Introduction

This country case study report contributes to a wider policy study commissioned by the Inter Agency Standing Committee (IASC) Humanitarian Financing Task Team and contributes to their 2018-19 work plan objective to “Contribute to aid effectiveness through more effective humanitarian-development funding flows and mechanisms”. The study is co-led by the United Nations Development Programme (UNDP), the Food and Agriculture Organization (FAO) and Norwegian Refugee Council (NRC). An Advisory Committee also provides strategic guidance to the study and includes FAO, NRC, UNDP, OCHA, the World Bank, the OECD, ICVA and the UN Multi-Partner Trust Fund Office (MPTFO).

The study documents the extent to which predictable, multi-year, flexible financing is made available at country level and seeks to understand the ways in which funding matches collective outcomes or Interoperable Humanitarian and Development Plan financial requirements (also referred to as ‘common planning priorities’) through a series of country studies in Afghanistan, Cameroon, Chad, the Central African Republic (CAR), Democratic Republic of Congo (DRC), and Ukraine.

A research mission was carried out in Kiev, Ukraine, from February 4th – 8th 2019, hosted by UN OCHA and at the invitation of the UN Resident / Humanitarian Coordinator (RCHC). Semi-structured interviews were conducted with (see Annex X for a full list of actors consulted) in accordance with the agreed research methodology. Documentary research and analysis of major public and private financing flows which could in principle contribute to Ukraine’s humanitarian, recovery, development and peacebuilding challenges supports the country-level qualitative interview research and is provided in Annex 2.

Ukraine was identified as a case study for this study on the grounds because actors at country level had agreed Collective Outcomes in 2018, and as a lower-middle income context with significant volumes of recovery and development funding, and substantial geo-strategic interest to many bilateral donor governments and the EU, Ukraine contrasts with low-income setting case study countries in Chad, CAR and DRC.

1. Key features of the context

Ukraine has experienced five years of economic and political tumult and conflict, sparked by popular uprisings in late 2013 protesting then president Viktor Yanukovich rejection of an association agreement fostering closer relations, including moves towards trading integration, with the European Union. Popular protests in Kiev led to the ousting of the president in February 2014, and his replacement with an interim government. This shift in outlook towards the West, and the disruption of established political and economic interests, has exposed deep internal social and political tensions, and threatened Russia’s powerful influence and interests in Ukraine. The Russian Federation responded by annexing the Crimean peninsula and the port town of Sevastopol, and deployed troops to the border of eastern Ukraine. Fighting between pro-Russian separatists and government forces broke out in April 2014 in the Eastern regions of Luhansk and Donetsk. Pro-Russian separatists maintain control of large parts of the Donbas region, including important urban and industrial areas.

The government of Ukraine and the separatists signed peace accords (the Minsk agreement) in 2015, however, low-level conflict across the 500km ‘contact line’ which bisects the Donbas region,
persists, and there is no movement to implement provisions of the political settlement in the Minsk agreement. The conflict is effectively at stalemate, with pro-Russian separatists (referred to in Ukraine as the ‘de facto authorities) in control of large areas of the Donbas region. Tensions with Russia meanwhile remain high, evidenced by military confrontation in the Kerch Strait, which links the Sea of Azov and the Black Sea, when Russian gunships fired on Ukrainian vessels in December 2018.

The international nature of the conflict, and its proximity to Europe, are unique features of this case study context. The strategic importance of ensuring stability and checking Russian influence features heavily in the stated policy priorities of bilateral donors and the EU.

In many ways Ukraine presents an enabling environment for effecting coherent approaches across the HDN. There is widespread support in principle among both international and national actors for coherent approaches. Moreover, five years into the conflict, the context has changed: the conflict, while still active, has been in a state of stable equilibrium for some time, the immediate needs that characterised the early waves of displacement have been addressed and conflict affected people now require longer-term assistance solutions. The time for recovery, development, and to an extent, peacebuilding, concurrent with continued humanitarian operations, is now.

It is also worth noting that the nature of the context – a middle-income country with established social services and infrastructure – tends to lend itself to longer-term programming approaches. For example, much of the crisis-affected population are in or have moved to urban areas and while some material assistance has been provided to meet immediate consumption needs, sectors including health, WASH, education, and protection work predominantly through existing government social services and infrastructure. For example, much of the WASH response has been concerned with maintaining the functioning of a large-scale water pipeline, treatment centres and distributions systems, which traverses the contact line, serving millions of Ukrainians including several large cities.

In addition, major fiscal, economic, corruption, political and security risks notwithstanding (see Annex 2 for more detailed discussion), the outlook for Ukraine is relatively positive. Ukraine has a functioning government with an appetite for reform, supported by motivated international partners. In contrast with the other country case studies, provided the conflict or domestic political environment does not significantly deteriorate, it is reasonable to expect it might be possible for international actors to exit from supporting conflict-affected populations, handing back full responsibility to the Government of Ukraine, in the foreseeable future. Therefore, not only is the time for HDN approaches now, the window of opportunity is potentially time-limited.

2. HDN policy and operational environment

2.1. Scope of the HDN

The New Way of Working (NWOW) is desirable in “contexts where short-term humanitarian action and medium- to long-term development programming are required simultaneously in areas of vulnerability.” (UN OCHA, 2018). Based on this definition, HDN approaches are applicable in geographically circumscribed areas of Ukraine.
While Ukraine faces a wide range of socio-economic development and governance challenges across the whole country, areas which are not directly affected by the conflict do not require humanitarian programming approaches. Areas directly affected by the conflict and which continue to require humanitarian engagement, are geographically specific. A line of active military contact bisects the Eastern regions of Ukraine. On the Western side of the Contact Line, in Government Controlled Areas (GCA) of Donetsk and Luhansk, recovery, development and peacebuilding activities are feasible, but in the fifth year of the conflict, short-term emergency responses are no longer appropriate, though in practice many of the same responding actors remain, delivering longer-term programming.

However, in a narrow band along the contact line (up to 20km), which continues to be directly affected by active conflict, the full spectrum of HDN approaches are somewhat less feasible. Firstly, populations in close proximity to the conflict are considered to require a principled humanitarian response. And secondly, because of the active nature of the conflict, there is a reluctance to invest in infrastructure which could become damaged, plus the impact of the conflict has seriously negatively impacted economic activity and service provision (many qualified staff have fled) so that prospects for longer-term livelihoods and recovery programming are far more limited.

In non-Government Controlled Areas (NGCA), on the Eastern side of the contact line, recovery, development and peacebuilding is not considered feasible for access and political reasons and response is predominantly limited to a principled humanitarian intervention. Firstly, few organisations have managed to negotiate or maintain access to the NGCA. Secondly, engaging in longer-term programming, particularly activities which might strengthen the capacity or perceptions of legitimacy of the de-facto authorities in the occupied territories is politically controversial, both from the perspective of the Ukrainian government, and from a number of key bilateral donors, whose governments have put in place sanctions against the de-facto authorities, which in turn place restrictions on how their aid funding can be used in the NGCA.¹

HDN approaches therefore are considered to be applicable primarily in GCA areas of Eastern Ukraine, with the notable exception of areas along the narrow strip of territory along the contact line, where programming is carried out largely by humanitarian actors, with humanitarian funding. Cutting across these geographical boundaries on the applicability of HDN approaches however are the needs of IDP populations residing outside of conflict affected areas.

It is also worth noting that HDN programming is nested within a wide range of national-level investments in governance reforms and capacity-strengthening, including fiscal stabilisation efforts; technical support to service provision; support to economic growth; and a range of peacebuilding and security investments. In many cases, the feasibility of progress in reducing vulnerability and needs in conflict affected areas is heavily dependent on progress in these macro-level development challenges, as well as progress at the political level in resolving the conflict. In short, layered or

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¹ The EU for example notes in their 2017-20 strategy: “All interventions in the region will be limited to GCA with the exception of humanitarian assistance which is also provided in NGCA.” EU, (2018). The US government similarly has negotiated a waiver for OFDA funds to be programmed in the NGCA, but other USAID funding cannot fund activities in the NGCA.
linked HDN programming within the areas proximate to the conflict is contingent on national-level policies and investments.

2.2. Policy, planning and prioritisation environment

There are multiple planning and prioritisation frameworks in effect in Ukraine which are relevant to HDN approaches.

At the request of the government, the World Bank, EU and UN undertook a recovery and peacebuilding assessment (RBPA) in government-controlled areas of Eastern Ukraine 2014. The RPBA included a set of sequenced, costed and prioritised activities recovery and peacebuilding activities. The needs of IDPs, gender, and human rights are treated as ‘transversal issues’ in the RPBA. Notably, the RPA emphasises the need for working simultaneously across the three strategic component areas.

**Recovery and Peacebuilding Assessment priorities**

| Strategic Component 1: Restore critical infrastructure and social services |
| Strategic Component 2: Promote economic recovery |
| Strategic Component 3: Strengthen social resilience, peacebuilding and community security |


The total estimated financing needs were USD 1.5 billion. The RPA included a financing strategy and a number of recommendations for “modalities” and instruments. The financing strategy envisages that as a middle-income country the majority of financing should come from budgetary allocations and loans, with supplemental grant funding from international donors in order to meet short-term early recovery needs, and that “Over time, the government will need to make fiscal space to take over more of the recovery spending.” (World Bank, 2015). The RPA also clearly sees a financing strategy as a tool which can “promote coordination and collective responsibility for delivery of results in conflict-affected areas.” (ibid.)

The findings of RPA informed the creation of the Ministry of Temporarily Occupied Territories (MTOT) and Internally Displaced Persons in 2016 and the two major policy frameworks it has been provided with the legal mandate to deliver: the State Target Program (STP) for Recovery and Peacebuilding in the Eastern Regions of Ukraine and the linked the ‘Strategy of Integration of Internally Displaced Persons and Implementation of Long-Term Solutions to Internal Displacement until 2020 (IDP Strategy). Together these two government frameworks are intended to guide both national and international responses to the crisis, under the coordination of the MTOT.

In addition, two UN-led planning frameworks exist. The UN Partnership Framework (UNPF) covering the period 2018-2022 (in effect an UNDAF), which identifies the parameters and priorities for development cooperation between the UN development system, and the government of Ukraine. The UNPF includes SDG areas which coincide with national development priorities, and under pillar 4, HDN priorities focussing on Eastern Ukraine. The total budgeted cost of the UNPF is USD 531 with USD 217 million budgeted for Pillar 4.
UN Partnership Framework for Ukraine 2018-2022

Pillar 1: Sustainable economic growth, environment and employment.

Pillar 2: Equitable access to quality and inclusive services and social protection.

Pillar 3: Democratic governance, rule of law and civic participation.

Pillar 4: Human security, social cohesion and recovery, with a particular focus on Eastern Ukraine.

Source: Government of Ukraine and UN, undated.

Ukraine has produced a Humanitarian Response Plan (HRP) since 2014. In 2019, the HRP includes a multi-year strategy spanning 2019 and 2020, with an annual funding request of USD 162 million to meet the needs of 1.3 million people in 2019 (UN OCHA, 2019).

In 2018, the World Bank published a scoping study of recovery, peacebuilding and development response efforts in Ukraine. The study found that the various planning frameworks in existence “reveals a high degree of consistency among humanitarian as well as recovery and development actors in their strategic planning priorities for eastern Ukraine.”. Though there are some differences in interpretation of priorities in areas of protection; infrastructure repair; access to administrative and social services; economic recovery; governance; social cohesion; peacebuilding; inclusion; and security (World Bank, 2018).

Ukraine is relatively unique in having a robust shared evidence base to inform targeting, programme design and prioritisation. A number of development actors have invested in major studies, and several sophisticated data collection systems and tools exist, including the IOM supported National Monitoring System, an adapted version of IOM’s Displacement Tracking Matrix, which supports the government to collect regular statistics on the characteristics of IDP households; and the regular REACH analysis of trends in vulnerabilities and needs.

However, the World Bank scoping study identified a number of specific programming areas and areas of analysis or evidence which did not appear to be sufficiently covered in current planning frameworks (see Box 1).

Box 1: “Gaps in Analytics and Programming”

**Durable solutions for IDPs**, with a focus on housing, legal context and support to local administrations.

**Private sector investment and SMEs**, including risk-sharing mechanisms, access to credit, advisory services for SMEs; market development for Donbas products; economic impact of ERW; scaling up micro-enterprise; and identifying alternatives to industry in driving economic growth.

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2 For example, the US government carried out a major economic assessment in 2015; a joint assessment of the economic impact of disrupted markets was carried out in 2016/17; the World Bank carried out an assessment of the socio-economic impact of displacement and veteran returns in 2017.


4 See: [http://www.reachresourcecentre.info/countries/ukraine](http://www.reachresourcecentre.info/countries/ukraine)
Mental health needs are currently under-emphasised in many assessments and results frameworks.

Support to veterans is often omitted in assessments and results frameworks.

Geographic targeting of assessments focus on the Donbas region and often omit Kharkiv, Zaporizhia, Dnipropetrovsk, Kherson and Mykolaiv.

Development programming along the contact line.

Outreach and communication between GCAs/NGCAs including cross-contact line communication as a means of building social cohesion.

Environmental degradation.


2.3. Collective Outcomes in Ukraine

OCHA embarked on a process to develop a number of Collective Outcomes, which would draw together the multiple overlapping planning frameworks operating in Ukraine and provide focus to areas which would benefit from joint action to “reduce people’s needs, risks, vulnerabilities and increase their resilience” (OCHA, 2018). The process was initiated with a large and well attended workshop on the HDN in April 2018.

Collective Outcomes for Ukraine

1. Protection and Livelihoods: Affected people have access to adequate protection and means of livelihood
2. Essential services: Affected people have improved access to quality and affordable services
3. Critical civilian structures: Affected people have consistent access to critical civilian structures

A range of HQ missions and technical advice were provided. The process however was devised by actors at country-level and relied on the goodwill and voluntary work taken on by a range of actors who supported the working group process alongside their day-jobs as Cluster Leads, NGO Country Directors, and UN staff.

Three volunteer-led working groups carried out extensive review of existing evidence, analysis, planning frameworks, national policies and legislation; reviewed and summarised relevant ongoing and planned initiatives, including budgets and timeframes; convened meetings and organised bilateral meetings with key actors who did not participate in open discussions, to discuss priorities, wording of outcomes and possible indicators over a period of several months. They each produced papers summarising relevant policy and planning frameworks, initiatives and programmes, as well as proposing results and indicators. Whatever limitations the process faced in participation, the feat of consultation and analysis produced is both laudable and impressive.
Problems with the process itself, and particular ‘buy-in’ and ownership have led to stalling of the Collective Outcomes process once the analysis phase was complete. Working group leaders noted that it was problematic that the process was not ‘official’, the working groups did not have a ToR, and the final outputs of the working groups were not officially signed off by government or by the UN Country Team. Securing participation in the working groups was extremely challenging, particularly among development donors and the government. Some participated throughout, others remarked that they felt the process was extremely time-consuming and of no value to them. One donor noted that since the government had not formally signed off on the Collective Outcomes, they felt unable to support them, and stepped back from the process.

The sequencing of the Collective Outcomes process meant that while the working groups diligently mapped and marshalled all the existing planning framework priorities, these were already a fait accomplis, and therefore the Collective Outcomes process could not directly influence the content or prioritisation of existing planning frameworks, including the UN Partnership Framework, or the government State Target Program and IDP Policy. There may be opportunities to feed the Collective Outcomes analysis into the review of the UN Partnership Framework, and the Collective Outcomes have been incorporated as the strategic priorities in the new multi-year HRP, and clusters have worked to integrate Collective Outcomes and supporting analysis into their own prioritisation. However, the MTOT did not appear to be cognisant of the outcomes of the process, and in any case, the government’s existing planning frameworks are already legislated by parliament. And given that many key actors in the development and peacebuilding domains did not actively participate in the process, and do not fall within the remit of the UNPF or the HRP, the influence of the Collective Outcomes outside of the UN system would appear to be limited.

The Collective Outcomes process did not reach the point of considering financing. There is no ‘price tag’ attached to HDN priorities expressed in the Collective Outcomes, no prioritisation of activities and division of labour specified. Therefore, it is not possible to assess and monitor the adequacy of funding. Moreover, even if these had been developed, for recovery, development and peacebuilding funding, the scope to influence funding decisions would in any case have been limited since the process sequentially came after many bilateral donors had already developed their multi-year strategies and committed funding.5

Given the dominance of humanitarian actors in the working groups (and the notable absence of many key development financing actors, including MDBs, and also government ministries beyond the MTOT), opportunities for developing policy coherence around mobilising non-ODA sources of financing, such as remittances, foreign direct investment, domestic revenues, and creating enabling business environment, were also limited and these opportunities do not appear to have been explored to date.

It is notable that the content of the Collective Outcomes reflects somewhat the constituency of actors who developed it. Anecdotally, the participatory and democratic nature of the process was problematic. In some cases participants pushed their own agendas and existing programming focus,

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5 Some notable exceptions include: Canada announced a new CAD 35 million commitment envelope in July 2018, which they are currently working to programme; the UK is beginning to draft its next business case; and the German government’s currently allocated transition financing grants managed by GIZ are due to expire in 2019.
and blocked others who they disagreed with. Expert knowledge, competence and an empowered position and convening power to facilitate such a process were noted as being gaps by the working group leaders themselves. Not only are macro-level policy issues under-represented, bilateral donor portfolios demonstrate a far heavier emphasis on stabilisation and ‘social cohesion’ issues.

2.4. Coordination, leadership and division of labour

Ukraine has a number of coordination challenges, few of which however are unique to this setting.

Government coordination is somewhat complex. Development actors develop national-level programmes and partnerships direct with line ministries and the Ministry for Economic Development. National-level coordination of government and international response to the crisis in the East however, falls under the responsibility of the newly created MTOT. The RPBA had envisaged that the proposed ‘intragovernmental coordination structure’, which was to become the MTOT, “could also oversee the RPA financing strategy, including resource mobilization” (World Bank, 2015). In practice the MTOT has far fewer staff, resources and influence than established ministries, and this aspiration that the MTOT could oversee government and international resource mobilisation supporting recovery and peacebuilding priorities, does not appear to have come to pass.

At the operational-level, responding actors also coordinated with Oblast-level authorities, who facilitate access, support targeting, and are of course often direct programming counterparts in much of the humanitarian, recovery, development and stabilisation programming taking place in the East. The Government of Ukraine is currently undergoing a decentralisation process. In this context, Oblast authorities may have growing expectations that they will play a more significant role in coordination, prioritisation and decision-making. In practical terms therefore, international actors juggle multiple levels of government interlocutors, who may themselves not be cognisant of or even agree with, each other’s policies and priorities. Among the international community, the nature of one’s programming influences which part of government one is more likely to engage with. This has led to a varied pattern of relationships: the World Bank is a key technical and financial supporter of the MTOT’s coordination role; UNDP through its programming support to the decentralisation process works closely with Oblast level governments; development partners working on national-level programming often work closely with line ministries. There is significant scope therefore for international actors to cultivate bilateral relationships and programming agreements with different parts of government.

The UN development system, represented through the UN Country Team, is coordinated through the UN Resident Coordinator (RC) System (UN DOCO, 2016). At the time of the research mission, it is worth noting that the UN SG’s reforms of the RC system were being rolled out⁶ and it was not clear what the outcomes of this process would be, though many were keen to look for opportunities to improve coordination during this period.

The humanitarian community has established many elements of the standard humanitarian coordination package. A Humanitarian Country Team is established and an active OCHA office supports a range of coordination functions, including the annual HRP process and the cluster system has been established.⁷ The continued necessity of the clusters is questioned by a number of actors,

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⁶ From 1st January 2019, it was announced that RCs were functionally separated from UNDP and acknowledged as the highest ranking UN development representative in country: [https://reform.un.org/content/un-development-system-reform-101](https://reform.un.org/content/un-development-system-reform-101) The specific nature of other reforms were not yet clear at country-level.

⁷ Currently active clusters include: Education, Emergency shelter and NFI, Food Security and Livelihoods, Health and Nutrition, Protection, Water, Sanitation and Hygiene (WASH), and Logistics. The Early Recovery
who noted that discussions on clusters being phased out were tabled in 2016 and clusters were requested to draft transition plans. Some questioned the cost-efficiency of maintaining cluster coordination in a relatively small humanitarian operation, and where some of the larger actors working inside the NGCA are not active cluster participants.\(^8\)

Donors coordinate through a number of different forums. Humanitarian donors meet in a six-weekly humanitarian donor coordination group. Development donors coordinate through a Heads of Cooperation Forum, plus a group with a particular focus on the on Donbas region, and a range of thematic groups.

There are also less formal donor convenings around particular challenges or technical issues. For example, major creditors convene informally to ensure that they are consistent in their messages and offers to government, in order to ensure that the incentives to reform which are often attached to development policy loans, are not undermined by contradictory counter-offers from other lenders.

There are notably different ‘cultures’ of coordination across HDN actors in Ukraine. Among humanitarian actors, there is an established culture and funded positions which support the work of humanitarian coordination. Humanitarian actors do not generally question the value of coordination, and indeed it is often supported by financial incentives: participating in the HRP process increases one’s chances of receiving funding for many, and some donors may even require evidence of participation in coordination as a condition of funding. The same is not true for development actors however, where an equivalent inclusive coordination process and culture does not exist. The World Bank’s 2018 scoping study notes for example:

“...The challenges to coordinating within the development community are also significant. Donor agencies are less practiced at regular and intensive coordination compared to humanitarian assistance providers that operate within a Cluster Approach facilitated by the UN’s Office for the Coordination of Humanitarian Affairs (OCHA). There is no equal in the development community.” (World Bank, 2018)

Moreover, many development financing and programming actors interviewed noted that in fact for them, there are compelling disincentives to coordinate.

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Cluster was incorporated into the Food Security and Livelihoods cluster in 2018.  
https://www.humanitarianresponse.info/en/operations/ukraine

\(^8\) Including ICRC, MSF and the Swiss government who directly implement transports of WASH supplies.
3. Financing across the nexus

3.1. Wider funding environment

Ukraine was still recovering from serious economic and fiscal shocks resulting from the 2008 global financial crisis when the 2014/14 political crisis occurred. Moreover, deep structural economic problems had not been addressed and therefore Ukraine remained vulnerable to serious economic shocks. GDP dropped sharply in 2014 and 2015 in response to political instability and conflict in the East, combined with the effects of lower global commodity prices (World Bank, 2017) (see Figure 1).

![Figure 1: GDP per capita 2000-2017](source: International Monetary Fund, World Economic Outlook Database, April 2018)

The crisis had a range of economic impacts including currency depreciation of 47% in 2014 and 33% in 2015; an increase in the fiscal deficit to 10.1% of GDP; a sharp increase in public and guaranteed debt to 79% of GDP in 2015 (ibid.). This led to deep recession, cut-backs in public spending, contracting of disposable incomes at the household level, and rising poverty, as the value of wages fell, unemployment rose, and the cost of household fuel in particular increased sharply in 2015 (ibid.).

There have been signs of recovery, and significant government-led economic and governance reform efforts, particularly after the current government took office in April 2016 with an ambitious reform agenda. GDP grew modestly from 2016 onwards, and further growth is predicted. However, GDP overall remains well below pre-crisis levels and substantial domestic macro-economic, fiscal and security challenges remain within the wider context of a challenging external environment including low global commodity prices and depressed demand in Ukraine’s major export markets.

Despite modest recovery, Foreign Direct Investment (FDI) levels remain low, at just USD 2.2 billion in 2017. In order to attract FDI, Ukraine faces a long list of reform and investment priorities, including strengthening anti-corruption measures and the rule of law; simplifying regulations; maintaining and building confidence in the government’s ability to sustain macro-economic stability; addressing non-performing loans; and significantly upgrading Ukraine’s transport, energy and logistics infrastructure.

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9 Note that section 2.1 is a precis of more detailed analysis and statistics contained in Annex X.
10 The World Bank Group estimates growth at 3.3% in 2018; 3.5% in 2019; and 4% or more in 2020-2021 once election uncertainties have abated (World Bank, 2018a).
Ukraine has run a fiscal deficit for more than twenty years, with an expanding social service and administrative budget, and revenues severely curtailed by widespread corruption and abuse of the tax system. Government revenues were severely impacted by the global financial crisis in 2008, and again by the political crisis and conflict from 2013. In order to bridge the fiscal gap, Ukraine has historically relied on borrowing and debt levels climbed steadily up to 2014 and the incoming government was at serious risk of default on both internal and external debt, as well as unable to continue to finance the deficit.

Despite being in the midst of an economic recession, the incoming government significantly reduced government debt since its peak in 2014 and put in place a number of reforms to reduce public expenditure and liabilities and increase revenues. Notably, energy tariffs have been reformed. In 2015, the IMF agreed a loan to Ukraine with a value of USD 17.5 billion over four years under its External Fund Facility in order to avoid debt default and provide liquidity to enable the government to continue to pursue fiscal consolidation and establishing macro-economic stability.\(^\text{11}\) This agreement was later suspended in 2017 however by the IMF after half the funds had been disbursed. A new 14-month Stand-By Arrangement (SBA) with the IMF was announced in December 2018 with a total value of USD 3.9 billion and a stated focus on supporting government efforts in: “(i) continuing the ongoing fiscal consolidation to keep public debt on a downward path; (ii) further reducing inflation, while maintaining a flexible exchange rate regime; (iii) strengthening the financial sector, promoting asset recovery, and reviving bank lending; and (iv) advancing a focused set of structural reforms, particularly to improve tax administration, privatization and governance.”\(^\text{12}\)

Remittances have become an important source of international financing, with volumes reaching a peak of USD 9.7 billion in 2013. Following a drop in 2014 and 2015, remittances recovered in 2017 to reach an estimated USD 7.9 billion (compared with FDI of just USD 2.2 billion in 2017). However, while remittances are less volatile than FDI, they are nevertheless closely linked to the economic fortunes and relations with major remittance sending countries, including, notably Russia (World Bank, 2017), and the economic impacts of migration are mixed. At household level, labour migration provides an opportunity to achieve higher wages and improve living conditions for those back home through remittances and savings as well as providing a buffer against economic shocks (Kupets, 2016). However, the loss of productive members of the workforce, albeit temporarily in many cases,\(^\text{13}\) could limit domestic economic growth and skews the demographic profile the country towards a relatively high proportion of elderly dependent on state pensions.

Ukraine’s ‘nexus’ financing challenges therefore should be understood within the wider context of ongoing (and contested) economic reforms and political uncertainty.

\(^{11}\) https://www.imf.org/en/News/Articles/2015/09/14/01/49/pr15107
\(^{13}\) Notably, the majority of Ukrainian migrant workers plan to return (IOM, 2015).
3.2. Funding across the HDN

It is not currently possible to map funding flows against HDN priorities. There is no planning framework which specifically distinguishes HDN activities from other investment priorities at the national-level. Therefore, analysis of funding flows is only possible at the national-level for all but international humanitarian funding flows, which are visible through financial tracking against the HRP.

International actors have very little visibility of budgetary funding flows for HDN activities and it was not possible during the research process to secure this information from government directly. As noted above however, economic output and private investment have dropped sharply and the government of Ukraine has faced major fiscal constraints as a result of the crisis. Domestic resources to support HDN programming are significantly constrained therefore.

International ODA flows in contrast have responded positively to Ukraine’s crisis-financing needs with total net ODA flows to Ukraine growing by 76% in 2014 and reaching a peak of USD 1.5 billion in 2016. Net ODA fell by 26% in 2017, to USD 1.1 billion. However, the fall in ODA in 2017 also corresponds with a drop in ODA loans in that year. ODA grants meanwhile remained at levels consistent with other post-2014 years (at around USD 1 billion annually). Given that individual loans may be large in value, the reduction in ODA in 2017 may not represent an overall downward trend therefore and indeed anecdotally, a number of donors indicated their overall ODA levels will remain stable in the coming years. There does not appear to be a significant concern therefore that ODA funds overall are likely to fall in the next few years.

At the country-level there are no specific financing instruments designated to support the international response, which function at scale. Following the RPBA, two multi-partner trust funds (MPTF) were established. Separate World Bank and UN windows were created and activities were expected to included financing for “infrastructure and social services, economic recovery and social resilience, peacebuilding and community security.” (World Bank, 2016).

However, approval from the government proved protracted and it would appear that donors did not see sufficient added value and no contributions were made to the UN window, which has remained dormant. Moreover, a significant number of respondents noted that UNDP offered donors an alternative proposal to fund a large recovery and peacebuilding programme directly, which is what several donors ultimately did.

Contributions to the World Bank window were received from Canada and Sweden, but these were small and funds therefore were focussed on investing in government-led coordination capacity and not on large-scale recovery and peacebuilding programming.

There is currently no humanitarian country-based pooled fund (CBPF), though OCHA was in the process of canvassing support among donors for the creation of a CPBF during the field mission.

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14 Only the MTOT responded to requests for meetings. There were unable to provide information on government budgetary allocations towards priorities in the State Targeted Programme or IDP Policy.
15 Sweden for example contributed USD 1.3 million in 2017. https://openaid.se/activity/SE-0-SE-6-11415A0101-UKR-15220/
While there may be no functional collective financing architecture to support HDN approaches, individual donors are often able to match and layer a range of instruments to support their humanitarian, recovery, development, and stabilisation/peacebuilding priorities. The EU for example has a range of instruments simultaneously addressing a spectrum of humanitarian, stabilisation, early recovery, and development programming (see Box 2). Germany too has been able to adapt its existing portfolio of development programmes to meet the a broader scope of humanitarian, recovery, peacebuilding and development needs as the situation changed after 2014, drawing on a range of instruments (see Box 3).

Box 2: The EU Institutions’ funding instruments supporting programming across the HDN in Ukraine

Within the policy-framework of the EU’s Joint Humanitarian Development Framework for Ukraine 2017-2020, the EU:

- Provides funding for short-term humanitarian needs, particularly in NGCA and along the contact line, through DG-ECHO;
- stabilisation and early recovery funding supporting activities including humanitarian demining, observance of human rights, income generation, social cohesion, and strengthening local governance systems through decentralisations, through its Instrument contributing to stability and Peace (IcSP);
- the European Neighbourhood Instrument (ENI) provided rapid supplemental funds for existing bilateral programmes, including provision of residential accommodation for the displaced and support to public infrastructure;
- and the European Investment Bank is supporting early recovery through financing investments for social infrastructure and public services.

Source: EU, 2018.

Box 3: The German government’s funding instruments supporting programming across the HDN in Ukraine

Germany’s Federal Ministry for Economic Cooperation and Development (BMZ) has a long-standing development cooperation programme in Ukraine dating from 2003, which latterly focused on decentralization, and promoting national sustainable development priorities including energy efficiency. After the 2014 crisis, the German government scaled up funding through its existing development programming, and drew on additional funding from Germany’s Transition Development Assistance instrument.

Germany’s transitional funding is designed to bridge the gap between humanitarian and development funding instruments and programmes. It allows a much faster set-up than regular development programming, which may take months, even years to design and agree with government. Activities funded with German transition financing are different in sectoral focus from Germany’s existing development investments and are focused on operational response rather than systems change or reform. Transition funding agreements are 3-5 years in duration. Germany’s development and transition financing are programmed through Germany’s implementing agencies, GIZ and KFW, who may implement directly or fund partners.
At the same time, the German Federal Foreign Office scaled up and maintained humanitarian programming with a range of UN, NGO and Red Cross partners at a level of around EUR 20 million per annum. The German FFO’s humanitarian funding agreements are typically 18-24 months in duration.

Source: Research interviews.

Individual donor institutions typically have well-developed internal policies supported by coherent logics linking programming across humanitarian, recovery, development and peacebuilding domains. These have been developed however prior to the articulation of the inclusive Collective Outcome process, and therefore while donor strategies and the instruments that support them may be internally coherent, and they are built on a shared evidence base and with reference to existing planning frameworks, including the government State Target Program and IDP Policy, they are not linked to and not explicitly supportive of collectively-developed priorities arrived at through the Collective Outcomes process.

From the perspective of funding recipients, the availability of multi-year flexible funding is highly variable depending on the type of organisation you are, where you work and the type of programming you do. There are some notable exceptions among donors, with DFID and the German Federal Foreign Office providing multi-year humanitarian funding, however, other major donors, notably DG ECHO and OFDA provide annual funding and humanitarian actors on the whole, are predominantly dependent on short-term humanitarian funding. Several UN organisations noted that they were able to smooth the effects of short-term unpredictable funding to an extent with their core funding; others, including NGOs, noted that they were able to derive some funding continuity and predictability through flexible humanitarian partnership agreements negotiated at HQ level (with Sida and the Norwegian MFA). But others do not have such funding advantages. For multi-mandate organisations, who are able to mobilise sufficient recovery and development funding through their other programming work, they are able to retain a stable operational presence in country at capital level, which helps to provide stability against short-term humanitarian funding. However, organisations with a more restricted mandate focussed more heavily on humanitarian programming faced a high degree of funding insecurity. International NGOs in particular have not been successful in accessing recovery and development funding and it is worth noting that substantial recent funding decisions have been awarded to private contractors. Opportunities for NGOs are likely to be as sub-awardees to these private contractors, and the terms and preferred partners for these opportunities are not yet clear.

In a shrinking humanitarian funding environment, competition between humanitarian actors has increased. A small number of organisations have been far more successful in their fundraising efforts and are quite financially secure, moreover, donors have maintained their commitments to partners they selected early in the response so new funding opportunities are very limited indeed. While some humanitarian actors are relatively financially secure therefore, others face existential funding threats, and for one multi-mandate UN agency, a threat to their continued emergency operations. It is to be expected that as the response shifts modes towards recovery and development where that is feasible, there will be a contracting of the scale of operations, however, there are risks that

16 WFP for example already exited from Ukraine in 2017, reportedly owing primarily to funding shortages.
key programming areas and actors may lose out in this process and despite the continued need for a principled humanitarian response, particularly on the NGCA, elements of humanitarian responsive capacity may be lost.

3.3. Other considerations in funding across the HDN

Although clearly funding for humanitarian actors is constrained, and it is not currently possible to assess the adequacy of funding for programming across the nexus, and there are continued challenges with respect to quality and targeting, it is not the case that there is an obvious dearth of international funding. And while the government faces substantial fiscal pressure, government revenues are growing, the fiscal deficit is on a downward trajectory, and economic growth is projected to continue to grow, albeit at a modest rate (see Annex 2 for more detailed discussion). The availability of funding is not the most obvious constraint. In Ukraine, politics and competition for resources at a variety of levels, which in turn generate disincentives to coordinated approaches, are perhaps the greatest challenges to working “collaboratively together towards collective outcomes”.

Politics, competition and disincentives to collaborate exist at a variety of levels: between government ministries and between central and district-level authorities; between development donors who have particular political interests and agendas; among implementers (both humanitarian and development) who are in competition for funding. The recent and much discussed case of the newly agreed French loan to develop a water treatment centre for the city of Mariupol provides a topical illustration of the political nature of funding decisions in Ukraine and the potential tensions between decentralisation and balancing national-level priorities (see Box 4).

Box 4: Complex political calculations in funding water treatment in Mariupol

Provision of clean water for crisis-affected people in Ukraine is an intensely political, technical and costly undertaking which far exceeds the capability of humanitarian actors to address. Major cities on both sides depend on a huge water pipeline which snakes 300km along the Contact Line bringing water all the way from the north down to the coastal city of Mariupol in the South. The pipeline is frequently threatened and damaged in shelling and shutting off water to major cities on both sides is a major risk. A 2018 UNICEF-led assessment estimated that urgent repairs to the ageing and damaged water infrastructure could cost USD 170 million between 2018 and 2022 - a high-risk investment considering the likelihood of conflict-related damage. These investment needs have been broken down into a series of projects of varying levels of risk within the WASH cluster and funding sought from a range of sources. However, the financing gap remains significant.

The city of Mariupol is certainly highly vulnerable to disruptions to the pipeline and its current water treatment systems do not provide water of acceptable quality. France has negotiated a substantial package of loans (EUR 64 million in concessional loans, with a 10 year grace and 30 year repayment period and interest rate of 0.8%) and technical support to help the city of Mariupol build an independent quality water supply. However, the deal was a surprise and considered somewhat contentious by many given the large financing requirements simply for addressing urgent maintenance and repairs along the entire pipeline. The financing package also relies heavily on the French commercial companies, with an estimated 70% of funds expected to be on French goods and services.
Mobilising funding for the humanitarian element of the response in Ukraine is challenging. It is a hard-sell to donors at the global-level who must weigh priorities across crises and with limited funds are likely to prioritise low-income and/or highly insecure settings where acute needs are highly visible. But there is also a political dimension to the fundraising challenge. The humanitarian community in Ukraine has adopted a narrative of Ukraine as a ‘forgotten crisis’ in an effort to increase visibility and hopefully funding. In order to retain favourable global credit ratings and attract much needed foreign investment, the government needs to ensure confidence in their ability to manage the crisis. The ‘forgotten crisis’ narrative therefore may be an uncomfortable one from the government’s perspective therefore. In addition, donors are aware that Ukraine is a middle-income country with established social services, and its current economic and financial difficulties notwithstanding, the government of Ukraine could in principle choose to address a greater proportion of the crisis-affected needs, and donors are conscious that they do not want to substitute for or disincentivise government responsibilities, nor undermine public perceptions of the government as primary duty-bearer.

Operational actors noted anecdotal examples of where their programming butted up against challenges which could only be resolved through policy decisions, reforms, and investments at a national level. For example, an NGO described struggling to achieve uptake for their business start-up loans since a condition was payment of official taxes, which meant turning a profit was not viable. Others noted that many of the affected population are pensioners who are not good candidates for ‘sustainable livelihoods programmes’. What they need is a pension that covers the real cost of living. There is clearly a need for coherence between operational programming and policy reform and investment prioritisation at the national-level. While there is certainly a great deal of work going on at all levels, they are not necessarily cognisant of one another, and there is far greater scope for active consideration of policy coherence to deliver medium and longer-term solutions to economic development and social service provision challenges.

There are limits to the extent to which it is possible to ‘link and layer’ HDN programming, which become apparent when comparing the purpose and locus of engagement of different types of programming and actors. For example, one donor noted that their over-arching priority is stabilisation and therefore, their livelihoods activities target those most likely to be a risk to ‘social cohesion’. If one were to target on the basis of those who would generate the greatest economic returns, or those who are the most vulnerable, programmes might arrive at quite different target groups. The outcomes sought therefore across different constituencies of actors do not always align perfectly and therefore we should not expect programmes to link or transition seamlessly.
4. Gaps and opportunities

Ukraine is in principle an enabling environment for advancing more coherent and integrated working across the HDN. Although the conflict does not show signs of political resolution, donors are motivated both politically and financially to support Ukraine’s response to and recovery from the crisis, and development and humanitarian actors are now established and operational in country. In many ways, international actors are already pursuing coherent approaches to working across the HDN, but not necessarily as part of a shared or collective strategy or plan. Indeed, the execution of the Collective Outcomes process in 2018, highlighted limits to the feasibility of such a project. In particular, the Collective Outcomes process of 2018 demonstrates the limitations of an informal UN-led process, specifically one led by humanitarian actors, dependent on underlying expectations there would be a willingness to collaborate, in a context where motivations and calculations of many key financing actors are political and where competition dynamics create powerful disincentives to information sharing.

One consistent message from development actors (multilateral and bilateral alike) was that they have a strong aversion to additional ‘process’ and frameworks. In order to achieve buy-in and support, solutions to improve working and financing across the HDN will need to be pragmatic, practical, and they will need to avoid a burdensome ‘process’. There are a number of proposals and initiatives already on the table or in operation in Ukraine which are worth highlighting, as well as some additional opportunities for consideration:

**Invest in practical the practical ‘work’ of coordination to reduce barriers and disincentives to coordinate.** Many actors consulted for this study found the burden of coordination disproportionate to the benefits (for them). Humanitarian coordination works relatively well in large part because it is funded. OCHA and cluster coordination positions and functions (including information management) are funded at the country level and agreed tools and approaches have been invested in over time. There is far less of a tradition of investing in coordination among development and peacebuilding actors. There are opportunities however to increase investments in specific coordination tools and functions which can both reduce the workload on the coordinated, increase the quality and comprehensiveness of the evidence on which decisions are made.

Donors and the World Bank are already supporting the MTOT with technical secondments, training and specific projects, notably the forthcoming data platform. This should provide practical information on coverage of activities and funding, essential for analysis of gaps and rational funding allocation.

A strengthened RCO, which will in principle have additional substantive policy and partnerships capacities, could also function as a ‘nexus champion’, playing a more practical role in supporting coordination across the nexus through mapping, information sharing, identifying gaps, facilitating linkages, and supporting policy coherence, and using the unique platform of the RC to advocate for particular priority issues and initiatives.

These investments however will take time to bear fruit, and in the interim, there is a continued risk that coverage of priorities is not rational and that gaps exist. Mechanisms to identify and advocate for coverage of gaps remain an outstanding challenge. There may be opportunities to use existing...
investments in the cluster system, which is already adapting to medium-term programming, and emerging technical working groups, including at the Oblast level, to flag up gaps and challenges. However, overall oversight of these different fora, remains a gap.

**Invest in collaborative outcome-focussed programming solutions.** Interview respondents frequently noted that they found HDN discussions at capital level somewhat ‘academic’ or esoteric. Within particular programmatic responses or geographic areas it is often more obvious where joint and integrated approaches are beneficial and collaboration may evolve more organically. A group of UN agencies in Ukraine (UNHCR, ILO, FAO and WHO) have recently for example developed a concept note for a joint area-based programme across a variety of linked sectoral areas. Elsewhere, collaborative outcome-focussed programming approaches using experimental iterative approaches have demonstrated gains in reducing vulnerability, as well as substantial learning on what works programmatically and how to manage programmes that deliver outcomes in crisis-affected settings.

**Consider undertaking a financing strategy development process.** Unlike many of the other case study contexts, Ukraine has the potential to transition to a fully government financed response in government-controlled areas in the medium-term. In this respect, investing in government-led coordination and ownership of the financing response is essential. So too are coherent approaches from international actors to support and enable this transition. As noted in the World Bank scoping study, there is already a high level of convergence in priorities identified across the multiple planning and prioritisation frameworks in operation (World Bank, 2018) and many substantial studies have been conducted and monitoring systems exist, so the shared evidence base is relatively strong. There is little need or appetite for adding a further planning framework. However, embarking on a financing strategy can be a useful means of facilitating dialogue across key ministries and international actors to agree a sequenced timeline and division of labour for different types of financing to support the execution of these priorities. A financing strategy can help to develop greater coherence in the prioritisation of policies and reforms needed to enable the growth non-ODA financing flows and help to identify where ODA can play a critical role in supporting those processes. UNDP’s Development Financing Assessments for example are considered a useful process around which gaps in data and statistics, policies and legislation may be identified (Poole and Scott, 2018). The OECD has also facilitated the development of financing strategies in a growing number of crisis-affected settings.

**Consider revisiting a country-level financing architecture to support HDN priorities.** There are many arguments for and against investing in a collective financing mechanisms in Ukraine, and ultimately,
at this stage in the crisis response, when many funds are already committed, the transaction costs on what may be relatively small donor contributions may not be worth it. However, in the case of the MPTFs, part of the investment has already been made and the instruments could in principle be activated if further down the line, sufficient gaps were identified, projects developed and sufficient donor contributions could be mobilised.

The case for a humanitarian CBPF is slightly different and requires more urgent consideration. The humanitarian element of the response is already under-funded and temporal, sectoral and geographical gaps in the response exist. There is currently no mechanism to fill these gaps. In addition, there is currently no indication of a political solution to the crisis, therefore a principled humanitarian response in NGCA will likely continue to be necessary for the foreseeable future. There is a risk that in the context of a coherent nexus response, where there are barriers to investing in the NGCA and disincentives to maintain visibility of the crisis response and ‘narrative’, that these needs and critical gaps could become overlooked. A pooled fund could provide a vehicle for ensuring impartial needs-based allocations, rational coverage of needs, and maintaining visibility of the crisis-response to global funding-decision-makers.

**Support transition and linkages between humanitarian and longer-term programming.** A number of operational agencies noted with concern that although recovery and development funding for the East is coming online, in practical terms there is often a gap on the ground where there is no handover period between existing and incoming implementing partners. Many expressed concern that the operational knowledge and expertise of humanitarian actors looked likely to be lost in the transition to other programming actors, noting that while humanitarians had indicated the ‘door was open’, this offer to connect was not being taken up.

Several donors noted examples of supporting their humanitarian partners to access funding from development funding sources within the same donor institution, thereby providing continuity of presence and evolution of programming. One donor noted that it was a condition of their recovery funding that their implementing partners demonstrate they had cultivated operational linkages with existing partners. These examples are ad hoc however, humanitarian actors through the cluster system could undertake a rapid analysis of anticipated ‘transition gaps’ and work with donors to identify where they could facilitate solutions including supporting longer-term presence of humanitarian actors (either through longer-term humanitarian funding or facilitating access to recovery and development funding) or influencing development partners to ‘reach back’ to humanitarian partners to take advantage of their programming experience, targeting knowledge and networks.

**Continue to advocate for more flexible predictable and unearmarked funding.** Several multi-mandate organisations note that they already internally plan to multi-year programming timeframes and routinely approach their humanitarian programming with an eye to longer-term solutions. Flexible funding plays a critical role in ensuring they are able to deliver against these longer-term outcomes, and in particular to fill the many gaps that result from excessive donor earmarking, which in the case of Ukraine also includes geographical earmarking, including particular restrictions on funding for NGCA.
5. Conclusions

While it is not possible to map funding against collectively identified priorities across the nexus, with the exception of a number of humanitarian actors, who are struggling to attain sufficient quantity and quality of funding, the availability of multi-year flexible financing does not appear to be primary obstacle to pursuing HDN approaches. Compared with other case study countries, there are significant volumes of recovery, development and peacebuilding funding, and with the exception of NGCA areas, no major access or capacity barriers to programming these funds.

There is no evidence that the Collective Outcomes process has influenced financing for the response at this stage. This is not surprising given that financing was not considered during the process, the outcomes have remained dormant since August 2018, and much of the funding for recovery, development and peacebuilding activities was already committed at the time the process was underway. It is not obvious however that the lack of an agreed high-level ‘collective’ approach is necessarily a barrier to coherent approaches, it is simply not possible to determine whether there are significant gaps or omissions.

The UN Country Team currently faces a challenge in considering how best to take forward their aspirations to work more effectively across the HDN and how best to finance these aspirations. The appetite to continue the Collective Outcomes route appears to be limited and indeed whether the UN system has sufficient influence over bilateral donors, who in many cases programme the majority of their funds outside of the UN system and are pursuing politically motivated stabilisation agendas, remains questionable.
References


TENTATIVE PROGRAMME
IASC Humanitarian Financing Task Team
Monday, 4 February – Friday, 8 February 2019

Monday, 4 February

08:00 – 09:00  Meeting with OCHA HoO
[OCHA Office, 28 Instytutska St]
09:00 – 09:45  Meeting with RC/HC
[1 Kloovskyi descent]
11:00 – 12:00  Meeting with WHO
[30 Borychiv Tik Street]
12:30 – 13:30  Lunch with UNDP, Blerta Cela and Ben Slay
[9 Mechnikova street – Lucky Restaurant – Good Wine]
14:00 – 15:00  Meeting with RAF – Jock Mendoza Wilson
[3A Desyatynna St.]  
15:30 – 16:30  Meeting at the German Embassy
[25 Bohdana Khmelnytskoho]

Tuesday, 5 February

09:00 – 10:00  Meeting with Food Security and Livelihoods Cluster Coordinator
[OCHA Office, 28 Instytutska street]
11:00 – 12:00  Meeting with EU/ECHO
[ECHO Office]
12:30 – 13:30  Meeting with NGO Forum
[Ukraine NGO Forum, 16 Mykhaylivska Street, Office 8]

14:00 – 15:00  Meeting with the Swiss, Christian Diesler
17:00 – 18:00  Meeting with Protection Cluster, Anna Rich
[OCHA Office, 28 Instytutska street]

Wednesday, 6 February

09:00 – 10:00  Meeting with DFID – Steven Loyst
[9 Desyatynna St.]

10:30 – 11:30  Meeting with NRC Country Director, Christopher Mehley
[Prorizna Street, 18/1-G,]

12:00 – 13:00  Meeting with UNICEF, Laura Bill
[UNICEF Office, 28 Instytutska street]

13:30 – 14:30  Meeting with UNHCR, Pablo Mateu
[16 Lavrska Street]

15:00 – 16:00  Meeting with Mark Buttle, WASH Cluster Coordinator
[28 Instytutska Street]

18:30 – 20:00  Dinner with Alice Sequi
[SHO restaurant 18 Mechnikova str]

Thursday, 7 February

10:30 – 11:30  Meeting at the US Embassy
[4 Sikorskoho street]

12:00 – 13:00  Meeting at Canadian Embassy, Nadezhda Yegay
[13A Kostelna Street]

14:00 – 15:00  Meeting with Norwegian Embassy, Petter Bauck and Fredrik Arthur
[15Striletska street]

16:00 – 16:45  Meeting with Education Cluster Coordinator
[OCHA Office, 28 Instytutska street]

17:00 – 18:00  Debriefing with UNCT
[1 Klovsyj descent]