

## Policy Brief

# Ukraine Recovery Conference Seeking Recovery Without Securing Peace

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[#UkraineRecoveryConference](#)

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On 11–12th of June, Germany hosted the [2024 Ukraine Recovery Conference \(URC\)](#). Over 3,400 participants from 60 countries, representing public, private and civil society sectors, gathered in Berlin to discuss how to coordinate the war-time recovery, reconstruction and modernisation of Ukraine. URC-2024 is part of a wider international strategy to bolster the country's war-time recovery and to align its reconstruction with EU reforms, [that Ukraine has to fulfil as an EU candidate country](#). These efforts, although necessary, emphasise Ukraine's recovery not its current physical security by sufficiently arming its fighting troops. If Ukraine's European allies intend to maximise the effectiveness of EU [conflict prevention measures](#), the Union must prioritise the development, funding and implementing of physical security measures over war-time recovery and reconstruction.

### From reforms to war-time recovery

The Ukraine Recovery Conference (URC) was never intended to be the platform for discussing Ukraine's war-time recovery and reconstruction. In 2017, Ukraine's then-Prime Minister Volodymyr Groysman initiated the first [Ukraine Reform Conference](#). Its goal was to help devise an action plan for Ukraine's eventual EU membership by combining the expertise of Ukraine's representatives, its international allies, businesses and civil society. In 2017, there were [two key concerns](#) to address at the URC: the 'faltering' pace of reforms in Ukraine and the new US president, Donald Trump, whose [openly Russophile views](#) were unsettling policymakers in Ukraine.

The Ukraine Reform Conference continued to prioritise improving Ukraine's governance, business environment and reform outcomes until 2022. Following Russia's full-scale invasion, the conference focus shifted from reform to recovery to help Ukraine cope with "[damages and losses caused by the war](#)". In 2024, this emphasis on "[the swift recovery and long-term reconstruction of Ukraine](#)", along business, human, local, and EU dimensions, continued. This URC-2024 discussion format, designed jointly with its host Germany, aimed to enhance sector-specific ties between Ukrainian public officials, businesses and civil society actors and their colleagues from the EU, international organisations, NGOs and third countries. The conference also sought to showcase Ukraine's success stories, such as the ongoing restoration of Bucha, a city in Kyiv region that was occupied and largely destroyed by Russian forces soon after the invasion began. The two-day URC-2024 has resulted in [110 signed agreements](#) between public and private stakeholders, amounting, together with other funding pledges, to over €16bn.

In other words, the ingredients of Ukraine's war-time recovery are private investments, human capital, local initiatives and progress in implementing reforms stipulated by the EU. Yet two key concerns looming over Ukraine's future were side-lined: first, [faltering deliveries of western military aid](#) to Ukraine, partly a result of [European countries' failure to step up](#) during the US Congress deadlock over aid to Ukraine. The second concern is the potential re-election of Trump, this time with [an openly hostile position](#) towards Ukraine.

URC-2024's attempts to help Ukraine limit the damages and losses caused by the Russo-Ukrainian war are important and worthy efforts. However, unlike in 2017, at stake is not Ukraine's pro-European future but the physical survival of the country: Russia's unimpeded strikes against [Ukraine's civil infrastructure](#) call for defence not reconstruction measures. A plan to facilitate Ukraine's recovery that is largely financed by private investments without prioritising its [adequate physical security](#) bears little resemblance to reality.

### **An emerging nexus between the URC and the Ukraine Facility programme**

Inadequate physical security in Ukraine is a stumbling block to investors when it comes to committing to the country's war-time reconstruction. Hence, the key source of war-time recovery funds at the moment is public money. In the run-up to the conference, the European Union (EU) [approved](#) an implementation plan, part of the [Ukraine Facility](#) programme. This €50bn ad hoc recovery instrument envisions the gradual provision of grants and loans for [Ukraine's short- and medium-term reconstruction needs](#) in the 2024–2027 period. The Ukraine Facility also overlaps with URC-2024 in its main objective and in its conception of pathways of change. The instrument seeks to help Ukraine in its recovery, reconstruction, reform and modernisation efforts. To this end, the Ukraine Facility lists [69 reforms](#) aimed at mobilising private investment, ensuring societal recovery, prioritising municipal and regional reconstruction projects, and fostering Ukraine's EU accession efforts. This approach mirrors URC-2024's thematic pillars which are grouped around [business, human, local, and EU dimensions](#).

These strategic overlaps pursue two objectives: first, to more equitably share the financial burden for Ukraine's recovery and reconstruction among its allies at the URC and, second, to align Ukraine's recovery and reconstruction with those reforms stipulated for the country's accession to the EU. In other words, the EU can help Ukraine align recovery funds from non-EU donors to EU-oriented recovery and reconstruction. In practice, however, the EU remains the largest funder of Ukraine's recovery. As of May 2024, the EU has [committed €77.2bn](#) in budget support (excluding military aid and support for refugees) and has, at the time of writing, allocated €31bn of that total. The US, ranking second, [has allocated €21bn](#).

International organisations prefer to maintain full control over their funding allocation priorities. The International Monetary Fund, for instance, had separately [approved a four-year \\$15.6bn loan programme for Ukraine](#) in 2023, despite its preconditions for reform chiming with the prerequisites demanded by the EU.

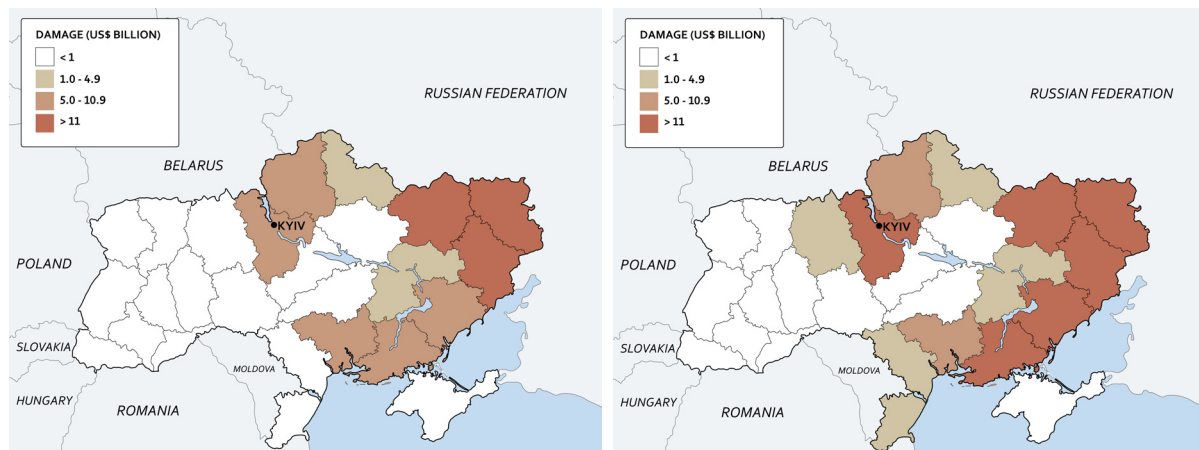
Despite being among the largest funder funders of Ukraine's recovery efforts, the EU is relatively hamstrung in terms of designing and financing aid programmes in crisis areas. Treaty constraints prevent the EU from using its budget to directly finance military expenditure. Consequently, the Ukraine Facility has earmarked €50bn for [Ukraine's financial stability and reconstruction](#). The EU can design, fund and implement security and defence policy responses only through alternative mechanisms, such as the 'off-budget' [European Defence Fund](#). Since February 2022, the EU has allocated [€11.5bn in military support](#) for Ukraine using this off-budget mechanism.

Ensuring the financial stability of an invaded country is mandatory. However, the second-tier focus on reconstruction, rather than on this country's military priorities, could be justified when the funding is intended to support post-war recovery. Yet, even post-conflict reconstructions have [only a 20% success rate](#). In the midst of war, seizure of territory and indiscriminate bombing of civilians and key infrastructure, Ukraine's recovery faces almost insurmountable odds. The country is suffering damages from daily Russian strikes, launched from sites against which [Ukraine is prohibited from hitting back](#). Ukraine needs aid – funds, technology, expertise – for [emergency repairs](#) and maintenance of infrastructure attacked by Russian drones, missiles and glide bombs. However, the URC-2024 emphasis on [privately-funded green, energy-efficient, gender-responsive recovery and reconstruction](#) does not include the provision of [adequate physical security](#) of peoples and territories. EU policymakers need to start prioritising the latter over the former.

### **The price of unarmed reconstruction**

Ukraine's reconstruction, without ensuring the country's physical security, is bound to face an ever-rising price tag. As of December 2023, Ukraine's recovery and reconstruction needs were estimated at [€440bn, or 2.8 times](#) Ukraine's nominal GDP for 2023, by the World Bank, the EU, the United Nations, and the Ukrainian government. These estimates exceed [\\$300bn of Russia's state assets](#), frozen in response to its full-scale invasion, to finance Ukraine's war-induced needs. The highest funding assessments in Ukraine's reconstruction are in housing (€72.5bn, or 17%), transport (€67bn, or 15%), commerce and industry (€61bn, or 14%), agriculture (€51bn, or 12%), energy (€42.6, or 10%), social protection and livelihoods (€40bn, or 9%), and explosive hazard management (€32bn, or 7%). It is important to look at these funding needs as an evolving figure: the previous damage assessment, from February 2023, put Ukraine's recovery and reconstruction needs at €372bn. In the ten months between these two damage assessment reports, Russian strikes have aggravated the scale of damage in three out of ten heavily impacted regions and have caused significant damage in two more.

Figure I: Extent of damage by region as of February 2023 (€126bn) and December 2023 (€138bn)



Source: the [Third Rapid Damage and Needs Assessment](#) report by the World Bank, EU, United Nations, and Ukrainian government.

The extent of the damage and subsequent funding needs for recovery and reconstruction correlates with Ukraine's ability to defend itself and thus, with timely and [adequate military aid deliveries to use without restrictions against Russia's army](#). In autumn 2022/winter 2023, Ukrainian troops failed to sustain a counter-offensive momentum, [for instance in the Kharkiv region](#), due to western allies' reluctance to supply Ukraine with mechanised equipment in particular. In 2024, Russia's army exploited [shortages in military aid deliveries to Ukraine](#) to push [into the Ukrainian cities of Avdiivka, Chasiv Yar and Bakhmut](#) in the Donetsk region. Russia's May 2024 offensive in the Kharkiv region was prompted by [severe shortages in ammunition deliveries](#) to Ukraine and [an allies-imposed ban](#) on the country's use of foreign-donated weapons to strike legitimate targets in Russia's rear. This Russian offensive has forced Ukraine's international supporters to [partially revise their strike restrictions](#). Nevertheless, the US still prohibits Ukraine from targeting Russian military sites on [at least 84% of territories](#) located within range of US weapons.

The cost of damage resulting from these security policy decisions has yet to be reflected in the next World Bank assessment. Ukraine's energy sector is likely to bear the heaviest add-ons to its damage calculations: the latest Russian military campaign seeking to disable Ukraine's energy infrastructure has been continuing since March 2024. As of now, Ukraine's [power-generating capacity has fallen by 50%](#): Kyiv's inhabitants, for instance, are suffering [14 hours of power cuts](#) a day. The EU estimates that these shortcomings in energy generation put European energy infrastructure [at risk of knock-on effects](#) over the coming winter.

### Re-prioritising physical security

Energy infrastructure illustrates this problem: the required response to Ukraine's energy sector needs does not lie [in the realm of energy, but of security policies](#). Discussions around the best ways of ensuring [a resilient and sustainable energy supply](#) in Ukraine must start with addressing the country's physical protection, and not green, energy-efficient recovery. The same consideration needs to be applied to every aspect of Ukraine's reconstruction: the military dimension of Ukraine's physical security should not be put on the back burner when it comes to designing the country's war-time recovery. Any trite ['build back better'](#) approach to Ukraine's reconstruction is inherently faulty because it does not put the necessary stress on the nation's initial preservation as a sine qua non of any future reconstruction efforts.

Physical security means funding Ukraine's military must be a priority. The country's defence expenditure requirements are, however, difficult to pin down. The RAND corporation, for instance, [roughly calculated](#) that just the munition needs of the Ukrainian army range between €19bn and €33bn for a Ukrainian defensive posture, and €51bn and €67.5bn for an offensive option. These figures exclude additional costs of procurement, operations and maintenance of weapons platforms. These measures might seem at first glance expensive, but should not be viewed in a vacuum. Every euro invested in Ukraine's ability to protect its infrastructure will save many euros of reconstruction. Better protected infrastructure across the country improves the overall investment environment, stimulates societal recovery, supports reconstruction projects and fosters Ukraine's long-term resilience, key ingredients for the country's EU and NATO membership.

### **Conclusion**

Without downplaying the importance of URC-2024 efforts to help Ukraine with emergency repairs and a longer-term reconstruction framework, the EU needs to align its recovery efforts with the security situation on the ground. The Union should help address the heart of a security problem and not just collateral symptoms like energy demand or housing needs. To this end, the EU needs more expansive mechanisms for financing defence and security policy responses. In the case of Ukraine, these responses should include an EU capacity to supply adequate tools for physical protection, such as mechanised military equipment, air defence systems and ammunition, in a timely manner and at sustainable rates. An EU defence budget is indispensable for such a change. The need to [prioritise proper security assessment](#), when tailoring a response to a particular crisis, would also contribute to making [a culture of defence readiness](#) more of a mainstream policy across all EU member states. This objective is one of five pillars of the recently presented European Defence Industrial Strategy (EDIS). An alternative is to continue putting the cart of reconstruction before the horse of physical security.

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