Russia’s full-scale invasion of Ukraine in February 2022 has caused extensive human suffering and massive destruction. There is a long list of post-war reconstruction priorities, from physical infrastructure and addressing war traumas to economic recovery and defence capabilities, among others. Within one year of the war, needs assessments put the estimate of the recovery cost for Ukraine at US$411 billion – a staggering figure that is equivalent to about two times the country’s GDP in 2021.¹ As the war rages on, the exercise of estimating costs and planning for reconstruction is largely speculative, because the actual efforts and resources needed will become clear only once major military operations are over. Nonetheless, Ukraine’s government has already launched a National Recovery Plan (NRP), and high-level discussions among donors have been taking place regarding the country’s post-war needs in terms of capital to be mobilised and which sectors should be prioritised (see Figure 1).

**Tenets of post-war reconstruction in Ukraine against standard practices**

The transition from war to peace is by no means a modern phenomenon. The term ‘reconstruction’, associated with the aftermath of war, can be traced back to the American Civil War. Subsequently, it was embedded in the post-Second World War order through the establishment of the International Bank for Reconstruction and Development (i.e., the World Bank). However, it is in the post-Cold War era that efforts to prevent or mitigate the incidence of wars (in particular, intra-state ones) and to facilitate post-war reconstruction became mainstream. In the aftermath of the Cold War, intractable civil wars from the Balkans to Central America to Sub-Saharan Africa to East Asia were resolved, and a reconstruction ‘industry’ was spearheaded by an international community of states that was eager to expand both the tenets of liberal democracy and the prosperity promised by the market economy. In the last two decades, post-war recovery and stabilisation have increasingly started while countries were still suffering from violence (e.g., Afghanistan between 2001 and 2021 and Colombia before the 2016 peace agreement), although the bulk of reconstruction can only be achieved when peace and security are restored.²

The case of Ukraine, however, is remarkably different than past examples and reverting to the ‘science’ of post-conflict reconstruction could be inappropriate. Unlike post-Cold War reconstruction cases, which were by and large related to civil wars, Ukraine is suffering from an external invasion and war of aggression initiated by a permanent member of the United Nations Security Council. The fact that this is a full-blown, state-on-state war alters the post-war security conditions that both domestic and international actors must consider. Domestically, while war-torn countries are usually characterised by a sovereignty deficit, with weak and fragmented institutions, the government of Ukraine is not in this same position. Though it has grappled with corruption and other governance challenges since regaining independence in 1991, the Ukrainian government now exhibits strength, cohesion and the resolution to take charge of its reconstruction trajectory.

**Framing Kyiv’s external security guarantees**

Unusually, the discourse on reconstruction needs and recovery opportunities proceeds somewhat disjointedly from Ukraine’s quest for security guarantees. As a matter of fact, the feasibility of the former depends a lot on the success of the latter: security guarantees for Ukraine are the sine qua non of post-war recovery. It will be very difficult for meaningful reconstruction to start, or for foreign investments to be mobilised effectively, in the absence of agreements and frameworks that contemplate Ukraine’s future security. Twin goals for Ukraine should be to set up binding external commitments and to enable the development of credible domestic defence capabilities, the combination of which would deter any future potential threat to Ukrainian sovereignty.
Regional Spotlight: Europe and Eurasia

Historic precedents play an important role in influencing how potential future security guarantees are seen in Kyiv. The 1994 Budapest Memorandum in which Ukraine relinquished its nuclear arsenal in exchange for political-security assurances from Russia, the United Kingdom and the United States was first violated in 2014 with Russia’s annexation of Crimea and the opening of a front in eastern Ukraine. It was then definitely buried with Russia’s 2022 full-scale invasion. Further, in 2008, NATO’s commitment to Ukraine’s (and Georgia’s) membership was not followed up by a timeline or a NATO Membership Action Plan (MAP), in part because a few NATO members were worried about Russia’s reaction if Ukraine and Georgia were put on a formal path to membership. In addition, political commitment to and public support for NATO membership in Ukraine were fragile at the time, which was another factor in the decision-making of some NATO member states around the Alliance’s 2008 Bucharest Summit.³

With these precedents in mind, as well as a Ukrainian electorate and government now firmly united in their desire to join NATO (and the European Union), and a permanent ‘no-trust-in-Russia’ policy in place for the foreseeable future, Ukrainian officials have repeatedly asserted that future agreements guaranteeing Ukraine’s security must be legally binding. Both NATO and EU membership are ultimate goals for Ukraine because both organisations have treaty-based collective-defence clauses.⁴ Moreover, NATO’s collective defence is backed by the US, which is still the pre-eminent military power in the world, while the EU has a track record of mobilising enormous resources to aid the economic transformation of its member states.

Achieving membership in one or both of these organisations will remain difficult in the short term. At a NATO summit in Vilnius held from 11–12 July, NATO leaders stated that ‘Ukraine’s future is in NATO’, set up a NATO–Ukraine Council and waived the requirement for a MAP, but they also rather vaguely declared that NATO ‘will be in a position to extend an invitation to Ukraine to join the Alliance when Allies agree and conditions are met’.⁵ On the margins of the NATO summit, G7 nations announced that they would begin negotiating formal security commitments to Ukraine, which underpin guarantees. EU membership, on the other hand, must be preceded by accession talks, which represent a lengthy and costly process that has countrywide implications in terms of designing regulations that are in line with the EU’s body of laws and reforming political and economic governance
more widely – a challenging proposition while Ukraine is at war. The European Council conclusions from 30 June 2023 reiterated:

The European Council acknowledges Ukraine’s commitment and substantial efforts to meet the required conditions in its EU accession process. It encourages Ukraine to continue on its path of reforms. The European Union will continue to work closely with Ukraine and support its efforts to fully meet all conditions.6

Kyiv must navigate many complexities as part of its accession to both organisations. One of these is to avoid giving Russia an effective veto on accession by prolonging the war and thus preventing the conditions for Ukraine to join NATO and the EU.

The need for domestic defence capabilities as a pillar of security guarantees
The fact that sustainable peace and reconstruction will require massive investment in military capabilities and defence capacity-building is the second area in which the case of Ukraine will challenge the assumptions and mandates of the reconstruction industry. Given Ukraine’s experience with previous security guarantees and the challenges of generating meaningful and legally binding ones in the current context, it is unsurprising that Ukraine will want to invest in its future ability to generate credible military capabilities that effectively underpin its national deterrence and defence efforts vis-à-vis Russia.

As Swedish Minister for Defence Pål Jonson argued at the 20th IISS Shangri-La Dialogue in June 2023, a key driver of Sweden’s decision to apply for NATO membership was the realisation brought about by Russia’s aggression that ‘NATO supports its partners, but it defends its allies’.7 As long as Ukraine is not a NATO member state, the conclusion in Kyiv must be that Ukraine needs to be able to defend itself, which requires a degree of self-sufficiency in defence-industrial terms (which, incidentally, Sweden also pursued before it applied for NATO membership). For this reason, Ukraine’s NRP highlights the domestic defence-industrial sector as critical and a ‘strategic imperative’ for national security.8

While defence-industrial sites have been targeted by Russia’s military and some are in occupied territory, Ukraine’s indigenous defence-industrial base continues to deliver munitions and weapons to the Armed Forces of Ukraine. To some extent, this reflects Ukraine’s history as an important part of the Soviet Union’s defence-industrial base, building naval vessels, ballistic missiles and aircraft engines, among other things. However, it is also the result of Ukraine’s early attempts to disperse production sites, relocate facilities to friendly neighbouring countries, and put Ukroboronprom, the state-owned arms manufacturer, on a 24-hour, seven-day-a-week schedule. While there are limitations to what Ukraine can produce, especially in current circumstances, notable successes include the RK-360MC *Neptun* anti-ship missile system developed by Luch Design Bureau, which allegedly sank the Russian cruiser *Moskva* in 2022; the 2S22 *Bohdana* self-propelled howitzer, firing NATO-calibre 155-millimetre rounds, which may have entered production in 2023; and certain types of locally developed and produced uninhabited aerial vehicles. Ukraine’s ability to produce artillery munitions for use with Soviet-era systems is notable as well.

The successful sustained prosecution of Kyiv’s campaign to evict Russian forces from Ukrainian territory depends on the steady supply of Western armaments. However, the existing defence-industrial base and the inventiveness bred by the necessity to defend against armed aggression give Ukraine options for the future. During the reconstruction phase, Ukraine will be a customer of the Western defence industry, purchasing defence equipment with a priority likely placed on availability and speed, followed by requirement and price. Ukraine will also pursue a strategy of inviting Western companies to consider co-production and technology-sharing arrangements to meet military-capability needs. Rheinmetall, one of Germany’s premier land-systems producers, signed an agreement with Ukroboronprom in May 2023 to establish a joint venture which will focus initially on maintenance and repair for German-produced armoured vehicles provided to Ukraine, but is meant to later expand into technology transfer and joint production of Rheinmetall products in Ukraine. In the same month, Ukrainian President Volodymyr Zelenskyy announced that BAE Systems is pursuing a similar path that might start with service provisions to Ukraine and later include a production element. Finally, there will be areas in which Ukraine may rely on indigenous production. It is
likely that a basic trade-off will drive Ukrainian ambitions: the less convincing that the security guarantees provided by Western powers are, the more self-sufficient Ukraine will strive to be in defence-industry terms.

Four broad challenges will need to be addressed as Ukraine considers the defence-industry dimension of its reconstruction. Firstly, there is security itself. While the war continues, many international defence companies are reluctant to move beyond assisting their own governments in either replenishing national stocks or delivering equipment for transfer to Ukraine. Given that any new defence-industry site in Ukraine is liable to become a target, protecting against that risk – either with military assets, for example, in the form of air defence, or financially through war-risk insurance that is hard to come by – will matter to company leaders. Secondly, there are governance concerns given Ukraine’s poor record in this area in which layers of complicated bureaucracy, including in military-industrial matters, provide opportunity for graft. Reforming and modernising Ukroboronprom will be in the Ukrainian government’s interest if it wants to consider wide-ranging defence-industrial partnerships. At the same time, there is now an opportunity to set up technology accelerators and defence-innovation hubs to promote and enable defence-technology-focused start-ups that have sprung up in Ukraine. Thirdly, Western governments maintain export-control and non-proliferation mechanisms that might set limits on what Ukraine can hope to access, both as a customer and in terms of technology transfer. Finally, some defence-industry players might wonder whether a partnership arrangement will ultimately only serve to turn Ukraine’s defence industry into a future competitor.

Notes

4 In NATO, this is Article 5; in the EU, it is Article 42.7 TEU. According to the Treaty of Lisbon (2007), EU members benefit from a mutual defence arrangement.