

Task Force 4: Global Peace and Security

Advancing Ukraine's Reconstruction through G7 Leadership: Launching a G7 Fund for Ukraine's Recovery

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Key Points

- Establish a G7 Fund for Ukraine's reconstruction to mobilize public and private resources, operating as a revolving system rather than a direct budgetary transfer.
- Scale up the G7 Fund by developing a legal and financial blueprint for the seizure of frozen assets from Russia's Central Bank while upholding international law.
- Encourage private sector engagement in Ukraine's reconstruction through tailored security, financial guarantees, and insurance mechanisms at the G7 level.
- Align reconstruction with Sustainable Development Goals, prioritizing green transition, digitalization, AI-driven innovation, human capital revitalization, and transparent governance.
- Make Ukraine's recovery a global model, setting a precedent for crisis response and sustainable post-war reconstruction.

The Urgency of Scaling-Up Coordinated Reconstruction

Ukraine's reconstruction is a critical global policy challenge with far-reaching implications for international stability, governance, and economic resilience. While initial efforts have focused on stabilizing Ukraine's economy and restoring essential infrastructure, there remain significant gaps in securing systemic and sustainable funding for long-term recovery.

The scale of destruction in Ukraine necessitates a comprehensive, multilateral approach to rebuilding. According to the latest Rapid Damage and Needs Assessment (RDNA3) (World Bank 2024), Ukraine's reconstruction and recovery needs were estimated at approximately EUR 453 (USD 486) billion by the end of 2023, in addition to the immense human suffering endured by the country (European Commission 2024). As the war persists, the destruction and associated costs continue to grow.

So far, the largest provider of funds that could be used for the reconstruction come from the EU, which has committed around EUR 84 billion. This includes the Ukraine Facility, established by the EU to streamline the EU's financial support for Ukraine's recovery with its European integration. The other largest providers of financial support include the remaining G7 countries outside the EU: the US, UK, Canada and Japan (Akhvlediani 2024).

There are in place several funds dedicated for the reconstruction, mostly put forward by the multilateral lenders such as World Bank, EIB, EBRD, as well as funds backed up by the G7 countries like Japan and UK. The multi-donor trust funds include the Ukraine Relief, Recovery, Reconstruction and Reform Trust Fund (URTF) put forward by the World bank in 2022 (World Bank 2024). The URTF creates a coordinated financing and support mechanism to assist the Government of Ukraine to sustain its administrative and service delivery capacity and address the most urgent development needs identified by the Ukrainian government. The EU for Ukraine Fund was put forward by the EIB in 2023 (European Investment Bank 2023). The fund mobilises the contributions from the EU countries and provides support for the most critical projects by credit enhancement to facilitate EIB's lending to Ukrainian counterparts, interest rate subsidies, and financial instruments, such as investments in equity funds.

Already mobilized international support is crucial to addressing the immediate and urgent needs of Ukraine's recovery, repairing critical infrastructure, and stabilizing the economy. However, for long-term recovery, it is essential to establish a structured mechanism for providing systemic, sustained funding Ukraine's rebuilding.

While uncertainties remain regarding how to end the war and achieve lasting peace, the G7, EU, and U.S. share a common interest in ensuring a safe, secure, and resilient Ukraine. A safe, business-friendly environment is essential not only for Ukraine's long-term growth, EU integration, and regional security - which carries broader global implications - but also for U.S. interests. This is particularly relevant to the Trump administration's business-driven policies, including potential U.S.- Ukraine minerals deal.

G7 Fund for Ukraine's Reconstruction

The G7 is uniquely positioned to lead the efforts on Ukraine's long-term recovery, given its economic capacity, institutional frameworks, and international role. In December 2022, it was G7 leaders who agreed to set up the Multi-Donor Coordination Platform for Ukraine to bring together Ukraine, the EU, the G7 countries and international financial institutions to coordinate support for Ukraine's reconstruction (Coordination Platform of Ukraine 2024). This Coordination Platform should be supported by establishing the G7 Fund for Ukraine's reconstruction as a central mechanism to scale up Ukraine's recovery.

The G7 Fund for Ukraine's Reconstruction would serve as a central mechanism to pool and coordinate financial contributions from G7 countries, both public and private, ensuring a systematic and sustainable approach to Ukraine's long-term recovery.

The use of the financial resources put forward by the G7 Fund should be modeled after the approach Germany used with the Marshall Plan funds. The German model did not simply absorb the aid into the state budget but instead allocated it as loans with interest, creating a self-sustaining system. This revolving mechanism allowed the funds to grow over time, unlike in other countries where the aid was spent without long-term reinvestment. The same logic was applied while setting up the development banks (such as EBRD and EIB).

To access G7 Fund resources, Ukraine should establish an agency, similar to Germany's model, to allocate fund for medium- to long-term loans for high-risk infrastructure and development projects that traditional financial institutions might avoid. The repayment of both interest and principal should then be reinvested by the fund, continuously generating additional capital for reconstruction. Like a self-sustaining spiral, this approach would ensure a steady flow of low-interest loans while reinvesting accrued interest and repayments to support Ukraine's long-term recovery. Such a fund would facilitate long-term investments in infrastructure, housing, energy security, and economic revitalization, ensuring that Ukraine's recovery is both sustainable and transformative.

Using Frozen Russian Assets

A key pillar of scaling up the fund should be the utilization of Russian Central Bank (RCB) frozen international reserves and the accrued profits from these holdings in G7 and EU countries. These assets - estimated at approximately USD 300 billion (EUR 280 billion) - represent a crucial financial lever for supporting Ukraine's reconstruction without placing additional burdens on taxpayers in donor countries. In 2024, the G7 countries reached an agreement to use the profits accrued on frozen Russian assets as collateral to secure loans for Ukraine of up to USD 50 billion (Financial Times 2024). The EU has already moved

forward with a plan to redirect the interest generated from these holdings to support Ukraine. In parallel, the U.S. has taken a more assertive step, under the Biden administration authorizing the outright seizure of Russian state assets held in U.S. jurisdiction. This includes USD 5 billion in RCB assets frozen by the U.S., with confiscation carried out under the provisions of the Rebuilding Economic Prosperity and Opportunity for Ukrainians Act (REPO Act) (House of Representatives 2024). Canada could also pursue this strategy and adopt the legislation to allow not only freezing but also seizing the frozen assets and repurposing to aid for Ukraine's recovery (Reuters 2024).

The next step should be a G7-endorsed blueprint to establish a legal and operational framework for utilizing the full spectrum of frozen RCB assets. Russia's full-scale invasion of Ukraine constitutes a blatant violation of customary international law and the UN Charter (Article 2(4)) (United Nations 1945). It is true that there are, legal complications over confiscating the RCB's assets arising from the principle of immunity under international law, however the RCB assets could be confiscated based on an exception to immunity for enforcing international judgments that demand damages to be paid (EPRS 2024). Past rulings of the international courts rarely include such large damage repayments (*ibid*), but given the unprecedented scale of damages inflicted on Ukraine, G7 leadership has the opportunity to set a global precedent, providing a new model for holding aggressor states financially accountable for unlawful military actions.

While the U.S. position on the use of RCB assets remains uncertain, due to ongoing negotiations with Russia and Ukraine over a potential ceasefire, the EU holds the lead in developing a framework for ceasing these assets. Over USD 200 billion in frozen Russian reserves are currently held within the EU, primarily by Euroclear, a Brussels-based private clearinghouse and securities depository. Given the significant volume of assets within its jurisdiction, close coordination between G7 and EU institutions will be essential to unlock these funds for Ukraine's benefit. By aligning legal, financial, and diplomatic efforts, the G7 and the EU can maximize the impact of these assets while upholding the principles of international law.

Incentivising Private Capital for Ukraine's Reconstruction

Regardless of the availability of the RCB's frozen assets, a sustainable and effective recovery for Ukraine requires robust private sector engagement. The Multi-Donor Coordination Platform and the G7 Fund should play a critical role in fostering an investment environment that encourages business participation in Ukraine's reconstruction, ensuring long-term economic revitalization and stability.

Key sectors such as digital innovation, renewable energy, and resilient infrastructure present significant growth opportunities, with Ukraine already demonstrating expertise in these areas. However, businesses remain cautious due to security risks, political instability, and financial exposure. To mitigate these concerns, the G7 should align its reconstruction strategy with the needs of businesses, providing necessary support and incentives to operate in Ukraine.

Security guarantees should be established to offset risks, with the costs covered by the profits generated from resumed or new economic activities. This would ensure that rebuilt infrastructure remains intact and is not destroyed again. Alongside security guarantees, more financial guarantees and insurance mechanisms are needed. Several G7 countries,

notably Japan and the UK, have already taken proactive steps in this direction. In collaboration with the World Bank, Japan has backed the Advancing Needed Credit Enhancement for Ukraine Trust Fund (ADVANCE Ukraine) (World Bank 2024), while the UK is providing guarantees for International Bank for Reconstruction and Development (IBRD) lending (World Bank 2024). These initiatives offer financial guarantees and insurance mechanisms to encourage investment in Ukraine. To maximize impact, such efforts should be expanded and institutionalized at the G7 level.

For G7 countries and like-minded investors, Ukraine presents a high-return opportunity. Investing in its reconstruction not only supports its recovery but also offers substantial profits, particularly in sectors vital to its long-term growth and deeper integration into global markets. Offering tailored security, financial guarantees, and insurance mechanisms will be particularly beneficial in light of the U.S. interest in negotiating a mineral deal with Ukraine. These measures would help create a secure, business-friendly environment, allowing U.S. firms to operate effectively not only in Ukraine's rare mineral sector but also in other strategic areas such as defence and energy. Ultimately, these efforts will not only generate profits for both local and international companies operating in Ukraine but also accelerate the country's recovery and long-term economic growth.

Contribute to Broader Sustainability Goals by Ukraine's Reconstruction

Prioritizing green energy, resilient infrastructure, inclusive economic development, and a transparent reconstruction process can contribute to broader sustainability objectives and the overall resilience of Ukraine. The RDNA3 already accounts for the financial resources required to rebuild Ukraine under the "build back better" strategy - covering not only the direct costs of war-related destruction but also the investments necessary to ensure reconstruction is sustainable and future-proof. However, achieving this vision demands more than just funding; it requires expertise in planning and implementation to create long-term resilience.

Given the scale of Ukraine's reconstruction, human capital will be one of its most valuable resources. It is crucial to develop systemic policies that encourage the return of those who emigrated due to Russia's full-scale invasion, while also preventing further brain drain. The reconstruction process should integrate policies that support an inclusive green transition, strengthen economic resilience, and ensure governance structures remain transparent and accountable. By embedding these elements within the framework of the Sustainable Development Goals (SDGs), Ukraine's recovery can become a benchmark for sustainable post-conflict reconstruction.

In addition, digital transformation will be a cornerstone of Ukraine's recovery. Even before the war, Ukraine was excelling in adopting the digital tools for the governance, with a thriving tech sector and advanced AI capabilities. Throughout the conflict, the country has demonstrated remarkable agility in leveraging digital tools for governance, security, and economic resilience. Reconstruction should build on this foundation, expanding Ukraine's digital infrastructure, strengthening cybersecurity, and fostering AI-driven solutions across industries.

The G7, encompassing nations across both the Atlantic and Pacific, has a critical role in shaping Ukraine's recovery. The Multi-Donor Coordination Platform will be instrumental in aligning reconstruction efforts with SDG objectives, ensuring that financial support is

strategically deployed and effectively managed. But beyond reaching SDG objectives, a resilient Ukraine serves the strategic interests of the G7, particularly the U.S., which has a vested interest in ensuring a stable, business-friendly environment that supports profitable ventures, including through potential U.S.-Ukraine minerals deal. Ukraine's resilience is also key to its EU integration, bringing it closer to the European market and benefiting both Ukraine and the EU. Additionally, a stable Ukraine would enhance regional security, with far-reaching global implications.

Conclusions and Recommendations

The reconstruction of Ukraine is not just a national imperative but a defining challenge for global governance, stability, and the resilience of democratic institutions. The G7 has a unique opportunity to lead a coordinated, transparent, and effective recovery effort - one that not only secures Ukraine's future but also reinforces the principles of international law, justice, and collective security. A well-structured approach to reconstruction can set a global precedent for post-conflict recovery, demonstrating how strategic investment, sustainability, and accountability can drive long-term resilience.

To this end, Ukraine's reconstruction must go beyond rebuilding physical infrastructure and meeting immediate recovery needs; it should focus on long-term sustainable rebuilding of the country by strengthening governance, economic resilience, and human capital, while ensuring adherence to democratic principles and the rule of law. To achieve this, the following key recommendations should guide G7 policy efforts:

- 1. Launch a G7 Fund for Ukraine's Reconstruction**
Establish a systemic financing mechanism that scales up funding for Ukraine's long-term recovery. The fund should be modeled on Germany's use of Marshall Plan funds, operating as a revolving system rather than a direct budgetary transfer. By using the fund resources to provide loans with interest rather than grants, the fund would create a self-sustaining financial mechanism, reinvesting principal and interest payments to expand its resources over time. This would ensure continuous reinvestment in Ukraine's reconstruction, fostering long-term economic stability and resilience.
- 2. Scale Up the G7 Fund by Utilizing Frozen Russian Assets**
Build a G7 consensus on leveraging frozen Russian assets and the profits accrued on them, ensuring compliance with international law. Strengthen coordination with the EU, where the majority of these assets are held, to maximize financial leverage. This approach would hold Russia accountable for its war of aggression while providing critical financial resources for Ukraine's reconstruction.
- 3. Promote Private Sector Involvement**
The G7, through the Multi-Donor Coordination Platform and the G7 Fund for Ukraine's Reconstruction, should provide targeted investment incentives to encourage both domestic and international companies to operate in Ukraine. To achieve this, the G7 Fund must tailor its reconstruction strategy to the needs of businesses, ensuring that companies receive the necessary policy support to invest confidently in Ukraine's recovery. This should include tailored security, financial guarantees, and insurance mechanisms.
- 4. Align Reconstruction with Sustainable Development Goals (SDGs)**
Ukraine's reconstruction should be guided by sustainability principles, prioritizing

green energy, resilient infrastructure, digital transformation and inclusive economic development. Policies should incentivize the return of displaced populations and the retention of human capital, ensuring that the recovery process is not only effective but also socially inclusive and future-proof. A transparent governance framework must be embedded in all reconstruction efforts to uphold accountability and prevent corruption.

5. Leverage Ukraine's Strong Digitalization and AI

Ukraine has demonstrated world-class expertise in digital transformation, with innovative e-governance platforms and AI-driven solutions developed both before and during the war. The reconstruction process should capitalize on this strength by expanding digital infrastructure, fostering AI-driven public services, and supporting the country's growing tech ecosystem.

6. Enhance Global Cooperation on Ukraine's reconstruction

Strengthen transatlantic and transpacific ties between the G7 and like-minded countries, including Australia, India, South Korea, and New Zealand, to scale up long-term recovery efforts and ensure lasting peace. Such collaboration would solidify global commitment to upholding international law and deterring authoritarian aggression. The Multi-Donor Coordination Platform should serve as the backbone of these efforts, ensuring efficient, transparent, and well-coordinated international support for Ukraine's reconstruction.

7. Set a Precedent for Future Post-Conflict Reconstruction Efforts

Ukraine's recovery presents an opportunity to create a replicable model for post-conflict reconstruction that balances strategic investments with accountability mechanisms. The lessons learned from Ukraine's recovery should inform future approaches to rebuilding other war-torn regions, including Syria and Gaza, ensuring that international reconstruction efforts are not just reactive but also proactive, structured, and sustainable.

By taking decisive action, the G7 can not only help Ukraine rebuild but also reaffirm the resilience of democratic alliances and global security architecture. A successful Ukrainian recovery will stand as a testament to the strength of international cooperation and the unwavering commitment to upholding the principles of sovereignty, justice, and peace. A stable, peaceful and resilient Ukraine will enhance regional security, with far-reaching global implications. This aligns with the strategic interests of the G7, including of the U.S., which has a strong stake in having a secure, business-friendly environment that fosters investments, economic opportunities and profitable ventures.

Author Biography

Dr. Tinatin Akhvlediani is a Research Fellow in the EU Foreign Policy Unit at the Centre for European Policy Studies (CEPS). She specializes in the EU's enlargement, neighborhood, and trade policies and has published extensively in these areas. She actively engages in high-level policy debates, and frequently offers insights through major media outlets, including BBC, Euronews, and Bloomberg. She is also a visiting professor at the College of Europe, Tirana Campus and International School of Economics at Tbilisi State University (ISET). In 2024, Dr. Akhvlediani was recognized as an emerging leader by the US Embassy to the EU and participated in the International Visitor Leadership Programme, the U.S. Department of State's premier professional exchange program. In 2023, Dr. Akhvlediani was recognized among the most prominent and promising women in the EU, sharing this

distinction with notable figures such as the President of the European Commission Ursula von der Leyen and the President of the European Parliament, Roberta Metsola. In 2020, she earned a place on Forbes Georgia's "30 Under 30" list, highlighting her exceptional contributions to the field of social sciences.

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