk in infrastructure projects had been fully or partially implemented since the establishment of implementation monitoring in 2023 (National Agency on Corruption Prevention of Ukraine, 2023[41]). Without safeguards that fair and transparent procedures are being taken in the various stages in the infrastructure lifecycle, it is difficult to commit given the long-term nature and complexity of projects. Corruption remains a key concern and Ukraine should continue to take action to prevent corruption, manage corruption risks and prosecute corruption offences, building on recent progress to detect, investigate, and prosecute corrupt officials, including in areas such as infrastructure, as well as on tackling foreign bribery.

Digitalised procedures and open data can play a significant role in providing transparency and accountability with respect to the actual costs of project implementation – including real-time data on market prices for construction materials – and facilitating monitoring and oversight in the execution of public funds allocated to infrastructure investment (OECD, 2021[37]). Establishing a database of restricted suppliers including the names of companies and individuals banned from doing business in the public sector because of failure to perform in previous contracts, corruption, fraud or tender irregularities could contribute to strengthen accountability and transparency (G20 Japanese Presidency, 2019[42]). Such measure could build on recent progress to establish the State Register of Persons Committing Corruption or Corruption Related Offences, which identifies entities found guilty of corruption offences that are banned from participating in bidding for public contracts. Building on recent reforms mandating independent boards in large SOEs, supervisory boards should be explicitly tasked with overseeing the design, implementation, and monitoring of anti-corruption programmes and fully implement and enforce newly introduced external audit requirements, ensuring that audits are carried out independently and systematically across the SOE portfolio (OECD, 2026[28]). Having clear and standardised procedures and contracts will also be important to limit the potential for corruption, and reassure investors that corruption risk is being managed. Clauses dealing with performance monitoring, performance-related penalty schemes, change orders, force majeure, change in law, reporting requirements, dispute resolution mechanisms, refinancing, termination events and hand-back of assets appear to be most relevant areas for PPP contract standardisation (IMF, 2021[43]).

5.3. Developing a pipeline of infrastructure projects

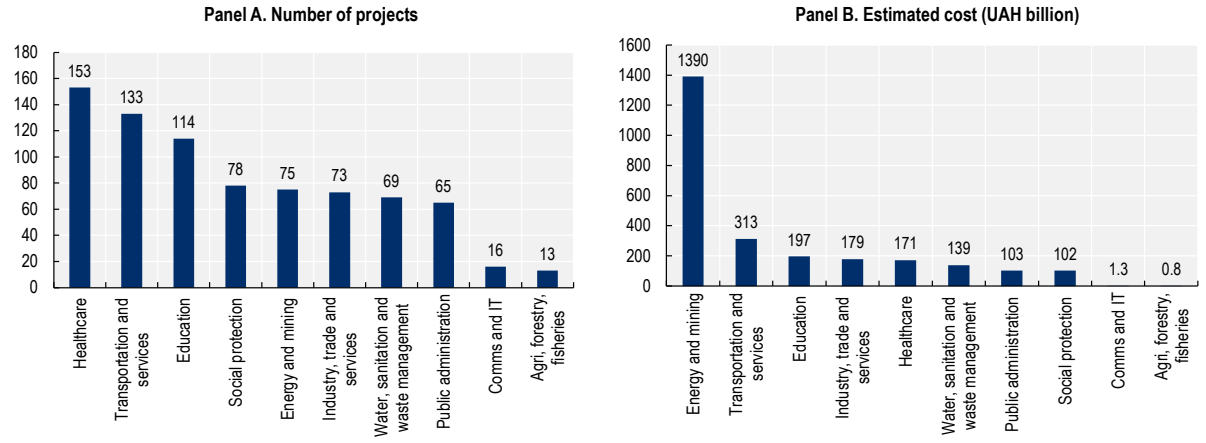
5.3.1. Long-term planning of projects and development of an infrastructure pipeline

In May 2024, Ukraine established the Strategic Investment Council whose main tasks include the definition of strategic priorities for public investment; the development of a single project pipeline for public investments, which includes projects that may be brought forward with private sector participation through PPPs; the endorsement of specific projects for the annual budget; and the co-ordination of different actors involved in the planning of public investment projects (International Monetary Fund, 2024[44]). The establishment of the Council represents an important step towards improving strategic coherence and predictability in public investment planning that is critical to build investor confidence and mobilise private investment.

In September 2024, the Strategic Investment Council published the first portfolio of public investment projects, which included a total of 789 projects worth UAH 2.6 trillion (USD 63 billion) across multiple sectors to be implemented over the coming years (Government of Ukraine, 2025[45]). This represented important progress to build a pipeline of projects (see also sections 2.1 and 2.2). The transport sector featured second both in terms of number of projects as well as estimated total cost, with 133 projects amounting to UAH 313 billion (USD 7.5 billion) (see Figure 5.7 Panels A and B).

The Strategic Investment Council has developed a list of priority projects for financing in 2025, building on the single project pipeline that was released in 2024. Ukrainian authorities have reportedly been consulting academics, international stakeholders and technical experts to select and prioritise projects (CEE Bankwatch Network; et al., 2025[46]). This is an informal consultation process to support more systematic expert involvement in project prioritisation and selection.

Figure 5.7. Ukraine's priority public investment projects by sector



Source: DREAM (n.d.[47]), Analytics Database https://bi.dream.gov.ua/#/spp.

The Cabinet of Ministers (CMU) has also adopted Resolution No. 232; established the Interagency Commission for Public Investment Allocation chaired by the Minister of Finance; and adopted a detailed Procedure for Allocating State Budget Funds to public investment projects and programmes (Cabinet of Ministers of Ukraine, 2025[48]). These arrangements aim to strengthen fiscal discipline and co-ordination in public investment allocation, which is essential to ensure consistency between budget decisions and the project pipeline.

5.3.2. PPPs and concessions

Efforts to improve Ukraine's long-term planning practices and build an infrastructure pipeline have also involved reforms to establish more detailed procedures for the preparation, evaluation, portfolio formation, and implementation of public investment projects including PPPs at all levels of government through the adoption of Resolution No. 527.

The establishment of a clear framework to conduct feasibility studies addresses long-standing weaknesses in the preparation of major infrastructure projects in Ukraine by: improving the timing and quality of economic appraisal; integrating environmental and social impact assessments within the feasibility stage to make them part of the main project selection criteria; avoiding understated operation and maintenance costs by considering lifecycle costing and identifying clear funding sources; and introducing more structured, qualitative and quantitative PPP suitability checks (see also Section 2.2).

Despite adopting PPP legislation in 2010, the number of PPP projects in Ukraine that reached financial close remains limited. Loopholes in Ukraine's regulatory framework on PPPs and lack of implementation capacity within relevant institutions such as the PPP Agency and line ministries has hindered Ukraine's ability to scale up PPPs. Since 2022, the development of new PPPs has been further constrained by heightened investor risk perception and legal uncertainties due to martial law.

In June 2025, *Law No. 4 510-IX On Public-Private Partnership* to modernise and further align the PPP and concession legal frameworks with EU practices was approved (Verkhovna Rada of Ukraine, 2025[49]). Key elements in this law not reflected in previous legislation include: the recognition of PPP financing models that combine public funds with donor and private financing; the possibility for SOEs to play a more active role in project preparation and implementation; an expanded set of mechanisms through which the state can support the implementation of a PPP, including guarantees, co-financing arrangements, financial and in-kind incentives; key terms of a PPP agreement that can contribute to reduce uncertainty and lead to more balanced risk allocation between public and private partners; an expanded definition of a concession agreement setting out more clearly the general obligations of the grantor and the concessionaire; an explicit stability of legislation provision applicable to the PPP agreement, noting the possibility for the PPP agreement to establish the procedure, conditions and amount of compensation for losses and damages to the private partner as a result of amendments to legislation that have affected the performance of the PPP agreement; the possibility for public entities to take measures to form a land plot of state or municipal property necessary for the implementation of the PPP project; and the option to terminate the PPP agreement if 12 months after its conclusion the private partner has not obtained the right to use the land plot necessary for the implementation of the PPP project.

Other key provisions for private investors included in previous frameworks which remain in place include the possibility of resolving disputes related to the implementation of a PPP or concession agreement through international arbitration or other mechanism defined in the tender documentation and the PPP or concession agreement and the right for the private partners to open an account in national or foreign currency in a Ukrainian bank to be used exclusively for servicing activities related to the PPP. In addition, amendments to the Budget Code of Ukraine put in place in 2022 allow state and local authorities to undertake multi-year budget commitments under PPP agreements, including availability payments. A public register of long-term obligations for PPPs has also been created, which includes the annual volume and period of payment of long-term liabilities. These measures support investor confidence in Ukraine's PPP framework.

The modernisation of Ukraine's PPP frameworks builds on recent reforms which defined a unified process for preparation and appraisal of PPP projects for state and municipal assets and provided a definition of an investment feasibility study and its various components. PPP and concession projects are subject to an environmental impact assessment which needs to be carried out in accordance with the specifications of the 2017 *Law on Environmental Impact Assessments* (EIAs). A quantitative assessment of certain social impacts may also be required but the scope of such assessments remains limited compared to EIAs (see also Section 2.3).

In terms of financial reporting for PPP and concession projects, public partners are required to submit standardised annual reports to the Ministry of Economy, covering the status of contract implementation, key performance indicators defined in the agreement, financial obligations of the private partner (including investments, revenues, tariffs, payments to public budgets and outstanding liabilities), as well as information on state support measures and risk allocation (Ministry of Economic Development, Trade and Agriculture of Ukraine, 2020[50]). This reporting framework also supports the monitoring of long-term PPP commitments and contributes to fiscal oversight.

Despite these important regulatory improvements, Ukraine still faces significant implementation challenges to develop bankable PPP projects, primarily due to the complexity of project preparation, fragmented institutional responsibilities, and limited availability of reliable feasibility studies. This undermines investor

confidence and increases transaction costs. Even if better project preparation is necessary for all types of public investment projects, ensuring bankability is even more important for PPPs. Such challenges underscore the importance of technical assistance for project preparation provided by the PPP Agency with the support of MDBs as well as the need for clearer and detailed methodological guidance for feasibility studies. International experience with public development funds can provide insights to strengthen Ukraine's capacity to prepare PPPs (see Box 5.2).

Box 5.2. Project Development Funds to scale up Ukraine's PPP pipeline

Private investors often cite the lack of bankable PPP projects as a barrier to scale up investment in infrastructure. Project development funds (PDFs) – defined as dedicated vehicles which governments establish to systematically support PPP project preparation – have emerged as a policy approach that can contribute to address this challenge.

Given that preparation of PPP projects is often more costly than for conventionally delivered projects and has been estimated to range from 5%to 12% of total investment costs, PDFs can serve as mechanism to support the allocation of funding for PPP project preparation and ensure timely availability of funds for the hiring of transaction advisors. These advisors can in turn provide expertise to undertake feasibility studies and conduct project due diligence; design and structure PPPs and prepare tender documents. Beyond funding, project development funds can also contribute to build capacity among PPP units and build familiarity with PPPs across the public administration.

PDFs have often also been established alongside other government support mechanisms which may include: project viability support (for instance viability gap funds that serve as government grants which make projects viable and reduce the required private investment); credit support (for instance guarantee funds to improve project creditworthiness; financing instruments (for instance through local development finance institutions which provide financing otherwise unavailable in local financial markets).

International experience has shown that PDFs can contribute to successful development of PPP programmes and support the number of PPP projects reaching financial close. For example, in India, the combination of a PDF with viability gap funding vehicles and a local DFI led to a quadrupling in the value of private investment in PPPs from 2006 to 2012. The Philippines' PDF support to 45 projects has coincided with a large increase in the PPP pipeline, which grew from 10 projects (valued at USD 3 billion) to 50 projects (valued at USD 25 billion). South Africa's PDF supported more than 70 projects, at the national, provincial, and municipal levels.

Source: World Bank Group (2024[51]), Project Development Funds. Supporting project preparation to structure successful PPPs, https://documents1.worldbank.org/curated/en/099053124132550754/pdf/P179271-a64e304b-e2ef-480c-92d8-d6c646824c90.pdf.

The short-term impact of reforms to improve Ukraine's PPP framework will also be influenced by the broader need to strengthen Ukraine's public debt management practices. Ukraine's agreements with the IMF have meant that the Ministry of Finance of Ukraine will need to maintain strict control over any new fiscal liabilities and require a detailed assessment of potential PPP impacts on debt sustainability. Therefore, debt sustainability considerations will impact the volume of long-term commitments under availability payment PPPs that Ukraine will be able to assume. Maintaining transparency around these liabilities will be critical to provide confidence to private investors around the state's capacity to undertake PPPs.

Another significant constraint for PPP development in Ukraine is the country's exposure to political and regulatory risks – including war risks, risks of unilateral contract termination, changes in tariff regulation,

and the overall stability of the legal framework – resulting from Russia's full-scale invasion. Provision of guarantees such as political risk insurance or partial risk guarantees will therefore be critical to support PPP development (see Section 6.2).

Given the limited scope of PPPs in the country, and the need to develop more financially sustainable infrastructure, with appropriate risk allocation and efficiency, Ukraine should pursue its efforts to consolidate a robust framework for PPPs that taps into the private sector expertise and financing and supports the development of a pipeline of PPP projects. Building on recent reforms, project preparation procedures for PPPs should remain transparent and ensure that the decision to undertake PPPs is decided on merits of Value for Money, with the Ministry of Finance playing a central gateway role to identify fiscal risks before any decision to pursue PPPs is taken and as a PPP project develops. Ukraine should also ensure that contingent liabilities arising from PPPs are consistently recorded in the existing public registry of long-term liabilities, including in cases where Ukrainian SOEs may act as developers, in order to support private investment while ensuring debt sustainability.

The regulatory framework for PPPs would also benefit for greater clarity in terms of implementation authority between the PPP agency and the Ministry of Finance, the Ministry of Economy, Environment and Agriculture, and the Ministry for Development of Communities and Territories. In addition, the PPP Law needs to be better leveraged to expand the types of PPPs that are used, particularly those that will make it possible to support greenfield investments. Ukraine still depends on concession contracts, which limits the experience of the government to develop PPPs.

5.4. Policy recommendations

Manage public debt and contingent liabilities prudently – including those arising from PPPs – to safeguard debt sustainability and support investor confidence. While the need for public investment to rebuild infrastructure is high, Ukraine needs to consider its approach to funding infrastructure projects for reconstruction while closely monitoring its debt servicing needs. Maintaining stable macroeconomic conditions and debt management that are conducive to future debt issuance and preservation of Ukraine's sovereign credit rating will be key to strengthen the enabling environment for infrastructure investment. Debt sustainability remains an important policy goal for Ukraine, the country therefore requires the contingent liabilities that arise from PPPs to be systematically recorded in a public registry of long-term liabilities, including in cases where Ukrainian SOEs may act as developers, as part of efforts to improve public debt management and build investor confidence around the country's capacity to manage PPPs.

Gradually lift capital controls in line with macroeconomic conditions to facilitate foreign investment inflows. For foreign investment to enter Ukraine at scale, the country will have to manage an eventual exit from its capital controls. Ukraine is already taking measures to allow repatriation under certain conditions and should monitor the situation for infrastructure-related investment returns to be repatriated when merited.

Improve land registry, local spatial planning and state land management practices to remove structural barriers to project implementation. The land registry needs to accelerate the identification of land ownership. Local authorities also need to clarify and update their master plans to be able to adjust the zoning if needed and render such procedures more transparent. Transparency of procedures to rent or sell state-owned or municipal also needs to be strengthened. The digitisation of the land registry could also assist to ensure transparency of land rights and co-ordination across levels of government.

Reform SOE governance to ensure financial soundness, transparent oversight and arm's length state involvement, particularly for infrastructure critical SOEs. The governance and performance of SOEs should be improved, ensuring sustainable financial management, arm's length involvement by the government, and integrity and transparency in institutions as well as decision making processes to improve

operation and management of key infrastructure assets. Given the likelihood that infrastructure investors may have to engage in business transactions with SOEs, it is imperative that the business viability as well as the financial status of SOEs is addressed. Identifying the appropriate legal form, the expected level of state ownership/control and what this means in terms of corporate governance will be a key consideration for any investor who may wish to enter into a PPP or concession arrangement with such entities. The process of mandatory adoption of IFRS accounting standards should be resumed as soon as exemptions related to martial law are phased out, in order to improve internal control and audit systems in SOEs and strengthen Ukraine's SOE management practices, performance and investment potential.

Formalise stakeholder consultations for project prioritisation. The Strategic Investment Council should formalise its consultation process with stakeholders to ensure an open, transparent and clear process in determining priority projects and the role of private investment.

Strengthen PPP project preparation at all levels of government. Technical assistance for project preparation is essential and should be made available more broadly by the PPP Agency with the support of MDBs, including at regional and local levels where institutional resources are constrained. In addition, clearer and detailed methodological guidance for feasibility studies should be developed for all projects. International experience with public development funds can provide insights to strengthen Ukraine's capacity to prepare PPPs.

Support PPP development through provision of risk mitigation mechanisms while systematically recording liabilities and ensuring transparency. If PPPs are to be developed, the private sector will require state support through risk mitigation. Various risk mitigation mechanisms such as guarantees, credit enhancements or first loss equity should be examined, and the institution that can provide this considered, if more private sector participation through PPPs is to take place. Due consideration will need to be given to the contingent liabilities which may result from provision of these instruments.

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Notes

[1] Throughout the report, references to state-owned enterprises (SOEs) also encompass joint-stock companies in which the state holds and exercises control over 50% or more of the shares. While such entities are not legally classified as state-owned enterprises under Ukrainian law, they perform an equivalent economic and functional role in the infrastructure sector. In practice, many key infrastructure monopolies in Ukraine, including the national railway operator, are organised as joint-stock companies with 100% state ownership, and similar ownership structures apply to a significant number of infrastructure operators across sectors.

6 Mobilising investment into infrastructure

This chapter examines the financing architecture underpinning Ukraine's infrastructure sector and highlights the central role of public and donor resources in the current reconstruction phase. The analysis shows that investment activity remains dominated by publicly backed structures reflecting the limited maturity of the domestic financial sector and constrained private-sector appetite under elevated risk. The chapter argues that Ukraine must strengthen its financial intermediation system so that longer-term private financing can gradually complement public and donor support. It also highlights the need to scale up de-risking instruments selectively to crowd in private capital without compromising fiscal sustainability.

Ukraine will need to actively pursue large-scale infrastructure investments to accelerate its recovery and support its national economic growth and sustainable development objectives. Mobilising private capital will be critical to rebuild infrastructure that has been destroyed or damaged during the war while supporting greenfield investments that modernise Ukraine's transport network, boost connectivity with the European Union and promote long-term resilience.

Investment in Ukraine's transport infrastructure has been in large part led by the public sector, with support from multilateral development banks (MDBs). Yet, Russia's full-scale invasion has created additional pressures on public budgets as well as on earmarked funds that were supporting investments in Ukraine's transport networks. Despite the priority that has been given to the transport sector in Ukraine's 2025 budget allocations and the support that is being provided by international partners, private capital will need to be mobilised to address financing needs.

Attracting greater private sector participation will require strengthening the banking sector so greater financial intermediation for infrastructure can take place in Ukraine. Pursuing reforms to develop Ukraine's capital markets will be critical to diversify the investor base and explore approaches that can monetise the country's brownfield assets. Risk mitigation instruments will likewise be key to address war-related risks that are hindering investments and ease investor concerns around potential credit risks in the aftermath of the war.

These measures will be critical to support private investment in Ukraine's transport sector but remain relevant for other sectors as well, given the limited extent of private participation in Ukraine's infrastructure.

6.1. Investment in transport infrastructure

Strengthening Ukraine's policy frameworks to facilitate the mobilisation of private capital will be an important component for recovery, to ensure prudent use of limited resources (Bilotkach and Ivaldi, 2022[1]). It is estimated that around 40% of Ukraine's reconstruction and recovery could be covered through private investment (domestic and foreign), provided that enabling reforms and measures are adopted to facilitate private participation (World Bank, Government of Ukraine, European Union, United Nations, 2026[2]).

Previous analysis of private participation in infrastructure for countries emerging from conflict reveals that investors typically resume engagement six to seven years after the conflict ends (Schwartz, 2014[3]; Araya, Schwartz and Andres, 2013[4]). However, Ukraine has already been able to bring forward investment projects with private participation since the war started (see Table 6.1). Projects that have private sector participation, often have a key Ukrainian party involved. This may be an important requirement to ensure that projects can be pursued with the private sector.

Table 6.1. Investment projects with private participation in transport and logistics sectors since 2022

Project	Description	Financing structure
M-10 Lviv Industrial Park (2024)	Warehousing facilities in the Lviv region located next to M10 international highway, 60 km from the Polish border, covering 23.5 hectares.	Project developed by Ukrainian group Dragon Capital. Total investments – USD 70 million. EBRD will invest up to 35% (USD 24.5 million). The World Bank's Multilateral Investment Guarantee Agency (MIGA), provided a 10-year guarantee of USD 9.2 million, that covers the risks of physical destruction and/or loss of control over the asset.
Reconstruction of Kyiv Bridges (2023)	Rebuilding of six bridges representing vital supply routes near Kyiv damaged by Russia's invasion	UK export finance issued a guarantee of USD 33.5 million that allowed the Ukrainian Government to access a loan for an equivalent amount from Citi.

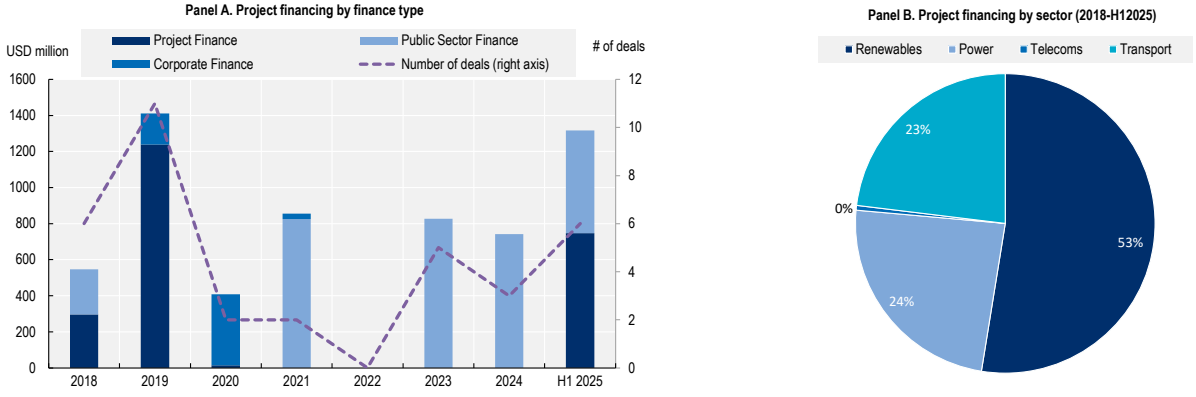
Project	Description	Financing structure
Mostyska Dry Port Container Terminal (2022)	Container terminal in Lviv Region near border crossing point with Poland (Shehyni – Medyka). Total area – over 36 hectares.	Terminal is a partnership project between Ukrainian company Lemtrans and Estonian company Rail Trans Investment with total investments USD 15 million.
MOST Transshipment Complex (2022)	Grain transshipment complex and container yards on the border with Poland.	Complex is managed by Ukrainian private company Agrosem. Total investments – EUR 13.7 million. EBRD has provided EUR 9.6 million; the United States has provided an investment grant of EUR 1.5 million; the remaining EUR 2.6 million will be provided by Agrosem.
Nibulon port terminal (2022)	Nibulon's port terminal in Izmail has a transshipment capacity of 300 000 tons of grain cargo per month. It is one of the 23 new port terminals opened on the Danube since the outbreak of the war.	USD 15.5 million of investment provided by Ukrainian private company Nibulon.

Source: IJ Global Database; Ministry of Economy of Ukraine & Kyiv School of Economics (2024[5]), Ukraine Investment Guide, 66673120c02fe81b61d75096_Ukraine Investment Guide 2024 (2)_compressed.pdf.

Public sector finance – referring to transactions that involve either equity from the public sector or debt solely from Development Finance Institutions (DFIs) – represented the main source of finance from 2021 to the end of 2024. During the first half of 2025, Ukraine registered an increase in the value of transactions reaching USD 1.3 billion (see Figure 6.1). The total annual value of infrastructure transactions in Ukraine in 2023 and 2024 remained close to USD 800 million, predominantly financed through MDB debt financing and grants from the European Union. More than 80% of those transactions took place in the road and rail subsectors. This highlights the continued dominance of publicly backed financing structures and the limited scale of private investment.

Investments in the road and rail subsectors have been largely funded through state budget resources, dedicated sub-sectoral funds such as the Ukraine State Road Fund – which has been repurposed to serve the state budget for its wartime response – and debt financing from MDBs. Private investment has concentrated in ports and airports, where foreign investment is generally easier to attract given the capacity of seaports and airports to generate revenue in freely usable currency.

Figure 6.1. Project financing in Ukraine (2018-H12025)

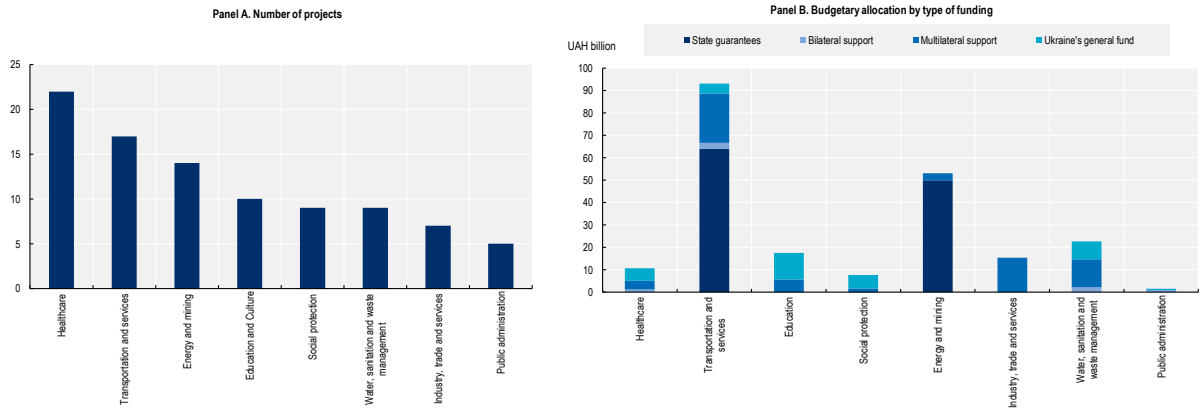


Note: Combines all Project Finance, Corporate Finance (excluding company acquisitions) and Public Sector Finance transactions. However, it excludes direct public- or taxpayer-funded infrastructure development. Transactions included have all reached financial close.
Source: IJ Global Database.

In Ukraine's 2025 budget, UAH 224 billion (USD 5.4 billion) was allocated to 93 projects (Ministry of Finance of Ukraine, 2024[6]; Ministry of Finance of Ukraine, 2025[7]), with healthcare, transport and energy sectors having the largest number of projects (see Figure 6.2, Panel A) and the transport and energy

sectors receiving around 65% of the budgetary allocation, predominantly through state guarantees for loans provided by multilateral and bilateral partners (see Figure 6.2, Panel B).

Figure 6.2. Ukraine's 2025 budget allocation by sector and type of funding



Note: In Panel B, state guarantees are those provided to loans from multilateral and bilateral partners. Bilateral and multilateral support includes both loans and grants.
Source: Ministry of Finance of Ukraine (2026[8]), https://mof.gov.ua/en/derzhavnij-borg-ta-garantovanij-derzhavju-borg.

6.2. Financial sector

The broadness and depth of the financial sector has a direct relationship with the types of financing available, the robustness of the regulatory regime, protections to investors and availability of professional services that can support a variety of financing sources. Having a strong, competitive and well capitalised banking sector lends itself to having financial intermediation that can support complex and long-term financing. A strong capital market allows diversification of financing through access to a broad range of investors, as well as a wide range of instruments that are available both in the market as well as in a structured manner.

Having the backbone of an active and stable banking sector and/or capital market serves infrastructure financing by providing choices on the types of financing that is available, for both the government, as well as financial institutions and investors. This is particularly important when a government wants to mobilise private capital to infrastructure, as it will allow more diverse parties with different risk tolerance to take part. It also serves to diversify investors' choices.

In addition, institutional investors and savings provide a potential source of infrastructure financing, that could serve as domestic private capital mobilisation, if the regulatory regime can be aligned and financial instruments that create infrastructure as an asset class are available.

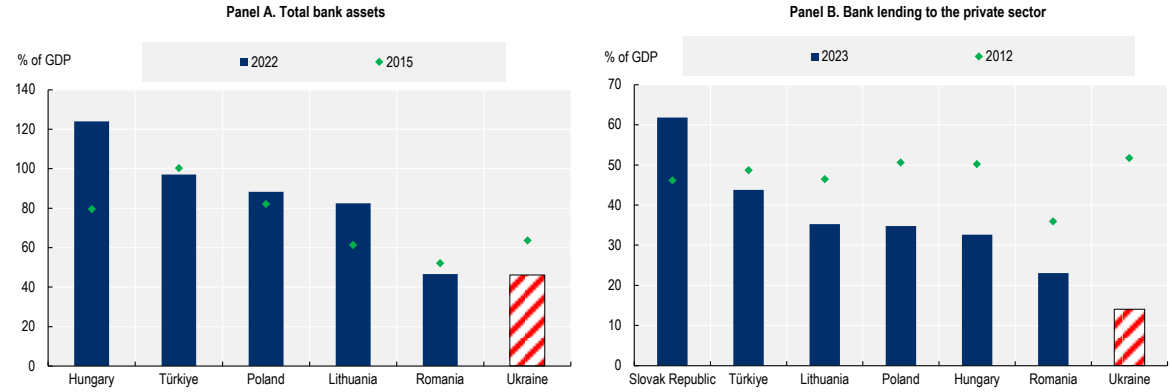
Liquid and robust financial markets will also provide opportunities for innovative financing approaches such as asset securitisation and risk mitigation measures to be deployed. This will facilitate risk management of projects and take advantage of the value of existing assets.

6.2.1. Banking sector

Bank's assets represent around half of Ukraine's GDP, a share that is below the ratios in peer countries (see Figure 6.3, Panel A). Domestic government bonds constitute around 27% of bank assets, as banks have absorbed a large part of government debt since the full-scale invasion (OECD, 2026[9]). Lending activity remains below peers, with domestic bank credit to the private sector totalling 18% of GDP in 2023

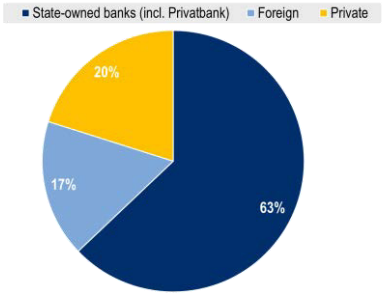
(see Figure 6.3, Panel B). The four main state-owned banks (SOBs) hold around half of all net assets and more than 60% of retail deposits, shares which have remained practically unchanged since 2016 (see Figure 6.4). These banks also have higher non-performing loan (NPL) ratios (43%) compared to Ukrainian private banks (12.6%) or foreign-owned banks (10.9%) (OECD, 2025[10]).

Figure 6.3. Banking activities relative to peer countries



Source: OECD (2025[10]), OECD Economic Survey of Ukraine, https://www.oecd.org/content/dam/oecd/en/publications/reports/2025/05/oecd-economic-surveys-ukraine-2025_0bb82ef9/940cee85-en.pdf.

Figure 6.4. Market share of bank by ownership (share of retail deposits)



Source: National Bank of Ukraine. (2024[11]), Banking Sector Review https://bank.gov.ua/admin_uploads/article/Banking_Sector_Review_2025-11_eng.pdf?v=17.

In June 2024, Ukrainian authorities approved a national lending development strategy that seeks to support credit growth to help priority sectors such as defence and energy, through subsidised lending, loan guarantees and war risk insurance (International Monetary Fund, 2024[12]). Improved macroeconomic conditions are also leading to growth in lending with better loan rates and longer maturities (National Bank of Ukraine, 2024[13]). Recent data show that net local currency loans to businesses and households have been growing steadily since mid-2023, with longer maturity loans outpacing the growth of short-term loans in the second quarter of 2025 (National Bank of Ukraine, 2025[14]). Loan portfolio quality is also improving, with non-performing loan (NPL) ratios falling across all groups of banks and reaching pre-war levels. Such improvements in the overall performance of the banking sector could contribute to facilitate debt financing for infrastructure.

The new Strategy of Ukrainian Financial Sector Development outlines Ukraine's commitment to gradually unwind measures that temporarily suspended financial sector reforms taken to align with the EU acquis which had been adopted prior to Russia's full-scale invasion (De Haas and Pivovarsky, 2022[15]). These included establishing a flexible exchange rate and implementing an inflation targeting regime. Ukraine is

taking measures to ease foreign exchange controls which impact cross-border lending. Capital controls are being gradually eased: since May 2025, businesses are allowed to conduct cross-border transfers of funds from Ukraine for individual transactions within an established limit equal to the amount of foreign investor funds that they have attracted (National Bank of Ukraine, 2025[16]).

Other financial market reforms include reestablishment of stress testing and gradually reducing state ownership of the banking sector, including through full or partial privatisations which could enhance efficiency and competition in the sector, generate revenues for the state and, if SOB listings are considered, contribute to capital market development (Government of Ukraine, 2024[17]; OECD, 2026[9]).

For project financing opportunities to take place, Ukraine's larger domestic banks will have to improve their credit rating and ensure that capital adequacy ratios remain stable. Even if state-owned banks are playing an important role during wartime by supporting defence sector financing and executing government programmes, they can also reduce fiscal discipline and crowd out credit to the private sector (OECD, 2026[9]).

As noted in the Strategic Principles for Reforming the State-owned Banking Sector, addressing the corporate governance of SOBs is a critical step to support better financial intermediation in Ukraine. Ensuring management of SOBs is arms' length from the government will also allow credit decisions to be divorced from political considerations. Better governance of SOBs could also lead to a larger role in project financing of infrastructure projects with international partners in the future.

Greater involvement of international banks in project financing will likewise be necessary to bring competition and project financing skills that domestic banks currently lack. Implementing the new Strategy of Ukrainian Financial Sector Development will be important to ensure financial market development in line with the EU acqui. This could lead to better integration into the EU market and the improve the ability of EU financial institutions to operate in Ukraine in the future. Loan syndications between domestic and international banks could also support the development of project finance skills for the domestic banking sector.

Since engagement of international banks often happens in response to requests from international developers who are their clients, ongoing reforms to strengthen Ukraine's PPP framework should also focus on attracting high-quality international project sponsors. While capital controls in the current climate are imperative, commitment to unwind them will be critical if Ukraine wants to attract private investors to large-scale infrastructure projects.

6.2.2. Capital markets

Capital markets in Ukraine remain underdeveloped and currently offer limited possibilities to finance infrastructure. Market capitalisation of securities stood at 5% of GDP in 2021 and further decreased following Russia's full-scale invasion (De Haas and Pivovarsky, 2022[15]). Since 2022, trading activities have halted for all products, except government bonds which can be accessed by both domestic and foreign investors (OECD, 2025[10]).

The National Bank of Ukraine (NBU) and the National Securities and Stock Market Commission (NSSMC) have put forward a series of strategic objectives focussed on developing Ukraine's capital market (International Monetary Fund, 2024[18]). Initiatives are underway to strengthen the NSSMC's institutional capacity and independence, as well as to develop an integrated stock exchange structure (OECD, 2026[9]). Another key measure is to facilitate direct foreign investor access to a wider range of debt instruments beyond government securities (International Monetary Fund, 2024[12]). In July 2024, the NBU amended its regulation and provided a legal basis allowing it to open and service a securities account of a nominee holder for an international central securities depositor. Such measures can support access to foreign capital through financial instruments issued for Ukraine's reconstruction, including municipal bonds and other reconstruction-related debt instruments (National Bank of Ukraine, 2024[11]).

The *Law On Amendments to Certain Legislative Acts of Ukraine on Simplification of Investment Attraction and Introduction of New Financial Instruments* adopted in 2020 aimed at improving the efficiency and functionality of capital markets in Ukraine by strengthening investor protection, transparency and diversity of financial products. The law introduced new types of securities, which included infrastructure and green bonds. Proceeds from infrastructure bonds are expected to be used exclusively to finance or refinance the construction or reconstruction of infrastructure facilities or to implement an infrastructure project or one of its specific stages. The definition of infrastructure projects is broad and includes facilities in the area of transport infrastructure (roads, bridges, crossings, etc.), gas pipelines, social and cultural facilities, housing and communal services (water supply and sewerage facilities, heat and energy supply systems, etc.). For green bonds, the NSSMC issued Methodological Guidelines on the classification and use of green bond proceeds in line with the NextGenerationEU green bond framework and International Capital Markets Association (ICMA) Green Bond Principles. Such measures supported issuance of green eurobonds by Ukrenergo and DTEK in 2021. However, following Russia's full-scale invasion, Ukrenergo's green bonds have been undergoing restructuring after suspension of payments in 2022, while DTEK's were restructured in 2024 to extend their maturity by three years.

In 2023 the NSSMC approved the *Concept for the introduction of the legislative framework for covered bonds and securitisation in Ukraine*, which underlined the need to amend the capital markets law and adopt a dedicated law on securitisation receivables (NSSMC, 2023[19]). The Concept noted the potential of this mechanism to finance the reconstruction of Ukraine's infrastructure. Since securities are assessed based on the securitised future cash flows of the asset and not on the creditworthiness of the originator, securities issued may obtain higher credit ratings than those of the originator (for instance the Ukrainian sovereign or a Ukrainian SOE). This is particularly relevant in the Ukrainian context given challenges related to sovereign and sub-sovereign credit ratings, which remain far below investment grade. Development of a dedicated regulatory framework should provide clarity on the types of assets eligible for securitisation, the procedure to obtain regulatory approval and the obligations of all parties involved. Cash flows needed to cover maintenance costs should be considered when defining eligible assets, in order to avoid diverting resources from necessary maintenance expenditures. This framework should also establish certainty for investors around the accounting and taxation arrangements associated with these investments.

Ukraine needs to continue its work on the development of its capital market, to enable diversification of its financial intermediation base, and make different financing approaches available for the wider economy as well as infrastructure projects.

The measures adopted by NBU and NSSMC to enable foreign investor access to its debt market beyond government securities are heading in the right direction. Lifting foreign exchange controls as soon as macroeconomic conditions allow will be key to strengthen demand for such instruments and facilitate greater inflows of foreign investment.

Thematic bonds such as infrastructure and green bonds also offer potential to attract a broader range of investors. Once conditions allow, Ukraine should assess the convenience of infrastructure and green bond issuances.

Given the difficulties to finance infrastructure in Ukraine, securitisation of brownfield assets may provide an avenue for monetisation. The Concept note by NSSMC on securitisation should be examined closely so that a robust regulatory framework can be developed.

6.2.3. Risk mitigation tools

There is growing recognition of the role that risk mitigation instruments can play in mobilising private capital, either by lowering exposure to risk, reducing the severity of losses, reducing uncertainty, or increasing returns. Governments, multilateral development banks, national development banks, export credit agencies, public infrastructure funds, and the private sector offer a variety of risk mitigation instruments

that allow projects to move forward and enhance their bankability. This is especially important for emerging and developing countries as they seek to address the shortage of bankable projects, which hinders private sector involvement. In Ukraine, the case for such instruments is particularly strong given elevated war-related and sovereign risks and remaining constraints on long-tenor domestic financing.

Risk mitigation instruments can contribute to the mobilisation of private capital by better managing risks in infrastructure projects (see Box 6.1). In the Ukrainian context, guarantees that address political risks and in particular war risk, will be critical to mobilise private investment towards infrastructure (see Box 6.2).

Box 6.1. Examples of key risks in the context of infrastructure financing

The OECD has defined "risk" as the measurable probability that an actual outcome will deviate from an expected outcome and has identified examples of key risks that may materialise throughout the different phases of infrastructure project development (see Table 6.2). These can be broken down into three categories:

1. **Political and regulatory risks** arise from governmental actions, including changes in policies or regulations that adversely impact infrastructure investments, and can be highly subjective, therefore difficult to price into infrastructure finance.
2. **Macroeconomic and business risks** arise from the variation embedded in an industry and/or economic environment. These risks may result from fluctuations in macroeconomic variables such as inflation, real interest rates, and exchange rates, as well as from business cycle factors that may affect the demand for services linked to an infrastructure asset or debt maturity issues, which may raise financial risks.
3. **Technical risks** are determined by the skill of the operators and managers as well as factors related to the peculiarities of a project, project complexity, construction, and technology.

Table 6.2. Examples of risks that may materialise throughout infrastructure project development

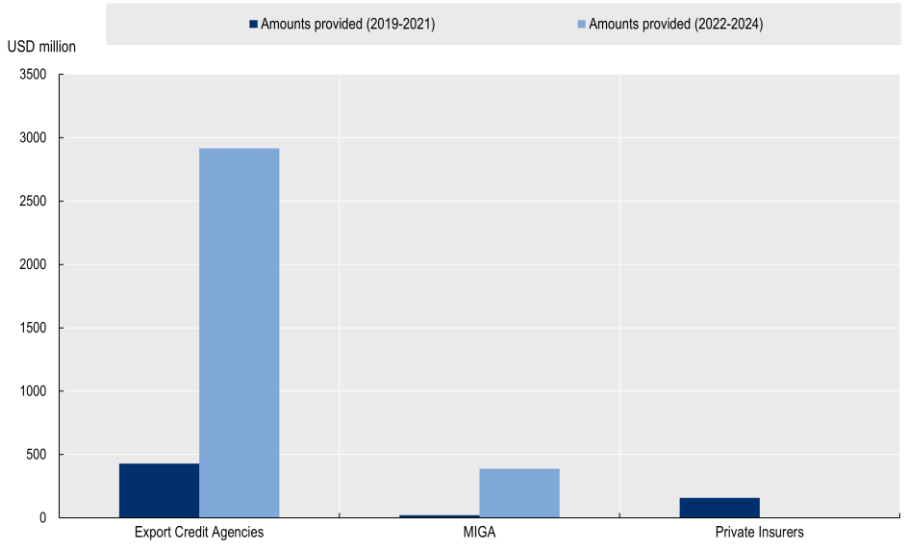
<table>
<tr><th>Risk Categories</th><th>Development Phase</th><th>Construction Phase</th><th>Operation Phase</th><th>Termination Phase</th></tr>
<tr><td rowspan="8">Political and regulatory</td><td>Environmental review</td><td>Cancellation of permits</td><td rowspan="2">Change in tariff regulation</td><td>Contract duration</td></tr>
<tr><td rowspan="2">Rise in pre-construction costs (longer permitting process)</td><td rowspan="2">Contract renegotiation</td><td>Decommission</td></tr>
<tr><td>Asset transfer</td></tr>
<tr><td colspan="3">Currency convertibility</td></tr>
<tr><td colspan="4">Social acceptance</td></tr>
<tr><td colspan="4">Change in regulatory or legal environment</td></tr>
<tr><td colspan="4">War, civil disturbance, expropriation</td></tr>
<tr><td colspan="4">Enforceability of leases, concessions, and other contracted payment schemes</td></tr>
<tr><td rowspan="6">Macroeconomic and business</td><td>Prefunding</td><td colspan="3">Default of counterparty</td></tr>
<tr><td rowspan="3" colspan="2">Financing availability</td><td colspan="2">Refinancing</td></tr>
<tr><td colspan="2">Liquidity</td></tr>
<tr><td colspan="2">Volatility of demand/market risk</td></tr>
<tr><td colspan="4">Inflation</td></tr>
<tr><td colspan="4">Real interest rates</td></tr>
<tr><td colspan="4">Exchange rate fluctuation</td></tr>
</table>

<table>
<tr><td rowspan="6">Technical</td><td colspan="3">Governance and management of the project</td><td rowspan="4">Termination value different from expected</td></tr>
<tr><td colspan="3">Environment</td></tr>
<tr><td>Project feasibility</td><td rowspan="2">Construction delays and cost overruns</td><td rowspan="2">Qualitative deficit of the physical structure/service</td></tr>
<tr><td>Archaeological</td></tr>
<tr><td colspan="3">Technology and obsolescence</td></tr>
<tr><td colspan="4">Force majeure</td></tr>
</table>

Source: Adapted from OECD (2015[20]), Infrastructure Financing Instruments and Incentives, https://c40.my.salesforce.com/sfc/p/#36000001Enhz/a/1Q000000MfEM/sRCHSACfaQlPWYcVmdu9_77NGXaicf1GDemsHXUUse0.

The importance of political risk insurance is illustrated by its significant growth in Ukraine since the beginning of Russia's full-scale invasion. From 2022 to 2024, export credit agencies and MIGA provided almost USD 3.3 billion of political risk insurance, which represents more than five times their pre-2022 amount (see Figure 6.5) (MIGA, 2024[21]). Export credit agency (ECA) provision has been critical to this increase, which has evolved from USD 210 million in 2022 to USD 2.6 billion in 2024. The energy sector provides examples of how PRI has worked to mobilise private capital even during wartime (see Box 6.3).

Figure 6.5. Political risk insurance provision in Ukraine (pre-2022 and post-2022)



Note: Sectors covered include energy, infrastructure, manufacturing, natural resources, renewable energy, transportation and other.
Source: Berne Union PRI Database.

Box 6.2. Guarantees and insurance for infrastructure financing

While Ukraine's current guarantee needs are mostly for political risk, it should consider how commercial risk will be covered as it tries to tap into private financing.

Table 6.3. Typology of guarantees and insurance for infrastructure financing

Instrument	Risk addressed	Differentiating characteristics
Political risk insurance (PRI)	Political risks (transferability, expropriation, breach of contract, war and civil disturbance)	Unlike loan guarantees, PRI provides indemnification (premium-based) against adverse government actions or civil unrest and may require an arbitral award. For breach of contract, arbitration award may be required before payout.
Partial risk guarantee (PRG)	Political and contractual breach	Unlike PRI, PRG is contingent on government failure to meet a project's contractual obligations (e.g. government contractual payments, take-or-pay commitments), which causes a private investor's or lender's failure to service loan or non-loan related payments.
Partial credit guarantee (PCG)	Credit/default risk on portion of debt. Could be up to 100% of the debt amount, but this is rare.	It is project-specific, with the involvement of public entities depending on the project. Covers shortfalls in scheduled debt service for loans or bonds. In certain cases, they can be denominated in either freely usable currency or local currency. Full credit Guarantees (100% of debt) offered by some MDBs (e.g. Asian Development Bank (ADB), International Finance Corporation (IFC)) for critical financings, but used sparingly due to moral hazard.
Non-honouring of financial obligations (NHFO)	Non-honouring of financial obligations risk	Targets country or public-sector credit risk (distinct from investor-facing PRI). Specifically designed to provide capital relief for commercial lenders.
Medium and long-term insurance (MLT)	Credit (trigger) and political risks such as buyer default, war	Insurance for exporters (and their lenders) of capital goods with extended credit terms (1-20+ years). Covers both commercial (buyer insolvency) and political (e.g. war, currency inconvertibility risks).

Source: OECD (2025[22]), G20/OECD Report on Blended Finance Derisking Measures, https://www.oecd.org/content/dam/oecd/en/publications/reports/2025/10/g20-oecd-report-on-blended-finance-derisking-measures_29d012d0/9df5fe74-en.pdf

Box 6.3. Wartime projects involving guarantees to mobilise private investment

Tyligulska Wind Farm Phase 2

In January 2025, DTEK, one of Ukraine's largest private energy companies, unveiled plans for a EUR 450 million expansion of the Tyligulska Wind Power Plant on the Black Sea coast, after reaching a financing agreement with lenders to purchase 64 wind turbines from Vestas. The project constitutes the largest private sector investment in Ukraine since Russia's full-scale invasion in 2022 and, once completed, will be the largest onshore wind farm in Central and Eastern Europe.

The project is being brought forward through a project finance scheme involving a EUR 80 million equity investment from DTEK and EUR 370 million of a commercial syndicated loan in which Danske Bank served as mandated lead arranger. The Export and Investment Fund of Denmark (EIFO) will provide USD 419 million in guarantees for Danske Bank. The bulk of the loans will be deployed to purchase turbines.

GNG Wind Volyn Project

The GNG Wind Volyn Project involves the development of a 147 MW greenfield onshore wind farm with a total cost of EUR 224 million that will contribute to Ukraine's energy resilience. The project is undertaken by Wind Power GSI Volyn LLC and Wind Power GSI Volyn 3 LLC – special purpose vehicles incorporated in Ukraine – and will sell its generation under a corporate power purchase agreement. The IFC has provided upstream support to the project on key bankability considerations, particularly in relation to electricity market analysis and offtake arrangements.

The project benefits from a EUR 60 million senior concessional loan provided by IFC, EBRD and the Black Sea Trade and Development Bank (BSTDB) that has received a partial risk guarantee from the EU's Ukraine Investment Framework Hi-Bar Programme. The level of concessionality (i.e. "subsidy") provided by the loan is estimated to be 12% of total project costs.

Environmental and Social Impact Assessments were conducted in accordance with IFC's, EBRD's and BSTDB's respective environmental and social safeguard frameworks, which all assigned a B category to the project. An Environmental and Social Due Diligence Assessment was undertaken jointly by the IFC, EBRD and BSTDB through an independent internal consultant as well as with Ukraine's Environmental Impact Assessment.

Source: DTEK (2025[23]), DTEK to invest EUR 450 million to expand Tyligulska windfarm in largest investment since war in Ukraine began, https://dtek.com/en/media-center/news/dtek-invest-450-million-tyligulska-windfarm-expansion/; IJ Global Database; EBRD (2024[24]), Galnaftogaz Wind Project, https://www.ebrd.com/home/what-we-do/projects.html; IFC (2024[25]), Project Information and Data Portal – GNG Wind Volyn, https://disclosures.ifc.org/project-detail/SII/48387/fcs-re-gng-wind-volyn.

Although risk mitigation is often only thought of as an instrument (e.g. guarantees, insurance products) it can also take the form of institutional and regulatory frameworks that reduce risks throughout a project's lifecycle. Regarding infrastructure projects, efficient pricing mechanisms, transparent cost-benefit analysis, and rigorous project appraisals can support informed decision making and efficient implementation. Life-cycle cost assessments and strategies like open access to essential infrastructure and limited downstream renegotiations in joint arrangements like PPPs can contribute to the long-term sustainability and value for money in infrastructure investments (see Box 6.4).

Box 6.4. Key principles to ensure economic efficiency in infrastructure projects

To ensure economic efficiency, infrastructure investments must provide value for money, accounting for both positive and negative externalities. A stable legal and regulatory framework is essential to minimise risks and support sound investment decisions. Additionally, appropriate pricing mechanisms can encourage efficient use and determine optimal provision levels. Rigorous project appraisals, focussing on economic efficiency and sustainability, should guide project selection, while strategies to mitigate delays and cost overruns are crucial. Competitive procurement processes and consideration of life cycle costs ensure optimal quality and cost. Finally, effective maintenance and monitoring during the operational phase, including the use of innovative technologies, are essential to preserve asset quality and avoid costly rehabilitation.

The OECD Compendium of Policy Good Practices for Quality Infrastructure Investment outlines several good practices and auxiliary measures that correspond to creating a strong policy and institutional environment, project development, and project implementation. In ensuring economic efficiency of infrastructure projects and minimising associated risks in project development, the compendium lists the following good practices:

1. **Competitive business environment:** Promoting a competitive business environment and a level-playing field to foster cost effective infrastructure through subjecting activities to appropriate commercial pressures, dismantling unnecessary barriers to entry, and implementing and enforcing adequate competition laws.
2. Carefully considering, when appropriate, private sector participation in infrastructure provision.
3. **Open access to essential network facilities:** Guaranteeing access to essential network facilities to all market entrants on a transparent and non-discriminatory basis.
4. **Sustainable pricing mechanisms:** As relevant, using appropriate and flexible pricing for infrastructure services (e.g. user charges, congestion prices) to encourage more efficient use of infrastructure and to help decide on appropriate levels of infrastructure provision.
5. **Rigorous project appraisal and selection, based on cost-benefit analysis:** Investing in rigorous project appraisal and selection processes that privilege socio-economic efficiency (taking into account economic, social, fiscal and environmental costs and benefits including externalities) and consider not only initial costs, but the full life cycle costs of projects (planning, design, finance, construction, operation and maintenance (O&M), and possible disposal).
6. **Value for money assessment:** Carefully evaluating different procurement modes on the basis of value for money with respect to life cycle costs.
7. **Competitive tendering process focussed on defined measurable outcomes:** Using competitive tendering, maximising participation of all qualified suppliers, and limiting the use of exceptions and single-source procurement.
8. **Efficient and transparent risk allocation:** Ensuring a transparent and appropriate allocation of risks in the structuring of projects.
9. **Effective monitoring and management of assets:** Optimising life cycle costs and asset quality through ensuring effective monitoring, operation and maintenance.
10. **Re-negotiations:** Limiting recourse to re-negotiations in public-private partnerships, and if unavoidable, establishing predictable frameworks and strategies for handling them.

Source: OECD (2020[26]), G20/OECD Report on the Collaboration with Institutional Investors and Asset Managers on Infrastructure, https://web-archive.oecd.org/pdfViewer?path=/2020-07-24/560068-Collaboration-with-Institutional-Investors-and-Asset-Managers-on-Infrastructure.pdf.

Ukrainian authorities have taken steps to support the provision of risk mitigation applicable to investments in transport infrastructure and other sectors. In November 2023, Ukraine amended its *Law on Financial Mechanisms for Stimulating Export Activities* and gave its export credit agency the possibility to provide war risk insurance to both domestic and foreign investors. As a result of these changes, Ukraine's ECA can provide investment loan insurance to Ukrainian banks and insurance for investments in Ukraine to individual or legal entities that are residents or non-residents in Ukraine (see Table 6.4).

As of July 2025, the investment loan insurance product supported three projects and the insurance of investments product has supported none, compared with the more than 100 contracts for the export loan insurance product offered by the ECA. One key barrier results from the cover limit of USD 10 million, which excludes large capital investments in infrastructure. Given the limited availability and pricing of reinsurance options, an increase in the economic capital of Ukraine's ECA could expand its capacity.

Table 6.4. Investment-related insurance provided by Ukraine's ECA

	Investment loan insurance	Insurance of investments in Ukraine
Coverage	Loans to Ukrainian economic entities related to investments in the creation of facilities and infrastructure necessary for the development of manufacturing industry and export of goods (works, services) of Ukrainian origin	Investment (the amount of remittance, equity) and/or dividends
Insured	Ukrainian bank – lender	An individual or legal entity, resident or non-resident of Ukraine (investor)
Covered risks	One or more War and/or Political risks included in the list approved by a decision of the Cabinet of Ministers of Ukraine	
Covered loss	Loss caused by unpayment of the principal	Operational Inability Loss caused by expropriation of equity and/or rights to claim dividends Loss caused by inability to remit dividends
Special requirements	1) the investee is located on the territory of Ukraine, except for the territories where hostilities are being waged or temporarily occupied by the Russian Federation at the moment of concluding the investment insurance agreement, which are included in the list of territories where hostilities are being waged or temporarily occupied by the Russian Federation, approved by the order of the Ministry of Reintegration of Ukraine; 2) the purpose of the direct investment is the creation of facilities and infrastructure necessary for the development of manufacturing industry and export of goods (works, services) of Ukrainian origin; 3) the goods (works, services) to be exported as a result of the investment must meet the requirements of Law on ECA Ukraine (ECA can only provide support to exporters of value-added goods, but there are no restrictions on services and works)	
Underwriting	Individual. The risk is assessed based on the country risk category of the Ukrainian borrower – Ukraine	Individual. The risk is assessed based on the region of location of the production facilities of the investee, type of activity of the investee
Insurance rates	For example, one of insurance contracts has been concluded with the yearly insurance rate 0.9%	Approx. 0.49%-8.01%

Source: Ukraine's Export Credit Agency.

The Ukraine War Risk Insurance Facility constitutes another domestic effort aimed at scaling up war risk insurance. The Facility was launched in 2025 with the support of Lloyd's of London to provide war risk coverage for commercial properties and investments in Ukraine. The scheme combines insurance from Ukrainian insurer ARX with reinsurance from Lloyd's for 100% of risk in excess of ARX's retention (see Table 6.5) (McGill and Partners, FortuneGuard, ARX, 2025[27]). The facility provides coverage of up to USD 50 million (and in some cases higher) to high-value infrastructure assets, new construction projects and equity investments. UkraineInvest has signed a Memorandum of Co-operation with ARX to promote the scheme with potential investors (UkraineInvest, 2025[28]).

Table 6.5. Ukraine War Risk Insurance Facility

Coverage	Premium rates	Structure	Exclusions	Eligible Projects
Insurance against damage caused by missiles, drones, rockets, and air defence system wreckage Policy limit is up to USD 50 million and higher in some cases	Premium rates start at 1% of the insured limit and vary based on factors such as asset location, proximity to critical infrastructure and history of drone and missile strikes in the surrounding area, among others.	ARX retains first layer from USD 0.5 million per asset. Lloyd's syndicated and reinsurance market provide reinsurance for amounts exceeding ARX's retention, up to USD 50 million and higher in some cases	Areas within 100km of the war zone. Non-missile or drone-related acts. Theft, maurauding and pilferage. Nuclear, chemical or biological weapons. Artillery, aerial bombs and other weapons not explicitly covered. Cyber risks.	High-value infrastructure assets. Large commercial property. New construction projects. Equity investments. Green energy projects (e.g. wind and solar farms, energy storage). Manufacturing and logistics hubs.

Source: American Chamber of Commerce Ukraine (2024[29]), Ukraine Wary Risk Insurance Facitlity, https://chamber.ua/wp-content/uploads/2025/01/Ukraine-War-Risk-Insurance-Facility.pdf.

Initiatives such as the war risk insurance facility hold promise as they can help overcome the challenges of underdeveloped domestic insurance markets with limited international reinsurance options. Ukraine should continue to work closely with its international partners to establish facilities that can provide mitigation instruments to support private investment into the economy. Ensuring transparency of eligibility criteria, exclusions and claims processes will be important to build market confidence in these facilities.

Ukraine's ECA has made much effort to provide war risk insurance. However, its capacity is limited and its products limited to USD10 million coverage. Consideration could therefore be given to increasing the economic capital of Ukraine's ECA to enable an expansion in its cover limit.

6.3. International donor support

International donor support will continue to be critical to scale up the provision of guarantees in Ukraine and attract greater levels of private investment. Various international initiatives that are seeking to scale up the provision of political risk guarantees are ongoing.

6.3.1. MIGA Support for Ukraine's Reconstruction and Economy (SURE) Trust Fund

In 2023, MIGA set up the Support for Ukraine's Reconstruction and Economy (SURE) Trust Fund, which was established with Japan as anchor donor, and has a target size of up to USD 300 million of donor contributions to enable MIGA guarantee issuance in Ukraine. Donor financing through the SURE Trust Fund is combined with MIGA risk exposure on its own books, and crowds in public and private reinsurance where available, to deploy guarantees. Given that private sector reinsurance capacity is currently unavailable in Ukraine, MIGA's focus has so far been on public sector reinsurance of its guarantees through DFIs and ECAs (Multilateral Investment Guarantee Agency, 2024[30]).

Expansion of political risk insurance to international lenders and sponsors for reconstruction in critical sectors such as transport, housing and energy through the SURE Trust Fund is only expected after the war ends (Multilateral Investment Guarantee Agency, 2023[31]). G7 Finance Ministers and Central Bank Governors have committed to work with Ukrainian authorities, international financial institutions and the insurance industry to scale up reinsurance options for Ukraine (G7 Canadian Presidency, 2025[32]).

6.3.2. EU's Ukraine Investment Framework (UIF)

The EU's Ukraine Facility is constituted by three pillars and aims at strengthening Ukraine's access to financing for recovery. The Facility envisages the allocation of EUR 50 billion of EU financial assistance to Ukraine during the period of 2024-2027. The first pillar focusses on supporting the implementation of the Ukraine Plan by providing EUR 38 billion as direct support to the state budget through EUR 5 billion in grants and EUR 33 billion in loans. Pillar 2 consists of the Ukraine Investment Framework (UIF) which leverages EUR 9.3 billion in loan guarantees (EUR 7.8 billion) and blended finance grants (EUR 1.5 billion) to de-risk investments and mobilise up to EUR 40 billion public and private investments in priority sectors such as infrastructure, in particular those that have been included in Ukraine's single project pipeline (see section 5.3). This pillar is being implemented by EBRD, EIB, IFC, Council of Europe Development Bank (CEB) and bilateral financial institutions such as EU member states' NDBs and ECAs. The third pillar targets technical assistance and support amounting to EUR 5 billion to facilitate Ukraine's alignment with EU laws and regulations (European Commission, 2024[33]).

The UIF is the most relevant EU initiative when it comes to the mobilisation of private finance for Ukraine's reconstruction. The UIF's is governed by the Ukraine Investment Framework Steering Board, a special body that provides strategic and operational management and approves the transactions under the UIF (European Commission, 2025[34]). The Steering Board includes representatives of the European Commission and each EU member state, as well as members of the Verkhovna Rada of Ukraine, the Government of Ukraine and the European Parliament as observers. The UIF may involve the use of a variety of mechanisms including: loans (in freely usable and local currency); guarantees, counter-guarantees; capital market instruments; insurance; and equity or quasi-equity.

As of June 2025, the EU has committed EUR 5.7 billion in guarantees and grant agreements to leverage EUR 18 billion in investments. The EU has signed agreements to provide a EUR 175 million guarantee and EUR 9.3 million in blended finance grants to support lending from the Polish Development Bank (BGK) to Polish investors in Ukraine (European Commission, 2025[35]). UIF guarantees have also supported EUR 50 million of EIB loans to Ukrainian Railways for the upgrade of key rail border crossing points with Poland, the Slovak Republic, Hungary and Romania that facilitate cross-border connectivity and trade. Even though 60% of the UIF has been allocated, disbursements and due diligence processes have reportedly been slow and will need to be accelerated to support project implementation at scale (Lausberg, 2025[36]).

6.3.3. EBRD's Ukraine Recovery and Reconstruction Guarantee Facility (URGF)

In late 2024, the EBRD launched the Ukraine Recovery and Reconstruction Guarantee Facility (URGF) with the aim of launching the war risk insurance market in Ukraine (EBRD, 2024[37]). The Facility involves the provision of a guarantee of up to EUR 100 million to URGF IC Limited – a limited liability company based in Guernsey – that will use the EBRD guarantee to provide reinsurance cover for war-related losses and damages in Ukraine. By providing reinsurance that transfers risk outside of Ukraine, the Facility aims supports local Ukrainian insurers to scale up their underwriting capacity.

By March 2025, the Facility allowed international reinsurer MS Amlin to support three Ukrainian insurers in the expansion of their war insurance offerings. This scheme led to the provision of EUR 5 million in reinsurance cover within a few weeks, showing strong demand for war risk insurance (European Bank for Reconstruction and Development, 2025[38]). Further engagement of international reinsurers will be critical to support the development of the war risk insurance market in Ukraine, gradually contributing to increase loss limits and enabling scaled up coverage of infrastructure transactions.

6.4. Policy recommendations

Build project-finance capability in the domestic banking sector through syndications with international banks. For project financing opportunities to take place, Ukraine's larger domestic banks will have to improve their credit rating and ensure that capital adequacy ratios remain stable. Greater involvement of international banks in project financing will also be necessary to bring competition and project financing skills that domestic banks currently lack. Loan syndications between domestic and international banks could also support the development of project finance skills for the domestic banking sector. Since engagement of international banks often happens in response to requests from international developers who are their clients, ongoing reforms to strengthen Ukraine's PPP framework should also focus on attracting high-quality international project sponsors.

Strengthen state-owned bank governance to reduce non-performing loans, minimise crowding-out of private credit and improve their capacity to provide market-based long-term financing. As noted in the Strategic Principles for Reforming the State-owned Banking Sector, addressing the corporate governance of SOBs is a critical step to support better financial intermediation in Ukraine. Better governance of SOBs could also lead to a larger role in project financing of infrastructure projects with international partners in the future.

Advance capital market reforms to diversify the investor base, reopen bond issuance channels once conditions allow and enable longer-term financing tools, including infrastructure and green bonds. Measures adopted by the NBU to start servicing foreign banks are heading in the right direction and should be pursued in order to support access to foreign capital through financial instruments issued for Ukraine's reconstruction and accelerate integration with the EU Single Market. Once conditions allow, Ukraine should assess the convenience of infrastructure and green bond issuances, which offer potential to attract a broader range of investors.

Create a clear asset-backed securitisation framework to leverage Ukraine's existing asset base to support new investments. Given the difficulties to finance infrastructure in Ukraine, securitisation of brownfield assets may provide an avenue for monetisation, which could be further supported through the expansion of pension fund and insurance sectors. The Concept note by NSSMC on securitisation should be examined closely so that a robust regulatory framework can be developed. Such framework should provide clarity on the types of assets eligible for securitisation, the procedure to obtain regulatory approval and the obligations of all parties involved. This framework should also establish certainty for investors around the accounting and taxation arrangements associated with these investments.

Scale up provision of war risk insurance through increases to the Ukrainian ECA's economic capital and partnerships with foreign ECAs, MDBs and other international partners. Ukraine's ECA has made much effort to provide war risk insurance. However, its capacity is limited and its products limited to USD10 million coverage. Ukraine may wish to tap into more comprehensive coverage through joint coverage using different instruments. This may overcome some of the capacity limits it has. Consideration could also be given to increasing the economic capital of Ukraine's ECA to enable an expansion in its cover limit. The Ukraine War Risk Insurance Facility constitutes a domestic effort that holds promise to scale up war risk insurance that supports investments in infrastructure. Ukraine should continue to work closely with its international partners to establish facilities that can provide mitigation instruments to support private investment into the economy.

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7 Aligning infrastructure investments with sustainability

This chapter sets out the policy foundations required to integrate sustainability considerations into Ukraine's infrastructure investments. It underscores that mainstreaming sustainability and resilience is essential not only for meeting EU integration objectives but also for improving project bankability and reducing long-term fiscal risks. The chapter emphasises that environmental and social considerations can no longer be treated as compliance exercises but must be embedded across the full infrastructure lifecycle. The chapter also argues that Ukraine must address its growing exposure to climate hazards by embedding routine climate-risk assessments and prioritising adaptation investments.

Ukraine's assets, infrastructure, and society are increasingly vulnerable to climate change, with risks varying across regions and population groups. Climate hazards, including urban and coastal area floods as well as wildfires are impacting critical infrastructure systems. Risks of wildfires resulting from drought episodes, combined with increasing heat, have risen in Ukraine over the past decade (UK Met Office, 2021[1]). Flooding has damaged highways, bridges and train tracks, leading to operational disruptions and higher maintenance costs. Ports are also vulnerable to more frequent storms and extreme rainfall events, as well as rising sea levels, while more intense heatwaves pose a threat to the operation of rail and road transport networks.

Despite the challenges associated with Russia's full-scale invasion, which is also causing severe environmental damages by exacerbating forest fires, damaging carbon sinks, and destroying clean energy sources, Ukraine is committed to taking steps to mitigate the adverse effects of climate change (Keim and Sydorovych, 2024[2]). In its Second Nationally Determined Contribution (NDC), Ukraine has established the objective to increase the share of renewable energy in gross final energy consumption from 17% in 2024 to 27% in 2030 as well as a legally binding goal to achieve climate neutrality by 2050 (CMU, 2025[3]). The country is also planning to phase out coal-fired power generation by 2035.

Ukraine is taking action to strengthen its sustainable finance framework and integrate environmental and social considerations into project preparation. Through its sustainable finance development policy, the country has defined a phased approach to develop a common language around sustainability risks and disclosure requirements for financial institutions, in line with the EU acquis. Recent improvements to project preparation practices have also clarified requirements for environmental and social impacts to be included as part of feasibility studies for public investment projects including PPPs, building on Ukraine's legal framework for EIAs.

Through its communication on climate change adaptation to the United Nations Framework Convention on Climate Change (UNFCCC) and its National Adaptation Strategy (NAP) Ukraine has acknowledged the need to integrate adaptation considerations into strategic planning at the national, and subnational levels. It has also committed to accelerate adaptation action across priority sectors, including infrastructure and transport.

7.1. Sustainable finance, and environmental and social considerations

Prior to Russia's full-scale invasion, Ukraine had been making progress in developing its sustainable finance framework. In 2021, the NBU published its Sustainable Finance Development Policy 2025 aimed at integrating sustainability considerations into the country's financial sector (National Bank of Ukraine, 2021[4]). The Strategy outlined five key objectives: 1) improving corporate governance in banks and non-bank financial institutions taking into account environmental, social and governance (ESG) factors; 2) introducing requirements for environmental and social risk management in financial institutions regulated by the NBU; 3) introducing ESG disclosure standards for financial institutions; 4) taking measures to increase financial literacy of the public about the development of sustainable finance in Ukraine; and 5) taking climate change into account while pursuing financial stability.

The Policy's Implementation Roadmap had originally established a timeline for financial institutions and non-bank financial institutions to undertake sustainability disclosures by the end of 2024. In September 2024, however, NBU announced its decision to revise and update the Sustainable Finance Development Policy to: 1) take account of the impact of Russia's full-scale invasion; 2) update some of the original measures to align with the latest EU acquis; and 3) better respond to the new challenges facing the financial community, and postponed implementation to the end of 2027 (National Bank of Ukraine, 2024[5]). The revised Sustainable Finance Development Policy streamlined objectives into two main areas: 1) developing an internal ESG risk management framework for NBU; and 2) developing an ESG risk management framework for the financial sector regulated by NBU. The second objective involved a phased

approach focussed on the development of a “common language” around sustainability risks and disclosure requirements for financial institutions, in line with the EU Sustainable Finance Disclosure Regulation, its Corporate Sustainability Reporting Directive and the EU Taxonomy Regulation. Alignment with the EU sustainable finance frameworks has been further confirmed by the Order of the CMU *On the approval of the Strategy for the introduction of sustainable development reporting by enterprise*s (Cabinet of Ministers of Ukraine, 2024[6]). The publication by the NBU of a white paper of ESG risk management in Ukraine’s financial sector contributed to maintain reform momentum and outlined a phased approach to implement ESG requirements for the financial sector throughout the 2025-2030 period (National Bank of Ukraine, 2025[7]). A first step for its implementation was the approval of amendments to the NBU’s Methodological Recommendations on the Organization of Corporate Governance in Ukrainian Banks, which established that Ukrainian banks would need to develop and ESG risk management strategy by July 2026 (National Bank of Ukraine, 2026[8]). Such strategy would need to present an initial assessment of the impact of ESG risks on the financial institution’s business model and outline a set of ESG commitments, metrics, and performance indicators applicable to the institution’s business processes and prtfolios, as well as mechanisms to monitor their implementation.

Non-financial reporting obligations in Ukraine currently arise from several horizontal regulatory regimes including corporate non-financial reporting for large companies and public-interest entities, environmental impact assessments and disclosure obligations tied to projects supported by multilateral or regional development banks. In the case of corporate non-financial reporting, obligations are derived from the *Law On Accounting and Financial Reporting in Ukraine* and require large companies and public-interest entities (including major infrastructure operators, utilities, and regulated monopolies) to prepare annual Management Reports, which include non-financial information related to: environmental performance, social and labour issues, anti-corruption matters and corporate governance (Verkhovna Rada of Ukraine, 2024[9]; Cabinet of Ministers of Ukraine, 2019[10]). This requirement does not establish mandatory alignment with international ESG standards (e.g. Global Reporting Initiative, Sustainability Accounting Standards Board, Taskforce on Climate-related Financial Disclosures).

With respect to EIAs, recent improvements to the regulatory framework around project preparation following the adoption of Resolution 527 have clarified requirements to undertake feasibility studies for public investment projects including PPPs (see Section 5.1). The Resolution establishes that full feasibility studies are mandatory for projects whose costs exceed USD 1.2 million and are meant to include assessments of environmental and social impacts as part of their economic justification. *Law 4 510-IX on PPPs* adopted in 2025 also highlights the need to undertake environmental impact assessments in line with the procedures established in Ukraine’s *Law on Environmental Impact Assessment (EIA).* The *Law on EIA* constitutes the main legally binding sustainability reporting mechanism applicable to new infrastructure projects. It requires the preparation of an EIA report covering various aspects such as: assessment of biodiversity, habitats and ecosystems; water, air and soil impacts; pollution and waste-management measures; risks to public health; climate-change impacts (where relevant); mitigation and monitoring plans; public consultations and stakeholder engagement.

The annual PPP monitoring report submitted to the Ministry of Economy also includes non-financial reporting categories around environmental and social obligations, usually derived from the EIA legislation or sector-specific permits. Ukraine’s regulatory framework around EIA also sets provisions for *ex-post* environmental monitoring and audits. These audits seek to assess the compliance of an asset’s operation with the requirements of environmental legislation, prevent or minimise negative environmental impacts, determine measures to eliminate violations and ensure transparent environmental reporting. Such audits can be conducted by independent accredited entities or by public authorities and are certified by the Ministry of Economy, Environment and Agriculture of Ukraine.

Even in the absence of an explicit Ukrainian ESG PPP framework, PPPs often also follow higher ESG standards due to MDB involvement in their financing, which requires implementation of MDB environmental

and social framework requirements. Technical assistance for project preparation can therefore provide an important avenue to build capacity around environmental and social impact assessments in Ukraine and mainstream such practices at the infrastructure project-level, including when developing concessions (see Box 7.1).

Box 7.1. Environmental and social impact assessments in Ukraine's Olvia Specialised Seaport Concession

In August 2020, the Ukrainian Government signed a concession agreement with QTerminals, one of the leading port operators of Qatar. According to the Concession Agreement, QTerminals Olvia would invest approximately UAH 3.4 billion (~EUR 78 million) in the infrastructure of the port.

The Olvia Seaport concession was brought forward in collaboration with the IFC and EBRD and included a number of environmental obligations for the concessionaire to manage environmental and social impacts in accordance with international best practice. Environmental and Social Impact Assessments were developed in accordance with the IFC Performance Standards and an environmental and social management system was put in place.

Source: The State Organization Agency on Support Public-Private Partnership (n.d.[11]), https://pppagency.gov.ua/project/olvia-specialized-seaport-concession/.

Ukraine's commitment to align with the EU's Sustainable Finance Disclosure Regulation, its Corporate Sustainability Reporting Directive and the EU Taxonomy Regulation is a strategic objective associated with the country's EU integration process which has been formally approved by the CMU.

The EU's Ukraine Investment Framework (see Section 4.3) has also set a target to ensure that at least 20% of supported investments are green, which will be facilitated by closer alignment with EU sustainable finance frameworks as well as the development of a pipeline of projects that aligns with the EU's Taxonomy Regulation criteria (European Commission, 2025[12]).

A clearer roadmap and timeline for the implementation of EU's Sustainable Finance Disclosure Regulation, its Corporate Sustainability Reporting Directive and the EU Taxonomy Regulation as soon as conditions allow will need to be considered, as it may take several years for industries to understand such requirements and implemented them in a manner that does not disrupt their business.

Regarding reporting at the project level, efforts should not be limited to EIAs but should be part of a process that extends to the full lifecycle of the infrastructure asset and adapts to the phase that the project is in. Social risks should also be better considered in terms of reporting requirements as this can contribute to ensure that infrastructure assets have a positive impact on communities in areas such as labour, accessibility, inclusivity, and land management. Having robust non-financial reporting is important as environmental and social risks can give rise to negative impacts in the future and become a source of contingent liabilities.

7.2. Climate risk and adaptation

Investing in climate resilient infrastructure is critical for Ukraine, as urban floods and wildfires are considered high risk and climate change is expected to increase risk of extreme weather events (The World Bank, 2025[13]). Climate change makes not only sudden weather events more extreme, but also slow onset events have a lasting impact if not addressed. Ukraine submitted its national adaptation plans to the UNFCCC in 2024, which estimated that losses from droughts, wildfires and floods had reached

USD 1.3 billion over the 2016-2020 period (Government of Ukraine, 2024[14]). There has been some research over the years that having investment upfront to prevent losses may be more cost effective than ex post weather events. Thus, having a culture of climate risk assessment and financing could mean better risk management for infrastructure assets (Hallegatte, 2019[15]).

Between 2000 and 2020, Ukraine faced repeated extreme weather events, with floods generating the highest economic losses. Prolonged rainfall triggered major flooding in Western Ukraine in 2002, 2008 and 2020, causing an estimated USD 1 billion in damages, primarily to infrastructure along river basins. In 2020, a combination of drought conditions and human ignition led to wildfires that caused an additional USD 175 million in losses. Other severe events, including the 2007 winter storm Kyril and a 2017 tornado and heavy hail, damaged residential and public infrastructure. In the case of the transport sector, the main impacts have been damages to physical assets such as roads, bridges and train tracks. These impacts underscore the importance of integrating climate resilience into infrastructure design, maintenance and investment planning.

In 2021, Ukraine adopted the Environmental Security and Climate Change Adaptation Strategy of Ukraine by 2030 (NAS 2030), which represented the first national strategy on adaptation measures (Government of Ukraine, 2021[16]). The strategy highlights the challenges of mainstreaming climate resilience into Ukraine's policy frameworks and how they can be addressed. Challenges include: the lack of strategic planning of adaptation leading to *ad hoc* responses; insufficient integration of climate change adaptation into policies at different levels of government; lack of technical capacity to systematically measure climate risks; insufficient awareness among civil society, business and government on the need to implement climate adaptation measures, and lack of financial resources to implement them. The strategy also identifies ten key priority sectors for adaptation, which include transport and infrastructure, and the need to develop risk and vulnerability assessments to climate change in these sectors, as well as sectoral action plans on adaptation to climate change.

The European Union Directive 2014/52/EU strengthened the focus on climate change adaptation and resilience in the screening, scoping and assessment phases of projects as part of mandatory EIAs for certain large-scale projects. Some countries have also leveraged EIAs to assess the climate resilience of infrastructure projects, making such assessments mandatory and requiring climate resilience certification to begin construction works (G20/OECD, 2024[17]).

Ukraine has experienced severe weather events that have caused high levels of economic losses. However, preventing them and mitigating their impacts can be challenging, as climate adaptation is notoriously difficult to finance given its lack of direct contributions to revenue streams from the measures (G20/OECD, 2024[17]). Inclusion of climate risk assessment in routine procedures is the main way by which to mainstream climate resilience. This can take place through inclusion in EIAs or by requiring reporting on climate risk assessment and adaptation measures at the project level. Ukraine should also consider earmarking public investment towards climate adaptation, with a particular view of retrofitting and upgrading existing infrastructure. While new infrastructure assets could benefit from EIAs and reporting, existing assets are often overlooked in their need to adapt to the current climate risks. As public investments will be necessary to retrofit existing assets, it is important that the government plans and anticipates payouts for these upgrades to take place in order to avoid the realisation of economic losses when weather events cause disruption. This is particularly relevant for transport infrastructure, where service disruptions can generate significant economic and social costs.

7.3. Policy recommendations

Strengthen project-level non-financial reporting to the full lifecycle of infrastructure, moving beyond stand-alone EIA compliance. For reporting at the project level, efforts should not be limited to EIAs but should be part of a process that extends to the full lifecycle of the infrastructure asset and adapts

to the phase that the project is in. Social risks should also be better considered in terms of reporting requirements as this can contribute to ensure that infrastructure assets have a positive impact on communities in areas such as labour, accessibility, inclusivity, and land management. Having robust non-financial reporting is important as environmental and social risks can give rise to negative impacts in the future and become a source of contingent liabilities.

Align national sustainable finance frameworks with EU standards. A clearer roadmap and timeline for the implementation of EU's Sustainable Finance Disclosure Regulation, its Corporate Sustainability Reporting Directive and the EU Taxonomy Regulation should be discussed as soon as conditions allow, as it may take several years for industries to understand such requirements and implement them in a manner that does not disrupt their business.

Embed climate risk assessments in routine procedures to mainstream climate resilience in infrastructure development. Inclusion of climate risk assessment in routine procedures constitutes the main channel to mainstream climate resilience considerations when developing infrastructure in Ukraine. This can take place through inclusion in EIAs or by requiring reporting on climate risk assessment and adaptation measures at the project level.

Allocate targeted public investment for climate adaptation. Ukraine should consider earmarking public investment towards climate adaptation, with a particular view of retrofitting and upgrading existing infrastructure.

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8 Transport sector considerations

This chapter examines the transport sector as a cornerstone of Ukraine's recovery and underscores its significance for economic resilience, export logistics, and EU integration. Transport has suffered extensive wartime damage and now faces reconstruction needs exceeding USD 96 billion, making it both a priority investment domain and a test case for applying Ukraine's wider financing reforms. The chapter identifies distinct policy challenges across rail, road, ports, and airports, each requiring tailored interventions to strengthen operational resilience and mobilise private capital where feasible.

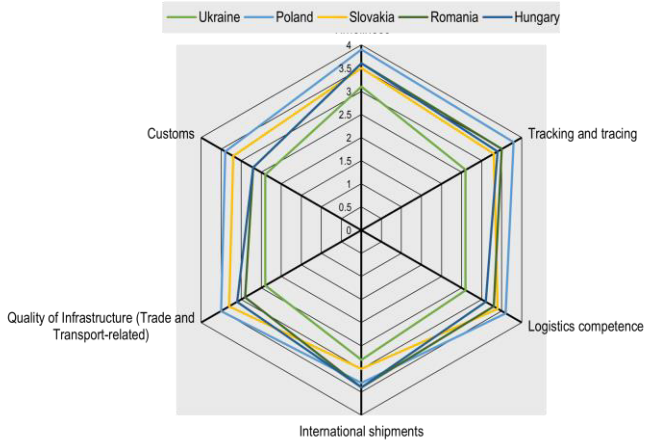
8.1. Transport sector's role in Ukraine's recovery

The Ukraine Plan is one of the main strategic documents that are guiding Ukraine's recovery and EU integration through a set of targeted reforms to promote growth and attract priority investments across key sectors. Transport infrastructure is one of the focus areas identified in the Ukraine Plan to support the recovery of Ukraine's export-oriented economy and its ambition to strengthen connectivity with the European Union (EU) as part of its EU accession negotiations. The scale and economic importance of the transport sector make it a key entry point for mobilising private investment as part of Ukraine's recovery and EU integration agenda. From 2016-2021, the transport sector contributed an average of 6.2% of GDP and employed almost 1 million workers (World Bank, 2023[1]). Ukraine counts one of the largest railway networks in Europe, of which 47% is electrified. Prior to Russia's 2022 invasion, progress was being made in attracting private investment through PPPs and concessions, particularly in the port sector. The State Road Fund, established in 2017, had also led to increased public investment through earmarked funds to upgrade road transport networks.

However, logistics performance, including quality of trade and transport-related infrastructure in Ukraine has been low compared to neighbours (see Figure 8.1). Such underperformance is partly due to chronic underinvestment in infrastructure, with Ukraine's public capital stock falling gradually since 2009, and faster with the destruction of the full-scale invasion (OECD, 2025[2]). This underperformance constrains export competitiveness and increases logistics costs for businesses.

Figure 8.1. Ukraine'slogistics performance relative to EU neighbours

Logistics Performance Index (1=low; 5=high)



Source: World Bank Group (2025[3]), Logistics Performance Indicators 2.0, https://lpi.worldbank.org/en/home.

In December 2024, Ukrainian authorities published a revised National Transport Strategy 2030. This document presents the strategic priorities for the development of Ukraine's transport sector, taking into account the impact of the war. Updates to the Strategy consider the challenges of martial law, post-war recovery and European integration aspirations of Ukraine. The strategy also outlines the four key objectives for the development of Ukraine's transport sector: 1) restoring and developing a competitive and efficient transport system integrated into the Trans-European Transport Network (TEN-T); 2) promoting high-quality passenger transportation and barrier-free mobility; 3) providing energy efficient transport with a focus on decarbonisation that is safe for humans and environment; and 4) developing institutional and human capital and effective management (Government of Ukraine, 2024[4]).

As with other sectors of economic relevance, Ukrainian transport infrastructure has been the target of attacks that have increased the financing needs for its recovery and reconstruction. At the end of December 2025, direct damage to buildings and infrastructure from the war was estimated at USD195 billion, up from USD 176 billion in December 2024, and recovery and reconstruction needs over a 10-year period at almost USD 588 billion, the latter representing almost three times the country's estimated GDP in 2025 (World Bank, Government of Ukraine, European Union, United Nations, 2026[5]). This figure will only increase as the war continues. Since early August 2025, Ukrainian authorities have registered more than 400 strikes on railway infrastructure, almost double as many attacks compared to the same period in 2024 (Financial Times, 2025[6]).

Transport has been the most affected sector after housing, with damages amounting to USD 40 billion, largely concentrated in rail and road networks, bridges, ports, airports and Ukraine's air navigation system, urban public transport assets, and associated equipment. Recovery and reconstruction needs are estimated at USD 96 billion, second only to housing (Table 8.1). Needs have increased by 24.2% since RDNA4 and are the result of attacks on rail and ports during 2025. Needs are heavily concentrated in frontline and industrialised oblasts, notably Donetsk, Kharkiv, Zaporizhzhia, and Kherson, which together account for about 60% of transport sector needs. Beyond interventions to repair, rehabilitate, and replace damaged assets across transport networks, recovery investments should progressively shift toward EU-oriented network modernisation of border infrastructure, Danube ports, and standard-gauge rail connections, structured around Ukraine's Trans-European Networks for Transport (TEN-T) network (World Bank, Government of Ukraine, European Union, United Nations, 2026[5]).

Table 8.1. Damages, losses and needs across infrastructure in Ukraine (USD billion)

Sector	Damages	Losses	Needs
Housing	61	25	90
Energy and extractives	24	88.2	90
Transport	40	59	96

Note: Damage stands for direct costs of destroyed or damaged physical assets and infrastructure, valued in monetary terms. Loss reflects changes in economic flows resulting from the invasion, valued in monetary terms. Examples include increased operating costs and loss of revenue for authorities/private sector. Needs reflect value associated with the resumption of prewar normality through activities such as repair and restoration, including a premium linked to build back better principles – e.g. improved energy efficiency, modernisation efforts, and sustainability standards – as well as factors such as global inflation, surge pricing due to volume of construction, higher insurance, and so forth. Source: World Bank (2026[5]), Fifth Rapid Damage and Needs Assessment (RDNA 5). February 2022-December 2025 https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099022026094036395.The Ukraine Plan thus highlights that investments in road, rail, inland waterways, maritime transport and aviation which support the development of the Trans-European Transport Network (TEN-T) and contribute to restore and develop Ukraine's export potential will remain a top priority. It also notes the importance of adopting reforms that can contribute to increase private investments in transport infrastructure, given the scale of needs for reconstruction of damaged transport infrastructure and for development of new infrastructure which supports Ukraine's EU integration (Government of Ukraine, 2024[4]).

8.2. Rail

The rail network in Ukraine is fully controlled by Ukrainian Railways which is the country's largest employer. Ukrainian Railways is registered as a joint stock company fully owned by the state and operates under the supervision of the CMU through the Ministry for Development of Communities and Territories of Ukraine. The company is classified as strategic and is considered critical to the national economy and security.

Prior to Russia's full-scale invasion, rail was responsible for 60-75% of the country's cargo turnover and provided critical support for the export of Ukraine's major commodities: construction materials, grain and

steel (Bandura, Timtchenko and Robb, 2024[7]). Given the current disruptions to air and sea transport, finding alternative land transportation is even more critical and has led to initiatives such as the EU-Ukraine Solidarity Lanes. Solidarity Lanes have enabled the export of 50% of Ukraine's grain since the start of the war and the export of around 85 million tonnes of non-agricultural products such as ores, steel, and related products. The initiative also supports the expansion of rail connections between Ukraine, Moldova and EU neighbours (European Union, 2025[8]).

However, increased demand for rail freight has created bottlenecks and exposed the need to overcome differences in Ukrainian and EU rail gauge standards to increase connectivity according to TEN-T requirements. Several projects to better connect Ukraine with its EU neighbours, reduce congestion and adopt the EU's standard rail gauge by Ukrainian Railways are currently under consideration (see Table 8.2). These projects reflect Ukraine's strategic objective to progressively integrate its railway network into the European rail system, as set out in the EU-Ukraine Association Agreement (European Commission, 2024).

Table 8.2. Potential cross-border rail projects connecting Ukraine and EU countries with an EU standard rail gauge

Project name	Description	Project cost and financing	Implementation period
Lviv-Poland Rail Gauge Construction	Construction of 81km of 1 435-gauge rail-track from the Ukraine/Poland state border to Mostyska II section and further onto station Sknyliv (Lviv) as a part of the two EU TEN-T corridors. Includes reconstruction of 1 520-gauge tracks and replacement of 2nd line with 1 435-gauge tracks according to TEN-T requirements.	USD 297 million.	4 years
Chernivtsi-Romania Gauge Construction	Construction and electrification of 47 km of 1 435-gauge rail-track from Ukraine-Romania state border to Vadul-Siret (Romania) and further to Chernivtsi (Ukraine), as a part of the new TEN-T corridor running from Baltic Sea – Black Sea – Aegean Sea.	USD 198 million.	4 years
Reconstruction of Kovel-Poland Railway Section	Reconstruction of railway structures (traction substation and tracks) of railway section running from Kovel – Yahodyn – State Border with the Republic of Poland, and electrification of this railway section in line with TEN-T regulation to increase throughput capacity and speed.	USD 260 million.	4 years

Note: Projects shown have still not reached financial close.
Source: Ministry of Economy of Ukraine (2024[9]), Ukraine Investment Guide, 66673120c02fe81b61d75096_Ukraine Investment Guide 2024 (2)_compressed.pdf.

Ukrainian Railways has estimated that EUR 1.1 billion of annual capital investments will be needed over the next ten years to develop track, power supply, signalling and communications systems. These investment needs reflect not only post-war reconstruction efforts but also the strategic objective of aligning Ukraine's railway infrastructure with EU standards and interoperability requirements, as foreseen under the EU-Ukraine Association Agreement. Part of these investments should contribute to the EUR 4.6 billion of investment requirements outlined in the Ukraine Plan to bring forward the priorities of the rail sector which are: 1) rehabilitation of 13 traction substations and at least 30 bridges; 2) reconstruction and repair of 1000 km of railway tracks of the existing 1 520 mm gauge network on the TEN-T network and adjacent sections; 3) rehabilitation and construction of 1 435 mm gauge tracks in the western regions of Ukraine, with a length of about 250 km; 4) purchase of rolling stock, namely up to 250 electric locomotives, up to 40 diesel locomotives, up to 20 intercity+ electric trains; and 5) renewal of the fleet of passenger and suburban trains (Government of Ukraine, 2024[4]).

Ukrainian Railways could finance up to 30% of annual capital investments with its own funds but would require an additional EUR 750-800 million annually from external sources. Following the company's debt restructuring in 2022, S&P upgraded the company's debt to CCC+. In August 2024, Fitch upgraded the company's rating to CC while noting that the company's predominantly foreign currency debt had increased by almost 20% between end-July 2023 and August 2024. Fitch also underlined that EBRD and EIB could support the company's capex requirements for 2024 but highlighted the difficulties of improving its liquidity position to service its debt (Fitch Ratings, 2024[10]). In August 2025, Fitch affirmed the company's rating at CC but noted the high likelihood of a restructuring in the next 12 months of USD 703 million of Eurobond debt (Fitch Ratings, 2025[11]). The company's financial outlook is closely linked to Ukraine's macroeconomic stability and ongoing reforms in the railway sector. Support from international financial institutions, including loan guarantees and technical assistance, is expected to play a crucial role in addressing its capital investment needs.

Ukrainian authorities are aware that railway sector reform will need to underpin scaling up of investments in Ukraine's rail network and are advancing railway sector reforms aimed at aligning the national rail system with European Union legislation and standards, following several years of stalled legislative efforts. Earlier attempts to adopt a comprehensive law on the railway market, including the draft *Law On the System and Features of the Functioning of the Railway Transport Market of Ukraine*, failed to progress beyond parliamentary committee stage and were ultimately withdrawn. In response, the government recalibrated its legislative strategy by separating market liberalisation from foundational regulatory reforms. This approach resulted in the preparation of draft *Law On the Safety and Interoperability of Railway Transport of Ukraine*, which was approved by the Cabinet of Ministers and adopted by the Verkhovna Rada in first reading. This draft law constitutes the first step in a two-stage reform process, with a subsequent law on market opening, tariffs and public service obligations (PSO) expected to follow.

The draft *Law On the Safety and Interoperability of Railway Transport of Ukraine* focusses on railway safety, technical regulation and interoperability, transposing a substantial part of Ukraine's international and EU-related commitments. In particular, it implements core elements of three EU railway directives covering railway safety, interoperability and train driver certification, as well as selected provisions of the Single European Railway Area framework related to licensing. This sequencing reflects a policy choice to establish robust regulatory and safety foundations before introducing competition.

Importantly, the law is designed not as a transitional or purely preparatory instrument, but as a self-standing regulatory framework applicable under both monopoly and competitive market structures. All procedures are formulated with reference to multiple market actors, including railway carriers, infrastructure operators and other sector participants, rather than assuming the continued dominance of a single vertically integrated incumbent. This ensures that the framework remains operational even before market opening, while being compatible with future unbundling and entry of new operators.

Market access is therefore structured around a layered regulatory model. Entry into railway operations requires a licence confirming economic eligibility, while actual operation on the network depends on compliance with safety management systems, technical standards and interoperability requirements. This approach strengthens transparency, reduces discretionary barriers, and creates predictable entry conditions for future private operators.

Overall, the draft *Law On the Safety and Interoperability of Railway Transport of Ukraine* represents a strategic reorientation of Ukraine's railway reform agenda. By prioritising safety, interoperability and institutional capacity-building, it creates the regulatory infrastructure necessary for a future competitive railway market. At the same time, it reflects fiscal and wartime constraints by allowing flexibility in institutional design, while committing the government to submit a subsequent market-opening law within a defined timeframe, thereby maintaining reform momentum and credibility vis-à-vis the EU and private investors.

With respect to private participation in the development of rail infrastructure, while concession mechanisms for railway assets exist in Ukrainian legislation, the war and associated economic uncertainties raise significant challenges to use such a mechanism. The pilot concession project for seven railway stations, initially announced prior to the conflict, has been effectively suspended and is unlikely to proceed in the near-term. Once conditions allow, such projects could be revisited. Land value capture measures could also be explored to take advantage of real estate of the rail system and develop commercial properties in transit hubs. Such measures would monetise the brownfield assets of the rail system and generate new income streams for Ukrainian Railways.

Ukraine's rail system is a critical asset as well as a key enabler of economic activity in the country. Yet, it requires increased capital expenditures to meet war demands and land transport needs, upgrade and modernise its operation systems and adapt to EU standards and connectivity. It is essential that the financial management of the rail sector is improved, with better accountability, stable multi-year funding, competitively priced rolling-stock leasing, and PSO contracts that are transparently funded and regularly reviewed for value for money.

Ukrainian Railways is experiencing serious liquidity challenges and is struggling to finance 70% of its capex needs. There is a strong need for Ukraine to consider how best to meet the company's debt financing and capex needs while ensuring it is able continue providing a strategic service to the country. If adopted, Ukraine's draft bill would strengthen Ukraine's railway regulatory framework by focussing on safety, technical harmonisation and clearer institutional arrangements, reducing regulatory uncertainty and aligning the sector more closely with EU requirements at a critical stage of recovery. Impact of these measures will be dependent on effective implementation and follow-up reforms, notably the timely adoption of legislation on market opening, access to infrastructure and public service obligations. If sequenced and implemented coherently, the current framework can provide a solid foundation for a more interoperable, investment-ready and EU-aligned railway system.

8.3. Road

Ukraine's road infrastructure was already operating at peak capacity prior to Russia's full-scale invasion and, similarly to rail, has seen increased intensity of freight transport during the war. Since the signing of the Road Transport Agreement between Ukraine and the EU in June 2022, trade volume by road between Ukraine and the EU has increased by about two-thirds, while export value has risen by one-third (European Union Directorate-General for Mobility and Transport, 2024[12]).

The conditions of Ukraine's road network remain one of the key issues, despite significant efforts to improve road quality in recent years. A large portion of roads is in poor condition, primarily due to delays in maintenance, lack of regular medium and major repairs, substandard construction work, inadequate funding, organisational shortcomings, outdated procedures, and the overloading of freight transport. These challenges have been exacerbated by the war, which caused widespread damage to road infrastructure and increased the urgency of repair and reconstruction efforts. Addressing these systemic issues will require co-ordinated policy action, improved regulatory frameworks, and enhanced investment mobilisation.

The creation of the State Road Fund in 2017 mobilised funding for the construction, reconstruction, repair and maintenance of public roads. Funding sources included a combination of excise taxes on fuel and vehicles; import duties on petroleum products, vehicles and tires; highways tolls on large vehicles and tolls for travel on public toll roads, among other sources. Annual allocations were determined through State Programmes approved by the CMU. Prior to Russia's 2022 invasion, over 14 000 kilometres of roads had been built or renovated largely with resources from the Fund (Ministry of Economy of Ukraine & Kyiv School of Economics, 2024[9]).

However, since 2022, resources from State Road Fund have been repurposed to support the state budget in its wartime needs. In the 2025 State Budget, approximately UAH 12.6 billion (USD 300 million) is allocated for the maintenance and repair of critical road infrastructure through a new budget programme that replaces the discontinued State Road Fund. Funds amounting to about UAH 43.2 billion (USD 1.03 billion), previously earmarked for the Fund, were redirected to defence and other priority expenditure. The redirection of State Road Fund resources during wartime, while necessary, has reduced the predictability of road financing and weakened incentives for systematic asset management. The absence of a dedicated, ring-fenced funding mechanism for roads increases the risk of deferred maintenance and higher lifecycle costs for the network.

Mobilising private capital for road transport had been identified as a priority prior to the 2022 invasion and will remain critical to support Ukraine's recovery. The increased intensity of freight transport on public roads – which accounts for around 40% of total freight volume – is putting increased pressure on Ukraine's road system. Excessive loads beyond permissible limits are leading to premature road damage, which in turn increases maintenance costs. Total recovery and reconstruction needs to address damages from the war on Ukraine's road network amount to USD 22 billion for national roads, motorways and highways and 7.5 billion for national road bridges (The World Bank, the Government of Ukraine, the European Union and the United Nations, 2025[13]). Ukrainian roads also need to withstand military transportation (Financial Times, 2025[14]).

Similarly to rail, investment priorities to restore and upgrade road infrastructure will need to focus on strengthening the TEN-T network for greater integration with the EU. Prior to the war, public funding was expected to be sufficient to maintain assets but not to finance major road upgrading or new road projects (World Bank Group; IFC, 2018[15]). Donor support will remain critical in the short term but road PPP and concession arrangements could be considered in the medium-term, particularly once uncertainty around the path for Ukraine's economy subsides. High-traffic corridors could, over time, support toll-based financing models, provided that affordability, demand risk and transparency considerations are adequately addressed.

Given the high volume of traffic in certain major highways and the need for upgrade, Ukraine should consider toll systems that can generate income from some major highways to support the financing of the road network. Ukraine could gradually roll out PPPs for greenfield assets, building on recent reforms to project preparation and to the country's legal framework for PPPs (see Section 3.3). Maintenance can be carried out using concessions or PPPs. However, transparency of procedures will be paramount to ensure that there is justification for private participation, and integrity is upheld.

8.4. Ports

Prior to Russia's 2022 invasion, 60% of foreign trade shipments were conducted through deep-water seaports (Ministry of Economy of Ukraine & Kyiv School of Economics, 2024[9]). By early 2024, Ukraine had lost access to over half of its 18 seaports as a result of Russian occupation, including all ports in Crimea such as Sevastopol and Kerch, and Azov Sea ports like Mariupol and Berdiansk. Among Ukraine's four largest seaports – Pivdennyi, Odesa, Mykolayiv and Chornomorsk – which accounted for about 80% of total capacity, three were operating at limited capacity due to security threats and infrastructure damage, while Mykolayiv remained blocked because of its proximity to active hostilities and significant destruction of port facilities and logistics networks (World Bank, 2023[1]; National Council for Recovery of Ukraine; Kyiv School of Economics; et al., 2024[16]). According to Ukrainian authorities, in 2025 Pivdennyi, Odesa, and Chornomorsk handled 73.3 million tonnes of cargo, 28% less than in 2021.

Various seaports cannot operate given the blockade of sea routes and the mining of territorial waters. As a result, Danube River seaports and inland waterways have gained significant strategic importance (Government of Ukraine, 2024[4]). In contrast with the pre-war situation – when the volume of goods

transported from Ukraine's Danube ports towards the EU were decreasing – total cargo throughput Danube ports increased from 5.5 million tons in 2021 to 32 million tons in 2023 (Grigorenko, 2025[17]). However, the sharp increase in traffic through these ports has exposed significant bottlenecks, including limited draft depths, ageing river fleet, insufficient handling capacity, and outdated infrastructure, underscoring the urgent need for modernisation and investment to sustain these critical logistics corridors.

Following Russia's withdrawal from the United Nations (UN)-brokered Black Sea Grain Initiative in July 2023, Ukraine put in place a Black Sea corridor aimed at reestablishing its export capacity through the deepwater Black Sea ports of Odesa, Chornomorsk and Pivdennyi by creating a route passing through the territorial water of North Atlantic Treaty Organisation (NATO) member states Romania, Bulgaria and Türkiye (Dodd, Welsh and Glauber, 2024[18]). This initiative supported Ukraine's capacity to maintain 50 million tonnes of cereal exports during 2023 although average exports during the 2022-2025 period are expected to remain 10% below the 2018-2021 average (OECD, 2025[19]). Other estimations of the disruptions have shown that losses have increased by only 8% from 2023 to 2024, with almost USD 15 billion in losses mitigated as a result of Ukraine's Black Sea corridor (The World Bank, the Government of Ukraine, the European Union and the United Nations, 2025[13]).

Prior to Russia's 2022 invasion, the port sector had shown commercial viability and capacity to attract private investment due to reforms to develop and operate port infrastructure facilities through concession, joint operation, lease, privatisation or other types of investment agreements. Port terminals were 39% privately-owned either through privatisation, lease or PPPs at that time. Private investors were building five new terminals along the Danube River (World Bank, 2023[1]). Private investment was also being considered for the seaports of Odesa, Olvia, Mykolayiv, Chornomorsk (see Table 8.3) and Pivdennyi with the involvement of foreign companies such as Cargill (USA), DP World (UAE), Delta Wilmar (Singapore), Bunge (USA), POSCO (Republic of Korea), HHLA (Germany) and QTerminals (Qatar). In 2020, large concession agreements for the Kherson and Olvia Commercial Sea Port were also established, although their implementation is currently suspended as a result of Russia's invasion. In the case of Kherson, the 30-year agreement initially envisaged the modernisation of the port as well as plans to co-finance the overhaul of roads leading to the port and a new site to develop rail tracks outside the city. The suspension of these concessions highlights the vulnerability of port investments to political risks but also underscores the potential for such partnerships to drive comprehensive port and logistic infrastructure upgrades when conditions permit.

Table 8.3. Chornomorsk Seaport Container Terminal concession terms

Concession period	40 years
Investment obligations	Capacity requirements should be ensured but investors are flexible to determine the investments needed to achieve them
Competitive tariffs	Tariffs are free to be set by the concessionaire considering the existing market situation
Concession fee	Investor will be obliged to pay concession annual fees: a) variable payment (dependent on operations volume and b) fixed payment
Environmental and social obligations	Private partner will be required to hire up to existing 1 240 employees, avoid forced layoffs for 5 years and maintain the current level of salary with indexing for the next 3 years Ensure compliance with environmental standards
Public sector obligations	Ensuring the design depth near berths Maintenance of public infrastructure Maintenance of channels and water areas in proper condition Reconstruction of gate 2 of the seaport

Source: European Bank & IFC (2025[20]), Concession project with respect to the First and Container Terminals in Chornomorsk Port, https://mindev.gov.ua/storage/app/sites/1/uploaded-files/concept-eng.pdf.

Ukraine's Black Sea corridor initiative could make it possible to regain private investor interest in the Odesa, Chornomorsk and Pivdennyi seaports. However, provision of adequate war risk insurance would be a necessary condition for this, as their importance has made them a target of Russian attacks (see Chapter 6).

Ukraine should also continue the development of the Danube River port cluster to diversify access routes to European and global markets. The Danube cluster offers an alternative export corridor that reduces dependency on Black Sea routes, enhancing Ukraine's resilience in global trade. Even if the throughput in these ports decreased from 32 million tonnes in 2023 to 17 million tonnes in 2024, the 2024 amounts are 3 times higher than in 2021. The urgent need to reroute grain exports in 2023 led to improvements in infrastructure of Danube River ports, with the opening of new terminals and transhipment points, some of which were developed by private companies. For instance, agricultural company Nibulon invested USD 22.5 million in a transhipment terminal in the Danube Port of Izmail and by the end of 2024 it had already recouped these investments (Ukrainian Shipping Magazine, 2024[21]).

Improving rail accessibility and increasing available depths – which would in turn increase shipping tonnage – across Danube ports will be necessary to develop these routes and make shipping cost-competitive relative to Black Sea deepwater ports. Investments in multimodal transport infrastructure linking ports to rail and road networks will be critical to fully realise the competitive advantage of the Danube ports. Danube River ports could also support the delivery of iron ore to European steel mills, as the experience of large European iron ore producers in Ukraine has shown (Grigorenko, 2025[17]).

Given Ukraine's export-oriented economy, it is imperative that the port system remain functional. While important seaports remain occupied, blocked or can only operate at limited capacity, the importance of river ports has risen. Investment to improve access, in particular for river ports, could make it possible to exploit the commercial viability that the port system has already shown. Concessions in larger seaports could be revisited as soon as conditions allow. Ukraine should examine how to improve private financing while providing safeguarding with guarantees. The PRI of Ukraine's ECA as well as those provided by international partners will be imperative for this purpose.

Privatised ports should also seek to access available guarantees to ensure that private financing can take place, and the government should continue to support this. For concessions and PPPs, the use of blended financing instruments to support their capital expenditure needs will be important. Access to concessional financing as well as first loss equity could be a way to bring in more private financing.

8.5. Airports

Ukraine's aviation sector was steadily growing before Russia's full-scale invasion, with airport traffic doubling over the five-year period which preceded the invasion (World Bank, 2023[1]). In contrast with other transport subsectors, the Ukrainian aviation sector had also made progress in its integration with the European market (Bilotkach and Ivaldi, 2022[22]). This included adoption of the EU-Ukraine Common Aviation Area Agreement, facilitating liberalised air services and enhancing co-operation.

However, Ukrainian airports were among the first targets of Russian attacks and have been severely damaged. Five airports have been destroyed, and 11 have been partially damaged, contributing to USD 447.6 million in damages. The closure of the country's skies represents the second biggest loss (USD 12.6 billion or 27% of transport losses) after the Black Sea blockade (USD 28.4 billion, 61% of total), reflecting economic losses from the closure of Ukraine's aviation industry and loss of overflight revenues (The World Bank, the Government of Ukraine, the European Union and the United Nations, 2025[13]).

Currently, Ukraine's airspace remains closed to commercial passenger and cargo flights due to security concerns. This prolonged closure severely restricts domestic and international air connectivity, delays

recovery efforts, and results in significant revenue losses not only for airports but also for airlines and related sectors. The reopening of Ukrainian airspace will therefore be critical for revitalising the aviation sector. International airlines are projecting a rapid return to Ukraine as soon as a peace deal is signed, signalling the potential of the sector to attract private investment (Financial Times, 2025[23]).

According to preliminary calculations, the airports of Boryspil (which accounted for 60% of air passenger traffic), Lviv and the State Enterprise Ukrainian State Air Traffic Service require about USD 1.2 billion for the complete restoration of airport infrastructure, and their implementation represents around two-thirds of total recovery and reconstruction needs of Ukrainian airports (USD 1.7 billion) (Government of Ukraine, 2024[4]; The World Bank, the Government of Ukraine, the European Union and the United Nations, 2025[13]).

Ukrainian authorities have identified international donor support and private investment as the main sources to rebuild and develop Ukraine's air transport infrastructure (Government of Ukraine, 2024[4]). Bilateral development finance combined with Ukraine's own financing has played a role in some of Ukraine's main international airports in the past. In 2005, the Japanese Bank for International Co-operation provided a loan for the development of the Boryspil International Airport with a sub-loan from the State Export-Import Bank of Ukraine. This financing arrangement exemplifies the effective combination of international and domestic funding sources to advance major infrastructure projects. Prior to Russia's full-scale invasion, the air transport subsector also had a track record of attracting private finance, focussing mainly on the operation of passenger and cargo terminals. Out of the 20 commercial airports in the country, five were privately operated – Dnipropetrovsk, Ivano-Frankivsk, Kharkiv, Kyiv-Zhuliany and Odesa – and six others were identified as having potential for concession arrangements prior to the invasion: Lviv, Zaporizhzhia, Rivne, Kherson, Vinnytsya, and Chernivtsi (World Bank, 2023[1]). Consideration has also been given to explore private participation in Ukraine's main airports of Boryspil, Odesa and Lviv as soon as conditions allow, possibly through concessions (UNN, 2025[24]).

When a partial or full reopening of Ukraine's airspace becomes possible, a strategic reassessment of the airport network will be critical. A strategic downsizing or reconfiguration of the airport network may be necessary to align capacity with post-war demand patterns. Given ongoing security concerns, demographic changes including population displacement and shifts in passenger and cargo demand, authorities will need to determine the optimal number of operational airports and prioritise their phased restoration. Significant investments required for reconstruction and modernisation underscore the importance of focussing resources on airports with the highest potential for sustainable traffic and economic contribution in order to avoid overinvestment and stranded assets. Such prioritisation, informed by rigorous passenger flow analysis and market forecasts, will be essential to ensure efficient use of public and private capital, support the sector's recovery, and enhance its long-term resilience and competitiveness (Ministry for Development of Communities and Territories of Ukraine, 2024[25]).

The destruction and damage to airport infrastructure is immense, as is the impact of the closure of airspace to commercial air traffic. Rebuilding airports will require capital investments which will only be feasible once traffic starts to resume. This may take several years after the end of conflict even though some airlines are expecting a rapid increase in traffic as soon as a peace deal is signed.

8.6. Policy recommendations

Prioritise transport as a critical reconstruction sector. Ukraine should work with donors to redirect some of the grants and other financial support to the economically critical sector of transport, to ensure that connectivity and economic activity of Ukraine can be maintained and damages repaired in the road and rail networks.

Accelerate gauge-interoperability and EU TEN-T alignment in rail. Ukrainian Railways must modernise its tracks to match EU rail gauges, particularly in TEN-T corridors, given the relevance of these corridors to accelerate EU integration.

Explore mechanisms such as land-value capture and commercial property development around rail stations once conditions allow to support capital investments and reduce long-term reliance on debt. Once conditions allow, land value capture measures could also be explored to take advantage of real estate of the rail system and develop commercial properties in transit hubs. Such measures would monetise the brownfield assets of the rail system and generate new income streams for Ukrainian Railways.

Advance the two-stage railway reform agenda. Ukraine should pursue its two-stage reform efforts through the adoption of the draft *Law on the Safety and Interoperability of Railway Transport* and prepare follow-up legislation on market opening, infrastructure access and public service obligations in order to maintain reform momentum and credibility vis-à-vis the EU and private investors.

Rebuild a predictable funding framework for roads. Initiatives such as the Ukraine State Road Fund could provide a basis to manage the transition towards greater private sector participation in the road and rail sectors. After the war, Ukraine could consider reinstalling the State Road Fund, potentially providing it a more strategic function and mandate so that it can serve as a blended finance mechanism, and its funding be subject to financial additionality.

Apply strict integrity and maintenance-planning standards once conditions allow for the development of road PPPs. Road maintenance could be carried out through concessions or PPPs. However, transparency of procedures will be paramount to ensure that there is justification for private participation, and integrity is upheld.

Invest strategically in Danube river ports and revisit port concessions once conditions allow. Investing in rail accessibility and increasing available depths across Danube ports will be necessary to develop these routes and make shipping cost-competitive relative to Black Sea deepwater ports. Concessions in larger seaports could be revisited as soon as conditions allow. In both cases, Ukraine could examine provision of guarantees or war risk insurance with support of international partners as needed to ensure that private finance can be mobilised, building on prior commercial interest and hard revenue-generating capacity.

Promote selective private participation in airports. Concessions and PPPs could be considered in high-potential hubs once airspace reopens, supported by strong governance safeguards, war-risk coverage and demand-based prioritisation.

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Infrastructure Policy Review of Ukraine

With recovery requirements estimated at USD 588 billion over 2026-2035, how can Ukraine translate strategic priorities into deliverable infrastructure projects, ensure integrity and value for money, and mobilise public and private resources across the full asset lifecycle? The Government of Ukraine partnered with the OECD to review its infrastructure governance and financing frameworks amid unprecedented recovery and reconstruction needs following Russia's war of aggression against Ukraine.

Ukraine has established relevant upstream measures supporting a more rules based, fiscally anchored and digitalised system. However, the reform frontier has shifted downstream. Stronger project preparation, procurement strategies, permitting co ordination and lifecycle management are critical to converting improved planning into timely delivery, resilient assets and sustained value for money.

Efforts to maintain macroeconomic stability in unprecedented conditions are also contributing to strengthen Ukraine's capacity to mobilise private capital. Yet, wartime risk, macro fiscal constraints, weak financial intermediation and integrity challenges continue to limit private participation. Addressing these constraints requires a sequenced reform agenda that strengthens enabling conditions, deepens public-private partnership implementation capacity, develops domestic financial markets, and integrates climate resilience and EU aligned sustainability standards across infrastructure delivery.

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