Modernizing Ukraine’s Transport and Logistics Infrastructure

By Romina Bandura, Janina Staguhn, and Benjamin Jensen

The aim of the bipartisan and international CSIS Ukraine Economic Reconstruction Commission is to produce a policy framework that will help attract private sector investments to support Ukraine’s future economic reconstruction. To support the commission, CSIS will convene a series of working groups to examine a range of issue-specific areas that are critical for reconstructing and modernization of the Ukrainian economy, including in agriculture, energy, and transportation and logistics, as well as addressing the impact of corruption on private sector investment.

Introduction

Russia’s ongoing war in Ukraine is yielding devastating human and material costs. But with the destruction comes a rare opportunity to modernize Ukraine’s economy by building state-of-the-art infrastructure. Rebuilding hospitals, schools, and housing will be critical to bringing refugees back, while constructing new roads and rail networks alongside ports and airfields could catalyze the economic reconstruction and link the growth of small and medium-sized enterprises (SMEs) to global supply chains and markets. Infrastructure investments can achieve a rare combination of political and economic objectives, connecting Ukraine to Europe while helping its large industrial base and educated workforce reach global markets. In other words, rebuilding the transportation and logistics infrastructure in Ukraine provides an opportunity for democratic leaders to realize the vision of the Group of Seven (G7) Partnership for Global Infrastructure and Investment (PGII).

A successful reconstruction would include a Ukraine that is connected to and firmly embedded in the Euro-Atlantic community. Ukraine has a large industrial base, with a well-educated and skilled population that has the potential to build a highly competitive manufacturing sector to complement the European Union. However, to unlock this potential, Ukraine needs to build quality transport and logistics infrastructure (i.e., civilian airports, roads, bridges, ports, and railways) connected to the West. Over the next 10 years, the transport and logistics infrastructure sector will require significant financing, prioritization, and coordination among the Ukrainian government and international actors (bilateral partners, multilateral institutions, and the private sector). Foreign direct investment (FDI), including through long-term public-private partnership
and concession contracts financed by the private sector, will also be critical for funding large-scale projects and providing know-how so there is a world-class infrastructure base in Ukraine.

International donors and foreign investors need to assess how to best support Ukraine's future economic and trade recovery, specifically regarding its transport and logistics infrastructure. Ukraine can also be the country where the PGII conducts its first project, testing its capabilities and providing a demonstration for other investors. Amid the scale of the challenge, key overarching questions emerge:

1. What should donors prioritize within Ukraine's transport and logistics infrastructure?
2. Which projects should be delivered by the public sector, and which would be better financed and operated by the private sector?
3. More specifically, what is the U.S. competitive advantage in this sector?

This paper provides some initial answers to these questions.

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**THE MAGNITUDE OF THE CHALLENGE**

Russia continues to destroy Ukraine's infrastructure, including roads, bridges, seaports, and railways. Estimates by the Kyiv School of Economics (KSE) place infrastructure damages at $95.5 billion as of June 13, 2022. Unfortunately, Russian military action will increase the magnitude of damage even more. Approximately 40 percent of housing and 33 percent of infrastructure has been damaged, including 305 bridges, 19 airports, 57 railway stations, and 24,000 kilometers (15,000 miles) of roads. According to KSE, the total (direct and indirect) cost of the war to the Ukrainian economy—including its impact on GDP, spending on defense and social welfare, and decline in investments—ranges between $564 billion and $600 billion. For example, the Ukrainian tourism industry alone lost almost $7 billion in 2022 as a result of the war.

The recent Rapid Damage and Needs Assessment by the World Bank, the government of Ukraine, and the European Commission estimates that as of June 1, 2022, the immediate damages of the war amount to $97 billion while indirect losses are at $252 billion, bringing total recovery and reconstruction costs to $349 billion. Housing and transport are the sectors with greatest needs at $69 billion and $74 billion, respectively, or more than 40 percent of the total. The regions or oblasts that have been the most affected are Chernihiv, Donetsk, Luhansk, Kharkiv, Kherson, Kyiv, and Zaporizhzhia.

Seaports are critical given that more than half of Ukraine's total exports and 90 percent of its grain exports are transported through sea corridors. Ports are the main route for agro-industrial exports and petroleum imports, as well as exports of metals, chemicals, and fertilizers. Prewar, Ukraine had 13 ports that operated in the Azov and Black Sea basins and the Danube Delta (Izmail, Reni, and Ust-Dunaisk). Currently, Ukraine has lost control of four ports: Mariupol and Berdiansk on the Azov Sea and Skadovsk and Kherson on the Black Sea. The largest ports (Mykolaiv, Olvia, Odesa, Chornomorsk, and Pivdennyi) remain under Ukrainian control but are blocked by Russia. Part of the Dnipro River is also blocked by Russia in the Kherson and Zaporizhzhia regions. At the same time, the extensive placement of mines across Ukraine and in sea-lanes has impeded transportation and prevented infrastructure restoration. As a result, Ukraine is losing approximately $170 million a day in exports.
There are no easy alternatives to the blocked maritime routes. There are options, none of which can replace what was exported by sea because of the volume and cost. Yet Ukraine does have an extensive network of railroads—a strong competitive advantage that needs to be leveraged. Currently, some of the only means to continue exporting goods and commodities are railroads and trucks. However, Ukraine does not use the same railway gauge as the rest of Western Europe, and trains therefore require a change of wheelsets on each car. The strategic alignment of railway gauges with European countries and increasing connectivity with the European Union are important. Ukraine should extend rail corridors to the EU Trans-European Transport Network (TEN-T). A lot of analysis has been done in past 30 years on how to link countries such as Ukraine and Moldova with neighboring EU regions through this network. Achieving this will require massive investments in the rail sector.

Although the situation is uncertain and evolving, international discussions and efforts are already under way to support Ukraine’s future recovery and modernization. There have been several conferences that included a focus on infrastructure recovery: rebuilding what has been destroyed and constructing quality infrastructure that links Ukraine’s economy to the West’s.

In July 2022, the Ukrainian government unveiled the country’s National Recovery Plan, which carries an estimated price tag of $750 billion to $1 trillion. The investment plan is divided into stages, ranging from immediate needs through 2022, medium-term needs (2023–25) and long-term needs for a “modernization phase” (2026–32). This is an ambitious plan, and donors have yet to make significant pledges. However, no single institution or donor will be able to foot this bill, and financing will need to come from a combination of sources, including grants, soft loans, and private sector investments. Currently, the Ukrainian government is also reforming its public-private partnership (PPP) law to better manage the contingent liabilities such collaboration creates. These reforms will enable and encourage partnerships between the public and private sectors.

Within the transport and logistics sector, immediate priorities (amounting to $2–3 billion in investments) consist of “debottlenecking” logistics with the European Union by constructing new railways, expanding the capacity of roads, and restructuring the Danube ports to handle exports to Europe. Longer-term projects (estimated at $120–160 billion) consist of increasing port capacity on the Danube River, building new logistics and warehouse complexes, creating new highways and airports, and developing a high-speed railway connecting Warsaw with Kyiv. This will require considerable collaboration with Ukraine’s neighbors—especially Romania, which controls the Danube Delta, a logical transit route.

**HOW CAN DONORS SUPPORT UKRAINE’S TRANSPORT AND LOGISTICS INFRASTRUCTURE?**

It is clear that the government of Ukraine should lead the rebuilding and modernization effort and implement the reconstruction plan. For the transport and logistics sector, the Ukrainian Ministry of Infrastructure should be the lead agency coordinating and executing the effort given that it oversees the entirety of the investment and regulatory space for this sector. The Ministry of Finance, especially its PPP unit, will also play an important role by ensuring that customs-related reforms are coordinated with infrastructure investments. However, given the scale of the damage and the fragile postwar state of the Ukrainian economy, the international community—including bilateral donors, the European Union, multilateral development banks (MDBs), and bilateral development finance institutions (DFIs), inter alia—will have a big role to play and has to be prepared to support that recovery as soon as conditions on the ground warrant action. Therefore, it is crucial to utilize the rest of 2022 to coordinate the donor side of the reconstruction.

Within the transport and logistics infrastructure sector, there are several areas that donors should prioritize. First, donors need to clarify their roles, assess their strengths, and have a division of labor in
terms of supported projects so that they are leveraging their strengths and not overlapping. For example, the European Investment Bank (EIB) does not fund new, greenfield airports, while the European Bank for Reconstruction and Development (EBRD) and International Finance Corporation (IFC) do. The Japan International Cooperation Agency (JICA) has a strong track record on financing roads and railways, and the U.S. Trade and Development Agency’s (USTDA) project-preparation tools can support feasibility studies for transport infrastructure. Second, donors can support the Ukrainian government by helping it put together a strong pipeline of feasible, priority infrastructure projects. Not all the projects laid out in Ukraine’s National Recovery Plan will be able to attract funding. These projects need to be well prepared, meet high standards, and demonstrate economic, social, and environmental benefits. Third, donors can help the Ukrainian government with contractor procurement and investor screening, preventing malign influence and—by vetting and prequalifying companies and contractors—ensuring a new class of oligarchs does not emerge from the reconstruction process. Fourth, it is important to set up an independent monitoring and evaluation (M&E) system so that funds are tracked properly and projects really deliver their intended goals. Fifth, Ukraine needs to undertake certain governance reforms across the economy—including to fight corruption and overhaul customs management—for private investors to be enticed to invest there, and donors can help in that process. Sixth, beyond financing, the private sector requires insurance and risk-mitigation instruments both for immediate recovery and for future long-term investments and trade. This is an area where bilateral donors and DFIs can be creative and play a leading role to funnel different sources of capital into Ukraine.

**It is clear that the government of Ukraine should lead the rebuilding and modernization effort and implement the reconstruction plan.**

1. **Use This Time to Prepare: Define Roles, Identify Strengths, and Coordinate**

This is the time to clarify the roles and strengths of different donors and actors while maintaining coordination to prevent inefficiencies down the road. If donors do not create a harmonized mechanism for prequalification and preselection of projects now, there will be huge confusion and waste of reconstruction resources and rebuilding efforts, with donors chasing after the same projects. In addition to clearly defining roles, it will be equally important to align resources and coordinate as much as possible. Now is also the time for the U.S. government to identify which agency will lead the U.S. share of reconstruction, what role each agency will play on transportation projects specifically, and what their roles will be vis-à-vis European and multilateral institutions. Similarly, within the international community, this division of labor should be based on the capabilities and strengths of each agency. For U.S. coordination to be effective, there will need to be dialogue and close cooperation with EU counterparts and MDBs, as well as among U.S. agencies.

As part of the coordination process, the various international actors need to work alongside the Ukrainian government to preselect all the consultancy needs, get them in place, and assess specific priority projects. This will require institutional capacity building within the Ukrainian government so resources can be mobilized to address the dramatic increase in procurements that will inevitably take place. If this does not occur, even the best-intended procurement efforts will stall. The “category management” used routinely by U.S. agencies for contracting services could be adapted and used by the international donors and institutions to accelerate a broad-based preselection process for consultancy firms and contractors alike. At the procurement level, contractors and suppliers should get prequalified today so they can be mobilized as soon
as possible. Pursuing a “business as usual” approach to project assessments and preparation would incur a massive opportunity cost to Ukraine, its society, the displaced population, and international donors. Finally, donors need to work very closely with ProZorro, Ukraine’s electronic procurement platform. It provides an accessible and effective way to prequalify suppliers, consultants, and world contractors. Its transparency also helps prevent situations in which malign or unqualified companies are hired. All of these steps need to be taken alongside continued dialogue with the Ukrainian Ministry of Infrastructure and Ministry of Economic Affairs. The extent to which the Ukrainian government can show strong leadership will simplify this task and create more resiliency.

2. Create a Pipeline of Bankable Projects

In its recovery plan, the Ukrainian government has presented a list of investments that are needed over the next 10 years to reconstruct and modernize the economy. However, projects will need to be well prepared and made commercially viable (bankable) to entice investors. The project preparation stage is of paramount significance—and this is where donors have extensive experience that can be applied to ensure the process goes smoothly in Ukraine.

Within the three phases of project development (i.e., preparation, construction, and operation), it is often the preparation one that becomes a stumbling block for projects vying for private investments. The project preparation stage, which ensures that planned infrastructure projects are sustainable, bankable, and procurement-ready, involves activities such as modeling cash flows and financing and conducting life-cycle cost analyses, feasibility studies, and social and environmental impact assessments meeting international standards. For PPPs, this process also includes detailed market sounding to ensure bankability, preparation of legal and tender documentation, transaction advising, and closing commercial and financial agreements.

3. Prioritize Bankable Projects That Build on Ukraine’s Human Capital and Incentivize Ukrainians to Return Home

International partners and donors should also consider projects that maximize the employment of Ukrainians and incentivize people to come back so they can continue to take ownership of their country and rebuild their lives. This will give additional support to development, not only economically but also in the humanitarian and civil-society spheres. There is a large talent pool of Ukrainians, in whose hands rebuilding the future Ukraine should lie. For that matter, projects should incorporate social indicators, including the number of people the project will employ and how many indirect jobs it will create for the economy in the long run.

When the war ends, there will be 10–15 million Ukrainians who, in principle, will wish to relocate back to (and within) Ukraine. Therefore, it will be important to recover basic infrastructure such as electricity, heating, and water services; social infrastructure such as housing, schools, and hospitals; and transport and logistics infrastructure. Considering the number of Ukrainians who are currently unemployed due to the war, donors should find a way to maximize the use of Ukrainian human capital in the reconstruction process. Projects should rely as much as possible on the Ukrainian people to help with rebuilding efforts.

4. Set Up an Independent Monitoring and Evaluation System

Along with project preparation, the massive number of projects and amount of financing needed to modernize Ukraine’s infrastructure requires a proper system for tracking funds and measuring results. Setting up an independent M&E program will be essential for successfully implementing transportation and logistics projects in Ukraine. This is an area where international donors have extensive expertise, which they should apply to working with civil society organizations in Ukraine to assess the progress and performance
of projects and to ensure the effective and efficient use of resources. According to the Lugano Declaration—the outcome of the Ukraine Recovery Conference at which its national recovery plan was presented—all programs should include complete transparency, accountability, and a strengthened rule of law. These characteristics are critical for Ukraine to uphold as its government enters a new era of anti-corruption efforts related to the EU accession process.

5. Support Governance Reforms Anchored in the EU Accession Process

Ukraine still faces significant barriers for trade and private sector investment that need to be addressed. Donors can assist the Ukrainian government and work with civil society partners to tackle these hurdles, which include a lack of transparency within tax and customs institutions, a dysfunctional court system that is unable to fairly adjudicate business disputes, limited financing resources, high tax rates, and inadequate protection of intellectual property rights.

Since 2014, Ukraine has introduced new laws, established institutions, and reformed agencies to attract foreign investment. However, compared to its peers, Ukraine has not attracted significant volumes of investments: Between 2009 and 2019, Ukraine had 320 FDI projects, or 3 percent of the total investments into Central and Eastern Europe. The top investors in the country were the United States (18 percent), Germany (10 percent), and Russia, France, and the United Kingdom (all at 6 percent), mainly in the agribusiness, utility, and machine and equipment sectors. The sectors that hold the greatest potential are advanced manufacturing, digital infrastructure, energy, high-value agriculture, and transport infrastructure.

Figure 1: FDI in Ukraine, 2010–2020

Net Inflow (US$, billions)


The enabling environment for investment needs to be strengthened. Many prewar achievements, including economic reforms and the establishment of new PPPs, should be picked up and continued after the war. The PPP process for implementing projects in Ukraine can be lengthy, but the Ukrainian government indicated its willingness to lean forward and try to complete the projects that can be done as soon as possible. Currently, there are several disparate pieces of legislation under consideration in the Ukrainian parliament that relate to PPPs and concessions. Some include amendments to the country’s various...
registration systems, including the land code (which should be actively monitored by Western partners) and one that looks at contingent liabilities for PPPs. There will need to be additional support for passing proper effective legislation to help both the private and public sectors reconstruct Ukraine. To concentrate resources and efforts, consideration should be given to creating a dedicated national facility for PPP project development that will be supported by the international agencies specialized in this critical area.

More reforms are also needed to increase transparency in the procurement and contracting processes; combat corruption, including through the ability to dispute awards outside the Ukrainian legal system; and uphold the rule of law, including through access to international arbitration and mediation of disputes. Reforms should include setting up an independent, transparent, and competitive selection process for the head of the National Anti-Corruption Bureau of Ukraine (NABU), ensuring this body has adequate institutional capacity and funding while maintaining its integrity in the face of any future attempts to influence, pressure, or attack its members. It will also be integral for Ukraine to implement the Anti-Corruption Strategy and related Action Plan.

6. Facilitate Trade and Improve Customs and Border Infrastructure

There are also hurdles to removing existing bottlenecks on the border with the European Union, especially in terms of the creation of hard infrastructure. One issue currently rendering border crossings inefficient is that there are not enough rail cars or rail crossings available to sustain trade and exports. Building more infrastructure in Poland and Romania, for example, would not replace the Ukrainian seaports occupied by Russia, but would enhance the volume of goods that can be transported across the western border.

At the same time, Ukraine needs to increase its customs capacity at the border. Donors can assist to expedite customs-related processes such as reviewing pre-arrival declarations, helping shift from paper-based to digital documentation, conducting risk assessments, and issuing clearance for freight and individuals. Donors can provide technical assistance by helping inspect cargo, sharing modern risk-management techniques, and designing freight-management systems that make ports more efficient. New, modern border-crossing infrastructure (critical for EU trade and accession requirements) could be prioritized by PPPs, with private investments in associated services complementing the core public sector function of customs clearance. Modern border-management techniques need not wait for infrastructure improvements. The faster Ukraine can put reliable and efficient border procedures in place, the more commerce will be able to cross borders. This is especially important for revenue generation, as tariffs have typically represented almost 5 percent of government revenue. Another priority investment will be in constructing fit-for-purpose air freight terminals to serve the country’s main airports—an area where close consultation with major air freight shippers will be critical. These should be accompanied by governance reforms within customs and related border agencies to ensure they adhere to anti-corruption measures.

7. Offer Guarantees and Risk-Mitigation Tools

Given the volatility of the current environment, companies doing business in Ukraine need insurance to cover heightened risks to transporting and storing their products. There will also be high demand to protect investments in infrastructure projects, including for roads, bridges, airports, and seaports. In this regard, MDBs, DFIs, and the Multilateral Investment Guarantee Agency (MIGA) can employ guarantees, political-risk insurance, and other risk-mitigation tools to help investors reduce exposure to political and macroeconomic hazards and attract private capital to Ukraine.

In the case of MDBs, guarantees are rarely used and represent a very small percentage of their portfolios. However, this means there is an opportunity for these institutions to be more active in Ukraine and
collaborate to provide risk-mitigation instruments. These institutions can establish risk-sharing arrangements so they can diversify their exposure in Ukraine.

There are several proposals on the design of these instruments. For the immediate recovery phase, for example, the German Marshall Fund has proposed a specific “war insurance” mechanism that “would explicitly cover private actors’ risk from any future destruction of reconstructed assets and personnel injury by Russia while they operate or invest in Ukraine.” This facility would be critical to help the country transition from a war economy to one where it can leverage private investments to speed it along the path toward EU membership. Similarly, Igor Liski, a Ukrainian investor, proposes establishing an internationally backed insurance fund that would protect investments against military risk so investors start rebuilding now despite the ongoing conflict. In addition, MIGA’s existing “war and civil disturbance” insurance could be expanded for broad usage in this context.

A second proposal is for international donors to supply standard political-risk insurance for specific projects. This covers investor losses caused by political events such as expropriation, political violence, sovereign debt default, and acts of terrorism or war.

A third proposal, this one by the European Investment Bank, is to replicate the European Guarantee Fund in Ukraine. Announced in July 2022, the EU-Ukraine Gateway Trust Fund aims to attract “20 billion euros in contributions from EU countries and the EU budget in the form of grants, loans, and guarantees.” It hopes to mobilize another 200 billion euros, including though guarantees to back infrastructure projects.

Beyond the amount of financing provided or the risk-mitigation tools employed, MDBs and DFIs add a unique value to complex transactions in this space. Investors regard these institutions as independent and trusted parties with a strong process for selecting and preparing projects; high standards for environmental safeguards, social impacts, and governance; and a transparent decisionmaking process. Their endorsement of a transaction therefore carries the expectation that it will result in a high-quality project. Moreover, these institutions are engaged with all stakeholders throughout the transaction, allowing them to manage projects to achieve better outcomes.

THE U.S. ROLE IN UKRAINE’S TRADE AND LOGISTICS INFRASTRUCTURE

Among donors, the U.S. government already has a big presence in Ukraine and good relationship with the Ukrainian government—which is, importantly, very open and predisposed to U.S. solutions. The United States has also been a strong partner, both militarily and economically, since the war began. In May 2022, the Biden administration approved $51 billion in aid to Ukraine and other countries. In July, the government announced further assistance of $288 million and $80 million through the Department of State and the U.S. Agency for International Development (USAID), respectively.

The U.S. private sector also has a significant country presence. There are more than 200 member companies in the American Chamber of Commerce in Ukraine—including existing suppliers of equipment that are part of the railroad fleet, as well as companies working in seaports and inland marine terminals. Before the war, the United States was also a top source of FDI in Ukraine. Logistics companies such as FedEx and UPS—which provide full-service supply-chain services including warehousing, express delivery, cargo shipping, and last-mile delivery—will be essential to restart Ukrainian manufacturing and rebuild the country’s logistics infrastructure as it reintegrates into global supply chains. They are also essential for delivery of advanced medication such as vaccines. In the long term, Ukraine is likely to rely heavily on modern logistics as it integrates into the European Union’s value chains.
U.S. companies also have experience in supporting large-scale reconstruction efforts in difficult environments, including conflict or war zones such as Afghanistan and Iraq. Of course, the Ukraine environment is different in myriad ways, including the critical role the Ukrainian government will and should play, but these examples still can be a good reference for the types of projects the United States can support. There should also be a screening process to ensure the right companies are selected, ones that will follow through on their promises.

Speed of delivery is also important, and the United States has demonstrated its ability to meet that need. Both the U.S. public and private sectors have a solid track record of moving more quickly than other partners on delivering substantial aid for Ukraine (e.g., military assistance, direct budget support, internet connections, and humanitarian assistance).

The United States has demonstrated that it is a trusted partner for Ukraine.

Going forward, it will be important to determine where U.S. bilateral agencies can make the most impact, how they can collaborate with other donors and add value, and what competitive advantage U.S. companies in the transport and logistics space have.

1. **Digitizing Transport and Logistics Processes**

Ukraine has been a leader in digital transformation. Starting in 2014, the government introduced a new digital procurement system, ProZorro (fully implemented in 2016), to reduce corruption and administrative hurdles, increase transparency, and incorporate international standards. In 2020, the Zelensky government created the Ministry of Digital Transformation to help Ukraine become a digital state. One significant achievement is the launch of Diia, a mobile app that aims to be a single portal for public services where citizens can, for example, pay fines or access their legal documents digitally.

Ukraine can continue these digitization efforts with assistance from donors. In the customs and logistics space, the EBRD issued a €13 million loan in 2021 to Nova Poshta—Ukraine’s leading private postal company—to help automate and digitalize their parcel logistics. The company will build an automated sorting hub in Dnipro with a new smart system designed by the Lithuanian logistics firm Equinox. This will bring huge gains for the company for a relatively small investment, allowing it to double its parcel volume and use its fleet more efficiently, saving energy.

These types of projects do not require huge investments and are an area where the United States in particular can add significant value given its technical know-how. The Ukrainian logistics sector needs such a push—in which U.S. government agencies and companies can play a direct role and have a competitive advantage.

2. **Rebuilding Airports and Providing Expertise on the Aviation Industry**

Since the beginning of the invasion, Ukraine’s airport infrastructure has been severely damaged, affecting at least 12 airports in the country. Some of the most important commercial routes used the Odesa
International Airport, the Dnipro International Airport (now destroyed), and two Kyiv airports (the Boryspil International Airport and the Kyiv International Airport in Zhuliany). Ukraine has closed all airspaces for civilian purposes indefinitely.

The U.S. civil-aviation industry and its related services are major contributors to the economy, amounting to 5 percent of the domestic GDP, and are an important source of innovation and jobs. U.S. companies such as Boeing build aircraft; avionics manufacturers such as Northrop Grumman, Honeywell, and others provide the electrical components of aircrafts; while logistics companies such as FedEx and UPS provide cargo and parcel services. Additionally, many major airport-construction firms are American, including Hensel Phelps, AECOM, and Turner Construction. The United States can facilitate Ukraine’s reconstruction of airports and other aviation infrastructure by taking part in international proposals and projects that address this task.

Although there are no plans to rebuild any airports until the war is over, the United States can also follow in the United Kingdom’s footsteps to share engineering expertise. A recent, historic joint action plan by Ukraine and the United Kingdom includes collaboration between British and Ukrainian engineering experts and with UK-based private sector organizations. These experts will offer “knowledge in airport, runway and port reconstruction, and will work with the [Ukrainian] Ministry of Infrastructure to identify training opportunities for airport staff, air traffic controllers, and aviation security.”

3. Offering Political-Risk Insurance

As mentioned previously, demand for political-risk insurance from the private sector has increased significantly given the war in Ukraine. Such insurance covers investors against liabilities created by government actions, including war, expropriation, and currency inconvertibility. Through agencies such as the Development Finance Corporation (DFC) and the Export-Import Bank of the United States (EXIM), the U.S. government can offer political-risk insurance to both foreign investors in Ukraine and to American exporters. The DFC or MIGA can also reinsure insurance companies.

4. Supporting Anti-corruption Reforms

Improving transparency and fighting corruption are also among the United States’ comparative advantages. USAID and other agencies have experience in these areas and can work closely with EU counterparts and MDBs to help Ukraine with needed reforms. The Biden administration launched the first-ever U.S. Strategy on Countering Corruption in December 2021; USAID has set up the Anti-Corruption Task Force (ACTF) and interagency working group to support the implementation of this strategy. In addition, anti-corruption efforts are a main pillar of USAID’s support for Ukraine through its 2019–24 Country Development Coordination Strategy. This includes helping Ukraine fight corruption in sectors such as healthcare, energy, and finance, as well as improving governance through combating tax avoidance, restructuring state-owned enterprises, implementing judicial reforms, and the like.

5. Providing Technical Assistance, Feasibility Studies, and Project Preparation

USAID and the DFC, which have been given the specific mandate of working in high-risk contexts, have the ability and expertise to provide assistance on Ukrainian infrastructure projects, including by contributing
technical and managerial skills or transferring technology. At the same time, U.S. bilateral agencies can carry out feasibility studies to assess the potential and impact of new projects, connect U.S. companies to infrastructure projects, provide technical assistance through workshops or conferences, and help Ukraine develop and implement digital systems for infrastructure projects such as improved border crossings. To effectively utilize all these tools, U.S. agencies will need to coordinate with each other. Each of these aspects of project preparation will be critical in creating sustainable infrastructure to rebuild Ukraine.

**Conclusion**

Rebuilding Ukrainian transportation and logistics infrastructure has the potential to accelerate reconstruction and deepen the country’s alignment with Europe. It will be a long process, likely requiring a multi-decade roadmap prioritizing sustainable and resilient infrastructure investments that embody the promise of the PGII. Yet this task becomes harder each day as Russia compensates for its battlefield losses by targeting Ukrainian infrastructure, including power plants and dams.

While the process will be long, the time to act is now. Before the war ends, international stakeholders need to set up project-selection processes, funding mechanisms, and division of labor to avoid delays in reconstruction. Large-scale reconstruction projects can fall victim to diminishing marginal returns and inefficiencies absent coordination between local governments and international actors such as bilateral partners, multilateral institutions, and the private sector. Delays cost lives and leave large Ukrainian refugee populations questioning the value of returning home while those who stayed to fight Russia struggle with unemployment.

True victory in Ukraine will come from showing that free people supported by smart reforms can emerge even from the depths of war with a new, dynamic economy connected to global markets. There is no better symbol of hope for democracies and defiance of authoritarians around the world than helping Ukraine along this path. ■

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This report is made possible by the generous support of UPS.

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Annex: Background Information on Select U.S. Government Agencies Supporting Ukraine

- **The International Trade Administration (ITA)**, part of the U.S. Department of Commerce, bolsters industry and nurtures trade and investment through diplomatic assistance, trade policies, and the enforcement of U.S. trade laws and agreements. The ITA's U.S. Commercial Service Offices work in more than 75 global markets to support U.S. businesses, especially small and medium-sized enterprises (SMEs), attracting foreign investment and connecting international partners with U.S. suppliers and vendors. The ITA's trade and industry experts provide extensive trade analyses and business strategies based on data analytics and market intelligence to both the public and private sectors. It also encourages fair trade and makes sure transactions abide by U.S. trade laws and agreements.

  The ITA and its U.S. Commercial Service Offices have been working with the U.S. private sector, nongovernmental organizations, and interagency colleagues to provide assistance for Ukrainians. For instance, it worked with Uber to secure refugee transportation and emergency delivery of supplies and services. It also connected Alabama-based Baron Weather with the Hydrometeorological Service of Ukraine to enable weather detection and forecast service amid the war. Furthermore, through partnerships with U.S. companies in Kansas City and Pittsburgh, it scaled up medical assistance for Ukrainians.

- **The U.S. Trade and Development Agency (USTDA)** helps domestic companies create jobs through the export of U.S. goods and services for priority infrastructure projects in emerging economies, funding project-preparation and partnership-building activities that support the development of sustainable infrastructure and foster economic growth in partner countries. USTDA achieves its mission by conducting feasibility studies, providing technical assistance, and carrying out pilot projects that integrate U.S. private sector innovation into infrastructure projects at the critical early stages when design choices and technology options are determined. The agency also connects overseas project sponsors with U.S. partners through its reverse trade missions, industry conferences, and expert workshops.

  In December 2021, USTDA approved technical assistance for a comprehensive regulatory analysis to facilitate the introduction of small modular reactor technologies to Ukraine.

- **The U.S. International Development Finance Corporation (DFC)** works with the private sector to finance solutions that help developing countries address pressing challenges. The DFC contributes to projects in sectors such as healthcare, energy, infrastructure, and technology, making them more resilient and sustainable.

  In June 2022, the DFC established an economic recovery facility with Gazelle Finance to offer technical support to Ukrainian SMEs. The Tbilisi-based facility will help them adapt to the wartime context and create new markets amid the crisis. At the same time, in partnership with the American Hospital Tbilisi (AHT), the DFC initiated a healthcare program for Ukrainian refugees in Georgia that will provide both surgical and ambulatory-patient services.

- **The U.S. Agency for International Development (USAID)** provides development aid and humanitarian assistance to developing nations. It aims to build self-reliant, resilient, and sustainable communities by eradicating violence, creating markets and trade opportunities, and promoting democracy, good governance, and peace.

  Since the outbreak of the war in Ukraine, USAID has set up a Disaster Assistance Response Team (DART) to provide humanitarian aid and sent over $1 billion in total assistance to the country.
The agency has been working with various global partners to gather critical development and humanitarian aid for Ukraine. It has contributed to improving the energy sector’s cybersecurity, preventing the spread of disinformation, supporting small businesses and the agricultural sector, protecting human rights, and more.

- **The Export-Import Bank of the United States (EXIM)** helps the U.S. private sector thrive in the global market by bridging its financing gaps. EXIM not only protects U.S. exporters through nonpayment protection, credit extension, and working-capital loan guarantees but also helps foreign buyers’ financing with loans and loan insurance. EXIM’s assistance covers a variety of sectors, including infrastructure and transportation.

Based on its long-standing support for Ukraine, in July 2021 EXIM signed a $3 billion memorandum of understanding with Ukraine’s Ministry of Economic Affairs to finance major infrastructure projects.