

Making it the distance to victory: Ukraine's war and post-war needs





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Russia’s unprovoked, premeditated war against Ukraine enters its fourth month. During the last couple of weeks, Russia has ground out steady gains on the ground in Ukraine’s embattled east, despite dwindling precision-guided weapons. The battle of Donbas — with monumental implications for the future of Ukraine and the

entire postwar world — is poised on a knife-edge. Despite valiant efforts, Ukraine is severely outmanned and outgunned. Russian hardware has destroyed railway stations, ports, and telecoms towers, hit more than 1,000 schools, and left roads and wheat fields severely damaged. Against this reality, this paper will

put forth and argue Ukraine’s war and post-war needs. It focuses on the immediate demands: military, economic, humanitarian, and political. The purpose is not only to give an overview of the enormity of needs but also to provide ideas on to where international support should be channeled.

Ukrainian soldiers trained to use them are now firing the guided rockets in battle, and a second group is undergoing training in Germany. Britain and Germany have each pledged three similar multiple-rocket launchers. At a NATO summit in Madrid on Thursday, President Biden promised \$800 million more in security assistance to Ukraine, including more ammunition for the HIMARS. The United States has committed nearly \$7 billion in military aid since the war started in February.”⁵ Despite the generosity, at the current rate of use, the of 220,000 rounds would not last 5 day initiated an complicated order and delivery process.

Consequently, in response to this delivery quagmire, on June 15th, President Biden announced that the United States would deliver another \$1 billion worth of **military equipment** to Ukraine, including sophisticated weaponry like guided rocket launcher systems and 18 more long-range M777 howitzers, weapons to defend the country’s coast, additional artillery, and more ammunition for the rocket systems. Defense Secretary Lloyd J. Austin said that other countries would also make new commitments. He said Germany would offer three long-range artillery rocket systems with ammunition, as the United Kingdom has also done. Slovakia is promising helicopters and

ammunition, and Canada, Poland and the Netherlands promised more artillery.⁶

Current needs. Ukraine’s leaders frequently call for high-end Western weapons and equipment to shift battlefield momentum, pinning their hopes on requests for new antitank guided missiles, howitzers, and satellite-guided rockets. In a recent tweet, Presidential Adviser Mykhaylo Podolyak requested”

- ▶ “1000 howitzers caliber 155 mm;
- ▶ 300 MLRS;
- ▶ 500 tanks;
- ▶ 2000 armored vehicles;
- ▶ and 1000 drones”⁷.

To permanently overcome the rapid burn rate of equipment, the West should be sending hundreds of howitzers and multi-launch rocket systems, thousands of rockets and hundreds of thousands of artillery rounds- writes The Washington Post. This should include Excalibur GPS-guided rounds for the M177 (range: 24 miles) and Army Tactical Missile Systems for the Himars (range: 186 miles). Those longer-range munitions would enable the Ukrainians to target Russia’s artillery, rockets, and supply lines without risking their new weapons close to the front lines.”⁸

“Michael G. Vickers, the Pentagon’s former top civilian

official for counterinsurgency strategy, said the Ukrainians needed at least 60, and perhaps as many as 100, HIMARS or other multiple-launch rocket systems to win the artillery battle. “There are plenty available that could be supplied at minimal strategic risk,” said Mr. Vickers, who was the principal C.I.A. strategist for arming anti-Soviet forces in Afghanistan in the mid-1980s.”⁹

b) Military Training

Situation now. In concert with the need for the tools of war, Ukrainian troops need to know how to use them - and training has been a serious bottleneck in deploying the Western howitzers.¹⁰ Ukraine doesn’t have personnel trained to operate these systems. If a crash course started back in March, that problem might have been fixed. It’s imperative to start training Ukrainians as soon as possible.

Assistance provided. It is a welcomed development that the UK Prime Minister has offered to launch a major training operation for Ukrainian forces, with the potential to train up to 10,000 soldiers every 120 days on June 17. “The UK-led program would train and drill the Armed Forces of Ukraine using battle-proven British Army expertise, allowing them to accelerate their deployment, rebuild their forces, and scale-up their resistance as they continue to defend their

1) Survival and Victory

a) Military Equipment

Situation now. The last major city of Lysychansk held by Ukraine in the heavily contested eastern province of Luhansk has fallen on Sunday. Ukraine’s Luhansk Governor says that “the Russians prevailed tenfold during the attack on Lysychansk, now they are already entrenched in the city. The Russian army gathered forces from all possible directions and concentrated them in Lysychansk. We neutralized their superiority in personnel with the skill of Ukrainian fighters. However, the amount of long-range weapons necessary to push out the enemy has not yet arrived.”¹

Ukrainian casualties, dead and wounded, were enormous and running at an estimated rate of between 600 and 1,000 per day.² The sheer number – more than 20,000 casualties a month – raises questions about what state Ukraine’s army will be

in if the war drags on into the autumn and the next year. With an **artillery** overmatch of 10 or 15 to one, Russia’s casualty rate is lower at the moment, because they are able to deal inflict damage from a greater distance with higher levels of impunity.

Ammunition is rapidly diminishing on the Ukrainian side. Ukraine is using 5,000 to 6,000 artillery rounds per day and has “almost exhausted its stockpile of Soviet 152mm standard shells.”³ By contrast, Russian forces are firing about 60,000 artillery shells and rockets each day in the Donbas fighting.

Assistance provided. Following Russia’s invasion, NATO Allies have stepped in to bolster Ukraine’s supply of ammunition, but the transfers are a work in progress. Countries of the old Warsaw Pact and NATO countries used different calibers of ammunition — an enduring legacy that means much of

Ukraine’s arsenal, built decades ago to Soviet specifications, are technically hampered by the fact that they cannot use Western ammunition.

Ukraine’s newly acquired hoard of NATO’s 155-millimeter artillery shells is now larger than its entire artillery ammunition stockpile before the war started, according to Ukrainian Defense Minister

Reznikov. Despite this, Ukrainian forces have too few guns at the front to fire the munitions and are facing extensive logistic challenges not only to get them into the fight, but also to maintain them once there.⁴

The Biden administration has already provided 108 M777 155mm howitzers and more than 220,000 artillery rounds. “Four of the launchers, called High Mobility Artillery Rocket Systems or HIMARS, and their U.S.-trained crews are in the fight, though four more are expected this month. The first group of 60

1 https://pda.pravda.com.ua/news/id_7356191/
2 One presidential adviser, Oleksiy Arestovych, told the Guardian this week it was 150 killed and 800 wounded daily; another, Mykhaylo Podolyak, told the BBC that 100 to 200 Ukrainian troops a day were being killed. Ukraine’s high casualty rate could bring war to tipping point. The Guardian, June 10, 2022. <https://www.theguardian.com/world/2022/jun/10/ukraine-casualty-rate-russia-war-tipping-point>
3 According to Vadym Skibitsky, the deputy head of Ukraine’s military intelligence, quoted by The Guardian, June 10, 2022
4 Shortage of Artillery Ammunition Saps Ukrainian Frontline Morale, NYT, June 10, 2022 <https://www.nytimes.com/2022/06/10/world/europe/ukraine-ammo-shortage-artillery.html>
5 “Advanced U.S. Arms Make a Mark in Ukraine War, Officials Say”, NYT, July 1, 2022. <https://www.nytimes.com/2022/07/01/us/politics/himars-weapons-ukraine.html>
6 <https://www.nytimes.com/live/2022/06/15/world/ukraine-russia-news>
7 https://twitter.com/Podolyak_M/status/1536244944637202432
8 We can’t let Ukraine lose. It needs a lot more aid, starting with artillery. The Washington Post, June 13, 2022. <https://www.washingtonpost.com/opinions/2022/06/13/we-cant-let-ukraine-lose-it-needs-military-aid-artillery-russia-war-donbas/>
9 “Advanced U.S. Arms Make a Mark in Ukraine War, Officials Say”, NYT, July 1, 2022. <https://www.nytimes.com/2022/07/01/us/politics/himars-weapons-ukraine.html>
10 Potent Weapons Reach Ukraine Faster Than the Know-How to Use Them, June 6, 2022. <https://www.nytimes.com/2022/06/06/world/europe/ukraine-advanced-weapons-training.html>

nation’s sovereignty against Russian invaders. International partners would be invited to host the program, if the offer is accepted by Ukraine.”¹¹

Current needs. The demand is at least for 2-3 programs, like the one offered by the UK Government.

c) Economic Needs

Situation now. In the first quarter of 2022, Ukraine’s GDP shrank by 15%. It is projected to reduce by 45% by the end of the year. Budget deficit reached \$9bn from January to May 2022, with almost \$4bn in May alone.

Since Russia’s invasion began 4 months ago, the National Bank of Ukraine has financed almost \$7bn (about one third) of Ukraine’s budget and the central bank has publicly piled pressure on the Finance Ministry to find other buyers for its war bonds. The concern is that this dependency will grow as the war cuts off key sources of revenue, investor demand for Ukraine’s bonds fizzles, and foreign aid trickles in too slowly to cover the gaping budget hole. Ukraine’s budget is increasingly strained with the war triggering an exodus of refugees, destroying factories and slashing state revenues to less than a third of government outlays. Russian blockades have cut off most of Ukraine’s agriculture exports at the

country’s Black Sea ports, while additional military spending has tripled monthly state expenditures since the war began. The central bank has stepped in with bond purchases and has become the provider of dollars and euros for “crucial imports,” a list that initially included fuel and weapons, but has expanded to other goods, to the chagrin of central bankers. This has drained Ukraine’s reserves by \$3 billion to around \$25 billion while inflation has accelerated to 18%”¹² If the NBU continues to print money at a rate of UAH 50bn (\$1.67bn) per month, inflation could reach 50% in a few months, experts warn.

The central bank hiked its key interest rate 15% to 25% at the beginning of June. Policy makers made the decision in part to boost the hryvnia and attract investment. The government should “respond adequately” and raise interest on domestic government bonds, according to Governor Shevchenko.

He reiterated that the budget can’t rely on monetary financing - direct purchases of government bonds by the central bank - and it needs to access market financing to stop a “vicious circle” that could derail public finances. “We see signs of certain problematic trends, including the dollarization of savings, loss of confidence in the hryvnia due to monetary financing and the pressure it creates on the cash-market

exchange rate,” Shevchenko told a conference in Warsaw. “The central bank can’t be the primary source for the budget.”

So far, the Finance Ministry has refused to increase coupons on its war bonds, arguing that it can’t afford it without losing financial markets trust. Buyers should consider purchasing the debt as an investment and as an act of good will, according to the Finance Minister. After the war bonds attracted their lowest interest yet in an auction last week, Marchenko said the government is prepared to rely on two other sources of financing to plug the budget: international aid and help from state-owned banks.”¹³

In order to **cut government expenditures**, the Parliament and the Cabinet are working out a plan to optimize the state apparatus. If the reform is implemented, the number of civil servants will be reduced at least in half. Currently, the state employs about 200,000 people. Some of them are planned to be replaced by digitalization of the state functions.¹⁴ And in order to **increase government revenues**, the Parliament reintroduced duties and VAT on imported goods and customs clearance for cars on June 21. The rules will come into effect as of July 1, 2022.¹⁵

Assistance provided. From February 24 to June 30, the national budget received almost \$10bn from international donors. Almost 80% of this amount was provided by five key donors: the IMF, the European Union, the United States, the European Investment Bank and the World Bank. However, this is only a third more than the funds lent to the Ministry of Finance by the National Bank of Ukraine (NBU) - \$7bn, according to Bloomberg and Forbes Ukraine.

“On June 7 the World Bank Board of Executive Directors has approved USD 1.49 billion in additional funding for Ukraine under the Public Expenditure Support for Sustainable Governance in Ukraine project. This new funding is part of a support package of more than USD 4 billion that the World Bank is mobilizing, this amount is also more than the previously announced USD 3 billion. Almost USD 2 billion of these funds have already been paid. Funding from this latest project will be used to pay for wages for government and social workers.”¹⁶

On Thursday, June 30, 2022 The United States, through the U.S. Agency for International Development (USAID), provided \$1.3 billion in direct budget support to the Government of Ukraine, facilitated by the World Bank, in alignment with President Biden’s commitment to President Zelenskyy that the United States intends to provide

the Ukrainian government with direct budgetary aid. This contribution was made possible with generous bipartisan support from Congress. The additional resources provided by the United States will help the Ukrainian government alleviate the acute budget deficit caused by the Kremlin’s brutal war of aggression and ensure the continued delivery of core government services during a time of exceptional need.

To date, the United States has provided \$2.3 billion in direct budgetary support to the Government of Ukraine. These direct contributions ensure that the Ukrainian government can continue operating and responding to critical needs – for example, keeping gas and electricity flowing to hospitals, schools, and other critical infrastructure, delivering essential services like healthcare, utilities, education, and humanitarian supplies to citizens, and continuing to pay the salaries of civil servants.”¹⁷

On Friday, July 1, Ukraine also received a EUR 1bn grant from Germany, but all of this is still short of the monthly need of \$5 billion, according to Finance Minister, quoted by Bloomberg.

“The European Union is expected to finalize the details of a 9 billion euro (\$9.5 billion) financial package for Ukraine in the coming days. The new macro-financial assistance

program for Kyiv would consist of 25-year loans, with a 10-year grace period to reimburse the principal with interest payments would be covered by the EU budget. The EU’s executive arm insisted on using a loan-based instrument, while Germany had been pushing to use grants to avoid increasing Kyiv’s debt burden. Berlin announced a 1 billion euro non-refundable contribution to Ukraine last May during a meeting of Group of Seven finance ministers hosted by Germany. Some other countries, including Slovakia, also questioned initially whether loans were a better way to support Kyiv. Other member states, including Denmark, asked whether offering grants would undermine the credibility of Ukraine in the markets.”¹⁸ - Bloomberg reports.

The financial package needs the backing of EU member states and the European Parliament.

Current Needs.

- ▶ Ukraine must clinch a new loan program with the International Monetary Fund, Finance Minister Serhiy Marchenko declared, as efforts to fight off invading Russian forces push its budget and international reserves to the limit. Kyiv needs more foreign aid from its longstanding donor, and preliminary discussions on a new assistance package are under way. His statement

11 Press release. UK to offer major training programme for Ukrainian forces as Prime Minister hails their victorious determinati
https://www.gov.uk/government/news/uk-to-offer-major-training-programme-for-ukrainian-forces-as-prime-minister-hails-their-victorious-determination

12 "Ukraine Budget Lifeline at Risk as Biggest Bond Buyer Gets Antsy". Bloomberg, 24 June 2022.
https://www.bloomberg.com/news/articles/2022-06-24/ukraine-budget-lifeline-at-risk-as-biggest-bond-buyer-gets-antsy?sref=oiil7Miy

13 Ukraine Seeks New IMF Deal to Boost Its War-Ravaged Budget. Bloomberg, 10 June 2022.
https://www.bloomberg.com/news/articles/2022-06-10/ukraine-seeks-new-imf-deal-to-shore-up-its-war-ravaged-finances

14 https://forbes.ua/inside/uryad-zadumav-zmenshiti-armiyu-chinovnikiv-na-100-000-tse-zekonomit-desyatki-milyardiv-griven-shcho-shche-vidomo-pro-novu-reformu-derzhsluzhbovtstv-08062022-6471

15 Rada reintroduces duties and VAT on imported goods and customs clearance for cars. https://en.thepage.ua/news/vat-and-duties-on-imported-goods-in-ukraine

followed an appeal by central bank Governor Kyrylo Shevchenko, who called last week for a new deal with the Washington-based lender. “Now we are deciding on what basis it can be prepared, because it’s very uneasy for us and for the IMF team to prepare a very sophisticated macro-financial structure, macro-financial forecast by the end of this year.”

Ukraine needs to pay \$1.4bn to foreign bondholders in September. The former Finance Minister Natalie Jaresko suggested negotiating the voluntary agreed standstill debt moratorium. The government decided otherwise and there is essentially little time for a successful negotiation. Yet on July 1 Bloomberg has reported that “Ukrainian officials are exploring the possibility of debt restructuring as the war-ravaged country’s funding options are at risk of running out. One of the options that Ukraine is considering involves a so-called consent solicitation, a request from the issuer for bondholder approval to amend the terms of the securities issued, according to the people. Another includes using Russia’s frozen assets as collateral, though the legal viability of such an idea is unclear.”¹⁹

d) A Need to Secure Exports

Situation now. Since the Russian invasion and blockade of Ukrainian Black Sea ports, **grain shipments** have stalled and more than 20 million tonnes are stuck in silos. Ukraine says it faces a shortage of silos for a new crop. Since the war started, Ukraine and Russia have laid sea mines. Some 84 foreign ships are stuck in Ukrainian ports - many with grain cargoes onboard. U.S. In addition, the U.N. Secretary-General Antonio Guterres is trying to broker what he calls a “package deal” to resume Ukrainian Black Sea exports.²⁰

“Ukraine’s government expects grain production to fall about 40% versus 2021, after farmers lacked fertilizer or left land unsown. A fifth of Ukraine’s grain elevators have also been damaged or lost to territory occupied by Russian forces. That could leave farmers short of 10 to 15 million tons of storage by October”, Bloomberg reports.²¹

Current needs. President Joe Biden said that temporary silos would be built along the border with Ukraine in a bid to help export more grain and address a growing global food crisis. Grain could be transferred from Ukrainian railway cars into the new silos, and then onto European freight cars to “get it out to the ocean and get it across the world,” Biden said, adding the plan was taking time.

e) A Need to Secure Gas Supply

Situation now. If the current groundswell of issues wasn’t enough to manage for the country, there is also a **gas** problem. “Even if Russia doesn’t cut off gas supplies to Europe, there’s still going to be an energy crisis in regard to gas in Europe. Ukraine needs to prepare for a very difficult winter” - writes Foreign Policy. Ukrainian energy officials are in a race against time to secure funding for natural gas imports to heat homes and power businesses this winter as Russia continues its grinding military offensive in the Donbas. Before the war, Ukraine consumed 30 billion cubic meters of gas per year, a third of which was imported.

Current Needs. Top energy executives from Ukraine are pitching Washington and other Western capitals on a raft of potential solutions to secure supplies to last through the upcoming winter and boost domestic production. This includes proposals to secure international financing to buy natural gas from major exporters in the Middle East and North Africa, developing alternative supply routes, and a possible “lend-lease” agreement with Washington to import U.S. liquefied natural gas (LNG). Ukraine needs \$8 billion in financing to fund the import of 6 billion cubic meters of gas before the winter.²²

f) Humanitarian Needs

Situation Now. At least 15.7 million people are in urgent need of **humanitarian assistance and protection**. The war has caused the world’s fastest growing displacement crisis since World War II, with nearly 13 million people uprooted in less than two months. Over a quarter of Ukraine’s population have fled their homes, including more than 7.7 million people now estimated to be internally displaced and over 5.2 million people who have crossed borders to seek security and safety in other countries, most of them women and children. Nearly two-thirds of the children in Ukraine have been displaced.²³

Massive devastation in urban centers and the destruction of civilian infrastructure have made life unbearable for millions of people. Unsurprisingly, this continuous destruction has severely disrupted critical services. This is especially pronounced in the healthcare field. In besieged areas, people have lived for weeks without access to food, water, and heat, while under the constant threat of bombardment. Some 53% of employed Ukrainians have lost their jobs since the war began, according to a nation-wide survey conducted by the Rating Group in March.

Assistance provided. In the country, the sustained delivery of water, sanitation and hygiene,

immunization and health care, education, child protection and humanitarian cash assistance to the most vulnerable population – women and children – despite impeded access caused by security constraints is ensured and humanitarian response is scaled up. In neighboring countries, UNICEF is supporting Ukrainian refugees through the Safe Space, Protection and Support Hubs. Collectively, these programs are ensuring that vulnerable children and adults crossing into Ukraine’s neighboring countries have clean water, sanitation and hygiene facilities, healthcare and first aid, mental health and psychosocial support including trauma counselling, specialist protection, and legal support.

In addition to life-saving humanitarian assistance through shelter support and core relief items, UNHCR has launched an extensive cash assistance program to help families meet their most urgent needs with dignity. The value of ensuring refugees retain some sense of personal pride should be not overlooked or discounted in its importance. UNHCR has also rapidly increased its long-standing presence on the ground to coordinate and deliver a range of protection interventions such as specialist care for the most vulnerable, protection from sexual abuse and exploitation, psychosocial support, and legal aid, including at Children and

Family Protection Support Hubs (‘Blue Dots’) in neighboring countries.

Ukraine is categorized as a ‘food surplus’ country, producing more food (cereals, meat, vegetable oil, and bread, among others) than it needs to feed its population. Consequently, the World Food Program (WFP) is aiming to buy as much food as possible from within Ukraine for food assistance operations in country, to sustainably support local suppliers and communities nationwide.

The World Health Organization (WHO) supplies critically needed items. Based on communications with the Ukrainian Ministry of Health, WHO continuously revises and publishes a list of critically-needed medical supplies against which WHO requests support. The current list and general terms can be found on the WHO website²⁴. The International Organization for Migration (IOM) is providing humanitarian assistance to displaced populations within Ukraine and in neighboring countries where Ukrainian refugees and Third-Country Nationals have sought safe haven. The IOM website also features a list of needed items.²⁵

To alleviate the burden, the White House announced on June 15 that Mr. Biden approved an additional \$225 million to provide Ukrainians with drinking water, medical supplies, food,

19 Ukraine Mulling Debt-Restructuring Options as Payments Loom. Bloomberg 30 June 2022. <https://www.bloomberg.com/news/articles/2022-06-30/ukraine-considering-debt-restructuring-options-as-payments-loom?sref=oiil7Miy>

20 <https://www.usnews.com/news/world/articles/2022-06-14/biden-touts-temporary-grain-silos-on-ukraine-border-to-help-exports>

21 Wartime Harvest Starts in Ukraine But Silos Are Already Stuffed. Bloomberg, 19 June 2022. <https://www.bloomberg.com/news/articles/2022-06-19/wartime-harvest-starts-in-ukraine-but-silos-are-already-stuffed>

22 According to Naftogaz CEO Yuriy Vitrenko. Ukraine Wants a Lend-Lease Plan for Energy to Escape Russian Chokehold. Foreign Policy, June 14, 2022.

<https://foreignpolicy.com/2022/06/14/ukraine-russia-energy-lend-lease-united-states-gas-oil-lng/>

23 BUSINESS GUIDE UKRAINE HUMANITARIAN CRISIS, OCHA

24 <https://www.who.int/emergencies/situations/ukraine-emergency/medical-supply-donations>

25 <https://www.connectingbusiness.org/sites/default/files/downloads/publication/220328%20IOM%20Ukraine%20Response%20needs%20assessment.pdf>

shelter, and other humanitarian assistance.

Current Needs. In addition to the requirement to sustain and increase an ongoing humanitarian aid, Ukraine needs an increased number of mobile medical vehicles and mobile hospitals. These roving emergency services need to reach towns where hospitals and clinics are destroyed and are close to the battleground or are targeted where social infrastructure reconstruction is not feasible in the short-term.

g) Political and Confidence-Building Needs

Situation now. Since 2014, the European Union–Ukraine Association Agreement has been in place. On February 21, 2019, the Constitution of Ukraine was amended to enshrine the norms on the strategic course of Ukraine for membership in the European Union and NATO in the preamble of the Basic Law, three articles and transitional provisions. Following the 2022 Russian invasion of Ukraine, the Zelensky government officially submitted a letter of application for membership on 28 February. Due to the ongoing crisis, President Zelenskyy requested immediate admission to the European Union under a special procedure. On June 17, 2022, the European Commission recommended that the

European Council grant Ukraine the perspective to become a member of the European Union and candidate status for accession.

Current Needs. The decision to grant Ukraine EU candidate status was adopted by the European Council at its summit on June 23-24. “The conferral of candidate status can create a powerful incentive for the government of the would-be member to institute big administrative and economic reforms. But its main significance is as an expression of intent, from both sides, to make the applicant part of the European family. In Ukraine’s case, the symbolism of such a statement is huge. The EU would be saying that it considers Ukraine a sovereign European country, and potentially with just as bright a future. That, of course, is the opposite of what Vladimir Putin, Russia’s president, believes, and a complete rejection of everything he is hoping to achieve with his invasion” writes The Economist.²⁶

h) Sanctions on Russia

Situation now. The surging trade surplus, strengthening the ruble and the normalization of Russian key policy rate are signs that Russia’s economy has shrugged off the effect of Western sanctions. The high prices of oil and gas have played a significant role in cushioning Russia’s economic troubles. Although the

European Union has agreed to boycott 75% of imported Russian oil, the country has been able to find alternative buyers for its fuel. According to estimates from the Institute of International Finance, Russia’s earnings from exports over the past 3 months were 65% higher than in the same period last year.

Bloomberg projects Russia’s oil and gas revenue for this year will be about \$285 billion, compared with \$236 billion last year.²⁷ Imports meanwhile, some of which are subject to Western sanctions, are down by 20%. The net result is a trade balance for the past three months nearly four times higher than a year before. That has provided Russia with plenty of cash to prop up its currency and fuel its war. By late April the ruble had recovered all of its losses, allowing the central bank to ease interest rates gradually. The ruble is now 30% above its pre-invasion level and the central bank is expected to cut interest rates further in due course.²⁸

Current Needs.

- First, the west must target the financing of the war with a full embargo on Russian oil and gas, including EU trade with Russia and Belarus in petroleum products, according Andriy Yermak, the chief of staff to President Volodymyr Zelensky. Only a complete energy embargo will have the necessary

economic and psychological impact on the Kremlin’s decision-making. Transport firms, especially maritime operators, and insurance companies that support Russian energy exports must be sanctioned too.

- The democratic world also must strengthen existing and impose new financial sanctions. These must apply in full to all Russian banks — starting with Gazprombank — and their subsidiaries and shell companies in and outside Russia. Secondary sanctions must be imposed on entities that bypass this regime or otherwise enable Russia’s war. The West must expand export controls on strategically important high-tech products, foremost those related to military and oil and gas production.
- Together, new financial and energy sanctions will seriously diminish Russian revenues. But the West must also target the Russian state organizations and networks that enable the Kremlin’s malevolent activities and the persons complicit in the war effort.
- The list of those sanctioned needs to be expanded to the immediate family members who hold their assets. All senior government officials above a certain level have to be added to the list, as well as leaders of state-owned companies, including

their board members, both Russian and foreign. While people are complicit in conducting Russia’s war in Ukraine, it is the system itself that needs to be targeted and dismantled. The owners and the managers of Russian propaganda resources and their employees who continue to glorify the war must also be held accountable for their actions, as should be well-known westerners who choose to help the Russian government or state-owned companies.

- In addition to this, the west must now start looking for legal ways to use frozen Russian assets for the post-war rebuilding of Ukraine. For instance, seized Russian central bank reserve holdings, valued at hundreds of billions of dollars, will be crucial to Ukraine reconstruction.
- Finally, the Sanctions Action Plan, presented by an International Expert Group, includes designating Russia as the state - sponsor of terrorism, and the Armed Forces of the Russian Federation as a terrorist organization²⁹.

26 The EU should declare Ukraine a candidate for membership. Jun 16th 2022. <https://www.economist.com/leaders/2022/06/16/the-eu-should-declare-ukraine-a-candidate-for-membership>
27 How the World Is Paying for Putin’s War in Ukraine. Bloomberg News, 1 June 2022. <https://www.bloomberg.com/news/features/2022-06-01/has-sanctioning-russia-worked-oil-gas-sales-put-285b-in-putin-s-pocket>
28 Russia’s economy appears to be back on track. The Economist, Jun 10th 2022 (Updated Jun 15th 2022). <https://www.economist.com/graphic-detail/2022/06/10/russias-economy-appears-to-be-back-on-track>.

29 https://www.president.gov.ua/storage/j-files-storage/01/14/05/1b07ba028243db56c95578163a001012_1650466841.pdf

2) Reconstruction

As of June 8, the total adjusted amount of direct damage to Ukraine's economy from damage

and destruction of residential and non-residential buildings and infrastructure is \$103.9bn, or

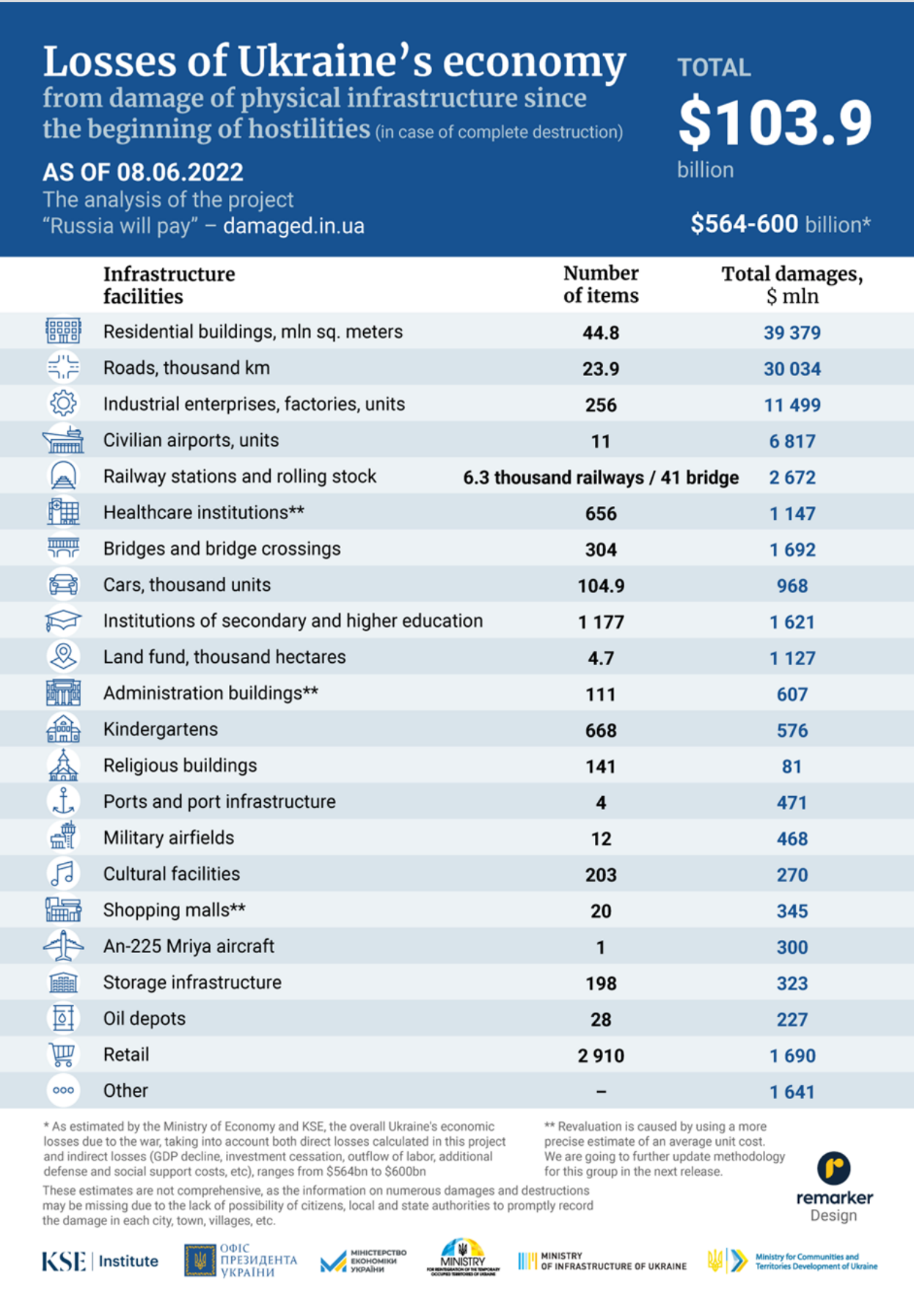
UAH 3 trillion, according to the Kyiv School of Economics.³⁰

3) Rebuilding

As estimated by the Ministry of Economy and Kyiv School of Economics, Ukraine's overall economic losses due to the war, taking into account both direct losses calculated in this project and indirect losses (GDP decline, investment cessation, outflow of labor, additional defense and social support costs, etc), range from \$564 billion to \$600 billion. "One question is where to get the money. Another is how to organize the aid without running afoul of institutional rules or political sensitivities. Finally, there is the question of whether Ukraine can handle the cash. The EU could borrow the money collectively, as it did for its covid-recovery splurge. This idea has support among cash-strapped members. France may also see such a fund as a welcome chance to enhance Europe's role in international affairs. But Germany is hesitant, partly because it worries about high public debt and partly because collective EU debt tends to anger its powerful constitutional court. The Dutch government agreed to the covid-recovery fund only as a one-off, and is reluctant to break that promise to voters" - writes

The Economist.³¹ The U.S. should seize the estimated \$300 billion in Russian central bank assets held abroad to fund Ukraine's military and reconstruction needs.³² Harvard's Laurence Tribe and Jeremy Lewin laid out a convincing legal case in a NYT guest essay, arguing that "protections against the "taking" of property without "just compensation" likewise apply only to "private property," a category that clearly excludes Russia's sovereign reserves, even if they are conveniently parked within the United States and in dollars."³³ Sectoral/geographic plan is needed to be developed by Ukraine with the international assistance. The procurement process is a single most important element of confidence building: completely agreed, transparent, repeatedly audited and regularly reviewed. Given the decentralized nature of Ukraine's system of government, communities and municipalities will have a key role in envisioning the rebuilding process, pulling in necessary resources and delivering the results.

The international financial organizations, numerous think tanks, and groups are working on the rebuilding strategies. GLOBSEC is positioned uniquely to contribute to this effort.



30 <https://kse.ua/russia-will-pay/>
31 The EU has begun debating how to fund the reconstruction of Ukraine. Jun 16th 2022. <https://www.economist.com/europe/2022/06/16/the-eu-has-begun-debating-how-to-fund-the-reconstruction-of-ukraine>
32 Bret Stephens, Five Blunt Truths About the War in Ukraine, NYT, June 14, 2022. <https://www.nytimes.com/2022/06/14/opinion/ukraine-war-putin.html>
33 \$100 Billion. Russia's Treasure in the U.S. Should Be Turned Against Putin. NYT April 15, 2022 <https://www.nytimes.com/2022/04/15/opinion/russia-war-currency-reserves.html>





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