

War-Induced Damages and Recovery Challenges in Ukraine

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KIU-Vorlesungsreihe War in Ukraine: Destruction of Heritage Mastering Legacy

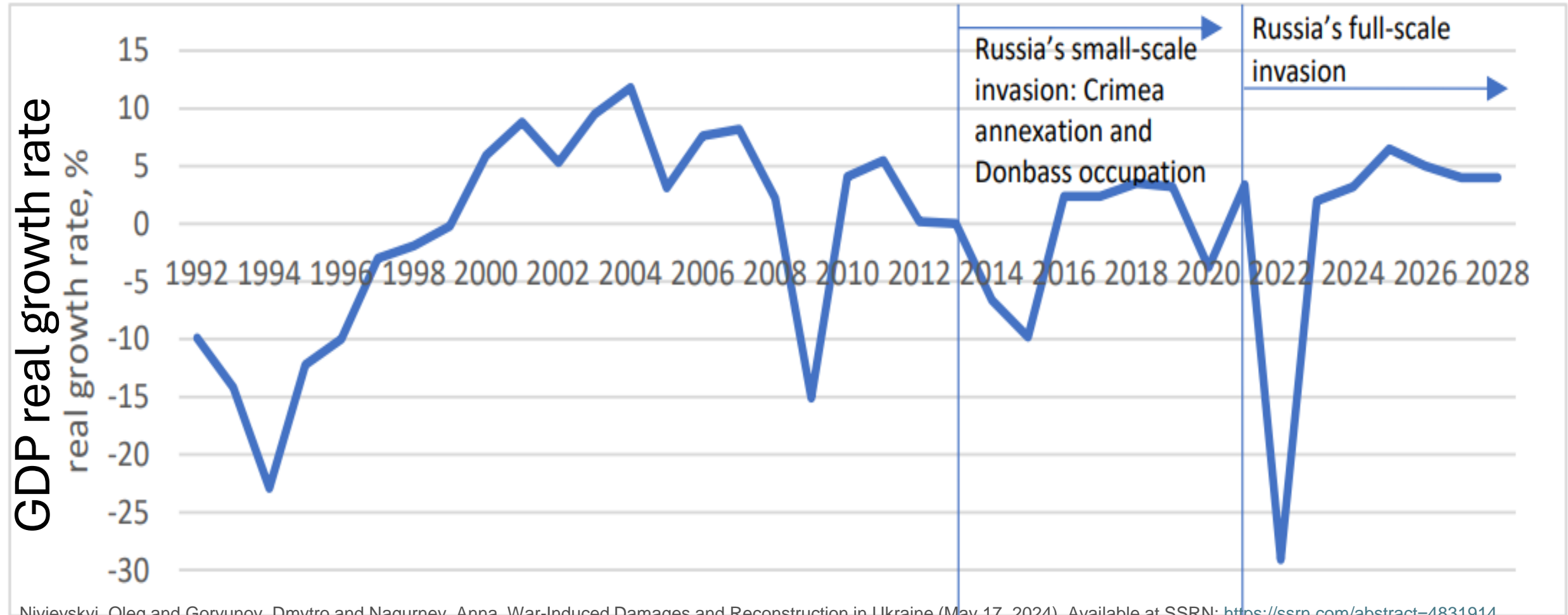
December 16th, 2024

Outline

- Introduction: the toll of the war
- Reconstruction efforts so far
- Balancing between the current needs and a more sustainable future

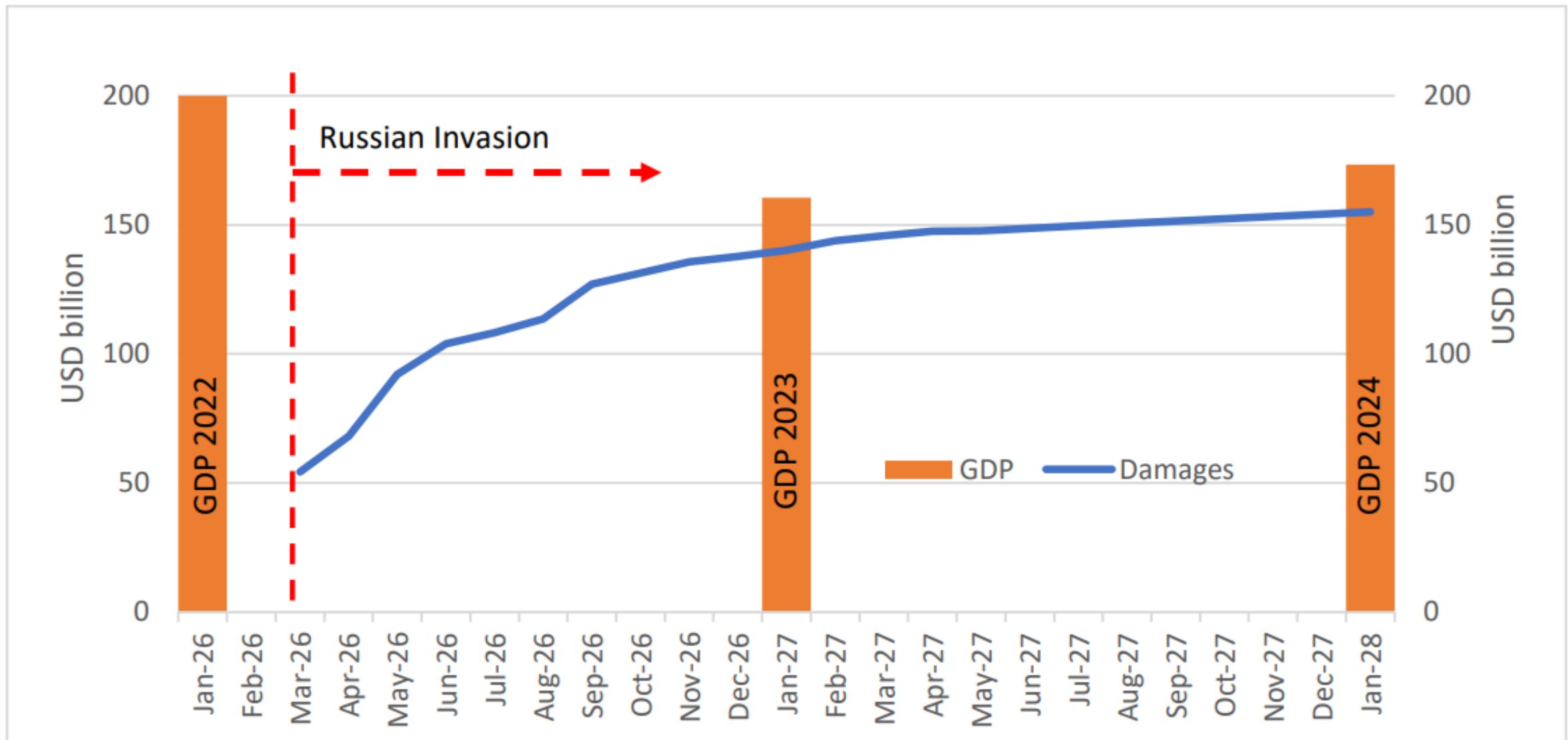
1. Introduction

Rus. WAR is the LARGEST SHOCK for Ukraine since 1991

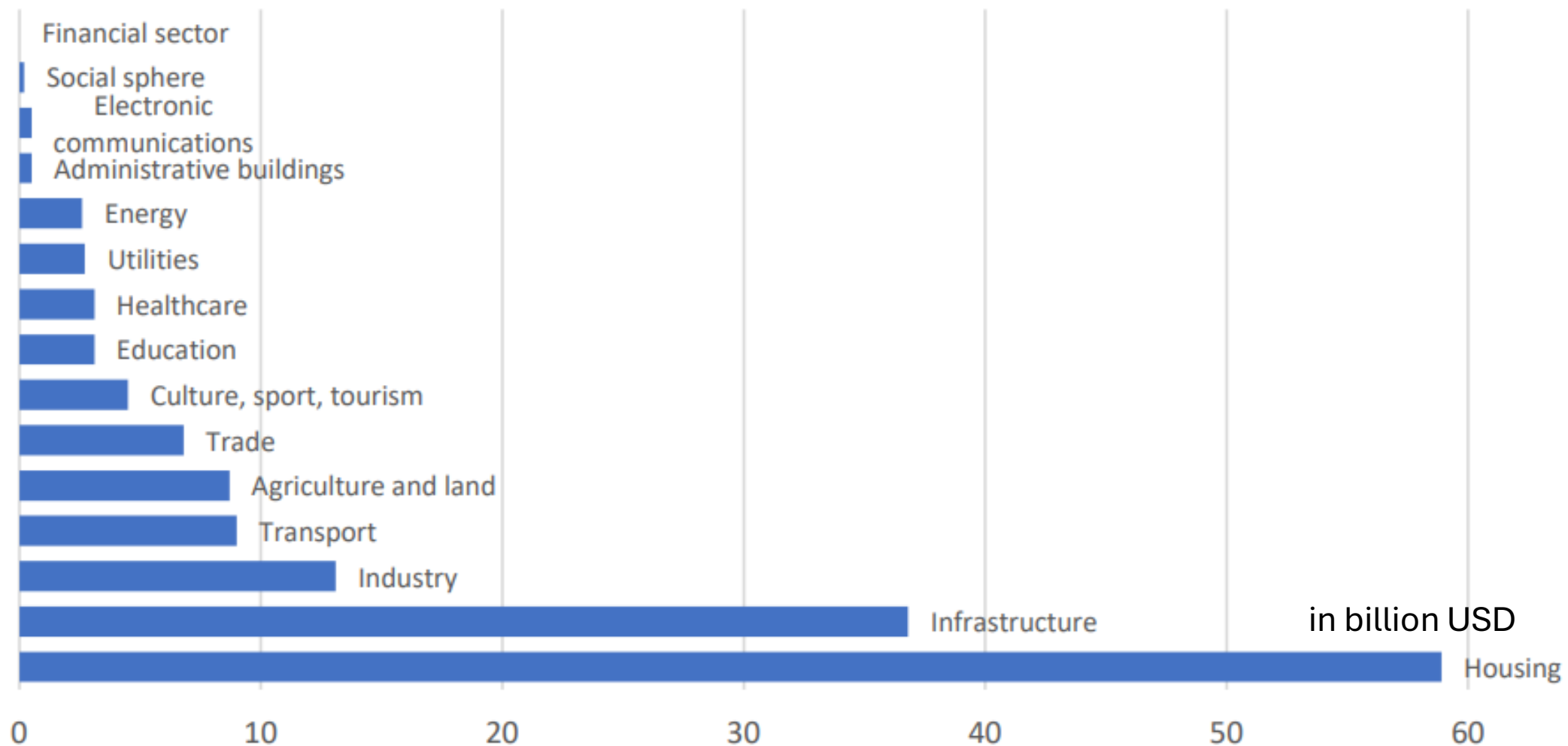


Nivievskyi, Oleg and Goryunov, Dmytro and Nagurney, Anna, War-Induced Damages and Reconstruction in Ukraine (May 17, 2024). Available at SSRN: <https://ssrn.com/abstract=4831914>
<https://laender-analysen.de/ukraine-analysen/296/ukraineanalysen296.pdf>

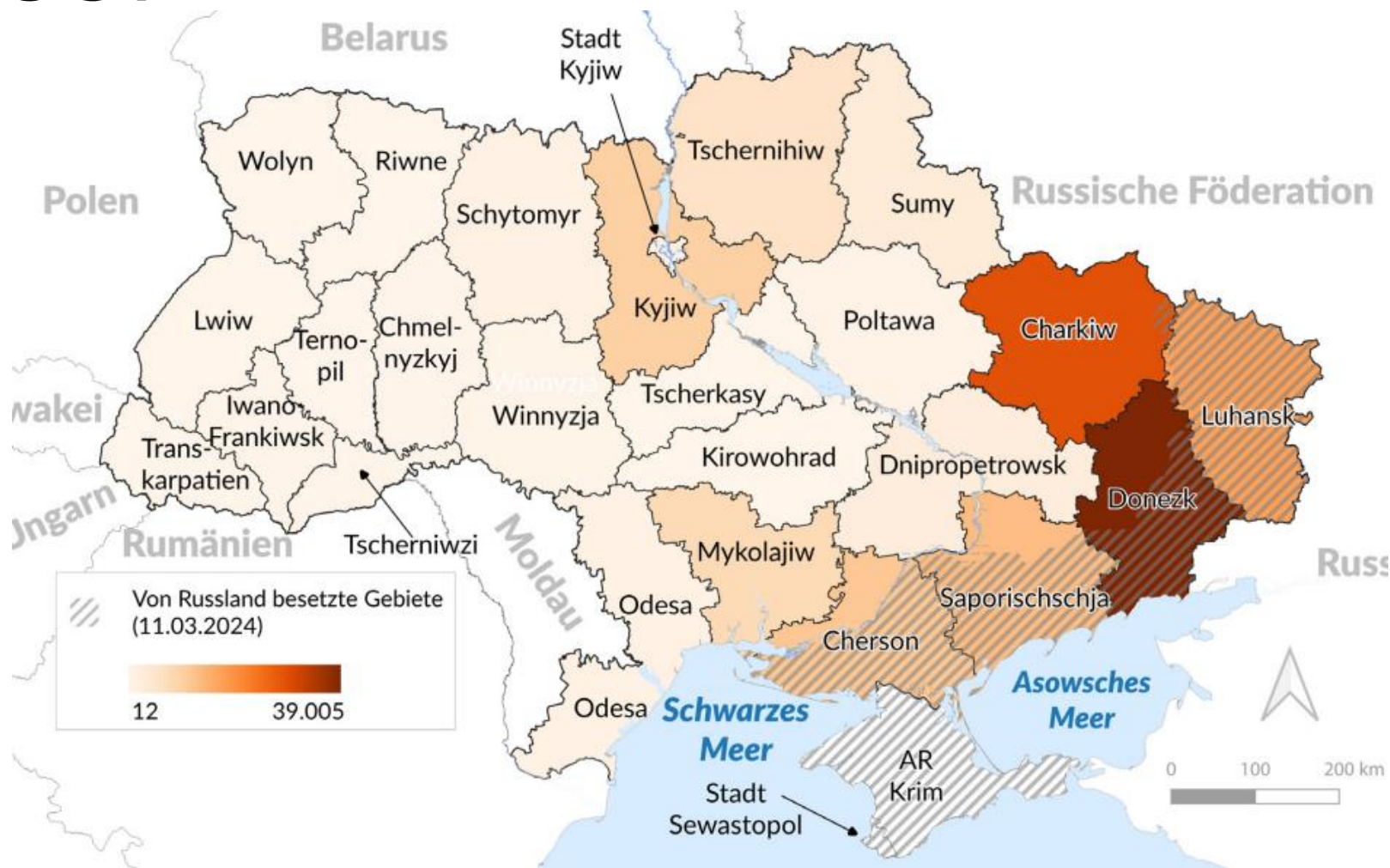
War Damages are UNBEARABLE for Ukraine ALONE



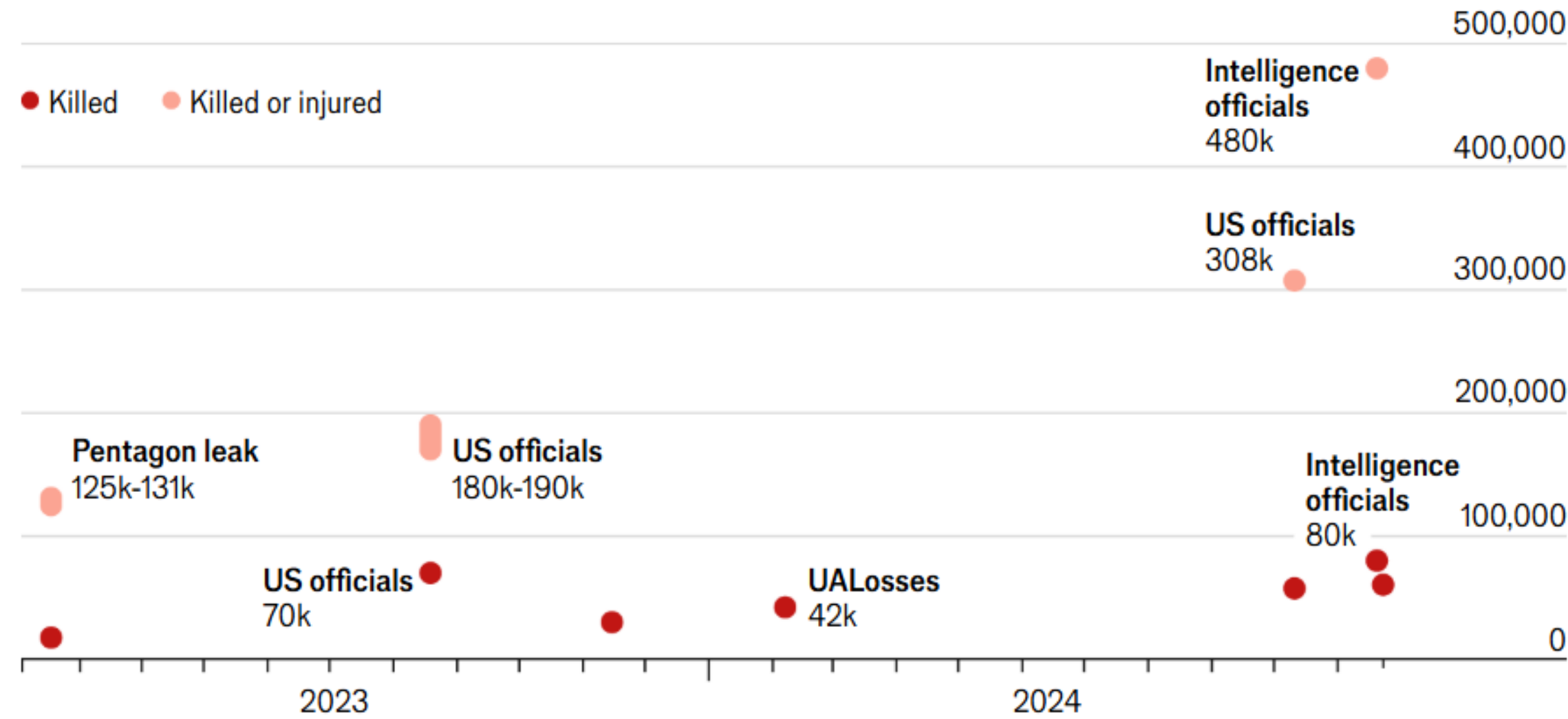
The LARGEST DAMAGED Category – HOUSING sector



South-Eastern Regions of Ukraine suffer the MOST



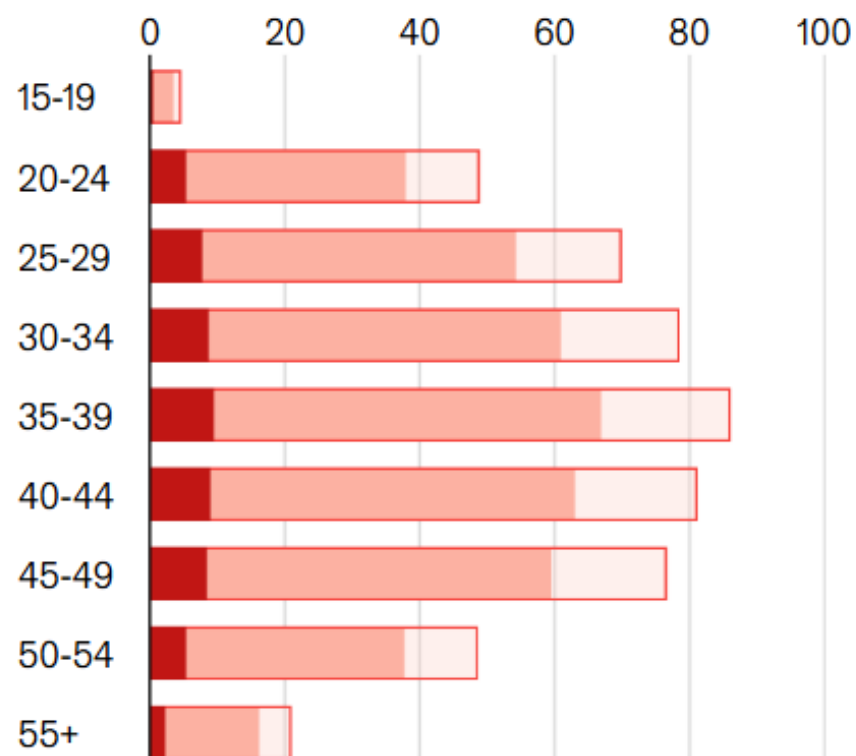
Death and Casualties Toll: Ukraine's Soldiers



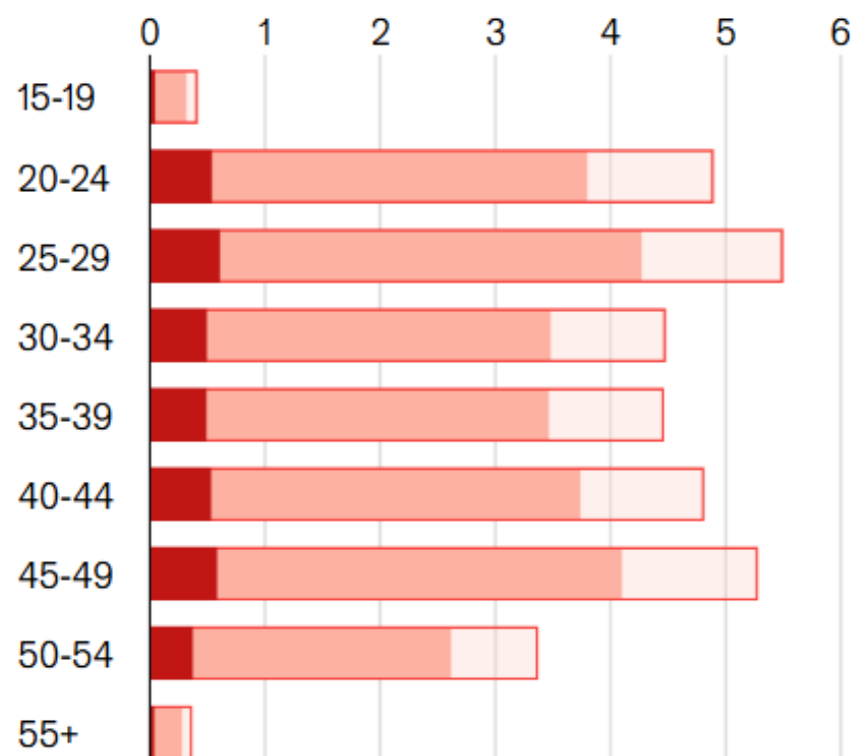
Ukrainian soldiers' casualties

■ Killed ■ Injured, low estimate[†] ■ Injured, high estimate[‡]

By age group, '000



As % of male population

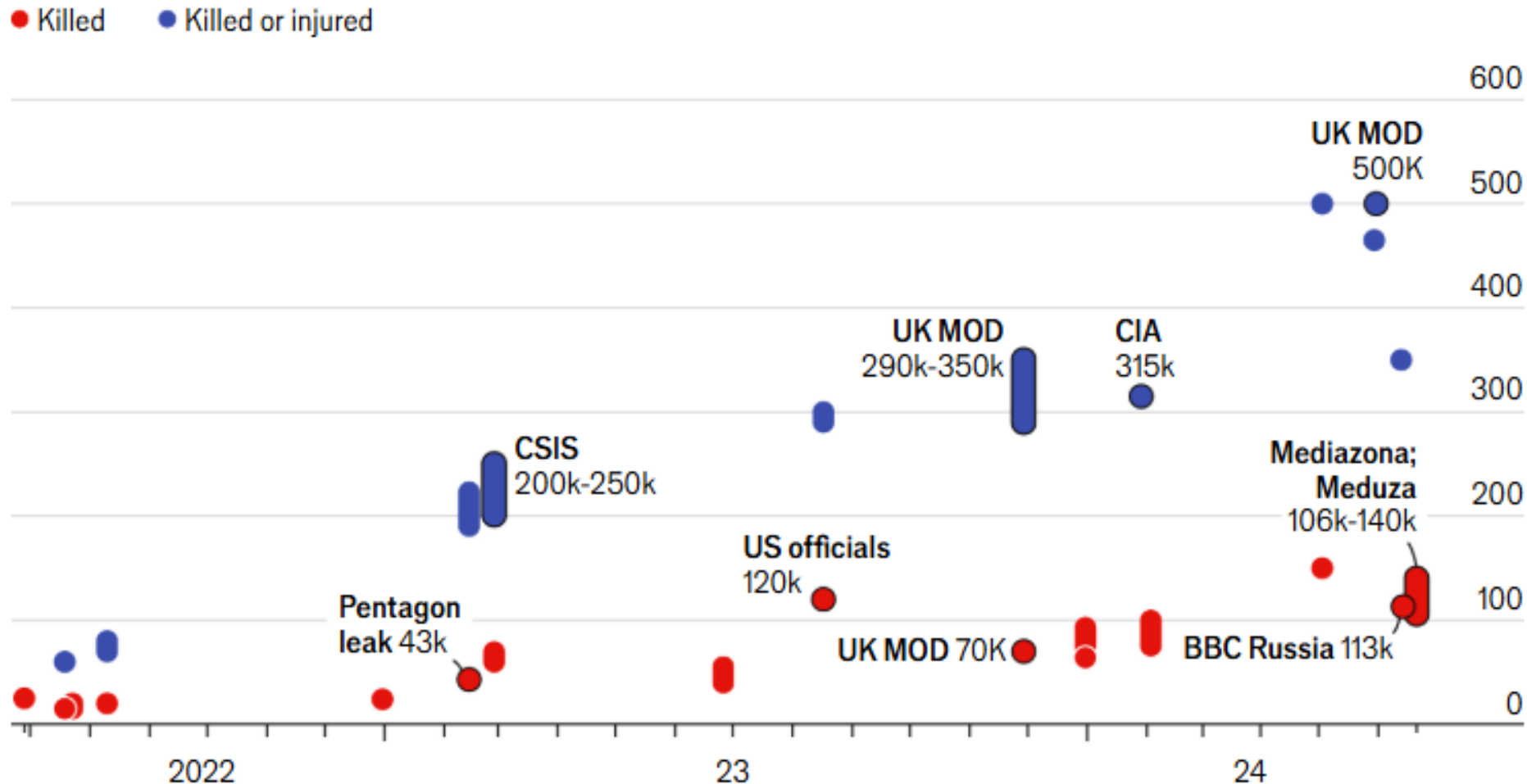


*57,118 known fatalities with age listed. Data do not include all fatalities

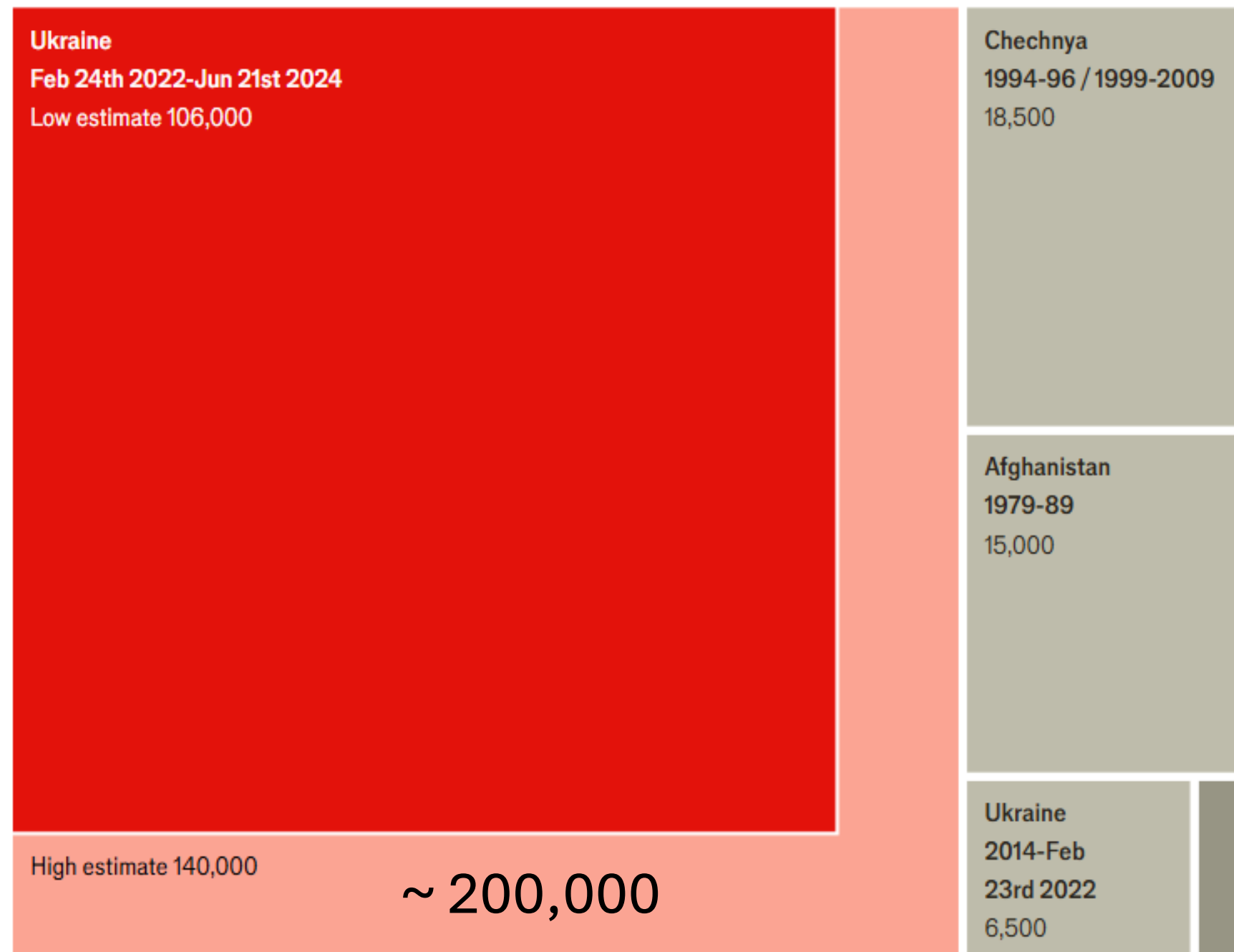
Sources: UALosses; UN

[†]Assuming six per fatality [‡]Assuming eight per fatality

Russian soldier casualties in Ukraine, '000



Russian soldiers killed





EXCLUSIVE

One Million Are Now Dead or Injured in the Russia-Ukraine War

High losses on both sides are posing problems on battlefield and accelerating demographic fears

1. Introduction

Ukraine's Refugees and IDPs

6,225,700*

refugees from Ukraine recorded in Europe (as of 18 Nov 2024)

560,200

refugees from Ukraine recorded beyond Europe (as of 18 Nov 2024)

6,785,900

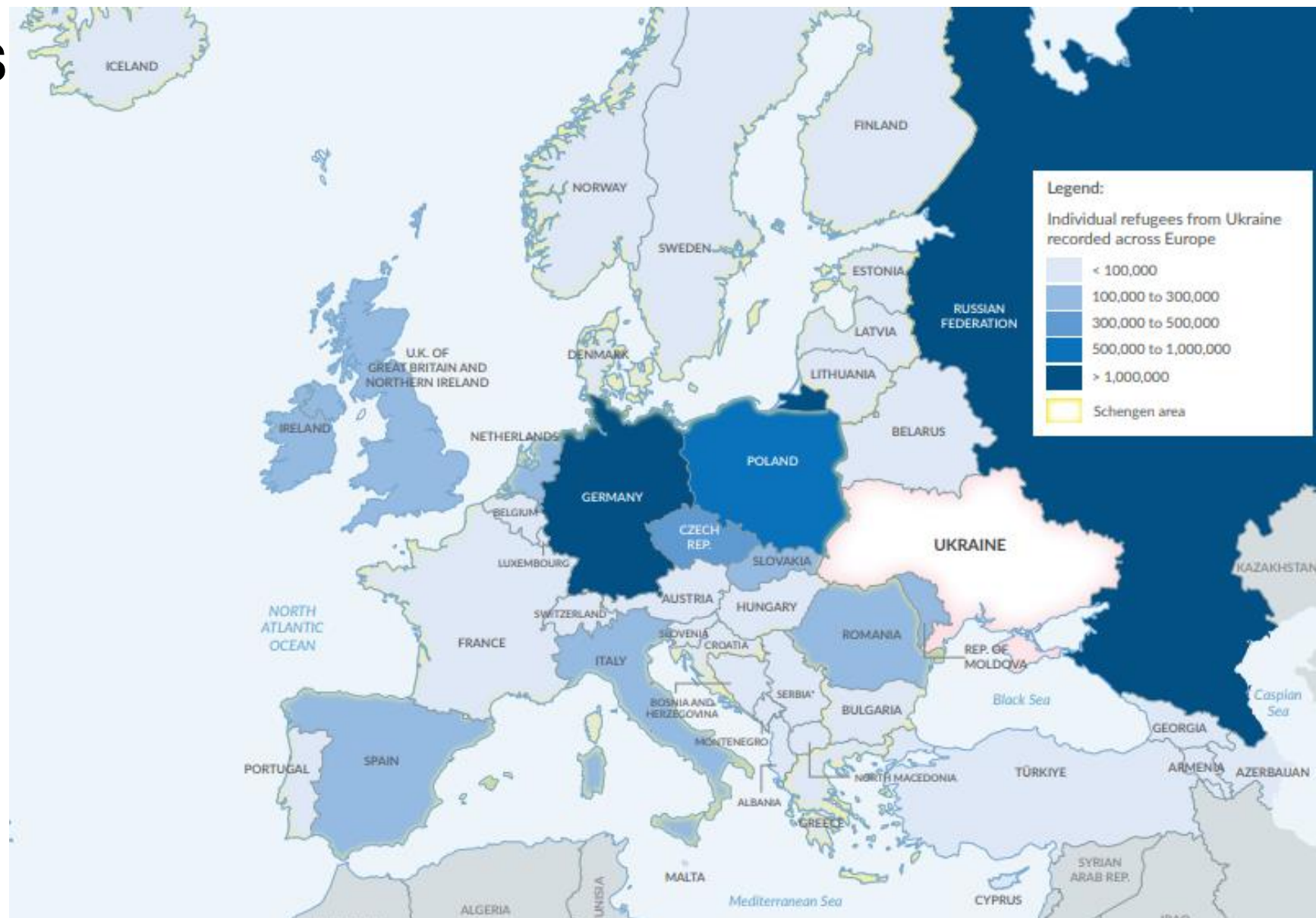
refugees from Ukraine recorded globally (as of 18 Nov 2024)

3,669,000**

Estimated number of internally displaced people (IDPs) in Ukraine (as of Aug 2024)

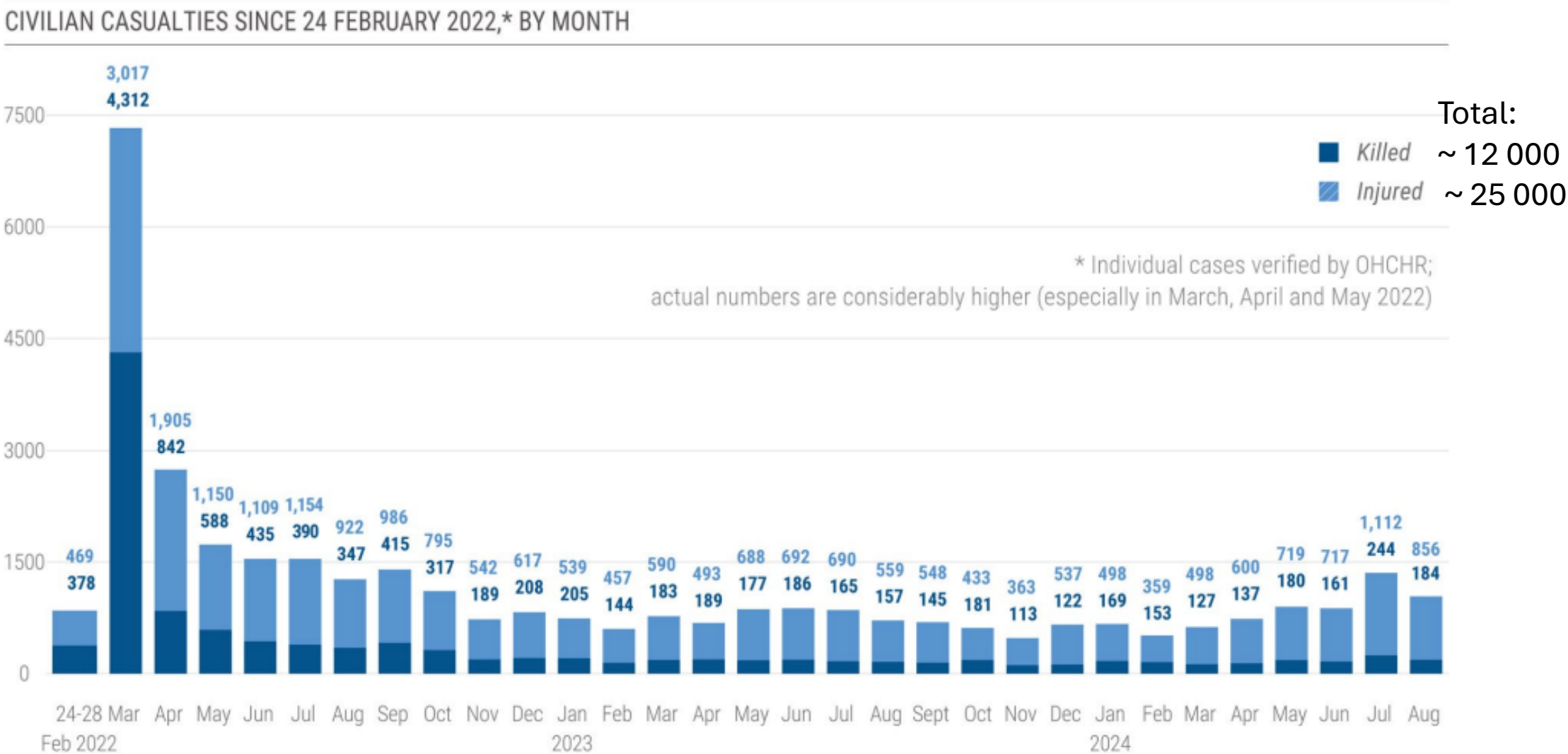
More details: UNHCR Operational Data Portal [Ukraine Refugee Situation](https://data.unhcr.org/en/documents/details/112726)

Population in 2021: 41,5 mln

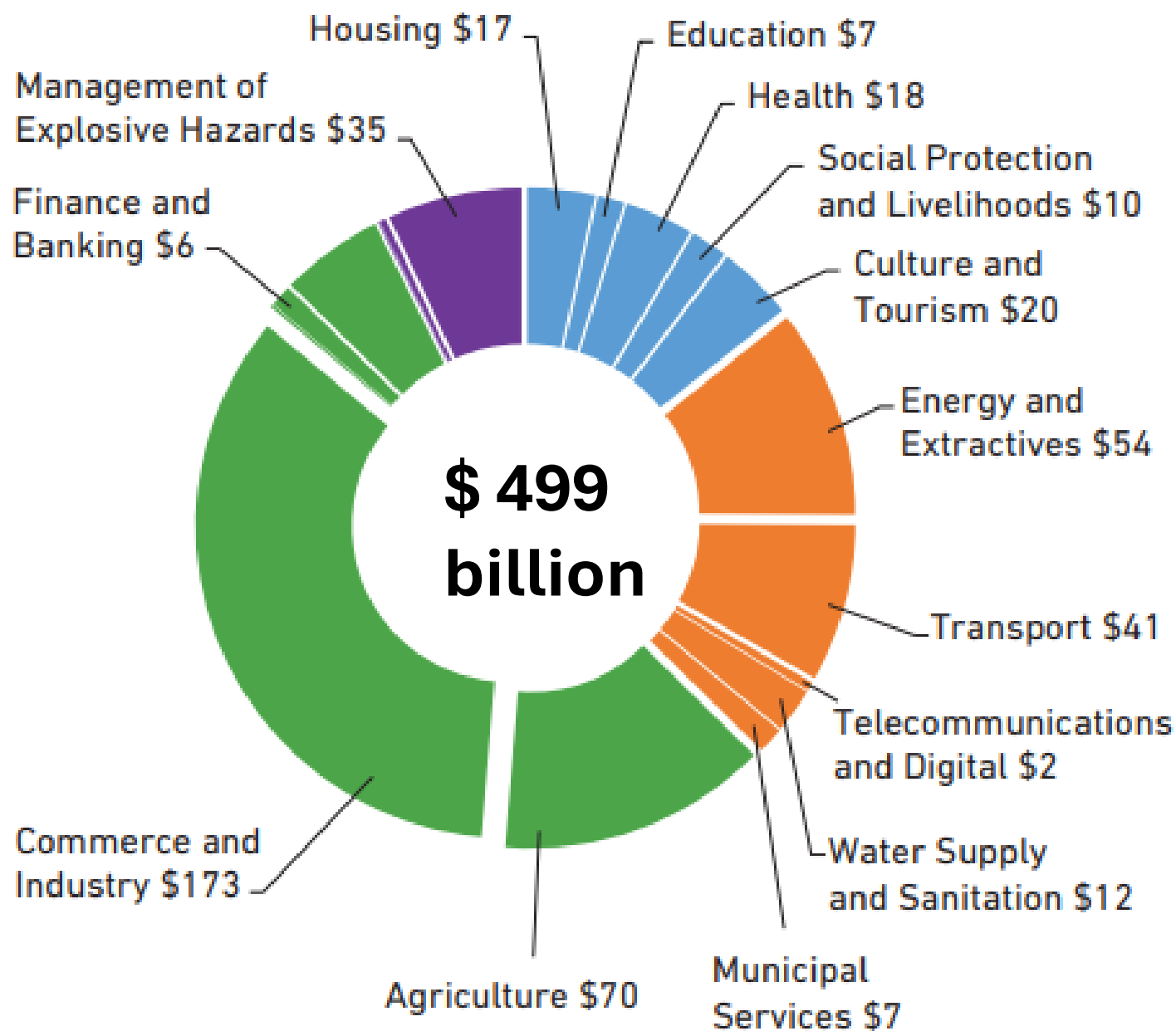


<https://data.unhcr.org/en/documents/details/112726>

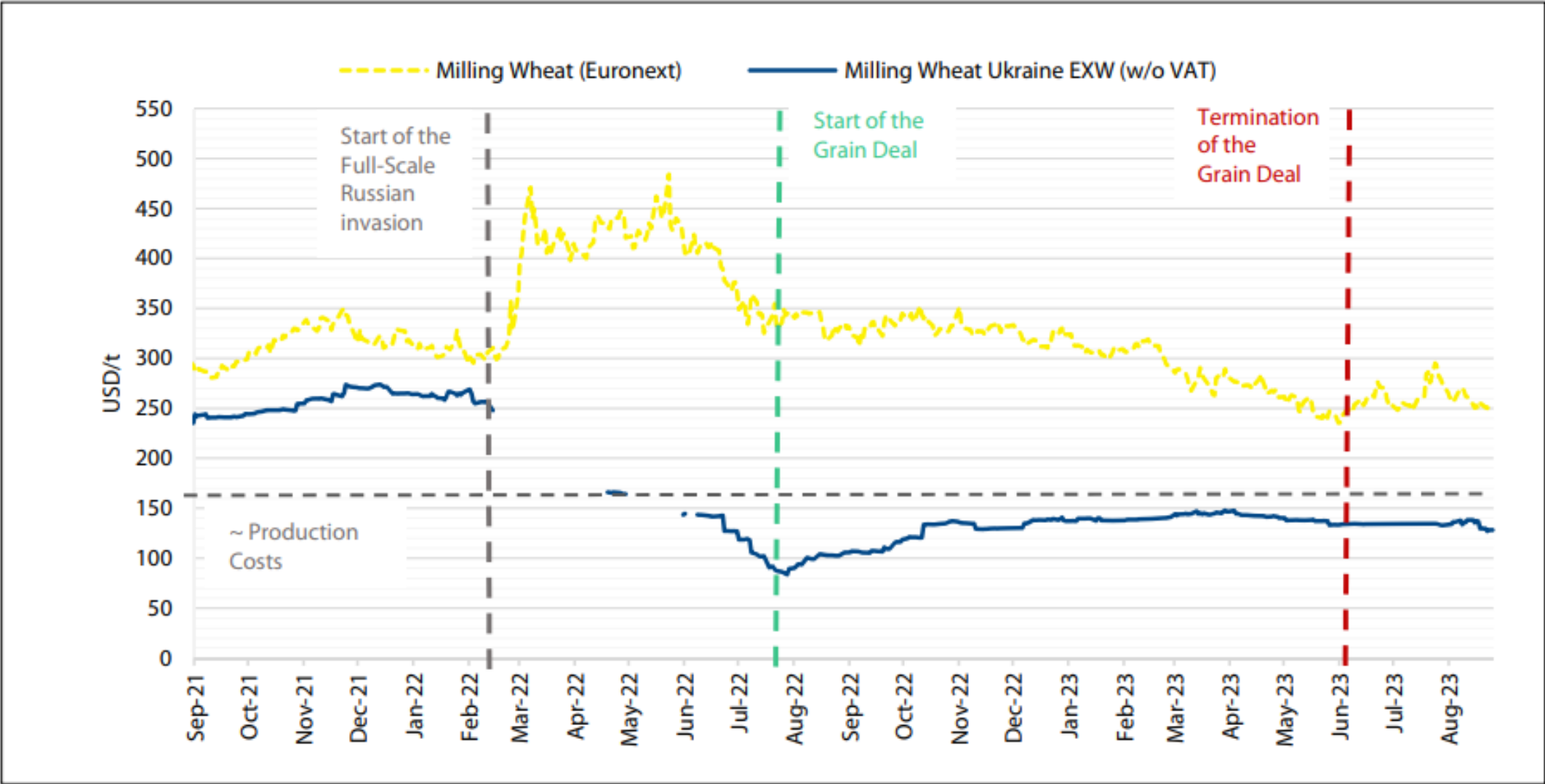
Ukraine’s civilian casualties



Total
Economic
Loss: 499
billion USD

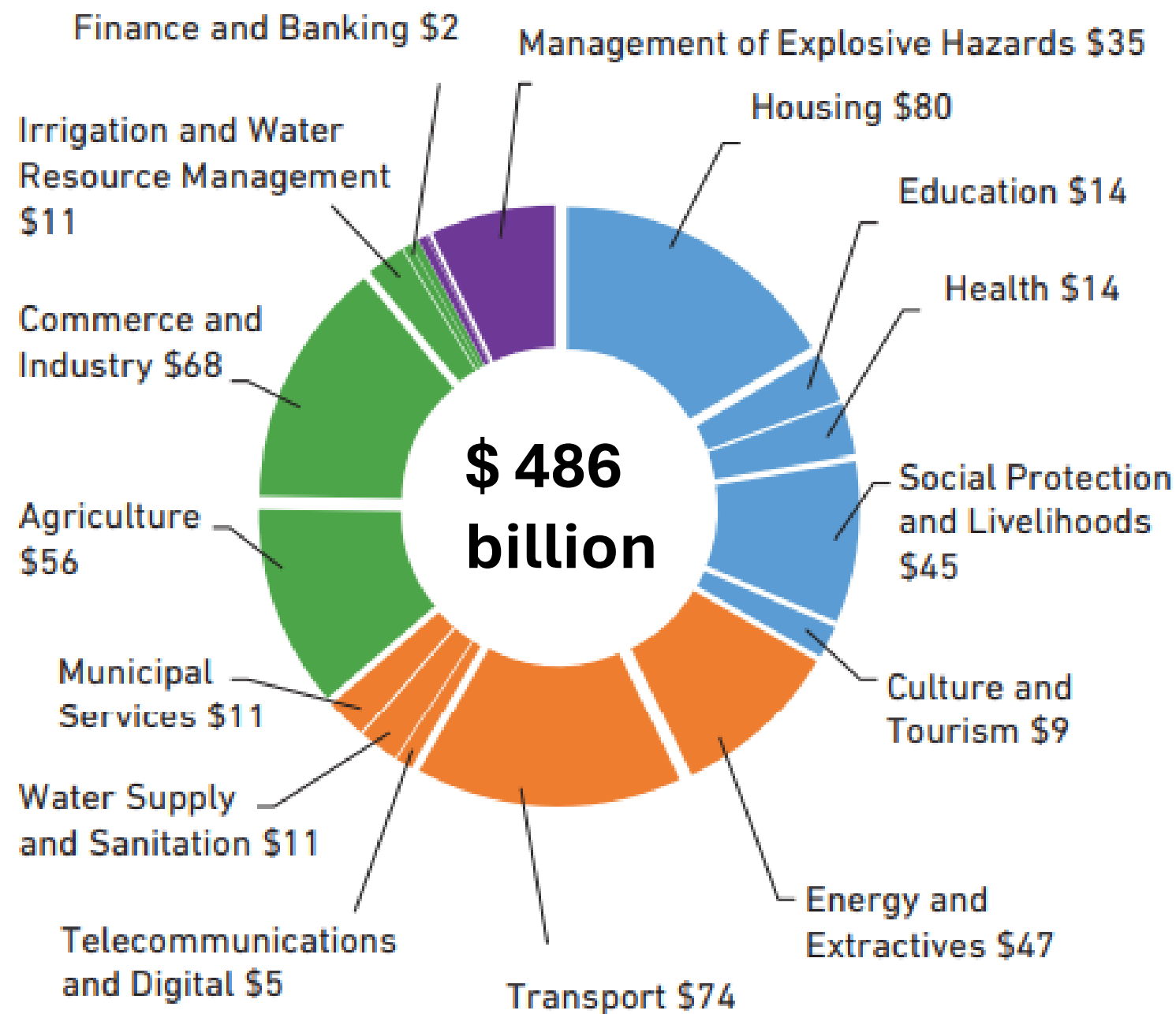


Total Losses: agricultural prices

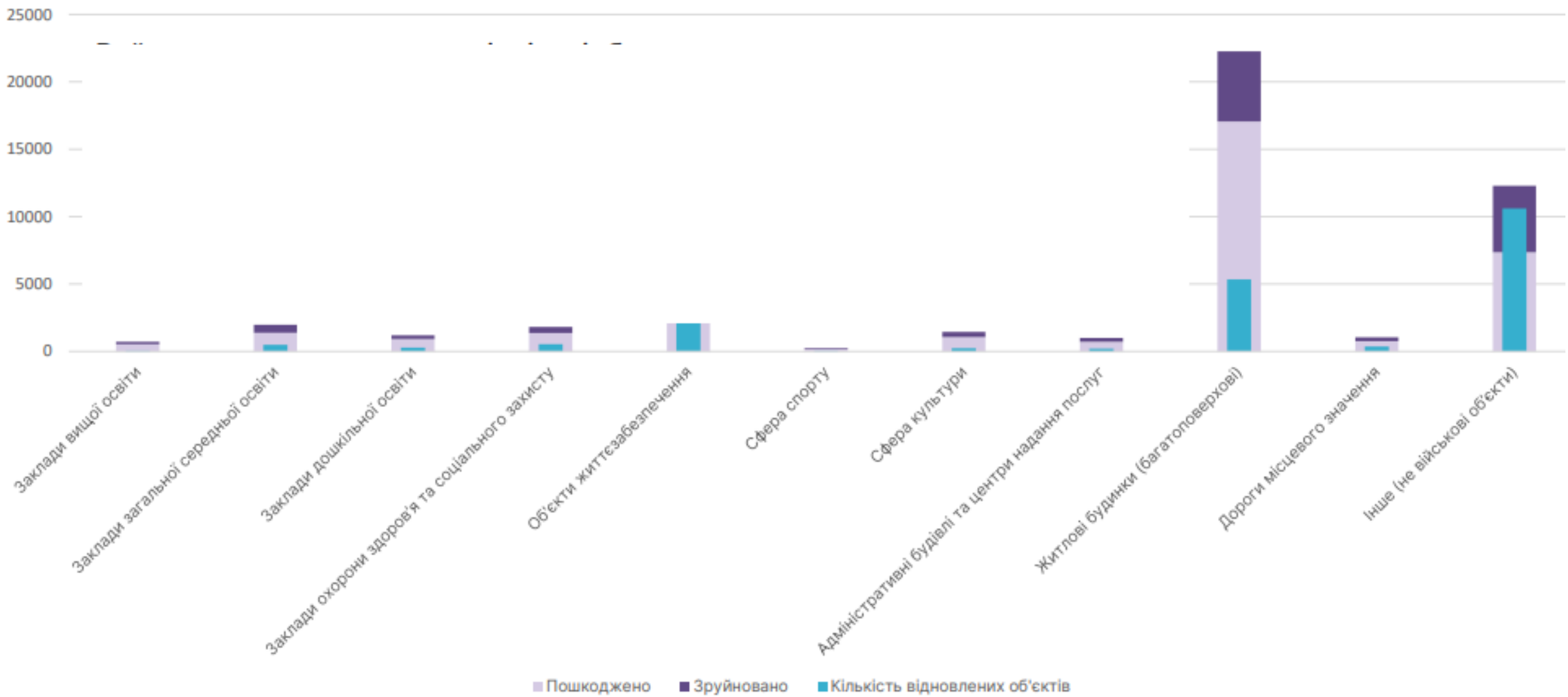


Nivievskiy and Neyter (2024)

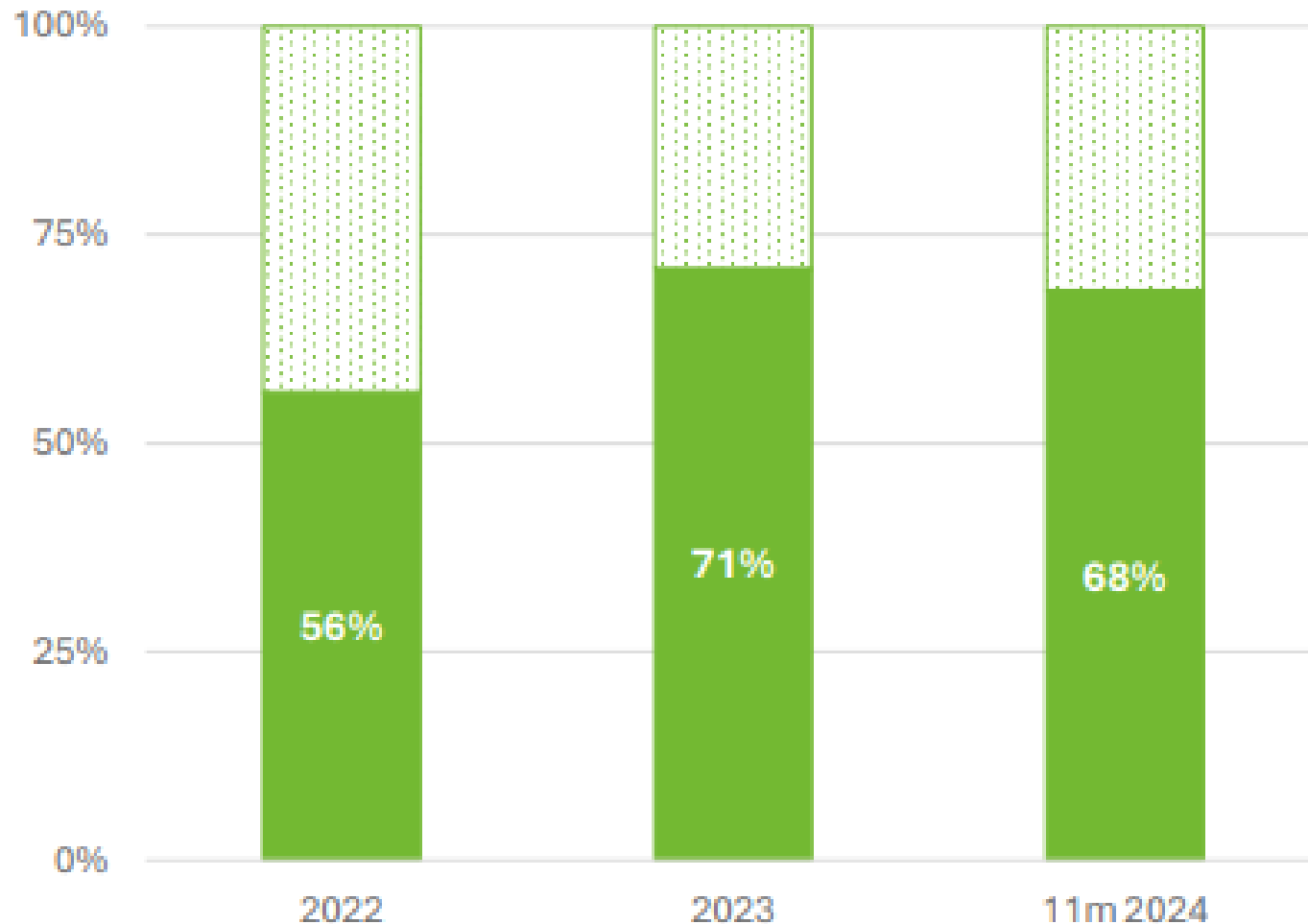
Total Recovery and Reconstruction needs: 486 billion USD



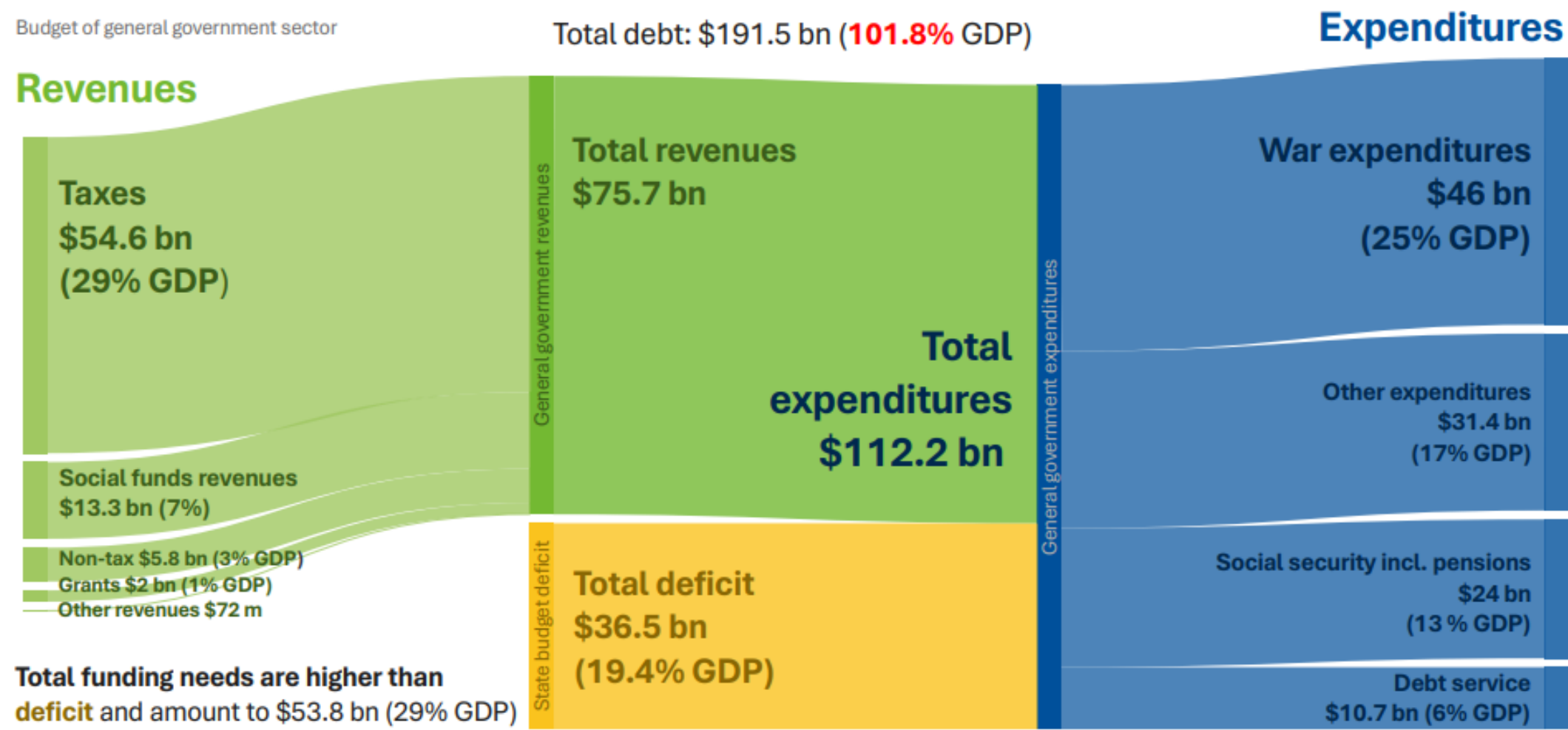
Reconstruction efforts so far



Foreign financing does not cover the State Budget Deficit



State Expenditures are way larger than the Revenues

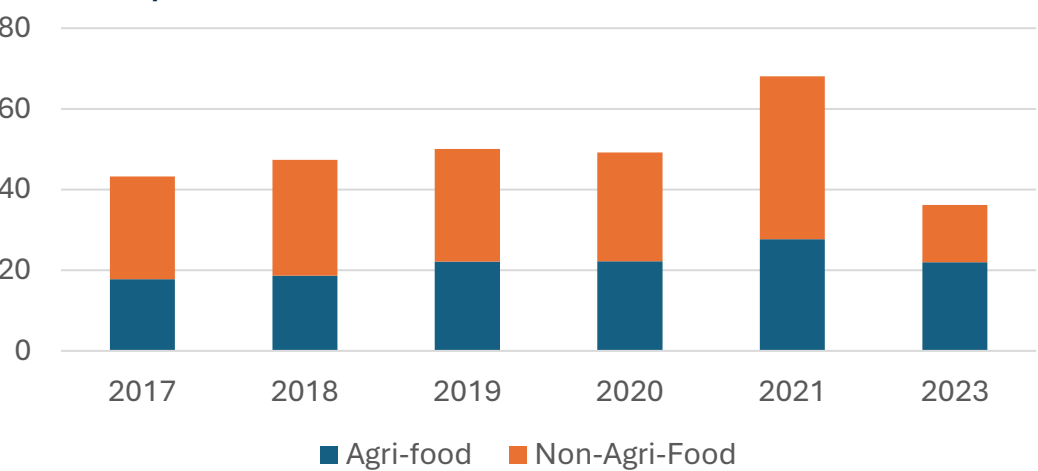


EU Accession of Ukraine – Elephant in the room

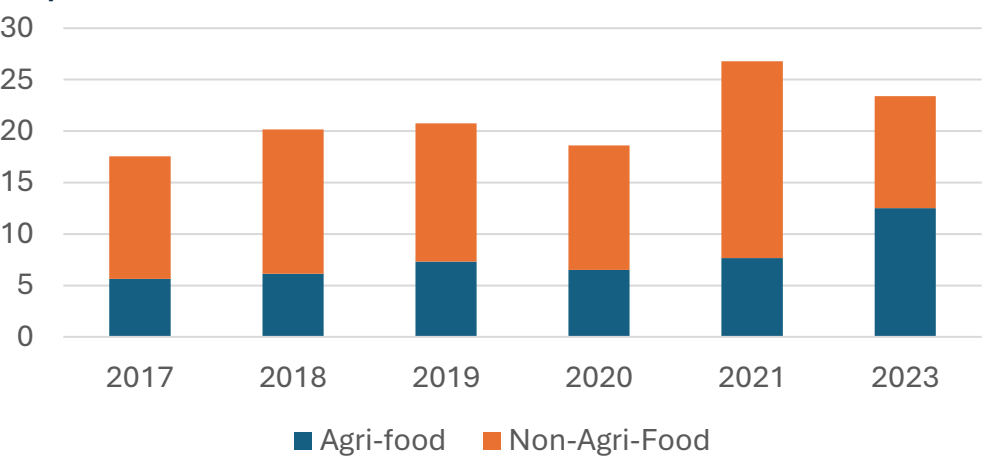
- [post-war] reconstruction to be aligned with the EU accession
- enormous challenges to align with the EU acquis
- Integrate green modalities to strike carbon neutrality
- How to strike the balance?
- Use-case: Agriculture

EU became a major trade partner of Ukraine

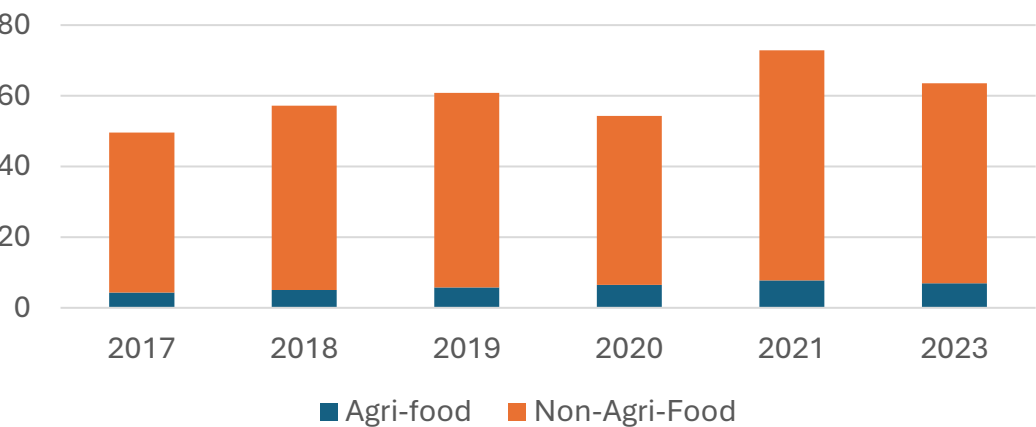
Total export from Ukraine, bn USD



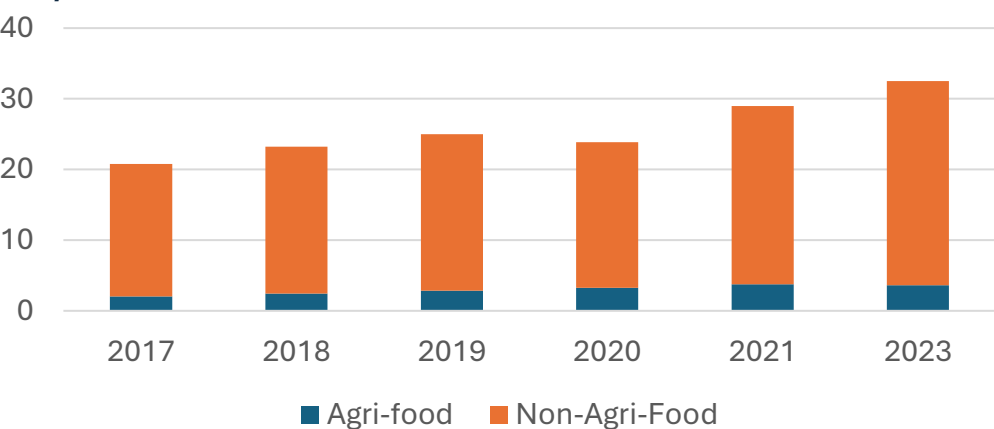
Export from Ukraine to the EU, bn USD



Total import to Ukraine, bn USD



Import in Ukraine from the EU, bn USD



EU Accession of Ukraine

- Political economy behind the EU enlargement inside the EU is very difficult
 - Accession negotiations opened in December 2023
 - May 2022: Solidarity Lanes and ATMs to facilitate exports from Ukraine
 - Afterwards: imports to the EU surged and neighboring countries(farmers) protested quite heavily and put a pressure on the EU Commission
 - This signals that the EU accession for Ukraine will not be easy
 - June 2024: ATMs (with emergency clause for 7 products) for another year; Next decision on ATMs is in spring 2025
- Ukraine's role as a global agricultural player and its contribution to global food security

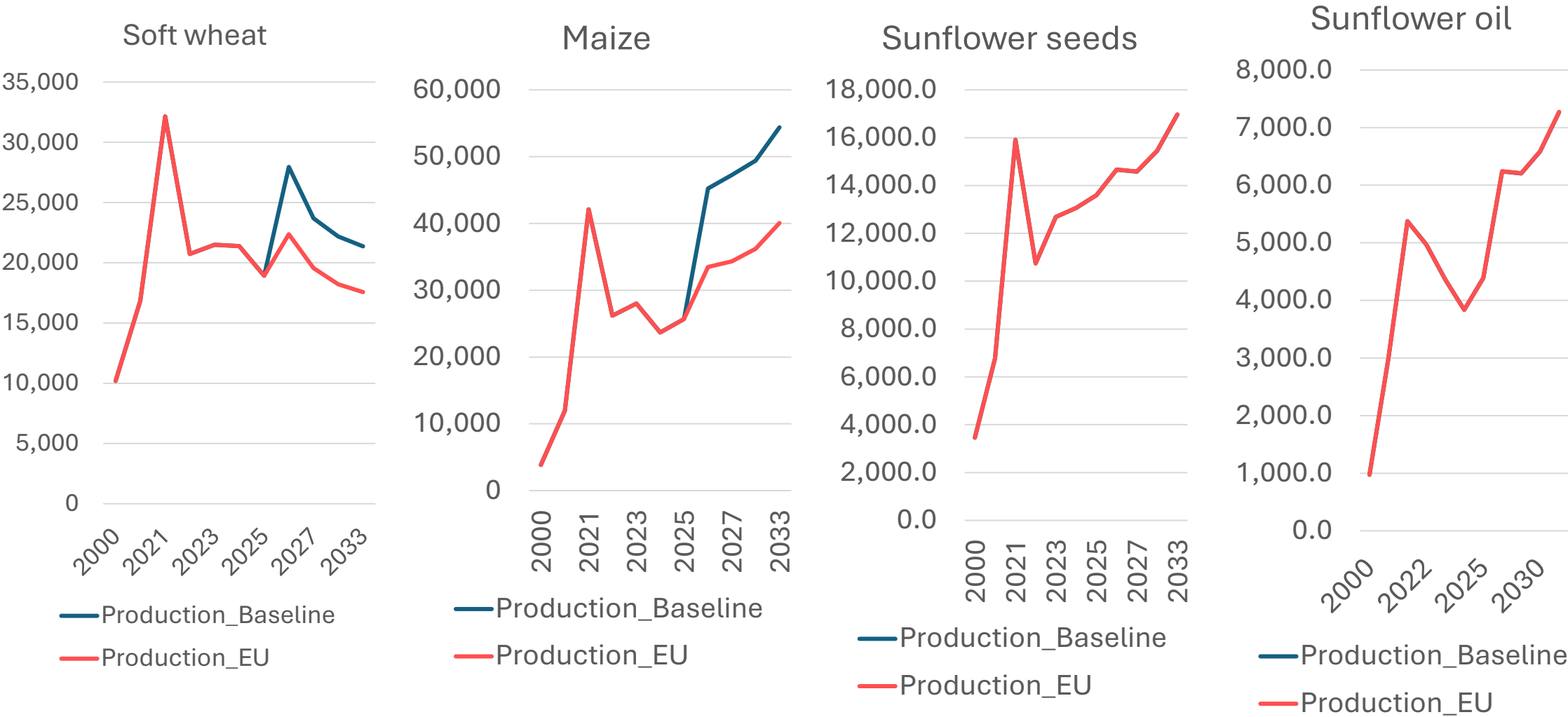
State institutions lack capacity. It might hinder EU accession and agricultural competitiveness

- Ukraine must be able to implement the extensive EU ‘agricultural acquis’ which, together with the CAP, includes regulation of markets and standards in the areas of farming practices, animal and plant health, food safety, and environmental and animal welfare.
- Current bottleneck – technical and financial capacity of state institutions in Ukraine
- If they work efficiently, they can crowd in private investments 1 to 4
- If not – additional burden for the business and a drag on competitiveness

EU agricultural acquis compliance costs might hinder agricultural competitiveness

- EU agricultural acquis+ CAP is very demanding
- Require additional private investments to comply with:
 - Expect up to 10% of the total costs (EU Commission 2014)
- Ukrainian farms have a capacity to increase their output by almost 20% and simultaneously contract harmful environmental impact by 16%

Trade modelling results using AGMEMOD model (in 000 tons)



EU CAP subsidies might hinder agricultural competitiveness

- Expected amount of CAP subsidies is 10-14 bn euros
- Politics:
 - CAP budget has been politically set to decrease
 - If there are no changes to CAP – other EU countries will get less
 - This will not fly politically
- Economics of subsidies: bad for efficiency and productivity
- Conclusion: Ukraine has to suggest an option to the EU

Conclusions

- War damages and losses are unbearable for Ukraine alone
- Ukraine continues fighting and shows resilience, but it needs further support
- Ukraine needs security to start full-fledge recovery
- Ukraine needs to strike a balance btw current reconstruction and recovery needs and sustainability
- EU accession as an instrument and support