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OPINION

The role of EU cities and regions in rebuilding Ukraine

THE EUROPEAN COMMITTEE OF THE REGIONS

- stresses that the reconstruction process must follow a bottom-up approach, involving Ukrainian and EU local and regional authorities, and build on Ukraine's decentralisation reform, which was already well advanced before 24 February 2022. The CoR points in this context to the recommendations of the study on "Challenges and opportunities of LRA's involvement in the reconstruction of Ukraine" released in September 2022;
- points out that the CoR could launch actions, including within the framework of a joint consultative committee, aimed at preparing, in particular, approximation with the EU cohesion policy acquis, and to support capacity-building and good governance through peer learning and the exchange of good practices;
- considers that the European Commission's plans to establish a Ukraine Reconstruction Platform, coordinating all donor funding for the reconstruction of Ukraine, as pivotal to that effect provided that the Platform fully integrates the partnership principle and involves the Alliance of cities and regions for reconstruction of Ukraine as a full-fledged partner at all stages of its planning and implementation phases;
- concurs with the view that the process of rebuilding Ukraine should be differentiated both in terms of timeline, security risk and regional exposure to the war and specific cohesion challenges;
- considers that, in view of the launched EU accession process of Ukraine and in order to legitimize a strong coordination role for the EU in the reconstruction strategy, the European Commission should propose a substantial Ukraine Reconstruction Facility, which may be constructed on the same legal basis as the EU's Recovery and Resilience Facility with repayment starting from 2027 onwards. This Facility should enable the EU to pre-finance a significant share (40%) of the costs of reconstruction and recovery in Ukraine.

Rapporteur-General

Dario Nardella (PES/IT), Mayor of Florence

Reference documents

- Referral of the Czech Presidency of the Council
- Communication from the Commission to the European Parliament, the European Council, the Council, The European Economic and Social Committee and the Committee of the Regions – Ukraine relief and reconstruction – COM(2022) 233 final

**Opinion of the European Committee of the Regions –
The role of EU cities and regions in rebuilding Ukraine**

I. POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS (CoR)

1. condemns again the unprovoked war Russia is waging on Ukraine, which represents a brutal breach of international law, a violation of democratic principles and the rule of law and an unprovoked, unjustified and unjustifiable aggression against the people of Ukraine and attack on Ukraine's sovereignty and territorial integrity, for which the CoR reiterates its unwavering support. The CoR therefore joins the global condemnations of the so-called referendums held in Russian-occupied territories of Ukraine in late September 2022, as they violate almost every conceivable democratic standard;
calls on the EU Member States, the EU institutions and the EU partner countries to stay united in the support to Ukraine, which also fights for our freedom and for European values. Consistent sanctions are essential in this support and in putting pressure on the Russian aggressor;
2. deeply deplores that Russia's invasion has led not only to more than 10 thousand mainly civilian casualties and many more injured, but also millions of displaced people within Ukraine and in third countries. Condemns the fact that in occupied Ukraine, Russia aggressors are targeting local and regional representatives, as well as journalists and human rights defenders, kidnapping and detaining them; the CoR joins the Congress of Local and Regional Authorities of the Council of Europe in demanding their immediate and unconditional release. Highlights the fact that the Russian invasion has led to the massive destruction of Ukrainian infrastructure and buildings, schools, hospitals, civilian housing and cultural heritage, amounting by some estimates to more than EUR 750 billion and an anticipated sharp decrease of GDP by 35 % (according to IMF forecasts). The CoR also highlights that the Ukrainian economy has lost 30 % to 50 % of its productive capacity, with losses concentrated in economically essential regions in Eastern and Southern Ukraine;
3. considers that Ukraine's reconstruction is a European necessity and a moral duty, which will require both additional resources beyond the current EU's Multi-Annual Financial Framework (MFF), possibly by triggering article 122 of the Treaty of the Functioning of the European Union, as well as extra-budgetary fresh financing. Given the extraordinary circumstances of the war in Ukraine, the CoR supports the idea to advance to 2023 the mid-term review of the MFF;
4. stresses that out of the €9 billion of EU's macro-financial assistance promised to Ukraine only €6 billion have been agreed so far, compared to estimated monthly needs of €5-7 billion. The CoR recalls that the war circumstances impose a provisioning rate of 70 % under the EU budget, as opposed to the normal rate of 9 %, and that the EU budget for 2021-2027 has no longer sufficient margins to finance loans. The CoR therefore stresses the need for alternative ways of financing the assistance, including through the provision of further public guarantees by Member States;

5. stresses that the reconstruction process must follow a bottom-up approach, involving Ukrainian and EU local and regional authorities, and build on Ukraine's decentralisation reform, which was already well advanced before 24 February 2022. The CoR points in this context to the recommendations of the study on "Challenges and opportunities of LRA's involvement in the reconstruction of Ukraine"¹ released in September 2022;
considers that decentralised reconstruction process is also the best way to give Ukrainian citizens a perspective for staying in their country and thereby moderate further immigration flows. At the same time, the CoR rejects artificial impediments on the immigration of Ukrainian citizens and asks for a revision of the Temporary Protection Directive (2001/55/EC) to be considered soon in order to provide refugees with a residence guarantee of more than three years;
6. welcomes the European Council's decision to grant candidate country status to Ukraine. The candidate status should become the driver for new efforts by the Ukrainian administration for reforms and the reconstruction should be an opportunity for further approximation to EU standards and policies. Against this background, the CoR stresses that the Association Agreement between Ukraine and the EU already covers approximatively 70 % of the EU acquis;
expects Ukraine to continue its fight against corruption, which was identified in the European Commission opinion on Ukraine's application for membership of the European Union as one of the seven sectors for urgent reforms² and will be assessed by the end of 2022. The reforms should also provide guarantees for a transparent and equitable distribution of aid funds;
7. points out that the CoR could launch actions, including within the framework of a joint consultative committee, aimed at preparing, in particular, approximation with the EU cohesion policy acquis, and to support capacity-building and good governance through peer learning and the exchange of good practices;

General principles for the process of rebuilding Ukraine

8. welcomes the Lugano Declaration, which recognizes the Ukraine-led draft of the Recovery and Development Plan as an overarching framework guiding the recovery process, allowing for coordinated multi-stakeholder participation and partnerships;
9. calls on the international community, with the EU in the lead, to establish an effective coordination platform between the Government of Ukraine and all its bilateral as well as multilateral partners, organisations and international financial institutions and donors for the preparation and implementation of Ukraine's Recovery and Development Plan and considers that the European Commission's plans to establish a Ukraine Reconstruction Platform, coordinating all donor funding for the reconstruction of Ukraine, as pivotal to that effect provided that the Platform fully integrates the partnership principle and involves the Alliance of cities and regions for reconstruction of Ukraine as a full-fledged partner at all stages of its planning and implementation phases;

¹ <https://cor.europa.eu/en/engage/studies/Pages/default.aspx?from=01/01/2022&to=01/01/2023>

² European Commission opinion on Ukraine's application for membership of the European Union, 17 June 2022, COM(2022) 407

10. concurs with the view that the process of rebuilding Ukraine should be differentiated both in terms of timeline, security risk and regional exposure to the war and specific cohesion challenges³. The first stage, probably while hostilities still last, should be the emergency response, the second stage dedicated to the restoration of critical infrastructure and services and the third stage to paving the way for long-term sustainable growth. In all these three phases of reconstruction, it is important to focus on building the capacity of municipalities to empower local authorities in Ukraine so that they can coordinate the reconstruction of their territory themselves;
11. calls on the EU and other international donors, including individual Members States, to provide in the first stage immediate relief funding to help the Ukrainian population to get safely through the next winter. In the frontline regions this funding should target humanitarian aid (food, fuel, medicine, systems for drinking water and for treating drinking water, etc.) the provision of temporary housing (tents, pre-fabricated housing blocks, heating systems, etc.), mine clearance as well as logistical support for keeping these regions connected, and also be used to provide the necessary means of transport, such as buses, ambulances, fire engines, trucks, excavators, etc. In relatively safe regions and those fairly distant from combat, technical support should be provided to help with the delivery of services, the housing and integration of internally displaced people, relocation of industrial capacity and the securing of transport corridors for humanitarian aid inwards and Ukrainian exports outwards;
12. welcomes in this context that on 16 September the European Commission committed to provide in this first phase €150 million to help internally displaced people in Ukraine and €100 million for the reconstruction of schools destroyed by Russian bombings that considers these amounts to be largely insufficient against the needs for first stage rapid recovery estimated at €17 billion, of which €3.4 billion already in 2022;
13. considers that the second stage of the rebuilding process should be dedicated to the restoration of critical infrastructure and services, including central heating, electricity, water and sewage, schools, hospitals and civilian housing. Public works schemes would allow people in areas with significant destruction to be employed;
14. suggests that the third stage of the rebuilding process should lay the foundations for long-term sustainable growth based on a strategy of integrated planning at territorial level, capitalising on systemic approaches for sustainable, green, smart and inclusive territories and the OECD's "build back better" principle. This stage should in particular focus on reaching the objective set by the Ukrainian government to reduce until 2030 all greenhouse gas emissions by 65 %. Any investment in the energy sector should contribute to decarbonization and reducing Ukraine's dependence on fossil fuel, considering that 30 % of solar capacity and 90 % of wind energy facilities are destroyed or in territories occupied by Russian forces. Investments should also focus on rebuilding the central heating systems of many Ukrainian municipalities to be replaced with modern central heating systems not based on burning fossil fuels. It would also be critical at this stage to rebuild the housing stock, schools, hospitals in order to attract Ukrainian refugees and displaced persons back to their pre-war residences;

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See Blueprint for the Reconstruction of Ukraine: <https://cepr.org/publications/books-and-reports/blueprint-reconstruction-ukraine>

15. urges the European Union, Member States and international financial institutions to provide grants rather than loans as Ukraine will unlikely be able to service and repay additional debts in the short run. Loans would increase the risk of a debt crisis in the future, considering that pre-war Ukraine was already carrying an external debt of approximately €130 billion, corresponding to 80% of GDP. Where institutions cannot provide grants, loans should be provided with no or very low interest rates, especially for projects aimed at assisting municipalities;
16. considers that, in view of the launched EU accession process of Ukraine and in order to legitimize a strong coordination role for the EU in the reconstruction strategy, the European Commission should propose a substantial Ukraine Reconstruction Facility, which may be constructed on the same legal basis as the EU's Recovery and Resilience Facility with repayment starting from 2027 onwards. This Facility should enable the EU to pre-finance a significant share (40%) of the costs of reconstruction and recovery in Ukraine, which were jointly estimated by the Government of Ukraine, the European Commission, and the World Bank, to amount to €349 billion for the period between 24 February and 1 June 2022, which impacts particularly high in the housing, transport, commerce and industry sectors and destruction concentrated in the Chernihivska, Donetsk, Luhanska, Kharkivska, Kyivska, and Zaporizka regions (oblasts);
17. welcomes against this background the willingness of the group of Ukraine's six creditor countries, announced on 20 July, to suspend the servicing of the debt that Ukraine has contracted with its members until the end of 2023;
18. encourages the European Union and international financial institutions to prepare the legal grounds for using Russian assets, frozen in the framework of sanctions, for Ukraine's reconstruction process;
19. insists that speed is critical for addressing the humanitarian catastrophe in Ukraine and demands therefore that conditionalities would be reasonable and adapted to the circumstances and based on measurable, verifiable outcomes;
20. stresses that the reconstruction process should be built on increasing social and environmental standards and to approximate them with the EU acquis and invites therefore the Ukrainian authorities to fully adapt its labour legislation to the standards indicated by the International Labour Organization;
21. welcomes the Lugano declaration's principle for democratic participation, demanding the recovery process to be a whole-of-society effort, including displaced citizens within Ukraine and abroad, local self-governance and effective decentralization. The CoR also endorses the declaration's support for multi-stakeholder engagement and emphasis on integrity, transparency and accountability as essential principles for the successful implementation of the National Recovery and Development Plan;

Role of cities and regions

22. welcomes President Zelensky's concept for Ukraine's reconstruction and long-term development based on twinning between cities and regions in Ukraine and the EU, as well as the European

Council President's invitation to the CoR to support the Ukraine reconstruction plan anchored on a practical and grounded approach with the cooperation between local and regional authorities from the Ukraine and the EU;

23. draws attention to the Alliance of cities and regions for the Reconstruction of Ukraine, launched on 30 June 2022, as a vehicle to map the local and regional needs in Ukraine, coordinate efforts, with European Union cities and regions ready to deploy resources to support an effective and sustainable reconstruction of Ukraine and to facilitate cooperation of its core partners with the EU institutions and within the "Ukraine reconstruction platform", as well as between EU and Ukrainian local and regional authorities and associations and to showcase reconstruction projects of Ukrainian local authorities;
24. commits to facilitate, through the Alliance, the provision of expertise through a twinning and peer-to-peer exchange programme to build capacity, promote good governance and provide technical assistance to Ukrainian cities and regions, with the aim of enabling Ukrainian cities and regions to carry out a reconstruction process which would encompass not only the sustainable rebuilding of infrastructures but also the social dimension, education, democracy and governance. The CoR stresses that while bilateral peer-to-peer programmes with cities and regions, including twinning, may be very appropriate in some capacity-building and reconstruction efforts at local level, broader investment schemes could involve a larger group of cities and regions, as well as knowledgeable stakeholders, also with a view to preparing the approximation to the governance patterns of EU regional policy;
25. urges the European Union to recognise the key role of local and regional authorities in conjunction with all local government associations of the Ukraine and the EU that are part of the European Alliance of cities and regions for the Reconstruction of Ukraine⁴ and expects dedicated support for strengthening the capacities of Ukrainian local authorities and their associations, which could be coordinated through the future platform for the reconstruction of Ukraine;
26. underlines that Ukraine's decentralisation and regional development reforms have contributed significantly to the consolidation of local democracy, strengthened self-governance and the overall resilience of the country's local communities. These reforms were implemented with substantial support from the European Union's local and regional authorities and their associations, including through the "U-LEAD with Europe" programme, and with targeted support from the CoR, within its Ukraine Task Force and through peer-to-peer cooperation activities. The success of these decentralisation reforms has brought Ukraine closer to the European Union and its values of freedom, democracy and the rule of law;
27. stresses the fact the EU regions neighbouring Ukraine have demonstrated unprecedented solidarity by hosting large numbers of Ukrainians fleeing the war and therefore also need coordinated and systematic support by the European Union;
28. suggests the development of a reinforced U-LEAD programme that becomes the key multilateral instrument to support local communities and promotes decentralization in Ukraine. This "U-

⁴ <https://cor.europa.eu/en/engage/Pages/European-Alliance-of-Cities-and-Regions-for-the-reconstruction-of-Ukraine.aspx>

LEAD 2.0" would be made possible through a dedicated budget line for supporting further decentralisation in Ukraine, and for building the capacity of local and regional authorities to apply the EU cohesion policy acquis as soon as possible. It would be a peer-to-peer exchange programme and a programme for joint investment projects, which would enable the close involvement of EU and Ukrainian local and regional authorities in designing and implementing the EU-supported reconstruction efforts;

29. recalls the large peer-to-peer experience involving CoR members made in Ukraine but also beyond and insists on the role the CoR and its partners in the Alliance – as the *EU's hub for peer-to-peer cooperation* at the local and regional level – could take in mobilizing EU cities and regions in support of the reconstruction of Ukraine;
30. Stresses the utmost importance of further empowering local self-government to take on a leadership role in the recovery and reconstruction together with Ukraine's central government, the EU and other international partners. The CoR reiterates its plea for a continued focus on improving good local/regional governance, including transparency, fighting corruption, protecting the freedom of local media, and promoting e-government;
31. calls for an easy engagement mechanism, the removal of bureaucratic obstacles, and sufficient resources that would enable EU institutions, European municipalities, regions, Euroregions, European Groupings of Territorial Cooperation and associations, to help their Ukrainian counterparts with their reconstruction efforts as well as for an inclusive approach, bringing together municipalities and regions, in order to preserve coherence with what has already been deployed for Ukraine's sustainable territorial development to date (in Ukraine and in the EU);
32. draws attention to the important role of the EU Strategy for the Danube Region, in which Ukraine is involved, in assisting Ukraine in the reconstruction process; the strategy provides an integrated framework for cooperation with the participation of local and regional authorities;
33. in this framework, welcomes the initiative taken by Eurocities of signing, on 19 August, with the competent Ukrainian authorities a "memorandum of understanding to support the sustainable rebuilding of Ukrainian cities"⁵, which complements the cooperation undertaken in the framework of the Alliance;
34. welcomes the European Commission's commitment to allow for flexibility in order to continue European Neighbourhood cross border and Interreg transnational cooperation programmes and in particular to co-finance at 100% the cross-border programmes with Ukraine and Moldova implementing cooperation projects disrupted by the Russian military aggression against Ukraine;
35. calls for the engagement of existing Interreg programmes involving Ukrainian regions to be part of the reconstruction process;
36. calls for an effective system of multi-level governance based on the OECD principles of public investment across all levels of government;

⁵ <https://www.president.gov.ua/en/news/u-prisutnosti-prezidenta-pidpisano-memorandum-z-eurocities-s-77165>

37. expects that Ukrainian local and regional authorities will be granted access to EU programmes such as Horizon Europe and EU4Culture;
38. recalls that the Alliance is inviting institutional financial partners such as the EIB, notably in the framework of the EIB/CoR Action plan, the EBRD, the OECD and the Council of Europe Development Bank to prepare projects at the local and regional level with the support of EU local and regional expertise;
39. stresses the key role mayors and regional leaders in Ukraine are playing in the resilience of the nation and praises their bravery to fight for our values, which is an inspiration for all Europeans and adds to the strong momentum for local democracy and local empowerment that must be a key element of the reconstruction of Ukraine.

Brussels, 11 October 2022

The President
of the European Committee of the Regions

Vasco Alves Cordeiro

The Secretary-General
of the European Committee of the Regions

Petr Blížkovský

II. PROCEDURE

Title	The role of EU cities and regions in rebuilding Ukraine
Reference(s)	– Referral of the Czech Presidency of the Council – COM(2022) 233 final
Legal basis	Article 307 Treaty on the Functioning of the European Union
Procedural basis	Rule 41 a) (Czech Presidency referral) in conjunction with Rule 43 (rapporteur-general procedure)
Date of Council/EP referral/Date of Commission letter	N/A
Date of Bureau/President's decision	N/A
Commission responsible	Citizenship, Governance, Institutional and External Affairs (CIVEX)
Rapporteur	Dario Nardella (PES/IT), Mayor of Florence
Analysis	
Discussed in commission	28 September 2022
Date adopted by commission	N/A
Result of the vote in commission (majority, unanimity)	N/A
Date adopted in plenary	11 October 2022
Previous Committee opinions	CoR Resolution on EU regions and cities' support for Ukraine, 28 April 2022
Date of subsidiarity monitoring consultation	N/A