

STUDY

Requested by the AFET committee



Mapping the peacetime reconstruction needs of Ukraine



Authors:

Mykola NAZAROV, Dmitri TEPERIK

European Parliament coordinator:

External Policies Analysis and Support Unit
Directorate-General for External Policies of the Union
PE 783.617 – June 2026

EN

STUDY

Mapping the peacetime reconstruction needs of Ukraine

ABSTRACT

By early 2026, Russia's full-scale invasion of Ukraine had entered its fifth year with no end in sight and an assessed reconstruction and recovery cost approaching EUR 507 billion over ten years, according to the Fifth Rapid Damage and Needs Assessment published in February 2026. This paper maps Ukraine's reconstruction and recovery needs across a spectrum from active conflict to long-term managed insecurity. Three findings run through the analysis. Firstly, current donor frameworks persistently conflate reconstruction necessities – rubble clearance, coal mine dewatering and environmental remediation – with commercially investable sectors, leaving the physical preconditions for everything else chronically underfunded while channelling finance toward showcase projects. Secondly, Ukraine's demographic outlook – falling refugee return intentions together with a mobilised and wounded workforce – is the overriding planning constraint: infrastructure scaled for a population that does not return is stranded public expenditure. Thirdly, reconstruction and Ukraine's European Union accession pathway are formally aligned but operationally separated: nobody on either the European Union or Ukrainian side currently has authority to ensure that investment decisions made today meet the standards Ukraine will be required to apply upon accession. The study closes with recommendations addressed to the European Parliament.

AUTHORS

Dr Mykola NAZAROV, Director, Research Centre for Regional Security, Sumy State University, Ukraine; Research Fellow, International Centre for Defence and Security (ICDS), Estonia

Dmitri TEPERIK, Director-General, National Centre for Defence and Security Awareness, Estonia

ACKNOWLEDGEMENTS

The authors would like to express their gratitude to Dr Kristi Raik, Director of the International Centre for Defence and Security (ICDS), for the trust she placed in them during the preparation of this report. Expressions of gratitude are extended to all participants in the research interviews on behalf of the European Commission, the European External Action Service, the European Investment Bank, the Ukraine Donor Platform secretariat, the Ministry of Economy, Environment and Agriculture of Ukraine, the Office of the Prime Minister of Ukraine and the Ministry of Finance of Ukraine.

CONTRACTOR

Trans European Policy Studies Association (TEPSA) (Coordinator: Ana LELADZE, TEPSA, Belgium)

CONTACTS IN THE EUROPEAN PARLIAMENT

Coordination: Maciek JASTRZEBIEC-PYSZYNSKI

Editorial assistance: Inge BRYNS

To give feedback or obtain copies, please write to: exas@europarl.europa.eu.

PEER REVIEW

This study was subject to an external peer review.

VERSION(S)

Original: English

Manuscript completed June 2026.

BIBLIOGRAPHIC REFERENCE FOR THIS PAPER

NAZAROV, Mykola et al. 2026. Mapping the peacetime reconstruction needs of Ukraine. Brussels: European Parliament, EXAS.

For in-text citations: NAZAROV et al., 2026.

DISCLAIMER

The opinions expressed in this publication are those of the author(s) only and should not be considered as representative of the European Parliament's official position.

ARTIFICIAL INTELLIGENCE

Artificial Intelligence-assisted tools (ChatGPT 5.5) were used for the transcription and anonymisation of interview material, targeted searches for relevant literature and editorial purposes.

COPYRIGHT

© European Union, 2026.

Image on cover: Lea / stock.adobe.com.

LICENCE

The reuse of this document is authorised under a Creative Commons Attribution 4.0 International (CC-BY 4.0) licence (<https://creativecommons.org/licenses/by/4.0/>).

To use or reproduce elements that are not owned by the European Union, permission may need to be sought directly from the respective rightholders.

Table of contents

List of abbreviations	v
List of tables	vi
Executive summary	vii
1 Introduction: The scope and purposes of the paper	1
1.1 Ukraine's current reconstruction efforts and planning	3
1.2 Institutions and coordination architecture	4
1.3 Financial constraints and the scale of need	6
1.4 The short-term versus long-term trade-off	8
1.5 Digital governance: DREAM, ProZorro and accountability at scale	9
1.6 Transparency and the wartime accountability paradox	9
2 From ad-hoc to long-term support by foreign partners	10
2.1 National and foreign actors in the recovery planning and process	10
2.2 The aims and effects of the Ukraine Facility	11
2.3 The outlook of the US-Ukraine Reconstruction Investment Fund	12
2.4 The long-term perspectives of the EIB	13
3 Between war and peacetime reconstruction	14
3.1 From war to relative peace: A spectrum, not a switch	15
3.2 What concretely changes: Sector-by-sector shift analysis	17
3.3 Signals and milestones: What the European Parliament could use as signals of change	18
3.4 Historical lessons: The Soviet-Finnish War, the Blitz and the Korean Armistice	19
3.5 The hardest transition: Demography, displacement and social reconstitution	21
4 The World Bank's 2026 Rapid Damage and Needs Assessment (RDNA5)	24
4.1 The RDNA methodology: What it measures and how	25

4.2	RDNA5 sector findings: Scale, change and what drove it	26
4.3	What RDNA5 adds: The acceleration story and the Ukraine Economy of the Future (UEF)	28
4.4	What the RDNA does not capture: Demographic costs, environmental liabilities and systemic losses	28
4.5	RDNA5 and oversight	30
5	Ukraine's development in a frozen or simmering conflict	31
5.1	Four Ukrainian industries with a bright future	31
5.2	Demographic challenges for a recovery	36
6	The interplay between Ukraine's recovery and EU accession	37
6.1	The Ukraine Facility as a conditionality bridge	38
6.2	The institutional gap: Coordinating reconstruction and accession without merging them	39
6.3	The US–Ukraine Reconstruction Investment Fund: Opportunity and compatibility	41
6.4	The accession timeline: Milestones over dates	42
6.5	The Multiannual Financial Framework 2028-2034: The Ukraine Reserve	44
6.6	The European Parliament's role: Knowledge, oversight and Rada engagement	45
6.7	How can think-tanks and civil society organisations help to open and shape the debate?	46
6.8	How EU Member States can benefit from Ukraine's reconstruction	47
7	Final conclusions and general recommendations	48
	Bibliography	53
	Annex	59

List of abbreviations

AFET	European Parliament's Committee on Foreign Affairs
AI	Artificial intelligence
DFC	Development Finance Corporation
DG ENEST	European Commission's Directorate-General for Enlargement and the Eastern Neighbourhood
DREAM	Digital Restoration Ecosystem for Accountable Management
EBRD	European Bank for Reconstruction and Development
EEAS	European External Action Service
EIB	European Investment Bank
ENTSO-E	European Network of Transmission System Operators for Electricity
EU	European Union
G7	Group of Seven
GDP	Gross domestic product
IDP	Internally displaced person
IEP	Institute for European Politics
IFC	International Finance Corporation
IMF	International Monetary Fund
IT	Information technology
LPA	Limited partnership agreement
MFF	Multiannual Financial Framework
NABU	National Anti-Corruption Bureau of Ukraine
NAS	National Academy of Sciences
NATO	North Atlantic Treaty Organization
NRP	National recovery plan
OECD	Organisation for Economic Co-operation and Development
RDNA	Rapid damage and needs assessment
SAPO	Specialised Anti-Corruption Prosecutor's Office
SMEs	Small and Medium Enterprises
TEN-E	Trans-European Network for Energy
TEN-T	Trans-European Transport Network
UDP	Ukraine donor platform
UEF	Ukraine Economy of the Future
UN	United Nations
USA	United States of America

List of tables

Table 1: Core institutions in Ukraine's reconstruction governance architecture	59
Table 2: Wartime and post-ceasefire reconstruction priorities by sector, with European Parliament monitoring signals	60
Table 3: RDNA4 vs RDNA5 reconstruction and recovery needs by sector (ten-year horizon, USD billion)	61
Table 4: US–Ukraine Reconstruction Investment Fund: Areas of potential tension with EU accession obligations and their current status	62

Executive summary

Ukraine has now been fighting a full-scale defensive war for over four years and the cost of putting the country back together keeps rising. The Fifth Rapid Damage and Needs Assessment, published on 23 February 2026, sets total reconstruction and recovery needs at approximately EUR 507 billion over the next decade – nearly three times Ukraine’s 2025 Gross Domestic Product. Transport, energy and housing alone account for more than EUR 237 billion. In 2025, Russian strikes on the energy grid and railway network intensified sharply: over 1 195 rail attacks were documented in the year, pushing direct physical damage up by 11 % in twelve months (see Chapter 4 for full sourcing). Against all of this, approximately 4–4.5 % of damaged infrastructure had actually been restored or was under active reconstruction by mid-2025. However, the money committed, the plans drafted and the coordination bodies established have all yet to be translated into rebuilding at anything close to the scale required. This paper argues that the gap is not primarily a funding problem. It reflects three deeper misalignments between what is being financed, what reconstruction actually requires and what Ukraine will need to meet as a future European Union (EU) Member State.

Donor forums and investment conferences tend to focus on sectors that can attract private capital – critical minerals, digital infrastructure and agri-food – because those are where deals can be struck. Rarely under discussion are issues in which private investors have no interest, regardless of the governance environment, such as: clearing countless tonnes of rubble and asbestos-laden Soviet-era debris; dewatering coal mines that have been flooding for four years; and cleaning up contaminated groundwater across the Donbas industrial belt. These are not niche concerns. They are the physical preconditions for everything else. Channelling finance toward commercially attractive sectors while leaving reconstruction necessities without any financing is a choice that looks like ambition but functions as a missed allocation.

A great deal of reconstruction planning rests on the assumption that Ukrainians who fled will come back once the fighting stops. However, the evidence does not support this. By late 2025, only 43 % of surveyed refugees outside Ukraine said they intended to return, down from 74 % in November 2022 and that figure has moved consistently in one direction. Some 400 000 working-age men have been wounded. Ukraine’s own government projects that the population could fall to 25 million by 2051, from 42 million before the invasion. Infrastructure scaled for a population that does not return is not reconstruction but stranded expenditure. Paradoxically, though, the reverse is equally true: without basic infrastructure, displaced populations have no basis for decisions to return. Setting the sequencing correctly matters as much as the volume of investment. Veteran reintegration, meanwhile, is consistently treated as a social welfare question when it is primarily economic: Ukraine’s Ministry of Veterans Affairs estimates that investment in veteran rehabilitation generates a sixfold return, making it one of the highest-yielding uses of reconstruction finance available (see Chapter 3 for full sourcing).

Ukraine’s reconstruction and its EU accession process are inextricably linked through the Ukraine Facility’s reform conditionality and the Ukraine Plan milestones. In practice, nobody on either the EU or the Ukrainian side has authority to check that individual investment decisions – which thermal plant to repair, which rail gauge to adopt, which building standards to apply – will be aligned with EU single market requirements once Ukraine accedes. A power plant rebuilt only to wartime specifications but requiring costly retrofitting to meet EU standards at accession, is not a reconstruction success – it is a deferred liability. The Rapid Damage and Needs Assessment figures compound the problem by recording only what restoring pre-war conditions would cost, so the additional price of building to EU standards – what this paper calls the ‘build back better’ – is invisible in every financing instrument currently on the table. A sustained and visible reconstruction programme also functions as a long-term economic signal that Europe’s commitment to Ukraine is

unconditional – a form of strategic commitment that has deterrent value independent of any military calculation.

Finland rebuilt its economy after the Winter War without recovering Karelia and without resolution of the Soviet threat. South Korea rebuilt its basic economic capacity in the decade following the 1953 armistice – without a peace treaty and under continued military confrontation – before launching its industrial transformation in the 1960s. Neither case involved peace. Both were based on external security commitments that were credible enough for investment to become rational. A negotiated ceasefire is a prerequisite, not an alternative, to durable security guarantees. However, it is the legal form, financing commitment and duration of those guarantees, once achieved, that will determine whether private investment flows and displaced people return. A well-designed security guarantee is, in this sense, a reconstruction instrument.

The EU's Ukraine Facility, which provides up to EUR 50 billion for 2024–2027, links regular disbursements to the implementation of the Ukraine Plan and its reform and investment milestones. Separately, the EUR 90 billion Ukraine Support Loan for 2026–2027 is governed by its own legal framework and is linked to Ukraine's budgetary and defence needs, with only part of the package channelled as economic or macro-financial support. They are the most sophisticated conditionality instruments the EU has applied to a country still at war. The United States of America-Ukraine Reconstruction Investment Fund, agreed in April 2025, matters less for what it finances in the near term than for what it signals: an economic stake that keeps the United States engaged with Ukraine's security. Neither instrument comes close to covering the EUR 507 billion ten-year assessed reconstruction need. The proposed Multiannual Financial Framework 2028–2034 Ukraine Reserve – up to EUR 100 billion, at up to EUR 14.3 billion per year – is the instrument that will define the EU's reconstruction commitment for the decade ahead. Most recently, the Council finalised a EUR 90 billion Ukraine Support Loan for 2026 and 2027 on 23 April 2026, a portion of which will be channelled through the Ukraine Facility toward reconstruction. The governance design of the Ukraine Reserve is still being negotiated, which means the decisions that matter most have not yet been made.

The European Parliament has specific and substantial powers in this process that go beyond political statements of support. It must consent to Ukraine's accession treaty under Article 49 of the Treaty on EU. As a co-legislator on the Global Europe instrument through which the Ukraine Reserve will be implemented, it has direct co-decision authority over the Reserve's conditionality architecture, governance requirements and the relationship between disbursements and accession milestones. The EU-Ukraine Parliamentary Association Committee provides a standing channel to the Verkhovna Rada, Ukraine's parliament, at a moment when the Rada's oversight capacity has been weakened by martial law. This paper's recommendations identify specific uses of that leverage: a published classification of needs by financing type; demographic assessments before large housing investments in high-displacement areas; and formalised annual evidence sessions with Ukrainian research institutions whose analysis the Parliament rarely hears directly. Central and Eastern European Member States – Germany, Poland, the Baltic states and Romania – have strong economic interests in Ukraine's reconstruction and integration; building coalitions around that convergence is a more durable political strategy than relying on solidarity arguments alone, important as those are.

1 Introduction: The scope and purposes of the paper

Four years into Russia's full-scale invasion, Ukraine is simultaneously fighting for its survival and rebuilding the country while it is being destroyed. Those two activities are not sequential: reconstruction is ongoing, not deferred and the question of organisation has become as urgent and contested as the question of how to finance the work. This paper was commissioned by the European Parliament's Committee on Foreign Affairs (AFET) to help its members understand the key concepts behind this discussion, assess the state of existing and planned support instruments and identify where European parliamentary engagement can make a practical difference.

The title refers to 'peacetime' reconstruction needs and this term requires immediate clarification. It does not imply that a formal settlement or end to hostilities is assumed or anticipated within the study's timeframe. The more probable near-term trajectory is a spectrum of changing activity: from current high-intensity war, through a possible ceasefire or reduction in the scale of offensive operations, to a long-term state of managed insecurity in which reconstruction proceeds despite unresolved territorial and political questions. The word 'peacetime' in the title is therefore used analytically rather than predictively in naming the condition toward which reconstruction planning must orient itself even now. Investments being made today will determine the infrastructure available in whatever security environment eventually prevails. The distinction this paper draws throughout is between wartime priorities, emergency repair, continuity of supply, military logistics and the different logic that a reduction in hostilities, however partial, would unlock.

Three organising observations shape the paper's approach. Firstly, reconstruction is already happening. It did not and will not wait for peace. Ukraine's National Recovery Plan (NRP), its digital reconstruction governance infrastructure and the conditionality architecture of the European Union's (EU) Ukraine Facility are all operational. This paper analyses what is working and what is structurally insufficient, not what might be designed from scratch. Secondly, the question of what to reconstruct cannot be separated from the question of who will live in the rebuilt country. Ukraine's demographic trajectory – a declining refugee return rate, a mobilised working-age male population, a projected fall from 42 to as few as 25 million inhabitants by 2051 – is not a background condition but the central planning constraint. Infrastructure built for a population that does not materialise is stranded expenditure. Thirdly, reconstruction and EU accession are formally aligned but operationally separated. The paper argues that closing this operational gap is more urgent and tractable than commonly recognised. This implies ensuring that investment decisions made today are compatible with the standards Ukraine will be required to meet at the moment of accession or during the transition periods negotiated.

Covered here is Ukraine's reconstruction from the perspective of EU instruments financing Ukraine's efforts now and in the future: primarily the Ukraine Facility complemented by NDICI-Global Europe and the draft Global Europe proposal as part of the next Multiannual Financial Framework (MFF) 2028-2034. It does not address the legal and financial questions surrounding the potential use of immobilised Russian sovereign assets, which are the subject of another paper commissioned separately. Rather, the concentration here is on instruments, governance, sectoral priorities and the parliamentary actions available to influence them.

In geographic terms, the paper covers Ukraine's government-controlled territory, with attention to the reconstruction challenges specific to frontline-adjacent areas, de-occupied regions and areas of high internal displacement. It does not attempt to assess reconstruction needs in currently occupied territories, both because of the methodological impossibility of doing so and because the immediate policy focus is on instruments that can be deployed today. The Rapid Damage and Needs Assessment (RDNA) series 5 figures cited throughout include damage assessments across

all Ukrainian territory, including currently occupied areas. Where the paper discusses actionable reconstruction investment, the focus is on government-controlled territory. The occupied-territory dimension of the RDNA figures is discussed specifically in Chapter 4.

The paper draws on three categories of evidence. The primary source of empirical data is the RDNA series – the five successive RDNAs produced jointly by the Government of Ukraine, the World Bank, the European Commission and the United Nations (UN). The most recent, RDNA5, was published on 23 February 2026 and provides its principal quantitative baseline. The RDNA series is supplemented by official EU documents, including the Ukraine Facility regulation, accession progress reports and the United States of America (USA)-Ukraine Reconstruction Investment Fund agreement and General Partner Agreement.

The second category is expert interview evidence. Ten senior officials and experts were interviewed for this study in February 2026, all speaking in a personal capacity. They hold positions at institutions predominantly in Brussels and Kyiv: European Commission; European External Action Service (EEAS) (based in Kyiv); EEAS (based in Brussels); European Investment Bank (EIB); Ukraine Donor Platform (UDP) secretariat (based in Brussels); Ministry of Economy, Environment and Agriculture of Ukraine; Office of the Prime Minister of Ukraine; and Ministry of Finance of Ukraine. Interviewees are identified in the paper by institutional role only, in accordance with the terms on which the interviews were conducted. Where the paper quotes interviewees directly, those quotations are reproduced verbatim from notes taken during the interviews.

The third category is published policy analysis and academic literature, cited throughout the paper using author-date references with a full bibliography at the end. The paper draws particularly on analysis produced by Ukrainian research institutions as well as on relevant EU-focused think-tanks and international financial institution publications. All sources are cited in the text; no claim of fact is made without a traceable source. Artificial Intelligence (AI)-assisted tools were used for the transcription and anonymisation of interview material, targeted searches for relevant literature and editorial review to ensure consistency in terminology as well as style across contributions by different authors. All AI-assisted outputs were subject to human review and verification. No content was included without author validation. Quotations are reproduced from contemporaneous notes and are attributed by institutional role only; interviewees were informed that their contributions might be quoted in anonymised form.

The paper is organised into seven chapters, preceded by an executive summary and followed by a consolidated bibliography.

Chapter 1 analyses how Ukraine has organised its reconstruction governance under active hostilities: the institutional architecture, the financial constraints, the short-term versus long-term trade-off and the transparency paradox created by the security implications of disclosure.

Chapter 2 examines the transition from emergency donor support to structured long-term instruments, focusing on the EU Ukraine Facility, the US-Ukraine Reconstruction Investment Fund and the EIB's evolving role.

Chapter 3 analyses what changes and what does not as Ukraine moves along the spectrum from high-intensity war toward relative calm. It maps the sector-by-sector shift in reconstruction priorities that a reduction in hostilities would trigger, draws on three historical cases (the Soviet-Finnish War, the British Blitz and the Korean armistice) and addresses the demographic as well as social transition that presents the hardest governance challenge of all.

Chapter 4 provides a detailed examination of the RDNA5 findings, their implications for medium-term planning, as well as the categories of loss and risk that the RDNA methodology does not

capture: demographic costs, environmental liabilities and the 'modernisation premium' of building to EU standards rather than pre-war specifications.

Chapter 5 is a forward-looking 'thought experiment' on Ukraine's economic development under a frozen or simmering conflict, identifying the sectors where Ukrainian comparative advantage, EU industrial interest and reconstruction investment logic converge most strongly.

Chapter 6 examines the interplay between reconstruction and EU accession: the conditionality bridge provided by the Ukraine Facility, the institutional gap between the two tracks, the US-Ukraine fund's compatibility with EU accession obligations, the accession timeline debate and the MFF 2028-2034 Ukraine Reserve.

Chapter 7 summarises the final conclusions and policy recommendations for the key stakeholders involved in Ukraine's reconstruction and recovery efforts.

1.1 Ukraine's current reconstruction efforts and planning

Russia's full-scale invasion of February 2022 has inflicted a scale of destruction without precedent in Europe since 1945. The Fifth RDNA, released on 23 February 2026 by the Government of Ukraine, the World Bank, the European Commission and the UN, places the total cost of recovery and reconstruction over a ten-year horizon at nearly EUR 507 billion. This is almost three times Ukraine's estimated nominal Gross Domestic Product (GDP) for 2025. Direct physical damage has now exceeded EUR 168 billion, up from EUR 152 billion in the February 2025 assessment, the most affected sectors being transport (over EUR 82 billion), energy (nearly EUR 78 billion) and housing (almost EUR 78 billion) with 14 % of Ukraine's housing stock being damaged or destroyed, affecting more than three million households¹. RDNA methodology itself draws on the EU's established role in post-crisis needs assessments globally, conducted through the EU's Foreign Policy Instruments service as well as the Global Facility for Disaster Reduction and Recovery, giving the assessment an additional layer of institutional legitimacy beyond its four co-signatories².

European policy discourse has repeatedly reverted to the Marshall Plan as its default reference frame for Ukraine's reconstruction. A senior European Commission official with direct responsibility for financial instruments and de-risking, interviewed for this study, was unambiguous in rejecting this analogy: 'I am really, really bothered by the constant reference to the Marshall Plan. The context is so different, the countries are so different. The setup where you had one big USA and many European states benefiting, while here you have a number of partners and one Ukraine benefiting, makes it radically different. This constant reference blurs the lines of what should be done'.

If the Marshall Plan is the wrong reference point, which one is correct? The question is not merely rhetorical. Ukraine's reconstruction *does* differ from the post-war European experience in at least four fundamental ways that any adequate framework must account for.

Firstly, there is no single dominant financing partner: the Marshall Plan was financed entirely by the USA, with approximately 90 % of its funds provided as grants rather than loans³; Ukraine's financing comes from the EU, the Group of Seven (G7), the World Bank, bilateral donors and increasingly private capital in varying proportions, with no single actor able to anchor conditions or timelines⁴.

¹ World Bank et al., [Ukraine — Fifth Rapid Damage and Needs Assessment \(RDNA5\): February 2022–December 2025](#), World Bank Group, 23 February 2026.

² European Commission, ['Post-Crisis Assessments and Recovery Planning'](#), webpage, nd.

³ T. Becker et al., ['How to Rebuild Ukraine: A Synthesis and Critical Review of Policy Proposals'](#), *Annual Review of Economics*, Vol 17, 2025, pp. 293–320.

⁴ K. Karaki et al., [Ukraine's Reconstruction and EU Accession: Coordination between Investment and Technical Assistance](#), European Centre for Development Policy Management, September 2025. The European Parliament voted in favour of

Secondly, reconstruction is occurring during active hostilities and will continue under conditions of managed insecurity rather than post-war stability, hence the phased, sequential logic of the Marshall Plan (stabilise first, then invest) cannot apply.

Thirdly, Ukraine's reconstruction is inseparable from an EU accession process that carries its own regulatory requirements, conditionality architecture and institutional timeline.

Fourthly, unlike post-war Western Europe, Ukraine faces a severe and worsening demographic constraint: the labour and human capital available to carry out reconstruction is contracting, not recovering.

A more instructive conceptual reference is the post-conflict EU accession experience, most directly Croatia but also the Western Balkans more broadly, where reconstruction investment, institutional reform and membership conditionality were deliberately interwoven⁵. That model has its limitations but it captures essential features that the Marshall Plan does not. For instance, Croatia's reconstruction occurred in the absence of active hostilities by the time accession negotiations were substantive, at a fraction of Ukraine's economic scale and without the demographic contraction Ukraine now faces. Ukraine's reconstruction is, in this sense, the most intensive and institutionally demanding version of EU accession preparation ever undertaken – not because it will necessarily be the fastest but because it must be conducted simultaneously with active war, demographic contraction and a financing challenge of unprecedented scale. Whatever the accession timeline ultimately proves to be, the investment decisions being made today will determine whether Ukraine arrives at that moment with a modernised, compliant economic base or with a legacy of costly retrofitting.

The same European Commission official mentioned above challenged a second pervasive misconception: reconstruction is a post-war event waiting for peace. 'The linear thinking – reconstruction comes once there is a sort of peace – is definitely not the way reconstruction works,' it was observed, noting that the EU was already 'lining up investments' because infrastructure programmes take time to develop. This chapter, therefore, analyses Ukraine's reconstruction as an ongoing, multi-layered process conducted under active hostilities. Such a process must simultaneously deliver emergency repair, structural modernisation aligned with EU accession requirements and accountable governance. The tension between these imperatives and the institutional architecture Ukraine has built to manage them is the subject of this chapter.

1.2 Institutions and coordination architecture

Ukraine's reconstruction governance rests on a multi-level structure that has evolved considerably since 2022. This involves: the Ministry for Communities, Territories and Infrastructure Development, alongside the State Agency for Restoration and Infrastructure Development. Both coordinate national infrastructure priorities and donor relations. The Ministry of Economy then aligns reconstruction investments with Ukraine's NRP and EU accession commitments. The NRP's sectoral priorities can be matched with those from the RDNA framework, thereby providing a degree of coherence between damage mapping, recovery planning and reform conditionality that

the Commission's proposal for a reparations loan instrument underpinned by immobilised Russian sovereign assets. See: European Parliament, [Establishing the Reparations Loan to Ukraine](#), 2025/3502(COD), 3 December 2025. the Council had not reached agreement at the time of writing. This paper does not examine that instrument but notes the Parliament's active legislative role in its development. See also M. T. Veber, [EU sanctions and Russia's frozen assets](#), PE 754.487, European Parliament's Directorate-General for External Policies of the Union, November 2025.

⁵ K. Karaki et al., [Ukraine's Reconstruction and EU Accession: Coordination between Investment and Technical Assistance](#), European Centre for Development Policy Management, September 2025; T. Becker et al., 'How to Rebuild Ukraine: A Synthesis and Critical Review of Policy Proposals', *Annual Review of Economics*, Vol 17, 2025, pp. 293–320; Z. Darvas et al., [Ukraine's Path to European Union Membership and Its Long-Term Implications](#), Bruegel Policy Brief, No 05/2024, March 2024.

has not always characterised international reconstruction efforts⁶. The full institutional architecture, with each body's level, core functions and reconstruction role, is set out in Table 1 of the Annex. The flow of reconstruction-related information and decision-making authority across this institutional architecture follows a broadly hierarchical pattern. Policy priorities are set at the Cabinet level through the NRP and Ukraine Plan milestones; sectoral allocation decisions flow through the relevant line ministries; implementation authority resides principally with the State Agency for Restoration and Infrastructure Development for major infrastructure and with *hromadas* for local works. Financial oversight runs through the Accounting Chamber and State Audit Service, with anti-corruption enforcement through the National Anti-Corruption Bureau of Ukraine (NABU) and Specialised Anti-Corruption Prosecutor's Office (SAPO). The Digital Restoration Ecosystem for Accountable Management (DREAM) platform sits across all levels, providing a digital registry that makes project-level decisions visible to oversight bodies, donors and civil society simultaneously. The Verkhovna Rada's role in this architecture – through its budget, finance and European integration committees – is constitutionally central but operationally constrained under martial law, as discussed in Chapter 6.

One dimension that rarely receives the attention it deserves is the role of local government. Decentralisation reforms pursued since 2014 transferred significant fiscal and administrative authority to consolidated territorial communities (*hromadas*). By 2022, local governments controlled approximately 40 % of public investment decisions, making them indispensable actors in housing, municipal infrastructure and social services⁷. The senior EEAS official based in Kyiv with direct responsibility for the Ukraine Facility implementation was emphatic in stating that: 'Reconstruction will pass through local reconstruction. We really need to give all the tools to the municipalities and local self-government to develop their own construction agenda'.

A new level of community participation in Ukraine's reconstruction could come from energy communities. This is a format where citizens, local governments, as well as small and medium-sized businesses come together to generate energy for their own consumption and sell surplus capacity⁸.

Wartime conditions have, though, partially reversed this decentralisation logic. The same official noted a troubling operational reality: 'Because of the war, there is more centralisation of the decision-making mechanism with major governors who actually decide for the oblast'. This creates a structural tension between the formal architecture, which vests implementation responsibility in local communities and wartime reality, which has concentrated executive authority upwards. The gap between better-resourced local communities in western Ukraine and those in frontline or recently de-occupied areas, with depleted staff, destroyed facilities and limited administrative capacity, creates a governance risk, not merely a management inconvenience. A senior EIB representative with extensive EU enlargement experience identified implementation capacity as a primary structural risk: 'It is not clear whether the capacity at the central and local level in terms of implementation will be sufficient'.

Despite this wartime centralisation, survey evidence confirms the underlying democratic preference: a November 2022 Kyiv International Institute of Sociology survey found that 76.5 % of

⁶ V. Mykhnenko, et al., '[Rebuilding Ukraine: Lessons from Past Post-War Recovery Efforts](#)', *Oxford Review of Economic Policy*, Vol 38, No 3, 2022, pp. 699–716.

⁷ OECD, '[Rebuilding Ukraine by Reinforcing Regional and Municipal Governance](#)', 2 December 2022.

⁸ A. Kalinov, '[New energy communities: how local authorities and businesses are building Ukraine's energy independence](#)', *Energio Plus*, 17 September 2025.

Ukrainians wanted decentralisation reform to continue, establishing a democratic mandate for restoring genuine local authority as a core condition of post-war reconstruction governance⁹.

All officials interviewed for this study, regardless of institutional background, spoke as one on the principle of Ukrainian ownership of the reconstruction process. The Commission official made the institutional argument directly: 'If we externalise the reconstruction to bodies that are not Ukrainian public bodies, there will be no sustainability. The capacity built for reconstruction will disappear as soon as these agencies close'. Ukraine is not a failed state – its institutions, whatever their current constraints, provide the governance substrate on which reconstruction must be built.

The Verkhovna Rada holds constitutional oversight responsibility that wartime conditions have considerably constrained. Operating under martial law, the Rada has adopted emergency legislation accelerating procurement procedures and expanding executive powers. Various committees, notably those on budget, finance and European integration, have maintained oversight functions under difficult conditions but the information asymmetry between the executive and the legislature in reconstruction matters has grown. Restoring effective legislative oversight of reconstruction expenditure will become more urgent as financial volumes increase.

1.3 Financial constraints and the scale of need

Ukraine's reconstruction financing architecture involves three distinct decision-making levels. At the strategic level, the overall scale and composition of international support is coordinated through the UDP, which brings together Ukraine, the EU, the USA and other G7 members, alongside additional major contributors and through bilateral negotiations between individual donors and the Ukrainian government. At the instrument level, allocation decisions within the Ukraine Facility are governed by the Ukraine Plan reform milestones, with the Commission verifying implementation before tranches are released. At the project level, implementing decisions rest with Ukrainian line ministries and local authorities, subject to DREAM registration, ProZorro procurement compliance and audit oversight. The following sections describe the scale of Ukraine's financing needs within this architecture and the instruments currently in place to meet them.

The full-scale invasion of Ukraine has resulted in a budget deficit equivalent to 20–25 % of GDP, significantly increasing the country's dependence on international support. Ukraine's reconstruction financing operates within severe fiscal constraints: the government simultaneously finances a war consuming 50–60 % of public expenditure, maintains essential services and meets International Monetary Fund (IMF) programme requirements. Under its successive Extended Fund Facility programmes, the IMF functions primarily as a macroeconomic stabilisation anchor, underpinning fiscal discipline and enabling continued international support rather than acting as a constraint on reconstruction spending. Additional regulatory pressures arise from the need to align with EU requirements, including the Carbon Border Adjustment Mechanism, which imposes adjustment costs on key industrial sectors. The cumulative external financing envelope for the 2023–27 IMF programme stands at approximately EUR 132 billion, with annual budgetary support requirements running well above EUR 26 billion before any reconstruction investment is factored in¹⁰. Domestic fiscal contribution to reconstruction is therefore modest and directly contingent on continued international budgetary support.

⁹ M. Horbatiuk, '[Decentralisation and the Unity of the Country](#)', in O. Rafalsky and M. Mayboroda (eds), *Adaptive Changes in the Functioning of the Political System of Ukraine in the Conditions of Post-War Reconstruction*, Kuras Institute of Political and Ethnic Studies of the National Academy of Sciences of Ukraine, Kyiv, 2024 p. 274, citing Kyiv International Institute of Sociology, 2022.

¹⁰ IMF, [Ukraine: Eighth Review Under the Extended Arrangement Under the Extended Fund Facility](#), 30 June 2025.

To contextualise these figures: Ukraine requires approximately EUR 40–45 billion annually simply to maintain basic state functions – paying pensions, public sector salaries, healthcare, defence expenditure and debt service – before any reconstruction investment is considered. The Ukraine Support Loan for 2026 and 2027 of EUR 90 billion finalised in April 2026 therefore covers approximately two years of this baseline requirement, not reconstruction financing per se. This distinction is critical for understanding the genuine reconstruction financing gap: the headline funding figures, while large, are mostly absorbed by the cost of keeping the Ukrainian state operational during wartime. The scenario in which high-intensity conflict continues for several more years (which cannot be excluded) would require Western partners to sustain this baseline support indefinitely while reconstruction simultaneously falls further behind the pace of destruction.

International public financing has been mobilised at an historically unprecedented scale. The EU Ukraine Facility (EUR 50 billion, 2024–2027), G7 Extraordinary Revenue Acceleration loan proceeds, World Bank lending and bilateral partner contributions combined represent the largest financial support architecture ever assembled for a country still at war. The structure, conditionality and medium-term outlooks of these instruments are examined in Chapter 2. Even at the upper limit of current commitments, available public resources cover only a fraction of the EUR 507 billion ten-year reconstruction needs.

To reduce investment risk, the Ukrainian government recently introduced a subsidised war-risk insurance programme through the Export Credit Agency. International donors could further expand this programme to support private investment in reconstruction more broadly.

A distinction raised by the Commission official interviewed for this study deserves particular attention, as it has direct implications for how reconstruction finance is allocated. There is a structural difference between sectors that drive reconstruction and those that drive economic growth – conflating the two is a policy error. As the official stated: ‘You have to distinguish between what is a priority for reconstruction and what are the drivers of economic growth. You may have a dichotomy because they are not fully aligned’. Construction materials, steel production, waste management (including the asbestos-laden rubble of Soviet-era buildings), energy rehabilitation and water supply are reconstruction necessities requiring predominantly public investment: no private investor will finance them voluntarily. Critical raw materials, information technology (IT) and agricultural exports are growth drivers that can attract private capital but will not rebuild the country’s basic fabric. Channelling reconstruction finance toward sectors with private investment appeal, while leaving reconstruction necessities underfunded, would be a structural allocation failure.

Understanding why this allocation failure persists requires acknowledging the paradigm within which reconstruction finance currently operates. The prevailing assumption – embedded in international coordination structures, donor conference formats and most financing instrument designs – is that public money functions as ‘seed’ capital to de-risk reconstruction, after which private investment follows to carry the majority of the financing burden. This paradigm works well for commercially attractive sectors such as critical minerals, IT and agri-food processing, where private capital can credibly be mobilised once governance and security thresholds are met. It fails entirely for reconstruction necessities: no private investor will finance rubble clearance, coal mine dewatering or groundwater decontamination regardless of the governance environment, because there is no revenue stream from which to earn a return. These activities require non-reimbursable public grant financing – the paradigm that produces showcase investable projects while leaving physical preconditions unfinanced is not a failure of execution but a structural feature of the current approach. The European Parliament’s specific contribution to correcting this is to insist, through the Ukraine Reserve conditionality architecture, that a defined share of public financing is explicitly

reserved for non-investable reconstruction necessities before the private capital mobilisation rationale applies.

A related category, largely invisible in mainstream donor forums, is environmental liabilities. As the same official noted: 'The mines have not been pumped for four years, so you have underground water that has been contaminated – a wide range of issues that no private investor will look at'. These require grant or highly concessional funding with no financial return, yet they rarely appear as headline priorities in international coordination structures.

Accordingly, by mid-2025, the total private sector contribution to reconstruction remained marginal. The combination of active security threats, regulatory uncertainty, limited war-risk insurance and governance concerns quite understandably continues to deter such investors. Credible security guarantees, effective risk-sharing instruments backed by international financial institutions and demonstrated anti-corruption progress are the prerequisites for change here. They are not yet fully in place and consequently this is reflected in actual reconstruction progress: credible estimates suggest that only 4–4.5 % of damaged infrastructure and housing had been restored or were under active reconstruction by mid-2025¹¹.

1.4 The short-term versus long-term trade-off

The tension between emergency repair and EU-aligned modernisation is not a theoretical dilemma: it is a live operational choice being made in concrete project decisions every month. The EEAS official based in Kyiv described it plainly: 'It is quite a struggle to accommodate the fact that you need really to address right away the energy situation – to repair thermal power plants – and at the same time link medium-term investments with reforms.'

In the energy sector, this tension is sharpest. Russia's deliberate campaign against Ukraine's power infrastructure had caused close to EUR 22 billion in direct damage to the energy sector by late 2025, with full reconstruction needs assessed at nearly EUR 78 billion – a figure that grew by approximately 21 % in a single year¹². Emergency repairs to thermal generation and damaged grid elements prioritise continuity. Yet Ukraine's long-term strategy – and the logic of its integration with European networks through the European Network of Transmission System Operators for Electricity (ENTSO-E) synchronisation on 16 March 2022 – requires distributed renewable generation, demand-side efficiency and reduced dependence on centralised thermal capacity¹³. Decisions made today about which plants to repair, at what specification and with what assumed operational lifespan, lock in aspects of Ukraine's energy architecture for a decade. Emergency investments risk restoring the centralised vulnerabilities that have made repeated Russian attacks so damaging. The EEAS official who coordinated the Commission's early response to the invasion was direct: 'I really hope we learn the lesson and securitise and decentralise that energy infrastructure in view of future attacks'.

Transport and housing present different variants of the same dilemma. Rebuilding damaged rail and road infrastructure to pre-war specifications is faster than upgrading to Trans-European Transport Network (TEN-T) standards; however, TEN-T alignment is what Ukraine's role as a continental transit corridor will require¹⁴. In housing, political pressure to restore residential capacity risks locking in the energy performance characteristics of damaged Soviet-era building

¹¹ O. Nivievskiy et al., '[Rebuilding the Crossroads of Ukraine: Bridging the Gap between Damage, Recovery and European Aspirations](#)', *Ukrainian Analytical Digest*, September 2025.

¹² International Energy Agency, '[Ukraine's Energy Security: A Pre-Winter Assessment](#)', October 2025.

¹³ ENTSO-E, '[Continental European Successful Synchronisation with Ukraine and Moldova Power Systems](#)', 16 March 2022; International Energy Agency, '[Empowering Ukraine Through a Decentralised Electricity System](#)', 17 December 2024.

¹⁴ European Parliament and Council, '[Regulation \(EU\) 2024/1679 on Union guidelines for the development of the trans-European transport network](#)', PE/56/2024/ADD/1, 28 June 2024.

stock through like-for-like repair, rather than using the reconstruction moment to implement deep renovation aligned to EU energy performance standards. This is not an argument for demolition of repairable structures but for insisting on more demanding specifications in reconstruction works¹⁵. The principle of 'building back better', as endorsed in the NRP, is normatively correct but operationally insufficient without an explicit sequencing logic: a sector-by-sector account of where modernisation is the near-term priority and where, alternatively, rapid repair must come first with modernisation deferred¹⁶. Developing that sequencing logic, jointly between Ukrainian ministries, EU accession negotiators and the EIB, is among the most urgent current planning tasks.

1.5 Digital governance: DREAM, ProZorro and accountability at scale

Ukraine's most significant institutional innovation in reconstruction governance is the DREAM platform. Developed with civil society partners and international technical assistance, DREAM functions as a centralised digital registry linking project identification, funding allocation, procurement status and implementation progress in a publicly accessible interface. By late 2025, it had tracked thousands of projects across all regions and sectors¹⁷.

DREAM's institutional value lies in what it enables for accountability at scale. Real-time oversight by donors, civil society and the public reduces information asymmetry between implementing agencies and oversight bodies, narrows the scope for record manipulation and provides the audit trail required by the Ukraine Facility's monitoring framework and independent auditors. Its scalability is equally important: a system tracking several thousand projects can, in principle, be extended to ten times that number without proportionate increases in oversight staffing¹⁸. The oversight architecture within which DREAM operates – ProZorro, the Accounting Chamber, NABU and SAPO and civil society monitoring bodies – is examined in detail in Chapter 6, which also addresses accountability challenges specific to the wartime context¹⁹.

At the outset of the full-scale invasion in 2022, Ukraine introduced simplified procurement procedures to enable rapid emergency spending. However, by late 2022, adapted competitive procurement procedures were reintroduced, with simplified procedures largely retained for defence-related procurement. This evolution reflects an attempt to balance the need for rapid response with the restoration of transparency and accountability mechanisms²⁰.

1.6 Transparency and the wartime accountability paradox

Ukraine faces a genuine transparency paradox. Effective management of large-scale international assistance requires high levels of public disclosure but detailed information about infrastructure reconstruction in a live war zone creates security risks, all operationally useful to Russian military planners, *inter alia*: knowledge of the location; operational status and technical vulnerabilities of

¹⁵ J. Oriol et al., [Building Back Better: 6 Investment Criteria to Drive a Sustainable Reconstruction of Ukraine's Built Environment](#), *Buildings Performance Institute Europe*, June 2024.

¹⁶ K. Petrichenko et al., [Rebuilding Better and Faster: Why Energy Efficiency Is Key for Ukraine](#), *International Energy Agency*, 9 October 2025.

¹⁷ O. Klapushynskiy, ['DREAM Will Show It All: How Ukraine's Reconstruction Is Going, How Much It Costs and Who Pays'](#), *VoxUkraine*, 20 August 2025.

¹⁸ V. Nestulia and G. Hayman, ['The Ukrainian DREAM: Making Wartime Reconstruction Digital and Accountable'](#), *Open Contracting Partnership*, 14 August 2023; US Government Accountability Office, [Ukraine: State Should Take Additional Actions to Improve Planning for Any Future Recovery Assistance](#), GAO-25-107043, 4 September 2025; O. Klapushynskiy, ['DREAM Will Show It All: How Ukraine's Reconstruction Is Going, How Much It Costs and Who Pays'](#), *VoxUkraine*, 20 August 2025.

¹⁹ OECD, [Public Procurement in the Post-War Reconstruction of Ukraine – main challenges](#), 8 August 2023; European Commission, [Ukraine Report 2024](#), 30 October 2024; Basel Institute on Governance and Transparency International Ukraine, [Progress in Ukraine's Anti-Corruption Efforts](#), March 2025.

²⁰ A. Kuts et al., [Public procurement 2023: Functioning of the field and changes to it](#), *Transparency International Ukraine*, May 2024.

energy facilities or transport nodes. Various cases of infrastructure damaged shortly after publicising its reconstruction have reinforced this concern among Ukrainian officials²¹.

The EEAS official who coordinated the Commission's early response to the invasion raised a related accountability dimension: decisions to invest close to the contact line require explicit documented reasoning for future scrutiny. 'We need something like a note to the file,' the official argued, 'in case the audience coming two years later bashes us for having put an investment somewhere which was still in artillery reach of Russia'. Institutional memory of emergency decision-making logic must be preserved, not only for accountability but also to protect the legitimacy of wartime reconstruction decisions that will be revisited in post-conflict reviews.

Ukrainian authorities have responded by adopting a differentiated transparency regime: DREAM applies tiered access controls restricting sensitive locational data while maintaining public access to aggregate funding and progress information. This is pragmatic, albeit meaning that accountability mechanisms are weakest where corruption and misallocation risks may be highest, namely in emergency reconstruction zones where oversight capacity is most depleted.

The accountability paradox described in this section – maximum transparency required, maximum secrecy operationally necessary – cannot be resolved by institutional design alone. Its resolution requires a financing architecture that is structured, conditioned and politically sustainable enough to maintain oversight demands over a multi-year horizon. The transition from the emergency support instruments of 2022–2024 to that architecture is covered in the next chapter.

2 From ad-hoc to long-term support by foreign partners

Chapter 1 examined how Ukraine has organised its reconstruction governance internally. This chapter now turns to the external financing architecture: the EU Ukraine Facility, the US-Ukraine Reconstruction Investment Fund and the EIB's evolving role – and what the shift from emergency support to structured long-term instruments requires of both donors and recipients.

2.1 National and foreign actors in the recovery planning and process

Post-war recovery in Ukraine is coordinated by both advisory and government bodies. In particular, the National Recovery Council under the President of Ukraine has been established (Resolution No 266/2022). This is a consultative and advisory body, the purpose of which is in particular: 'to develop an action plan for post-war recovery and development of Ukraine'; and to restore transport, social, energy infrastructure, housing and the military-industrial complex²². Coordination is also being carried out by the Cabinet of Ministers through, *inter alia*: the Ministry of Economy; the Ministry of Regional Development; the Ministry of Finance; and the Ministry of Infrastructure. All are responsible for developing sectoral programmes as well as approving the Recovery and Reconstruction of Ukraine. The Recovery Support Team operates under the Ministry of Community and Territorial Development. This is a group of Ukrainian specialists funded by donors within the framework of the 'Ukraine Recovery and Reform Architecture' to provide technical assistance in the development and implementation of key reforms²³. Ukraine's reconstruction governance architecture involves a multi-level system of institutions operating across national, regional and local levels, as summarised in Table 1 of the Annex.

²¹ N. Raymond and C. Howarth, '[Briefing on Russian Attacks Targeting Ukraine's Energy Infrastructure](#)', *Foreign Press Center*, 4 March 2024.

²² Government of Ukraine, '[About the National Council for the Recovery of Ukraine from the War](#)', webpage, nd.

²³ Ministry for Development of Communities and Territories of Ukraine, '[The Recovery and Reform Support Team \(RST\)](#)', webpage, nd.

The relationship between these international actors and the Ukrainian institutional architecture described in Chapter 1 follows a structured flow. International donors and IFIs commit financing at the strategic coordination level (UDP, G7 frameworks). Those commitments are then allocated through the Ukraine Plan and sectoral priorities set by the Cabinet of Ministers and relevant line ministries. Implementation responsibility flows to the State Agency for Restoration and Infrastructure Development for major infrastructure, to line ministries for sectoral programmes and to hromadas for locally-delivered works. Accountability for expenditure runs back through the DREAM platform and formal audit chains to the Accounting Chamber and, for EU-financed programmes, to the Commission's monitoring framework. The Verkhovna Rada's constitutional oversight role cuts across this entire flow but under martial law its practical scrutiny capacity is constrained by security-driven limits on parliamentary transparency, reduced public and media access to deliberations and the postponement of normal electoral accountability. Table 1 in the Annex maps each institution against its level, core function and reconstruction role within this flow.

The main international actors include: the European Commission; EIB; European Bank for Reconstruction and Development (EBRD); the World Bank; the IMF; the Organisation for Economic Co-operation and Development (OECD); and other multilateral organisations. The G7 countries actively cooperate within the framework of coordination bodies. For example, the Ukrainian Donor Platform brought together Ukraine, the G7 countries, the EU and international financial institutions just mentioned above²⁴ together with the International Finance Corporation (IFC). Key donors also include the UN and its agencies (UN Development Programme, UN International Children's Emergency Fund, UN Educational, Scientific and Cultural Organization) as well as public development agencies (United Kingdom Aid, Japan International Cooperation Agency, British International Investment). The national governments of these countries coordinate assistance through bilateral working groups and participation in international forums. Thus, the heads of the European Commission and of the governments of the G7 countries regularly speak at conferences, announcing joint decisions.

2.2 The aims and effects of the Ukraine Facility

The EU has set up the Ukraine Facility, a special fund to help Ukraine from 2024 to 2027, with a budget of up to EUR 50 billion²⁵. This financial instrument should offer consistent funding for Ukraine's recovery and modernisation, as well as support for its reforms and inclusion into Europe. It is important to distinguish between the Facility's components: approximately EUR 9.5 billion is allocated to investment instruments aimed at mobilising private capital, while most of the EUR 50 billion envelope is devoted to macro-financial assistance and budgetary support necessary to sustain the Ukrainian state's functioning during wartime. In April 2026, the Council additionally finalised a EUR 90 billion Ukraine Support Loan for 2026 and 2027, a portion of which will be channelled through the Ukraine Facility framework; this instrument is discussed further in Chapter 6 *vis-à-vis* the MFF 2028–2034 negotiations.

The Ukrainian Reform Plan is the basis for disbursements from the Fund²⁶. It contains 69 reform items and 10 investment projects with over 130 performance indicators²⁷. Each tranche is allocated only after confirmation that these indicators have been implemented. During the first year of the Fund's operation, the Council of the EU noted successful implementation of key reforms, *inter alia*: updating anti-corruption legislation; amendments to the Criminal Code and the Criminal Procedure Code; improving the business climate; gradual reforms of the energy sector; and environmental

²⁴ Ukrainian Donor Platform, '[Participants](#)', webpage, nd.

²⁵ European Parliament and Council, [Regulation \(EU\) 2024/792 establishing the Ukraine Facility](#), PE/10/2024/REV/1, *Official Journal of the EU*, Series L, 29 February 2024.

²⁶ Ukraine Facility, [Ukraine plan 2024–2027](#), March 2024.

²⁷ T. Peters, '[Ukraine Facility: State of play](#)', *European Parliament Members' Research Service*, 17 July 2024.

protection²⁸. The Ukraine Facility has already demonstrated the practical effect of conditionality. The fourth regular payment in August 2025 was lower than initially expected, with over EUR 3.05 billion disbursed after Ukraine was assessed as having satisfactorily fulfilled 13 reform indicators tied to that payment²⁹. However, the relevant amounts should be described as withheld rather than definitively lost, since Regulation (EU) 2024/792 allows withheld funds to be released later if Ukraine subsequently fulfils the relevant qualitative and quantitative steps³⁰.

Most analysts positively assess the speed and scale of resource mobilisation through the Fund. At the same time, experts point to the need for strengthening certain aspects. In particular, the Fund's investment framework should start well but its EUR 9.5 billion may not be sufficient to de-risk all projects. The European Policy Centre proposes creating an additional 'European-Ukrainian Strategic Investment Fund', a coalition of willing countries to increase the guarantee potential significantly and attract an additional EUR 40–50 billion in private investment³¹. Such an initiative could partially use the institutional approaches of the existing investment framework but significantly expand the possibilities of financing, especially for military-industrial and technological projects that are important for the common security of Europe.

Finally, the Facility places emphasis on both environmental and social priorities. On the environmental side, at least 20 % of the overall amount corresponding to support under the Ukraine Investment Framework and to investments under the Ukraine Plan should contribute, to the extent possible in a war-torn country, to climate change mitigation and adaptation, environmental protection, biodiversity conservation and the green transition. On the social side, the Regulation requires the Ukraine Plan to contribute to social objectives, including the inclusion of groups in vulnerable situations, the best interests of children, gender equality and the empowerment of women and girls. These priorities are reflected in the Ukraine Plan's emphasis on rebuilding social cohesion, improving access to education, healthcare and social services, supporting vulnerable groups and creating conditions for the return of internally displaced persons and persons under temporary protection³². This principle should be maintained and strengthened by directing the Fund's resources towards 'green' reconstruction (such as, restoration and modernisation of networks, construction of energy-saving facilities and rehabilitation of affected ecosystems).

2.3 The outlook of the US-Ukraine Reconstruction Investment Fund

The United States-Ukraine Reconstruction Investment Fund was established by an intergovernmental agreement on 30 April 2025 as a partnership with joint management to finance the reconstruction of Ukraine³³. The fund will receive 50 % of royalties and licence fees for the extraction of strategic resources in Ukraine (critical minerals, oil, gas), while the funds will be invested in new Ukrainian projects with long-term profits for the USA and Ukraine³⁴. The initial capital of EUR 130 million was put together on a 50/50 basis: EUR 65 million from the US International Development Finance Corporation (DFC) and EUR 65 million from Ukraine. The fund

²⁸ European Council, '[Council approves second payment of close to EUR 4.1 billion under the Ukraine Facility](#)', Press Release, 9 December 2024.

²⁹ RRR4U, '[Monitoring implementation of the IMF program and EU assistance \(March 2026\)](#)', March 2026.

³⁰ European Parliament and Council, '[Regulation \(EU\) 2024/792 establishing the Ukraine Facility](#)', PE/10/2024/REV/1, *Official Journal of the EU*, Series L, 29 February 2024.

³¹ P. Lausberg, '[Beyond the Ukraine Facility: De-risking private investment to reconstruct Ukraine and strengthen Europe](#)', *European Policy Center*, 10 July 2025.

³² European Commission, '[Commission welcomes political agreement on the up to EUR 50 billion Ukraine Facility](#)', News Article, 6 February 2024.

³³ US Department of the Treasury, '[Treasury Announces Agreement to Establish United States–Ukraine Reconstruction Investment Fund](#)', Press Release, 30 April 2025.

³⁴ The White House, '[President Donald J. Trump Secures Agreement to Establish United States–Ukraine Reconstruction Investment Fund](#)', Fact Sheet, 1 May 2025.

will be managed by a special unit comprising three representatives from Ukraine and three from the USA, with high standards of transparency and reporting. In the first phase of financing, main projects in energy, critical minerals, infrastructure, telecoms and supply chains are being prioritised. The return on investment is expected to be realised in the medium to long term (preferably 8–10 years). This fund will coordinate with European and international initiatives (EU, World Bank, EBRD, for instance) to avoid duplication of support. The areas of potential tension between the fund's provisions and Ukraine's EU accession obligations as well as their current resolution status are set out in Table 4 of the Annex.

The Ukraine Reconstruction Investment Fund, established by the DFC, aims to mobilise investments (including US capital and expertise) in Ukraine's reconstruction, taking into account US security requirements³⁵. The Fund is focusing on long-term projects that will strengthen the resilience of both countries. These include, in particular: the extraction and processing of critical minerals (such as lithium, graphite, titanium); the development of energy infrastructure (transmission lines, renewable energy sources); as well as transport and logistics systems (ports, roads); along with projects in Information and Communication Technology and Innovation³⁶. In Ukraine, the Fund will operate throughout the territory (including frontline regions, where it is possible to consider projects that contribute to strengthening energy or logistics infrastructure), with a particular focus on 'post-occupation' recovery.

At the time of writing in March–April 2026, the fund had selected eight high-readiness projects valued at approximately EUR 1 billion, primarily in energy and critical minerals, for priority consideration.³⁷ However, no projects had been formally implemented, as the LPA defining investment criteria, off-take arrangements and governance procedures remained unpublished. The gap between project identification and project implementation is itself an indicator of the fund's current stage: it functions primarily as a geopolitical signal of US engagement rather than as an operational financing instrument. Whether substantial projects materialise will depend on the Limited Partnership Agreement's (LPA) final terms, the security environment in areas where designated mineral deposits are located and the broader trajectory of US–Ukraine relations.

2.4 The long-term perspectives of the EIB

The EIB is actively increasing its support for Ukraine. Since 2022, it has signed financial operations worth over EUR 4 billion and in 2025 the volume of new EIB financing reached a record EUR 1.5 billion³⁸. The EIB's key instruments are:

Loans and borrowings

The EIB provides long-term loans to support critical infrastructure and the utilities sector – for example, EUR 300 million to Naftogaz (with an EU grant of EUR 127 million) to increase gas reserves, EUR 120 million to Ukrhydroenergo, EUR 200 million to modernise residential heating, as well as over EUR 740 million through programmes to rebuild water, heat and social infrastructure. At the same time, financing is provided under EU guarantees (Ukrainian Investment Framework) and partly in the form of concessional loans.

Guarantees and grants

With EU support, the EIB has rolled out guarantee programmes for Small and Medium Enterprises (SMEs) (for example, EU4Business framework guarantees: EUR 100 million through PrivatBank,

³⁵ DFC, '[DFC Kickstarts US–Ukraine Reconstruction Investment Fund with USD 75 Million Seed Capital Equity Investment](#)', Media Release, 17 September 2025.

³⁶ M. Boltryk, '[US–Ukraine Investment Fund Picks 8 High–Readiness Projects Worth USD 1.2B](#)', *Kyiv Post*, 2 March 2026.

³⁷ M. Boltryk, '[US–Ukraine Investment Fund Picks 8 High–Readiness Projects Worth USD 1.2B](#)', *Kyiv Post*, 2 March 2026.

³⁸ EIB, '[EIB Group provided a record EUR 1.5 billion for Ukraine in 2025](#)', Press Release, 26 February 2026.

EUR 50 million through Ukreximbank). Furthermore, with the participation of investment funds, the EIB provides trade and export guarantees (the EU pilot 'InvestEU' for exports to Ukraine)³⁹. The EIB administers EU grant funds that complement the bank's loans – for example, an additional EUR 75 million in grants (EUR 25 million for water supply, EUR 50 million for social housing) for EIB projects.

Technical assistance and project preparation

The Ukraine FIRST (Infrastructure Project Facility) programme has been implemented with participation of the EIB, which provides expert support for the preparation of large-scale projects (such as feasibility studies, road, water and energy network reconstruction projects). For example, the EIB is supporting the reconstruction of the Odesa–Reni highway and is also preparing a railway connection project.

While the EIB plays a central role in financing reconstruction through EU-backed instruments, it operates alongside a broader ecosystem of international financial institutions active in Ukraine. These include the IFC, which focuses on mobilising private sector investment through blended finance and risk-sharing mechanisms as well as the Council of Europe Development Bank, which supports social infrastructure projects, including housing, healthcare and assistance to internally displaced persons (IDPs). Some interviewees also emphasised that expanding risk-sharing instruments through institutions such as the IFC could play a critical role in mobilising private capital under conditions of elevated security risk. The presence of multiple international financial institutions reflects the diverse financing needs of Ukraine's reconstruction, ranging from large-scale infrastructure investment to social sector support and private sector development. Effective coordination among these actors remains essential to avoid fragmentation and ensure complementarity of financial instruments⁴⁰.

A broader contextual note is warranted on the EU's Global Gateway initiative, which frames much of the EU's external infrastructure engagement. Ukraine's status as a candidate country creates ambiguity about its formal coverage under Global Gateway, which was designed primarily for non-EU external partners. In practice, a number of instruments associated with the Team Europe approach – including EIB financing, EBRD engagement and Commission technical assistance – are already operating in Ukraine in ways that mirror the Global Gateway architecture. The European Parliament adopted a resolution on Global Gateway in March 2026, which is directly relevant to the Ukraine financing discussion⁴¹. It is recommended that AFET seek clarification from the Commission on whether and how Ukraine's reconstruction financing will be formally integrated into the Global Gateway framework as accession negotiations progress.

The adequacy of this financing architecture – whether it is structured to respond to a security environment that may shift from high-intensity war toward relative calm and whether it is conditioned correctly to ensure investments are compatible with eventual EU membership – is taken up in depth over the next two chapters.

3 Between war and peacetime reconstruction

The conceptual framework most commonly applied to reconstruction assumes a clear temporal sequence: conflict ends, hostilities cease and reconstruction begins. However, Ukraine does not fit neatly into this sequence and is unlikely to at any point in the foreseeable future. The more probable

³⁹ European Investment Fund, '[InvestEU Ukraine Export Credit Pilot](#)', Press Release, 22 March 2024.

⁴⁰ C. Palmer and R. Matiukhin, '[Rebuilding Ukraine: IFC's role in mobilizing private investment](#)', *International Finance Corporation*, March 2024.

⁴¹ European Parliament, '[Resolution on Global Gateway – past impacts and future orientation \(2025/2073\(INI\)\)](#)', P10_TA(2026)0104, 26 March 2026

trajectory is a spectrum of security conditions – from the current high-intensity war, through a possible period of reduced hostilities or a ceasefire that falls well short of a comprehensive peace settlement, to a long-term state of managed insecurity in which reconstruction must proceed despite unresolved political and territorial questions. Planning for this spectrum, rather than for a clean transition to peace, is the defining challenge of Ukraine's reconstruction governance.

This chapter analyses what concretely changes and what does not as Ukraine moves along that spectrum. It draws on historical cases: the Soviet-Finnish War and its aftermath; the British experience of reconstruction under the Blitz during the Second World War; and the Korean War armistice. It examines the signals and milestones that would indicate a meaningful shift in security conditions and identifies what the European Parliament should monitor as indicators of progress. It then addresses the hardest dimension of any transition: the demographic and social reconstitution of a society in which millions of people have been displaced, mobilised, injured or bereaved.

3.1 From war to relative peace: A spectrum, not a switch

A senior EEAS official described the shift in European risk thinking that has already occurred on the question of where to invest: 'The assumption that we can wait for absolute stability, for an absolute guarantee that what we construct will not be destroyed by Russia – we will not have that. And it's completely wrong to think this is a question of proximity to the contact line. Every now and then we have missiles going down on Lviv'. The implication for reconstruction planning is direct: there is no safe geography and no safe moment. Risk management replaces risk elimination as the operative principle.

There is a second-order argument for sustained reconstruction investment that goes beyond the purely economic rationale. A visible and credible EU commitment to rebuilding Ukraine, no matter how often Russia strikes, sends a strategic signal: that European determination cannot be worn down by continued destruction and that the economic cost of the war to Russia will compound over time as Ukraine's productive capacity is restored rather than permanently degraded. In this sense, reconstruction is not merely a response to Russian aggression but a form of long-term economic deterrence – a demonstration that the destruction of Ukrainian infrastructure does not achieve its strategic objective of exhausting European willingness to sustain Ukraine. Various interviewees noted, without using this terminology directly, that the political credibility of continued reconstruction investment would be as important as the military credibility of security guarantees in shaping Russian calculations about the costs of continued hostilities. The European Parliament's role in maintaining that credibility – through sustained legislative and diplomatic engagement, financing commitments and public communication – is therefore not separable from the conflict's security dimension.

The same official identified a governance corollary: decisions to invest in proximity to the contact line need explicit documented reasoning, preserved for future accountability review. This 'note to the file' principle applies with particular force to the transition period, when political pressure to demonstrate visible reconstruction progress may push investment decisions faster than their underlying risk analysis warrants.

Three broad security scenarios shape this chapter's analysis. The first is continued high-intensity war: the current wartime reconstruction needs to manage the situation. The second is a 'relative calm' scenario: a ceasefire or significant reduction in offensive operations along current or near-current contact lines, without a formal peace settlement or internationally recognised territorial agreement. The third is a 'simmering conflict': a protracted low-intensity situation in which sporadic attacks continue, the frontline is broadly stable but not formally fixed and the security environment

is better than wartime but remains deeply uncertain for investors and returnees. Before examining the second and third scenarios, it is essential to state clearly what the first scenario – continued high-intensity war – means for reconstruction. Under current conditions, the pace of new destruction consistently exceeds the pace of reconstruction: EUR 18 billion in cumulative delivery against a need growing at approximately EUR 59 billion per year. This is not an argument for abandoning reconstruction investment during wartime – the deterrent argument and the social cohesion rationale remain valid – but it does mean that the purpose of reconstruction under high-intensity war is fundamentally different from reconstruction under reduced hostilities. Under high-intensity conditions, reconstruction maintains social cohesion, signals political commitment and prevents total infrastructure collapse; it cannot reasonably aim to restore pre-war conditions or build toward EU-standard infrastructure at scale. Reconstruction planning frameworks that ignore this distinction are not merely optimistic – they are misleading about what current levels of investment can achieve.

Security guarantees are identified throughout this paper as a critical condition for both private investment and population return. This claim requires greater precision, because ‘security guarantee’ covers a wide range of possible arrangements that differ fundamentally in their credibility and practical effect. At one end of the spectrum, bilateral declarations of political support – which currently exist in abundance – do not constitute security guarantees in the sense that would make investment rational. At the other end, formal commitments to mutual defence, equal to those contained in Article 5 of the Washington Treaty establishing North Atlantic Treaty Organization (NATO) backed by military capacity and binding treaty obligations, would represent the most credible possible guarantee. Between these poles lie various intermediate arrangements: bilateral defence agreements, security assistance commitments, deployed military monitoring missions, financial guarantee mechanisms and emerging proposals for advanced pre-accession integration. The latter include recent discussions of a special Ukraine-specific status that could grant Ukraine institutional participation rights before accession and potentially link its EU trajectory more explicitly to European security guarantees. Each has different implications for investor confidence and population decisions. The paper's claim that a well-designed security guarantee is a reconstruction instrument is correct – but the design details matter enormously and no credible path from the current high-intensity conflict to a security arrangement capable of anchoring reconstruction investment has yet emerged. This paper identifies this gap without resolving it, because resolution lies beyond both the paper's mandate and the current state of diplomatic and military reality. What the European Parliament can do is insist that any security architecture being negotiated – even informally – is evaluated explicitly for its reconstruction implications, not only for its geopolitical ones.

A further dimension of the first scenario that the paper must acknowledge explicitly is the risk to EU political sustainability. The analysis of low-intensity scenarios implicitly assumes that the EU's willingness and capacity to support Ukraine remains intact across the medium term. This assumption is not guaranteed. Parties with documented links to Russian influence operations are gaining electoral ground in several EU Member States. With Viktor Orbán no longer blocking EU decisions following Hungary's April 2026 elections, the most acute institutional veto has been removed – but the broader political trend toward parties sceptical of sustained Ukraine support remains a structural risk to the financing commitments on which all reconstruction scenarios depend. Protecting the EU's own decision-making integrity from Russian interference and disinformation is therefore a prerequisite for any reconstruction scenario, not merely a desirable governance improvement. While the European Parliament does not legislate on national electoral laws, it plays an important role in shaping EU rules on media freedom, platform accountability, political advertising transparency and countering foreign interference and disinformation. These

functions are directly relevant to reconstruction outcomes, even if the connection is rarely made explicit.

These scenarios serve an analytical rather than predictive function. The paper does not assign probabilities to them or assert a timeline for any transition. Their purpose is to make the planning implications of different security conditions visible and to show how reconstruction priorities, financing instruments and governance requirements would need to shift across the spectrum. The core assumption is that at some stage the conflict will become lower in intensity – whether through negotiated ceasefire, exhaustion, or a stable frontline – and that planning for that transition must begin now, regardless of when it occurs. What changes across the scenarios is not the direction of travel but the pace and scale of what becomes possible. Under continued high-intensity war, reconstruction is emergency management and resilience maintenance. Under relative calm, it becomes structural modernisation toward EU standards. Under simmering conflict, it transitions to long-term institution-building and private investment mobilisation. The sector priorities and financing instruments appropriate to each are mapped in Table 2 in the Annex.

The analysis below focuses primarily on the second and third scenarios, since the first is the current operational reality that Chapter 4's RDNA analysis already addresses in depth. However, the recommendations in Chapter 7 specifically address the institutional resilience measures needed to sustain EU political support regardless of which scenario prevails.

3.2 What concretely changes: Sector-by-sector shift analysis

The central principle of this section is that reconstruction must proceed regardless of destruction risk. Waiting for a security environment that guarantees the durability of investment is not a viable strategy: under current conditions, such an environment does not exist and may not exist for years. The practical implication is that reconstruction design must incorporate resilience from the outset – not only reconstructing what was destroyed but reconstructing in ways that reduce vulnerability to further destruction. This means preferring distributed over centralised systems: multiple smaller heating units over a single large plant; distributed solar generation over centralised thermal capacity; redundant water supply networks over single-source infrastructure. Where centralised assets must be rebuilt for operational reasons, physical protection, dispersal of control functions and cyber resilience should be treated as standard specification requirements rather than optional additions. Table 2 in the Annex maps the principal reconstruction priorities across seven sectors against two security conditions. The table is analytical rather than prescriptive, with the actual timing and sequencing of any transition being dependent on ground conditions that cannot be determined in advance. Its purpose is to make the shift in priorities visible and to identify the signals that the European Parliament and international donors should track. Various features of this comparison deserve emphasis.

Table 2 covers seven sectors – energy, housing, transport, demining, health and social services, governance and oversight and private investment – selected on the basis that they represent the most significant areas of reconstruction decision-making where the shift in priorities across security conditions is analytically distinct and policy-relevant. Sectors where the reconstruction logic does not change substantially across conditions (such as basic digital infrastructure or education facilities) are not separately mapped. The first column – wartime priorities – reflects the current operational reality and, as the most probable near-term scenario, deserves particular attention: it describes not a baseline to be escaped but the conditions within which the majority of reconstruction investment will actually be deployed.

Firstly, the transition is not simultaneous across sectors. For instance, demining and housing shifts will be driven by geographic security conditions and will occur at different speeds in different

regions of the country. Energy and governance transitions depend more on institutional readiness and financial instrument design than on frontline proximity.

Secondly, wartime priorities do not simply cease when conditions improve but rather narrow. A corollary principle applies to infrastructure that is struck after reconstruction: rapid repair of damaged assets must be treated as a standing operational commitment, not a one-time exception, because the alternative – allowing destroyed infrastructure to remain unrepaired pending a more favourable security environment – cedes the strategic initiative to Russian targeting logic. Emergency energy repair continues to be needed even as the renewables investment programme scales up.

Thirdly, the governance of procurement rules across the transition spectrum deserves particular attention. Standard competitive procurement procedures were largely restored for civilian reconstruction by late 2022, with simplified emergency procedures retained primarily for defence-related spending. As financial volumes grow and the security environment potentially shifts, the key governance task is not restoring standard rules – that process is already underway – but ensuring that the restored transparency and accountability standards are maintained under the political pressure to accelerate visible reconstruction progress. Monitoring the boundary between legitimate defence-related procurement simplifications and the use of emergency exceptions for non-defence reconstruction spending could be included in the Commission’s annual Ukraine Facility monitoring reports.

3.3 Signals and milestones: What the European Parliament could use as signals of change

The European Parliament’s ability to play a constructive role in Ukraine’s reconstruction depends on its capacity to track meaningful indicators of transition across the security, demographic and governance dimensions examined in this chapter, rather than waiting for a formal political declaration that the situation has changed. The monitoring signals discussed in this section correspond to the ‘Signal for the European Parliament to monitor’ column of Table 2 in the Annex. The signals below are not exhaustive but they represent the categories of evidence most useful for informing the AFET Committee’s oversight function.

Security indicators. A sustained reduction in strike frequency against civilian infrastructure – particularly energy and transport systems – over a period of two to three months would be the most concrete indicator of a meaningful shift in security conditions. This is distinct from a formal ceasefire declaration, which may not be accompanied by a genuine reduction in hostilities. The senior official at the UDP secretariat was direct: ‘If Ukraine remains in a situation of frozen or simmering conflict, that will be a collective failure’. The European Parliament should not treat a ceasefire announcement as a signal to accelerate reconstruction financing commitments until it is corroborated by a sustained, measurable reduction in documented Russian strikes on civilian infrastructure over a rolling two-to-three-month period. Announced ceasefires and operational reductions in hostilities are distinct events and the financing architecture should respond to the latter, not the former.

IDP movement indicators. IDP registration numbers and voluntary return flows to previously evacuated areas are among the most sensitive real-world indicators of perceived security. As the senior EEAS official with extensive Ukraine experience observed: ‘Nobody wants to live far from his or her home’. The rate and direction of IDP movement – towards or away from eastern and frontline-adjacent regions – will signal population confidence more reliably than official statements. The European Parliament could request the Commission and EEAS to provide the

AFET Committee with IDP movement data disaggregated by region as a standing element of Ukraine Facility monitoring reports.

Demining progress indicators. Land contamination with explosive remnants of war covers an estimated 138 500 square kilometres – an area larger than Greece – and is one of the most significant structural obstacles to population return and investment⁴². The change from agricultural clearance to residential and urban clearance will be one of the clearest operational signals that planning priorities have shifted toward conditions for Ukrainians to return home. The European Parliament could request that the Commission include the ratio of agricultural to residential demining as a standing indicator in Ukraine Facility monitoring reports.

Private investment indicators. The volume of war-risk insurance capacity in force, foreign direct investment registrations and the take-up rate of EIB and EBRD guarantee instruments are quantifiable indicators of investor confidence in the security and governance environment. Because private investors typically lead rather than follow the formal political calendar, a sustained increase in these indicators would signal a genuine transition more reliably than a ceasefire announcement alone.

3.4 Historical lessons: The Soviet-Finnish War, the Blitz and the Korean Armistice

Three historical experiences, identified in the remit for this study as potentially instructive, are examined here. They are chosen not for superficial similarity – Ukraine's situation is *sui generis* in certain respects – but because each illuminates a specific governance or social challenge that Ukraine will face in the transition period. Two differences between Ukraine's situation and all three historical cases deserve explicit acknowledgement. First, Russia's war against Ukraine involves a deliberate attempt to suppress Ukrainian cultural and national identity in occupied territories – a dimension absent from both the Finnish and British cases and qualitatively different from the Korean division, which was a geopolitical conflict rather than a cultural erasure campaign. This matters for reconstruction because it implies that Ukraine's political and cultural institutions – media, language policy, educational systems – are targets of Russian strategy in ways that Finland's economic reconstruction or Britain's bomb-damaged housing were not. Second, the Korean armistice, while enabling South Korea's economic reconstruction, meant that millions of people in North Korea lived under a brutal dictatorship for generations thereafter. Ukraine has made clear that it does not consider a frozen conflict that leaves its citizens under Russian occupation an acceptable outcome – nor does the EU. The historical cases are instructive for the mechanics of reconstruction under insecurity; they are not templates for acceptable political outcomes.

The Soviet-Finnish War (Winter War, 1939–40) and its aftermath. Finland's experience following the Moscow Peace Treaty of March 1940 is instructive precisely because peace was incomplete and insecurity remained structural. Finland ceded approximately 11 % of its territory, including the economically significant Karelia region and the city of Viipuri, without a comprehensive peace settlement that resolved the underlying Soviet strategic ambitions. Approximately 430 000 Karelian Finns, 12 % of the national population, were displaced and required resettlement within months. Finland managed this through a state-directed but community-implemented resettlement programme: land redistribution, housing construction in receiving areas and deliberate economic integration of displaced persons into the labour force of western and central Finland⁴³.

⁴² European Investment Fund, '[InvestEU Ukraine Export Credit Pilot](#)', Press Release, 22 March 2024.

⁴³ A. de Gadolin, [The Solution of the Karelian Refugee Problem in Finland](#), Springer, Dordrecht, 1952; J. Loehr et al., '[The Resettlement and Subsequent Assimilation of Evacuees from Finnish Karelia during and after the Second World War](#)', in

Three lessons transfer to Ukraine. Firstly, territorial loss and unresolved political status do not preclude successful reconstruction: Finland rebuilt its economy and preserved its independence without a peace treaty that resolved the core security question. Secondly, mass resettlement requires decisive state leadership and sustained public investment: it cannot be outsourced to market forces or humanitarian organisations. Thirdly, the psychological dimension of displacement does not disappear with resettlement: Finland's programme succeeded partly because it offered displaced Karelians genuine economic prospects in their new locations, not purely humanitarian support⁴⁴. It should be noted that Finland's post-war reconstruction occurred within a constrained geopolitical framework: the 1948 Friendship, Cooperation and Mutual Assistance treaty with the Soviet Union imposed significant limitations on Finnish foreign and security policy that persisted until 1992. The reconstruction lesson transfers to Ukraine; the geopolitical accommodation does not and should not.

Reconstruction under the Blitz (Battle of Britain and the London Blitz, 1940–41). The British experience of reconstructing bombed cities while under active aerial bombardment established principles that remain relevant for Ukraine. The first and most important was the deliberate decentralisation of critical infrastructure and government functions: the concentration of essential services in single, vulnerable nodes was identified as a strategic liability and systematically addressed through dispersal and redundancy⁴⁵. Power generation, fuel storage and administrative functions were distributed to reduce the impact of any single strike. Ukraine's energy sector, as discussed in Chapter 1, faces precisely this challenge. The wartime evidence strongly supports the case for distributed, resilient generation over the reconstruction of centralised thermal capacity.

The second relevant lesson from this period concerns the psychological dimension of maintaining normality under conditions of active destruction. British wartime reconstruction prioritised rapid first-aid repairs to damaged dwellings over architectural quality and used early declarations of intent to rebuild civic centres as deliberate signals for maintaining civilian morale, even where full reconstruction was years away. The strategic rationale was that visible evidence of reconstruction maintained civilian morale and social cohesion in conditions where both were under pressure⁴⁶. Ukraine is already applying a version of this principle. The government's priority on reconstructing schools, healthcare facilities and local infrastructure in western and central regions is consistent with this policy, in part signalling a state's capability and commitment, rather than just performing a functional exercise⁴⁷.

The Korean War armistice (1953) and South Korea's reconstruction. The Korean case is the most directly analogous to Ukraine's probable trajectory in one key respect: reconstruction and sustained economic development occurred in the absence of a formal peace treaty, under conditions of continued military confrontation across a demilitarised zone and with unresolved territorial questions. The armistice of July 1953 ended active hostilities but not the state of war. International

M. Fridlund et al. (eds), *Digital Histories: Emergent Approaches within the New Digital History*, Helsinki University Press, Helsinki, 2020, pp. 129–147; V. Erkkilä, 'Rural (In)Justice: Smallholding as Social Policy in a Modernizing Finland, from 1945 to the 1960s', in P. Haapala et al., (eds), *Experiencing Society and the Lived Welfare State*, Palgrave Macmillan, Cham, 2023, pp. 281–300.

⁴⁴ European Parliament, [Resolution on Global Gateway – past impacts and future orientation \(2025/2073\(INI\)\)](#), P10_TA(2026)0104, 26 March 2026.

⁴⁵ P. Larkham and M. Clapson, [The Blitz and Its Legacy: Wartime Destruction to Post-War Reconstruction](#), Routledge, New York, 2016.

⁴⁶ C. Kohan, [Works and Buildings: History of the Second World War, United Kingdom Civil Series](#), His Majesty's Stationery Office, London, 1952; R. Titmuss, [Problems of Social Policy: History of the Second World War United Kingdom Civil Series](#), His Majesty's Stationery Office, London, 1951; Flinn, C., [Rebuilding Britain's Blitzed Cities: Hopeful Dreams, Stark Realities](#), Bloomsbury Academic, London, 2019.

⁴⁷ World Bank et al., [Ukraine – Fifth Rapid Damage and Needs Assessment \(RDNA5\): February 2022–December 2025](#), World Bank Group, 23 February 2026; Government of Ukraine, [Ukraine Plan 2024–2027](#), May 2024.

support provided the financial foundation for rebuilding basic infrastructure. This was achieved primarily through the UN Korea Reconstruction Agency, established by UN General Assembly Resolution 401(V) of December 1950 together with bilateral US assistance. By the late 1950s, South Korea had largely returned to pre-war levels of output⁴⁸, albeit the decade immediately following the armistice was characterised by aid dependency, political instability and negligible domestic savings rather than systematic modernisation. The transformation commonly associated with the Korean case – state-led industrial policy, export-driven growth and the Five-Year Plans – began only with the Park Chung-hee government from 1961 onwards⁴⁹. The Korean experience, therefore, offers two distinct lessons rather than one: external assistance can restore a shattered economy to its pre-war baseline relatively quickly; but sustained development requires political consolidation, institutional capacity and a coherent industrial strategy that reconstruction assistance alone cannot supply.

Two lessons are directly relevant for the EU. Firstly, the external security commitment's credibility was the single most important determinant of investor confidence and population return: it was the USA's military presence, not the absence of a peace treaty, that made reconstruction investment rational. For Ukraine, the legal form, financing commitment and duration of European security guarantees will matter more for reconstruction outcomes than the formal diplomatic status of any ceasefire arrangement. Secondly, the UN Korea Reconstruction Agency's structured, programme-based approach proved more effective than the fragmented bilateral assistance that preceded it – an argument for scaling the Ukraine Facility model rather than reverting to project-by-project support.

A further dimension of the Korean case that the EU cannot overlook is the political context in which South Korea's industrial transformation occurred: the Five-Year Plans and export-led growth strategy of the 1960s were implemented under an authoritarian government that suppressed political opposition and civil liberties. For the European Parliament, whose engagement with Ukraine is explicitly conditioned on democratic governance, this aspect of the Korean analogy is a cautionary limit rather than a transferable lesson. Ukraine's reconstruction must be financed and conditioned in ways that strengthen democratic institutions, not merely economic output.

3.5 The hardest transition: Demography, displacement and social reconstitution

The sectoral and institutional transitions described above are technically complex but manageable within existing planning frameworks. The demographic and social transition that a ceasefire or period of relative calm would trigger presents a different order of difficulty. It is also, as the senior EEAS official with direct Ukraine experience noted, the dimension on which existing analysis is most inadequate: 'This is an area where we are not doing enough anticipated work in social sciences and in history.'

Ukraine's demographic situation by early 2026 involves a number of overlapping displacements. Approximately 5.9 million Ukrainians currently remain abroad as refugees; a further 3.7 million are internally displaced within the country⁵⁰. The mobilised military force numbers in the hundreds of

⁴⁸ S. Haggard, *Pathways from the Periphery: The Politics of Growth in the Newly Industrializing Countries*, Cornell University Press, Ithaca, 1990; D. Irwin, *How Export-Led Growth Saved South Korea*, *National Bureau of Economic Research*, September 2021.

⁴⁹ A. Amsden, *Asia's Next Giant: South Korea and Late Industrialization*, Oxford University Press, Oxford, 25 June 1992; S. Haggard, *Pathways from the Periphery: The Politics of Growth in the Newly Industrializing Countries*, Cornell University Press, Ithaca, 1990.

⁵⁰ UNHCR, 'Ukraine refugee situation', webpage, nd; International Organization for Migration, *Ukraine Internal Displacement Report: General Population Survey Round 22*, October 2025.

thousands. A large but poorly quantified number of people have been bereaved, injured, or left with long-term disabilities; verified civilian casualties alone exceeded 56 000 by early 2026, with the true figure acknowledged to be considerably higher⁵¹. Women, children and older persons left the country in disproportionate numbers; men of military age were legally prohibited from leaving under martial law. The UDP secretariat's senior official described this last dynamic with precision: 'When young men between 18 and 22 were permitted to leave, many took their partners with them – a double hit to the labour market that is only partially accounted for in displacement statistics'.

The assumption embedded in many reconstruction plans is that displaced populations will return in large numbers once hostilities reduce. The evidence does not support this at current trajectories. By late 2025, only 43 % of surveyed Ukrainian refugees reported their intention to return, compared with 74 % in November 2022 and that figure has moved consistently downwards. Historical evidence from post-conflict situations suggests that return rates are highly sensitive to the availability of economic opportunities at the destination, not only to security conditions. The EIB representative noted the implication directly: 'Labour shortages may require Ukraine to import labour – an outcome that has profound implications for reconstruction planning, social cohesion and the political economy of return'. A dimension of the return question that reconstruction planning frequently overlooks is that refugee return rates are not solely determined by conditions inside Ukraine. They are also significantly shaped by EU Member State policies toward Ukrainian refugees. As of early 2026, approximately 4.4 million Ukrainians held temporary protection status in EU Member States, giving them access to labour markets, healthcare and social services⁵². If EU Member States were to decline extending temporary protection status following a credible ceasefire – or to create meaningful incentives for voluntary return – the share of refugees choosing to return would likely increase substantially. The EU, therefore holds a significant indirect instrument for influencing Ukraine's demographic recovery, beyond its direct reconstruction financing role. A corresponding policy recommendation – that the EU reconsider the conditions and duration of refugee support in light of any durable ceasefire – is addressed in Chapter 7.

Ukrainian academic scholarship identifies this division as one of the most volatile social faults of the reconstruction period. A 2024 research programme at the National Academy of Sciences (NAS) of Ukraine estimated that men of conscript age who left Ukraine illegally or failed to update their registration with military recruitment authorities, together with their immediate family members, number millions of persons – a constituency that will support any political actor who promises amnesty for their non-compliance⁵³. The tension between veterans – who will expect recognition, priority access to housing and employment and *de facto* political voice – alongside those who avoided mobilisation – who will expect reintegration without penalty – has no precedent of comparable scale in Ukraine's recent political history and no established institutional mechanism for resolution. By late 2025, military service had become one of the most divisive issues in Ukrainian society, with growing resentment between those serving indefinitely and those who evaded conscription or fled abroad⁵⁴. Survey data indicate that approximately 75 % of veterans anticipate serious difficulties in finding employment and accessing inclusive workplaces, while 90 % of the public already supports veteran participation in politics – creating a politically significant

⁵¹ OHCHR, [Protection of Civilians in Armed Conflict](#), January 2026

⁵² Eurostat, [Temporary protection for 4.40 million in February 2026](#), News Article, 14 April 2026.

⁵³ H. Zelenko, [Political Regime in Post-War Ukraine](#), in O. Rafalsky and M. Mayboroda (eds), *Adaptive Changes in the Functioning of the Political System of Ukraine in the Conditions of Post-War Reconstruction*, Kuras Institute of Political and Ethnic Studies of the NAS of Ukraine, Kyiv, 2024, p. 40.

⁵⁴ J. Hedenskog and A. Umland, [The Ukrainian Mobilization Challenge: Military and Society During Full-Scale War](#), Stockholm Centre for Eastern European Studies, 19 December 2025; S. Schlegel, [Mobilisation, Peacemaking and Deterrence in Ukraine](#), International Crisis Group, 17 December 2024.

constituency with clear expectations of post-war priority⁵⁵. Half of Ukrainian civil society respondents fear that a ceasefire could increase rather than reduce internal instability⁵⁶. How this tension is managed will substantially shape the political environment in which both reconstruction and accession negotiations proceed. The European Parliament could call on the Commission to treat transitional justice mechanisms as a governance condition of reconstruction financing, specifically by incorporating the adoption of a comprehensive transitional justice legal framework as a milestone within the Ukraine Reserve conditionality architecture. Deferring this to a later phase of reconstruction, as current financing frameworks implicitly do, risks allowing the social fault lines described above to harden before institutional mechanisms exist to address them.

This political dialogue concerns which communities can be rebuilt, in what timeframe, with what resources and with what realistic assessment of prospects for citizens returning. Resolution of these issues is a prerequisite for coherent reconstruction planning in the transition period. The gap between the government's estimated labour needs for reconstruction and realistic return projections among displaced Ukrainians illustrates the scale of planning assumptions that remain unresolved⁵⁷. International partners, including the EU, cannot conduct this dialogue on Ukraine's behalf: the first principle of the 2022 Lugano Declaration, endorsed by over forty states, affirms that the reconstruction process must be led by Ukraine in partnership with international partners, not directed by them⁵⁸. A candid assessment of the relationship between EU accession and Ukraine's social reconstruction must acknowledge a tension that certain interviewees raised implicitly. The accession process, with its emphasis on institutional reform, regulatory alignment and governance benchmarks, creates strong incentives for Ukraine to prioritise demonstrable compliance over the more difficult internal political dialogue that social reconstitution requires. Transitional justice, veteran reintegration policy and the management of social tensions between those who served and those who did not are all harder to present as accession milestones than procurement reform or anti-corruption legislation – yet they may matter more for long-term social stability.

The broader social challenge of this transition extends well beyond displacement and mobilisation. The same NAS Ukraine research programme argues that years of full-scale war have transformed Ukrainian society into what it terms a 'risk society': namely, not only one in which ensuring the basic functioning of institutions has displaced development as the primary policy objective but also one in which the population has adapted to operating under conditions of extreme stress as a normalised state⁵⁹. Returning Ukrainians to a condition in which they can plan their own lives over meaningful time horizons is framed in this analysis as a primary indicator of successful recovery – distinct but inseparable from, physical reconstruction. Six overlapping categories of social wound are identified: physical and psychological trauma at individual and community level; demographic losses from displacement, emigration and depletion of the most civically active age cohorts; social inequality intensified by unequal distribution of the war's burdens and exemptions from mobilisation; erosion of social norms and civic trust; an accumulated sense of injustice from corruption and the political economy of wartime governance; as well as a transitional justice deficit

⁵⁵ I. Dobrohorska, [Reintegrating Ukraine's Veterans](#), *German Marshall Fund*, April 2025; Westminster Foundation for Democracy, ['Veterans in Politics: Building Ukraine's Democratic Future'](#), 16 December 2025.

⁵⁶ O. Lutsevych, [Mobilizing 'Team Ukraine' for a successful recovery](#), *Chatham House*, 7 July 2025.

⁵⁷ O. Borodyna, [Beyond Rebuilding: Managing Interconnected Risks to Ukraine's Long-term Recovery and Reconstruction](#), *ODI Global*, 10 July 2025.

⁵⁸ Government of Ukraine and Ukraine Recovery Conference Signatory States, [Lugano Declaration: Outcome Document of the Ukraine Recovery Conference URC2022](#), 5 July 2022.

⁵⁹ N. Kononenko, ['Political Mechanisms of Healing Social Wounds'](#), in O. Rafalsky and M. Mayboroda (eds), *Adaptive Changes in the Functioning of the Political System of Ukraine in the Conditions of Post-War Reconstruction*, Kuras Institute of Political and Ethnic Studies of the NAS of Ukraine, Kyiv, 2024, p. 217.

that no reconstruction financing framework has yet incorporated⁶⁰. Currently, the EU and the Council of Europe have signed an agreement on the financing of an advance team to establish the Special Tribunal for the Crime of Aggression against Ukraine within the framework of the Council of Europe⁶¹.

The veteran reintegration challenge compounds Ukraine's demographic picture. By late 2025, some 700 000 citizens had been mobilised into the armed forces, with approximately 400 000 wounded – mostly working-age men – representing a contraction of roughly one-quarter of the effective labour force in government-controlled territory⁶². The projected total veteran population, including family members, is estimated at 4–5 million once hostilities end⁶³. Many will return with physical injuries, post-traumatic stress and disrupted professional trajectories: survey data indicate that 84 % of veterans anticipate psycho-emotional instability and 73 % expect serious difficulty finding employment⁶⁴. The healthcare and social infrastructure required will be substantial and sustained in areas such as: trauma rehabilitation, mental health services and disability-inclusive employment programmes. Veteran reintegration is not peripheral to reconstruction: it is identified as the primary labour market priority for the reconstruction period and investment in veteran rehabilitation is estimated to generate a sizeable economic return. Ukraine's Ministry of Veterans Affairs projects that each dollar invested in veteran rehabilitation generates a sixfold return to the economy – a figure that, if validated by independent assessment, would make it one of the highest-yielding uses of reconstruction finance available⁶⁵.

The demographic and social challenges described in this section are not captured in the quantitative reconstruction needs figures, on which international financing decisions are currently based. Understanding exactly what the RDNA5 measures and what it does not is, therefore, a prerequisite for understanding whether the financing architecture described in Chapter 2 is adequate for the challenge Ukraine actually faces. That is now discussed in the next chapter.

4 The World Bank's 2026 Rapid Damage and Needs Assessment (RDNA5)

On 23 February 2026, one day before the 4th anniversary of Russia's full-scale invasion, the Government of Ukraine, the World Bank Group, the European Commission and the UN jointly released RDNA5. Published just days before the submission of this paper, RDNA5 is the most current and authoritative empirical baseline for understanding the scale, structure and trajectory of Ukraine's reconstruction needs. It supersedes RDNA4 published in February 2025 and provides the analytical foundation on which this chapter's sector-by-sector examination rests. For the European Parliament's AFET Committee, it is also the reference point against which the adequacy of international financing commitments must be measured⁶⁶.

The headline figure is EUR 507 billion, the estimated total cost of reconstruction and recovery over a ten-year horizon from 31 December 2025. This is approximately three times Ukraine's projected nominal GDP for 2025 and EUR 55 billion more than the EUR 450 billion estimated in RDNA4

⁶⁰ N. Kononenko, 'Political Mechanisms of Healing Social Wounds', pp. 217–219.

⁶¹ European Commission, 'EU and Council of Europe sign agreement to finance advance team for Special Tribunal on Crime of Aggression against Ukraine', Press Release, 23 January 2026

⁶² G. Anastasia et al., *A Wartime Labour Market: The Case of Ukraine*, VoxEU/CEPR, March 2026.

⁶³ Y. Markuts et al., *Ukraine Human Capital Chartbook*, Kyiv school of Economics Institute, May 2025.

⁶⁴ I. Dobrohorska, *Reintegrating Ukraine's Veterans*, German Marshall Fund, April 2025.

⁶⁵ R. Bandura, *Ukraine's Future Rests on Its People*, Center for Strategic and International Studies, 14 February 2025; G. Anastasia et al., *A Wartime Labour Market: The Case of Ukraine*, VoxEU/CEPR, March 2026. I. Dobrohorska, 'Veterans and Ukraine's Human Capital Development for Recovery', German Marshall Fund, 3 June 2024

⁶⁶ World Bank et al., *Ukraine – Fifth Rapid Damage and Needs Assessment (RDNA5): February 2022–December 2025*, World Bank Group, 23 February 2026.

twelve months earlier, a 12 % increase in a single year of continued war. The underlying direct damage figure has risen from EUR 152 billion to over EUR 168 billion, a 11 % increase reflecting a year of intensified Russian strikes on energy infrastructure, railway corridors and residential areas. These are not estimates of some hypothetical future war: they constitute the cumulative record of four years' deliberate and systematic destruction⁶⁷. It is essential to understand what the EUR 507 billion figure does and does not represent. The RDNA5 methodology provides estimates for all Ukrainian territory, including currently occupied areas, based on satellite imagery and extrapolation – but the true reconstruction cost for territories under Russian control cannot be reliably assessed without access. The RDNA5 figure therefore represents a lower bound of the full reconstruction challenge. If Ukraine recovers significant currently occupied territory, the total cost could approach or exceed EUR 1 trillion, depending on the scale of destruction in those areas and the infrastructure investment required to reintegrate them. Planning frameworks and financing instruments that treat EUR 507 billion as the ceiling rather than the floor are structurally insufficient from the outset.

4.1 The RDNA methodology: What it measures and how

Each assessment combines four principal data sources: analysis of commercial and governmental satellite imagery by teams with no institutional affiliation to any of the assessment's co-signatories, allowing damage in inaccessible or occupied areas to be estimated without requiring physical access; administrative damage records compiled by Ukrainian central and regional authorities; field assessments in areas accessible to assessment teams; and sectoral econometric modelling to project recovery costs beyond the directly observable damage. Combining these sources allows the RDNA to estimate not only the replacement cost of physically damaged assets but also associated economic losses. This includes the production foregone, the trade disrupted, the services interrupted and the investment required over a ten-year reconstruction horizon⁶⁸.

The RDNA's multi-institutional governance is itself a source of credibility. This assessment is co-signed by the Ukrainian government, the World Bank, the European Commission and the UN, hence no single actor controls the findings and each institutional sponsor has a reputational stake in their integrity. For international donors and the European Parliament, this governance structure means that RDNA figures carry a level of independent verification not available from any single government or donor source. In practice, the RDNA has become the common currency of Ukraine reconstruction planning: donor conferences, the Ukraine Facility disbursement framework and bilateral country planning documents all reference its sector estimates⁶⁹.

RDNA5 also formally acknowledges the Ukraine Economy of the Future (UEF) strategy, a framework developed by the Ukrainian government in 2025 to orient reconstruction investment toward a defined post-war economic model rather than merely cataloguing damage. The UEF is organised around five pillars: macro-fiscal stability; governance and rule-of-law reform; private sector dynamism; infrastructure investment; and human capital development. This represents Ukraine's own articulation of what it is rebuilding towards, not only what it is rebuilding from. Its

⁶⁷ World Bank et al., [Ukraine – Fifth Rapid Damage and Needs Assessment \(RDNA5\)](#), World Bank Group, 23 February 2026.

⁶⁸ European Commission et al., [Post-Disaster Needs Assessment](#), Global Facility for Disaster Reduction and Recovery, September 2013; World Bank et al., [Ukraine – Fifth Rapid Damage and Needs Assessment \(RDNA5\): February 2022–December 2025](#), World Bank Group, 23 February 2026.

⁶⁹ World Bank et al., [Ukraine – Fifth Rapid Damage and Needs Assessment \(RDNA5\): February 2022–December 2025](#), World Bank Group, 23 February 2026; European Parliament and Council, [Regulation \(EU\) 2024/792 establishing the Ukraine Facility](#), PE/10/2024/REV/1, Official Journal of the EU, Series L, 29 February 2024.

formal incorporation into RDNA5 signals a deliberate shift in the assessment's function: from damage inventory to investment framework⁷⁰.

4.2 RDNA5 sector findings: Scale, change and what drove it

Table 3 in the Annex presents RDNA5 sector-by-sector needs estimates alongside the RDNA4 baseline, with the percentage change as its primary driver. The table makes clear that no sector has been spared and that the rate of damage accumulation across nearly every category accelerated in 2025. Figures in the table represent ten-year reconstruction and recovery needs; they are not annual expenditure requirements but they set the outer bound of the financing challenge.

Three findings from Table 3 warrant particular emphasis for the AFET Committee's oversight:

Firstly, the energy sector has become the fastest-growing in proportional terms: a 34 % increase in estimated needs in a single year reflects Russia's deliberate strategy of targeting power generation and heating infrastructure ahead of winter. The number of damaged or destroyed energy assets increased by approximately 70 % in 2025 compared with 2024. A senior EEAS official based in Kyiv, speaking to this study during a power cut and hence using a generator, characterised the situation directly: 'The risk of a complete Kyiv blackout was not hypothetical but operationally planned for. This is the context in which energy reconstruction investments are being made'.

Secondly, transport forms the single largest absolute needs figure at over EUR 83 billion, reflecting more than 1195 documented Russian attacks on the rail network in 2025 alone, more than the combined total for the preceding two years⁷¹. Ukraine's railway system has become both a strategic military logistics asset and a principal channel for humanitarian assistance and reconstruction materials, which is precisely why it has become a priority Russian target. The 24 % increase in transport needs in a single year also includes intensified port and inland waterway infrastructure damage, affecting grain export capacity in ways that have consequences for Ukrainian government revenue, agricultural sector viability and the global food supply⁷².

Thirdly, despite some progress in agricultural land surveying that partially contained cost growth, the explosives hazard and debris clearance category remains at nearly EUR 24 billion. This figure does not represent the total contamination problem but only the portion deemed technically and economically feasible to address within a ten-year horizon. A senior EEAS official with extensive Ukraine operational experience was explicit about the government's current prioritisation: 'The government has a very clear priority on demining agricultural land, because that allows farmers to restart, money to flow into the country, the whole economic impact is there. But farming in Ukraine is not very work-intensive – farms are ten to one hundred times bigger than in the rest of Europe. So, this is economically important but will not provide you with immediate jobs'. The gap between agricultural clearance (economically driven) alongside residential and urban clearance (a precondition for population return) is a policy choice embedded in the current demining priority order that the RDNA captures but does not resolve.

The highly important issue of agricultural land demining should not be assessed primarily through a job-creation lens. Although clearance of agricultural land can generate some direct employment in survey, clearance, logistics and quality assurance, this is not the central policy rationale in Ukraine's current wartime economy. The stronger rationale is macroeconomic. Agricultural

⁷⁰ World Bank et al., [Ukraine – Fifth Rapid Damage and Needs Assessment \(RDNA5\): February 2022–December 2025](#), World Bank Group, 23 February 2026.

⁷¹ T. Lister and D. Tarasova-Markina, ['Russia Targets Another Critical Part of Ukraine's Infrastructure: Its Railways'](#), CNN, 10 February 2026.

⁷² World Bank et al., [Ukraine – Fifth Rapid Damage and Needs Assessment \(RDNA5\): February 2022–December 2025](#), World Bank Group, 23 February 2026.

production and exports remain one of Ukraine's principal sources of foreign-exchange earnings. Agricultural products accounted for roughly 60 per cent of Ukraine's exports in recent reporting, while Ukraine's agricultural export strategy remains closely tied to the functioning of Black Sea and alternative logistics corridors⁷³. Demining agricultural land therefore supports not only farm-level recovery but also Ukraine's fiscal resilience, balance-of-payments position and capacity to finance the war effort and reconstruction.

Agricultural demining also has an external food-security dimension that is not fully captured by a narrow domestic recovery framework. Ukraine remains a major supplier of grain and food commodities to international markets and the World Food Programme describes Ukrainian food exports as a vital source of food for much of the world. The Black Sea Grain Initiative similarly demonstrated that restoring Ukrainian agricultural exports can have stabilising effects beyond Ukraine: by July 2023, nearly 33 million tonnes of agricultural goods had been shipped from Ukraine under the initiative, with a significant share of wheat going to developing countries⁷⁴.

The housing and social sectors figures together reflect a dimension of the reconstruction challenge that resists pure financial framing. At nearly EUR 76 billion, housing is the third-largest sector under ten-year needs. However, 14 % of housing stock damaged or destroyed, affecting more than three million households, represents a social disruption whose costs in displacement, labour market dislocation and community fragmentation far exceed any reconstruction price tag⁷⁵. The European Commission official responsible for financial instruments was emphatic that housing cannot be disaggregated from broader social recovery: 'You can build whatever infrastructure, if people are gone, they are gone. We have seen it even in EU Member States – cohesion money put into regions with unfavourable demographics serves nothing'. The RDNA records the asset damage; the human cost of three million displaced households is the multiplier that no sector figure fully captures.

The priority should be emergency repairs first, then scalable infrastructure that can expand as people and firms actually return⁷⁶. For heavily damaged cities, especially in the east and south, Ukraine should accept that some places may become smaller than before, while still making them liveable through better housing, transport, public services, universities, medical centres and government functions that can anchor return.

The commerce and industry sector, at over EUR 54 billion, presents a distinct analytical challenge. This category aggregates damage to manufacturing facilities, commercial premises, warehousing and supply chain infrastructure across all regions and enterprise sizes. Its reconstruction dynamics differ fundamentally from infrastructure sectors: industrial rebuilding is primarily private-sector-led and highly sensitive to the security and rule-of-law environment. It depends on access to working capital and long-term financing that Ukraine's banking system cannot currently provide at the required scale⁷⁷. The senior EIB representative interviewed for this study identified private capital mobilisation as the critical enabler but stressed its conditionality on 'a particularly solid environment in terms of rule of law, predictability and regulatory frameworks' to mitigate 'corruption and compliance integrity risks for foreign investors.' Without that environment, the commerce and industry figure remains a largely unrealised potential, financed on paper but not in practice.

⁷³ OECD, [Agricultural Policy Monitoring and Evaluation 2025](#), February 2025.

⁷⁴ World Food Programme, [Supporting exports of Ukrainian food](#), July 2025.

⁷⁵ World Bank et al., [Ukraine – Fifth Rapid Damage and Needs Assessment \(RDNA5\)](#), World Bank Group, 23 February 2026.

⁷⁶ R. K. Green et al., [Rebuilding cities in Ukraine](#), 8 July 2023.

⁷⁷ IMF, [Ukraine: Eighth Review Under the Extended Arrangement Under the Extended Fund Facility](#), 30 June 2025.

4.3 What RDNA5 adds: The acceleration story and the Ukraine Economy of the Future (UEF)

Beyond the updated numbers, RDNA5's most significant analytical contribution is the acceleration story it reveals. Reading the RDNA series from RDNA1 (September 2022, EUR 300 billion) through to RDNA5 (February 2026, EUR 507 billion), the trajectory is one of consistent, accelerating destruction⁷⁸. Each successive assessment has added not merely new damage from the intervening months but also revised upward the underlying loss estimates as methodological coverage improves and previously inaccessible areas become assessable. The rate of growth, from EUR 300 billion to EUR 507 billion in three and a half years, represents an average increase of approximately EUR 59 billion annually. If anything, this rate is likely to slow only when either the conflict ends or reconstruction progress materially offsets new damage. Neither condition currently obtains.

Introducing the Ukraine Economy of the Future strategy in RDNA5 marks a qualitative shift in the assessment's political function. Previous editions were predominantly diagnostic: they measured what had been destroyed and estimated what replacement would cost. RDNA5 begins to articulate a directional vision for the economy that reconstruction should build, organised around five pillars, as detailed above in sub-section 4.1. This framing directly aligns with the EU accession conditionality structure and the Ukraine Facility's reform milestone architecture, creating a tighter conceptual link between the damage assessment and the financing instrument than existed in previous editions⁷⁹.

RDNA5 also formally recognises that at least EUR 18 billion in reconstruction needs have already been met since February 2022 through urgent repairs and early recovery activity, providing the first systematic accounting of what has actually been delivered against the total need. The 2026 priority programme totalling EUR 13 billion – of which approximately 34 % had been secured through the state budget and confirmed partner commitments at the time of publication – gives the RDNA a short-term planning function it previously lacked. For the European Parliament, these two figures are important: they establish a baseline of demonstrated absorption and delivery capacity that informs the credibility of claims about how much more can be delivered over the coming years⁸⁰.

4.4 What the RDNA does not capture: Demographic costs, environmental liabilities and systemic losses

The RDNA series, by design, measures physical damage and financial reconstruction costs. Various categories of loss and risk that bear directly on Ukraine's recovery trajectory fall at or beyond its methodological edge. Consequently, the AFET Committee should understand these gaps when using RDNA figures as the basis for policy decisions.

Demographic and human capital losses. The RDNA5 press release acknowledges that refugee return, veteran reintegration and women's labour force participation will shape economic recovery as much as capital flows and rebuilding infrastructure. However, these factors do not appear in the quantified damage and needs estimates⁸¹. The demographic contraction described in Chapter 3 –

⁷⁸ World Bank et al., [Ukraine Rapid Damage and Needs Assessment \(RDNA1\): February 24 – June 1, 2022](#), World Bank Group, 9 September 2022; World Bank et al., [Ukraine – Fifth Rapid Damage and Needs Assessment \(RDNA5\)](#), World Bank Group, 23 February 2026.

⁷⁹ European Parliament and Council, [Regulation \(EU\) 2024/792 establishing the Ukraine Facility](#), PE/10/2024/REV/1, Official Journal of the EU, Series L, 29 February 2024.

⁸⁰ World Bank et al., [Ukraine – Fifth Rapid Damage and Needs Assessment \(RDNA5\)](#), World Bank Group, 23 February 2026.

⁸¹ World Bank et al., [Ukraine – Fifth Rapid Damage and Needs Assessment \(RDNA5\)](#), 23 February 2026.

referred to as a 'double hit to the labour market' by the UDP secretariat's senior official – is directly relevant here because it does not appear in the RDNA's quantified estimates. The long-term fiscal and economic consequences of sustained population decline – reduced tax revenues, higher social expenditure *per capita*, labour shortages in key construction and technical sectors – are real costs that RDNA methodology does not capture.

Environmental liabilities. As noted in Chapter 1, a European Commission official identified a category of costs almost entirely absent from mainstream reconstruction forums: contaminated groundwater from coal mines unpumped for four years; chemical pollution from destroyed industrial facilities; and legacy environmental damage in occupied territories. The analytical significance for this chapter is distinct from the financing point made earlier: these costs are absent not only from donor forums but from the RDNA methodology itself. The flooding of unpumped mines has been documented as a source of heavy-metal groundwater contamination across eastern Ukraine's industrial Donbas region⁸². Independent analysis estimates measurable environmental damage at EUR 41 billion and rising, encompassing more than 1 100 documented incidents involving industrial facilities and critical infrastructure⁸³. The RDNA's explosives hazard category captures part of this picture; the broader environmental liability – requiring public grant financing with no financial return – remains largely invisible in the assessment's published figures, hence in every financing instrument that uses those figures as its planning baseline.

Security-contingent projections. The RDNA's ten-year needs figures assume a gradual stabilisation of the security environment. Not modelled is the scenario in which significant reconstruction investment is destroyed by further Russian strikes before it can generate productive value, a risk that is not hypothetical⁸⁴. Many projects and facilities financed by international donors have already been struck and damaged after completion; a senior EEAS official in Kyiv cited the destruction of a veteran rehabilitation building in Kryvyi Rih as a concrete operational example. The gap between a gross reconstruction need and net investment required to produce a stable, operational output is an unquantified but material risk embedded in every RDNA figure.

Modernisation opportunity costs. RDNA5 does not simply measure the cost of restoring pre-war assets: its definition of recovery and reconstruction needs already incorporates a build back better premium, including energy efficiency, modernisation and sustainability standards. In sectors such as housing and energy, RDNA5 also links reconstruction needs to EU laws, Eurocodes, renewable energy deployment, decentralised generation and regulatory reforms aligned with Ukraine's EU accession path⁸⁵. The remaining problem is therefore more specific: RDNA5 provides an aggregate estimate of needs but it does not systematically identify, at project level, the incremental cost of choosing fully EU-aligned solutions over cheaper short-term repairs. An energy system rebuilt around decentralised generation, renewable capacity, flexible balancing and EU market integration will often require higher upfront investment than emergency restoration of damaged assets; buildings reconstructed to near-zero-emission or high energy-efficiency standards may similarly carry an initial premium. The gap is not between RDNA-defined needs and simple restoration but between broad Build Back Better-based estimates and the full project-level cost of accession-

⁸² D. Hryhorczuk et al., '[The Environmental Health Impacts of Russia's War on Ukraine](#)', *Journal of Occupational Medicine and Environmental Health*, Vol 19, No 1, 2024, pp.2-14.

⁸³ J. Zhou and I. Anthony, '[Environmental Accountability, Justice and Reconstruction in the Russian War on Ukraine](#)', *Stockholm International Peace Research Institute*, 25 January 2023.

⁸⁴ T. Becker et al., '[How to Rebuild Ukraine: A Synthesis and Critical Review of Policy Proposals](#)', *Annual Review of Economics*, Vol 17, 2025, pp. 293–320.

⁸⁵ World Bank et al., '[Ukraine – Fifth Rapid Damage and Needs Assessment \(RDNA5\): February 2022–December 2025](#)', *World Bank Group*, 23 February 2026.

compatible modernisation. This residual financing gap remains insufficiently visible in Ukrainian and international public budgeting.

4.5 RDNA5 and oversight

Effective engagement with Ukraine's reconstruction financing requires familiarity with the RDNA series as the shared analytical reference framework that all institutional actors use. Its figures set the terms of debate in donor conferences, EU Council working groups and bilateral budget negotiations. Members who wish to exercise substantive oversight of reconstruction financing will find the RDNA an indispensable starting point. Moreover, recommendations in Chapter 7 identify specific ways in which the Parliament could institutionalise that knowledge through regular evidence sessions and structured Commission reporting.

Three specific uses of RDNA5 are most relevant for efficient oversight:

First, RDNA5 provides a **benchmark for assessing financing adequacy**. The Ukraine Facility's EUR 50 billion envelope for 2024–2027 should not be compared mechanically with the approximately EUR 507 billion in RDNA5 needs, because RDNA5 covers a ten-year horizon while the Ukraine Facility covers four years. Annualised, RDNA5 needs amount to roughly EUR 50.7 billion per year, while the Facility could provide up to EUR 12.5 billion per year, or around one quarter of annualised needs. This comparison still requires caution, since the Facility is not solely a reconstruction instrument but also supports macro-financial stability, reforms, investment mobilisation and accession-related assistance⁸⁶. Tracking what proportion of RDNA-identified needs is covered by committed international financing and which sectors are most underfunded relative to their assessed need is a core oversight function.

Secondly, RDNA can be used as a **monitoring tool**. Its annual publication cycle means that RDNA6, expected in 2027, should provide a rigorous basis for assessing whether reconstruction progress is beginning to offset new damage. If the rate of recovery continues to lag behind the rate of newly recorded destruction, this would be a warning signal for Ukraine's resistance capacity and for the adequacy, speed and targeting of international support.

Thirdly, the Assessment can provide a **governance check**: the identification of approximately EUR 17 billion in needs already met creates an initial delivery baseline against which the implementation of the EUR 50 billion Ukraine Facility can be monitored over time. RDNA5's recognition of approximately EUR 18 billion in reconstruction needs already met since 2022 provides an important baseline, albeit one that should be read carefully. The Ukraine Reserve's EUR 14.3 billion annual ceiling would require annual delivery to more than triple relative to the historical average. This is achievable in principle but only if the governance architecture – implementing agency capacity, project pipelines, procurement systems and local administrative structures – is scaled up in parallel with financing commitments. The European Parliament's oversight would therefore be most useful if directed not at questioning the financing target but at ensuring that the Commission helps build commensurate governance capacity.

The sector figures in Table 3 (RDNA 4 vs RDNA 5) provide the quantitative basis for the first oversight use: tracking how assessed sectoral needs have changed between assessment cycles and identifying where the largest increases in recovery and reconstruction needs have occurred – while monitoring signals in Table 2 provide the qualitative indicators for the second type of

⁸⁶ European Parliament and Council, [Regulation \(EU\) 2024/792 establishing the Ukraine Facility](#), PE/10/2024/REV/1, *Official Journal of the EU*, Series L, 29 February 2024; World Bank et al., [Ukraine – Fifth Rapid Damage and Needs Assessment \(RDNA5\)](#), *World Bank Group*, 23 February 2026.

oversight, where the Parliament could assess whether or not reconstruction progress is beginning to offset new damage on a sector-by-sector basis.

RDNA5 tells us the scale of what needs to be rebuilt and how fast the damage is accumulating. However, it does not tell us which sectors of Ukraine's economy could generate the growth needed to sustain reconstruction over a multi-decade horizon, or how foreign actors can accelerate that potential. That forward-looking question, distinct from the damage inventory just examined, is the subject of Chapter 5.

5 Ukraine's development in a frozen or simmering conflict

The war in Ukraine in 2022–2026 is characterised by transition to a positional 'frozen' conflict: the front has stabilised following creation of 'kill zones' over the frontline but intensive artillery shelling and drone attacks continue. Currently, no ceasefire, whether announced or actual, is in sight. The Ukrainian authorities maintain control and continue reforms, despite Russia's war of aggression⁸⁷. Military and humanitarian consequences are enormous: housing, transport and energy infrastructure have been destroyed, resulting in a significant budget deficit financed by Western aid⁸⁸. Socially, the conflict has led to large-scale population displacement: about 6 million Ukrainians have crossed the border as refugees and another 4.6 million have become IDPs⁸⁹. At the same time, support services being offered by neighbouring countries are becoming limited: the pace of international assistance may change depending on geopolitical conditions. Hence, the key uncertainties are the nature of further Western support and internal sustainability of reforms.

5.1 Four Ukrainian industries with a bright future

Ukraine is planning development and recovery whilst confronting protracted uncertainty in the security environment: even with a 'frozen' front line, the risks of missile/drone strikes on energy, logistics and cities remain. Moreover, investment decisions operate under the 'war premium' (insurance, supply chain security, higher cost of capital). In such circumstances, the development strategy should be 'two-track': (1) rapid financial and social resilience to support economic activity; (2) structural reforms for EU integration, as the main mechanism for reducing risks, opening markets and attracting investment⁹⁰.

A prerequisite for any sector-specific growth strategy is an honest assessment of where economic activity can realistically occur. The war has caused a significant westward shift in Ukraine's economic geography. Destruction of industrial capacity in frontline oblasts, consequences of the Kakhovka Dam destruction for southern agriculture and sustained attacks on energy infrastructure have all redirected activity toward safer western regions. As one recent analysis notes, Ukraine will need systematic remapping of areas where there is economic activity – clearly communicated both domestically and to potential foreign investors – and deliberate policy to spread that activity more equitably once conditions permit⁹¹. The four sectors below in part reflect which geographic distributions of activity are most resilient to this shifting landscape⁹². At the same time, these four industries are justified because they combine existing Ukrainian strengths with future EU demand: agriculture remains one of Ukraine's core export engines, while the Ukraine Facility explicitly

⁸⁷ European Parliament, [Resolution on the EU enlargement strategy \(2025/2110\(INI\)\)](#), P10_TA(2026)0077, 11 March 2026.

⁸⁸ UN, ['Ukraine: USD 588 billion recovery cost over the next 10 years'](#), 23 February 2026.

⁸⁹ UNHCR, [Ukraine Situation: UNHCR's 2026 Plans and Financial Requirements](#), January 2026.

⁹⁰ World Bank et al., [Ukraine – Fifth Rapid Damage and Needs Assessment \(RDNA5\): February 2022–December 2025](#), World Bank Group, 23 February 2026.

⁹¹ K. Sotnikova et al., [Ukraine 2036: How Today's Investments Will Shape Tomorrow's Security](#), CEPA, February 2026, p. 28.

⁹² K. Sotnikova et al., [Ukraine 2036: How Today's Investments Will Shape Tomorrow's Security](#), February 2026, 68 p.

identifies agriculture, energy, green steel/low-carbon production and critical raw materials as areas for investment and growth.

1) Agricultural production and processing

In 2024, the export turnover of agricultural and food products is estimated at about EUR 21.2 billion, with the total weight of exported products – 78.3 million tons (including wheat 20.6 million tons, corn 29.6 million tons, sunflower oil 6.1 million tons). The share of agricultural exports is directed approximately as: 55 % to Europe, 30 % to Asia and 12 % to Africa⁹³. In terms of structural war losses, this sector has significant needs, having suffered: EUR 10 billion in damage, EUR 67 billion in losses, EUR 48 billion in needs (2026–2035)⁹⁴. Transport and logistics infrastructure is the overall enabling mechanism. Ukraine's agricultural export capacity depends on functioning rail corridors to western borders, operational port infrastructure on the Black Sea and Danube as well as cold chain logistics for processed food products. Russian targeting of rail networks – with over 1195 documented attacks in 2025 alone, as noted in Chapter 4 – has directly disrupted grain export logistics. Hence, restoration of agricultural export capacity cannot be disaggregated from restoration of the transport infrastructure. Investment in the agricultural sector recovery and investment in transport corridor reconstruction are, in this respect, the same investment viewed from different sectoral angles.

Ukraine's official state strategy for developing the agricultural sector until 2030 envisages creation of a competitive land market, modernisation of production and strengthening of infrastructure. The 2020–2024 legislation has already lifted a moratorium on the sale of agricultural land, allowing individuals to buy as much as 100 hectares and from 2024 legal entities as much as 10 000 hectares (limited to Ukrainians). Already introduced are Programmes for: 'affordable loans 5–7–9 %'; agricultural insurance (up to 60 % of the premium value); and irrigation support (subsidies up to 25 % of the cost)⁹⁵.

A senior official from the Ministry of Economy, Environment and Agriculture of Ukraine noted that agriculture is one of the key industries to support: 'Despite the widespread jokes about the "agrarian country", today Ukrainian agriculture is an efficient and high-tech sector within the economy. It uses not only modern machinery, technologies, fertilisers and high-quality seeds but also complex IT solutions. They allow for the most efficient use of land and resources'.

Agriculture gives rise to multiplier effects: it creates demand for raw material processing, energy, transport and services. According to the OECD, most Ukrainian agricultural exports are grains and oils (primary products), which grew to EUR 22 billion in 2021⁹⁶. After the launch of safe grain transit through ports and the EU in 2022–23, agricultural exports decreased by only 15.5 % to EUR 20 billion. The processing industry (food products) accounts for around 27 % of the industrial sector⁹⁷, so restoration of exports and growth in production will yield a large economic benefit. Importantly, the agricultural sector's stable operation has contained inflation in the food market and provides foreign exchange earnings, which are now critical for reconstruction. Hence, investment in farmers and logistics directly stimulates GDP: according to the Kyiv School of Economics, rebuilding the agricultural sector requires around EUR 49 billion in investments (excluding funds for demining) but will potentially return significant annual GDP growth⁹⁸. However,

⁹³ Ukraine Invest, [Investment Opportunity of Agroprocessing Sector](#), September 2025.

⁹⁴ World Bank et al., [Ukraine – Fifth Rapid Damage and Needs Assessment \(RDNA5\): February 2022–December 2025](#), World Bank Group, 23 February 2026.

⁹⁵ UNHCR, [Ukraine Situation: UNHCR's 2026 Plans and Financial Requirements](#), January 2026.

⁹⁶ OECD, [Public Procurement in the Post-War Reconstruction of Ukraine – main challenges](#), 8 August 2023.

⁹⁷ Kyiv school of Economics, [Agriculture in Ukraine: pre-war, status quo and a look ahead](#), July 2023.

⁹⁸ O. Nivievskyi and R. Neyter, [An Interim Assessment of the War-Induced Damages and Losses in Ukraine's Agriculture](#), *Ukrainian Analytical Digest*, No 5, 2024.

key risks in the industry are: (a) mine hazards on agricultural lands and near logistics; (b) price and yield volatility; (c) EU trade ‘fuses’ on individual goods; and (d) power outages affecting cold chains/processing.

A further constraint on agricultural export recovery is market-access policy. The EU’s wartime Autonomous Trade Measures, which had temporarily suspended duties and quotas on Ukrainian exports, expired on 5 June 2025. From 6 June 2025, the EU reintroduced duties and tariff-rate quotas on Ukrainian agricultural products, including several sensitive food categories⁹⁹. This change created a direct revenue risk for Ukraine: Ukrainian officials warned that the end of the preferential regime could cost the country up to EUR 3.5 billion annually in export revenue, with corn, sugar, honey and poultry among the most exposed product groups¹⁰⁰. Although the EU and Ukraine subsequently agreed an upgraded Deep and Comprehensive Free Trade Agreement framework, which entered into force on 29 October 2025, the revised arrangement still provides more gradual and safeguarded access for sensitive products such as sugar, poultry, eggs, wheat, maize and honey¹⁰¹.

Accordingly, easing and stabilising access for Ukrainian agricultural and food products to the EU market—through expanded tariff-rate quotas, predictable safeguard procedures and accelerated regulatory alignment—would help generate additional export revenues for Ukraine, strengthen producer liquidity and increase the economic return on investments in transport corridors, border crossings, storage facilities and port infrastructure.

2) Renewable and decentralised energy

Energy is the key vulnerability and the best multiplier: without electricity, productivity, investment, exports and basic services fall. After intensified attacks in 2025, RDNA5 shows a significant increase in needs and emphasises: a decentralised generation approach; introduction of renewable energy; restoration of flexible capacities; and physical protection of critical assets¹⁰². In the ‘energy and extractives’ section, the following estimates apply: damage of EUR 21 billion, losses of EUR 76 billion, general needs of EUR 78 billion, of which EUR 61 billion is related to the reconstruction of the power system.

Ukraine has various official energy recovery strategies. The new Energy Strategy of Ukraine until 2035 envisages ‘large-scale investment in the renewable energy sector’ and increases in the country’s share of electricity generation to 25 %¹⁰³. Its targets include commissioning of 5 gigawatts of new renewable energy capacity (excluding large hydropower plants) and the development of ‘smart’ distributed grids from small-scale solar and wind installations.

A senior adviser to the prime minister of Ukraine interviewed for this paper stressed that, ‘Reconstruction of the energy sector should include the development of distributed generation, increasing the efficiency of the power system and increasing market transparency, as well as the development of energy storage technologies and alternative energy. Under these conditions, Ukraine can become not only an exporter of electricity but also a country that manufactures products for its consumption. This means the emergence of large data centres, server capacities for AI, the development of space programmes and other energy-intensive high-tech areas’.

⁹⁹ European Council, ‘[Ukraine: Council and Parliament reach a deal to renew EU’s autonomous trade measures](#)’, Press Release, 20 March 2024.

¹⁰⁰ Reuters, ‘[Ukraine may lose 3.5 billion euros a year if EU trade privileges end, lawmaker says](#)’, 16 May 2025.

¹⁰¹ European Commission, ‘[EU trade relationships by country/region Countries and Regions – Ukraine](#)’, webpage, nd.

¹⁰² World Bank et al., [Ukraine — Fifth Rapid Damage and Needs Assessment \(RDNA5\): February 2022–December 2025](#), World Bank Group, 23 February 2026.

¹⁰³ Verkhovna Rada of Ukraine, [New Energy Strategy of Ukraine until 2035](#), 18 August 2017.

The development of renewable energy and decentralised generation can restore the economy with a multiplying effect. Ukraine could produce green energy equipment domestically — including inverters, solar panels, wind-turbine components and storage systems — reducing dependence on imported technologies. At the same time, the deployment of these technologies would expand domestic renewable generation and reduce energy imports. This could create new revenue streams for local companies, municipalities and farmers that become energy producers. According to IFC/World Bank estimates, every EUR of investment in renewable energy generates about EUR 1.5–2.6 in income in related sectors (mechanical engineering, construction, services)¹⁰⁴. Green energy also displaces imported energy carriers: for example, every megawatt of solar energy saves thousands of dollars on gas imports. The growth of ‘clean’ energy generation improves the trade balance (less energy exports, more import substitution). According to modelling by the NAS Institute of Economics, transition to a green economy requires only around 5 % additional capital compared to restoring a ‘dirty’ economy but provides environmental and social benefits¹⁰⁵. Moreover, the renewable energy segment creates new jobs: network installation and maintenance; and production of ‘green’ equipment. According to the Ministry of Energy and a banking analyst, investments of EUR 10–13 billion in the next 2–3 years (in storage batteries, solar and wind) would be sufficient for a rapid increase in ‘green’ generation¹⁰⁶. These are fully justified investments, as they will strengthen the country’s energy security and support GDP.

3) Critical raw materials and low-carbon materials

The European policy on critical materials and industrial decarbonisation creates long-term demand for raw materials and intermediate products with a low carbon footprint. The EU and Ukraine have a political and institutional framework for cooperation: the Memorandum of Understanding on a Strategic Partnership on Raw Materials is supported by a roadmap that includes: (a) approximation of regulatory frameworks; (b) integration of value chains (including batteries); and (c) cooperation in Research and Innovation involving European programmes¹⁰⁷. The EU-Ukraine Memorandum of Understanding on a Strategic Partnership on Raw Materials was signed in July 2021 (before Russia’s full-scale invasion) and therefore belongs to a different strategic context. Since then, Ukraine’s critical raw materials agenda has been reshaped by the war, the establishment of the United States-Ukraine Reconstruction Investment Fund and the EU’s more recent RESourceEU Action Plan, which places greater emphasis on supply-chain resilience, de-risking investment, fast-track permitting, defence-relevant raw materials and deeper integration of Ukraine into European critical raw materials value chains.

A Ukrainian strategist and senior advisor to the Ministry of Economy, Environment and Agriculture of Ukraine noted, ‘We understand that the recovery process will take a fairly long time. During this process, we need to focus both on the development of high-tech sectors of the economy and on increasing the production of critical minerals. Critical minerals are necessary both for the reformatting of Ukraine’s economy into a high-tech one and for the interest of international actors, in particular the USA and the EU’.

The Ukraine Facility’s reform plan points to: a ‘hub’ for the transformation of metallurgy through transition to lower-emission technologies; the shortage of quality raw materials (Direct Reduction-grade pellets/Direct Reduced Iron/scrap); and the need for cheap, clean electricity. At the same

¹⁰⁴ World Bank, [A journey from post-conflict reconstruction to sustainable peace and development](#), July 2024.

¹⁰⁵ S. Romanko and M. Wiatros-Motyka, ‘Ukraine: renewable energy, war and reconstruction. *Social Europe*’, *Social Europe*, 23 June 2023.

¹⁰⁶ Energy transition, ‘[Rebuilding Ukraine’s energy future: a Ukrainian perspective of the Ukraine Reconstruction Conference](#)’, 26 June 2024.

¹⁰⁷ European Commission, [Memorandum of Understanding on a Strategic Partnership on Raw Materials between the European Union and Ukraine](#), 13 July 2021.

time, this document emphasises the country's significant iron ore reserves and potential to become a supplier of 'green steel' once the war's active phase is past¹⁰⁸.

Stability of access is important for the metallurgy sector: the EU Council decision extended Ukrainian producers' exemption from EU safeguard measures on steel for another 3 years (until 2028), with the possibility of temporarily reinstating restrictions should there be significant harm to European producers¹⁰⁹. Furthermore, the structure of exports to the EU in 2024 included significant shares of iron/steel, which demonstrates the existing integration 'corridor'.

The most important non-capital prerequisites cover: transparent geodata; international standards for classification of reserves; fast and predictable administrative procedures; as well as Environmental, Social and Governance, along with social licence. These elements are explicitly included in the EU-Ukraine Partnership Roadmap¹¹⁰. The highest risks for industry lie in the field of territorial security risks, sensitivity to energy supply, risks of governance by state-owned companies/regulators and political interference (important for investor confidence).

4) Defence industry and high tech

Ukraine's defence and high-tech industries have seen unprecedented levels of development during the war years: the defence industry's production capacity has increased 1.5–2 times per year and cumulatively to the level of around EUR 43 billion. In 2025, the volume of arms production increased from EUR 2.44 billion to over EUR 3.6 billion¹¹¹ and the share of domestic production in providing for the Armed Forces of Ukraine exceeds 50 %¹¹². The IT and aerospace industries are characterised by explosive growth and diversification of orders. Defence cooperation with NATO allies has attracted over EUR 1.3 billion in direct investments¹¹³, while defence enterprises are increasing exports but face restrictions (combat zones, sanctions, bans on exports of critical technology).

According to international researchers, every euro of defence industry companies is returned to GDP 2–3 times through incoming services and the creation of related industries (metallurgy, electronics, chemistry)¹¹⁴. An increase in arms exports (EUR 5–6 billion in 2023) provides foreign exchange earnings and has a positive impact on the balance of payments. The defence industry also attracts venture capital: in 2024–25, hundreds of millions of dollars of private investment went into startup contracts (radar technology, AI for air defence).

A senior official of the Ministry of Finance of Ukraine noted that 'The defence industry and new technologies remain the most promising in terms of Ukraine's long-term development. War in one form or another will continue, which will stimulate this industry's constant development, offer new solutions and replenish the state budget'.

Moreover, this development contributes to the creation of highly skilled jobs. Veterans and displaced persons are given jobs in production as well as Research and Development, which helps their social re-integration. For example, Ukroboronprom increased the share of veterans in its staff by 37 % in 2025¹¹⁵. This reduces unemployment in the regions (Western Ukraine, the south, the east) and helps to keep young people in their localities. The cluster effect stimulates the development of

¹⁰⁸ Ukraine Facility, [Ukraine plan 2024–2027](#), March 2024.

¹⁰⁹ European Council, [Trade: EU extends safeguard measures suspension on iron and steel to support war-torn Ukraine's economy](#), Press Release, 5 June 2025.

¹¹⁰ IMF, [Ukraine: Eighth Review Under the Extended Arrangement Under the Extended Fund Facility](#), 30 June 2025.

¹¹¹ Calculations were made from Ukrainian Hryvnia to EUR according to the National Bank of Ukraine – 1 EUR = 50 UAH

¹¹² Ukrainska Pravda, [Ukrainian defence industry increased production capacity to US\\$50bn](#), 19 February 2026.

¹¹³ Ministry of Strategic Industries of Ukraine, [Ministry of Strategic Industries: Over USD 1.5 billion attracted to Ukrainian defence industry in 2024](#), 27 January 2025.

¹¹⁴ World Bank, [A journey from post-conflict reconstruction to sustainable peace and development](#), July 2024.

¹¹⁵ Ministry of Defence of Ukraine, [More weapons for Ukraine: UkrOboronProm increased production by 1.5 times in 2025](#), 7 January 2026.

education: cooperation with universities and vocational schools has increased (robotics courses, aircraft mechanics). In the long term, investments in high technologies increase living standards (higher average salaries) and innovations in the civilian sector (hospital drones, energy-saving systems).

Developing Ukraine's defence sector is beneficial not only for Ukraine, including through the employment and reintegration of veterans but also for European security more broadly. The recent Iran-related escalation underscored that modern warfare is increasingly shaped by drones, missiles, electronic warfare and the cost asymmetry between cheap attack systems and expensive interceptors. Directly funding Ukraine's military capacity, or establishing joint ventures with Ukrainian defence companies, would therefore help Europe absorb battlefield-tested technologies and prepare for the realities of modern war.

Foreign actors can accelerate each of the four sectors identified above in distinct ways that go beyond generic financing categories. Agricultural recovery depends most on export corridor guarantees, war-risk insurance for processing facilities and trade policy continuity, areas where the EU's trade instruments and the EIB's guarantee programmes are most directly relevant. Renewable energy scaling requires blended finance instruments that can absorb the higher upfront costs of distributed generation relative to thermal repair, precisely the structure that the Ukraine Facility's investment component is designed to provide. Critical raw materials development requires political risk insurance and long-term off-take agreements that only state-backed institutions can credibly offer at this stage, thus making EBRD and IFC risk-sharing instruments more important than direct lending. Defence and high-tech industries present the most complex foreign actor challenge: they attract private venture capital but require security clearances, export control compliance and dual-use regulatory frameworks that most standard international financing instruments are not designed to handle. NATO's structured engagement with Ukraine's defence industry, alongside EU dual-use research programmes, is the appropriate vehicle here rather than standard reconstruction financing. The monitoring signals most relevant to tracking progress in these four sectors are set out in Table 2 in the Annex, particularly the private investment indicators in the final row, which track war-risk insurance capacity, FDI registrations and guarantee instrument take-up. These are the leading indicators of whether or not foreign actors are actually engaging at the required scale.

5.2 Demographic challenges for a recovery

The demographic challenge described in depth in Chapter 3 – falling refugee return rates, a mobilised workforce and a projected population of 25 million by 2051 – has direct implications for the four industries identified in this chapter. None can be realised without a labour force capable of staffing them.

Ukraine suffers not only from workforce attrition but also from labour market mismatch: the unemployment rate stands at approximately 15 % while companies across many sectors simultaneously report severe difficulty finding qualified workers. This paradox – high unemployment coexisting with labour shortages – reflects a skills mismatch that large-scale upskilling and reskilling programmes must address. Ukraine has built a substantial adult education infrastructure over the past decade, including postgraduate education institutions, adult learning centres supported by international partners such as DVV International (Institute for International Cooperation of the German Adult Education Association), civil society education providers, State Employment Service vocational centres and online platforms including Diia.Osvita and Prometheus. The primary policy challenge is not the absence of this infrastructure but the absence of a clear strategic framework defining which skills the state prioritises for the labour market and for post-war recovery – a gap that the Ukraine Facility's human capital milestones could usefully address.

Retaining young people in Ukraine is the highest-priority strategic objective within this challenge. Contemporary training programmes aligned with labour market demands and international trends – combining academic knowledge with workplace experience through dual education models and industry partnerships – fulfil both economic and social functions: they give young Ukrainians reasons to build their futures in Ukraine rather than in EU Member States where many currently reside.

Importing labour has become a significant issue, with Ukraine's projected need being estimated at 300 000–400 000 additional workers annually¹¹⁶. This in turn raises important questions about sourcing, integration and social cohesion that reconstruction planning has yet to address systematically. The countries of origin, skill profiles and integration pathways of any significant labour inflow will require deliberate policy design, drawing on EU Member State experience with managed labour migration, rather than being left to market dynamics alone.

The four sectors identified in this chapter – agriculture, renewable energy, critical raw materials and defence and high technology – represent Ukraine's most credible growth potential under conditions of managed insecurity. Whether that potential is realised depends not only on the volume of reconstruction investment but also on whether today's investment decisions are being made with the right regulatory endpoint in mind. The gap between reconstruction as it is currently being financed and reconstruction under future EU Member State requirements is now the subject of Chapter 6.

6 The interplay between Ukraine's recovery and EU accession

Ukraine's EU accession process and its reconstruction programme are formally aligned, institutionally adjacent and operationally separated:

They are formally aligned because the Ukraine Plan – the reform and investment framework that governs Ukraine Facility disbursements – is structured around the same chapters as the *acquis communautaire*, creating a deliberate policy link between reconstruction financing and accession progress.

They are institutionally adjacent because the European Commission's Directorate-General for Enlargement and the Eastern Neighbourhood (DG ENEST) manages accession while also administering the Ukraine Facility.

However, they are operationally separated because the teams, timelines, technical requirements and political incentives of the two processes remain largely distinct. Bridging that operational separation is the governance problem that this chapter examines.

It is worth acknowledging that this operational separation is not purely a governance failure. It also reflects rational hedging: both the EU and Ukraine face genuine uncertainty about the accession timeline, the political sustainability of the process on both sides and the conditions under which negotiations will conclude. Maintaining some operational distance between reconstruction financing and accession conditionality preserves flexibility if the political environment shifts. The argument this paper makes is not that separation is irrational but that it carries accumulating costs – in stranded assets, misaligned standards and missed coordination opportunities – that exceed flexibility benefits as reconstruction volumes grow. The question is not whether to eliminate the gap entirely but whether to manage it more deliberately than current institutional arrangements allow.

¹¹⁶ Caliber, '[UN predicts sharp decline in Ukraine's population by 2100](#)', 15 July 2024.

The potential rewards from aligning correctly are material, not symbolic. Reconstruction investments made today in transport, energy, housing and industry will shape Ukraine's economic architecture for a generation. If those investments are made to pre-war specifications, they will create stranded assets once EU standards apply at accession. Restoring damaged assets to their original technical standards implies adopting Soviet-era norms that remain embedded in Ukrainian building codes, grid management protocols and transport infrastructure parameters. If EU standards apply from the outset, they reduce future adjustment costs and accelerate the convergence that makes accession politically and economically viable.

A senior European Commission official responsible for financial instruments made the institutional logic explicit: 'Whatever rules are applied as part of reconstruction need already to be as close as possible to EU rules – public procurement rules, housing standards, fire safety, energy performance of buildings. We make sure this is present in every single document'. They used the cautionary example of Central European skyscrapers built in the post-1989 transition period to US rather than EU energy performance standards, creating decades of expensive retrofitting obligations¹¹⁷. The same path can be avoided for Ukraine if the standard is set correctly from the start, including near-zero-energy consumption requirements now mandated under the EU's recast Energy Performance of Buildings Directive¹¹⁸.

As various interviewees emphasised, applying standard EU infrastructure models without adaptation could create vulnerabilities in a high-risk security environment, particularly in the energy and social infrastructure sectors. While alignment with EU regulatory and technical standards remains a central objective of Ukraine's reconstruction and accession process, wartime conditions and ongoing security risks require a more differentiated approach. In certain sectors, reconstruction will need to go beyond existing EU standards. For example, residential and public buildings increasingly require integrated shelter infrastructure, while energy systems must be designed with higher levels of redundancy and decentralisation to ensure resilience against repeated attacks. This implies that 'building back better' in Ukraine does not simply mean convergence with EU norms but the development of infrastructure adapted to conditions of heightened security risk. Reconstruction policies must therefore combine regulatory approximation with resilience-oriented design standards that exceed those typically required in peacetime EU contexts.

6.1 The Ukraine Facility as a conditionality bridge

The Ukraine Facility's architecture was subject to a detailed examination earlier in Chapter 2. This section will concentrate on its most important structural feature, namely the conditionality link between disbursement and reform milestones. The senior EEAS official based in Kyiv described this mechanism succinctly: 'The Ukraine Plan is pretty much aligned with the different chapters of EU accession. Based on steps achieved, there are disbursements on a quarterly basis'. This means that the EU's single largest financial instrument for Ukraine is simultaneously a reconstruction financing tool and an accession preparation mechanism. The reforms that unlock Ukraine Facility tranches are the same reforms required to close accession negotiation clusters, namely those in: public administration, anti-corruption, public procurement, judicial reform and financial supervision.

The UDP's senior official described the systemic logic: 'All reforms under the Ukraine Plan help Ukraine advance along the accession path. The investments we support help Ukraine adapt its

¹¹⁷ J. Oriol et al., [Building Back Better: 6 Investment Criteria to Drive a Sustainable Reconstruction of Ukraine's Built Environment](#), Buildings Performance Institute Europe, June 2024.

¹¹⁸ European Parliament and Council, [Directive \(EU\) 2024/1275 on the energy performance of buildings \(recast\)](#), PE/102/2023/REV/1, Official Journal of the EU, L Series, 8 May 2024.

infrastructure and transport, its energy infrastructure, to EU norms and standards. These are complementary processes. Everything around the rule of law, anti-corruption, governance-related reforms is important for accession and also for making the country more attractive to investors who will participate in reconstruction'. This virtuous circle – reforms attracting investment, investment generating reform credibility, both advancing accession – is the theoretical ideal. The operational challenge is that it requires simultaneous progress across three fronts, each with its own political economy, timeline pressures and institutional bottlenecks. The same official was candid about the current state: 'It is far from the perfect situation. We need to surf on the line between short-term survival needs and reforms necessary for the EU pathway'.

It is clear that the wartime context has created a specific distortion in this conditionality logic. Emergency circumstances have generated legitimate justifications for departing from standard EU-aligned procedures. Such justifications include: simplified procurement rules accelerating delivery of urgent reconstruction projects; martial law concentrating decision-making authority in ways that would be impermissible under normal governance standards; and pressure demonstrating visible reconstruction progress has sometimes favoured speed over regulatory alignment¹¹⁹. While simplified procurement procedures have played an important role in enabling rapid emergency response in the early phase of the war, their broader application has since been reduced. Standard procurement frameworks have largely been restored for civilian reconstruction projects, while simplified procedures continue to apply primarily in defence-related contexts. This shift underscores the importance of maintaining transparency and competition in large-scale reconstruction spending. Various interviewees also emphasised that maintaining transparent procurement systems remains critical for sustaining donor confidence and ensuring effective use of reconstruction funds.

Each departure from EU-aligned standards that is tolerated as a wartime exception creates a precedent and, potentially, a constituency for maintaining that exception beyond the emergency. Accordingly, the EU and Ukrainian government share an interest in early identification of emergency procedural departures which are genuinely temporary and which require explicit legislative reversal once conditions permit. The Ukraine Facility's reform milestone architecture is the appropriate vehicle for managing this transition but it will require deliberate political attention *vis-à-vis* sequencing as the security environment changes.

6.2 The institutional gap: Coordinating reconstruction and accession without merging them

The operational separation between reconstruction and accession has an institutional face on both sides of the relationship. Within the European Commission, the separation between the team responsible for investment and financial instruments from the team responsible for accession negotiations is normal institutional practice. However, for Ukraine there is an abnormal consequence. The Commission official interviewed explained this: 'The people dealing with enlargement are not the same people dealing with investment and reconstruction. It is important to have a body with a strategic function capable of marrying both tracks.' The problem is not the separation itself but the absence of any cross-mandate coordination mechanism with authority to assess reconstruction investment decisions against accession compliance requirements before those decisions are made, rather than discovering incompatibilities after the fact. Without such a body – authority across both DG ENEST accession function and its investment function – the

¹¹⁹ OECD, [Agricultural Policy Monitoring and Evaluation 2023](#), 30 October 2023; Basel Institute on Governance and Transparency International Ukraine, [Progress in Ukraine's Anti-Corruption Efforts](#), March 2025.

standard line that ‘enlargement and reconstruction must be mutually reinforcing’ risks being ‘lip service’ rather than operational reality.

The Commission official identified and explained this structural challenge: ‘On the Ukrainian side, they do not currently have a body with the gravitas and authority to ensure that whatever project comes in for reconstruction purposes is seen through the lens of a future EU Member State: will this be a stranded asset? Will it need to be closed because it is not compliant?’ The recommendation was equally direct: ‘A strategic planning approach under the Prime Minister or similar is needed on the Ukrainian side with authority to ensure that the standard line is translated into practice.’ This is a solvable institutional design problem, not a reflection of Ukrainian incapacity. Ukraine has built substantial governance infrastructure under extraordinarily difficult conditions – DREAM, the NRP framework, the Ukraine Facility conditionality architecture – demonstrating that institutional innovation is possible even during wartime conditions.

What is missing is a specific coordination function, not a general governance capability. TEN-T and Trans-European Network for Energy (TEN-E) provide a concrete operational illustration of why this function has become a matter of urgency: the recast TEN-T Regulation already formally extends the core network to Ukraine, meaning that Ukrainian transport infrastructure investment decisions are subject to TEN-T topology requirements today, not merely at accession. Unless investment decisions are also routinely screened against TEN-E interconnection requirements as a matter of standard process, Ukraine risks building energy capacity that serves wartime logistics but does not integrate into the European grid architecture that it will eventually join. These are not abstract risks – they are the kind of specific, preventable incompatibilities that a strategic planning function under the Prime Minister, with cross-mandate authority, could identify and resolve before commitments are made.

Wartime governance constraints have also affected the Verkhovna Rada’s institutional capacity in ways that are relevant to the accession track. Research conducted at the Kuras Institute of Political and Ethnic Studies, NAS Ukraine, documents a deepening concentration of decision-making authority in the Office of the President under martial law conditions, reducing the Rada’s effective oversight role relative to its pre-invasion position¹²⁰. This is a governance challenge that both Ukraine and its EU partners have a shared interest in addressing – not as a condition of EU support but as a component of the institutional architecture that successful reconstruction and accession both require. The EU-Ukraine Parliamentary Association Committee could boost European Parliament engagement on this by means of sustained, structured dialogue with Rada counterparts on parliamentary oversight of reconstruction expenditure.

Ukraine’s ownership of its reconstruction process – the first principle of the Lugano Declaration, endorsed by over forty states – is not in tension with this institutional strengthening agenda. Quite the contrary: building the Ukrainian governance capacity to screen reconstruction investments for accession compatibility is an expression of Ukrainian agency, not a constraint. The concern raised in Ukrainian institutional scholarship – that reconstruction financing must not reproduce patterns of external dependency – is best addressed by ensuring that Ukrainian institutions, not external bodies, hold the authority to make these determinations¹²¹.

¹²⁰ V. Perevezii, ‘[Optimisation of the Parliamentary Model: Non-Electoral Legitimation of the Verkhovna Rada of Ukraine during the War and in the Post-War Period](#)’, in Rafalsky, O. and Mayboroda, M. (eds), *Adaptive Changes in the Functioning of the Political System of Ukraine in the Conditions of Post-War Reconstruction*, Kuras Institute of Political and Ethnic Studies of the NAS of Ukraine, Kyiv, 2024, pp. 41–74.

¹²¹ O. Maiboroda, ‘[Adaptation of Political and Administrative Institutions of Ukraine to European Criteria](#)’, in Rafalsky, O. and Mayboroda, M. (eds), *Adaptive Changes in the Functioning of the Political System of Ukraine in the Conditions of Post-War Reconstruction*, Kuras Institute of Political and Ethnic Studies of the NAS of Ukraine, Kyiv, 2024, pp. 430–459.

The EIB representative drew on direct enlargement experience to identify the concrete governance risk: in jurisdictions where reconstruction investment preceded institutional alignment between enlargement and investment planning, the result was repeated retro-fitting of standards, regulatory conflicts and stranded capacity. Croatia's accession experience is instructive: the EU accession anchor provided a consistent regulatory horizon that required political will to maintain but paid dividends at the point of membership¹²². The published literature nonetheless documents significant regulatory alignment problems that persisted well into Croatian membership, suggesting that even a strong accession anchor moderates rather than eliminates adjustment costs¹²³.

Ukraine's challenge is harder still. It faces reconstruction at a scale and speed that Croatia never experienced, under active security conditions and without the relative political stability that characterised Croatia's accession trajectory. The lesson is not that the accession anchor is insufficient but that it must be complemented by the specific coordination mechanisms that this section identifies.

A further dimension of reconstruction governance that requires deliberate management is the risk of economic concentration during large-scale investment flows. The war has weakened established economic structures in Ukraine – through physical destruction of industrial assets as well as political and regulatory changes – but reconstruction will involve public and private investment at a scale that creates new concentration risks if competitive market conditions are not actively maintained. Certain interviewees identified the reconstruction phase as a critical window for strengthening competition policy, judicial independence and regulatory capacity. The EU's accession conditionality, applied consistently through the Ukraine Facility and reinforced through the Ukraine Reserve, is the principal instrument for ensuring that reconstruction investment builds the competitive market economy that EU membership requires rather than entrenching concentrated structures that accession norms are designed to discipline. As the EIB representative noted: 'If the rule of law is made to be effective, I think that is going to be a very effective mitigant against these risks.'

6.3 The US–Ukraine Reconstruction Investment Fund: Opportunity and compatibility

One of the most significant positive developments in Ukraine's reconstruction financing is conclusion of the US–Ukraine Reconstruction Investment Fund agreement. Signed on 30 April 2025 and ratified by the Verkhovna Rada on 8 May 2025 by a vote of 338 out of 400 deputies, the fund was formally launched on 23 May 2025¹²⁴. It establishes a Limited Partnership between the Development Finance Corporation and Ukraine's Public–Private Partnership Agency on a 50/50 governance basis, with neither party holding a dominant vote. Half of all royalties, licence fees and production-sharing payments will flow into the fund from new natural resource projects across 57 designated mineral types, including lithium, titanium, uranium, oil and gas. For the first ten years, all profits are to be reinvested in Ukraine rather than distributed to the partners. Future US military assistance counts as a DFC capital contribution to the fund.

For Ukraine's reconstruction financing, the fund's principal strategic value is its effect on US commitment rather than its short-term financial contribution. Critical mineral development at a

¹²² Z. Darvas et al., [Ukraine's Path to European Union Membership and Its Long-Term Implications](#), Bruegel Policy Brief, No 05/2024, March 2024.

¹²³ V. Mykhnenko, et al., 'Rebuilding Ukraine: Lessons from Past Post–War Recovery Efforts', *Oxford Review of Economic Policy*, Vol 38, No 3, 2022, pp. 699–716.

¹²⁴ US Department of the Treasury, [Treasury Announces Agreement to Establish United States–Ukraine Reconstruction Investment Fund](#), Press Release, 30 April 2025.

commercial scale will require a secure environment and investment conditions not yet present; most of the designated deposits are in areas currently occupied or close to the contact line¹²⁵. Moreover, the LPA defining implementation details had not been finalised at the time of writing. What the agreement does provide is an economic incentive for the Trump administration to sustain engagement with Ukraine's security and reconstruction. This geopolitical anchoring function – keeping the USA financially and strategically invested in Ukraine's security – is one the EU cannot replicate through its own instruments. It benefits European reconstruction efforts directly: US engagement reduces the risk that the full political and financial weight of sustaining Ukraine falls on the EU budget alone and it strengthens the overall credibility of Western commitment to Ukraine's recovery in ways that improve the investment environment for European actors as well.

The agreement acknowledges Ukraine's EU accession obligations and commits both parties to good-faith consultation if conflicts arise, a safeguard Ukraine secured during negotiations that represents a genuine improvement over earlier drafts. However, good-faith consultation is not a binding arbitration mechanism and various areas of genuine legal tension between the fund's provisions and EU law remain unresolved. Among the most consequential are those relating to competitive tendering, state aid and privatisation. If the fund's investment operations create preferential arrangements for US-connected entities or Ukrainian state enterprises that would be incompatible with EU internal market rules, the conflict will not be easily resolved through consultation alone. Table 4 in the Annex sets out these tensions and their current status in detail.

The EU's own strategic interest in Ukraine's critical minerals is the most complex tension. The EU-Ukraine Strategic Partnership on Raw Materials – a Memorandum of Understanding signed in July 2021 – and the EU Critical Raw Materials Act, which entered into force in May 2024, both identify Ukrainian mineral supply as a priority for the EU's strategic autonomy¹²⁶, particularly for reducing dependence on Chinese supply chains in green and digital transitions. The EU should use its influence – through accession conditionality, investment guarantees and bilateral dialogue – to ensure that the fund's implementation does not foreclose EU market access to Ukrainian critical materials, while avoiding the counterproductive position of treating a mechanism that anchors US commitment to Ukraine as a strategic threat.

6.4 The accession timeline: Milestones over dates

Ukraine's stated accession ambition envisages completion of negotiations by 2028 and membership by 2030. No equivalent timeline has been formally adopted by the EU side; the Commission's approach is milestone-based rather than date-driven, conditioning progress on completion of specific reform clusters rather than committing to a calendar. The EU Enlargement Commissioner, Marta Kos, has indicated that an ambitious accession timeline is achievable, while stopping short of endorsing specific dates. The Commission had completed its screening process in September 2025, confirmed that all six clusters were ready to be opened and issued detailed chapter-by-chapter criteria documents to Kyiv.

German Chancellor Friedrich Merz had stated in July 2025 that Ukrainian membership before the end of the 2034 budget cycle was unlikely; in January 2026, responding directly to President Zelensky's 2027 accession ambition, he was categorical: 'Accession on 1 January 2027 is out of the question. It's not possible'¹²⁷. The gap between the 2030 political ambition and the current

¹²⁵ Norton Rose Fulbright, [US-Ukraine Minerals Deal: Digging into the Detail](#), May 2025.

¹²⁶ European Commission, [Memorandum of Understanding on a Strategic Partnership on Raw Materials between the European Union and Ukraine](#), 13 July 2021; European Parliament and Council, [Regulation \(EU\) 2024/1252 establishing a framework for ensuring a secure and sustainable supply of critical raw materials](#), PE/78/2023/REV/1, *Official Journal of the EU*, L series, 3 May 2024.

¹²⁷ M. Fornusek, ['Germany's Merz Says Ukraine Joining EU in 2027 "Not Possible"'](#), *Kyiv Independent*, 29 January 2026.

negotiating reality is substantial but the December 2025 front-loading decision means that the process is more operationally advanced than the absence of formal Council decisions suggests. A number of interviewees cautioned that accession timelines remain politically driven and should not be treated as operational planning assumptions.

For reconstruction planning purposes, this gap has a direct practical consequence. If accession occurs in 2030, the current generation of reconstruction investments in 2025 and 2026, must be designed to EU standards from the outset, because they will need to be compliant at the point of membership or within the transition periods agreed. If accession occurs in 2034 or later, there is more time for adjustment but also a greater risk that EU standards drift while Ukrainian reconstruction standards remain at an intermediate level, thereby creating a larger adjustment gap. The EIB representative drew upon experience with enlargement, asserting that a milestones-based approach is more operationally robust than a date-based approach. This is due to the former's ability to maintain reform incentives irrespective of the political calendar¹²⁸. This ties investment conditionality and market access concessions to specific regulatory achievements rather than to a membership date. Gradual sectoral integration – energy market participation, transport network access, digital single market alignment and public procurement compliance – generates tangible economic benefits for Ukraine before full membership while maintaining the conditionality leverage that drives reform.

A democratic legitimacy question must also be addressed honestly: Ukraine's Verkhovna Rada has operated past its constitutional mandate since 2024 but elections cannot be held under conditions of martial law. Consequently, there is a question of parliamentary legitimacy over approval of the accession treaty that must be handled: both during negotiations and during the transition from wartime to post-war governance. The European Parliament, as the EU's democratic institution par excellence, is better placed than any other EU institution to raise this question constructively with Ukrainian counterparts.

Ukraine's inability to hold elections during wartime should be explained not as a political preference but as a combination of legal, security and practical constraints. Under the law, elections cannot be held while martial law is in force: the Law on the Legal Regime of Martial Law expressly prohibits presidential, parliamentary, local elections, as well as referenda during this period¹²⁹. The Constitution of Ukraine also provides continuity mechanisms: the President remains in the office until a newly elected President assumes office and the powers of parliament continue under martial-law conditions until a new parliament can be elected after martial law is lifted.

Beyond the legal prohibition, wartime elections would be extremely difficult to conduct in a way that meets democratic standards. Millions of Ukrainians are displaced internally or abroad; many citizens are serving in the armed forces; parts of the country remain occupied or under constant attack; and polling stations, election commissions, candidates, observers and voters would all face serious security risks. A campaign held under missile attacks, censorship risks and unequal access to media would also create obvious problems of fairness. This is why the issue is not simply whether Ukraine can technically organise a vote but whether such a vote could be free, equal, safe and legitimate.

At the same time, the absence of elections increases the need for other checks and balances. Ukraine cannot rely on electoral accountability alone during wartime, so other mechanisms become especially important. One such mechanism is external conditionality: the IMF, the EU and other international partners provide large-scale financial support to Ukraine but this support is tied to

¹²⁸ K. Karaki et al., [Ukraine's Reconstruction and EU Accession: Coordination between Investment and Technical Assistance](#), European Centre for Development Policy Management, September 2025.

¹²⁹ OSCE, [Law No 1647-III on Legal Regime of the Martial Law of Ukraine](#), 6 April 2000.

macroeconomic discipline, anti-corruption reforms, judicial reform, governance standards and progress toward EU accession.

Another key mechanism is Ukrainian civil society. Civil society organisations, investigative journalists, anti-corruption watchdogs, veteran groups, legal experts and reform coalitions continue to monitor public appointments, expose corruption, defend the independence of anti-corruption institutions and pressure the authorities when reforms are delayed or reversed. Recent EU-supported civil society initiatives in Ukraine are specifically designed to monitor legislation, safeguard anti-corruption and judicial institutions and conduct integrity checks during key appointments¹³⁰.

6.5 The Multiannual Financial Framework 2028-2034: The Ukraine Reserve

The European Commission's July 2025 proposal for the MFF 2028-2034 and the relevant sectoral proposal 'Establishing Global Europe (2025/0227 (COD))' introduced a dedicated 'Ukraine Reserve' of up to EUR 100 billion, financed as a special instrument outside the MFF maxima and implemented through the Global Europe framework, with an annual ceiling of EUR 14.3 billion¹³¹. The suggested allocation is less than the EU assistance provided in 2022-2025 and announced for 2026-2027. It fails to account for all ramifications of a decrease in US funding under the second Trump administration and the restricted involvement of other government contributors. The prevailing emphasis on mobilising direct financing overlooks a significant constraint: Ukraine's sovereign debt already surpasses 100 % of GDP, limiting its capacity to absorb additional direct borrowing without further straining fiscal sustainability. In this context, government guarantees — which function as contingent liabilities rather than immediate expenditure and therefore do not add directly to the sovereign debt stock — represent a fiscally viable instrument for stimulating private sector participation in reconstruction. Properly designed guarantee mechanisms can de-risk private investment without compounding Ukraine's debt burden, making them a tool of particular importance given the current fiscal reality¹³².

This is the first time a candidate country has been allocated a dedicated multi-year budget instrument of this scale and it signals that the EU does not expect Ukrainian reconstruction to be complete or self-financing by 2027 when the current Ukraine Facility expires. Critically, the MFF 2028-2034 documents contain no formal commitment to Ukrainian membership during that budget cycle: the Ukraine Reserve is a long-term support instrument for a candidate country, not a pre-accession structural fund or a post-accession cohesion instrument. The EEAS official based in Kyiv was clear about the institutional lesson: 'The Ukraine Facility is a good practice that we should replicate for the next MFF — the intertwining instruments of macro-financial assistance, dedicated investment and technical assistance is the right model.'

The Global Europe proposal — with the European Parliament as co-legislator in co-decision with the Council — is the instrument through which will be determined the Ukraine Reserve's conditionality architecture, governance requirements and relationship to accession milestones. The MFF regulation itself is subject to a different process in which the European Council sets the overall financial envelopes and the Parliament gives consent following negotiations. For the AFET Committee, the Global Europe co-decision is the primary legislative opportunity. This is where the

¹³⁰ EU NEIGHBOURS east, '[Ukrainian civil society coalition launches project to safeguard justice sector reforms with EU support](#)', 17 April 2026.

¹³¹ European Commission, '[The 2028-2034 EU budget for a stronger Europe](#)', webpage, nd.

¹³² D. Boyarchuk and M. Dabrowski, '[Financing Ukraine's recovery and reconstruction through the 2028-2034 Multiannual Financial Framework](#)', PE 785.764, European Parliament's Directorate-General for Budgetary Affairs, April 2026.

design of reform conditions and the link between Ukraine Reserve disbursements and accession progress can be directly shaped by parliamentary amendment. While the Committee on Budgets leads the Parliament's engagement on the MFF overall, AFET's specific mandate – enlargement, external relations and Ukraine's accession pathway – gives it a defined contribution to the Ukraine Reserve's conditionality design, particularly on the governance, rule-of-law and democratic benchmarks upon which reconstruction disbursements should be conditioned. The Ukraine Reserve's scale, conditionality architecture and relationship to accession milestones are all open questions in the legislative process. The MFF is also the instrument through which the EU will have to account for any potential budgetary implications of Ukrainian membership, including the phase-in of contributions, cohesion payments and agricultural support, calculations that Commission President von der Leyen has acknowledged will require MFF revision 'depending on the size of the country joining.'

6.6 The European Parliament's role: Knowledge, oversight and Rada engagement

The European Parliament's engagement with Ukraine's reconstruction has been substantial. Since February 2022 the Parliament has adopted numerous resolutions on Ukraine, co-legislated the Ukraine Facility as AFET's landmark instrument and maintained consistent political support for Ukraine's accession pathway – including explicit criticism of Hungary's blockage of formal negotiating cluster decisions and a clear articulation of the geostrategic case for eastward enlargement in its March 2026 enlargement strategy resolution¹³³. The EU-Ukraine Parliamentary Association Committee – established under the EU-Ukraine Association Agreement and the principal structured parliamentary channel between the two legislatures – provides a standing mechanism for substantive dialogue with Verkhovna Rada counterparts that no other EU institution has in equivalent form¹³⁴.

The recommendations in Chapter 7 address knowledge building directly not only through proposals of hearing/workshop drawing on Ukrainian civil society and research institutions as source of information but also through structured Commission reporting to the European Parliament on the specific indicators identified in Chapter 3. Effective parliamentary oversight of Ukraine's reconstruction does not depend on individual expertise – it depends on institutional access to the right information at the right time. The AFET Committee is well-placed to exercise substantive oversight of the Ukraine Facility and Ukraine Reserve but only if it receives structured, regular reporting from the Commission on the indicators identified in Chapter 3 and direct testimony from the Ukrainian analytical institutions that are closest to the reconstruction process. Neither of these mechanisms currently exists in a formalised form. Recommendations 13 and 14 address this gap – not by expanding the Parliament's knowledge base in an abstract way but by ensuring that the analytical infrastructure for oversight is embedded in the Parliament's work programme in a way that is sustainable across legislative terms and committee compositions.

The European Parliament's Democracy Support and Election Coordination Group has been delivering structured capacity-building support to the Verkhovna Rada since 2023, through the Ukraine Hub programme covering macroeconomic and financial affairs, fiscal policy oversight,

¹³³ European Parliament, [Resolution on the EU enlargement strategy \(2025/2110\(INI\)\)](#), P10_TA(2026)0077, 11 March 2026; European Parliament, [Resolution on the 2023 and 2024 Commission reports on Ukraine](#), P10_TA(2025)0175, *Official Journal of the EU, C series*, 9 April 2025; A. Flynn, 'How does Parliament support Ukraine?', *European Parliamentary Research Service*, 23 February 2026.

¹³⁴ EU and Ukraine, [Association Agreement between the European Union and its Member States, of the one part, and Ukraine, of the other part](#), *Official Journal of the European Union*, L 161/3, 29 May 2014.

monetary policy, economic adjustment, bank supervision and audit¹³⁵. Complementary work through the InterPARES programme has supported the budget process and the development of a Parliamentary Budget Office. This existing foundation is significant. Building on it, the Democracy Support unit could extend the programme's scope to cover the reconstruction-specific oversight functions that are most directly relevant to this paper's recommendations: parliamentary scrutiny of Ukraine Facility and Ukraine Reserve disbursements, committee-level engagement with reconstruction milestone reporting and the legislative drafting capacity needed to transpose EU acquis requirements in reconstruction-relevant sectors. The objective is not to create a new programme but to deepen and focus the existing one on the dimensions of parliamentary oversight that Ukraine's EU accession process and reconstruction financing architecture most urgently require.

The European Parliament's specific oversight in this chapter's context would best be focused on three areas where parliamentary leverage is most direct. Firstly, the conditionality architecture of the Ukraine Reserve within the Global Europe co-legislative process: this is the primary legislative leverage for the European Parliament to shape the governance benchmarks, rule-of-law conditions and accession-linked disbursement requirements that will define the EU's reconstruction commitment after 2027. Secondly, monitoring of the US-Ukraine Reconstruction Investment Fund's compatibility with EU accession obligations as the LPA is finalised: the General Partner Agreement was published on 23 May 2025; the LPA defining fund implementation remained unpublished at the time of writing in March 2026 and its provisions on mineral access, off-take rights, state aid treatment and conflict resolution will determine whether a strategically valuable arrangement becomes a source of accumulating legal tension at the accession treaty stage. Thirdly, the institutional separation between reconstruction planning and accession preparation, on both the EU and Ukrainian sides, requires sustained political attention that will not resolve itself through technical coordination alone. The AFET Committee could keep this separation on the institutional agenda through its engagement with the Commission, the EIB and the Ukrainian government counterparts.

These three oversight contributions – conditionality architecture, fund compatibility and institutional separation management – define where the Parliament's powers could directly be engaged. Chapter 7 examines the broader political and coalition-building strategy through which those formal powers can be most effectively exercised.

6.7 How can think-tanks and civil society organisations help to open and shape the debate?

The previous section identified three areas where the Parliament's formal constitutional powers are most directly engaged in Ukraine's reconstruction. This chapter examines the broader political and coalition-building strategy through which those formal powers can be most effectively exercised, looking also at the role of civil society and think-tank networks in informing Parliament's analytical capacity.

Think-tanks play a vital role in the reconstruction and integration process by providing independent monitoring and evidence-based recommendations to policymakers. Ukrainian think-tanks – *inter alia*, Cedos, Kyiv School of Economics, Razumkov Centre, New Europe Centre – shape future reforms, model development scenarios and organise international conferences to consolidate government, business and civil society perspectives. The Institute for European Politics (IEP),

¹³⁵ European Parliament, [EGOV 2024 Annual Activity Report](#), PE 764.373, Directorate-General for Economy, Transformation and Industry, March 2025; INTER PARES, '[Partnership with the Verkhovna Rada of Ukraine](#)', webpage, nd; European Parliament, '[Global democracy support: Priority Countries](#)', webpage, nd.

based in Berlin, has developed structured formats for training Ukrainian policy analysts and facilitating dialogue between Ukrainian and European experts, a model that illustrates the practical contribution that civil society networks can make to the knowledge infrastructure of reconstruction governance. As part of its work, IEP initiated the Ukrainian-German 'Transformation Laboratory', which trains Ukrainian analysts and organises debates with experts¹³⁶. Regarding quantitative assessments and scenario building, the Atlantic Council produces reports, which calculate in detail the extent of damage in sectors (electricity, roads, housing and communal services) and model the EU's economic benefits from recovery. Ukrainian and European institutions create communication platforms (webinars, podcasts, newsletters) to disseminate research. As an example, UkraineMEMO is a podcast series produced by IEP, featuring interviews, analysis and policy advice on Ukraine's political, economic and social developments¹³⁷.

Alongside Ukraine's European integration, civil society institutions can also make a valuable contribution by engaging in post-war reconstruction tasks. These include: the reintegration of veterans into civilian life; strengthening national unity around the strategy of victory; as well as assisting children and young people in overcoming the trauma and challenges of war. Regional Civil Society Organisations identify support for rebuilding infrastructure, alongside responding to the country's looming mental health crisis, as the areas where they could best collaborate. Despite the war's protracted and brutal nature, levels of civic engagement, individual donations and enthusiasm for volunteering all remain high¹³⁸.

6.8 How EU Member States can benefit from Ukraine's reconstruction

Ukraine's reconstruction creates significant economic opportunities for EU Member States, distributed across different sectors and geographic relationships. Geographically proximate Member States – Poland, Romania and Slovakia, all of which share borders with Ukraine – are already positioning themselves as logistics hubs. These countries are expanding rail and road connections to Ukraine, building border terminals and developing processing capacity for Ukrainian agricultural exports¹³⁹. Poland is positioning itself as a primary logistics corridor for goods flowing between Ukraine and EU markets, with investors expanding agricultural processing capacity to handle increased throughput from Ukrainian supply chains. Romania similarly offers port infrastructure on the Danube and Black Sea that complements Ukraine's own export corridors.

Poland, Romania, Slovakia and the Baltic states will all benefit from increased trade and transit operations as Ukraine's economy merges more deeply with the EU single market¹⁴⁰. Large western investors – particularly from Germany, the Netherlands and France – see prospects in infrastructure projects, engineering and energy sector reconstruction. France has an interest in nuclear energy cooperation, given Électricité de France's existing relationship with Ukrainian nuclear infrastructure¹⁴¹. The EIB and EBRD have already allocated hundreds of millions of euros in transport, housing and utilities, with these resources being mobilised alongside state guarantees.

Millions of Ukrainians currently residing in EU Member States, primarily in Germany, Poland and the Czech Republic, represent a long-term human capital bridge between Ukraine and the EU. As part

¹³⁶ D. Intrate, [Central and Eastern Europe's Role in Ukraine's Reconstruction: Shared Opportunities, Benefits, and Challenges](#), *German Marshall Fund*, July 2025.

¹³⁷ A. Getmanchuk, ['UkraineMEMO podcast: NATO membership for Ukraine'](#), *New Europe Center*, 21 December 2023.

¹³⁸ O. Lutsevych, [Mobilizing 'Team Ukraine' for a successful recovery](#), *Chatham House*, 7 July 2025.

¹³⁹ D. Intrate, [Central and Eastern Europe's Role in Ukraine's Reconstruction: Shared Opportunities, Benefits, and Challenges](#), *German Marshall Fund*, July 2025, 8 p.

¹⁴⁰ Kochański & Partners, ['Poland, Korea and Ukraine are opening new horizons for cooperation'](#), 18 July 2023.

¹⁴¹ Energoatom, ['Energoatom and the European nuclear energy leader EDF signed an Agreement on Cooperation'](#), 7 June 2024.

of future plans, the EU should develop structured pathways for Ukrainian professionals – engineers, IT specialists, healthcare workers – to contribute to reconstruction while maintaining connections to European labour markets and professional networks. This mobility, managed deliberately rather than left to market dynamics, can become a mutual benefit rather than a zero-sum competition between Ukrainian reconstruction needs and European labour market interests.

Analysis of the economic benefits of Ukraine's reconstruction for EU Member States finds that Poland, Romania, Slovakia and the Baltic states stand to gain most from increased trade, logistics activity and construction contracts. However, the most durable political strategy for building EU-wide support for Ukraine's reconstruction financing is to make the economic case country by country. This should include southern and western Member States where geographic distance from the conflict makes the solidarity argument harder to sustain. A targeted mapping of reconstruction benefits across all Member States, rather than identifying winners and losers, would make the economic case for ambitious financing comprehensible across the full diversity of parliamentary constituencies. A complementary approach operates at the regional rather than parliamentary level. Several EU Member States have experimented with structured twinning arrangements between their own regions and counterpart regions in partner countries – most recently Ireland, whose 2026 EU Council Presidency initiative connected each of its 26 regions with a specific EU partner country to build awareness and human connections beyond the national diplomatic level. Ukraine could apply a similar logic to its reconstruction engagement with EU Member States: connecting specific Ukrainian oblasts with specific EU countries or regions, building institutional relationships between local governments, universities, chambers of commerce and civil society organisations that outlast any individual financing instrument or political cycle. Regional connections generate political constituencies for Ukraine's reconstruction at the local and regional level in Member States where the national political priority may be less clear. The European Parliament, through its connections with regional bodies such as the Committee of the Regions, is well-placed to facilitate and advocate for this kind of structured regional partnership architecture as a complement to the national-level economic interest mapping proposed above.

7 Final conclusions and general recommendations

1. The RDNA5 headline figure of over EUR 507 billion understates the full financing requirement in two structural ways. Firstly, while RDNA5 incorporates Build Back Better principles and formally acknowledges Ukraine's Economy of the Future strategy – signalling a deliberate shift toward resilience-oriented and modernisation-aligned reconstruction – it does not fully capture the additional cost of building to EU accession standards specifically. This includes the additional investment required to build to EU standards – distributed energy generation, near-zero-energy buildings, TEN-T-compliant transport. Also carried is a 'modernisation premium' that is real, sector-by-sector, quantifiable and absent from every current financing instrument. Secondly, the figure contains no provision for environmental liabilities and ecological damage across occupied territories. A senior European Commission official described these as 'a wide range of issues that no private investment will look at', a category requiring public grant financing with no return. Neither gap is peripheral; together they mean the reconstruction financing requirement, properly defined, is materially higher than any published aggregate. A third structural underestimate compounds both gaps: the EUR 507 billion figure represents a lower bound, not a ceiling. Should Ukraine recover the currently occupied territories, reconstruction costs could approach or exceed EUR 1 trillion. Financing architecture designed around the published RDNA figure alone risks being fundamentally inadequate to the actual challenge.

2. One of the most consequential mistakes in donor allocation decisions is the conflation of reconstruction necessities with commercially investable sectors. Rubble clearance, asbestos processing, mine dewatering and water system restoration will not be financed by private investors regardless of the governance environment: these issues require public financing. However, critical minerals, IT, defence industry and agri-food exports can all attract private capital under the right conditions. Channelling reconstruction finance toward the latter while leaving the former underfunded produces visible showcase projects alongside invisible degradation of the basic physical substrate. The European Commission official interviewed for this study stated that: 'You have to distinguish between what is a priority for reconstruction and what are the drivers of economic growth. You may have a dichotomy because they are not fully aligned.'
3. Ukraine's accountability infrastructure is more capable than external perceptions typically suggest. DREAM, ProZorro's extension to reconstruction contracts, along with the operational independence of NABU and SAPO represent genuine institutional achievement relative not only to the country's pre-war baseline but also other conflict-affected economies at comparable stages. The architecture's primary weakness is distributional: oversight controls are necessarily tightest in active security zones, precisely where corruption and misallocation risk is greatest and where administrative capacity of local communities has been most depleted by displacement, mobilisation and physical destruction. This asymmetry is acknowledged in official reporting but not resolved; it will become more consequential as reconstruction needs grow due to the increased pace of destruction.
4. Since DREAM already operates as part of a broader reform of public investment planning, project selection and monitoring, it should be used not only for transparency purposes but also as an entry point for assessing whether reconstruction projects comply with relevant EU technical, environmental, procurement and accessibility standards. The procedures for selecting Public Investment Projects provide the most appropriate institutional stage for the phased introduction of 'EU standards compatibility review' before projects are approved for financing. Phasing is essential: strict immediate application of full EU *acquis* compliance requirements to all project categories would raise reconstruction costs and create bottlenecks incompatible with emergency repair needs — the review should apply first to large-scale strategic investments where long-term lock-in risk is greatest, then progressively to smaller-scale works as administrative capacity develops. This would help ensure that reconstructed schools, hospitals, housing, transport infrastructure and utilities are not merely rebuilt but rebuilt in line with Ukraine's EU accession trajectory. Given limited administrative capacity, especially at the local level, the recommendation should be accompanied by standardised checklists, sector-specific guidance and technical assistance for municipalities and regional authorities.
5. Reconstruction investments being made today in energy, transport, housing and industry will determine whether Ukraine faces decades of costly retrofitting after accession or enters the single market with a modernised, compliant economic base. There is currently nobody on either the EU or Ukrainian side with practical cross-mandate authority to assess individual investment decisions against future EU compliance requirements, a gap that both the Commission official and EIB representative interviewed identified as a structural risk. The Commission official's formulation was precise: 'The people dealing with enlargement are not the same people dealing with investment and reconstruction. It is important to have one body with a strategic function capable of marrying both tracks'. As long as that separation/gap persists, reconstruction decisions are being made that might need to be revisited at the time of accession.

6. The assumption embedded in many reconstruction plans that displaced populations will return in significant numbers once hostilities ease, is not supported by available evidence and should be questioned as a planning baseline. By late 2025, only 43 % of surveyed Ukrainian refugees reported an intention to return, compared with 74 % in November 2022. That trajectory is one of consistent decline, not stabilisation. An estimated 400 000 working-age men have been wounded; the total veteran and dependant population is projected at 4-5 million once hostilities end. The government's own estimates suggest Ukraine's population could fall to 25 million by 2051, against 42 million before the full-scale invasion. Infrastructure designed for a non-returning population constitutes not reconstruction but rather stranded public spending. The European Parliament could call on the Commission to develop, in advance of any durable ceasefire, a structured framework for transitioning Ukrainian refugee support – from unconditional temporary protection toward return-facilitation measures – linked to verified security conditions and coordinated with Ukraine's resettlement capacity. This framework should balance legitimate humanitarian obligations with the reconstruction imperative of restoring Ukraine's labour force and population base. The objective is not to force return but to ensure that EU policies do not inadvertently sustain conditions in which return becomes economically irrational even when security conditions would permit it.
7. Three historical cases examined in this study – Finland after the Winter War, Britain during the Blitz and South Korea after the Korean armistice – point to consistent findings that deserve to be given more weight in ongoing European policy discussions. Reconstruction can succeed without a comprehensive peace settlement but only in specific conditions. South Korea's case demonstrates that a credible external security commitment – the US military presence and the 1953 Mutual Defence Treaty – makes investment rational despite unresolved territorial questions. Finland's case demonstrates something different but equally relevant: that reconstruction can succeed even without such guarantees, through internal resilience and careful management of imposed geopolitical constraints. For Ukraine, the legal form, financing commitment and duration of European security guarantees will matter more for private investment and population return than the formal diplomatic status of any ceasefire arrangement. A well-designed security guarantee or a capacity to militarily neutralise the aggressor are, in this sense, reconstruction instruments.
8. The US-Ukraine Reconstruction Investment Fund has implications on Ukraine's EU accession. The General Partner Agreement was published on 23 May 2025, whilst the LPA remained unpublished at the time of writing in March 2026. Once it is published, the European Parliament could formally request submission by the Commission for structured compatibility assessment from legal perspective, examining specifically its provisions on mineral access, off-take rights, state aid treatment and any arbitration provision that could conflict with EU accession obligations. This would ensure that a strategically valuable arrangement does not become a legal liability.
9. Earlier RDNA editions recorded the cost of restoration to pre-war conditions primarily. RDNA5 marks a shift, formally incorporating Build Back Better principles and Ukraine's Economy of the Future strategy – but it still does not quantify the specific additional cost of building to EU acquis standards from the outset. The 'modernisation premium' for distributed energy generation over thermal repair, for near-zero-energy buildings over Soviet-era reconstruction, for TEN-T-compliant rail over pre-war specification, is real, sector-specific and currently invisible in every financing instrument. The European Parliament could require the Commission to develop and publish, as a governance condition of Ukraine Reserve access, a sector-by-sector methodology that makes this premium explicit. This would provide the analytical basis

for deliberate decisions about what standards should apply in construction, so they are financed from the outset

10. European Parliament resolutions on Ukraine – adopted annually through the AFET-led Ukraine Report – are the most practical instrument for spelling out parliamentary expectations clearly and early, well before any accession treaty comes to a formal consent vote. These resolutions could spell out the parliamentary red lines more clearly: demonstrated and sustained Verkhovna Rada oversight capacity, functioning committee scrutiny of reconstruction expenditure, maintained transparency of plenary proceedings and organised capacity-building activities to strengthen the Rada at political and administrative levels. Rather than framing these as consent conditions, the more practical lever is the European Parliament's co-decision role on the annual EU budget, through which specific allocations for parliamentary capacity-building support to the Verkhovna Rada can be secured and tracked. The effective transfer of authority to the Office of the President has weakened the Rada as an accession interlocutor¹⁴² – reversing this trend is a shared interest of the European Parliament and of Ukraine's long-term democratic stability. While live plenary broadcasting – suspended in 2022 – was renewed in September 2025, the broader pattern of executive dominance over the legislature has not been reversed. The European Parliament could play a more strategic role not by calling for the restoration of formal procedures that are already nominally in place but by insisting that those procedures translate into genuine oversight capacity. Signalling these preconditions in advance – as a framework agreed with Ukrainian partners – would be of benefit for both parliamentary chambers in Kyiv and Strasbourg.
11. Ukraine's cumulative reconstruction delivery since 2022 amounts to approximately EUR 17 billion¹⁴³ – a figure that must be read against the backdrop of accelerating destruction rather than as a linear delivery rate, since damage needs have grown by approximately EUR 59 billion per year throughout the same period. The Ukraine Reserve at EUR 14.3 billion per year would require annual delivery to more than triple that cumulative average. As established in Chapter 1, resource constraints rather than administrative capacity have been the primary limiting factor to date – meaning that the Reserve's higher disbursement ceiling should, in principle, unlock substantially higher delivery. However, the step-change in financing scale will also require a proportionate step-change in institutional capacity: implementing agencies, procurement systems and local administrative structures that functioned adequately under lower volumes will need deliberate strengthening before the Reserve reaches its annual ceiling. Before the Ukraine Reserve enters into force, the European Parliament could request that the Commission publish a credible delivery plan – recognising that, given current financing trajectories, the binding constraint is as likely to be funding availability as absorptive capacity and that planning should account for both scenarios. European Parliament's co-legislative role in the Global Europe sectoral proposals gives it the standing to insist that disbursement profiles are calibrated to demonstrated delivery.
12. The most rigorous independent analysis of Ukraine's reconstruction progress, fiscal constraints and reform dynamics is produced by Ukrainian research institutions. The AFET Committee already conducts annual scrutiny of Ukraine's progress through the Ukraine Report cycle and receives regular Commission reporting on Ukraine Facility implementation. Building on this

¹⁴² V. Perevezii, 'Optimisation of the Parliamentary Model: Non-Electoral Legitimation of the Verkhovna Rada of Ukraine during the War and in the Post-War Period', in Rafalsky, O. and Mayboroda, M. (eds), *Adaptive Changes in the Functioning of the Political System of Ukraine in the Conditions of Post-War Reconstruction*, Kuras Institute of Political and Ethnic Studies of the NAS of Ukraine, Kyiv, 2024, pp. 41–74.

¹⁴³ World Bank et al., [Ukraine – Fifth Rapid Damage and Needs Assessment \(RDNA5\): February 2022–December 2025](#), World Bank Group, 23 February 2026.

existing practice, the Committee could establish a dedicated annual session focused specifically on reconstruction delivery and financing – distinct from the broader enlargement and governance agenda – drawing directly on testimony from Ukrainian research institutions such as the Kyiv School of Economics, the Centre for Economic Strategy and the Anti-Corruption Action Centre. This would be structured around the specific indicators identified in Chapter 3 and timed to coincide with each annual RDNA publication, ensuring that the Parliament's oversight of reconstruction financing is informed by the most current independent Ukrainian analysis rather than filtered through Commission reporting alone. The distinction from current practice is one of focus and source: a standing reconstruction-specific evidence session with Ukrainian analytical institutions as primary witnesses, not a general Ukraine update in which reconstruction competes for agenda space with many other priorities.

- 13.** Ukraine's reconstruction is a solidarity project in the first place but also a commercial opportunity that is unevenly distributed across EU Member States and sectors. For example, Poland's construction and logistics industries, the Baltic states' IT sector, Germany's engineering and infrastructure firms and Romanian agri-food supply chains all have concrete economic stakes in Ukraine's reconstruction and integration. The European Parliament could commission a more targeted cost/benefit analysis which economies and industrial sectors across the EU will most benefit from reconstruction and sectoral integration with the EU. That analysis could then inform a debate in the European Parliament about the scale of reconstruction financing. This could form the basis for a better debate about the economic opportunities, rather than relying solely on the security and solidarity arguments that hold less sway in Member States further away from the conflict. This analysis should also clearly distinguish between the commercial opportunities that can be financed through private capital under the right conditions and the reconstruction necessities – rubble clearance, mine dewatering, environmental remediation – that require non-reimbursable public financing.
- 14.** Ukraine is not only a candidate country but a potential cornerstone of the European defence architecture, given its military experience, defence-industrial capacity and direct knowledge of modern Russian warfare. The accession process should therefore be presented as strengthening the EU's ability to deter Russia and act more autonomously in security matters.

Bibliography

- Amsden, A., [*Asia's Next Giant: South Korea and Late Industrialization*](#), Oxford University Press, Oxford, 25 June 1992.
- Anastasia, G. Boeri, T. and Zholud, O., [A Wartime Labour Market: The Case of Ukraine](#), VoxEU/Centre for Economic Policy Research, March 2026.
- Bandura, R., [Ukraine's Future Rests on Its People](#), Center for Strategic and International Studies, 14 February 2025.
- Basel Institute on Governance and Transparency International Ukraine, [Progress in Ukraine's Anti-Corruption Efforts](#), March 2025.
- Becker, T., Gorodnichenko, Y. and Weder di Mauro, B., [How to Rebuild Ukraine: A Synthesis and Critical Review of Policy Proposals](#), *Annual Review of Economics*, Vol 17, 2025, pp. 293–320.
- Boltryk, M., [US–Ukraine Investment Fund Picks 8 High–Readiness Projects Worth USD 1.2B](#), *Kyiv Post*, 2 March 2026.
- Borodyna, O., [Beyond Rebuilding: Managing Interconnected Risks to Ukraine's Long-term Recovery and Reconstruction](#), *ODI Global*, 10 July 2025.
- Boyarchuk, D. and Dabrowski, M., [Financing Ukraine's recovery and reconstruction through the 2028–2034 Multiannual Financial Framework](#), PE 785.764, European Parliament's Directorate-General for Budgetary Affairs, April 2026.
- Caliber, [UN predicts sharp decline in Ukraine's population by 2100](#), 15 July 2024.
- Darvas, Z., Dabrowski, M., Grabbe, H., Léry Moffat, L., Sapir, A. and Zachmann, G., [Ukraine's Path to European Union Membership and Its Long-Term Implications](#), *Econstor*, March 2024.
- de Gadolin A., [The Solution of the Karelian Refugee Problem in Finland](#), Springer, Dordrecht, 1952.
- Dobrohorska, I., [Veterans and Ukraine's Human Capital Development for Recovery](#), German Marshall Fund, 3 June 2024.
- Dobrohorska, I., [Reintegrating Ukraine's Veterans](#), *German Marshall Fund*, April 2025.
- Energatom, [Energatom and the European nuclear energy leader EDF signed an Agreement on Cooperation](#), 7 June 2024.
- Energy transition, [Rebuilding Ukraine's energy future: a Ukrainian perspective of the Ukraine Reconstruction Conference](#), 26 June 2024.
- European Network of Transmission System Operators for Electricity, [Continental Europe Successful Synchronisation with Ukraine and Moldova Power Systems](#), 16 March 2022.
- Erkkilä, V., [Rural \(In\)Justice: Smallholding as Social Policy in a Modernizing Finland, from 1945 to the 1960s](#), in Haapala, P., Harjula, M. and Kokko, H. (eds), *Experiencing Society and the Lived Welfare State*, Palgrave Macmillan, Cham, 2023, pp. 281–300.
- EU NEIGHBOURS east, [Ukrainian civil society coalition launches project to safeguard justice sector reforms with EU support](#), 17 April 2026.
- European Commission, [EU and Council of Europe sign agreement to finance advance team for Special Tribunal on Crime of Aggression against Ukraine](#), Press Release, 23 January 2026.
- European Commission, [Ukraine Report 2024](#), 30 October 2024.
- European Commission, [Commission welcomes political agreement on the up to EUR 50 billion Ukraine Facility](#), News Article, 6 February 2024.
- European Commission, [Memorandum of Understanding on a Strategic Partnership on Raw Materials between the European Union and Ukraine](#), 13 July 2021.

European Commission, United Nations Development Group and World Bank, [Post-Disaster Needs Assessment](#), *Global Facility for Disaster Reduction and Recovery*, September 2013.

European Council, '[Trade: EU extends safeguard measures suspension on iron and steel to support war-torn Ukraine's economy](#)', Press Release, 5 June 2025.

European Council, '[Council approves second payment of close to EUR 4.1 billion under the Ukraine Facility](#)', Press Release, 9 December 2024.

European Council, '[Ukraine: Council and Parliament reach a deal to renew EU's autonomous trade measures](#)', Press Release 20 March 2024.

European Investment Bank, '[EIB Group provided a record EUR 1.5 billion for Ukraine in 2025](#)', Press Release, 26 February 2026.

European Investment Fund, '[InvestEU Ukraine Export Credit Pilot](#)', Press Release, 22 March 2024.

European Parliament and Council of the European Union, [Regulation \(EU\) 2024/1679 on Union guidelines for the development of the trans-European transport network](#), PE/56/2024/ADD/1, 28 June 2024.

European Parliament and Council of the European Union, [Directive \(EU\) 2024/1275 on the energy performance of buildings \(recast\)](#), PE/102/2023/REV/1, *Official Journal of the European Union*, L Series, 8 May 2024.

European Parliament and Council of the European Union, [Regulation \(EU\) 2024/1252 establishing a framework for ensuring a secure and sustainable supply of critical raw materials](#), PE/78/2023/REV/1, *Official Journal of the European Union*, L series, 3 May 2024.

European Parliament and Council of the European Union, [Regulation \(EU\) 2024/792 establishing the Ukraine Facility](#), PE/10/2024/REV/1, *Official Journal of the European Union*, Series L, 29 February 2024.

European Parliament, [Resolution on Global Gateway – past impacts and future orientation \(2025/2073\(INI\)\)](#), P10_TA(2026)0104, 26 March 2026.

European Parliament, [Resolution on the EU enlargement strategy \(2025/2110\(INI\)\)](#), P10_TA(2026)0077, 11 March 2026.

European Parliament, [Establishing the Reparations Loan to Ukraine](#), 2025/3502(COD), 3 December 2025.

European Parliament, [Resolution on the 2023 and 2024 Commission reports on Ukraine](#), P10_TA(2025)0175, *Official Journal of the European Union*, C series, 9 April 2025

European Parliament, [EGOV 2024 Annual Activity Report](#), PE 764.373, *Directorate-General for Economy, Transformation and Industry*, March 2025.

European Union and Ukraine, [Association Agreement between the European Union and its Member States, of the one part, and Ukraine, of the other part](#), *Official Journal of the European Union*, L 161/3, 29 May 2014.

Eurostat, '[Temporary protection for 4.40 million in February 2026](#)', News Article, 14 April 2026.

Flinn, C., [Rebuilding Britain's Blitzed Cities: Hopeful Dreams, Stark Realities](#), Bloomsbury Academic, London, 2019.

Flynn, A., '[How does Parliament support Ukraine?](#)', *European Parliamentary Research Service*, 23 February 2026.

Fornusek, M., '[Germany's Merz Says Ukraine Joining EU in 2027 "Not Possible"](#)', *Kyiv Independent*, 29 January 2026.

Getmanchuk, A., '[UkraineMEMO podcast: NATO membership for Ukraine](#)', *New Europe Center*, 21 December 2023.

- Government of Ukraine and Ukraine Recovery Conference Signatory States, [Lugano Declaration: Outcome Document of the Ukraine Recovery Conference URC2022](#), 5 July 2022.
- Government of Ukraine, [Ukraine Plan 2024–2027](#), May 2024.
- Green, R. K., Henderson, J. V., Kahn, M. E., Nikolsko-Rzhevskyy, A. and Parkhomenko, A., [Rebuilding cities in Ukraine](#), 8 July 2023.
- Haggard, S., [Pathways from the Periphery: The Politics of Growth in the Newly Industrializing Countries](#), Cornell University Press, Ithaca, 1990.
- Hedenskog, J. and Umland, A., [The Ukrainian Mobilization Challenge: Military and Society During Full-Scale War](#), Stockholm Centre for Eastern European Studies, 19 December 2025.
- Horbatiuk, M., '[Decentralisation and the Unity of the Country](#)', in Rafalsky, O. and Mayboroda, M. (eds), *Adaptive Changes in the Functioning of the Political System of Ukraine in the Conditions of Post-War Reconstruction*, Kuras Institute of Political and Ethnic Studies of the National Academy of Sciences of Ukraine, Kyiv, 2024, pp. 274–301.
- Hryhorczuk, D., Levy, B., Prodanchuk, M., Kravchuk, O. and Bubalo, N., '[The Environmental Health Impacts of Russia's War on Ukraine](#)', *Journal of Occupational Medicine and Environmental Health*, Vol 19, No 1, 2024, pp.2–14.
- International Energy Agency, '[Ukraine's Energy Security: A Pre-Winter Assessment](#)', 22 October 2025.
- International Energy Agency, [Empowering Ukraine Through a Decentralised Electricity System](#), 17 December 2024.
- International Monetary Fund, [Ukraine: Eighth Review Under the Extended Arrangement Under the Extended Fund Facility](#), 30 June 2025.
- International Organization for Migration, [Ukraine Internal Displacement Report: General Population Survey Round 22](#), October 2025.
- Intrate, D., [Central and Eastern Europe's Role in Ukraine's Reconstruction: Shared Opportunities, Benefits, and Challenges](#), German Marshall Fund, July 2025.
- Irwin, D., [How Export-Led Growth Saved South Korea](#), National Bureau of Economic Research, September 2021.
- Kalinov, A., '[New energy communities: how local authorities and businesses are building Ukraine's energy independence](#)', *Energo Plus*, 17 September 2025.
- Karaki, K. Sabourin, A. and Bilal, S., [Ukraine's Reconstruction and EU Accession: Coordination between Investment and Technical Assistance](#), European Centre for Development Policy Management, September 2025.
- Klapushynskiy, O., '[DREAM Will Show It All: How Ukraine's Reconstruction Is Going, How Much It Costs and Who Pays](#)', *VoxUkraine*, 20 August 2025.
- Kochański & Partners, '[Poland, Korea and Ukraine are opening new horizons for cooperation](#)', 18 July 2023.
- Kohan, C, [Works and Buildings: History of the Second World War, United Kingdom Civil Series](#), His Majesty's Stationery Office, London, June 1952.
- Kononenko N., '[Political Mechanisms of Healing Social Wounds](#)', in Rafalsky, O. and Mayboroda, M. (eds), *Adaptive Changes in the Functioning of the Political System of Ukraine in the Conditions of Post-War Reconstruction*, Kuras Institute of Political and Ethnic Studies of the National Academy of Sciences of Ukraine, Kyiv, 2024, pp. 217–252.
- Kuts, A., Rusina, K. and Shvadchak, A., [Public procurement 2023: Functioning of the field and changes to it](#), Transparency International Ukraine, May 2024.

- Kyiv School of Economics, [Agriculture in Ukraine: pre-war, status quo and a look ahead](#), July 2023.
- Larkham, P. and Clapson, M., [The Blitz and Its Legacy: Wartime Destruction to Post-War Reconstruction](#), Routledge, New York, 2016.
- Lausberg, P., [‘Beyond the Ukraine Facility: De-risking private investment to reconstruct Ukraine and strengthen Europe’](#), *European Policy Center*, 10 July 2025.
- Lister, T. and Tarasova-Markina, D., [‘Russia Targets Another Critical Part of Ukraine’s Infrastructure: Its Railways’](#), *CNN*, 10 February 2026.
- Loehr, J., Schweinfurth, M., Enlund, E., Helle, S., Helle, M. and Lummaa, V., [‘The Resettlement and Subsequent Assimilation of Evacuees from Finnish Karelia during and after the Second World War’](#), in Fridlund, M., Oiva, M. and Paju, P. (eds), *Digital Histories: Emergent Approaches within the New Digital History*, Helsinki University Press, Helsinki, 2020, pp. 129–147.
- Lutsevych, O., [Mobilizing ‘Team Ukraine’ for a successful recovery](#), *Chatham House*, 7 July 2025.
- Maiboroda, O., [‘Adaptation of Political and Administrative Institutions of Ukraine to European Criteria’](#), in Rafalsky, O. and Mayboroda, M. (eds), *Adaptive Changes in the Functioning of the Political System of Ukraine in the Conditions of Post-War Reconstruction*, Kuras Institute of Political and Ethnic Studies of the National Academy of Sciences of Ukraine, Kyiv, 2024, pp. 430–459.
- Markuts, Y., Studennikova, I., Mykhalyk, L., Iierusalymov, V., Krukovets, D., Shymanskyi, V., Andryienko, D. and Mazepa, S., [Ukraine Human Capital Chartbook](#), *Kyiv School of Economics Institute*, May 2025.
- Ministry of Defence of Ukraine, [‘More weapons for Ukraine: UkrOboronProm increased production by 1.5 times in 2025’](#), 7 January 2026.
- Ministry of Strategic Industries of Ukraine, [‘Ministry of Strategic Industries: Over USD 1.5 billion attracted to Ukrainian defence industry in 2024’](#), 27 January 2025.
- Mykhnenko, V., Delahaye, É. and Mehdi, I., [‘Rebuilding Ukraine: Lessons from Past Post-War Recovery Efforts’](#), *Oxford Review of Economic Policy*, Vol 38, No 3, 2022, pp. 699–716.
- Nestulia, V. and Hayman, G., [‘The Ukrainian DREAM: Making Wartime Reconstruction Digital and Accountable’](#), *Open Contracting Partnership*, 14 August 2023.
- Nivievskyi, O. and Neyter, R., [‘An Interim Assessment of the War-Induced Damages and Losses in Ukraine’s Agriculture’](#), *Ukrainian Analytical Digest*, No 5, 2024.
- Nivievskyi, O., Goriunov, D. and Nagurney, A., [‘Rebuilding the Crossroads of Ukraine: Bridging the Gap between Damage, Recovery and European Aspirations’](#), *Ukrainian Analytical Digest*, September 2025.
- Norton Rose Fulbright, [US–Ukraine Minerals Deal: Digging into the Detail](#), May 2025.
- Office of the United Nations High Commissioner for Human Rights, [Protection of Civilians in Armed Conflict](#), January 2026.
- Organisation for Economic Co-operation and Development, [Agricultural Policy Monitoring and Evaluation 2023](#), 30 October 2023.
- Organisation for Economic Co-operation and Development, [Agricultural Policy Monitoring and Evaluation 2025](#), 30 October 2025.
- Organisation for Economic Co-operation and Development, [Public Procurement in the Post-War Reconstruction of Ukraine – main challenges](#), 8 August 2023.
- Organisation for Economic Co-operation and Development, [Rebuilding Ukraine by Reinforcing Regional and Municipal Governance](#), 2 December 2022.

- Oriol, J., Vladyka, V. and Fabbri, M., [Building Back Better: 6 Investment Criteria to Drive a Sustainable Reconstruction of Ukraine's Built Environment](#), *Buildings Performance Institute Europe*, June 2024.
- Organization for Security and Co-operation in Europe, [Law No 1647-III on Legal Regime of the Martial Law of Ukraine](#), 6 April 2000.
- Palmer, C. and Matiukhin, R., [Rebuilding Ukraine: IFC's role in mobilizing private investment](#), *International Finance Corporation*, March 2024.
- Perevezii, V., '[Optimisation of the Parliamentary Model: Non-Electoral Legitimation of the Verkhovna Rada of Ukraine during the War and in the Post-War Period](#)', in Rafalsky, O. and Mayboroda, M. (eds), *Adaptive Changes in the Functioning of the Political System of Ukraine in the Conditions of Post-War Reconstruction*, Kuras Institute of Political and Ethnic Studies of the National Academy of Sciences of Ukraine, Kyiv, 2024, pp. 41–74.
- Peters, T., '[Ukraine Facility: State of play](#)', *European Parliament Members' Research Service*, 17 July 2024.
- Petrichenko, K., Vatman, T. and Hamilton, I., [Rebuilding Better and Faster: Why Energy Efficiency Is Key for Ukraine](#), *International Energy Agency*, 9 October 2025.
- Raymond, N. and Howarth, C., '[Briefing on Russian Attacks Targeting Ukraine's Energy Infrastructure](#)', *Foreign Press Center*, 4 March 2024.
- Reuters, '[Ukraine may lose 3.5 billion euros a year if EU trade privileges end, lawmaker says](#)', 16 May 2025.
- Romanko, S. and Wiatros-Motyka, M., '[Ukraine: renewable energy, war and reconstruction. Social Europe](#)', *Social Europe*, 23 June 2023.
- RRR4U, [Monitoring implementation of the IMF program and EU assistance \(March 2026\)](#), March 2026.
- Schlegel, S., '[Mobilisation, Peacemaking and Deterrence in Ukraine](#)', *International Crisis Group*, 17 December 2024.
- Sotnikova, K., Movchan, U., Dubovyk, V., and Green, S., [Ukraine 2036: How Today's Investments Will Shape Tomorrow's Security](#), *The Center for European Policy Analysis*, February 2026.
- The White House, '[President Donald J. Trump Secures Agreement to Establish United States-Ukraine Reconstruction Investment Fund](#)', Fact Sheet, 1 May 2025.
- Titmuss, R., [Problems of Social Policy: History of the Second World War United Kingdom Civil Series](#), His Majesty's Stationery Office, London, 1951.
- Ukraine Facility, [Ukraine plan 2024-2027](#), March 2024.
- Ukraine Invest, [Investment Opportunity of Agroprocessing Sector](#), September 2025.
- Ukrainska Pravda, '[Ukrainian defence industry increased production capacity to US\\$50bn](#)', 19 February 2026.
- United Nations High Commissioner for Refugees, [Ukraine Situation: UNHCR's 2026 Plans and Financial Requirements](#), January 2026.
- United Nations, '[Ukraine: USD 588 billion recovery cost over the next 10 years](#)', 23 February 2026.
- United States Department of the Treasury, '[Treasury Announces Agreement to Establish United States-Ukraine Reconstruction Investment Fund](#)', Press Release, 30 April 2025.
- United States Government Accountability Office, [Ukraine: State Should Take Additional Actions to Improve Planning for Any Future Recovery Assistance](#), GAO-25-107043, 4 September 2025.

United States International Development Finance Corporation, '[DFC Kickstarts US-Ukraine Reconstruction Investment Fund with USD 75 Million Seed Capital Equity Investment](#)', Media Release, 17 September 2025.

Veber, M. T., [EU sanctions and Russia's frozen assets](#), PE 754.487, European Parliament's Directorate-General for External Policies of the Union, November 2025.

Verkhovna Rada of Ukraine, [New Energy Strategy of Ukraine until 2035](#), 18 August 2017.

Westminster Foundation for Democracy, '[Veterans in Politics: Building Ukraine's Democratic Future](#)', 16 December 2025.

World Bank, [A journey from post-conflict reconstruction to sustainable peace and development](#), July 2024.

World Bank, Government of Ukraine, European Commission and United Nations, [Ukraine – Fifth Rapid Damage and Needs Assessment \(RDNA5\): February 2022–December 2025](#), *World Bank Group*, 23 February 2026.

World Bank, Government of Ukraine, European Commission and United Nations, [Ukraine – Fourth Rapid Damage and Needs Assessment \(RDNA4\): February 2022–December 2024](#), *World Bank Group*, 3 January 2025.

World Bank, Government of Ukraine and European Commission, [Ukraine Rapid Damage and Needs Assessment \(RDNA1\): February 24 – June 1, 2022](#), *World Bank Group*, 9 September 2022.

World Food Programme, [Supporting exports of Ukrainian food](#), 20 August 2025.

Zelenko, H., '[Political Regime in Post-War Ukraine](#)', in Rafalsky, O. and Mayboroda, M. (eds), *Adaptive Changes in the Functioning of the Political System of Ukraine in the Conditions of Post-War Reconstruction*, Kuras Institute of Political and Ethnic Studies of the National Academy of Sciences of Ukraine, Kyiv, 2024, pp. 11–40.

Zhou, J. and Anthony, I., '[Environmental Accountability, Justice and Reconstruction in the Russian War on Ukraine](#)', *Stockholm International Peace Research Institute*, 25 January 2023.

Annex

Table 1: Core institutions in Ukraine's reconstruction governance architecture

Institution	Level	Core Functions	Role in Reconstruction
Cabinet of Ministers of Ukraine	National	Strategic coordination, policy approval	Overall leadership and prioritisation of reconstruction policy
Ministry for Communities, Territories and Infrastructure Development	National	Sectoral policy, regional coordination	Central coordinating body for reconstruction planning and implementation
State Agency for Restoration and Infrastructure Development	National	Project implementation	Execution of major infrastructure reconstruction projects
Ministry of Finance	National	Budget planning, donor coordination	Allocation of funds, macro-financial management, coordination with IFIs
Verkhovna Rada (Parliament)	National	Legislative oversight	Approval of legislation, oversight of reconstruction spending
Accounting Chamber	National	External audit	Independent audit of public expenditure
State Audit Service	National	Financial control	Monitoring use of public funds, including reconstruction spending
NABU / SAPO / High Anti-Corruption Court	National	Anti-corruption enforcement	Investigation and prosecution of high-level corruption cases
Regional (Oblast) Administrations	Regional	Coordination across municipalities	Planning and coordination of region-wide reconstruction projects
Municipal authorities (Hromadas)	Local	Local service delivery	Implementation of housing, social and local infrastructure reconstruction
DREAM Platform	Cross-level (digital)	Data integration, transparency	Tracking reconstruction projects, funding flows and implementation status

Table 2: Wartime and post-ceasefire reconstruction priorities by sector, with European Parliament monitoring signals

Sector	Wartime priorities	Relative calm / ceasefire priorities	Signal for European Parliament to monitor
Energy	Emergency repair of thermal generation and grid; mobile generators; continuity of heating supply.	Shift to distributed renewables; energy efficiency upgrades; full ENTSO-E market integration; decommissioning of Soviet-era thermal capacity.	Progress on EU energy acquis adoption; share of renewables in new generation capacity; ENTSO-E regulatory alignment milestones.
Housing	Temporary shelter for IDPs; urgent repair of structurally sound buildings; prefabricated transitional accommodation.	Permanent housing programmes to EU energy performance standards; urban master planning; return-corridor investment in newly accessible areas.	IDP registration numbers; building permit data by region; housing starts aligned vs. not aligned with EU energy standards.
Transport	Military logistics routes; solidarity export lanes; emergency bridge and rail repairs to pre-war specifications.	TEN-T alignment; border crossing upgrades; port development; civilian freight capacity.	TEN-T extension plans for Ukraine; rail gauge harmonisation progress; freight volumes on western corridors.
Demining	Agricultural land clearance (economic priority); mine action on routes for reconstruction vehicles and humanitarian access.	Mass residential and urban clearance; systematic survey of contaminated territories; enabling conditions for return of displaced populations.	Hectares of agricultural land cleared vs. residential zones; area under systematic survey; IDP return rates in cleared zones.
Health and social services	Trauma and emergency surgery capacity; mental health crisis response; veteran medical care; IDP services.	Systematic healthcare rationalisation (shifting from Soviet-era 'hospital for every district' model); veteran reintegration programmes; disability-inclusive urban design.	Veterans' employment rate; healthcare facility investment aligned with EU standards; mental health service coverage.
Governance and oversight	Wartime emergency procurement; centralised crisis management; simplified	Restoration of full parliamentary oversight; clear distribution of reconstruction responsibilities across national, regional (oblast) and municipal (hromada) levels,	Verkhovna Rada reconstruction oversight hearings; Accounting Chamber audit reports; DREAM platform

	disbursement procedures.	combining central coordination for large-scale infrastructure with decentralised implementation of local projects; transition from emergency to standard procurement rules.	coverage of emergency contracts.
Private investment	Primarily domestic SME activity; limited international engagement; predominantly public-sector-led.	War-risk insurance and guarantee instruments scaled up; foreign direct investment in industry, energy and services; private–public co-financing.	Volume of war-risk insurance in force; FDI registrations; Business Advisory Council recommendations to UDP.

Source: Authors' own compilation based on RDNA5¹⁴⁴, expert interviews and desk research.

Table 3: RDNA4 vs RDNA5 reconstruction and recovery needs by sector (ten-year horizon, USD billion)

Note: RDNA4 sector figures are authors' estimates derived from the RDNA4 total and proportional reporting; RDNA5 sector figures are as published. Totals may not sum exactly due to rounding and subcategory allocation. Social sectors aggregate includes health, education, water and sanitation, social protection and civil protection. Figures in Table 3 are presented in USD as published in RDNA5. Approximate EUR equivalents in the text use the exchange rate 1 USD=1.16 EUR.

Sector	RDNA4 needs (USD bn, 10-yr)	RDNA5 needs (USD bn, 10-yr)	Change	Primary driver of change
Transport	>USD 77	>USD 96	+24 %	Intensified Russian attacks on rail corridors and port infrastructure throughout 2025; more than 1 195 documented rail attacks in 2025 alone.
Energy	~USD 68	~USD 91	+34 %	Sustained campaign against power generation and transmission; ~70 % increase in damaged/destroyed energy assets in 2025 vs 2024.
Housing	~USD 80	~USD 90	+13 %	14 % of stock damaged or destroyed (up from 13 % in RDNA4); over 3 million households affected; continued strikes on residential areas.

¹⁴⁴ World Bank et al., [Ukraine – Fifth Rapid Damage and Needs Assessment \(RDNA5\): February 2022–December 2025](#), World Bank Group, 23 February 2026.

Commerce & industry	~USD 56	>USD 63	+13 %	Disruption to supply chains, forced enterprise relocation, loss of industrial capacity in frontline oblasts.
Agriculture	~USD 48	>USD 55	+15 %	Land contamination, infrastructure damage, export bottlenecks; irrigation system damage in southern oblasts.
Explosives hazard / debris	~USD 26	~USD 28	+8 %	Some progress in agricultural land surveying has contained growth; residential/urban clearance remains largely unbegun.
Social sectors (health, education, water, other)	~USD 69	~USD 85	+23%	Attacks on healthcare and education facilities; degradation of water supply and sanitation infrastructure in frontline zones.
TOTAL	USD 524	~USD 588	+USD 64 (+12 %)	Direct damage up from USD 176 bn to >USD 195 bn; destruction footprint expanded with 82 % concentration in frontline oblasts and major metro areas.

Source: Authors' own compilation based on RDNA4 data: February 2022–December 2024. RDNA5 data: February 2022–December 2025¹⁴⁵

Table 4: US–Ukraine Reconstruction Investment Fund: Areas of potential tension with EU accession obligations and their current status

Area of potential tension	Nature of the tension	Current status
Non-discrimination in mineral access	The fund requires Ukraine to give US companies access to mineral auctions 'on terms no less favourable than those offered to other buyers. The EU's internal market requires non-discriminatory access for all Member States' investors once Ukraine accedes.	Partially resolved: final text removed the right of first refusal sought in earlier drafts. 'No less favourable' access is compatible with non-discrimination if applied universally but the DFC's preferential information-sharing rights remain a grey area.

¹⁴⁵ World Bank et al., [Ukraine — Fifth Rapid Damage and Needs Assessment \(RDNA5\): February 2022–December 2025](#), World Bank Group, 23 February 2026; World Bank et al., [Ukraine — Fourth Rapid Damage and Needs Assessment \(RDNA4\): February 2022–December 2024](#), World Bank Group, 3 January 2025.

EU Critical Raw Materials Act	The EU's Critical Raw Materials Act (Regulation (EU) 2024/1252) and the EU–Ukraine Strategic Partnership on raw materials (Memorandum of Understanding, July 2021) aim to channel Ukrainian mineral supply toward EU industrial needs. A US–DFC-anchored fund could divert revenues and off-take rights away from EU buyers.	Unresolved: the agreement covers 57 mineral types including strategic materials. Off-take rights provisions are to be set out in the LPA, which had not been finalised at time of writing. EU leverage depends on LPA terms.
State aid and tax treatment	Fund activities and revenues are tax-exempt in both Ukraine and the USA. Once Ukraine joins the EU single market, state aid rules and EU tax law will apply. Preferential tax treatment for a bilateral US–Ukraine fund could constitute prohibited state aid.	Unresolved: the accession safeguard clause covers obligations under the Association Agreement and accession process and requires good-faith renegotiation if conflicts arise. But no binding arbitration mechanism exists if renegotiation fails.
Governance and transparency	The fund's 50/50 governance structure (DFC + Ukraine's Public-Private Partnership Agency) and the requirement to route investments through a dedicated segment of the Ukrainian budget are generally consistent with the transparency standards required under the Ukraine Facility and EU public financial management norms.	Largely resolved: fund revenues segregated from the general budget; governing board parity protects Ukrainian sovereignty. DREAM platform coverage of fund-financed projects would strengthen alignment with EU accountability standards.
Conflict resolution mechanism	Any conflict between the fund's provisions and Ukraine's EU accession obligations is to be resolved by 'consultation and negotiation in good faith'. There is no binding arbitration clause and no specified timeline for resolution.	Partially resolved: the good-faith language is standard in framework agreements at this stage. The risk is that unresolved conflicts accumulate and create a legal complication at the accession treaty stage. European Parliament oversight of this track is warranted.

Source: Authors' own compilation based on Norton Rose Fulbright publication¹⁴⁶

¹⁴⁶ Norton Rose Fulbright, [US–Ukraine Minerals Deal: Digging into the Detail](#), May 2025.

PE 783.617

EP-EXPO/2023/OP/0001/AFET/LOT2/1/C/3

Print ISBN 978-92-848-3764-9 | doi: 10.2861/1657933 | QA-01-26-186-EN-C

PDF ISBN 978-92-848-3763-2 | doi: 10.2861/5672245 | QA-01-26-186-EN-N