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ABOUT KSE INSTITUTE

KSE Institute is an analytical center at the Kyiv School of Economics. It specializes in analytics, consulting, research, develops strategies and recommendations for supporting a strong and innovative economy of Ukraine.
Resilience, Reconstruction, Recovery: The Path Ahead for Ukraine

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# Contents

**Acronyms** .................................................................................................................................................. 4  

**Executive Summary** ................................................................................................................................. 6  

**Understanding Ukrainian Reconstruction & Recovery** ........................................................................ 10  

A Call to Action ............................................................................................................................................. 10  

- Implications for global peace and security .................................................................................................. 11  
- Implications for US and Western credibility .................................................................................................. 12  
- Implications for the future of Europe ............................................................................................................. 13  
- Implications for the global economy ............................................................................................................. 14  

The Scale of the Task .......................................................................................................................................... 15  

- Maximizing wartime resilience ..................................................................................................................... 16  
- Rebuilding for strength ................................................................................................................................. 17  
- Preparing for European integration .............................................................................................................. 17  
- Detering future Russian attack ..................................................................................................................... 18  

**Economic & Financial Challenges** ........................................................................................................... 20  

Assessing Damages and Needs ......................................................................................................................... 20  

The Social Sector ............................................................................................................................................. 22  

- Housing ...................................................................................................................................................... 22  
- Education ................................................................................................................................................... 23  
- Health care ................................................................................................................................................ 23  
- Other ......................................................................................................................................................... 24  

Infrastructure .................................................................................................................................................... 24  

- Transportation ........................................................................................................................................... 24  
- Energy ....................................................................................................................................................... 26  
- Utilities ...................................................................................................................................................... 26  
- Digital ....................................................................................................................................................... 27  

Municipal Services ........................................................................................................................................... 27  

Productive Sector ............................................................................................................................................ 28  

- Commerce and industry ............................................................................................................................... 28  
- Agriculture ............................................................................................................................................... 28  
- Finance ..................................................................................................................................................... 29  
- Environment ............................................................................................................................................ 29  

Assessing Available Resources ........................................................................................................................ 31  

- Governments and intergovernmental organizations .................................................................................... 31  
- International financial institutions .............................................................................................................. 33  
- Private sector ........................................................................................................................................... 34  
- Russian assets and reparations .................................................................................................................... 34  

**Ukrainian Resilience and Reform** ............................................................................................................ 36  

Governance and Law ....................................................................................................................................... 36  

- Public administration and decentralization ............................................................................................... 36  
- Land reform ............................................................................................................................................. 40  
- Judicial reform ........................................................................................................................................ 42
### Broader Structural Reform

- De-oligarchization ................................................................. 44
- The future of anti-corruption efforts ........................................... 46
- Preparing for EU accession ....................................................... 50

### Political Challenges for the West ........................................ 53

- Making EU Enlargement Real .................................................. 53
  - The task for Europe ............................................................. 53
  - Maintaining political will ...................................................... 54
- Shoring Up US Support ............................................................ 56
  - Countering ‘Ukraine fatigue’ ................................................. 56
  - Boosting support for funding ............................................... 59
- Redirecting Russian Assets ...................................................... 60
  - Policy developments ............................................................ 60
  - Legal debates ....................................................................... 61
  - Countermeasures .................................................................. 63
- Securing Ukraine’s Reconstruction and Recovery ....................... 64
  - The Security Challenge ......................................................... 65
    - The untenability of the status quo ...................................... 65
    - Building on the Kyiv Security Compact ......................... 66
    - Approaching Article 5 ....................................................... 67
    - Designing a comprehensive solution ............................... 68
- Embedding Ukraine in European Security ................................ 70
  - Security commitments, not guarantees ............................... 70
  - Establishing EU-Ukraine security engagement ................ 73
  - Short- and medium-term EU security commitments .......... 74
  - EU contributions to war and peace .................................... 77
  - Securing the Black Sea ...................................................... 78

### The Plan ................................................................. 81

- Wartime Resilience .............................................................. 81
- Rapid Rebuilding .................................................................. 83
- Durable Development ................................................................ 85
- Specific Recovery Priorities .................................................... 86

### Acknowledgments ............................................................. 88

### Author Bios ................................................................. 89

### Endnotes ........................................................................... 95
## Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARMA</td>
<td>Asset Recovery and Management Agency</td>
</tr>
<tr>
<td>ARSIWA</td>
<td>UN International Law Commission’s Draft Articles on Responsibility of States for Internationally Wrongful Acts</td>
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<tr>
<td>CBR</td>
<td>Central Bank of Russia</td>
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<tr>
<td>CHPP</td>
<td>Combined Heat and Power Plant</td>
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<tr>
<td>CSDP</td>
<td>Common Security and Defence Policy</td>
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<tr>
<td>DREAM</td>
<td>Digital Recovery Ecosystem for Accountable Management</td>
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<tr>
<td>EBRD</td>
<td>European Bank for Reconstruction and Development</td>
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<tr>
<td>EDA</td>
<td>European Defence Agency</td>
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<tr>
<td>EIB</td>
<td>European Investment Bank</td>
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<td>EPF</td>
<td>European Peace Facility</td>
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<tr>
<td>EU</td>
<td>European Union</td>
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<tr>
<td>EUMAM Ukraine</td>
<td>EU Military Assistance Mission in support of Ukraine</td>
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<tr>
<td>G7</td>
<td>Group of Seven</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>GRECO</td>
<td>Council of Europe’s Group of States against Corruption</td>
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<tr>
<td>HACC</td>
<td>High Anti-Corruption Court</td>
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<tr>
<td>HAPP</td>
<td>Hydro-accumulating Power Plant</td>
</tr>
<tr>
<td>HPP</td>
<td>Hydroelectric Power Plant</td>
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<tr>
<td>IDPs</td>
<td>Internally Displaced Persons</td>
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<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
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<tr>
<td>IFIs</td>
<td>International Financial Institutions</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>MDCP</td>
<td>Multi-Agency Donor Coordination Platform for Ukraine</td>
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<td>Acronym</td>
<td>Description</td>
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<tr>
<td>NABU</td>
<td>National Anti-Corruption Bureau of Ukraine</td>
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<td>NACP</td>
<td>National Agency on Corruption Prevention</td>
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<tr>
<td>NPP</td>
<td>Nuclear Power Plant</td>
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<tr>
<td>PSPP</td>
<td>Pumped Storage Power Plant</td>
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<tr>
<td>RDNA</td>
<td>Rapid Damage and Needs Assessments</td>
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<tr>
<td>RSP</td>
<td>Reform Support Personnel</td>
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<tr>
<td>RST</td>
<td>Reform Support Teams</td>
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<tr>
<td>SAPO</td>
<td>Specialized Anti-Corruption Prosecutor’s Office</td>
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<td>SSU</td>
<td>Security Service of Ukraine</td>
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<td>TPP</td>
<td>Thermal Power Plant</td>
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<td>URA</td>
<td>Ukraine Reforms Architecture</td>
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<td>URC</td>
<td>Ukraine Recovery Conference</td>
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<td>URTF</td>
<td>Ukraine Relief, Recovery, Reconstruction and Reform Trust Fund</td>
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<td>USAID</td>
<td>US Agency for International Development</td>
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Executive Summary

Russia’s illegal invasion of Ukraine is of immense consequence. Estimates of the cost of reconstruction — ranging as high as $1 trillion — do not fully capture the significance of the situation. Failing to restore Ukraine’s sovereignty, territorial integrity, and the security and prosperity of its citizens will cost trillions of dollars more in increased conflict, reduced development, and fractured leadership.

Political commitment among Ukraine’s Western allies to reconstruction and recovery is robust. Material commitment, on the other hand, lags. To date, Western governments, intergovernmental organizations, and international financial institutions have allocated just under $80 bn to Ukraine’s postwar recovery, a fraction of a fraction of what will be needed. A holistic understanding of the urgency of the task is similarly lacking. Donors have rightly focused on the necessities of the war, but they have wrongly assumed that the job of recovery can only begin once the fighting has stopped. If recovery is to be real, the work must begin now.

To help galvanize this conversation, the Center for European Policy Analysis and the Kyiv School of Economics have drawn together four key pillars of recovery and reconstruction: economics and finance, Ukrainian reform, Western political will, and the postwar security architecture. Each of these pillars is vital to the stability of the edifice as a whole, and each must be addressed in parallel.

Seen from this multi-domain perspective, there are four tasks of reconstruction and recovery:

1. Maximizing wartime resilience in the face of continued Russian aggression
2. Investing in the economy and infrastructure of Ukraine’s future, rather than its past
3. Preparing Ukraine for rapid and mutually beneficial integration into the European Union (EU)
4. Hardening Ukraine’s state, economy, and infrastructure, and deterring future Russian attacks

These tasks should be addressed in three phases, involving a sequential logic and beginning now. These are, with their attendant objectives:

1. Wartime Resilience
   a. Minimize destruction
   b. Maintain core state functions
   c. Limit refugee displacement
   d. Plan for postwar rebuilding
2. Rapid Rebuilding
   a. Restore full state functionality
   b. Encourage refugee return
   c. Channel investment to priority sectors
   d. Strengthen the foundation for European integration
   e. Implement flexible defense commitments

3. Durable Development
   a. Complete integration into the EU and NATO
   b. Shift economic production to high-value-added sectors
   c. Rightsize the Ukrainian state apparatus
   d. Embed Ukraine in the European strategic defense architecture

The paper begins with a detailed examination of the economic scale of reconstruction and the financial resources available. This is followed by an analysis of two sets of political challenges: those for Ukraine and those for the West. The imperative of providing for Ukrainian security is examined separately. Finally, the paper proposes a sequenced approach to reconstruction and recovery, with specific tasks for Ukraine and its Western allies in each of the three phases.
Key findings, conclusions, and recommendations include:

- Western governments must continue providing direct financial support to Ukraine to maintain critical infrastructure, power supply, and public services during the conflict.

- Western companies must be encouraged and incentivized to invest in Ukraine, even during the conflict. Private investment should precede and enable European integration, rather than be predicated on a successful accession bid.

- All sides must begin detailed planning for postwar reconstruction now, focusing on building a digitized, greener, and more globally integrated economy; overcoming Soviet-era legacies; and promoting innovation.

- Stakeholders should recognize that the war may reshape Ukraine’s population distribution and human and economic geography. This reshaping will be guided both by the preferences of Ukrainian citizens and enterprises, and by Ukraine’s future trading patterns.

- Ukraine and its supporters should promote the use of systems like DREAM — the Digital Recovery Ecosystem for Accountable Management — to engage communities and civil society in the reconstruction agenda, fostering transparency and the democratic franchise.
• Strengthening Ukraine’s defense-industrial base; its economic, corporate and judicial governance; and its anti-corruption efforts will enhance the country’s ability to deter Russian aggression.

• Ukraine’s medium-term tasks — absorbing hundreds of billions of dollars in aid, resettling hundreds of thousands of refugees, adopting EU legislation, and pursuing deep structural reforms — are within its grasp but will require a considerable increase in the state’s administrative capacity.

• Consolidating Ukraine’s democracy and promoting democratic engagement will be critical to ensuring inclusivity in postwar decision-making, popular buy-in to the country’s economic transformation, and a sense of transitional justice.

• The EU must maintain a clear and unwavering commitment to Ukraine’s European perspective — and this commitment must involve deep reforms within the EU’s decision-making and funding mechanisms to accommodate enlargement to include Ukraine.

• In the face of increasing political polarization, the US discussion on support for Ukraine must pivot to a clearer recognition of how US national interests hinge on Ukraine’s postwar success.

• Ukraine’s Western allies must provide near-term military support to push Russian troops out of Ukrainian territory, medium-term security commitments to enable stable economic recovery, and long-term inclusion as a core constituent of the European security architecture.
Understanding Ukrainian Reconstruction & Recovery

A Call to Action

In a 1947 speech at Delta State University in Cleveland, Mississippi, the renowned diplomat and future secretary of state Dean Acheson made the case for the forthcoming Marshall Plan that helped rebuild Europe following the devastation of World War II. Acheson, a graduate of Yale and Harvard Law School, spoke at Delta State University, a public school in the Mississippi Delta with its roots as an agricultural school, because he understood that US reconstruction aid to Europe was neither an abstract idea or an academic exercise, nor solely the interest of political leaders and intellectual elites, but had practical and pressing implications for ordinary American farmers and workers. He told the audience:

“Your Congress has authorized and your Government is carrying out a policy of relief and reconstruction today chiefly as a matter of national self-interest. For it is generally agreed that until the various countries of the world get on their feet and become self-supporting there can be no political or economic stability in the world and no lasting peace or prosperity for any of us. Without outside aid, the process of recovery in many countries would take so long as to give rise to hopelessness and despair. In these conditions freedom and democracy and the independence of nations could not long survive, for hopeless and hungry people often resort to desperate measures. The war will not be over until the people of the world can again feed and clothe themselves and face the future with some degree of confidence.”

Just as Acheson recognized in 1947, today it is clear that there is not only a moral imperative to aid a democracy rebuilding from a war of aggression, but there is also a strategic imperative — and that living up to this imperative will require commitment and investment from quarters well beyond the halls of power in Washington, Brussels, Berlin, Paris, London, and elsewhere. It is not charity, but an investment in the security and prosperity of every US and European citizen and enterprise for Ukraine to succeed. That means not only support for Ukraine’s victory on the battlefield, but also for its reconstruction. This will require building a democratically and economically robust Ukraine.

There are countless rationales for the United States, Europe, and other global partners to support Ukraine’s reconstruction — not the least of which is the moral one. However, the following four reasons are clear for the international partners to invest in Ukraine’s reconstruction:
1. Whether Ukraine emerges from the war successfully or not will set a precedent for future conflicts.

2. US and Western credibility on the world stage is on the line. If Ukraine is not helped to win both the war and the peace, US and NATO deterrence will be irreparably diminished.

3. Ukraine’s success is central to the future of the European project. If Ukraine’s territorial integrity and economic recovery are not ensured, the EU will face a fundamentally unstable country of more than 40 million people right on its doorstep.

4. Ukraine is a key player in global energy, agricultural, and other markets — all important for geopolitical priorities.

Implications for global peace and security

Ukraine’s success is Russia’s failure. Conversely, Ukraine’s failure is the failure of the collective West. A Ukraine that emerges from the war as a strong democracy and vibrant economy that is firmly integrated into the Euro-Atlantic community is antithetical to Russian leader Vladimir Putin’s goals in his act of military aggression. Therefore, if the United States, Europe, and the broader international community wishes to deter authoritarian regimes — in Moscow or elsewhere — from similar acts of aggression, a successful Ukraine with strong international backing may be the single most powerful tool for achieving this goal.

The implications of the war in Ukraine reach far beyond the borders of Ukraine to the grand contest of great-power competition. It is clear that decision-makers in Beijing and Taipei are closely watching the war in Ukraine for what it means for Taiwan. Chinese leader Xi Jinping is drawing conclusions about the West’s fortitude, unity, and effectiveness. In a telling example early on in the war, Beijing conducted a comprehensive stress test to determine how well China could withstand sanctions similar to the kind imposed by the West on Russia in response to its illegal invasion of Ukraine. A vibrant and successful Ukraine emerging from war with international backing will be a strong deterrent for similar aggressions.

The world’s bullies, however, are not the only ones watching. Smaller powers around the world will also be drawing their own conclusions about the utility of Western security guarantees, and about the wisdom of forgoing nuclear weapons. Should Ukraine flounder, states around the world will be incentivized to build up their arsenals and forge local alliances, spurring regional arms races and security dilemmas, disrupting trade, and giving rise to a world of more war and less prosperity.
Implications for US and Western credibility

For some readers, 1994 may feel like a different era. However, it was a moment of historical significance for both Ukraine and global security. Following the collapse of the Soviet Union, several of the successor states, including Ukraine, held nuclear weapons that were once part of the USSR's arsenal. Recognizing the importance of reducing the overall number of nuclear-armed states, international actors negotiated to ensure that Russia was the only country to inherit nuclear capabilities as the largest successor state. Ukraine acted as the United States, Europe, and other responsible international actors hoped, and transferred its nuclear arsenal to Moscow along the provisions established in the Budapest Memorandum on Security Assurances for Ukraine. It is rare for a country to willingly give up its nuclear weapons, in large part because it is the ultimate deterrent against a foreign invader. The reason Ukraine pursued this unlikely path is because the United States and the United Kingdom provided security assurances. While not a “security guarantee,” which would have implied the commitment of military forces, the security assurances clearly meant that
there would be a response and support if Ukraine were to face a threat. Ukrainian politicians and the public believed that, alongside security assurances, the United States and the United Kingdom also committed to laying a foundation for a more stable future. In return for their sacrifice, Ukrainians anticipated — but, until 2022, never truly received — a warm embrace from the West.

In the years since, the United States and much of Europe have repeatedly pledged their support for Ukraine and its transition to democracy. Whether it was the George W. Bush administration pledging support for pro-democratic forces following the Orange Revolution or the Obama administration’s support in the wake of the Euromaidan protests (the Maidan uprising) and Russia’s initial invasion of Donbass and illegal annexation of Crimea, support for Ukraine has long been a bipartisan goal. Prior to 2022, support for Ukraine, including sanctions against Russia, fluctuated from year to year and differed between US and European leaders, but the overall commitment of 1994 has remained. Not to follow through on it, or even to adopt a narrow reading, would undermine the credibility of the United States’ word.

US power on the world stage has always been in part due to its strong network of allies — most notably in Europe. If its commitment and ability to follow through on promises comes under question, allies and potential allies will notice. The next time it asks for support, aid, or assistance on the world stage — or simply to do the right thing for global security, such as forgoing a nuclear arsenal — whether and the degree to which the United States stood by its commitments will be deeply considered.

**Implications for the future of Europe**

While relations between Russia and Ukraine have a long and complicated history, in many ways the present war in Ukraine, started in late 2013 when Russia began its military incursions, is a culmination of its subtle hybrid warfare preparations against Ukraine since the 1990s. Ukraine and the EU were set to sign an association agreement. However, under pressure from the Kremlin, the government of then Ukrainian president Viktor Yanukovych, a close Putin ally, decided to suspend the signing of the agreement, instead opting for closer cooperation and ties with Russia. But the people of Ukraine wanted a future associated with Europe and the liberal democratic values that accompany that opportunity.

The Euromaidan protest, which grew into the Revolution of Dignity that gripped Ukraine in the winter of 2013–14 and threw Yanukovych out of power, was about the country’s future as a part of Europe, and so too was Russia’s illegal annexation of Crimea and the initial invasion of Donbass in 2014, the resulting war in the east, and the full-scale invasion of Ukraine in 2022. Putin’s strategic blunder in invading Ukraine had the unintended consequence of bringing about a revived, expanded, and newly unified NATO and breathing new life into the transatlantic alliance.
According to the United Nations High Commissioner for Refugees, there are over 6 million Ukrainian refugees recorded living beyond the borders of their home country, mostly in Europe, having left because of the war.\textsuperscript{7} This is in addition to the over 5 million internally displaced Ukrainians and 17.6 million in need of emergency humanitarian assistance.\textsuperscript{8} Many Ukrainians want to return home as soon as possible and help rebuild their country. But there needs to be opportunity and security. Lasting security and economic development in Ukraine will convince Ukrainian refugees to come back home and contribute to growing trade among European countries and overall prosperity of the EU.

The potential implications for European security and prosperity extend far beyond the issue of migration, however. A Ukraine that does not defeat Putin’s invasion will be a hotbed of instability on the EU’s doorstep, with an economy unable to recover from the destruction of the war, a government incapable of fulfilling its core functions, parts of the country occupied by a foreign power, a permanent lack of skilled labor as refugees build new lives abroad, and millions of people injured and psychologically traumatized after years of war.

**Implications for the global economy**

In addition to the moral and strategic interests of a Ukrainian victory, there are wider economic and humanitarian interests in Ukraine’s successful reconstruction. Ukraine is among the world’s top agricultural exporters. Prior to Russia’s invasion, Ukraine was the third-largest exporter of barley making up 18% of global exports, the fourth-largest exporter of corn (maize) with 16% of global exports, and the fifth-largest exporter of wheat with 12% of global exports, according to the EU.\textsuperscript{9} The top recipients of Ukrainian cereals include many countries with fragile governance and of global strategic significance, including Egypt, Tunisia, Morocco, Bangladesh, Indonesia, and the Philippines.

Ukraine also accounts for more than half of the world’s exports of sunflower oil, a major food source and the preferred oil in most of Europe, Mexico, and several South American countries. In fact, Russia’s invasion of Ukraine and the disruption it caused was a major contributor to the shortage of baby formula in the United States in 2022 because sunflower oil is an important ingredient for the formula.\textsuperscript{10}

Russia’s invasion initially led to a drop in Ukraine’s exports and a global food security crisis. While much of the negative impact has been alleviated through EU measures and the on-and-off United Nations-negotiated deal for grain export, the initial disruption demonstrates just how important the “Ukrainian breadbasket” is to the world.

Ukraine also has abundant natural resources with the second-largest (after Norway) known gas reserves in Europe, which are mostly untapped. It also has an abundant supply of coal, iron ore, manganese, uranium, and more.\textsuperscript{11}
The Scale of the Task

The economic analysis conducted by the Kyiv School of Economics and presented in this paper suggests that the direct damage to Ukraine’s economic, social, and human infrastructure caused by Russia’s war amounted to some $154.9 bn as of September 2023. The costs of recovery, however, are considerably higher, estimated to approaching $500 bn—more than double Ukraine’s gross domestic product (GDP) before the start of Russia’s full-scale invasion on February 24, 2022. Even that figure, however, grossly underestimates the scale of the task at hand.

Genuine Ukrainian recovery — recovery that would achieve the strategic objectives outlined above — is about much more than simply rebuilding what Russia has destroyed. To restore Ukraine to its place in the global economy, to produce lasting stability, and to ensure that Ukraine itself contributes and benefits from the European project, recovery efforts will need to focus on four interwoven tasks:

1. Maximizing wartime resilience in the face of continued Russian aggression
2. Investing in the economy and infrastructure of Ukraine’s future, rather than its past
3. Preparing Ukraine for rapid and mutually beneficial integration into the EU
4. Hardening Ukraine’s state, economy, and infrastructure, and deterring future Russian attack
Maximizing wartime resilience

Delaying Ukraine’s recovery and reconstruction until after the fighting stops is a mistake. Indeed, Western governments have already invested tens of billions of dollars in repairing and replacing damaged infrastructure and equipment, allowing Ukraine to keep the lights and heat on, schools and hospitals operating, goods and people flowing, and the state itself functioning. Without these efforts to rebuild even in the midst of war, it is not at all clear that recovery would ever become an option.

Investing in Ukraine now, however, also helps reduce the eventual cost of reconstruction and recovery down the road. It does so in part by limiting the damage caused by the war to the country’s physical capital, thus reducing the scale of the reconstruction task when the war ends and increasing the resources that will be available in the country for the larger-scale postwar recovery agenda. Equally importantly, meanwhile, investing in Ukraine now makes it easier for Ukrainians to remain in Ukraine, reducing the outflow of refugees and ensuring that the country’s human capital also remains intact. When the war ends, access to that skilled and motivated workforce will be of critical importance.

Thus far, governments have led the way on wartime resilience along three key vectors. First, direct financial support — including some $500 m in donated equipment — has kept power plants and transmission networks online, and provided generating capacity to critical facilities across Ukraine. Similar efforts have helped keep goods moving in and out of the country, while direct budgetary support has allowed government at all levels to keep providing public services. Second, the EU, in particular, has provided tens of billions of euros worth of indirect support, including the connection of Ukraine to Europe’s electricity grid in the early days of the full-scale invasion, and the opening of access to the Common Market for Ukrainian agricultural and other exports. And third, a significant portion of the military support provided to Ukraine has gone to defending civilian populations, enterprises, and infrastructure, including air-defense systems and demining equipment.

Looking ahead, even as these efforts continue, more emphasis will need to be placed on mobilizing private sector involvement. To date, only a small number of Western companies — most notably Bayer and ArcelorMittal — have been willing to invest in the midst of the fighting. Increased private investment will require more concerted support by Western governments on insurance, as well as increased awareness among potential investors of the limited risks involved in infrastructure, logistics, and equipment investments in areas farther from the front lines.
Rebuilding for strength

Postwar Ukraine will be different. The country’s citizens, entrepreneurs, and business leaders are aiming to build a more digitized, greener, and globally integrated economy, focused on producing higher-value-added goods and services, and generating greater social mobility. Postwar reconstruction provides an opportunity to channel investment into the facilities, industries, and reforms that will underpin Ukraine’s ambitions.

The war is also likely to have a lasting impact on Ukraine’s human and economic geography. Citizens and communities will face difficult and often emotionally laden decisions about what to rebuild and where, and not every town and village that was destroyed by Russia’s invasion may reemerge in the same size and shape. Some population movements — whether from east to west, or from rural to urban areas — may turn out to be lasting shifts. Making sure that every Ukrainian has a home, a school, a hospital, and a workplace will have to respond to the decisions Ukrainians make about where they want to live and do business.

Finally, Ukraine’s shifting trading patterns are also likely to be a permanent feature of the country’s future. Export routes, which have historically moved goods from the north to the south, to be exported via the Black Sea, will need to be augmented (because Russia has systematically infringed upon maritime freedom of navigation) — if not outright replaced — by routes running from east to west, moving goods into the EU, for example. Import infrastructure will need to undergo a similar transition. While stopgap and makeshift solutions have already been found, they will need to be made more durable and efficient for the future.

Through systems like DREAM — the Digital Restoration Ecosystem for Accountable Management, which allows local communities and civil society groups to participate in and monitor agenda-setting for reconstruction — Ukraine is already designing this new future. Conversations on reconstruction in the West, however, remain dominated by an accounting of what has been destroyed. It is imperative that Western thinking about the scale and scope of reconstruction begin to be driven by an accounting of what Ukraine will need to thrive in the future.

Preparing for European integration

Chief among Ukraine’s ambitions for its future is the country’s European perspective. As the European Commission opens formal accession negotiations with Kyiv, the course and content of negotiations — and the necessity of adopting European regulation — will provide a framework for governments, lenders, investors, and businesses as they determine priorities and weigh the costs and benefits of projects. Maintaining this focus will help lower the costs of adaptation and forestall
the emergence of entrenched interests opposed to various European regulatory requirements. Obstacles will inevitably emerge as concrete negotiations take place and governments comprehend the fundamental changes that Ukraine’s accession will bring to the union. Hungarian and Slovak hostility to Ukraine may remain a serious problem. But the other 25 EU member states’ clear commitment to Ukraine’s European future is notable — and as dramatic a shift compared to the pre-February 2022 world as one could have imagined.

Ukraine’s European perspective, meanwhile, must not be allowed to delay investment in the country’s near-term recovery. All parties understand that the accession process will be slow — indeed, attempting to rush Ukraine’s European integration would likely be counterproductive — but the more Ukraine prospers, the faster the process will proceed. It is thus imperative that private-sector investment in Ukraine not be predicated on the pace of accession negotiations. This will require a clear political commitment from Kyiv, Brussels, and the EU member states to accession, such that even if negotiations get bogged down, businesses can remain confident in their ultimate outcome.

Indeed, Ukraine’s European perspective is predicated on the country’s ability to maximize private investment and enterprise in the near term. This is for two reasons. First, the investment by Ukrainian, European, and US enterprises in Europe-oriented projects will help solidify cross-border political support for accession and impose political costs on those politicians who would stand in the way. Second, and perhaps more importantly, a rapid Ukrainian economic recovery will help allay fears in Europe about the drain that Ukrainian accession could impose on EU resources.

Not all of the work on European integration, however, falls to Ukraine. Absorbing Ukraine will require deep reforms to the EU’s decision-making mechanisms, as well as to the Common Agricultural Policy and other funding mechanisms. A failure to address these issues to the satisfaction of member states will stymie Ukraine’s accession process even if Ukraine itself fulfills all of its requirements. Resolving the EU’s own enlargement bottlenecks, then, is an inextricable part of the Ukrainian recovery and reconstruction agenda.

**Deterring future Russian attack**

Long-term security is both the key condition of Ukrainian recovery, and the key outcome. As will be discussed further in this paper, durable progress toward all of the objectives outlined here will be possible only when the war is won and Ukraine can function as a fully sovereign state, society, and economy. That will require both near-term military support to push Russian troops out of Ukrainian territory, and genuinely reliable long-term security commitments — likely involving or equivalent to membership in NATO. But Ukraine will only be truly sovereign and secure if it has
the wherewithal to deter and resist conventional and hybrid Russian aggression, and that requires hardening the country’s political, economic, and social institutions.

As the war has demonstrated, much has already been done. The resilience of the Ukrainian state, society, and economy has been both a remarkable success story and perhaps the central variable determining the country’s ability to repel Russia’s invasion. Nonetheless, poverty, economic fragility, gaps in corporate and judicial governance, and residual corruption contributed to Ukraine’s vulnerability prior to the full-scale invasion and will need to be overcome if Ukrainians are to enjoy a more secure and prosperous future.

Reconstruction and recovery, then, must also include efforts to redevelop and sustain a defense-industrial base adequate to the task of deterring Russia militarily, an economy sufficient to fund a robust state and military, and practices of political, judicial, and corporate governance that are impervious to attempts at malign influence, whether of domestic or foreign origin. Of equal importance will be a focus on the democratic franchise and transitional justice, ensuring that Ukrainians of all backgrounds and political orientations have a stake in the future of the country, and that their voices are heard in all of the difficult decisions that will need to be made in the coming months, years, and decades.
Economic & Financial Challenges

In this chapter, we outline the magnitude of the economic recovery challenge by estimating damages, losses, and needs. Our findings are part of an ongoing effort — undertaken jointly by the World Bank, the Government of Ukraine, the European Commission, and the United Nations, and supported by other partners — to take stock of Ukraine’s damages and losses from Russia’s invasion and to assess the scale of economic and social needs for Ukraine’s survival during the war and its prosperity afterward. This work has resulted in the publication of three Rapid Damage and Needs Assessments (RDNA) by the World Bank in August 2022, March 2023, and February 2024, as well as several publications by KSE Institute’s Russia Will Pay / damaged.in.ua project.

The assessment of damages, losses, and needs follows a globally established and recognized methodology jointly developed by the project partners, which has been applied frequently in post-disaster and war contexts to inform recovery and reconstruction planning. We recognize the serious constraints surrounding these assessments due to the ongoing military conflict and occupation of parts of Ukrainian territory. As field verification was not possible in some cases, additional resources such as satellite imagery and drone footage were employed to gather information about areas currently inaccessible.

Damages to Ukraine as a result of Russia’s war go far beyond the physical infrastructure assessed in this chapter. We recognize that the large number of international refugees and internally displaced persons (IDPs) represents a major challenge for the country’s economic recovery. In addition to massive labor market distortions, which impact Ukraine’s capacity to absorb investment, we must not underestimate the challenge of reintegrating hundreds of thousands of soldiers as well as the psychological toll that almost two years of war have taken on the entire population. While critical for Ukraine’s recovery, these issues are somewhat beyond the scope of this analysis. However, as more data emerges, we plan to address such aspects in our future work.

Assessing Damages and Needs

We assess that, as of January 2024, total damages due to Russia’s war of aggression stood at $154.9 bn (see Figure 2.1). This figure includes the direct cost of destroyed or damaged physical assets and infrastructure. With Russia’s retreat from large swaths of Ukrainian territory — in the north of the country as well as the Kharkiv and Kherson regions — and geographical shifts of the front line becoming less dynamic despite heavy fighting, damages are leveling off somewhat, especially compared to the early months of the war. Losses — changes in economic flows due to the war —
were estimated at $499.6 bn as of February 2024. Finally, the value associated with the restoration of the damaged infrastructure over the next ten years under building back better principles is $486.0 bn (as of February 2024).16

Damages differ considerably between sectors of the economy, with social sectors accounting for $71.4 bn, infrastructure sectors for $54.4 bn, and productive sectors for $28.9 bn (see Figure 2.2 and Figure 2.3). Subsequently, we discuss in detail the damages to different sectors and subsectors and highlight key developments. The highest damages are identified for housing ($58.9 bn), followed by transportation infrastructure ($39.9 bn), commerce/industry ($15.7 bn), agriculture/forests ($13.2 bn), energy ($9.0 bn), and education ($6.8 bn).

We also observe significant regional differences (see Figure 2.4). Damages are highest in (partially) occupied parts of the country where the front line has been for most of the full-scale invasion: Donetsk ($37.4 bn), Kharkiv ($30.2 bn), Luhansk ($17.1 bn), Zaporizhzhia ($14.8 bn), and Kherson ($12.3 bn) regions. However, we also find significant damages in areas that have been targeted repeatedly by missile and drone strikes, such as Kyiv and the wider Kyiv region ($13.3 bn together).
The Social Sector

The social sector includes housing, education, health care, culture, sport, tourism, and social services. According to the latest assessment, total direct damages stood at $71.4 bn, indirect losses at $71.2 bn, and reconstruction needs at $161.8 bn.

Housing

As of January 2024, we estimate total damages to residential buildings at $58.9 bn — more than one-third of the total damages to the economy. The number of destroyed or damaged buildings is ~250,000, according to preliminary data from regional administrations, which accounts for 88.9 million square meters or 8.6% of Ukraine’s entire housing stock. Sixty-five thousand eight hundred residential buildings with a total area of 25.2 million square meters are considered to be destroyed (degree of destruction of more than 40%), 84,500 buildings (48.1 million square meters) to be moderately damaged (degree of destruction between 10% and 40%), and 16,900 buildings (15.6 million square meters) to be partially damaged (degree of destruction below 10%). Altogether, we estimate that 1.4 million households and 3.4 million people are affected by damaged or destroyed residential buildings.

The extent of damages varies substantially across regions, with many cities and towns facing reconstruction challenges that go far beyond the renovation or
reconstruction of individual buildings. Urban structures will require comprehensive restoration. For example, we estimate that more than 90% of buildings have been damaged or destroyed in Sievierodonetsk, while places such as Bakhmut and Maryinka have essentially no undamaged buildings. We also find the most heavily damaged housing stock in the cities of Chernihiv, Izyum, Kharkiv, Lysychansk, Mariupol, Popasna, Rubizhne, and Volnovakha, many of which have seen heavy fighting for extended periods of time. Due to ongoing hostilities, including persistent missile and drone attacks, damages continue to grow, especially in the Donetsk, Kharkiv, Kherson, Luhansk, and Zaporizhzhia regions. Russia’s destruction of the Kakhovka dam in June 2023 exposed an additional 36,000 residential buildings with a total area of 4.8 million square meters to significant flooding risk.

In addition to direct damages, indirect losses are estimated at $17.4 bn, which include additional rental costs and dismantling and waste-removal costs, and reconstruction needs at $80.3 bn.

**Education**

Direct damages in the education sector amount to **$6.8 bn** as of January 2024. We estimate that close to 380 educational facilities have been destroyed and around 3,429 damaged, including preschool (kindergartens), secondary (schools), out-of-school, pre-university (colleges, technical schools), higher (institutes, universities, academies), and specialized educational institutions. Among these facilities, schools (~1,888) and kindergartens (~1,285) are most prominent. Damages go beyond the areas of direct hostilities; educational facilities have been affected in 21 Ukrainian regions, with Donetsk, Kharkiv, Kherson, Mykolaiv, Dnipro, and Zaporizhzhia accounting for the largest damages.

In addition to damaged or destroyed structures, Russia’s full-scale invasion has led to the suspension of educational services in many places, the departure of many recipients of such services, as well as the redirection of budgetary resources to areas such as defense, disaster relief, and social protection. Thus, indirect losses stand at $6.9 bn. Reconstruction needs amount to $13.9 bn.

**Health care**

As of January 2024, direct damages to the health care sector amount to **$3.1 bn**. This accounts for 1.9% of Ukraine’s total damages. At least 1,284 health care facilities have been damaged or destroyed since the start of the full-scale invasion, including 426 hospitals and 358 clinics/dispensaries. Damages in the health care sector are heavily concentrated in three regions — Mykolaiv, Donetsk and Chernihiv — which make up more than half of the total.

The suspension of activities, reduction of operational income, and departure of some recipients of health care services from Ukraine have caused indirect losses of $17.8 bn. Reconstruction needs are estimated at $14.2 bn.
Other

Beyond these key segments, we estimate additional damages of $2.6 bn to other social sectors. Additional indirect losses are $29.1 bn and reconstruction needs $53.4 bn.

The devastation caused to social services infrastructure accounts for $200 m and largely consists of damaged or destroyed social centers and similar facilities. These are largely located in Kyiv as well as the eastern and southern regions of Ukraine that are close to the front lines or are/were under occupation. In this sector, indirect losses are significantly larger than direct damages — $9.5 bn — and reconstruction needs amount to $44.5 bn. The driver is the number of additional people requiring some type of social assistance. For instance, in 2022, payments were made to 32,900 people disabled as a result of the war, 33,500 people discharged from the military due to injuries, and 21,900 families that lost a breadwinner in the war. In addition, one-third of the 3.3 million to 5 million IDPs required housing assistance, for which $1.7 bn was allocated in 2022. Due to the high intensity of hostilities and persistent missile/drone attacks, 12.5 million people in at least six regions are estimated to have lost access to social services, while 13 million people in seven regions have had their access seriously impaired.

Direct damages to the culture, religion, and tourism sectors total $2.4 bn. As of September, we count 1,804 cultural facilities (including 83 museums), 348 religious buildings, 343 sporting facilities (including eight stadiums), and 164 touristic structures (including 157 hotels and restaurants) that have been damaged or destroyed. Damages are concentrated in 14 regions: Chernihiv, Dnipro, Donetsk, Kharkiv, Kherson, Kyiv (city and region), Luhansk, Lviv, Mykolaiv, Odessa, Sumy, Zaporizhzhia, and Zhytomyr. In addition, indirect losses due to the war amount to $19.6 bn and reconstruction needs to $8.9 bn.

Infrastructure

The infrastructure sector includes roads, railroads, airports, waterways, energy, utilities, and digital systems. According to the latest assessment, total direct damages stood at $54.4 bn, indirect losses at $115.7 bn, and reconstruction needs at $148.0 bn.

Transportation

As a result of Russia’s war of aggression, direct damages in the transport infrastructure sector have reached $39.9 bn. In our assessment, this includes damages of $27 bn to roads, $4.3 bn to railroads, $2 bn to airports, and $0.85 bn to ports and waterways. More than 25,400 kilometers of roads and 344 bridges at the state, local, and municipal levels were damaged or destroyed. In the railroad sector,
Resilience, Reconstruction, Recovery: The Path Ahead for Ukraine

Figure 2.3: Summary of Damages, Losses, and Needs

- **Damages** - Direct costs of destroyed or damaged physical assets and infrastructure; valued in monetary terms with costs estimated based on replacing or repairing physical assets and infrastructure, considering the replacement price prevailing before the war.
- **Losses** - Changes in economic flows resulting from the war; valued in monetary terms, for example, increased operating costs, revenue losses etc.
- **Needs** - Value associated with the resumption of pre-war normality through activities such as repair and restoration, including a premium linked to building back better principles (e.g., improved energy efficiency, modernization efforts, and sustainability standards), as well as factors such as global inflation, surge pricing due to volume of construction, higher insurance, etc. Needs do not equal the sum of damages and losses.

*Latest assessment as of January 2024 by KSE Institute’s Russia Will Pay project. **Latest assessment as of February 2024 by World Bank (RDNA2); needs do not equal the sum of damages and losses.

damages extend to more than 507 kilometers of tracks and 126 stations and yards, while more than 700 kilometers of railroad lines are located in currently occupied territories. We also estimate that a total 4,000 to 5,500 structures owned by state-owned railroad Ukrzaliznytsia have been damaged or destroyed. In addition, all movable property, including locomotives and railcars, in occupied territories should be considered as lost. Civil aviation in Ukraine ended with the start of the full-scale invasion. Since then, 19 out of 35 airfields have been damaged, including 12 civilian and 7 dual-purpose ones; damages also extend to air navigation facilities. We assess that at least four Ukrainian ports have been damaged or destroyed with recent Russian missile and drone attacks focusing increasingly on such facilities. Finally, the war has caused damages of $3.1 bn to vehicles, including $1.9 bn related to 212,000 private passenger vehicles, $300 m due to the destruction of the Mriya transport plane, and $90 m in more than 1,600 lost fire-fighting vehicles. The remainder is largely accounted for by public transportation vehicles: trams, buses, etc.

Indirect losses are also significant and reached $40.7 bn, largely due to lost business opportunities and reduced operational incomes (of Ukrzaliznytsia as well as airlines). Indirect losses from damaged or destroyed vehicles are estimated at $300 m, and total transportation-related recovery needs amount to $73.7 bn.

**Energy**

Direct damages to Ukraine’s energy infrastructure are estimated at $9.0 bn. Russia’s continued attacks on electricity production, transmission, and distribution alone have caused damages of $7.4 bn. Direct damages to Ukraine’s energy infrastructure are estimated at $8.9 bn.

**Utilities**

Direct damages to utilities amount to $4.5 bn and include district heating infrastructure, water supply, sewage, and waste management. Since the outbreak of full-scale invasion, we counted 25 damaged or destroyed CHPPs, 183 district heating stations, and 355 kilometers of heating networks. In addition, more than 1,947 kilometers of water supply networks and 25 water treatment plants have been damaged or destroyed, as well as 182 water pumping stations and 159 wells. As a result, residents in some areas are lacking adequate access to drinking water. Damages also affect 31 kilometers of sewage systems, 183 sewage pumping stations, 51 sewage treatment plants, 33 landfills, and five waste-sorting facilities. Aside from direct damages, indirect losses in the utilities sector amount to $11.6 bn. Reconstruction needs are calculated at $11.1 bn.
We assess that damages to digital infrastructure have reached $500 m. At least 726 operators of electronic communications with fixed access to the Internet have been affected by the war. In the aftermath of the de-occupation of territories, network destruction levels have often been found to be close to 100%. Indirect losses currently stand at $2.6 bn with reduced access to communications services as the driving force. As of May 2023, the average quality of data transmission via fixed-line Internet had declined by 13% and via mobile Internet by 26%. As more than 3,534 mobile operator base stations are out of service, 12.2% of settlements are estimated to have no access to mobile communications and 3.1% reduced access. According to the RDNA3, reconstruction will cost $4.7 bn.

Municipal Services

Municipal services also belong to the infrastructure sector. Here, we estimate that direct damages, as of January 2024, amount to $500 m due to the destruction of...
administrative buildings. In addition, indirect losses are appraised at $6.8 bn and reconstruction needs at $11.4 bn.

**Productive Sector**

The productive sector includes commerce and industry, agriculture, and finance. According to the latest assessment, total direct damages stood at $28.9 bn, indirect losses at $249.4 bn, and reconstruction needs at $136.6 bn.

**Commerce and industry**

Damages related to enterprises’ assets are estimated at $13.1 bn, which includes the loss of fixed assets, capital investments in progress, and inventories of finished goods as well as intermediate materials. This category is the third-largest and accounts for almost 8% of total damages to the Ukrainian economy. At least 426 large and medium-sized private enterprises, many state-owned companies, and tens of thousands of small private businesses have been damaged or destroyed since the start of the full-scale invasion. The metallurgy sector has been the most affected, with the two largest enterprises — Azovstal and MMK in Mariupol — fully destroyed. In addition to the Donetsk region, the heaviest damages are found in Kharkiv, Kyiv, and Luhansk. Retailers sustained additional damages of $2.6 bn. According to an online survey of top managers, at least 2,900 retail outlets of individual entrepreneurs are significantly affected, resulting in damages of $2.2 bn, while nine destroyed and 22 damaged shopping centers account for $378 m.

Not surprisingly, commerce and industry experience a particularly high ratio of losses to damages due to business activities and revenues that could not be realized. Indirect losses to commerce and industry are estimated at $173.251.5 bn. Together, this is more than one-third of all indirect losses. Reconstruction needs are also significant—at $67.5 bn.

**Agriculture**

As of January 2024, the amount of direct damages incurred by the Ukrainian agricultural sector (including forestry) amounted to $13.2 bn. This includes losses of agricultural machinery ($4.7 bn), elevators, and other facilities for grain storage ($1.3 bn), reclamation systems, as well as losses to livestock farming from animal deaths and slaughter due to the inability to keep animals. In addition, damages to forests amount to $4.5 bn. Direct damages are exceeded by far by indirect losses of $70.5 bn. Reduced crop production plays the biggest role, followed by losses
incurred by producers due to the disruption of exports, lower livestock production, negative effects from higher production costs, and losses due to the need for reclamation. Reconstruction needs in agriculture/forestry amount to $66.8 bn.

**Finance**

**Direct losses to the financial sector, including real estate, amounted to $44 m.** Banks were the most affected — directly and through problems with the business of their clients. Since the beginning of the full-scale invasion, banks have closed about 1,500 branches, or 20% of the total number (according to NBU, as of June 2023). In regions where active hostilities are taking place, the share is around two-thirds. The indirect costs/losses incurred are much higher, however, at $5.7 bn. The most important factor is credit risk. Reconstruction needs in the financial sector amount to $2.3 bn.

**Environment**

Damages to the environment are extremely difficult to assess and extend beyond the scope of this analysis. However, some general observations may illustrate the magnitude of the challenge. As of September 2023, hostilities have caused 2,049
cases of disruption and damage to at least 1,093 enterprises and critical infrastructure facilities that could have led to environmental pollution. At least 188,000 square kilometers of soil are at risk of contamination. The future use of the affected land will be further complicated by the need for reclamation, demining, and disposal of unexploded ordnance. In total, 46,000 square kilometers (or 43%) of the Nature Reserve Fund and Emerald Network — two networks of parks and protected areas — are at risk of damage and pollution. One-third (393) of Natural Reserve Fund and Emerald Network sites are located in the combat zone, 257 are located up to 5 kilometers from the front line, and 347 are under occupation. The war has also led to substantial forest and grass fires, which, together with the burning of oil and oil products, caused significant air pollution by releasing 1.24 million tons of pollutants.

One of the biggest challenges for reconstruction is the extensive mining of Ukraine’s territory. We estimate that Russia’s invasion has left around 30% of the land contaminated with explosive ordnance, posing a significant threat to both lives and economic activity. Among the most affected are small-scale agricultural producers, constituting 65% of the sector and contributing 10% of cereal and leguminous crop production. With approximately 9% of their farmland contaminated, the estimated cost of demining for over 22,000 small producers could reach $250 m. Recovery needs regarding demining are assessed to be around $34.6 bn in total and have been identified by the Ukrainian government as a key priority.
Assessing Available Resources

While Russia’s war on Ukraine is still ongoing — and a true end of hostilities may not materialize for years to come — recovery planning must start now. This is critical in order to strengthen Ukraine’s resilience during the war, initiate robust and durable post-conflict reconstruction, and ensure successful integration into the EU. Furthermore, the country’s budget requires foreign assistance to the tune of $40 bn per year just to maintain core government functions. In the interest of political stability on the European continent, there is no time to waste.

Formal international discussions of Ukrainian recovery and reconstruction have, to date, largely avoided making public pronouncements about the volume and sources of money available, focusing instead on efforts to assess the damage, prioritize projects, and address immediate needs. As a result, with the cost of reconstruction estimated to be at least $486 bn (according to the RDNA3), but potentially reaching up to $1 trillion, the volume of money currently committed to Ukraine’s recovery falls well short of the sum that will be needed.

While there is as yet no compendium of global commitments to Ukraine’s long-term recovery, a rough estimate suggests that Western governments, intergovernmental organizations, and the international financial institutions have thus far committed some $76 bn. Adding the Russian Central Bank reserves currently frozen in Western accounts brings the total currently available funding to $376.1 bn — but questions remain about how much, if any, of that money will find its way to Ukraine. (See Figure 2.5).

While the numbers seem large, some historical perspective can be useful. After the end of World War II, with the Cold War looming, the United States committed $13.3 bn to the Marshall Plan, which was disbursed over a period of roughly three years (April 1948 to June 1952) — this was equivalent to 1.6% of US GDP per year at the time. Assuming a maximalist price tag for Ukrainian reconstruction of $1 trillion, that would come to less than 2% of the combined GDP of the United States, the EU, and the other members of the Group of Seven (Canada, Japan, and the United Kingdom) in a single year. The amount currently committed, by contrast, comes only to 0.15% of combined GDP. Since Ukraine’s reconstruction is a multiyear project and disbursement will occur over an extended period of time, the actual financial burden per year would be even smaller.

Governments and intergovernmental organizations

While Western governments have been politically committed to Ukraine’s reconstruction and recovery since well before the full-scale invasion — the first formal Ukraine Recovery Conference (URC) was held in London in 2017
— material commitments to postwar reconstruction and recovery have lagged behind contributions to Ukraine’s wartime resilience. Nonmilitary assistance to Ukraine through July 2023 has totaled some $132.5 bn, supplemented by $17.4 bn in humanitarian assistance. Of this, the EU has led the way, with the European Commission and European Council allocating $82 bn, followed by the United States ($29.2 bn), the United Kingdom ($7.7 bn), and Japan ($6.9 bn). The Multi-Agency Donor Coordination Platform for Ukraine (MDCP), co-chaired by the European Commission and the government of Ukraine, is committed to raising a further $14 bn for immediate needs in the “energy, humanitarian, demining, housing and critical and social infrastructure” sectors.

While this support may help lower the cost of postwar reconstruction, it is not, in itself, a long-term commitment. While the MDCP acknowledges the task of beginning to coordinate government-level contributions to Ukraine’s longer-term recovery, it has yet to publish its own estimates of either the scale of the task or the level of resources it expects to muster. Among those long-term commitments that have begun to crystallize, the EU leads the way. Thus, following the 2023 London URC, the EU announced a $53.3 bn Ukraine Facility for 2024–27, of which $18.1 bn would come in the form of grants, and the remainder as low-interest loans. In addition, the EU unveiled cooperative agreements with the European Investment
Bank (EIB), the European Bank for Reconstruction and Development (EBRD), and the International Finance Corporation (IFC) to provide $852.2 m in instruments to incentivize and insure private-sector investment.  

The United Kingdom, as host of the most recent URC in June 2023, has announced $293.7 m in direct financial commitments to Ukrainian reconstruction, and a further $3 bn in loan guarantees, designed to unlock private-sector investment. The United States, by contrast, has been reluctant to announce large-scale, longer-term funding commitments beyond a $1.3 bn project focusing on rebuilding and modernizing Ukraine’s electricity grid, logistics infrastructure, and border systems, and a $230 m US Agency for International Development (USAID) project to spur private-sector development. However, the appointment of former Commerce Secretary Penny Pritzker as US President Joe Biden’s special representative for Ukraine’s economic recovery — and the United States’ high-level delegate to the MDCP — is widely seen as a signal of further commitments to come. Finally, the United Nations’ Ukraine Community Recovery Fund is committed to mobilizing $300 m to restore housing and critical infrastructure, and to support business recovery.

**International financial institutions**

In addition to direct governmental support, the international financial institutions (IFIs) — chiefly the World Bank, the International Monetary Fund (IMF), the EIB, and the EBRD — have been empowered by their shareholders to develop their own facilities to invest in Ukraine’s recovery and reconstruction.

Among the IFIs, the largest source of support for Ukraine by far comes from the IMF, which has committed $115 bn to the country’s financial and budgetary stabilization. Within this, a $15.5 bn Extended Fund Facility is specifically targeted to support for recovery through 2027. The World Bank’s primary platform for supporting Ukrainian recovery and reconstruction — the Ukraine Relief, Recovery, Reconstruction and Reform Trust Fund (URTF) — has launched projects focusing on logistics, energy, health, housing, and agriculture, with a total price tag of $2.9 billion; of that sum, $1.3 billion, or about 45%, has been secured and committed.

The EBRD has committed to investments of $3.2 billion in Ukraine through the end of 2023 — primarily focusing on short-term liquidity to the country’s energy and transportation sectors — but has yet to announce a concerted approach to longer-term reconstruction, beyond the cooperative agreements with the EU mentioned earlier. And the EIB — backed primarily by the European Commission — has announced some $894.8 million in investment programs, concentrating on housing and social infrastructure, water and sanitation, transportation, digital infrastructure, and energy efficiency.
Private sector

The URC’s Ukraine Business Compact — involving a declared readiness to invest in Ukraine’s postwar reconstruction — has been signed by some 600 enterprises from 42 countries, with a combined market capitalization of more than $5.2 trillion. Nonetheless, relatively few companies have been willing to invest significant amounts of money in Ukraine while the fighting continues. Notable exceptions include:

- ArcelorMittal, which committed $400 million to its facilities in Kryvyi Rih through 2024
- Onur Group, which committed to a $50 million investment in graphite mining in Khmelnytskyi oblast and a further $150 million in renewable energy in Zakarpattia
- Bayer, which has committed some $101 million to agricultural projects in Zhytomyr and elsewhere
- Kingspan Group, which has launched a $280 million investment in a building materials plant in Lviv oblast

Looking ahead to the immediate postwar period, German arms manufacturer Rheinmetall, which has already been servicing Ukrainian tanks at its German facilities, has announced plans to build a production facility in Ukraine worth approximately $215 million. Sweden’s BAE Systems Hägglunds has announced similar plans.

Finally, the investment banks and fund managers BlackRock and JPMorgan are working with the government of Ukraine to launch the Ukraine Development Fund, which will seek to mobilize, pool, and manage global private sector direct and portfolio investment in Ukraine’s recovery. The expected size of the fund has not yet been announced, but the Ukrainian government estimates that the investment market in its core priority areas — energy, infrastructure, agriculture, manufacturing, and IT — will total at least $50 billion. Such a pooling of funds may help to overcome individual investors’ concerns with regard to the security situation and speed up activity while the armed conflict continues. While we expect the private sector to play a critical role in financing the reconstruction of Ukraine, governments will need to provide the necessary institutional support. Attracting investors while the war drags on will also require creative solutions such as cooperation with other countries.

Russian assets and reparations

International sanctions on foreign assets of the Central Bank of Russia (CBR) were one of the most impactful early steps taken to restrict Russia’s ability to use its sizable macroeconomic buffers to manage its economy in a post-sanctions world.
Shortly after the start of the full-scale invasion, Ukraine’s allies imposed sanctions on assets held in their jurisdictions. We estimate, based on information on their pre-February 24, 2022, geographical distribution, that this step has immobilized CBR reserves of ~$30 billion.

With its tenth sanctions package, the EU significantly expanded reporting requirements with regard to such funds and subsequently identified immobilized CBR reserves of $223.7 billion in EU member countries.\textsuperscript{40} According to a statement by the Belgian government, we know that more than 85% of this total — $191 billion — is held by Brussels-based Euroclear, one of the world’s largest central securities depositories.\textsuperscript{41} In addition to CBR reserves, an approximate $66 billion in private Russian assets are estimated to be frozen or immobilized.\textsuperscript{42}

If and how to use these $376 billion to finance Ukrainian reconstruction has become a topic of much interest — and contention — concerning the logistics, legality, and broader implications of accessing these funds.\textsuperscript{43} These will be discussed in detail later in this report.

To be clear, funding for Ukraine’s reconstruction could also come from Russian reparations. However, we believe that — barring any fundamental political changes in Russia — this is unlikely to happen in the near/medium term and cannot be the basis of any recovery planning. Should Russia’s position on such issues change substantially, we also believe that use of the country’s foreign assets, including those of the CBR, would be the most realistic approach. These assets have been largely written off by the current Russian government. In addition, the broader Russian population does not have a direct stake in — or understanding of — CBR reserves, especially in alternative strategies to generate additional revenues for reparations, e.g., higher taxes. Should a new political force that condemns the war come to power in Russia, it might find it more politically expedient to compromise on the use of immobilized assets.
Ukrainian Resilience and Reform

The resilience of the Ukrainian state in the face of Russia’s invasion is remarkable — but it is neither a surprise nor an accident. In the years since the 2014 Revolution of Dignity, Ukraine has pursued a steady program of reform, including successful efforts to digitize and streamline public administration and service delivery, decentralize administrative and political authority, boost the independence and responsiveness of the judiciary, and reduce graft and corruption. The result is that the state continued to function on all levels, provide vital services and coordinate emergency response, and enjoy the trust of its citizens.

The transformative effects of reconstruction and recovery, however, will require still further reform. Much of this will be technocratic in nature, not least the demands of adopting and adapting to the EU’s full body of laws and regulations as the country pursues membership in the Common Market. Not all of Ukraine’s homework will be set by Brussels, however. Ukrainian citizens themselves will need to make decisions — and guide their elected officials accordingly — regarding the further path of public administration and decentralization, land reform, and judicial reform, all of which will shape the landscape into which Western governments and private enterprises will be investing. Ukraine will need to undertake further efforts, meanwhile, to continue changing the broader structure of its economy, including reducing the role of oligarchs and cementing gains on anti-corruption. None of this will be easy, and Ukraine has historically ranked low on Transparency International’s Corruption Perceptions Index. However, with this renewed push, described below, for reforms, all of this is achievable.

Governance and Law

Public administration and decentralization

Ukraine has initiated a broad spectrum of reforms since the Revolution of Dignity and the signing of the Association Agreement with the EU in 2014. These encompass police reform, anti-corruption measures, banking sector improvements, and land management modifications. Some of these reforms were successfully implemented before the commencement of Russia’s full-scale aggression in 2022. Furthermore, there has been significant progress in reforms pertaining to public administration and the decentralization of regional and local governance. Following Ukraine’s attainment of EU candidate status in June 2022, the nation’s reform agenda has placed particular emphasis on achieving an independent judiciary, bolstering anti-corruption efforts, pursuing legal harmonization, and enhancing trade relations.⁴⁴
Amidst the full-scale Russian invasion, there emerged an urgent need to modernize public administration, Ukrainian society, and the state as a whole. A weak and underdeveloped state is incapable of defending its sovereignty, population, and statehood in general. The modernization of public administration should be closely linked with the processes of restoration and modernization of industrial objects, ensuring energy security and the development of the military-industrial complex, the agricultural sector, and other sectors of the national economy.

The aim of modernizing public administration should be to achieve tangible shifts in the value orientations of Ukrainian society, significantly enhancing democratic and civic values for its citizens, ensuring the fair and efficient delivery of public services, and reinforcing the identity of the Ukrainian social fabric, especially during extraordinary circumstances related to war and the postwar reconstruction period. Currently, there is a profound demand from society and the business community for changes that will facilitate Ukraine’s prospect to full EU membership and the rapid and efficient implementation of European integration reforms. Ukraine has been presented with a unique opportunity to undergo a comprehensive transformation across all sectors, modernizing the country with the support of international partners.
A positive case for the reform of state administration is decentralization, which needs to be continued in the context of postwar reconstruction of the country. The primary objective of the decentralization reform is to establish an efficient local self-government and territorial organization of power to create and maintain a holistic living environment for citizens, offer high-quality and accessible public services, foster institutions of direct democracy, and harmonize the interests of the state and territorial communities.

In line with the sustainable governance concept, the quality of governance hinges on executive capacity, including strategy, an evidence-based approach, and the quality of implementation, as well as executive accountability. For reforms to be truly transformative, they must substantially enhance the quality of governance.

In terms of augmenting executive capacity, the Ukrainian government, with EU support and the participation of other donors, has undertaken significant measures.

The Ukraine Reforms Architecture (URA) is a multiyear project backed by a multi-donor account and overseen by the EBRD since 2016. Its primary objective has been to enhance the capabilities of government institutions. This endeavor facilitated the establishment of the Reforms Delivery Office within the central government, which is responsible for orchestrating the development and execution of public
administration reform. Moreover, it led to the formation of teams of change agents within ministries and central government agencies. New directorates with reform support personnel (RSP) were established within ministries, alongside reform support teams (RSTs) consisting of competitively selected consultants, integrated into ministries and some agencies. All professionals were recruited through transparent and competitive procedures, with salaries exceeding typical rates in the public sector.

The approach of embedding professionals within public administration rather than broadly improving its capacity had its limitations. Since the onset of full-scale Russian aggression in 2022, the Ukrainian government has shifted the focus of RSTs to ad hoc assignments, veering away from public administration reform. Some directorates that previously employed RSP have been closed or merged with departments dedicated to other responsibilities.

The Association4U project, initiated in 2019, aimed to strengthen the public administration’s capacity to formulate and implement essential reforms outlined in the Association Agreement and the Agreement on the Deep and Comprehensive Free Trade Area. Specific objectives included enhancing coordination and communication within public administration and improving knowledge and comprehension of EU standards. This project has been extended and remains ongoing, demonstrating improvements in coordination and capacity related to government functions closely linked to EU integration.

In terms of bolstering executive accountability, Ukraine has concentrated on introducing innovations and digital tools to enhance transparency within public administration and increase the accessibility of public services. Notable initiatives encompass the transparent public procurement tool, Prozorro, the e-governance tool and mobile app, Diia, which provides citizens with digital access to public services requiring electronic ID, and the recent DREAM project, jointly launched in 2023 by the Open Contracting Partnership and the Ministry of Infrastructure of Ukraine. DREAM envisions the integration of various registers and systems into a unified platform for Ukraine’s reconstruction, the development of analytical tools, and the infrastructure for utilizing open contracting data standards data. It also involves key stakeholders, including civil society and investigative journalists.

Ambitious e-governance and digital services projects have become the hallmark of the Ukrainian government, often in partnership with civil society. According to some experts engaged in Ukraine’s reform efforts, the country’s civil society, and even parts of its public administration, are characterized by a “start-up mindset.” The private sector and select international donors have contributed to fostering innovation within the public sector.
However, the quality of governance in Ukraine remains uneven and contingent on the institutions involved. Not all institutions have equally benefited from capacity-building projects. Local government entities in various regions may have limited policymaking capacity, which could impact their ability to implement recovery programs effectively.53

Ukrainian civil society has played a pivotal role in driving reforms, advocating for a modern and dynamic public administration, transparency, and the fight against corruption.

**Land reform**

Ukraine’s fertile soils, its agroecological conditions, and an extended vegetation cycle have traditionally positioned the agricultural sector as a pivotal component of the national economy. Ukraine holds a significant position in the context of global food security, given its contribution to international food markets upon which approximately 400 million individuals in various parts of the world depend.54 The country’s agro-industrial enterprises lead in the production and export of sunflower oil and cereals, including corn, wheat, and barley.

Even amid the ongoing conflict, the agricultural sector continues to showcase substantial results, constituting 53% of export revenues and roughly 20% of the country’s GDP in 2022.55 Additionally, agribusiness provided employment for 17% of the national workforce in 2022.

The war has had a profound impact on the operations of the agricultural sector. According to the Center for Food and Land Use Research at KSE, indirect agricultural losses due to the conflict amount to $34.25 bn, with direct losses standing at $6.6 bn.56 Based on estimates from the All-Ukrainian Agricultural Council, it will take up to five years to restore certain subsectors of the agricultural sector.57 Simultaneously, the conflict underscores the urgency for continued reforms in the country, aiming to bolster its potential, including that of the agricultural domain.

A key aspect of the further progression of the agricultural sector lies in the implementation of land reform. In the context of planning future policy in the realm of land relations, it is imperative to consider the repercussions of the military conflict on the agro-economic working conditions of farmers, agricultural holdings, family farms, and landowners. Hence, capital investments in land resources will become increasingly relevant for the sustainable recovery of the sector.

At present, the public discourse on land reform remains highly relevant. Proponents of the reform advocate for its implementation in accordance with Law 552-IX, adopted in 2020, which foresees the opening of the land market to legal entities starting from 2024.58 In contrast, opponents suggest postponing reform until Ukraine’s situation stabilizes. A matter of contention also lies in whether allowing
foreigners access to the land market postwar, amidst post-conflict reconstruction, is prudent. The direction taken in resolving these land reform issues will determine the trajectory of Ukraine’s agricultural sector development and the postwar reconstruction strategy in the near term.

In Ukraine, over the two-year existence of the land market, from July 1, 2021, to July 1, 2023, only 1% of agricultural lands that were previously under a sales moratorium were sold. Contracts for the purchase or gift of 275,157 hectares of agricultural land were concluded. In total, 85,247 contracts for the purchase or gift of agricultural land plots have already been made in the market.

In 2022–23, with its limitation that agricultural land be purchased exclusively by Ukrainian citizens and prohibition on concentrating more than 100 hectares in one hand, the land market was, and remains, in a transitional phase before opening to legal entities from January 1, 2024. Therefore, the principal phase of land relations development in Ukraine can be anticipated only in the subsequent year.

The economic consequences of opening and operating the land market in the postwar period for Ukraine will depend, in particular, on land prices and transparent and equitable market conditions, as well as the ability to attract domestic and foreign investors. However, a key precondition for its effective functioning remains the conclusion of the war.
Judicial reform

The summer of 2023 underscored that corruption within the judiciary is not a singular affliction confined to specific nations. In June, two countries occupying disparate positions on the anti-corruption spectrum — Ukraine and the United States — were shaken by controversies within the judiciary. While the recent US incidents with the Supreme Court and with US Senator Bob Mendez, were largely perceived as exceptional outliers, the Ukrainian episode spotlighted the pressing need for systemic reforms, despite decades of ongoing transformation efforts.

Notwithstanding the scandal, Ukraine has made significant strides in its battle against corruption, merits that should not be overlooked. The Council of Europe’s Group of States against Corruption (GRECO) recently delisted Ukraine, acknowledging that it has “successfully implemented or is implementing to a satisfactory degree” 15 out of 31 recommendations, with an additional nine on track for compliance. This marks a notable contrast from 2019 when GRECO confirmed only five out of the 31 recommendations had been implemented. In its latest report, GRECO lauded Ukraine’s tenacious efforts, undertaken amidst a war for national survival, as “remarkable.”

Nevertheless, the enduring overhaul of Ukraine’s judiciary has not completely eradicated the root causes of corruption. These include, among others, (a) the presence of avenues for arbitrary judicial decisions, and (b) the transformation of the judiciary into a secluded corporate guild, instead of evolving into an open societal system dedicated to upholding the rule of law. The following sections will elaborate on these facets.

Addressing the first issue necessitates a broader perspective on the national legal system’s fundamental role in ensuring legal and business environment stability and predictability. In this context, the judicial system is but one component of the larger equation. The need for a stable, lucid, and well-structured legislative framework remains paramount — a facet that transcends the judiciary’s domain. However, in addition to fulfilling its primary duty of guaranteeing predictability, a stable and lucid legislative framework minimizes the room for arbitrary judicial decisions — a critical factor facilitating corruption. With ongoing alignment of Ukrainian legislation with the EU’s acquis, improving and harmonizing Ukraine’s legislative landscape takes on heightened importance.

Another avenue to reduce the scope for arbitrary decisions by judges lies in the establishment of compulsory standardized law enforcement practices. While this mechanism exists within the judicial system, its efficacy depends on the stability of legislation. Dismissing claims that the Ukrainian legal system eschews court precedents, we can draw parallels with the trend of standardized legal interpretation.
seen in both the European Court of Justice and the European Court of Human Rights. Without the development of standardized court interpretations — akin to (quasi-)precedent practices — various courts or even distinct chambers within the same court will continue to interpret identical laws disparately. This chaotic situation undoubtedly fosters opportunities for arbitrary decisions and, consequently, corruption.

From an organizational perspective, the judiciary’s most pressing challenge lies in the influence wielded by oligarchs who, since the post-Soviet era, have instrumentalized it to safeguard their assets and sustain their business empires. The Ukrainian Supreme Court scandal, purportedly linked to bribery by Ukrainian oligarch Kostyantyn Zhevago, serves as a poignant example. Two central strategies for addressing this predicament involve bolstering self-governance among judges and subjecting the judiciary to greater scrutiny by civil society. Regrettably, the High Council of Justice, a pivotal self-governance institution, has faced operational difficulties since its formal establishment in January 2017. Its functions were only fully reactivated earlier this year. A similar situation befell the High Qualification Commission of Judges, another self-governance institution responsible for judicial body formation, judge transfers, and competence assurance.
While judges unquestionably require independence, this should exclusively pertain to the administration of justice. All other decisions should undergo review and oversight by civil society. Otherwise, the judiciary risks transmuting into a closed, insular entity characterized by unwritten internal practices. Such a transformation could lead to the exploitation of self-governance institutions as instruments of nepotism and corporate or trade practices designed to protect narrow vested interests — instead of serving the rule of law for the greater societal good. Ukraine has already displayed signs of this transformation, contributing to the 2017 relaunch of the High Council of Justice. Consequently, a palpable demand exists in Ukraine for mechanisms enabling civil society to exert the greatest possible influence over the judiciary. This primarily involves reviewing all administrative, selection, appointment, and disciplinary decisions at all levels of the judiciary, particularly at its highest echelons.

**Broader Structural Reform**

**De-oligarchization**

The so-called oligarchs (business magnates who have created monopolies or oligopolies in many sectors of the economy, primarily in the metallurgical, chemical, and energy industries) have exerted significant influence on Ukrainian politics since the late 1990s.\(^{63}\)

The ambition to limit the oligarchs' influence on political life in Ukraine, first articulated by then Ukrainian president Petro Poroshenko and his team in 2015, found expression in the law on preventing threats to national security involving the excessive influence of persons with significant economic and political weight in public life (the so-called Oligarch Act) from 2021.\(^{64}\) The law introduced the legal concept of an oligarch — a person who meets three out of four criteria: takes part in political life, has a significant influence on the media, owns companies that have a dominant position in the market, and has assets worth over $90 m. It is up to the National Security and Defense Council of Ukraine to decide who meets these criteria. Persons marked as oligarchs are to be entered in a special register, forbidden from financing parties and candidates in elections, engaging in any demonstrations with political slogans, and participating in the privatization of state-owned assets. Registered oligarchs have to submit an annual asset declaration.

The law treated the issue with head-on measures limiting the access of specific individuals to party financing, media ownership, and other areas of potential influence. This approach has been criticized by the Venice Commission of the Council of Europe for its focus on limiting the rights of individuals who have become too powerful as opposed to focusing on systemic safeguards that should prevent excessive and unfair influence of wealthy individuals on political and
economic life. As the Venice Commission aptly put it, speaking also of similar laws adopted in Moldova, “This is the great paradox of de-oligarchization laws in the form they are currently proposed: If the administration and the judiciary are strong and independent enough to support the implementation of ‘personal measures’ of the kind described, then such measures are no longer needed because the preconditions are met to deploy a much more systemic and effective strategy. If conversely the administration and judiciary are ‘captured’ by the interests that the ‘personal measures’ intend to fight, then such measures are either ineffective or ... profoundly dangerous for human rights, democracy and the rule of law." \(^{65}\)

The informal intermediate assessment by the EU’s Enlargement Commissioner in summer 2023 and the opening of accession negotiations in December 2023, indicates that the European Commission expects Ukraine to address the shortcomings of its anti-oligarch legislation sooner rather than later. \(^{66}\)

The law on de-oligarchization adopted by the Verkhovna Rada, Ukraine’s parliament, has had a direct impact on the media market. Some of the Ukrainian oligarchs either changed the status of the channels or got rid of some of their media businesses. \(^{67}\)

While this has led to a reduction in direct oligarchic influence, it does not signify its complete eradication. The intertwining of business and power could still exist in
Ukraine, manifesting through alternative channels. Political influence is orchestrated through media campaigns on social media and bloggers.

Also, it’s important to transform the national broadcast that merged all the Ukrainian channels (including commercial) into one broadcast at the beginning of Russia’s full-scale invasion.\(^{68}\) Some experts in Ukraine are convinced that it was not a fight against oligarchs, but the fight for control over mass media. And it ended with the victory of the government.\(^{69}\) While it may have seemed logical at the onset of the full-scale invasion, Ukraine’s primary objective now is to prevent the wartime and martial law restrictions from transforming into forms of political or media censorship.\(^{70}\) The EU opened accession negotiations with Ukraine in December 2023 and there are plans to launch a media market in Ukraine in the form of economically profitable projects.\(^{71}\)

**The future of anti-corruption efforts**

The reinvigoration of Ukraine’s euro-integration efforts following the Revolution of Dignity has significantly bolstered anti-corruption reform. In 2014, the Verkhovna Rada passed the Law on the Fight Against Corruption, establishing the framework for a comprehensive anti-corruption mechanism.\(^{72}\) As of 2023, this mechanism encompasses:
1. **The National Agency on Corruption Prevention (NACP)**: Founded in 2016 as a central executive body with special status, the NACP plays a pivotal role. Its functions include, among others, developing the Anti-Corruption Strategy and State Program (the current one spanning more than 1,700 measures across 15 policy areas), identifying corrupt provisions in legislation, managing the asset declaration system to monitor public servants’ activities and lifestyles, overseeing political party financing compliance, and safeguarding whistleblowers.

2. **The National Anti-Corruption Bureau of Ukraine (NABU)**: Established in 2014 at the behest of the IMF and the European Commission, NABU serves as a state law enforcement agency with special status. It is responsible for investigating high-level corruption cases and preparing them for prosecution by the Specialized Anti-Corruption Prosecutor’s Office (SAPO). Under the leadership of the inaugural director, Artem Sytnyk (2014–22), NABU prosecuted 1,082 individuals, yielding an economic impact exceeding $190 m. Under its new director, Semen Kryvonos, NABU continued its efforts, initiating 48 investigations in 2022 alone.

3. **The Specialized Anti-Corruption Prosecutor’s Office (SAPO)**: Operating as an independent unit within the General Prosecutor’s Office, SAPO oversees the compliance of laws during NABU’s pre-trial investigations and represents cases in court. As of early 2022, SAPO prosecutors had directed 368 indictments against 694 individuals for trial.

4. **The High Anti-Corruption Court (HACC)**: Established in 2019, the HACC is a specialized judicial body with nationwide jurisdiction over high-level corruption cases. Comprising 38 judges, it began its operations on September 5, 2019. The HACC’s independence is ensured through an innovative candidate selection process, which includes the Public Council of International Experts. This council, consisting of six foreigners recommended by international organizations with agreements on anti-corruption initiatives, assesses HACC candidates based on their income and asset declarations, memos from NABU, and more. As of 2023, the HACC has issued rulings in 120 cases, including 14 acquittals, with 11 rulings overturned by the HACC Appeal Chamber and three by the Supreme Court.

In addition to these entities, the anti-corruption architecture features the Asset Recovery and Management Agency (ARMA), established in 2015. ARMA’s focus is on locating, tracing, and managing assets derived from corruption and other crimes. It can either sell confiscated assets or transfer seized assets to a legal entity for a limited time, with income generated transferred to the state budget. In 2022, ARMA transferred assets amounting to $1.5 bn, with the state receiving approximately $800,000 from asset sales, some of which was invested in military bonds.
The roster of contributors to the anti-corruption endeavor extends further, encompassing the State Investigation Bureau, national police, General Prosecutor’s Office, the National Anti-corruption Policy Council at the President of Ukraine (with limited impact), parliament’s Committee on Anti-Corruption Policy, the Temporary Special Commission of the Verkhovna Rada of Ukraine on Investors’ Rights Protection, the Anti-Monopoly Committee, and others. Notably, the Security Service of Ukraine (SSU) is no longer involved in investigating economic crimes and corruption following SSU reform.89

Anti-corruption agencies, public law organizations, state companies, private companies with more than 50% state ownership, and companies participating in state tenders exceeding approximately $550,000 must establish protected anonymous channels for whistleblowers’ reports. Protective measures for whistleblowers include anonymity, safety of the reporting person and their family, free legal aid, psychological support, and a reward in some cases up to 3,000 times the minimum wage.

Digitalization plays a crucial role in anti-corruption efforts. The 2016 Law on Public Procurement ensured a large-scale shift to the new electronic procurement system, Prozorro. The 2020 amendments foresaw professionalization of procurement by switching from tender committees to authorized persons, the improvement of the appeal mechanism, the simplification of procurement procedures, and the expansion of liability for violations.

Prozorro serves as an online platform where public and utility entities announce tenders for goods, works, and services, fostering competition among businesses.90 Transparency is a hallmark, with nearly 2 million competitive bids and 150,000 competitors recorded in the Prozorro system over the past seven years. Electronic procurement ensures an automatic exchange of information with the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations, the State Register of Medical Products, the State Tax Service of Ukraine, the State Treasury Service of Ukraine, and the National Agency for the Prevention of Corruption. Amendments to Resolution No. 1275 have returned all non-weapon-related defense purchases to the Prozorro system, aligning it with World Bank recommendations to accommodate donor needs in Ukraine’s reconstruction.91

Prozorro also empowers citizens to extract value from open data related to public funds usage, enhancing accountability of public authorities.92 Citizens can also report corruption through Diia, established as a Unified State Web Portal of Electronic Services and by the Unified State Portal of Administrative Services.93 Minimizing bureaucracy, Diia adheres to the “State in a Smartphone” principle.
Government procurement-related cases may be reviewed not only in court but by the Anti-Monopoly Committee of Ukraine. Complaints may also be filed to Ukraine's Business Ombudsman Council, an entity supported by the EBRD, the Organisation for Economic Co-operation and Development, and multiple business associations, including the American Chamber of Commerce in Ukraine.

Another important aspect of anti-corruption efforts is oversight of political party finances and the expenditures of politically exposed persons. As nonprofit organizations, political parties are funded through contributions and may also receive state financing for campaigning. Parties’ finances are subject to investigation by the National Agency for the Prevention of Corruption. In accordance with the Law on the Prevention of Threats to National Security Related to the Excessive Influence of Persons of Significant Economic and Political Weight in Public Life (the Law on Oligarchs), oligarchs are banned from financing political parties or individual candidates (except contributions to their own election funds).94

Before Russia’s full-scale invasion in 2022, Ukraine ranked among the top 30 countries in the Global Open Data Index.95 Apart from state agencies and e-instruments, civic activism and investigative journalism are playing an important role in counteracting corruption. Ukraine’s ranking on Transparency International’s Corruption Perceptions Index has improved from 142 in 2014 to 116 in 2022.96

Despite these achievements, visible results in the functioning of the anti-corruption mechanism do not overshadow existing challenges. Key considerations include:

- Leadership and member selection and appointment issues faced by newly established agencies, such as the delayed appointment of NABU’s head and the prolonged absence of a head for the Anti-corruption Prosecutor’s Office. Ensuring transparent and timely compliance with procedures is crucial and should be a condition for international support agreements.

- Capacity-building initiatives and development are needed across all anti-corruption agencies. For example, increasing the number of NABU employees and establishing regional branches could enhance capacity, communication with whistleblowers, and efficiency. Technical solutions for wiretapping without SSU assistance should be pursued.

- Vigilance against attacks on anti-corruption agencies and attempts to limit their powers, including judicial reforms, is essential for success.97

- In the context of public procurement, ensuring mandatory use of Prozorro by fund-managing institutions, systemic monitoring of funds allocated for reconstruction, and transparent mechanisms for auditing international aid to recovery are vital.98

- Expanding digital instruments, like the eCase Management System for NABU and SAPO, is essential.
• Strengthening the oversight of ARMA and improving the management of seized property are critical.

• Legislative adjustments are needed to enable the use of corporate rights tied to seized Russian assets to contribute to Ukraine’s state budget.

• Continuing legislative development related to money laundering, virtual assets, and financial institution client identification is essential.\textsuperscript{99}

• Consideration should be given to increased funding for civil society and journalistic initiatives focused on corruption disclosure and public funds monitoring.

Preparing for EU accession

In 2023, a record 81\% of Ukrainians were in favor of joining the EU.\textsuperscript{100} The ambition of Ukraine’s leadership and society to become part of the EU as quickly as possible is linked to a vision of the future to inspire the nation at a time of war, but also a serious commitment since the Revolution of Dignity in 2014.

Ukraine’s actual EU accession is conditional on clearing a number of hurdles, in the following order:

1. Compliance with pre-accession recommendations formulated by the European Commission
2. Achieving political consensus in the EU about opening accession negotiations
3. Successfully completing every chapter of the accession process covering all accession criteria
4. Achieving political consensus in the EU about the next enlargement and Ukraine’s place in it

As summarized by Laure Delcour and Kataryna Wolczuk, “[I]n the current context, one challenge stands out: how to balance the geopolitical imperative of Ukraine’s membership against its readiness for membership and the EU’s merit-driven demands of applicant states against the (lingering) reluctance of many member states to Ukraine’s accession.”\textsuperscript{101}

In terms of fulfilling accession criteria, some serious challenges remain to be addressed, especially regarding the rule of law principle, in both the judiciary and the executive. The decision to apply for EU membership after Russia launched its full-scale aggression on Ukraine has meant that rather than wait until the end of war, these challenges have to be addressed before December 2023. The EU noticed that Ukraine has taken considerable steps towards meeting the criteria and as of December 14, 2023, the EU opened accession negotiations with Ukraine.\textsuperscript{102}
Crucial areas for institutional and legal improvement were named in the list of seven steps stipulated in the European Commission’s opinion for Ukraine (summer 2022) before assessing whether it is ready to start accession talks. The seven steps include (1) reform of the Constitutional Court; (2) the integrity vetting of the candidates for the High Council of Justice and the selection of candidates to establish the High Qualification Commission of Judges of Ukraine; (3) strengthening the fight against corruption at high levels, with concrete results, and completing the appointment of a new head of the Specialized Anti-Corruption Prosecutor’s Office; (4) anti-money laundering and law enforcement sector reform; (5) limiting the excessive influence of oligarchs in economic, political, and public life; (6) aligning Ukraine’s legislation with the EU audiovisual media services directive; and (7) finalizing reform of the legal framework for national minorities and adopting implementation mechanisms.\textsuperscript{103}

Significant progress has been made since these points were formulated. The EU noted that Ukraine has made substantial progress towards meeting these objectives, specifically on rule of law, judicial and administrative reform\textsuperscript{104}. However, more work needs to be done to “strengthen its anti-corruption institutions and improve its track record on investigations and convictions, including on high-level cases.”\textsuperscript{105}

This concerns especially the legal framework to address the influence of oligarchs and the legislation on national minorities. Another area where more progress is expected by the EU is on the anti-money laundering legislation and institutions.\textsuperscript{106}
In June, the Venice Commission published its assessment of the Ukrainian Law on National Minorities, finding that it still falls short of meeting 2017 recommendations on the reform of minority education.\textsuperscript{507} This point may be taken up by Ukraine’s next-door neighbors in the EU, Hungary and Romania, who take active interest in minorities speaking their language in Ukraine, so it is highly important to address this issue in time for accession talks decision. Similarly, the Venice Commission’s opinion, as noted above, seeks a more systemic and less personal approach to limiting the influence of oligarchs.\textsuperscript{508}

Overall, however, the informal opinion of the European Commission in summer 2023 indicates that Ukraine is on track to open accession negotiations, provided that the abovementioned points have been addressed, and that the political will to support Ukraine’s European perspective is maintained by EU member states.

Further stages of the accession process will involve not only a massive effort on Ukraine’s part, meeting Copenhagen criteria, developed for previous EU enlargement, and working on legal approximation, but also the process of political consensus seeking in the EU. At the moment, at least two of the more influential large member states in the EU — Germany and France — indicate that there has to be a reform of EU institutions in the near future, ideally before enlargement can happen.\textsuperscript{509} A group of member states, including Poland, the Baltics, and the Nordics, is skeptical about any reform to the founding EU Treaty. This issue is unlikely to be resolved quickly. This is the reason some experts believe the EU needs a compromise on intermediate goals of the accession process for Ukraine and other candidates, such as staged accession (gradual access to the benefits of membership) or access to the four freedoms — the free movement of goods, capital, services, and people — if a sufficient number of accession criteria are met.\textsuperscript{510} This would allow Ukraine to enjoy some of the key benefits of membership, including access to the market for goods and services, before it is fully a member of the EU. Ukraine wants and needs access to the EU single market. Accession can come in due time — the single market will give Ukraine most of what it wants and be a huge boost to investment, trade, and private sector activity more generally.
Political Challenges for the West

For Ukraine’s victory to be complete, Western support will need to extend beyond the eventual end of the fighting. Containing Russia, securing the future of the European project, and reestablishing global political and economic stability requires more than simply ejecting Russian troops from Ukrainian land and restoring Ukrainian sovereignty and territorial integrity: it requires Ukraine being made politically and economically whole as well, its losses compensated, and justice done.

The political challenges to carrying through on the promise of Ukrainian recovery and reconstruction are daunting. For Europe, the political commitment to Ukrainian accession will be meaningless if EU member states and the European Commission cannot reform the way the EU makes decisions and distributes money. On the other side of the Atlantic, partisanship and increasing pessimism threaten to undermine mid- and long-term support for investing in Ukraine’s future — a major threat, given Washington’s minimal commitments to postwar recovery thus far. And policymakers throughout the community of nations supporting Ukraine will need to reach a political consensus on whether and how to access the $320 bn in frozen Russian sovereign assets, which could account for a third to half of Ukraine’s eventual recovery costs and may, in the absence of regime change in Moscow, be the surest route to reparations.

Making EU Enlargement Real

The task for Europe

In June 2022, Ukraine achieved a significant milestone on its journey toward European integration when it was granted candidate status for EU accession. This marked a momentous step for a nation that has long aspired to become part of the EU family. Then, in December 2023, the EU leaders gave a political greenlight to open accession negotiations with Ukraine, a major political and strategic step, setting in motion a complex and challenging process. As discussions on Ukraine’s potential accession to the EU gain momentum, it is crucial to understand the perspectives and roles of key EU member states, namely Germany, France, and Poland, in shaping this historic journey.

Ukraine’s aspiration to join the EU has garnered overwhelming support from its citizens. A remarkable 81% of Ukrainians expressed their desire to join the EU, reflecting a united national stance on European integration. This determination persists despite the ongoing conflict with Russian forces, highlighting Ukraine’s unwavering commitment to its European future.

Similarly, at the European level, there is a broad consensus, in favor of Ukraine’s EU membership, though substantial questions remain on its implications as well as
doubts on the way ahead. These negotiations will address critical issues, including institutional reform, market alignment, and the adoption of EU norms and regulations (the so-called “acquis”).

While Ukraine has its own set of challenges to overcome, the EU also faces a unique set of hurdles related to Ukraine’s potential accession. The prospect of integrating a country with a population of nearly 40 million people, making it the fifth-largest EU member state by population, carries significant implications for the union’s political, economic, and social cohesion. Furthermore, Ukraine’s prewar GDP per capita is less than half that of Bulgaria’s, potentially making it the EU’s poorest member state. This reality necessitates substantial reforms within the EU itself, an ongoing debate inside the union.

The EU’s Common Agricultural Policy, distribution of Structural and Cohesion Funds, allocation of parliamentary seats, qualified majority voting, and unanimity in foreign policy decisions must all be reevaluated and potentially restructured to accommodate Ukraine’s accession. These changes are not only long overdue but also underscore the intricacy of the political, economic, and social challenges that lie ahead.

Beyond the technical and economic aspects, the political dimension of EU enlargement is equally significant. The accession process is a series of political decisions that demand a persistent vision and unwavering political will. The experience of stalled membership negotiations with Turkey since 2005, or with most Western Balkan candidate countries, serves as a cautionary tale, illustrating the potential erosion of trust between candidate countries and the EU due to protracted negotiations.

**Maintaining political will**

Ensuring that the imperative of reform does not hinder Ukraine’s membership requires strong political will. The positions of key member states, particularly Germany, France, and Poland, will play a decisive role in Ukraine’s EU candidacy and in shaping the future of the EU itself.

Germany, the linchpin in EU politics, recognizes the importance of a robust and realistic European perspective for Ukraine. German leaders acknowledge the necessity of ending the ongoing conflict with Russia before Ukraine’s accession and are cautious about expediting the process. Concerns about the potential economic, social, and political consequences of a rapid accession process, including the integration of Ukrainian workers and the fiscal burden, are on Germany’s radar.

France now shares the commitment to Ukraine’s European future – a significant departure from its traditional stance - and acknowledges its vital role in enhancing
European security. French leaders emphasize the significance of Ukraine in bolstering the EU as a defense against Russian aggression. Nonetheless, France, like other countries such as Spain, still has concerns on speedy enlargement and its impact on EU political cohesion (given experiences at various times with Hungary, Slovakia and Poland), including the impact of integration on its agricultural sector. It nevertheless aligns with Germany in prioritizing the maintenance of current solidarity structures.

Poland, with its new government, shows signs of wanting to lead the transatlantic pro-Ukraine coalition. Warsaw recognizes the benefits of having a stable neighbor on its southeastern border and remains willing to integrate Ukraine even as Germany and France debate EU reforms. However, Poland faces its own struggles and complications with Ukraine over agricultural policy and border crossings, which may hamper its ability to provide effective leadership.\textsuperscript{113}

While these three core EU member states largely support Ukraine’s European integration, it is essential to acknowledge that this consensus, though broad, is not deeply rooted. Populist and Eurosceptic parties pose threats across all three countries and, indeed, across Europe. The rise of dissatisfaction over economic issues and social safety nets could potentially shift European politics toward nationalism and isolationism.
As Ukraine continues its journey toward EU accession, the perspectives and roles of Germany, France, and Poland will be pivotal in shaping the outcome. While these countries share a commitment to Ukraine’s European future, they also have varying concerns and priorities. Balancing the need for reform with the imperative of membership requires deft diplomacy and unwavering political will.

Ukraine’s European path holds the potential to not only bring Ukraine into the EU fold but also to rejuvenate European institutions and foster greater socioeconomic cohesion. The challenges ahead are immense, but with careful reform and proactive leadership, Ukraine’s future integration into Europe could become a symbol of the EU’s enduring commitment to democracy, peace, stability, and prosperity in the broader region. European Council President Charles Michel’s declaration, “Our future is together,” serves as a testament to the shared vision of Ukraine and the EU, and it is through cooperation, determination, and resilience that this vision can be realized.

**Shoring Up US Support**

**Countering ‘Ukraine fatigue’**

History suggests that even in situations in which no US forces have engaged an enemy, political support among the US public for military assistance to a combatant tends to wane over time. However, in general, the length of time which the United States will provide unquestioning support with little public resistance can be surprisingly long. Consider how long tens of thousands of US troops have been based on the Korean Peninsula. At any given time, the United States is engaged in more than a dozen ongoing operations that the public has forgotten or has little awareness of. The unending expense of what was commonly referred to as “blood and treasure” in the 2000s, year after year in Iraq and Afghanistan, which promised to go on and on indefinitely, provoked only limited opposition. The absence of conscription, or even “boots on the ground,” generally mitigates against Vietnam War-levels of public hostility.

Support for assistance to Ukraine’s resistance to a brutal war of aggression carried out by Russia as if it was in an existential battle for survival against “Nazis” rather than old-fashioned imperial conquest has been surprisingly solid. However, there are signs after 18 months of the weakening of US (and possibly Western) will that Putin must be counting on.

In the US context, what are the signs of support unraveling and what can be done to shore it up? How do we reinforce Ukraine so that it is strong enough to survive and consolidate its democracy against inevitable Russian aggression of indeterminate length?
Signs of emerging “Ukraine fatigue” in the United States include:

- **Changing leadership**: US Sen. Mitch McConnell (R-KY) has been a supporter of Ukrainian independence since the 1990s. McConnell, Biden, and others who were present in the Senate in the period of the Soviet implosion and the establishment of the then-fledgling newly independent states have personal commitments to the survival of Ukraine because they were figuratively “present at the creation” of the post-Cold War order. This generation of US political leaders emerged during the Cold War and, therefore, possess a level of acquired experience and wariness of Russian revanchism that their younger contemporaries lack. The removal of these individuals through the ballot box or infirmity weakens the solid support for the Ukrainian war effort within the US government. Close attention should be paid to those individual leaders whose political support has been invaluable to a strong US response.
• **Politicization:** The politicization of the Ukrainian struggle for survival within US politics is obviously a negative development for Kyiv’s US friends. Like a surprising number of US foreign policy commitments, including support for assistance to Ukraine and other former Soviet republics in the 1990s, support for Ukrainian President Volodymyr Zelenskyy’s government is backed by a strong coalition of the political center. Opposition tends to come from the political extremes — the Democratic left and the Republican right wing — of which there was ample evidence in the House of Representatives in 2022–23. The degree to which these wings grow — or in this case one seems to be more vocal and public — is dangerous to the maintenance of support. As described above, most of the military engagements described earlier in this report are carried out with little public scrutiny although they are by no means secret, they are simply ignored. If leaders or thought leaders politicize the mission, it can add to the growing number of policy debates to which partisans divide US public opinion.

• **Pessimism:** Even supporters can lose heart over time. Unfortunately, Kyiv should realize that there will never be the kind of ideal unanimity of support within the US population for its cause. The United States always possessed large segments of its population, perhaps unfairly called isolationist, who passively oppose the ongoing military commitments of the United States on budgetary or moral grounds.
Countering the forces of Ukraine fatigue will require Ukraine’s US friends to go on the offensive. The recent example of Florida Gov. Ron DeSantis is instructive.\textsuperscript{116} His characterization of the war as a territorial dispute reflected Moscow’s portrayal of its invasion but not the facts as understood by people from across the political spectrum. When his political donors and supporters voiced their disapproval, he did a dramatic about-face.\textsuperscript{117} Just as political pressure is being brought against Ukraine’s defenders in US society, so too should pressure be brought to bear against opponents by those who support Ukraine and the United States’ broader global mission. The ground gained by the White House through Biden’s October 19, 2023, Oval Office address, in which he laid out the national security rationale for supporting Ukraine (as well as Israel), should be fortified through continued public and private engagement.

**Boosting support for funding**

The difficulty in convincing Americans to support nonmilitary assistance is evident in the increasing disparity between the relevant budgets at the Department of Defense and USAID. Advocates have cited the largest and most successful reconstruction assistance program in U.S. history, the Marshall Plan, for two generations whenever the need for a nonmilitary, soft-power approach to reconstruction abroad has been identified.\textsuperscript{118} The Marshall Plan amounted to $150 bn in assistance in today’s dollars.\textsuperscript{119} Over the years, the failure of any US administration to secure a program on that scale for the strategic challenge of the day, whether it was Russia in 1992 or Iraq, has demonstrated the uniqueness of the Marshall Plan in the annals of US assistance. To call for a Marshall Plan has almost become cliché, and one wonders whether the United States of the present day is even up to such a task.\textsuperscript{120}

On the other hand, the willingness of the US public to tolerate years of defense spending on Authorization for Use of Military Force-related missions with very little argument is frankly astounding. They did so because the events of September 11, 2001, convinced many Americans that threats that they might not understand or even perceive endangered their personal security on some level. The same was true at the start of the Cold War when national resources were made available from very valid fears.

To sell longer-term assistance to Ukraine to the US public, they need to appreciate that if Ukraine falls, it is only a matter of time before another, hungry revisionist power, like China, starts using a combination of force and hybrid tactics to topple or intimidate democratic governments in Taiwan, or elsewhere. Any setbacks in Ukraine may jeopardize the very system that the United States has constructed and relies upon for stability. In the long run, it may even be impossible to resist the appetites of these preying powers everywhere, but the US public should understand the price of Ukraine’s failure.
There is greater comfort among the voting public with the notion of security-related assistance than more “soft power” programs. So much so that there is, and has been with Ukraine reconstruction in particular, discussion of a division of responsibilities with Europe. This argument is based on facts, but the impossibility of the United States handling security commitments entirely without Europe and the undesirability for Americans of ceding influence over reconstruction to Brussels is equally obvious. For politicians and diplomats, it means squandering influence, losing a seat at the table, across a spectrum of non-security issues.

Redirecting Russian Assets

Policy developments

In June 2022, Canada adopted amendments to the Special Economic Measures Act to allow Canadian authorities to make an order to forfeit frozen property of foreign states and nationals upon complying with the special procedure, which includes judicial review of the forfeiture order. After a court ruling granting forfeiture, such property can be disposed of and the proceeds shall be used for: “(a) the reconstruction of a foreign state adversely affected by a grave breach of international peace and security; (b) the restoration of international peace and security; and, (c) the compensation of victims of a grave breach international peace and security, gross and systematic human rights violations or acts of significant corruption.”

In December 2022, Biden signed into law the Consolidated Appropriations Act 2023, which allows the US Attorney General to transfer any “covered forfeited property” to the Secretary of State to “provide assistance to Ukraine to remediate the harms of Russian aggression towards Ukraine.” The first example of such a transfer was the case of Russian oligarch Konstantin Malofeev who was charged with evasion of sanctions. On February 2, 2023, a US federal district judge in New York cleared the way for around $5.4 m of Malofeev’s money to be transferred to Ukraine.

The Consolidated Appropriations Act 2023 does not introduce any specific or novel grounds for seizing property. Criminal forfeiture is one of the possible penalties for sanctions violations as a matter of US law.

On June 15, 2023, a bipartisan bill was registered with US Congress titled Rebuilding Economic Prosperity and Opportunity for Ukrainians Act, which proposes to transfer blocked Russian funds for reconstruction of Ukraine. The bill provides for the following: (i) legislative branch instructs the executive to act in order to make Russian funds available for Ukraine, specifically the bill expands presidential powers under the International Emergency Economic Powers Act; (ii) the bill adopts the approach...
that the transfer of Russian sovereign assets represents countermeasures against Russia as a matter of public international law; (iii) the bill makes the transfer of funds an administrative procedure rather than a judicial process; (iv) Russian funds are first to be transferred to a national escrow account in the United States and to a multilateral international account at a later stage; (v) the transfer concerns virtually all types of state assets (except what is covered by diplomatic immunities), including CBR reserves, Russian sovereign wealth fund, and potentially assets of Russian state-owned companies; and (vi) the bill outlines that the transfer of Russian assets should become an international effort and instructs the US president to work with aligned states to implement asset transfer in other jurisdictions.

On June 21, 2023, it was reported that the European Commission had concluded that seizing blocked CBR funds would violate international and EU law. Instead, the commission announced its intent to work on a proposal to utilize windfall profits generated from immobilized funds. On February 12, 2024, the European Council adopted a decision that clarifies the obligations of Central Securities Depositories (CSD) holding assets and CBR reserves. The decision states that “CSDs holding more than €1 million of CBR’s assets must account extraordinary cash balances accumulating due to EU restrictive measures separately and must also keep corresponding revenues separate. In addition, CSDs shall be prohibited from disposing of the ensuing net profits.” This regulation sets the scene for the Council to use these funds for a potential financial contribution towards Ukraine’s recovery and reconstruction.

On July 12, 2023, the Group of Seven (G7) issued a statement maintaining the Russian sovereign assets in their respective jurisdictions will remain immobilized until Russia compensates Ukraine for the damage caused during the war. The statement, which was reiterated on December 6, 2023, is often interpreted to mean that G7 states do not intend to seize Russian assets and plan to use them as leverage to induce Russia to pay war reparations.

Legal debates

Aside from the ongoing discussion on whether certain national bodies have the authority to make a decision to confiscate Russian sovereign assets, a debate persists concerning the permissibility of such a measure under public international law. We briefly outline some arguments that can be advanced to counter this line of thinking and in support of the confiscation of Russian sovereign assets. The doctrine of sovereign immunity represents a principal challenge for transferring Russian assets, including CBR funds, to Ukraine. However, it is possible to argue that the notion of peremptory norms of international law, the doctrine of countermeasures, and United Nations General Assembly Resolution ES-11/5 can be relied on to justify such a transfer.
Freezing foreign sovereign assets is a generally accepted tool of economic sanctions. However, sanctions are intended to be a temporary measure and should be lifted once the state in question ceases specific unlawful acts. An example would be the case of the Venezuelan central bank’s funds, which were frozen in the United States and later control over the funds was given to Venezuela’s then interim president Juan Guaido.

Sovereign immunity is a well-established principle of international law, which includes immunity from jurisdiction of foreign courts and immunity from execution against state-owned property. Exceptions to the rule are limited and listed in relevant national legislation and international treaties: the UN Convention on Jurisdictional Immunities of States and Their Property (not in force) and the European Convention on State Immunity.

International conventions and national laws provide an exceptionally high level of protection for assets of central banks. Whereas other state-owned assets are covered by immunity unless they are used for commercial purposes, funds of central banks and other financial authorities are immune regardless of the purpose and usage of the funds. Specifically, the UN Immunities Convention generally applies limited immunity, whereby assets used “for other than government non-commercial purposes” are not shielded by immunity from execution. At the same time, the convention states that commercial use exception does not apply to the property of
Resilience, Reconstruction, Recovery: The Path Ahead for Ukraine

the central bank or other monetary authority of the state. As to national legislation, the UK Sovereign Immunities Act grants central banks immunity from enforcement, even against assets that are held for commercial purposes.

It can be argued that rules on sovereign Immunities should be balanced against other tenets of public international law, such as: principle of full reparation for internationally wrongful acts, peremptory norms of international law, and obligations erga omnes.

Pursuant to the Vienna Convention on the Law of Treaties, a peremptory norm of general international law “is a norm accepted and recognized by the international community of States as a whole as a norm from which no derogation is permitted and which can be modified only by a subsequent norm of general international law having the same character” (Article 53). According to the UN International Law Commission, “Peremptory norms of general international law (jus cogens) reflect and protect fundamental values of the international community. They are universally applicable and are hierarchically superior to other rules of international law.”

Further, the UN International Law Commission articulates that “peremptory norms of general international law (jus cogens) give rise to obligations owed to the international community as a whole (obligations erga omnes), in relation to which all States have a legal interest.” According to the commission, peremptory norms include the “prohibition of aggression, the prohibition of genocide, the prohibition of crimes against humanity, the basic rules of international humanitarian law, the prohibition of racial discrimination and apartheid, the prohibition of slavery, the prohibition of torture, and the right of self-determination.”

Countermeasures

While international law is quite clear on the scope of peremptory norms of international law and related erga omnes obligation, the current version of the UN International Law Commission’s Draft Articles on Responsibility of States for Internationally Wrongful Acts (ARSIWA) is not supportive of full-fledged countermeasures by third states.

ARSIWA stipulates in explicit terms countermeasures as a right of an injured state, whereas third states, entitled to invoke state responsibility, are “to take lawful measures against that State to ensure cessation of the breach and reparation in the interest of the injured State or of the beneficiaries of the obligation breached.” On the other hand, the commentary to ARSIWA recites examples of state practice where third states effectively applied countermeasures, meaning took action that strictly speaking was not in compliance with international treaties or other international law obligations toward the responsible state. However, ARSIWA commentary names the use of countermeasures by non-injured states “controversial” and “embryonic.”

63
It can be argued that Russia violated a number of peremptory norms of international law, therefore Russia is in breach of its obligations to the international community as a whole. Consequently, any state can consider itself “an injured state.” Additionally, we observe that there is sufficient state practice to argue that customary international law has evolved in the direction of recognition of third-party countermeasures since the adoption of ARSiWA. In more recent years, scholars have questioned whether third-party countermeasures have been legitimized through state practice and represent an evolutionary development of international law.\textsuperscript{145}

On November 14, 2022, the UN General Assembly adopted Resolution ES-11/5, which, in remarkably strong terms, stated “the Russian Federation must be held to account for any violations of international law in or against Ukraine, including its aggression in violation of the Charter of the United Nations... and that it must bear the legal consequences of all its internationally wrongful acts, including making reparation for the injury, including any damage, caused by such acts.”

Given that Russia vetoes UN Security Council resolutions concerning its war against Ukraine, Resolution ES-11/5 is the most important UN document at this point which explicitly articulates Russia’s obligation to pay reparations. It can be argued that willing states can refer to this resolution as one of the grounds for confiscation of Russian assets when Russia refuses to comply with international obligations.

**Securing Ukraine’s Reconstruction and Recovery**

As Russia’s long-standing aggression against Ukraine, Georgia, and Moldova has made clear, no country can thrive economically if it cannot reliably deter a belligerent neighbor. That same aggression has demonstrated a commitment to militarized domination of its former empire that is likely to outlive both the war in Ukraine and the regime of Vladimir Putin.\textsuperscript{146} The sacrifice of Ukraine’s people, and the investment made by Ukraine’s Western allies, will have been for naught if Ukraine’s reconstruction and recovery does not also involve the ability to prevent a renewed Russian attack.

From a Ukrainian perspective, NATO membership provides the strongest deterrent by bringing Ukraine under the alliance’s nuclear umbrella and extending a defense commitment from over 30 countries. But even as Kyiv pushes for membership, it cannot afford to forego security while it waits for the North Atlantic alliance to obtain the courage of its convictions. Short of NATO membership, Kyiv will need a set of international security commitments — not guarantees — that are both flexible and robust. These must involve a combination of bilateral or multilateral obligations embedding Ukraine in Europe’s collective defense in the event of an attack, and concrete steps to multiply Ukraine’s own defense capabilities. Finally, particular attention must be paid to the Black Sea, where Russia’s maritime stranglehold must permanently be broken.
The Security Challenge

The untenability of the status quo

There is a paucity of viable options when contemplating the future of Ukraine’s security. The available choices are indeed limited: maintaining the status quo, pursuing NATO membership, seeking external security guarantees, or bolstering Ukraine’s military with substantial support from abroad. Some options may blend elements from two or more of these categories.

It is evident to all that maintaining the status quo offers few, if any, advantages for Ukraine. Stagnation would perpetuate Ukraine’s vulnerability, leaving it at the mercy of Russia and exposed to further devastating attacks. As history has shown, expecting benevolence from Russia is a futile endeavor. “As long as the Kremlin behaves like a geopolitical gremlin, wreaking havoc on its surroundings instead of settling for a more modest role, regional security and stability will remain elusive,” write Robert Dalsjö, Michael Jonsson, and Johan Norberg.147

Considering the aftermath of the current conflict and the scale of Ukraine’s recovery, it would be imprudent and irresponsible not to take necessary precautions against future acts of aggression. Failing to do so could discourage both Ukrainians and their international allies from pursuing recovery efforts. After all, why invest in rebuilding if the specter of a new destructive offensive looms?
In essence, maintaining the status quo would invite further Russian aggression and destabilization down the road. The potential outcome of the ongoing war, assuming there is a clear resolution, will undeniably influence the equation. Russia’s defeat would diminish its immediate threat to Ukraine, but this is insufficient from a strategic perspective.

**Building on the Kyiv Security Compact**

The Kyiv Security Compact proposed in September 2022 by the Working Group On International Security Guarantees for Ukraine, which is co-chaired by former NATO Secretary General Anders Fogh Rasmussen and the head of Zelenskyy’s presidential administration, Andriy Yermak, introduces the concept of dividing Ukraine’s allies into those providing binding commitments to its armed forces and those offering nonmilitary aid. However, it remains unclear which nations are fully prepared and qualified for these roles.

Notably, the focus of recommendations has been on assisting Ukraine in building and maintaining a military force capable of countering future Russian threats. This minimalist approach appears more realistic than expectations of large-scale immediate intervention by guarantor states in case of future Russian aggression.
The primary impediment to the latter scenario remains the reluctance of Ukraine’s allies to engage in direct military confrontation with Russia.

In 2022, it became evident that even fervent supporters of Ukraine were hesitant to join its fight against Russia. Avoiding direct confrontation with Russia became a top priority, underpinning decisions such as rejecting calls to “close the sky” over Ukraine, abstaining from forcibly breaking the Russian blockade of Ukrainian Black Sea ports, and exhibiting restraint in supplying Ukraine with offensive weapons.

Much of this caution stems from concerns about potential Russian escalation. This fear has tempered the pace of weapons deliveries to Ukraine. While the discussion of escalation versus de-escalation is a substantial topic in itself, it must be kept in mind when considering future security guarantees for Ukraine. Even weakened by the conflict, Russia will likely remain a formidable and vengeful power with significant resources and weapons of mass destruction. Expectations of further escalation are only reasonable.

In other words, given the careful approach of Ukraine’s supporters during this conflict, it is unlikely that their behavior will change significantly in the long run. This disparity between Ukrainian expectations and the constraints on potential guarantors poses a significant challenge to security guarantees. Ukrainians hope for a more robust and assertive response from their Western allies, but there is no reason to anticipate a departure from the caution exhibited in 2022; if anything, it may become even more pronounced.

**Approaching Article 5**

Kyiv may aspire to an arrangement akin to Article 5 of the Washington Treaty, or perhaps something even more substantial. Article 5 “provides that if a NATO Ally is the victim of an armed attack, each and every other member of the Alliance will consider this act of violence as an armed attack against all members and will take the actions it deems necessary to assist the Ally attacked.”149 However, even with Article 5, there is room for allies to determine the extent of their support when an ally comes under attack. Ukrainian hopes for guarantees that include immediate and massive direct military support in the event of Russian aggression are unrealistic and potentially dangerous. For decades, many Ukrainians held expectations about the Budapest Memorandum on Security Assurances for Ukraine that were not borne out. Similar misunderstandings must be avoided in the current debate on security guarantees.

Transparency is paramount to advance the interests of both Ukraine and its allies. Ukrainian allies must clearly communicate what they are prepared to do and the limits of their commitment. Ukraine, in turn, must adopt a clear, pragmatic, and
realistic perspective regarding its expectations. This dialogue should persist without obstructing ongoing assistance and other long-term options for securing Ukraine. It should also preserve the possibility of NATO membership for Ukraine, rather than exclude it.

Time is of the essence for Ukraine to determine the feasibility of its new security guarantee system and whether it can effectively bolster its long-term security. Key questions include the formation of a coalition of countries to extend security guarantees to Ukraine and the binding nature of these agreements. These questions are still in their early stages, and it is imperative not to lose momentum in this process.

Another critical consideration is the distinction between guarantees during peacetime and those required in wartime. The line between war and peace can be ambiguous, as evidenced by the Russia-Ukraine conflict from 2014 to 2022, which was often viewed as a low-intensity conflict rather than a full-scale war. The urgency and realization of the need for strategic, not just tactical, steps distinguish the situation since February 2022. However, as this war becomes more protracted, the sense of urgency may wane.

**Designing a comprehensive solution**

For the time being, the most viable approach to securing Ukraine’s long-term future may involve a combination of approaches, sequenced over time. NATO membership for Ukraine remains the only viable long-term option, even if it is unlikely to occur in the immediate future. Ukraine continues to make progress toward meeting generalized NATO criteria, with unprecedented unity among its political elites and substantial public support. However, obstacles remain, including Russia’s potential escalation and concerns from certain member states — as well as NATO’s own failure to elaborate a clear threshold for Ukraine’s eventual accession.

In the interim, Ukraine has become NATO’s most critical partner, with member states providing extensive support in various forms. This collaboration has created a unique NATO-Ukraine formula, gradually reducing the obstacle of Ukraine’s reliance on Soviet-era military systems and enabling it to access advanced weaponry used by NATO. This trend is likely to continue, further integrating Ukraine into the alliance’s framework.

Ukraine is gradually developing its own weaponry. Even before the war, Ukraine developed the self-propelled howitzer Bohdana, which has been successfully used during the war.\(^{150}\) Ukraine’s new subsonic cruise missile with all-weather capabilities, Neptune, sunk the Russian warship Moskva, the flagship of the Russian Navy’s Black Sea Fleet.\(^{151}\) As an underdog invaded by a major world power, Ukraine
had to become agile. Its most high-profile innovations, successfully used during the war, are commercial aerial drones adjusted to military use, naval autonomous systems, satellite communication, and artificial intelligence. In addition, Ukraine has developed Delta, a new platform to provide situational awareness of enemy and friendly forces into a real-time battle command application. The app layers satellite imagery and targeting information on top of more traditional battlefield position tracking. And, finally, Ukraine employs Kropyva: developed by a Ukrainian nonprofit, this software runs on simple Android tablets and enables more effective artillery targeting.

This evolving relationship between Ukraine and NATO will intersect with forthcoming security guarantees from a coalition of countries, which will likely support Ukraine in a sustained manner. While these countries may not engage in direct combat with Russia, this new dynamic is a marked departure from the pre-2022 situation. The channels for support, both military and nonmilitary, are firmly established, and public backing for Ukraine is expected to endure.

Despite Ukraine’s resistance against the Russian invasion since February 2022, it is clear that its preparedness for such a massive conflict was insufficient. Ukraine’s level of preparedness must increase, not only within its military but across society. External support plays a crucial role, including the supply of weapons, training for military personnel, and assistance to sustain the economy and infrastructure. However, Ukrainians must also draw lessons from their experience of Russia’s invasion.

The war has forced Ukrainians to accept that aggression will likely remain a part of their reality even after this current stage concludes. This acceptance should drive increased preparedness. The military experience gained during this conflict has been invaluable, enhancing Ukraine’s ability to adapt to new weapons and battlefield scenarios creatively. The ongoing military training, coupled with the development of asymmetric responses, demonstrates Ukraine’s growing confidence and experience.

In essence, Ukraine’s security in the long term may necessitate a degree of militarization, especially given the persistent threat. Preparedness now takes precedence over other priorities, even economic development. While external assistance will continue for sectors like healthcare and education, Ukraine must allocate sufficient resources to ensure its defensive posture remains robust.

However, militarization also carries risks. Maintaining democratic principles is crucial, and abandoning them would reward the aggressor. Balancing democracy with security is a complex dilemma, as exemplified by the curtailment of political
rights in response to the 9/11 terrorist attack in the United States. Ukraine faces a similar challenge, albeit in a more fragile democratic context.

Securing Ukraine’s long-term security will require a combination of external support, cooperation with NATO, evolving security guarantees, and increased preparedness. No single option is optimal or entirely realistic on its own. The path forward may involve a dynamic mix of these elements, adapting to changing circumstances and challenges. Ukraine must determine which options best suit its circumstances, with the continued involvement of external actors remaining essential in shaping its security future.

**Embedding Ukraine in European Security**

**Security commitments, not guarantees**

The EU opened accession negotiations with Ukraine in December 2023. This is a direct result of Russia’s full-scale invasion, as well as Ukraine’s own steady efforts since 2014 on its European path. But the European Commission’s recommendation that the European Council grant Ukraine candidate status for accession to the EU also springs from an ongoing, far-reaching EU reassessment of its future that predated February 2022. Naturally, Russia’s invasion and continuing destruction of a European country has given a new urgency to this reflection. The EU’s foreign policy chief, Josep Borrell, in reference to Ukraine, noted that “the next chapter will be written together.” He added that “This has to be a serious commitment that has to be implemented, but [the EU has] to play [their] part.”

Key actors in the EU have reached the conclusion that its future can no longer be disassociated from Ukraine’s. The geopolitical-security argument has been settled and favors Ukraine’s bid, even if its path will be long and difficult.

The war and Ukraine’s accession path will be at the top of the EU’s foreign policy priorities in the next years, even if other global crises, like the war in the Middle East, attract media attention and sap political energy. A critical mass of European countries see the outcome of the Russo-Ukrainian war as existential (a term used by Borrell himself) not just for Ukraine, and perceive such World War II-type of aggression as the clearest and most present danger to European security. Moreover, European public opinion remains supportive (if not uniformly engaged) of Ukraine and of core EU policies, from sanctions and military packages to conditional accession. On the latter, as EU leaders could give the green light to start accession negotiations with Kyiv in 2024, even if the process will last for years, a debate is rapidly developing about the “absorption capacity” of the EU, institutional changes that would be warranted, financial implications, and trade-offs (also regarding the aspirations of Western Balkan countries and Moldova), etc. Though by no means a predetermined
outcome, the EU could be entering a new foundational moment akin to the one that after World War II led to the inception of the European Communities — even if consensus will be hard to achieve.

In this context, Europeans are also assessing the role of the EU in the provision of “future security commitments” to Ukraine, in accordance with Western discussions of security guarantees for Ukraine *during* and *after* the war. The goal is to buttress Kyiv’s long-term defense so that it can also deter a new Russian aggression, and effectively respond if need be. Hence, in June 2023, the European Council mandated institutions to swiftly consider modalities to contribute, with other partners, to such future security commitments.

Not that unlike NATO’s conundrum with Ukraine, the EU, as an organization, cannot provide real security guarantees to a non-member, as understood in their strictest meaning (i.e., political and/or legal covenants to provide assistance to a third country, including but not only military, in case of aggression). Hence the term security commitments, not guarantees.
The EU is no military alliance, yet neither is it just an economic bloc. It is a politico-security community that acts as a security provider for its members in the broadest sense of the term — from putting in place firewalls against global crises such as financial crashes or pandemics, to patrolling borders, protecting against hybrid threats and boosting e-resilience, or acting as a regional bloc vis-à-vis aggressive powers such as Russia and China. It can also muster military might if need be as it develops a loose defense policy largely focused on capabilities and missions. Most EU member states are also NATO allies.

The EU treaties include provisions tantamount to security guarantees for EU members — chiefly, the solidarity and mutual defence clauses (invoked by France in the aftermath of the terrorist attacks in Paris in November 2015). It is unlikely that Russia would have invaded Ukraine had it been accepted earlier in the EU, let alone NATO. Many of Russia’s actions since 2014 have been focused on destroying Ukraine’s EU path. Thus speeding up its accession, without shortcuts on fundamental conditions, may be one of the key elements for shortening the war, at least on this scale, deterring Putin and eroding his theory of victory (that the West will abandon Ukraine). There is a growing understanding that Ukraine’s membership would be the ultimate security guarantee from the EU and potentially its biggest contribution to a hypothetical future settlement of the war, in a way that aligns with Western and Ukrainian interests. Alas, Ukraine is not yet ready for membership, nor is the EU; hence the endgame is a long, bumpy way to go.

A twofold path is, therefore, emerging:

- **Track 1: Short to medium term: EU security commitments to Ukraine**

  This will essentially entail a reinforcement of the EU’s burgeoning policy of security and military assistance to Ukraine, making it more sustainable in the long term — and perhaps more ambitious too. An EU role could become more relevant given the realistic scenario of a protracted war of attrition largely contingent on production and mutual adaptation (chiefly technological) and given the realization that Europe will need to step up more decisively in light of uncertainty with the United States. Thus, the EU can undertake security commitments with Ukraine, helping build a web of interlocking Western pledges, undertakings, and covenants that altogether result in tangible security guarantees for Ukraine (not new Budapest Memoranda). Included within this broader web would be bilateral security commitments and maybe actual guarantees that individual European countries will enter with Ukraine per the G7’s Joint Declaration of Support for Ukraine, presented at NATO’s Vilnius Summit in July 2023, and that most EU member states have signed. At the time of writing, aside from the United States, the United Kingdom, France, Germany, and Netherlands have started these bilateral negotiations with Ukraine.
• **Track 2: Long term: a security guarantee through the eventual EU accession of Ukraine**

Tracks 1 and 2 are interlinked, and while the latter is contingent on a long-term outcome (accession), there are steps that can be taken now to buttress Ukraine’s European integration. Chiefly, a political green light to initiate accession negotiations would strengthen Ukraine’s EU path — and Kyiv’s wartime reform and democratization efforts — while sending a deterrent signal to Putin. Moreover, projects aimed at Ukraine’s organic integration in the EU (summarized on page 50) could work as building blocks too.

**Establishing EU-Ukraine security engagement**

Track 1 has three main pillars for the EU as such: indirect military assistance through the **European Peace Facility (EPF)**; training; and, ultimately, **EU-wide production**.

A fact often unappreciated in some US circles, the EU, a bloc of 27 countries that requires consensus for foreign policy, has stepped up in response to Russia’s historic aggression: from different sanction packages against the Russian military machine, its economy, and leaders to financial assistance for Kyiv to incentivizing sustained military equipment transfers for Ukraine’s self-defense. Instead of decreasing, this trend of support consolidated in 2023. Some numbers:

- If member states’ military contributions are included, between early 2022 and late summer 2023, Europe provided over $86 bn in assistance to Ukraine (financial, military, humanitarian, and refugee protection). By February 2024, the EU and its member states’ military contributions amounted to over $30 bn.

- In terms of pledged overall assistance, as of September 2023, Europe matched US assistance levels and, if multiyear pledges are included (European Commission and member states), nearly doubles it. This is also reflected in new multiyear pledges of military assistance from Europe as a whole (including the United Kingdom and Norway).

Early in Russia’s full-scale invasion, the EU tapped into the EPF — an intergovernmental fund — to boost indirect, but substantial, military assistance to Ukraine (mostly through reimbursement of member states’ destocking). This amounts now to some $6 bn, $2 bn of which member states agreed in spring 2023 to assign for (i) destocking of ammunition and missiles for Ukraine, and (ii) joint EU procurement of ammunition for Ukraine (the so-called EU ammunition initiative). The initial goal was to send a million ammunition shells to Ukraine by spring 2024. As of October 2023, member states had provided, under the first step of this initiative (destocking), some 30% of the estimated shells (plus over 2,000 missiles). This would still be a fraction of Ukraine’s ammunition needs (estimated in at least 1.5 million shells per year).
For reference, in addition to its own stocks and production rates, Russia may have now obtained hundreds of thousands of artillery shells from North Korea (figures which some put in the millions), deliveries that will possibly continue. The challenge is compounded by Hungarian Prime Minister Viktor Orbán’s shameful blocking of the eighth EPF tranche ($542 m).

Given these gaps and Europe’s dwindling stocks, the EU also aims to ramp up European production to better meet Kyiv’s needs — and member states’ own national needs. It is common wisdom that Europeans should have kickstarted their production lanes early on, as the United States did in late 2022. Hence the third pillar of the ammunition initiative — boosting production through additional funds (Act in Support for Ammunition Production, adopted by the EU in July).

Training has been another increasing EU engagement with Ukraine. In late 2022, the EU launched its military training mission for Ukraine, the EU Military Assistance Mission in support of Ukraine (EUMAM Ukraine), which trains Ukrainian soldiers outside their country. It is part of broader Western training efforts, key for force generation and regeneration in a war of attrition where Russia will retain quantitative manpower advantages, while Ukraine shows signs of strain and mobilization limits after huge losses in nearly two years of full-scale war. Moreover, such efforts also help reform the defense sector. Having raised its ambition, EUMAM Ukraine now has a target of training 30,000 Ukrainian soldiers by late 2023. Borrell asked EU ministers to increase that to 40,000 soldiers.

**Short- and medium-term EU security commitments**

Three areas hence seem central for the EU’s role: (1) sustained weapon and military equipment deliveries, (2) multiyear military training at scale, (3) closer defense and industry cooperation and (4) greater intelligence sharing, though significant progress seems still unlikely.

**Sustained weapon and military equipment deliveries**

This would require upgrading the EPF for Ukraine (it also covers other countries) and topping it up for years, making it more sustainable. Borrell proposed a “Ukraine Assistance Fund” (initially, a “Ukraine Defense Fund”) through a separate envelope for the period 2024–27 and with a ceiling of $21 bn (hence some $5.4 bn annually). It would allow for more predictability of weapon transfers for Ukraine, especially as Europeans gradually move from destocking to more procurement contracts, also through the European Defence Agency (EDA), and, ideally, with production rates growing. While discussions are ongoing, the chances for consensus on the €20 bn proposal, not least because of Hungary’s veto threat, seem slim. Member states could instead agree on an initial top-up of $5.4 bn for 2024, with subsequent annual agreements.
For Ukraine to stand a better chance of prevailing in a long attrition war against Russia, Europeans should urgently move toward EU-wide defense production at scale (coherent with NATO’s programs). They should do this for their strategic security interests, given the capability gaps this war has revealed (e.g., lack of sufficient air defense systems, etc.), and to prepare for a scenario in which Russia remains a clear and present danger to European security for years to come.

In this regard, the institutional steps for boosting ammunition production and joint procurement launched in 2023 are positive, but belated, initial steps. Some Europeans have increased the production of military gear needed for Ukraine. Some European companies are starting joint ventures with the Ukrainian defense industry (e.g., Rheinmetall with Ukraine’s state-owned Ukroboronprom). But the overall picture remains below the levels required for Ukrainian and European security, in light of Russian production, sanctions evasion schemes, and increasing uncertainty in the United States as regards support for Ukraine. A daunting transformative process encompassing economies, industries, and mindsets is thus needed. European Commissioner for the Internal Market Thierry Breton stresses the need to switch to
a wartime economy and has carried out steps to that end within his portfolio (e.g., funds for boosting defense industry).\textsuperscript{163} While Europe cannot yet substitute US military support for Ukraine, although there is progress (e.g., the European-led F16 coalition), it should plan to sustain Ukraine militarily, on scale, for years. Dangerous developments in the Russo-Ukrainian war might also result in a renewed sense of urgency.

So, if not by the next EU institutions’ mandate (after the 2024 EU elections), soon afterward, other capabilities — e.g., tanks, infantry-fighting vehicles, air defense — should gradually be included in European procurement programs by 2025, per the template used by the ammunition initiative. This will allow for more transfers at scale for Ukraine as Europeans, in turn, modernize their armies and strengthen their own defense.

\textit{Multiyear military training at scale}

There is agreement to increase the training programs through the EUMAM Ukraine. This is positive yet must not only include quantitative targets, but qualitative benchmarks as well. Indeed, as part of an emerging reassessment in light of the training problems revealed by the summer Ukrainian counteroffensive, such programs should be more adapted to Ukrainian needs and the realities of this war. For instance, EU training is still limited to company-sized tactical training. Teaching officers, in particular staff officers, is crucial. Europeans and the West in general must also learn from Ukrainians — training them how NATO would have fought the USSR decades ago has proved not to be enough. There need to be repositories of experience in this war that enrich the training processes.

The EU programs must, therefore, be at scale and evolve toward multiyear plans, include more “training of trainers” (e.g., training Ukrainian instructors and senior officers) and advanced capabilities (e.g., F16). In the medium term, some modules should take place in Ukraine which would help Ukrainians better tailor them to their needs.

\textit{Closer defense and industry cooperation}

Under this area fall initiatives and cooperation programs with Ukrainian defense industries, including alignment on standards, interoperability, and joint production. This is a discussion in its preliminary tracks and 2023 has seen the launch of some bilateral programs for joint production with Ukraine. Clearly, more projects should be designed to gradually include Ukraine and Europe’s defense industries in Common Security and Defence Policy (CSDP) policies as well as projects under the European Commission. It is important to note that such cooperation also provides opportunities to test and develop new equipment that will be needed for wars in the future (e.g., electronic warfare).
Greater intelligence sharing

This is another largely underdeveloped area, limited to bilateral exchanges between Kyiv and some EU member states, and imagery information provided by the EU Satellite Centre, which should be expanded. The goal would be to increase this cooperation with a proper framework.

EU contributions to war and peace

In the short to medium term, the EU can and must provide security commitments to Ukraine along the main lines described in this report. In the long term, EU membership for Ukraine would be a proper security guarantee.

Still in that long term, the EU as such (and not just individual member states such as France or Germany, as with the dead Normandy Format) should also aspire to a more prominent role in eventual peace conversations or related arrangements, and afterward in a now very hypothetical peace consolidation aftermath (even if relations with Russia will at best be a cold war and adversarial). This would be coherent with the shared leading role the EU will play in the massive reconstruction and reboot of a war-torn country that could one day join the bloc. The ongoing EU-Ukraine consultations on promoting Zelenskyy’s Peace Formula Initiative and outreach to non-Western countries could yield yardsticks on core parameters for peace and a future EU role to that end.

But until that day comes, there are at least three key elements that must be boosted now, and that could be Europe’s biggest contribution to preventing Putin’s victory in the long term:

1. European-scale, ramped-up arms production to meet Ukrainian (and national) needs in the next years, contributing, with the United States and partners, to outpace Russia (“outproducing Russia”), or at least maintaining a qualitative edge in key military components.

2. Continuing financial assistance to the Ukrainian state and its transforming wartime economy, where the European Commission, in addition to bilateral support from member states, is in the lead, now also with conditionality-based enlargement instruments. Hence the relevance of the $53.3 bn Ukraine Facility, tied to reforms (Kyiv’s own Ukraine Plan), which would substantially help fund Ukraine through the period from 2024 to 2027.

3. Advanced organic integration of Ukraine into several constituting elements and policies of the EU (e.g., single market, regional integration programs), including its security toolkit, such as CSDP and other policy instruments. This will help strengthen Ukraine’s resilience and security as stepping stones toward future membership.
Securing the Black Sea

Ukraine’s reconstruction, recovery, and resilience cannot be contemplated in the absence of restored freedom of maritime navigation in the Black Sea. Achieving this objective demands a series of strategic actions:

1. **Development of Ukraine’s naval potential**: Collaboration with Black Sea NATO countries, particularly Romania, is paramount. This partnership should emphasize enhancing Ukraine’s naval capabilities, focusing on the concept of a “mosquito fleet” and a fleet of drones. These initiatives serve to safeguard economic and security interests. Given their geographical proximity and strong shipbuilding histories, Ukraine and Romania could emerge as centers for constructing various sea and river vessels, including military ships. To attract investments, robust security guarantees, efficient investment mechanisms, elimination of bureaucratic hurdles, and effective bilateral diplomacy are essential. The utilization of Ukrainian raw materials and metallurgical plants, temporarily under occupation in southern Ukraine, can bolster the military-industrial complex and transform Ukraine’s economy into a technology-driven force. Additionally, addressing Ukraine’s grain exports, predominantly reliant on sea routes currently blocked by Russia, is pivotal.

   The innovative evolution of Ukraine’s military industry, leveraging its real military operational experience, can significantly contribute to the development of cutting-edge weaponry for NATO allies and foster long-term collaboration between Ukraine and NATO members.

2. **Liberation of occupied territories**: Since 2014, Russia has systematically infringed upon maritime navigation freedom in the Black Sea. These infringements include the construction of the Kerch Bridge, blocking commercial vessels to/from Ukrainian ports on the Sea of Azov, naval exercises in the Black Sea, and sabotaging the “grain corridor.” In 2023, Russia openly threatened shipping in the Black Sea, even in the territorial waters of Black Sea NATO countries. This aggression aims to cripple Ukraine’s economy, especially following the occupation of eastern and southern regions that traditionally supplied raw materials and metal for export. Additionally, Russia seeks to replace Ukraine as one of the top five global grain exporters, potentially triggering a food crisis. As Russian piracy and erratic behavior disrupt maritime routes, shipowners and insurers increasingly avoid these routes.

   Consequently, the Russian Black Sea Fleet, primarily based in occupied Crimea, must be neutralized and relocated to Novorossiysk. Russian vessels should operate under Ukrainian oversight throughout Ukrainian territorial waters. Achieving this necessitates reinforcing Ukraine with coastal anti- aircraft, anti-missile, and anti-ship defense systems. The liberation of Crimea
and restoration of maritime navigation freedom in the Black Sea and the Sea of Azov are imperative. Post-liberation, the potential creation of a robust military base for Ukraine and its NATO allies on the peninsula could radically shift the balance of power in the Black Sea.

3. **Strategic NATO presence in the Black Sea**: A NATO Black Sea Command Center should be established to facilitate several critical objectives:
   a. Clearing the Black Sea of mines using cutting-edge robotic unmanned technologies
   b. Safeguarding maritime navigation freedom from Odessa to the Bosphorus Strait through commercial vessel escorts, aerial patrols, robust air defense, anti-missile, and anti-ship systems
   c. Strategic military-technical, commercial, and maritime cooperation between Ukraine and Turkey, harnessing their shared proximity and Black Sea importance
   d. Implementing humanitarian programs for demining the Black Sea and other Ukrainian water reservoirs
   e. Fostering strategic military-technical and defense cooperation between Ukraine and Turkey, bolstering regional security and energy resource extraction from the Black Sea shelf
4. **Legal actions against Russia**: Initiating lawsuits against Russia for compensation related to economic losses, military actions, and the economic blockade is vital. Such legal action should follow the example of lawsuits against Persian Gulf countries.

5. **Reconstruction and maritime state formation**: The restoration of maritime navigation freedom is integral to Ukraine’s reconstruction and emergence as a maritime state. Ukraine, with its significant shipbuilding and maritime industry potential, must transform its maritime policy. This entails comprehensive reforms encompassing maritime legislation, personnel training, port infrastructure development, investment attraction, and job creation for maritime and river transport workers.

It is important to underscore that investing in Ukraine presently involves significant risks. While the Ukrainian military’s successful operations have secured internationally recognized borders, the war persists as long as the current Russian government remains in place. The extensive Ukrainian-Russian border, including maritime borders, spans over 2,500 kilometers. Russia retains the capacity to shell Ukraine along the entire border and utilize long-range missiles, posing risks to the entire territory, including western regions.

Serious investors carefully evaluate risks before committing significant funds. Investments aim to yield profits, and no investor will pour resources into enterprises vulnerable to Russian missile attacks. The global shortage of air defense systems capable of covering Ukraine’s entire territory further compounds the security challenge.

The liberation of Crimea and the establishment of an anti-missile shield along the Black Sea’s northern and western sectors are imperative to ensure comprehensive protection. By accomplishing these objectives, Ukraine can chart a course toward economic transformation and maritime navigation freedom, providing a secure and prosperous future.
The Plan

The damage wrought by Russia’s invasion of Ukraine is difficult to overestimate. Dollar terms — which put the scale of rebuilding at anywhere between $400 bn and $1 trillion — do not fully reflect the reality of what is at stake. Beyond winning the war itself, restoring and reinforcing Ukraine’s prosperity, stability, and security after nearly a decade of sustained Russian attack will reduce the likelihood of further conflicts in Ukraine and around the world, reestablish US and Western credibility on the world stage, rebalance global energy and commodity markets, and ensure the future of the European project. Failure to restore Ukraine’s prosperity, stability, and security, by contrast, will usher in a world of more war, less development, and broken leadership.

The agenda for Ukrainian recovery is clear. Western governments must:

1. Maximize Ukraine’s wartime resilience in the face of continued Russian aggression
2. Invest in the economy and infrastructure of Ukraine’s future, rather than its past
3. Prepare for Ukraine’s rapid integration into the EU and NATO
4. Harden Ukraine’s state, economy, and infrastructure against future threats

While full-scale reconstruction will take place only after the fighting ends, the work of recovery begins now. Waiting for the war to end will only push success further into the future and increase costs to all involved. Instead, a phased approach to recovery and reconstruction — with clearly defined objectives and logically sequenced tasks at each stage — can underpin consistency of planning and implementation. This approach would involve three phases: wartime resilience, rapid rebuilding, and durable development (see Table 5.1).

Wartime Resilience

Continued fighting in Ukraine must be an impetus for intervention, rather than an excuse for inaction. Until the fighting stops, core objectives should be to:

- Minimize the destruction caused by Russian attacks to Ukraine’s cities, critical infrastructure, and economic productivity
- Maintain the core functionality of the state, including the provision of basic services and emergency response
- Limit the displacement of civilians, particularly international refugee outflows
- Begin strategic planning for rapid rebuilding after the fighting stops
<table>
<thead>
<tr>
<th></th>
<th>Objectives</th>
<th>Priorities for Ukraine</th>
<th>Priorities for the West</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Wartime Resilience</strong></td>
<td>Minimize destruction, Maintain Core Functions, Limit Displacement, Strategic Planning</td>
<td>Prioritize Triage, Monitoring and Planning, Alliance Formation</td>
<td>Military Support, Targeted Response, Investment Facilitation, Trade Facilitation, Resource Identification</td>
</tr>
<tr>
<td><strong>Rapid Rebuilding</strong></td>
<td>Restore Full Functionality, Encourage Return, Channeled Investment, Foundation for Integration, Flexible Defense,</td>
<td>Absorption of Aid, Absorption of Refugees, Legal and Structural Reform, Democratic Consolidation, Transitional Justice</td>
<td>Consistency of Support, Governmental Capacity-Building, Integration Pathway, EU Reform, Security Commitments, Reparations</td>
</tr>
<tr>
<td><strong>Durable Development</strong></td>
<td>Euro-Atlantic Integration, Transition to Value-Added, Right-Sizing, Strategic Defense</td>
<td>Development Goals, Privatization and Corporate Governance, Structural Transform</td>
<td>Full Economic and Security Integration, Structural and Cohesion Support</td>
</tr>
</tbody>
</table>

During the wartime resilience phase, the Ukrainian government will need to focus its efforts on prioritizing and triaging responses to destruction and disruption, guiding Western donors toward the country’s most acute needs, and coordinating flows of aid through its co-chairmanship of the MDCP. Simultaneously, the government will need to maintain its current efforts to monitor and catalogue destruction, while beginning to turn those catalogues — alongside the proposals collected through the new DREAM system — into detailed plans for the rapid rebuilding phase. And on the diplomatic front, Kyiv will need to identify those international partners most likely to provide robust security commitments in the absence of swift NATO membership and put in place detailed cooperative and mutual defense agreements in order to avoid a gap in Ukraine’s protection after the fighting stops.
Western governments, for their part, need to embed military support — including air defense for population centers and key infrastructure, as well as a broader commitment to winning the war as rapidly as possible — in their recovery and reconstruction planning, not least because it will help keep the postwar costs down. They must also maintain a targeted response, bilaterally and through multilateral donor fora, to the acute needs prioritized by the Ukrainian government. Western governments can and should do more now to bolster wartime economic activity. This includes expanded trade facilitation, particularly for markets beyond the EU, and the use of insurance schemes and other investment facilitation tools to encourage more companies to follow in the footsteps of ArcelorMittal, Bayer, and the handful of others that have continued to invest in Ukraine over the past two years.

And lastly, before the fighting stops, Western governments must define what they believe is a tenable structure for the financing of Ukrainian reconstruction and recovery, including the appropriate mix of contributions from governments, IFIs, and the private sector. Thus far, Western donors have committed less than $80 bn toward an effort that will likely cost $1 trillion. The urgency of increasing that number cannot be overstated. This must also involve a resolution on whether and how to direct seized Russian assets by way of reparations. Only if those debates are settled before the war ends will Ukraine have any chance of shifting to rapid reconstruction.

**Rapid Rebuilding**

As soon as the fighting stops, full-scale reconstruction begins, building on wartime investments and the plans developed in the previous phase, and secured by the flexible security framework designed by Kyiv and its most ardent allies. In this phase, core objectives are to:

- Restore the full functionality of the Ukrainian state, including all human and civil services, regulatory and developmental functions, and political engagement
- Encourage the return of Ukrainian refugees and IDPs in order to restore the country’s workforce to its full potential
- Channel investment into the sectors and infrastructures that will underpin long-term economic growth and development
- Strengthen the foundation for integration into the EU and NATO
- Implement multiple bilateral defense agreements, including mutual defense commitments and investment in Ukraine’s own defensive capabilities

In many ways, this will be the most challenging phase of reconstruction and recovery for the Ukrainian government, which will need to combine continued crisis
management with long-term strategic engagement. The administrative capacity needed to manage the absorption of hundreds of billions of dollars of reconstruction aid and the return of hundreds of thousands of refugees will be considerable; Kyiv will need to increase the size and efficiency of its civil service if it is to cope. At the same time, Ukraine will be in the throes of accession negotiations with the EU, and work in the Verkhovna Rada and most ministries will be dominated by adopting the EU legislation; this, too, will require increased capacity. And beyond the technocratic aspects of EU harmonization, the early months of the postwar period will be critical for consolidating structural reforms, including judicial reform, land reform, and anti-corruption.

Holding all of this together, meanwhile, will only be possible if Ukraine consolidates democratic governance, restoring normal electoral cycles and media pluralism, and thus ensuring that Ukrainians of all backgrounds and political orientations have a voice and a stake in the design of their country’s future. Maintaining that openness, however, does not preclude robust measures to prevent Russian infiltration and interference; indeed, Ukrainian politics will only maintain public trust if it is defended against malign influence from abroad. Democratic consolidation, in turn, is the key to ensuring that Ukraine’s postwar development responds to Ukrainians’ demands for justice, including both justice for Russia and a fair distribution of wealth and opportunity in the new economy.

When the fighting stops, the real test of Western commitment to Ukraine begins. Crucial to Ukraine’s ability to accomplish all of the tasks outlined above will be consistency of Western support: all stakeholders, from multinational corporations to ordinary Ukrainian citizens, need to know that they are building on a stable foundation. This will be made easier if, as described earlier, the West settles the question of the fair distribution of contributions to reconstruction before the war ends. Financial aid, however, is only part of the picture. Ukraine’s parliamentarians and ministries will need to boost their throughput if they are to be able to manage the concurrent tasks of absorbing aid and refugees, and implementing EU law and regulation during the accession process. To this end, targeted partnerships between Western parliaments and the Verkhovna Rada, and between Western ministries and their Ukrainian counterparts, can help lighten the load.

All of Ukraine’s efforts will be futile, however, if the West does not also get its own house in order. Just as Ukraine undertakes reforms for EU accession, so must the EU undertake its own reforms, adjusting its decision-making mechanisms and revamping the Common Agricultural Policy and other funding structures to ensure balance and cohesion in an enlarged Europe. While these debates are already live, they will need to be settled before Ukraine can join, and thus before it can progress to the durable development phase.
The West — and NATO members in particular — will also need to settle their differences over the permanent inclusion of Ukraine in the European security architecture. Whether this involves NATO membership or not, Ukraine will need much more than stopgap promises if private investors are to believe in its stable future, and if Russia is to be reliably deterred.

And lastly, it is in this period that the West must enforce whatever resolution it has come to on Russian reparations, including the disposition of seized Russian assets.

**Durable Development**

After a period of initial reconstruction — likely lasting two years or more — Ukraine should find itself on a more stable footing. By this time, the legal and structural reforms needed for EU integration should be well underway, investment should be flowing into key productive sectors of the economy, infrastructure should be largely restored, political and public institutions should be functioning as normal, and Ukraine should be embedded in a robust security architecture. From this point forward, then, core objectives are to:

- Complete Ukraine’s integration into the EU and NATO
- Shift economic production to higher value-added sectors
- “Rightsize” the Ukrainian state to support long-term economic and social development
- Cement Ukraine’s place as a pillar of European security, rather than a target of destabilization
For Ukraine, the onus of action in this phase shifts to some extent from the government to citizens and the private sector. Having got the economy up and running again and restored normalcy to daily life, it is up to Ukrainians to determine the kind of economy and society in which they want to live, and to instruct their elected officials accordingly. Having ballooned in size to accommodate rapid rebuilding, the Ukrainian state may now seek to shrink, focusing on longer-term developmental goals, reprivatizing nationalized enterprises, and ensuring the efficient and equitable functioning of markets and the quality of corporate governance and the rule of law. As Ukraine integrates with Europe, citizens’ future prosperity will hinge on the economy's ability to climb the ladder from a provider of basic commodities and low-level processing to a producer of goods and services with a higher degree of added value. The government’s core task will be to enable this transition.

For Western governments, the task will be to keep their promises. After years of recovery and reform, Ukraine’s EU membership must become a reality, giving the country both full access to the Common Market and a voice in the future of the continent. The same is true of NATO: while keeping Ukraine out for the time being may be politically expedient, there is no long-term strategic alternative to including Ukraine in Europe’s core security institution. Indeed, for as long as Ukraine is outside of NATO, it will be a problem for NATO allies to solve; only once Ukraine is inside the alliance can it contribute to European peace and security. Once Ukraine is in the door, it will need continued structural support to smooth its integration, just as the EU and NATO have provided for other member states in previous rounds of enlargement.

**Specific Recovery Priorities**

Beyond the core objectives and priorities outlined above, and the importance of logical sequencing, the analysis presented in this report points to a number of more specific recommendations across a range of domains. These include:

- On recovery tasks:

  - Recognize and accommodate regional and sectoral disparities in the scale of destruction without assuming that postwar recovery will replicate the economic geography of prewar Ukraine; and
  - Building on the DREAM project, mobilize community and civil society involvement for an inclusive agenda-setting process for postwar reconstruction.
On Ukrainian reform:

- Modernize public administration, with an emphasis on defense, industrial infrastructure, and energy security;
- Continue the prewar decentralization drive and create efficient local and regional government; and
- Standardize legal practices and increase civil society oversight of the judiciary.

On homework for the West:

- Shift the debate in the United States to emphasize US national interests as a hedge against political polarization and Ukraine fatigue;
- Invest in the large-scale retooling of Ukraine’s postwar armed services and multiyear training cooperation to ensure both increased capacity and interoperability; and
- Restore freedom of navigation in the Black Sea and establish a robust NATO presence.
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Marija Golubeva is a Distinguished Fellow with the Democratic Resilience Program at CEPA. Marija Golubeva has been a Member of the Latvian Parliament (2018-2022) where she chaired the European Affairs Committee. In 2021-2022, she has been the Minister of Interior and has been responsible for home affairs and migration policy. She has developed and implemented the Latvian response to the Ukraine refugee crisis after the outbreak of the Russian aggression in Ukraine. Marija has
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Benjamin Hilgenstock is a Senior Economist at KSE Institute (Kyiv School of Economics), with a specialized focus on international sanctions on Russia and their impact on the Russian economy, notably within the realms of energy, trade, and finance. Since July 2023, he has held the position of Associate Fellow at the German Council on Foreign Relations, concurrently participating as a member of the International Working Group on Russia sanctions. He previously was an Economist at the Institute of International Finance, working on macroeconomic analysis of key emerging markets, primarily in Central/Eastern Europe and including Russia. He also served as an analyst with the International Monetary Fund’s Research Department and contributed to the World Economic Outlook. Benjamin holds a master’s degree in political science, economics, and public law from Johannes Gutenberg-Universität Mainz.

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Vira Ivanchuck is a researcher at KSE. Coupled with her extensive six-year engagement with government agencies and the public sector in education, she brings two years of hands-on experience in conducting research across economic policies, education, and medicine. At KSE, Vira’s research focus primarily focuses on the meticulous monitoring, evaluation, and development of sanctions against Russia. Notably, Vira earned her master’s degree in public policy and governance from KSE in 2021.

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Olya Korbut is an analyst on sanctions at the Black Sea Institute of Strategic Studies (Ukraine) and a Non-resident Fellow at CEPA. Olya works on OSINT monitoring and analysis of Black Sea militarization by Russia since 2014, as well as on the creation of a database on exports of Russian oil and other goods by sea since Russia’s full-scale invasion of Ukraine on February 24, 2022. She also worked on the Blacklist Aviation, a project for monitoring air traffic to/from the occupied Crimea in violation of Ukrainian and international sanctions in 2014-2018. Olya Korbut holds a BA in Philosophy (Kyiv-Mohyla academy, Ukraine) and MA in Nonprofit Management (Ukrainian Catholic University, Ukraine).
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James Lamond is a Non-resident Senior Fellow with the Democratic Resilience Program at CEPA. Previously, he was the Managing Director of the Moscow Project and a Resident Fellow at the Center for American Progress (CAP), where he covered trans-Atlantic relations, the European Union, U.S.-Russia relations, and countering malign foreign interference. Lamond previously served as the Director of Research and Policy at the National Security Network, where he led a team of analysts examining a wide range of national security and foreign policy issues. He has also worked as a consultant advising major foundations, the United Nations, and Fortune 500 companies. James is a frequent contributor to both policy journals and popular publications including The Washington Post, Foreign Policy, Slate, USA Today, The Daily Beast, Just Security, The National Interest, The Guardian, and Newsweek. James received a bachelor’s degree in history from Rowan University and a Master of Science in global affairs from Rutgers University, where he also received a Deutscher Akademischer Austausch Dienst scholarship for study in Germany.

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Borja Lasheras is a Non-resident Senior Fellow with the Transatlantic Defense and Security program at CEPA. Borja is currently Special Adviser for Ukraine, to the European External Action Service (EEAS). He served at the Spanish Presidency of the Government between 2018 and late 2021, where he held the position of Senior Foreign Policy Advisor (2020-2021). Previously, he was the Associate Director and then Director at the European Council on Foreign Relations (ECFR) office in Madrid. He has extended field experience, having worked for the OSCE’s field missions in Bosnia and Albania (2010-2013). He graduated summa cum laude at Deusto University’s Faculty of Law and earned a master’s degree at Harvard (LL.M. 07). His field of expertise covers European foreign and security policy, national security, Ukraine, Russia, and the Balkans. He authored a book on Bosnia, “Bosnia in limbo: testimonies from the Drina River.” Borja is an Associate Faculty member at the IE Business School Madrid (IE), where he teaches foreign policy. He has published in Spanish and international media. He has recently published a book on Ukraine titled “Estación Ucrania: el país que fue” (Libros del K.0, 2022).

Oleksandr Moskalenko

Oleksandr Moskalenko is an academic researcher focusing on European politics and is a Non-resident Fellow at CEPA. He has concentrated on the political and security interactions within the EU-Ukraine-Russia triangle, with a focus on areas contested between the EU and Russia. He worked as an associate professor and senior lecturer at universities across Ukraine on the topics of EU-Ukraine relations,
Resilience, Reconstruction, Recovery: The Path Ahead for Ukraine

EU law, and international law. He has multiple degrees including a Ph.D. in European Law (2017), from the University of Turku in Finland, a Ph.D. in International Law (2006) from the Institute of Legislation of the Parliament of Ukraine in Kyiv, and a Master of Law (LL.M.) (2001) from National Law Academy of Ukraine in Kharkiv.

Yuliia Pavytska

Yuliia Pavytska holds the position of Development Manager of the Sanctions Programme at the Kyiv School of Economics. She is also the Founder of Ukraine Verified, a platform dedicated to fostering transparent communication with international media and journalists in order to amplify the voices of Ukrainian speakers to bring forth the truth about Russia’s full-scale war against Ukraine. Yuliia has previously served as Assistant to the Deputy Minister of the Ministry of Economic Development and Trade of Ukraine. Yuliia holds a bachelor’s degree in finance and banking from Kyiv National Economics University and a master’s degree in economic analysis from the Kyiv School of Economics.

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Nataliia Shapoval is the Vice President for Policy Research at Kyiv School of Economics (KSE) and serves as Head of the KSE Institute. Boasting a decade of experience in policy research and consulting, Nataliia has been a pivotal force, offering direct research-based analytical support on critical topics such as sanctions, damages, food security, and recovery issues. Her expertise has been instrumental in advising key governmental entities, including the Presidential Office and the Cabinet of Ministers of Ukraine. Nataliia has also played a significant role in the Yermak-McFaul International Working Group on Russian sanctions. A distinguished member of the Editorial Board of VoxUkraine, Nataliia actively contributes to shaping discourse and insights in the realm of policy research. Her dedication to advancing Ukraine’s interests extends beyond national borders, as evidenced by her role as a contributor to the Ukraine reform monitoring project at the Carnegie Endowment for International Peace. Nataliia has received a master’s degree in probability theory and statistics from Taras Shevchenko National University, she holds another master’s degree in economic analysis from Kyiv School of Economics.
Endnotes


12 Damages - Direct costs of destroyed or damaged physical assets and infrastructure; valued in monetary terms with costs estimated based on replacing or repairing physical assets and infrastructure, considering the replacement price prevailing before the war. Losses - Changes in economic flows resulting from the war; valued in monetary terms, for example, increased operating costs, revenue losses etc. Needs - Value associated with the resumption of pre-war normality through activities such as repair and restoration, including a premium linked to building back better principles (e.g., improved energy efficiency, modernization efforts, and sustainability standards), as well as factors such as global inflation, surge pricing due to volume of construction, higher insurance, etc. Needs do not equal the sum of damages and losses.


14 Since February 2022, the beginning of Russia's full-scale invasion of Ukraine, KSE Institute's Russia Will Pay / damaged.in.ua project conducts regular assessments of the damages caused to Ukraine's civilian infrastructure due to the war. For more information, please visit the project's website here. KSE Institute also publishes a regular Ukrainian Recovery Digest that highlights key issues related to the reconstruction. Source: “The September Issue of the Ukrainian Recovery Digest released by KSE Institute,” KSE Kyiv School of Economics, October 17, 2023, https://kse.ua/about-the-school/news/the-september-issue-of-the-ukrainian-recovery-digest-released-by-kse-institute/.


16 Throughout the text, damages are always as of January 2024, losses and needs are as of February 2024.

17 Damages to cultural sites and objects are difficult to estimate and these numbers do not include any assessment of their non-monetary, cultural value. For instance, Russia has damaged and destroyed UNESCO World Heritage sites and also stolen items. The ability to assess damages to cultural sites and objects is significantly limited due to hostilities and temporary occupation; thus, estimates are expected to rise considerably in the future.

18 Survey conducted by the Ukrainian Council of Shopping Centers together with the Ukrainian Retailers Association.

Using projected 2023 nominal GDP in U.S. dollars.


42 This figure is an estimate based on publicly available data, including reports by the Russian Elites, Proxies, and Oligarchs (REPO) Task Force and communications by Swiss authorities.


46 Schraad-Tischler and Najim, “Policy Performance and Governance Capacities in the OECD and EU. Sustainable Governance Indicators 2018.”

Interview with EBRD, April 2023.

“Support for the implementation of the EU-Ukraine Association Agreement Phase II,” EU Neighbours East, Accessed December 4, 2024, https://euneighbourseast.eu/projects/eu-project-page/?id=713.


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“It will take up to 5 years to restore certain sub-sectors of the agricultural sector,” Ukraininan Agricultural Council, February 10, 2023, https://uacouncil.org/uk/post/navidnovlenna-okremih-pidgaluej-agrosektoru-znadobitsa-do-5-rokiv#.


77 Artem Sytnyk, “The implementation of anti-corruption practices in all Spheres of life is a necessary condition for the country’s reconstruction. NABU is ready to be the flagship in this process (in Ukrainian),” National Anti-Corruption Bureau of Ukraine (NABU), April 16, 2022, https://nabu.gov.ua/news/novyny-zastosuvannya-antykorupciynyh-praktyk-u-vsih-sferah-zhyttyediyalnosti-neobhidna-umova/.


81 Sytnyk, 2022, “Anti-Corruption Practices.”


Resilience, Reconstruction, Recovery: The Path Ahead for Ukraine


The Convention was adopted by the UN General Assembly by resolution A/59/38 of December 2, 2004, it shall enter into force after ratification by 13 states. It is generally considered a codification of customary international law. The European Convention on State Immunity is an international treaty that governs the immunity of states from the jurisdiction of other states’ courts. It outlines rules and principles regarding when a foreign state can be sued in the courts of another state and when it is immune from such legal proceedings. The convention provides guidelines on the scope and limitations of state immunity, aiming to balance the rights of states with the interests of individuals seeking legal redress. It was adopted by the Council of Europe in 1972 and entered into force in 1977. Source: “Resolution adopted by the General Assembly on 2 December 2004,” United Nations General Assembly, Fifty-ninth session, December 16, 2004, https://treaties.un.org/doc/source/docs/A_RES_59_38-E.pdf.

“Resolution adopted by the General Assembly on 2 December 2004,” Article 19, UN General Assembly

“Resolution adopted by the General Assembly on 2 December 2004,” Article 21, UN General Assembly

The Foreign Sovereign Immunities Act was enacted in 1976. Summarized: «This law establishes the doctrine of sovereign immunity, asserting that a foreign state, including its political subdivisions, agencies, or instrumentalities, is presumed to be immune from the jurisdiction of United States courts. Such entities cannot be compelled to submit to the jurisdiction of these courts unless a specific exception is applicable.» Source: “foreign Sovereign Immunities Act,” US Department of State, December 19, 2023, https://travel.state.gov/content/travel/en/legal/travel-legal-considerations/internl-judicial-asst/Service-of-Process/Foreign-Sovereign-Immunities-Act.html.


Resilience, Reconstruction, Recovery: The Path Ahead for Ukraine


154 Article 222 of the Treaty on the Functioning of the European Union provides that Member States are obliged to act jointly where one of them is the victim of a terrorist attack or a natural or man-made disaster; Art. 42. 7 states that “if a Member State is the victim of armed aggression on its territory, the other Member States have an obligation to aid and assist it by all the means in their power, in accordance with Article 51 of the Charter of the United Nations.” Source: European Union, “Treaty on the Functioning of the European Union,” Article 22, Madrid, March 2022, https://eur-lex.europa.eu/EN/legal-content/glossary/solidarity-clause.html.

155 Belgium, Bulgaria, the Czech Republic, Cyprus, Denmark, Estonia, Finland, Greece, Ireland, Latvia, Lithuania, Luxembourg, the Netherlands, Portugal, Romania, Slovenia, Spain, and Sweden. Outside the EU, North Macedonia, Kosovo, Montenegro, Norway and Iceland have signed the G7’s Joint Declaration of Support for Ukraine as well.

156 This does not include yet pledges of multiannual assistance, currently discussed (such as the EC’s Ukraine Facility) or already agreed by some member states (e.g. Germany, Denmark, Sweden, Portugal) and Norway.

Resilience, Reconstruction, Recovery: The Path Ahead for Ukraine


