United Nations

World Bank Group Support to Ukraine

CONTEXT

Entering into the third year of war, Russia’s invasion of Ukraine is a tragedy with far-reaching human and economic impacts. This invasion has caused staggering losses to Ukraine’s people and economy, setting back 15 years of development gains and increasing poverty.

Russia’s invasion of Ukraine has also had devastating repercussions for the global economy, which is struggling in the face of steep interest rates, record-high debt levels, and a climate of escalating fragility and conflict.

UKRAINE REMAINS RESILIENT

The government and the people of Ukraine continue to show remarkable resilience in the face of devastation.

The pace of recovery in Ukraine is projected to slow to 3.2% this year from 4.8% in 2023, reflecting a smaller harvest and persistent labor shortage. The country’s economic outlook remains conditional on donor support and the duration of Russia’s invasion.

Despite the war, Ukrainians are sending kids to school, keeping businesses running, and providing critical health services. According to World Bank surveys (see Listening to People survey and Business survey) as well as data from the Third Rapid Damage and Needs Assessment (RDNA3):

- Social support to vulnerable households remains essential. Pensions (covering those in old-age poverty or who are vulnerable) and social assistance make up more than 70% of household income for the poorest 40% of people. 90% or more people receive social payments with no disruption in accessing the payment.

- Schools remain open. Education continues for children aged 6-18 through in-person, remote or blended learning, including in the regions under hostilities.

- Health clinics remain open. Nine out of 10 people say community health clinics remain open, including 8 out of 10 people in the regions under hostilities.

- Companies are adapting by adjusting their product mix, embracing ITC use or relocating internally. International firms remain committed to working in Ukraine.

- In the last year (2023) the Government of Ukraine, with the support of its partners, has met some of the most urgent needs, according to government data. For example:

- $1 billion was disbursed toward housing sector, with most being dedicated to the repair and reconstruction of damaged buildings.

- More than 2,000 km of emergency repairs were made on motorways, highways, and other national roads.

- Local authorities rebuilt approximately 500 educational institutions and the share of educational institutions with bomb shelters has increased from 68% to 80%.
As the war drags on, the road to recovery is long. Donor support so far has been impressive as development partners continue to pull together to support Ukraine’s reconstruction, but Ukraine’s current and future financing needs are immense. Private sector investment and reforms that improve the investment climate will be critical. The Rapid Damage and Needs Assessment (RDNA3), released in February 2024, estimates that the cost of reconstruction and recovery stands at $486 billion over the next decade, and combines both needs for public and private funds. The highest estimated needs are in housing, transport, commerce and industry, agriculture, energy, social protection and livelihoods, and explosive hazard management.

Reforms and policies that catalyze private sector investment and ensure an inclusive and green recovery, as well as integrating priority setting and project planning into the medium-term budget planning process, are critical to Ukraine’s successful recovery. Ukraine is taking much more ownership of its own future and is pursuing reforms to grow the economy, attract private sector investment, and increase tax revenues.

As of April 2024, the World Bank has mobilized $42 billion in commitments and pledges to be channeled through Bank projects, with most of this money disbursed. More than 90% of this mobilized capital comes from donor countries. These commitments and pledges leverage innovative instruments, such as IBRD and IDA loans, IBRD loans guaranteed by partners, donor grants and equity, IFC blended finance and MIGA guarantees.

These donor resources have been essential for Ukraine to sustain public service delivery and undertake essential repairs.

Resources from bilateral donors have kept the country afloat during the invasion by helping the government meet the basic needs of its citizens like paying pensions to the elderly, keeping hospitals open, and keeping kids in schools and by enabling critical repairs to housing and infrastructure.

Providing adequate budget support to keep the government running and to provide essential services has been critical over the last two years. Without this support, it would be much more expensive to rebuild the economy and more people would have fallen into poverty.

This support has reached 15 million Ukrainians, and is helping to provide wages for first responders, government and school employees, pensions for the elderly, salaries for public servants, and social programs for the vulnerable.

Recovery (emergency repairs) now run simultaneously with continued support for essential services, and this is a big part of our current focus in addition to budget support.

- 10 million pensioners, and wages for 500,000 education employees, 145,000 government employees, and 56,000 first responders
- More than 530 hospitals received emergency medical equipment and supplies, and 2,431 health service providers stayed open in 2022
- 12,817 schools remained open in 2022 through a combination of in-person, remote, and blended learning
- 3+ million vaccines delivered to children under 7 since March 1, 2022
- 800,000+ additional persons received medicines and/or medical products subsidized through the Affordable Medicines Program since March 1, 2022
- 2,800+ healthcare providers completed training to care for victims of gender-based violence since the end of 2022
- 55,000+ people accessing mental health services since November 1, 2022
- 160,000+ people accessing rehabilitation services for mental and physical trauma since November 1, 2022

**UKRAINE’S NEEDS IN NUMBERS**

- 17% housing
- 15% transport
- 14% commerce and industry
- 12% agriculture
- 10% energy
- 9% social protection and livelihoods
- 7% explosive hazard management
THE WORLD BANK GROUP’S ROLE

The World Bank is uniquely positioned to provide a fast and flexible platform for donor contributions. We primarily work in areas where others are not present such as in Ukraine’s social sectors including health, and in social protection.

The World Bank has also expanded existing projects, established multi-donor trust funds, and channeled guarantees and parallel financing from donor countries.

The World Bank will continue to support Ukraine, in close collaboration with bilateral and other MDBs, including the IMF and EU (on reforms), EBRD and EIB (on investment). The World Bank and other MDBs are harmonizing procurement practices in Ukraine.

The World Bank brings strong oversight practices and its expertise in reconstruction, particularly in agriculture, energy, infrastructure/transport and social sectors, as well as its global experience in supporting development-oriented reforms. We routinely monitor our Ukraine portfolio for evidence of fraud and corruption and have robust mechanisms in place to swiftly deal with any reports.

The World Bank Group (IBRD, IFC and MIGA) is also working with the Ukrainian government and partners to identify opportunities for private financing of Ukraine’s reconstruction. If the right conditions are created, we estimate that as much as one-third of Ukraine's future needs could be met with private sector financing.

In the first three quarters of 2023, over $4 billion in foreign direct investment flowed into Ukraine, which shows that foreign investors see good opportunities.

The World Bank is advising the Government’s “Ukraine Plan” that identifies critical reforms and investments over the next years and helps to prepare the country for EU accession.

WORLD BANK OPERATIONS

PEACE
Since the start of Russia’s invasion, donor support has been deployed through the World Bank’s project Public Expenditures for Administrative Capacity Enhancement (PEACE) to help the Government of Ukraine meet urgent needs, including the provision of core public services such as health, education, and social protection. This support has reached 15 million Ukrainians, and is helping to provide wages for, government and school employees, pensions for the elderly, salaries for public servants, and social programs for the vulnerable. The World Bank has deployed a range of mechanisms designed to monitor service delivery and check for fraud and corruption.

PEACE is widely viewed as having helped the government survive the war by sustaining its capacity to deliver essential public services.

FRAMEWORK PROJECTS

To respond to priority needs, the World Bank has introduced Framework Projects to support recovery and build capacity for reconstruction in health, energy, transport, housing and agriculture. These are World Bank-supported emergency operations that mobilize partner resources through an innovative and flexible design that allows funds to be disbursed quickly, can be scaled as necessary, and can absorb additional financing as it becomes available. They include appropriate fiduciary, environmental and social safeguards. IBRD funding for these projects is secured thanks to the bilateral guarantees provided by development partners.

The Bank is also supporting investment operations to respond to the ongoing attacks on critical infrastructure—including financing to (i) build resilience into the power sector to help withstand Russian attacks, reorient transportation links to support exports and maintain humanitarian routes, and repair housing damaged by missile attacks; and (ii) to support economic recovery—including, under a recently approved project, by restoring agriculture production by helping more than 90,000 farmers access affordable loans and receive grants for agricultural production, and to strengthen the social safety net.

URTF
To swiftly mobilize efforts for reconstruction, the World Bank has established the Ukraine Relief, Recovery, Reconstruction and Reform Trust Fund (URTF), a multi-donor fund to channel grant contributions from donor partners. The URTF’s objectives are to help sustain the country’s administrative and service delivery capacity, and conduct relief efforts, as well as to support the planning and implementation of Ukraine’s recovery, resilient reconstruction, and reform agenda.
The URTF supports the World Bank’s Framework Projects and ensures that Ukrainian authorities can quickly and effectively utilize these critical investments and leverage the multiple sources of financing efficiently and at scale.

**MRRI**
The World Bank Group’s Multi-Donor Resources for Institutions and Infrastructure (MRRI - МРІЇ) for Ukraine is a facility established to support Ukraine through a coordinated approach among the World Bank, IFC, and MIGA. The MRRI takes a phased and multi-pronged approach to mobilizing financing and coordinating sources of support through guarantees, co-and-parallel financing, and other financial instruments. All MRRI instruments allow donors to help Ukraine in addressing its immediate needs to sustain key public services, the private sector, and wider recovery and reconstruction needs identified in the RDNA2.

**IFC**
IFC launched a $2 billion Economic Resilience Action program to support Ukraine’s private sector during Russia’s invasion. Since February 2022, IFC has delivered $1.1 billion in short- and long-term finance in Ukraine, including $665 million OA and $417 million mobilization to bolster Ukrainian agriculture, financial and technology sectors, help implement urgent repairs in the residential sector and support municipalities hosting IDPs. This includes $336 million in guarantees to support critical exports and imports of grains and other staples, $212 million in support for agribusiness, and $70 million for the tech sector. It also includes €50 million in risk-sharing facilities to help Ukrainian financial institutions expand lending to smaller businesses, including farmers and women-owned SMEs. In addition to financial support, the IFC’s program includes analytical work, advisory services, and pre-investment projects to enable private investment in Ukraine’s reconstruction.

**MIGA**
MIGA has issued more than $215 million in political risk insurance guarantees to Ukraine since the war began. To address the shortage of insurance capacity for war risk, MIGA has established a trust fund that was seed-funded by Japan. This and future donor contributions, combined with MIGA’s own capital, will help mobilize public and private reinsurance in support of projects in the energy, agribusiness, manufacturing, and logistics sectors. MIGA also is partnering with EBRD to support short-term trade finance guarantees for Ukraine to serve humanitarian needs and help keep industries like agriculture going while providing critical imports needed for production. MIGA expects the SURE Trust Fund, which was established with Japan’s critical anchor contribution of $23 million, to grow to $300 million through contributions from additional donors. Japan has contributed an additional $2 million, Norway has contributed $22 million, the United Kingdom £20 million, and Belgium €1 million.