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Article

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Introduction to the Issue on

How to Reconstruct Ukraine? Challenges, Plans and the Role of the EU

Chang Woon Nam

Although the war in Ukraine is still ongoing, international development institutions and various teams of experts have already developed proposals for post-war reconstruction and modernization, as well as accompanying economic and political reforms in the country. The EU, the US, and other Western countries have also signaled their firm solidarity and willingness to provide further financial support for the recovery when the war is over. The scale of the war's destruction (particularly in the areas of critical and network infrastructure, housing, and agriculture) is so vast that reconstruction will require investments in the hundreds of billions of US dollars – perhaps even trillions, by some estimates. To finance this undertaking, Ukraine will need to tap a variety of sources and institutions: bilateral donors, multilateral banks, private investors, and the Russian state in the form of reparations. On the other hand, this also points to the need to integrate and coordinate the efforts of aid donors – not only governments, but also NGOs, philanthropists, and others. The EU accession process and its conditionality attached to the post-war reconstruction aid will further play the role of solid pro-reform and pro-modernization incentives, particularly in the fields of institutional reforms of a judicial system, strengthening anti-corruption bodies, fighting organized crime, further reform of public administration as well as de-oligarchization.

The articles in this issue of EconPol Forum address the question of how to rebuild and modernize Ukraine after the war. They shed light on the major and immediate challenges facing the country and the EU in this context, critically assess the reform strategies under discussion, and propose new short- to long-term measures needed for the successful implementation of the planned economic, political, and infrastructural reconstruction, also with a view to Ukraine's future admission to the EU.

While formulating a roadmap for reconstruction is important, *Anna Bjerde* argues from the World Bank's perspective that Ukraine should first lift restrictions on the private sector and donors; strengthen the rule of law, incentivize and catalyze external support, and increase the effectiveness of implementation; and maintain macroeconomic stability while prioritizing the well-being of the population.

In her eight recommendations, *Romina Bandura* emphasizes, among other things, that massive foreign

direct investment endowed with technological spin-offs are also needed in the medium term to modernize the industrial structure, create a national innovation system, and achieve sustainable economic growth in Ukraine.

According to *Anders Åslund*, the cost of the damage Russia has inflicted on Ukraine is enormous. Russia must be forced to pay war reparations, and the currency reserves of the Russian Central Bank, which have been frozen in Western central banks, should be used for Ukrainian reconstruction.

With regard to the massive reform challenges facing Ukraine, *Marek Dabrowski* critically notes that economic and political reforms in the prewar period were rather slow and less successful. In particular, areas such as the judicial system, law enforcement agencies, and the large share of state ownership in the economy remained unreformed or insufficiently reformed.

According to *Christopher A. Hartwell* and *Dmytro Boyarchuk*, EU accession is still a long-term goal for Ukraine. The EU's institutional and political reform conditions for this country's accession (as outlined above) are actually all issues that Ukraine should push forward even without EU accession, and that is where the focus should be: becoming a European state, with emphasis on core European values related to the rule of law and free trade, even if the accession process takes years.

Drawing on the experience of the Marshall Plan in West Germany after World War II, *Barry Eichengreen* suggests how to effectively rebuild the network infrastructure (e.g., power grids, roads, and rail system) and housing in postwar Ukraine, and urges that steps be taken now to coordinate relief efforts through the creation of an independent administrator and a multi-donor fund.

Given its national and global importance, *Stephan von Cramon-Taubadel* and *Oleg Nivievskyi* stress that agriculture in Ukraine is a key sector to consider when assessing the postwar reconstruction needs and challenges. Key priorities include demining and re-cultivating agricultural land, rebuilding on-farm and local storage facilities, and repairing export infrastructure.

Last but not least, *Joop Adema*, *Yvonne Giesing*, *Tetyana Panchenko*, and *Panu Poutvaara* explore the potential role of the diaspora in postwar economic

and political development in Ukraine in terms of financial remittances and return migration, which also foster the transfer of knowledge, innovative ideas, and democratic values. In addition, the Ukrainian government should make better use of the diaspora

network to build more solid bridges between Ukraine and the West.

We hope you enjoy this Policy Debate of the Hour!