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Ukraine Recovery and Reconstruction - A Project Too Important to Fail

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In this brief paper I reflect on some of the key issues around Ukraine's recovery and reconstruction as viewed from an investor perspective - from someone who has managed investments into Ukraine for more than 20 years, and covered Ukraine, as an analyst, for more than 30 years.

Winning the Peace Is as Important as Winning the War

The starting point for the discusssion should be an understanding of just how important it is to ensure Ukraine's succesful post war reconstruction and recovery. We simply have to get this right, and we have had 18 months of conflict to think through how we deliver a succesful recovery and reconstruction effort. There are no excuses for failure.

We should ensure Ukraine's succesful recovery and reconstruction, leading to eventually EU accession, since:

a) The Ukrainian people deserve this, after their huge sacrifice shown through this conflict;

b) The best future defence for Ukraine is ensuring that is has a strong economy, able to economically sustain its own defence and, in by so doing, the defence of Western Liberal Market Democray. We should remember that Ukraine is fighting this war not only in its own defence but also our own.

c) The succesful recovery and reconstruction of Ukraine, building a vibrant strong and healthy economy will be a clarion call to Russia, and Russians that their model of imperialist expansion, built on Kleptocracy, and now subject to international sanctions and isolation, is failing but that there is an alternative as demonstrated by Ukraine. It provides the best hope of positive change in Russia itself, which would ultimately be the best guarantor of European peace and stability.

Further, I would argue that Putin invaded Ukraine because he could not stomach a succesful Ukraine, as a member of the Western world, as an example to Russia and for Russians. Our best chance of bringing positive change in Russia is delivering a succesful Ukraine.

Consequences of a Failed Ukrainian Reconstruction Effort?

It is perhaps also salient to reflect on the consequences of us getting this wrong, the results of which would be:

- Ukraine would be unable to defend itself, so ends up subject to further Russian attack in the future. And Europe's security will suffer as a consequence;
- Risks to social and political stability in Ukraine itself as people ask what was the sacrifice for - note also here that, because of the war, Ukraine will be a major military power, awash with armaments, making the consequences of social and political unrest in Ukraine more worrying;
- Risks of huge out-migration from Ukraine to the rest of Europe, further stalling its economic development but also risking a social and political backlash in the rest of Europe.
- Russia wins - and it shows that violence and invasion pays, encouraging others to follow suit and making the world much less safe as a result.

The Scale of the Challenge Should Not Be Underestimated

However, while it is mission critical for European security to deliver a succesful recovery and reconstruction of Ukraine, the scale of the challenge should not be underestimated.

First there are the direct costs of the war, which will weigh on recovery including:

- Human costs - thousands of people have been killed and maimed, and out-migration of perhaps as many as ten million people from Ukraine, one quarter of the pre-war population. Many of these will not return, which will be a long run loss to the economy, and drag on longer term growth potential, especially the case as many of those who have left are the youngest, and most skilled/ talented;
- Huge damage to capital stock of the country - transport (airports, sea ports, roads, railways) and energy infrastructure destroyed and damaged, along with schools, health facilities. And the population who have migrated abroad will not return until this social infrastructure is rebuilt.
- Loss of productive capacity - mining and manufacturing facilities, particularly in the East of the country have been lost forever, including steel plants, coal mines, and large tracts of productive agricultural land left stricken with mines and unexploded ordinance;
- Economic costs - the last KSE/World Bank estimate put damage as of July 2022 at $349bn, but it may well have doubled since then, and might end up being closer to $1trillion, equivalent to more than five times Ukraine's pre war GDP, and 2.5% of the combined GDP of Western Liberal Market Economies.

- Financial impact - Ukraine has seen its public debtor debt ratios double to around 100% of GDP, debt service has been suspended (as per August 2022 agreement with creditors), while talk of the need for further future debt treatment will preclude Ukraine's early re-entry into international capital markets.

Second, let's not forget that Ukraine's pre war development lagged its regional peers: Polish, Russian and Ukrainian per capita GDP were all on par in 1991 at around $3k, but by 2013, Poland and Russia had seen theirs increase to around $14k, while Ukraine's was stuck at $4k.

Pre-war institutional constraints on development, which weighed on GDP growth and explains the development gap with its peers, included:

- Weak governance, not helped by a fractured and fractious political culture;
- State capture by oligarchic class;
- The lack of rule of law, and a judicial system that is still absolutely not fit for purpose, indeed a enormous constraint on economic development and the business environment;
- Rampant and ingrained corruption, petty and systemic;
- Absence of EU accession anchor.

While Ukraine has finally been rewarded with EU candidate member status, which should provide a template for reform, and perhaps its oligarchic class has been cut down to size, we should not be under any illusion that the weak institutional setting - weak governance, fatally flawed judicial system, absence of rule of law, and ingrained corruption will disappear overnight and because of the war. The hope is that tolerance for such failings amongst the population will be much more limited, and politicians will finally be forced to address these failings head on. But the experience from other economies in the region, emerging from conflict situations, is not particularly encouraging therein - the example of the Balkans wars of the 1990s is a case in point therein. And we have seen previous hopes of institutional reform in Ukraine dashed - first after the Orange Revolution in 2004/05, and then again after Euromaydan in 2013/14.

Who Should Pay, and Who Will Pay?

The first question to ask, given the immense cost, is how the recovery and reconstruction of Ukraine will be financed.

Options herein include:

- Ukrainian tax payers - but the lowly pre war per capita GDP of $3000 (one fifth that of Poland) suggests limited scope to fund reconstruction domestically. And why should they, given their huge sacrifices already in blood and resources.
- Ukrainian oligarchs - a good case could be made for a wealth tax, given pre-war state capture/graft, but many have lost productive assets in Ukraine as a result of the war (example would be Azovstal). They could be taxed to cover perhaps the low tens of billions in dollars in reconstruction costs, but not the hundreds of billions needed.

- Western tax payers - have already funded Ukraine's defence to the tune of $100bn, but are our political systems robust enough to sustain funding recovery and reconstruction at this pace, with competiting longer term claims on tax payer dollars? Inevitably once the war fades with a peace, Ukraine will fall down the list of priorities for Western taxpayer spend.

- Western creditors - if the war ends at the end of 2023, Ukraine's debt burden will have doubled to over 100% of GDP. Surely there is a good case for debt relief, but the burden will ultimately fall back on Western tax payers and pensioners - the largest creditors to Ukraine. Is this right when the war was not their fault, and where there is a store of frozen Russian assets to cover reconstruction costs? And if there is to be a restructuring of Ukraine's debts how is this likely to impact on the timing of Ukraine's re-entry onto international capital markets?

- Russia - should/can Russia be made to pay war reparations?

Russia has the ability to pay, with around $600bn+ in sovereign assets (half this sum frozen in Western jurisdictions), a low debt burden (20% of GDP) which could give it early market access after the war and the ability to borrow to fund reparations, and with energy exports of $250bn annually which could be taxed to fund reparations (see example of Iraqi reparations to Kuwait after the first Gulf war). Russia is no Weinmar Republic with GDP of $1.8 trillion, and per capita GDP of around $14k - we should not be worried about economic dislocation in Russia from paying reparations to Ukraine. Russia can afford to pay, and morally and politically the case is compelling.

The issues with getting Russia to pay war reparations have more to do with the legal basis in the West for transferring assets to Ukraine in a scenario where Russia fails to agree to pay such reparations, perhaps where there is no defining peace agreement but just a frozen conflict. Legal issues raised around using frozen Russian assets for Ukraine's reconstruction - include sovereign immunity concerns, concern that any move could constitute an erosion of the sanctity attack of private property rights and the rule of law in the West, and as a result perhaps could destabilise Western financial systems if other authoritarian regimes pull their assets from Western jurisdictions, fearful of similar treatment.

Some have argued that frozen Russian assets should be returned to Russia as a means to coax Russia back to the negotiating table - the moral argument for making Russia pay would though seem to be paramount. And critically perhaps, if Russia does not pay, who will? Ukrainian tax payers and oligarchs have limited resources. Making Western tax payers/creditors pay risks a political backlash in Western political systems. And hence the danger is that if Russia is not made to pay, Ukrainian reconstruction will simply not happen, or not at a pace to enable it to be economically/militarily self sufficient quickly enough to be able to repulse likely future Russian attacks. See back to above - costs if failing to win the peace.

So we again return to the imperative of getting Russia to pay reparations and thinking of the conditions most conducive to the private sector doing much of the heavy lifting.

We need to think through innovative solutions for allowing frozen Russian assets to be used for Ukrainian reconstruction.

- The best case solution would be for Russia to agree to pay reparations as a condition for reaching a peace settlement, and Russian market re-access, with reparations paid from frozen assets, a tax on future export earnings, or perhaps future borrowings on international capital markets by Russia.

- Assuming no such peace agreement then legislation would need to be passed in Western jurisdictions to allow the transfer of these frozen assets to Ukraine.
- Allowing the use of proceeds from investment returns on frozen assets. We might need to think innovatively. For example, why just invest in USTs and Bunds? Why not in higher yielding (EMBI+ pays 8%) EM bonds or Ukrainian bonds paying 50%. Liquidity issues can be resolved by issuing new Requisition Bonds where frozen Russian assets are used to buy newly issued Ukrainian debt. There is no transfer of ownership herein as Russia retains ownership of such newly issued Ukrainian bonds and assets are payable at par unless Ukraine opts to restructure these liabilities in the future. Terms can be added such as payment at par on condition of future peace agreement and agreement over payment of reparations.
- One can think of Brady bond style solutions, where frozen Russian assets are used as collateral for future borrowing by Ukraine for reconstruction. Insurance or pledges can be made by Western governments to provide assurance as to the future availability of the underlying collateral (the frozen Russian assets). Similar solutions have been suggested with the use of unallocated SDR allocations (see link to materials therein below). Frozen Russian assets would be allocated as collateral either on restructured Ukrainian debts or new issuance of debt - and the collateral would represent a first call on Russian frozen assets or money's first raised on Russian re-entry on international capital markets. Sanctions would remain in place until reparations were paid.

Issues to Consider When We Think of Private Sector Involvement?

The private sector is not a magic money tree - as some in our government sector seem to think. Note here the plethora now of G7 government backed conferences focusing on private sector involvement in Ukrainian reconstruction.

The private sector tend to follow governments in countries coming out of conflict, rather than lead - see recent example of Iraq. We should not assume that the private sector will easily fill the void left by a reluctance of Western taxpayers to pay, or legal constraints in using frozen Russian assets.

Preconditions for private sector involvement in Ukrainian reconstruction:

- The security setting should be significantly assured;
- Macro stability should be assured - admittedly signficantly achieved post the 2015 reforms, and anchored by a new $15.6bn IMF programme;
- A clear EU accession perspective is important, with a time set for entry (this was absolutely critical when the Treaty of Copenhagen in 1994, gave a decade on, 2004, for the entry of the likes of Hungary and Poland).
- Ukrainian international capital market access should come back on stream ASAP (therefore we need an early agreement on a way forward with creditors);

- The right institutional setting - who is the best partner for foreign private capital? Herein should we be thinking of a Ukrainian ministry of reconstruction, a foreign MDB (EBRD) acting as a coordinator, or perhaps a joint G7-Ukrainian government owned sovereign wealth fund, perhaps part owned by the private sector (see recent Blackrock initiative, and my own AURA ideas as Appendix A below)? I would argue the latter for a range of reasons:
    - A joint Ukrainian/G7 owned sovereign wealth fund entity would best assure good governance and accountability around distribution of likely hundreds of billions of dollars in reconstruction funds, and most efficient/effective distribution/use;
    - Such a fund would be the best trusted partner for foreign private business which, remember has had a torrid experience over more than three decades working in Ukraine before the war;
    - Such a fund would have weight/leverage to champion reform causes for private business - it could help push the legislative and regulatory agenda forward;
    - Such a fund could access international capital markets on its own account, cheaply and likely before the Ukrainian sovereign return to market;
    - Unlike MDBs, such as EBRD and the World Bank, which have too diverse ownership structures (including Russia) and priorities/lending beyond Ukraine, a new Ukraine reconstruction focused institution would send a stronger political signal as to the importance of the project and would not be distracted by its broader developments objectives.

See links to various related Substack pieces

Ukraine - Reconstruction, reparations and the outlook

Make Russia pay

SDR reallocation can solve Ukraine's debt problem

The Ukraine reconstruction mandate is too big for the EBRD

Allocate frozen Russian assets to Ukraine Now!

Ukraine

Ukraine - how to pay for the war?

Ukraine reconstruction

See Appendix A for further detailed discussions around this issue.

Appendix A

Timothy Ash, July 2022.

Ukraine is fighting back against a viscous attack by Russia following its invasion on February 24, and even before that with the annexation of Crimea in April 2014 and the first Russian attacks on Donbas also in 2014. But we should not forget that the war in Ukraine is not only an ATTACK ON Ukraine but also on US and OUR very SYSTEM of Western Liberal Market Democracy. Putin has made this clear now through a long track record of malign actions against the West and it's allies, including the invasion of Georgia, Transdniestr, Crimea, Donbas since 2014, use of WMD in Salisbury and on Litvinenko, cyberattacks and election interference on Western democracies, and now the on-going energy war being waged by Russia on Europe. This is not only Ukraine's war but ours. Our very system of governance is at risk, but the front line is Ukraine.

It is important that Ukraine is able to defend itself, hence the importance of military supplies and financing it's day to day budget needs. But as important as Ukraine winning this war is also ensuring that it wins the peace. Russia must see that aggression does not pay, but that our system of Western Liberal Market Democracy will enable Ukraine to rise back from the ashes.

And therein it will be important that Ukraine rebuilds rapidly and successfully.

Important, indeed landmark, steps have already been taken here, including the provision by the EU of candidate member status to Ukraine. The importance of this step should not be underestimated as we have seen how over the past 30 years or so, the EU accession anchor has enabled successful transition across Emerging Europe. EU candidate member status will be hugely important in providing an anchor, a template/blue print and a driver for reform in Ukraine, as it already did in Poland, the Czech Republic and others.

But the shear scale of destruction in Ukraine, wrought by Russia, is simply immense. Estimates by the Kyiv School of Economics have put the losses to Ukraine, in infrastructure and lost economic output, at close to $750 billion as of June, and rising on a daily basis. It is hence not inconceivable that the total reconstruction bill will total close to $1 trillion. This is a huge sum, and exceeds even the post war reconstruction in Germany after WW2 and funded thru the Marshall Plan, West German investment in East Germany after the fall of the Berlin Wall and administered through the Treuhand, post war reconstruction in Iraq.

One trillion dollars represents five times Ukraine's pre war GDP, and around 2.5% of the combined GDP of Western market economies. That might sound small when perhaps finnancing is spread over a decade but given the fraught political environment in Western democracies - with the rise of populism - it's a hard sell to present the case for Ukraine's reconstruction to be funded entirely by Western taxpayers. Even though a strong case can be made for any Western official financing in that Ukraine presents a critical buffer against inevitable future Russia aggression - spending on Ukraine will face competing claims especially in the midst of a European energy and global cost of living crisis. The focus should be on the fact that Ukrainians have proven willing and able to fight and fend off Russian aggression, and Ukraine is the front line now for the West against Russia. Investment in the rebuild of Ukraine should therefore be sold as an investment by the West in its own defence - every Russian tank destroyed now by Ukraine is one less for NATO to have to confront down the line. But a successful and vibrant Ukrainian economy would not only be better able to fund its own defence, but I think would be an example of success for Russians themselves to eumulate. Russians might themselves want similar economic success, and more political freedom and might contemplate regime change at home. Hence our best chance of stopping the threat from Russia is to ensure that Ukraine is successful and a positive role model for Russia itself.

All this said, a dose of realism is required, as the shear scale of Ukraine's rebuild costs and likely rival spending pressures on taxpayer dollars, euros or pounds, means that other financing sources should be identified beyond the official sector. Yes, there will be roles for the multilaterals, the IMF, World Bank, et al, but they do not have the financial firepower or the specific mission for the role of rebuilding Ukraine as a bulwark for the West against Russian aggression. Nor are Western tax payers in a state to fund the scale of the financing required.

With the above constraints in mind, we need to think outside the box - even reinvent the box itself - to ensure success.

The first and most obvious source of Ukraine reconstruction costs should be frozen Russian assets - some of the circa $400bn in assets frozen and held in Western jurisdictions. The moral case for drawing down these funds to finance Ukraine's reconstruction is absolutely compelling - Ukraine suffered an unprovoked attack, a land grab by Russia, and it is Russian missiles which are destroying Ukrainian lives and infrastructure. Each dollar of destruction wrought by Russia should be paid for by Russia. The political will seems to be there to allocate these funds (see the recent G7 communique) to Ukraine, albeit it might take time to change legislation to facilitate the allocation of these funds to Ukraine. This will happen. It has to happen.

The second alternative source of financing is the private sector in the West and also in Ukraine.

The logic for Ukrainian private sector institutions to invest in their own country's reconstruction is obvious - and the hope will be Ukraine's bevvy of rich oligarchs will put their money where their self interests should be. They have spent years accumulating and exporting capital - many might argue in a warped and corrupted Ukrainian business setting prior to the invasion, that now needs to change. Now is the time for them to bring their money home.

Perhaps for some it is less obvious as to why Western big business should invest in Ukraine's reconstruction. But I would argue the case is also compelling. I would argue that Western big business should have as much interest as Western taxpayers in investing in Ukraine's reconstruction as they too should recognise that this is about regime competition, about the survival of the system of Western liberal market democracy in which their businesses were built and allowed to flourish. They should recognise that this system is now under attack from Putin's system of fascist kleptocracy - surely now laid bare with the energy war being waged by Russia against the West. Western big business should have an interest in ensuring the survival of the system that provided the base for their own success. And where better to start in pinning their colours to the defence of Western Liberal Market Democracy than in Ukraine?

Think of this as the equivalent of a Minsky Moment in terms of the survival of our systems.

But self interest should also ensure strong involvement of the private sector in Ukraine reconstruction, if indeed the rebuild bill will be in the order of 1 trillion dollars. Western companies who pledge to assist in the Ukraine rebuild should benefit from participation in contracts and financing projects and the expected sharp and rapid recovery in the Ukrainian economy. Huge amounts of money will be spent in Ukraine and large returns reaped. That should be an incentive for most to get involved.

For many Western businesses, investment in Ukraine also provides an opportunity to improve their global image - some sullied by investments in Russia, and their slow move to exit their investments in Russia. Companies increasingly say that ESG is central to their business decisions. Helping Ukraine's reconstruction, and the defence of Western Liberal Market Democracy in Ukraine should be the ultimate ESG play. Western big business should invest in Ukraine as it's the right thing to do - to push back on fascism. It is their moment to show where they were when there was a need to stand up and be counted against a regime conducting war crimes and genocide?

And for those that are the target of social media campaigns calling them out for their investments in Russia, how better to rebuild sullied brands than than by signing up to pledge funds to Ukraine's reconstruction?

The Moral Rating Agency recently identified some of those that could do better, and could help assuage their consciences by investing in Ukraine.

See https://moralratingagency.org

We should be ambitious here, and perhaps assume a one third each split between Western official sector support, draw down of frozen Russian assets, and private sector involvement. But we should be thinking of sums of the order of $300-400bn to be pledged by the private sector. Put differently, this is the scale of support that is required to make Ukraine successful. And remember that this is an investment in our own defence.

But how can Western big business help?

We would hope that Western banks and corporates understand the importance of Ukraine's succesful reconstruction - the message that will send about the durability of our system of Western Liberal Market Democracy.

Long term investment pledges

Thinking of the practicalities, this might well take the form of big banks and corporations making pledges to Ukraine's reconstruction over the next ten years, once the war ends. It's not difficult to imagine the West's largest banks (JPM, GS, MS, BAML, Citibank, HSBC, Jefferies, Barclays, BNP, Soc Gen, DB, Commerzbank, Nomura, Danska, Swedbank, Santander, Halifax-BOS, RBC, BOM, et al, but that's $20bn already) pledging $1bn each to finance Ukraine's reconstruction - small change relative to the size of their balance sheets. This does not have to be towards meeting the country's immediate budget financing needs but could be pledged to finance or co finance long term bankable projects put together by IFIs, Western governments in partnership with the government of Ukraine. They will be making a long run commitment to Ukraine. That's the point. It shows commitment, and will encourage others to follow. It will build momentum.

Investment pledges should not be limited to the financial sector, but sector should as defence, IT, infrastructure, communications should all have a huge interest in pledging to support Ukraine's reconstruction.

The reality is that Ukraine will be a front line state in the West's defence for years to come. The West and Ukraine will make huge investments into its defence sector - likely totally hundreds of billions of dollars a year - why should n't defence companies which will likely make huge profits from supplying arms now to Ukraine and NATO, as defence spending in the West multiplies, also have an interest in ploughing some of the profits that will be made, back into Ukraine?

Similarly, huge sums will be spent in rebuilding roads, schools, hospitals and residential housing stock - Ukraine lacks the capacity to undertake much of this, so Western private sector companies will likely secure multi billion dollar contracts for reconstruction. If these companies want part of that business they should also pledge funds for Ukraine's longer term reconstruction.

And Ukraine and Ukrainians have shown remarkable ingenuity throughout this conflict, using and adapting Western technology to great effect. They have shown they have a highly educated and innovative population which has huge potential to be an innovation and IT powerhouse, like Israel, Taiwan or South Korea. Why should Western companies engaged in these sectors also want to commit to Ukraine's reconstruction.

There will be lots of talk about donor conferences, and we recently had the Lugano conference. But this was mostly for the official sector. But our governments need to convene a private sector big investors conference - name and shame the big Western corporate and banks, which normally attend Davos to turn up and pledge. If they go to Davos they should be challenged why they are not attending the Ukraine private sector donor conference. Do they not care about the survival of Western Liberal market democracy?

One can imagine such pledges building up, and providing a big ticket envelope of investment pledges which can capture the headlines.

But surely the experience of the last 31 years of Ukrainian independence and indeed the past six months of Western donor support is that there is a need for strong coordination between public sector donors, but also with the private sector. But for private sector pledges to be realisedin practice there needs to be a strong institutional setting, or structures, put in place to coordinate and plan what will be a huge reconstruction and financing need. If you create the right investment environment in Ukraine, there should be no need to press gang the private sector into investing in Ukraine - the opportunity should be self evident. And for this, the right institutional setting needs to be created.

The right institutional setting

As per the Treuhand in Germany, or the National War Fund which helped channel US support to UK reconstruction after WW2, one could image a secretariat (Entity X - I am going to call it AURA, the Agency for Ukraine's Reconstruction and Accession to the EU) formed for Ukraine reconstruction funded perhaps thru a levy of a small percentage of funds pledged from the public and private sectors, or even a PIK bond as below. The job of the secretariat would be to administer pledges, coordinate assistance, identify and develop bankable projects, raise funding on its own behalf, even act itself as an equity investor (as per development banks and institutions such as the EBRD, or sovereign wealth funds) but also to act to lobby for reforms in Ukraine, to ensure the right environment to promote business development and private sector investment.

The combination of EU accession, a large reconstruction and development fund, particularly focused on promoting and leveraging private sector investment will surely be powerful in pushing forward changes to the rule of law and governance to ensure business flourishes. This project will aim to join up all the dots, to deliver rapid and meaningful economic development in Ukraine as the best foil to Russian aggression towards Ukraine and the West.

Rather like entities like the EBRD, AURA will be owned by a group of shareholders, likely to be the Western nations initially pledging support to Ukraine, but also Ukraine. One could imagine majority ownership being held in trust by donor countries, until some point in time (ten years hence?) when the entities' ownership fully reverts to Ukraine - and likely by then it will function rather like a sovereign wealth fund. Initial Western ownership will encourage good governance, credibility and trust, key to generating and multiplying investment into Ukraine. It will have a board of directors nominated by shareholders, an Executive Management team, and a cadre of professionals working to identify financing sources, identify and develop bankable projects, develop debt and equity financing models and vehicles, provide research, but also help promote an improved, international best practice business environment in Ukraine, which will act as a beacon for private sector investment.

Because it will likely emerge as the biggest investor in Ukraine, it will have leverage to push forward change in the business and legal environment, required to provide the multiplier effect for private sector investment to flourish.

Debt & equity financing

The precence of AURA be a key partner of and assurance for private sector investors in Ukraine. It will be their partner in investments, obligor for potential fund raising, and lobbyist for reform and agent for change and transformation in Ukraine.

One could imagine AURA issuing its own debt, perhaps initially guaranteed by shareholders (Western donors).

Going back to the private sector, AURA, and think of fee/funding structures one might be the issuance by AURA of long term (30-50 year) sovereign/reconstruction PIK bonds, say offering a 4% coupon but with NPV loss equivalent to direct aid. Foreign investors will, for example, pay $60m as their "pledge but can only sell at $10m in the secondary market, so their initial contribution will be the $50m. The funds raised could provide the initial start up capital for AURA.

AURA can be an equity investor in investments, rather as sovereign wealth funds do throughout the world, and as per development banks such as the EBRD.

Could one even imagine the private sector being offered an equity stake in AURA itself? If AURA is ultimately being developed as a sovereign wealth fund, managing assets of Ukraine on behalf of the state, how about earmarking 10-20% of the long term ownership of AURA, for big private sector entities, such as Blackstone, Blackrock, JPM, et al. They would pay/buy a stake up front, but get a seat in the board, and be seen as a long term partner for Ukraine. If we can think of ultimately a $1 trillion fund, an initial 10% stake could be auctioned with a reserve price set in the $10-50bn range, in upfront cash. For such a commitment you are getting a seat in the board, an eye/input into the country's long term development, and an ability to be involved in the best projects going forward. Think of it as premium membership in the Ukrainian recovery and success story. Imagine the positive ESG spin.