

# RECONSTRUCTION OF UKRAINE: MISSION UNFINISHED

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The topic of reconstruction of Ukraine has emerged practically already since the first days of the full-scale invasion of Russia into Ukraine on 24 February 2022 and occupied the attention of Ukraine and its international partners and donors ever since. While some people called the first phase in the run up to the international donor conference in Lugano romantic, ever since the autumn 2022 it has become clear that this will be a longer-term effort with many obstacles and limitations both coming from Ukraine and its backers.

In mid-2024, some of the challenges keep being the same as in 2022, while there are several new opportunities ahead of Ukraine, the international community, and the donors. These also include ways on how to overcome the existing problems, which should be on our mind in the EU after June 2024 and the elections to the European Parliament, which will also help to form the thinking of the new European Commission, which is spearheading the efforts in the international arena.

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## THE CURRENT STATE OF PLAY

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In the middle of 2024, the debate on Ukraine's post-war reconstruction is framed by a few key notions that have emerged out of the previous development and more than two years of discussions both in Ukraine and internationally.

**First**, it became clear that the reconstruction is and must be happening already today and it is impossible to wait for the post-war period, which can take time and is hard to predict, while the life in Ukraine continues. Thus, the efforts of the international community switched from the early humanitarian period (fast recovery) into stabilisation and development mode, which primarily concentrates on the critical infrastructure and key projects, including in energy, which need to be repaired to keep Ukraine on the right track.

**Second**, the reconstruction is perceived

as part of the bigger picture of Ukraine's integration into the EU, which has been generally acknowledged after the December 2023 European Council's decision to open the accession talks and begin the practical phase of the enlargement already during the first half of 2024.

**Third**, the role of private capital became more evident and together with insurance of the international investments entered the centre stage of the public debate, including during the upcoming international donor conference in Berlin, which is taking place in mid-June 2024. The statement that the public resources cannot cope with the immense scope of the damage has been accepted by all parties.

**Fourth and lastly**, the notion of building back better, closely interconnected with the Ukraine's integration within the EU became a fact, which motivated both the EU's approach and shaping of its financial tools, including most prominently within the Ukraine Facility, as well as for the rest of the international community.

To add to this, the financial allocations and needs keep growing over time, when they reached more than 500 billion USD, as estimated by the World Bank and its partners in their latest, still rather conservative, report monitoring the period until the end of 2023.<sup>(1)</sup> At the same time, the budget for the reconstruction was cut by Ukraine and deprioritised by its partners too focusing on the macro-financial stabilisation and the war efforts.

Finally, the issue of international coordination and leadership keeps being fragmented and contested by partners of Ukraine. The US, which wanted to be in the centre of the debate, is stuck with its own problems paralysing the US support and funds.<sup>(2)</sup> On the other hand, the EU find itself in a difficult position to deal with the overwhelming task on its own.<sup>(3)</sup> Other parties, including at the level of the G7, while expressing their ambitions, do not play a consistently significant role, dedicating limited resources and not picking up the coordination role that was left to the EU. ►

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## CHALLENGES aHead

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While these key notions have shaped the debate until today, it is also clear that a number of challenges and obstacles influenced on the process so far.

The most important fact is that it became practically impossible to predict when the hot phase of the conflict would end, or at least be cooled down to the degree manageable by the international donors and partners of Ukraine. Therefore, the issue of ensuring the investments and taking risks while rebuilding Ukraine already today, even more when starting completely new projects, came to the centre of international attention. This was the case during the last year's London international donor conference in June as much as it remained an issue in 2024.

(1), (2) et (3) [https://www.politico.eu/article/ukraine-war-russia-why-west-is-losing/?utm\\_source=email&utm\\_medium=alert&utm\\_campaign=Why%20the%20West%20is%20losing%20Ukraine](https://www.politico.eu/article/ukraine-war-russia-why-west-is-losing/?utm_source=email&utm_medium=alert&utm_campaign=Why%20the%20West%20is%20losing%20Ukraine)

# “THEREFORE, THE ISSUE OF ENSURING THE INVESTMENTS AND TAKING RISKS WHILE REBUILDING UKRAINE (...), CAME TO THE CENTRE OF INTERNATIONAL ATTENTION.”

## ► HOW TO OVERCOME THE CHALLENGES?

The new EU institutions coming from the European Parliament elections in 2024 will have several key challenges ahead for late this year and beginning of the following one.

**Firstly**, they will together with the EU members need to find the political consensus and will need to launch an efficient and well-resourced process of Ukraine’s enlargement. While it will take time, it offers the best way how to make the reconstruction sustainable and based on shared values and principles, including of the Green Deal, that would secure the success of the whole efforts until the very end.

**Secondly**, the EU will need to mobilise the courage to unblock and put in place the frozen Russian assets, particularly those belonging to the Russian central bank. While there has been some movement on this, individual EU states proved hesitant how far to go and where to potentially invest the newly found resources. Even if it is only the interest rates from the frozen Russian money, it can prove invaluable to fund the reconstruction for the years to come, ideally on the top of the promised 50 billion EUR.

**Lastly**, the EU will not only need to take the lead but also more skilfully navigate the whole international effort, which is now fragmented and missing the US role in the overall process. The challenge of seeing Donald Trump in the White House again in January 2025

should motivate the Europeans to establish a wider coalition of partners beyond the G7 network to make the process sustainable and bullet-proof post-US presidential elections.

While not being easy, this seems to be the only way to mobilise not only the resources, but also the global efforts on this crucial task that will shape the future of the European continent and the international order for the years and decades to come. ■

- <https://documents1.worldbank.org/curated/en/099021324115085807/pdf/P1801741bea12c012189ca16d95d8c2556a.pdf>

- <https://www.politico.eu/article/eu-ukraine-aid-war-50-billion/>

- <https://www.ceps.eu/freeze-seize-and-tax-thats-how-to-make-russia-and-its-enablers-pay-for-ukraines-reconstruction/>

- <https://www.politico.eu/article/eu-moves-toward-using-profits-from-frozen-russian-assets-for-ukraine>

