

SHADES OF GREEN: INVESTING IN UKRAINE'S RECOVERY

Briefing paper of the event



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WHAT DOES GREEN RECONSTRUCTION MEANS FOR UKRAINE?



Russia's war against Ukraine has inflicted widespread devastation on Ukraine, presenting an urgent need for extensive reconstruction¹. Recognizing this challenge as an opportunity for transformative change, there is a growing call to pursue a "green" approach to reconstruction that extends beyond focusing solely on energy and construction matters, encompassing broader consideration for a sustainable economic development including biodiversity, climate, social factors, and market dynamics.

To leverage the reconstruction process as a pathway to EU membership, Ukraine must adopt a holistic understanding of "green". By aspiring to be-

come the first nature-positive and net-zero powerhouse in Europe, the country should establish a **governance framework that encourages sustainable investments** from both the public and private sectors. Responding to evolving societal expectations, aligning with responsible and sustainable practices not only safeguards investor reputation but also enhances the value of their investments. Recent trends emphasize that companies focusing on sustainability exhibit greater efficiency, innovation, and resilience, reflecting their financial performance and shareholder value positively.

¹ - While the immediate reconstruction priorities involve physical infrastructure like heating, water and electricity supply, buildings, and roads, it's crucial not to overlook the restoration of agriculture, ecosystems, forests, etc.

Rebuilding Ukraine will be a unique moment for the country to leapfrog its development, moving from an economy that is seen as largely outdated, to a modern and sustainable economy – and that includes two key elements on the environmental side: Climate action and Biodiversity preservation.

Ukraine should be an economy that will BOTH transition to net zero emissions by 2050 at the latest – on the climate side – and an economy that will become nature-positive by 2050 – on the biodiversity side, stopping biodiversity loss by 2030 and restoring nature until 2050.

Sébastien Godinot, Economist,
WWF European Policy Office

Facilitating green investments is crucial for Ukraine's recovery. In addition to mitigating economic risks, the presence of an essential green recovery strategy that tackles **climate and biodiversity concerns** is imperative. Success hinges on a **comprehensive, cross-sectoral, and cross-ministerial** approach. Establishing a framework for green investments must carefully consider the financial sensitivities of profit-oriented companies to navigate the threat of greenwashing.

This briefing paper originates from an online discussion conducted in November 2023, organized by the Ukraine Climate Office (implemented by GIZ) and WWF CEE and Ukraine, with the aim of stimulating discourse on the term "green" and its implications. It presents pivotal recommendations intended to direct Ukraine towards a prosperous green recovery.



● THE BENEFITS OF GREENING THE UKRAINIAN RECOVERY

1. Job Creation and Economic Stimulus

Green investments, particularly in renewable energy, energy efficiency, and environmental conservation, serve as a powerful economic stimulus by creating new job opportunities and boosting income levels.

2. Reduction of Economic Risks

A green recovery reduces dependence on traditional energy sources which diminishes the risk of stranded assets.

By investing in sustainable and resilient solutions, Ukraine can mitigate the economic risks associated with fluctuations in fossil fuel prices and geopolitical tensions.

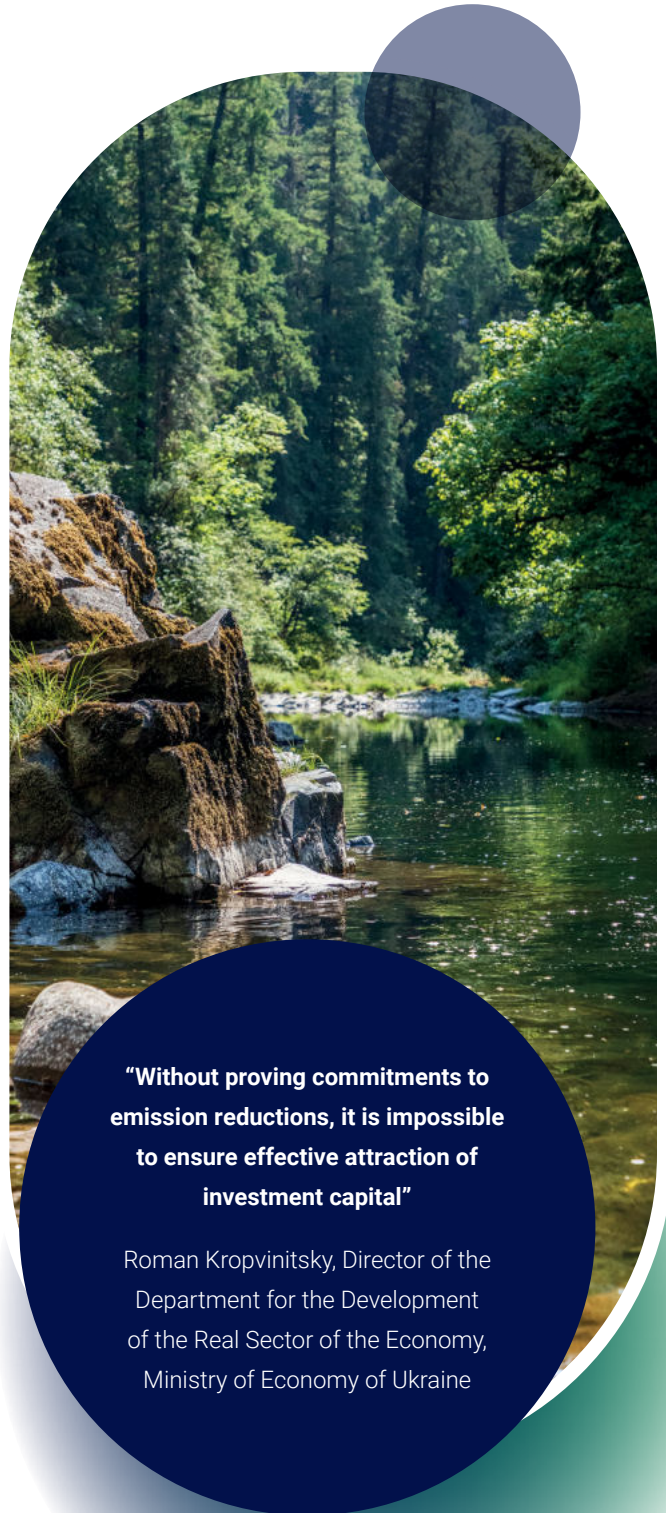
"Moving to a sustainable Ukrainian Economy offers more economic opportunities and bears less risks than reconstructing a business as usual-economy"

Sébastien Godinot, Economist, WWF European Policy Office

There are two reasons for this:

Adaptation: Actively considering the environmental risks associated with climate change will lead to an economy that is less exposed to cc-hazards.

Directing investments towards sustainable sectors reduces the risk of stranded assets, as for example investing in coal without a future economic viability of coal power.



"Without proving commitments to emission reductions, it is impossible to ensure effective attraction of investment capital"

Roman Kropvinitsky, Director of the Department for the Development of the Real Sector of the Economy, Ministry of Economy of Ukraine



3. Innovation and Technological Advancement

Green recovery initiatives drive innovation and the development of new technologies on growing sustainability markets, improving Ukraine's position in the international economy.

4. Cost Savings in the Long Run

Initial investments in energy/water-efficient technologies, renewable energy sources, and sustainable practices lead to long-term cost savings, especially in the context of Ukraine's EU ambitions.

5. Enhanced Energy Security

Enhancing energy security through diversification of the energy mix, with a specific emphasis on renewables, helps mitigate vulnerability to supply disruptions and price fluctuations linked to conventional energy sources. Additionally, it diminishes external reliance on fossil fuels.



6. Attracting International Investment

A commitment to a green recovery attracts international investors, partnerships, and funding from organisations supporting sustainable development, and fostering economic growth.

7. Avoiding Environmental Costs


Prioritising sustainable practices in a green recovery avoids long-term costs related to pollution, habitat destruction, and health issues associated with a business-as-usual approach.

8. Adaptation to Climate Change

Proactive investment in climate-resilient solutions helps Ukraine avoid economic consequences related to climate-related disasters and disruptions.

9. International cooperation

Active participation in global green initiatives enhances diplomatic and trade relations, providing new opportunities for collaboration and market access and may smoothen the EU integration process.



"Nowadays, we talk so much about climate change that we sometimes forget about the traditional industrial pollution issues"

Marjukka Porvari, Senior Expert/
Environment, European Commission,
DG NEAR, Ukraine Service

RECOMMENDATIONS FOR A COMPREHENSIVE ● GOVERNANCE FRAMEWORK THAT FACILITATES GENUINE GREENING

Traditional government structures commonly operate within isolated silos alongside ministerial competences. Unleashing the above-mentioned benefits of a green recovery in a resource efficient, environmentally friendly and timely manner calls for a whole-of-government approach able to address the complexities of transitioning towards a sustainable and resilient economy.

The need for such interministerial approaches becomes apparent considering that challenges and opportunities span across various sectors, including energy, transportation, agriculture, and infrastructure since, as Maria Zonova, Deputy Head of the Sumy Regional State Administration, put it: "Just a joint effort will help us to reach the goal of a green recovery."

"Just a joint effort will help us to reach the goal of a green recovery".

Maria Zonova, Deputy Head of the Sumy Regional State Administration - Deputy Head of the Regional Military Administration

An integral part of a cross-sectoral approach at greening the recovery should encompass a common framework fostering green investments and providing robust and trustworthy conditions for investors. By offering a structured approach to assess environmental, social, and economic risks and creating risk instruments such a framework would **facilitate informed investment decisions while minimising uncertainties**. Furthermore, it encourages the harmonisation of public and private investments with **overarching national objectives for sustainability and green recovery**. Consequently, it plays a key role in efficiently directing resources toward building a modern, resilient Ukrainian economy in the face of the ongoing climate crisis.

This approach involves coordination across sectors, ministries, and governance levels, promoting **efficiency in resource allocation**, preventing duplication of efforts, and ensuring **strategic alignment of investments with broader national goals**. A coordinated approach allows for the optimal allocation of resources by **pooling expertise and resources from various government agencies**, minimising duplications of efforts, and directing investments toward the most impactful and strategic green initiatives.

Ensuring the greatest possible legitimacy and acceptance of the framework requires a transparent and inclusive elaboration which considers diverse perspectives to craft a shared vision for the green recovery among key stakeholders. The following section proposes a roadmap for this process.

Various needs and demands regarding the framework for green investments were voiced by stakeholders at the discussion event **“Shades of Green – investing in Ukraine’s recovery”**. Those needs included:

- The framework may not only cover activities addressing climate change, but include further environmental goods, s.a. biodiversity and pollution prevention.
- It must encompass recycling and circular economy, especially regarding the use of war debris.
- It must be sound and safe from greenwashing.
- It may not be prohibitively bureaucratic and complex.
- It must be harmonized with further green recovery policies.
- It must be established and owned by Ukraine.



● HOW TO DEFINE A COMPREHENSIVE FRAMEWORK?

1. Streamlining and consolidating strategies for green recovery

Amidst the multitude of plans, strategies, and recovery ideas put forward by donors, IFIs, civil society and the government of Ukraine, a critical need exists for a thorough and comprehensive analysis to identify and harmonise relevant building blocks from various strategies to optimise the effective channelling of both technical and financial support. Elaborating and disclosing a synthesis can facilitate a more strategic and informed approach among donors to support Ukraine’s goals to prevent double efforts and omitted opportunities for sustainable solutions.

2. Identifying challenges and opportunities for each sector to inform the development of the framework by organising collaborative workshops and consultations

Conducting frequent consultation meetings is crucial and already common practice apart from sectors impacted by martial law. We recommend consistently facilitating workshops and consultations that involve representatives from government agencies, private sector entities, environmental NGOs, and local communities. This should not be an ad-hoc



Working group meeting,
11.01.2024

practice solely for result presentations but should rather involve all stakeholders in ongoing discussions. This collaborative approach will ensure diverse perspectives contributing to the framework’s development. Results of these discussions should be published and made transparent how they are being considered in policy making.



3. . Aligning with National Legislation and Policies

To ensure alignment with both EU legislation and a comprehensive Ukrainian framework, it is imperative that national legislation and policies adopt a cross-sectoral and cross-ministerial approach. Presently, the development of policies and strategies follows a silo-based method, where drafts are shared for comments after preparation, lacking comprehensive discussions beforehand about purposes, goals, and the interconnection of various governmental strategies. We recommend shifting towards a more collaborative approach, investing time at the outset for in-depth discussions, which may extend the initial phase but ultimately leads to cost savings during implementation, fostering a more sustainable approach.

- Climate framework law
- Long term strategy

4. Establishing cross-sectoral task forces comprising representatives from different ministries, agencies

Stimulating collaborations across ministerial portfolios is crucial for designing policies that tackle cross-sectoral issues like the climate and biodiversity crisis. Interministerial and intersectoral task forces constitute a powerful tool to this end since they facilitate coordinated policy making and thus help to overcome siloed policies that bear the risk of incoherent and inefficient approaches.

5. Strengthening public stakeholder processes

Engaging civil society representatives in the development of a framework for green investments is crucial for several reasons. Firstly, it guarantees that the interests of the Ukrainian population are thoroughly taken into account, ensuring that the measures implemented truly benefit the people and leave no one behind. Secondly, civil society consultations are vital for maintaining transparency and upholding democratic standards. Thirdly, such consultations are likely to enhance acceptance of and support for the formulated framework. Fourthly, through participation, civil Society is enabled to share critical knowledge on sustainability. These consultations could include activities like round tables with NGO representatives or the establishment of an advisory council.

6. Establishing a solid strategy for green investments to facilitate a smooth implementation process and robust monitoring system

To ensure the smooth implementation of green investments, it is imperative to establish a strong strategic framework. This involves defining Specific Objectives and Targets that adhere to the principles of being specific, measurable, achievable, relevant,

and time-bound (SMART). A multi-stakeholder approach involving civil society representatives should be pursued to create a shared methodology for determining what qualifies as a green investment in Ukraine, including biodiversity and nature-based solutions. This approach should be independent of criteria solely reliant on international financial institutions (IFIs). It should include a comprehensive examination of the EU taxonomy to identify what can be applied in the context of Ukraine and, based on that, the development of an action plan for the implementation of a framework for green investments in the country.

To effectively inform about the success of green initiatives over time, there is a pressing need for a robust monitoring and evaluation system. This system will serve for tracking the progress of green initiatives and assessing their impact comprehensively. Civil society should be offered engagement in the monitoring process.

7. Aligning with National Legislation and Policies

Relevant stakeholders, encompassing both government officials and private sector representatives, must acquire the essential knowledge and skills for the successful imple-

mentation of initiatives, while recognizing the importance of personnel absorption capacity. Therefore, capacity development measures should be designed not only for environmental authorities. Such programmes could include:

- A general introduction to the concept of sustainability and its associated benefits.
- Analyzing environmental and climate risk assessments and their integration into decision-making processes.
- Calculating the environmental costs of investments as well as providing knowledge on accounting for natural capital, which involves valuing and incorporating the benefits provided by ecosystems into financial decision-making
- Developing expertise in biodiversity conservation, highlighting the importance of preserving ecosystems and the benefits they provide, such as pollination, water purification, and climate regulation.
- Developing expertise for evaluating the social impact of investments, ensuring that projects contribute positively to local communities, address social inequalities, and promote inclusivity.
- Conducting effective and efficient stakeholder engagement processes.

Additionally, efforts can be made to incorporate sustainability into university curricula.

Train the trainers programme as well as modular training programme planned by UCO

8. Develop a Communication Strategy

It is recommended to develop a comprehensive communication strategy aimed at enhancing awareness for the green recovery framework and its benefits among the public, businesses and civil society organisations to cultivate support for green initiatives and foster a sense of shared responsibility among all stakeholders. While this approach should advocate for the advantages of climate and biodiversity protection and a green recovery it may not lose the current needs of Ukrainian society out of sight.

Perception study on climate change by UCO to lay the foundation for a climate communication strategy to be elaborated by UCO in 2024. Both documents are proposed to be shared with all donors and climate advocates.

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