THE BROOKINGS INSTITUTION
WEBINAR

UKRAINE’S ECONOMY: TODAY’S CHALLENGES, TOMORROW’S NEEDS, AND LESSONS FROM PAST RECONSTRUCTION EFFORTS

Thursday, December 15, 2022

WELCOME:

DAVID WESSEL
Senior Fellow and Director, The Hutchins Center on Fiscal and Monetary Policy
The Brookings Institution

PANEL 1:

DAVID WESSEL (Moderator)
Senior Fellow and Director, The Hutchins Center on Fiscal and Monetary Policy
The Brookings Institution

BEATRICE WEDER DI MAURO
President, Centre for Economic Policy Research

YURIY GORODNICHENKO
Quantedge Presidential Professor at the Department of Economics, University of California, Berkeley

VLADYSLAV RASHKOVAN
Alternative Executive Director, International Monetary Fund

PANEL 2:

CONSTANZE STELZENMÜLLER (Moderator)
Senior Fellow and Director, Center on the United States and Europe, Fritz Stern Chair on Germany and Trans-Atlantic Relations, Brookings

BRIAN D’SILVA
Retired US Government, Consultant

HAROLD JAMES
Claude and Lore Kelly Professor in European Studies, Princeton University

HIDEKI MATSUNAGA
Director General, Middle East and Europe Department, JICA

* * * * *
Greetings, everyone. I'm David Wessel, director of the Hutchins Center on Fiscal and Monetary Policy at the Brookings Institution. I want to welcome the online audience to our conversation today on Ukraine's economy, today's challenges, tomorrow's needs and lessons from past reconstruction efforts. I want to focus on three quick questions. One, why are we focusing on the Ukraine economy when there's so much else going on in Ukraine militarily? The answer is that we think that's where we can add some value in the conversation. And elsewhere at Brookings and in other think tanks and other forum, people are talking about both the humanitarian crisis in Ukraine and the military and national security issues. Second question— and we got this already from someone online— isn't it premature to focus on organizing the recovery and reconstruction of Ukraine given that the war is still going on? It's a good question, and I think the answer is that we know that someday, the war will end. And we also know that internationally, governments and international financial institutions take a long time to get themselves organized. So it's appropriate to begin thinking about those issues today so we're prepared. And finally, some people ask, is there too much focus on Ukraine, given what's going on in the world? Are we neglecting the humanitarian crisis in Haiti or the floods in the Democratic Republic of Congo or what's going on in Tunisia or the issues in Venezuela? And the answer is no, we're not ignoring those.

But today we focus on Ukraine for two reasons, I think. One is we are facing public policy choices today about how to organize aid to Ukraine. And secondly, we have to be honest that Ukraine is fighting not only for its national sovereignty, but for the West in a battle with Russia, which makes it particularly a timely conversation. So we have two different parts of today's program. The first part, which will begin shortly, we're going to focus on some issues on Ukraine's economy today and governing and financing international aid. And we're going to draw from an excellent new book from my colleagues at the Center on Economic Policy and Research in London, it's called Rebuilding Ukraine: Policies, Principles and Policies, which is available on our website.

And then secondly, my colleague at the Center on Europe and the United, and the US and Europe, Constanze Stelzenmüller, who is jointly sponsoring this event, will moderate a panel where we're going to discuss what lessons we can learn from past reconstruction efforts: the Marshall Plan, Iran, Afghanistan and South Sudan. She'll have more about that later. So at this point, I'd like to call first on Beatrice Weder di Mauro, who's president of the Center for Economic Policy Research, is going to give a brief introduction. And then we're fortunate to have two of the authors of that book,
Yuriy Gorodnichenko, who's a professor of economics at the University of California, Berkeley, and Vladyslav Rashkovan, who's at the International Monetary Fund, whose chapter on the book focuses on one of the central questions we address today, which is how should the international community organize aid for Ukraine? So with that, I turn the virtual microphone over to Beatrice.

Beatrice Weder di Mauro [00:12:48] Thank you very much, David, one for doing this, organizing this webinar on the Ukraine and for speaking to an American audience. My role here is to do two things. One is give some background on Europe, where I am sitting and based. And second, speak some background on the CEPR and why we did, what is the background of this particular book that you will be discussing later on. So this could have been a really good year. So we have the pandemic that was finally receding and we learned to live with the virus to some extent, and the economy was picking up. In Europe, certainly everybody was feeling quite upbeat at the beginning of the year, despite the fact that there was a new wave, etc. But then, but then this huge shock, the size of this shock, namely the Russian invasion of the Ukraine, cannot be underestimated. It not only, it demolished many of the very long held beliefs that have to do with the fact that there could be no more war in Europe and in European so, on the Northern European plain, which has been a place where, there have been many armies over the last 200 years that were going in both directions between Paris and Moscow. It demolished the idea that trade and, and integration, economic integration, would prevent open hostilities and that the integration of global value chains would somehow, you know, scrambled omelet in such a way that the costs of unscrambling would just be too high.

Now, all of those things have been called into question. And again, you know, Europe is at the center of the storm. The Ukraine is, in the Ukraine there is the storm, but Europe is just next door and but the rest of the world is also facing, in my view, something of [speaks German], which is the word that the German chancellor used to characterize a new era where old beliefs, in fact, have been, have to be left behind, and the new world looks much more at what some people have called the 3Ds. There is going to be a much, much bigger role for defense, there is going to be a, an increasing focus on reducing dependance in various directions, what that means for globalization will still be, have to, have to be clarified over time. And in Europe, certainly, there is a clear view that becoming less dependent on energy from Russia will mean accelerated decarbonization.
Now, the Ukraine in the first, in the first, and you do remember that in the first instance, there was a huge wave of refugees from the Ukraine that were coming to Europe and were, were, I would say, really embraced with open arms. But right away, already in March, at the Center of Economic Policy Research and you should know that this is a network of economists over 1700 by now, so it is similar to the NBER, but not only European, but also global. And at the Center for Economic Policy Research, we thought, how do we, how can we mobilize intellectual capacity, this huge intellectual capacity, which is in this network and put that somehow at the service in helping within this, helping with this huge crisis. And it was already then Yuriy who took the lead in organizing, putting together a group that published a first rapid response report that was about principles on how to rebuild the Ukraine. And then we were talking about a very, very early time. There was still a lot a lot of uncertainties. And yet some of the principles on how to deliver aid are, in fact, still valid today and very happy to see that the G7 statement from this week, in fact, is taking some of them on board.

The Paris Report, which is the name of the book that we are discussing today, is a much bigger effort. It's a, almost 500-page report which covers many different sectors, many different issues. It goes about institutional building, about, soft and hardware, energy, labor markets, etc., Yuriy be going into some detail there. Let me also just state something on the question of when is it, is it premature? Do we have to wait until all hostilities have stopped in order to start rebuilding? And the answer is clearly no. Not only for the reasons that you mentioned, David, that there has to be a plan and that it has to be, that it has to make sense. That requires already now not only thinking ahead but planning and coordinating ahead. So donor coordination is absolutely essential if we want to make, if we want to make this aid and transfers effective. But it's also important to give a direction. And the direction seems to be for the Ukraine, one that was not so clear some years ago that the direction is for the Ukraine to come into the fold of the European Union. And therefore, there is a, as a, as a accession country, there is a lot of anchoring, commitment and anchoring, both in terms of how to rebuild, but also in how to redesign institutions that can be very helpful in this process and that already has to be deployed now.

Last but not least, it is also important to rebuild now, what is being destroyed, critical infrastructure that is being destroyed and that which people need in order to get through the winter, there is no question of waiting until the war is over. Many things have to be and there are areas of the
Ukraine that need needs to be rebuilt now and others that where, where and Yuriy is going to go more into that, where people will probably move out of. And last but not least, one reason why we need to be thinking not only thinking but acting also on rebuilding the Ukraine now is to give hope for those people who are now bravely in the dark and in the cold. And it's, it's, it's winter in Europe now. Winter is no longer coming. Winter is here. So thank you very much.

David Wessel [00:20:04] Thank you very much, Beatrice. And now Yuriy, the floor is yours.

Yuriy Gorodnichenko [00:20:10] Thank you. Thank you, David. See if I can share my slides.

All right. So in my very brief remarks, I'll try to give you a summary of what is happening in Ukraine. And so people have a sense of urgency that Ukraine needs a little help, not when the war is over, but now. We know that, you know, the war in Ukraine is something that Europe, as Beatrice said, have not seen since World War Two. Right. The scale of atrocities, death, destruction is just astonishing. As I said, some say that we have not seen since World War two. This is a suburb of Kiev. You know, lots of deaths, lots of destruction. But this is not just, you know, a small suburb of a big country that was affected by the war. When you look at the map of, you know, what was once controlled by the Russians or what is controlled now by the Russians, and it's a huge chunk of the country. Right.

So this is your Kiev. This is Bucha. But there are lots and lots and lots of areas that were under Russian control or still under Russian control. Now, this may seem like a small slice of the country, but Ukraine is a very big country. It's the size of Texas. You know, think of Texas, California, those kind of states. And so when you kind of take this area and superimpose it on other countries, this will roughly correspond to 40% of Italy, a third of Germany and more than the whole of Hungary. And so the size of the shock, not just militarily but also economically, is, is astronomical. It's a huge shock when you think about the COVID crisis, when you think about the Great Depression, the Great Recession, you know, all of these shocks are small relative to what Ukraine is experiencing now. And obviously, we cannot quantify all the human suffering that happens in Ukraine now. But the macroeconomic indicators are very clear and there is a lot of pain and suffering. So projections for GDP this year, anywhere between 30 and 50%. And I should say in current conditions, it's really hard to come up with reliable macroeconomic statistics. So there is a lot of uncertainty about these numbers, but this is not something outlandish.

There is a lot of consensus out there that there is a huge contraction in economic activity. Unemployment is 35%. And this is despite the fact that millions and millions of people have fled the
country. So again imagine that the workforce has been shrinking for quite some time, and even in those conditions, unemployment is very high. Inflation is also very high, is projected to reach 30% by the end of the year, very high, you know, maybe relative to current inflation rate in other developed or developing countries, it's not as surprising or, you know, astonishing as it would have been a couple of years ago. But nonetheless, this is a very, very high number. Obviously, it's going to be a problem for Ukraine.

Now, in my summary, I want to focus on three immediate macroeconomic challenges. One is energy, and the other one is the fiscal stance and also external imbalances. So energy first. And, you know, you can see this problem literally from space. You know, this is night light intensity here. Ukraine is very, very dark. And this is not a typical Ukraine. Ukraine is not North Korea, always had lights. It was as bright as, you know, Russia or Romania or Belarus. What we see here today is really unprecedented. And obviously, it's, it's very hard to do business in these conditions when the Russian missiles attack energy infrastructure of Ukraine. But on the top of this, the unpredictability, unpredictability of blackouts is making business, you know, very hard to run because, you don't know if you go to a barber shop, this barber shop is going to have electricity or not.

So it's not just that you don't have electricity. It's also that when you do not have it, it is very, very unpredictable. And you can start seeing this in various economic indicators that, you know, these blackouts have taken a toll on the economy. For example, you look at registration of new businesses and, you know, they start to dip down. You look at the sales of rail tickets, they start to go down. Okay. So this is why, you know, people talking about a bigger contraction this year than they anticipated. But, you know, what is surprising is that despite all these blackouts, the economy is still working. Right? So registration of new businesses does not go to zero. It's still there. Tickets are still being sold and railways, you know, are still being used by businesses and people. So in some sense, the economy is surprisingly resilient, even in these extremely difficult conditions.

Now the second challenge is the fiscal policy, obviously was the war, the government has a very difficult time controlling spending because, you know, the spending is dictated by the needs of the war and they can see that spending has increased dramatically in 2022. Well, revenue's obviously not catching up because the economy has been shrinking. And, you know, as I said also that, you know, it's hard to raise taxes in these conditions when the economy is, is so weak. So when you look at fiscal deficits, these red bars, they're very, very large. So you kind of run a huge deficit every single
month. Now, how do you pay for this? It's a combination of sources. Some of this comes from extra tax revenues, some of this is coming from external aid, loans and grants from other governments and international institutions. And roughly a third is coming from printing money. Okay.

Now, this is not a good mix, you know, with printing so much money, you're going to obviously generate a lot of inflation. And the government has to resort to this source of funding because it can't really raise taxes that much. You know, there is a limit on how much you can extract from a weak economy externally it is not exactly under their control. So that's a challenge. The only kind of remaining source here is this printing money. And, you know, clearly this generates inflation. We see this in any kind of economic indicator. You know, this is the time series of inflation. You see it accelerating dramatically. Now there's a little bit of stabilization that, you know, a little over 25%. But as I said, there is a great deal of uncertainty about these numbers. And so it may well be true that we're somewhere here at 30%. Also, notice that inflation expectations are really high, and this may be a problem going forward. Okay.

Now, what can the central bank do when they have so much fiscal dominance? Right. When you're forced to print money to satisfy their war effort, to support the war effort that this country has? Well, the central bank is trying to raise interest rates and also fixes the exchange rate. And this purple line shows the exchange rate. And obviously this provides a nominal anchor. So in a sense, this is good. But on the other hand, because with so much inflation, the currency becomes less competitive, you also have, think about this as the black market, this here, there is a gap between the official exchange rate and this black-market rate or cash rate it's called. And, you know, for example, at this point, the central bank was forced to devalue because the gap was really, really large. Its still, you know, fairly significant, maybe a little bit shrinking in recent months, but still very significant. Now, this is working to some extent. Inflation is not as high as one would have anticipated. But obviously, it comes, of the course, that you have to burn these reserves and focus on those green lines here. This is how much the central bank has to sell foreign exchange reserves to support the currency. And, you know, at the peak of this kind of drain on their reserves, this was when the central bank was forced to devalue the currency. The central bank was burning roughly $4 billion per month. This is a very high rate. And just to give you a benchmark there, at the time of the war, in the beginning of the war, the central bank had a little over $30 billion in reserves. So obviously, this is not sustainable, and something has to change. And I'll come back to this in a point, in a moment.
So another fundamental problem was, was the macroeconomic situation in Ukraine is this giant external imbalance. And there is a physical constraint. Ukraine has goods that it can export to the rest of the world, but it cannot do this because many seaports, the main kind of trade routes for Ukraine, are not operational. This is Mariupol, this is Berdyansk occupied by the Russians, Nikolai or [inaudible], these are, you know, constantly shelled by the Russians. So you can't really use these ports either. The only big ports that are open now on this side are two ports nearby, but they open only for the grain deal. And so this greatly limits the ability of Ukraine to export. Now, you can see this right, the way in the official statistics, for example, this blue bar, so saying that exports of metals basically went to zero, to very small number. And this was a challenge because Ukraine used to heavily rely on these exports to generate foreign currency. Now it's not possible. The other side of this coin is that because the Russians destroyed oil refineries in Ukraine, Ukraine cannot produce gasoline, fuel or any other petroleum products. So it has to import a lot of that. And you can see that the size of these red bars increase dramatically relative to the pre-war times. Okay.

So you can't export, and you have to import a lot. Obviously, this is going to generate a huge trade deficit. Look at the size of these green bars. They're really, really large. Somebody has to pay for this. How do you pay for this? Well, fortunately, Ukraine receives some aid. You know, I want you to focus on these yellow bars and these gray bars. This is loans and grants from other governments and international institutions. This is how you pay for this. But for example, in the recent months, the amount of aid that Ukraine received is much smaller. And you can see that this blue line, this is the current account balance. It steepened into negative territory. So it's telling you that Ukraine gets into a situation which is not sustainable, not sustainable. And obviously we don't want to have a currency crisis or something like this in Ukraine during the war, because if something like this happens, it will be very, very hard to support the war effort in this war of attrition. Now, what is the solution to this, or a solution? Well, you know, with this physical constraint that the ports are not really open, it can, in the words of Tim Geithner, just, you know, pull form on the runway. You can try to help some exports, you know, such as grain deal. You try to restrict imports, you limit capital outflows, you postpone your payments and foreign debt. Maybe at some point, I hope not so distant future, you're going to switch to a managed flow to allow market forces to do some of the correction. But in any case, it tells you that there is only so much you can go with this, and this is going to be a problem for the duration of the war.
Now, fundamentally, what can we do about this? Well, it's not just about military aid that Ukraine needs to defend the Russian aggression and also about supporting the war effort, the economic lifeline for that country. And here we have, you know, two news, one is, you know, money is coming in into Ukraine and this is good, and the U.S. is really leading this, it issues lots and lots of grants to the Ukraine. This is good because Ukraine, you know, a country ravaged by the war will not be able to repay a lot. So lots of deaths in the future. So ideally, it should be coming in the form of grants. But kind of the bad news in this is that when you look at the commitments versus disbursements, these, you know, light blue bars, dark blue bars, you see that, you know, many countries, especially European institutions are lagging behind in terms of giving the actual cash to the Ukrainian government. And this is a problem because during this time of extreme needs in Ukraine, you really need hard cash, you don't need promises. And, you know, this is one area where international aid can be a lot more effective.

Now, to summarize, you know, we all think that, you know, it would be great to defeat the Russian aggression soon, but I think realistically it's going to be a longer conflict. And so we should prepare for a war of attrition. In a recent report in CEPR, we're discussing the ways that the Ukrainian government and the international community can do to help Ukraine. So we have to be more careful with your resources. You have to contain inflation; you have to ensure macroeconomic stability. But, you know, frankly, the most important thing we can do is to give more economic and military aid to Ukraine, because this is really the best investment and case. This is what is going to support Ukraine for the duration of the war. Let me stop here. So thank you.

David Wessel [00:33:48] Thank you, Yuriy. Can I just ask you one question before we turn to Vlad? Could you talk a little bit about the resiliency of the financial sector in Ukraine? How is it doing amid this chaos?

Yuriy Gorodnichenko [00:33:59] You know, the banking system, the financial system, broadly defined, was doing surprisingly well. And in part it's thanks to Vlad, who was at the National Bank of Ukraine after 2014 when lots and lots of foundational reforms were done. So, for example, the banking system was cleaned up. The new policies were implemented. It's not a one man show anymore. It's really done by lots and lots of committees. So some of the best institutional changes happened actually at the National Bank of Ukraine, and we see the fruits of this work.
David Wessel [00:34:37] Thanks, I want to turn to Vlad now. Vlad’s an alternative executive director at the IMF, where he represents a number of countries, not only Ukraine. And as, as Yuryi said, he among other things, he’s been a deputy governor of the National Bank of Ukraine and been involved in the banking system of Ukraine. And Vlad and Barry Eichengreen wrote the chapter on how to organize the, the aid to Ukraine, which is a pretty big issue. People like to say that the Marshall Plan, which we’ll hear about later, was one donor and 17 recipients, and aid to Ukraine is 17 donors and one recipient. And it’s proving pretty complicated to coordinate that. So, Vlad, and I know you have some slides as well. The floor is yours.

Vladyslav Rashkovan [00:35:24] Thanks. Do you see slides now?


Vladyslav Rashkovan [00:35:30] You know, if I may, just very briefly to elaborate on what Yuryi said, maybe two things and I will try to build up on what were on his and Beatrice's comments. Yuryi said it was a surprisingly, well, I would say it was not a surprise, but the result of the worker, all these years and the first weeks and months, the National Bank followed actually the protocols which we had before in 2014, 2015, because, as you know, they war started eight years ago, not now. And we already experienced that in the takeover of Donetsk and Lugansk, Crimea, and therefore we already went for these. For sure, in the previous years, the National Bank was trying to enhance those protocols, to develop protocols, and the COVID time also helped a lot in order to, to show how the central bank can work remotely. But that I think if, I will be happy to discuss these one day later you know because this is a fascinating topic you know the financial sector during the war and digitalization of Ukraine how it had to go through these kind of crises. And let me stop you, you know, you said about how to organize aid, and I fully agree with a final comment of Yuryi that one of the main things which the world can do is to provide the funding to Ukraine, aid, both military, humanitarian, but also economical financial aid. And I would add one small element there, not only to provide aid, but also to organize, you know, the usage of it is effective, you know, not to have a waste of the resources on the way of the, of those reforms.

So let's speak about how much money we need. I mean, you know, it's a very difficult question and Yuryi mentioned about that, that I think it's yet prematurely to say we can say maybe for some period of time or end of June or September. You know, there are different figures on the war is not finished yet, therefore, clearly these figures will, you know, more or less both, I mean, will be
further clarified. But we have, we need to distinguish between like these World Bank methodology, which need to distinguish the, the damages, you know, the damages is, for example, Kiev school of economics and the World Bank, they did a damage assessment. The recent report from the Kiev School of Economics saying that as of today or as of end of September, somehow, there are around $150 billion already of the direct infrastructural damages. And as Yuriy mentioned, we cannot count the, you know, the humanitarian losses and the, the pain for people. But at least it is assumed now that until the war ends, the damages could reach, you know, even 500, five, $600 billion. And we see it, we will see the next assessment from the World Bank. They are going to do it as of end of this year. Therefore, we will probably see in some way in February-March a more detailed report from the, from the World Bank itself.

The second thing is about the economic losses. Yuriy mentioned about 30, 50% decline of the GDP this year only, which means, you know, the, the current estimation of the IMF is around 55%, that probably the recent military attacks, the Vietnam missile attacks, can worsen this this figure by end of the year. But which means that these are like sweeping out the $70 billion of the, of the Ukrainian GDP. But if you speak about the, you know, the potential loss, you know, for the next years, the, the damage, the losses for Ukraine are substantial, as you see. And let me speak about recovery or the reconstruction. And here you come with an even different figures because the World Bank assessed that the next like immediate next 18, 36 months needs for the reconstruction using the one of the principles building back better you know will be around $100 billion and for five years around $350 billion. While the assessments from the, from the Ukrainian government, which they showed in Lugano conference, was around $750 billion. And later, you have another assessment coming from European Investment Bank that the investment needs for Ukraine and also to, also to not only to recover but also to catch up with other, other peers could even be higher than $1 trillion. We put some comments in our chapter, I will not, you know, repeat the chapter, I really encourage you to read the book and the our chapter number 15, how to organize aid.

But using some, you know, methodology and leveraging also on the [inaudible] job which also Yuriy did, we may say that the range of the financial needs could be substantial from 500 to $1 trillion in the next ten, 15 years. And, you know, to get there, you know, to this money, you know, there are many difficult obstacles on the way or, you know, the barriers. So I name them crossroads, which we need to go through. And this is how these are across, how the path for these crossroads will be
incorporated to the, you know, to the design of the architecture for reconstruction is very much important, because one of the major principles which were put in the paper and I fully agree with the others who say it, that Ukraine should own the reconstruction, because Ukraine should bring their vision for reconstruction. But at the same time, there should be also the cooperation with others, with the European Union as a strong anchor for the, for the, for the future of Ukraine, but also other, other partners. It is not, we don't need to be afraid of these kind of concept of the external governance, which sometimes as Ukraine is threatened, we need to have an ownership, but we are the country which wants to cooperate with other countries.

The second thing is, and this is what Beatrice said, we clearly go now for winterization and there is a lot of needs to help the households, you know, to fix the windows, to fix the roofs, because clearly, if you don't do it now, you know, the houses going for the winter, they will require much more investments next year. Therefore, we need to protect those houses. But at the same time, we need the mobile houses, the, the temporary housing for people. But at the same time, there is a risk that if you focus on that only, you know, you will lose the longer-term perspective because the reconstruction is clearly an opportunity also, you know, to get rid of the Soviet legacy or post-Soviet legacy of also, of architecture, of urban planning, etc., and really try to build back better. But it will require more money, more time, more foresight. And that's why I fully agree with Beatrice, that it's better to start thinking now and not later.

We also have some issues with coordination as, and I would go a little bit to the second Beatrice said about the G-7, the, you know, announcement about the coordination platform. But we should be very frank. You know, there is some kind of slope. I mean, I would say rivalry or competition or who has a flag or which country for the reconstruction, you see, you know, the conference in Lugano and then you have in Berlin let you have a, in Paris. I hope they bring some added value every time when you go from one conference to another is not only event management, you know. But I say again, we need to have more cooperation and coordination instead of the rivalry. This is important for Ukraine. There is no time for rivalry and who is the bigger boss in this post reconstruction world. We need to understand that Ukraine, there is only one government, and one of the, this government should work actually with all the institutions in the world, is really time consuming and the transaction costs are very high for that. You know, the loans or grants we put as a principle grants for sure, but also not only public money, but private investments should go, you know, to
reconstruct Ukraine. We do hope that the reparations or the Russian assets which are frozen will be used also for their construction, but it will require time.

And while we are focusing on to get these grants, we also need to understand that the time and this is what Yuriy said in his, in his presentation, you know, unfortunately, you need to have loans as well. We need to have them now because you need to finance the economy as [inaudible]. And not every country has had, you know, the, the potential in their budget to provide grants to Ukraine. I would not mention other things, but we need the debts to leverage what David, you said and what Beatrice said, why we need to think also now, because after the war, you know, I personally don't want Ukraine to get from the war, you know, with a more stronger state economy or strong hand versus the, you know, democracy and freedom and liberal economy, because as we know, there is a lot of possibilities. You know, let's use this word of the, of the negative outcome of the war. And we need also to think about that how to over, how to avoid the negative outcomes.

So this is a chart, this is a slide which is not in our chapter. But I developed this kind of frame back in March, in April. And I remember when we had a first call with Yuriy, at that time, I think with Kenneth Rogoff and we discussed the, you know, what, what could be their recovery architecture framework. And if you look at this, so clearly, we need to think about the prerequisites principles to, you know, the vision and, you know, the recovery plan. We need to understand how their reconstruction is framed or connected to the European Union accession process. But all of this is, this is what the [inaudible] is thinking. You know, and you see that our book, currently answering all most of these questions because the recovery plan and vision is coming in the chapters number 215, Yuriy and [inaudible], in the introduction part, they wrote, write a lot about the principles and the prerequisites. And we are covering on, on the big block, which is actually not only thinking, but what we need to be acting as Beatrice said. And acting is, we need to find the funding for the reconstruction, we need to develop the implementation engine for the reconstruction, we need to build this coordination platform, which is a, or convention, you know, mechanism for, for the donors and partners. But also, we need to build a bridge between money and implementation in order, as I said, to avoid that the money will be wasted, the in the in the reconstruction. And Yuriy mentioned very well, as you showed the slide about the commitments versus the disbursements, and I should be very frank, you know, the needs, as I read in one book, you know, the needs, the request of money, the
pledges and disbursements and commitments, or commitments and disbursements are completely different figures. And hopefully that is they overlap.

Just giving an example, in March there was a conference pledging conference for Ukraine in Warsaw, and they said that they collected €6 billion for Ukraine. Ukraine got zero from this, zero, really nothing. And later from another conference, which was, as Yuriy announced, 9 billion, Ukraine received six or seven, six months later, €500 million, just to give an idea about how the, you know, the pledges are different from disbursements. I'm not sure you have seen this table because in our chapter we have the chart which Yuri showed in his presentation. These are table as of December 14, on all money which we said Ukraine received and you may recall that in April during the annual meetings during spring meetings that Kristalina Georgieva actually certified, that the Ukraine needs about $5 billion per month in 2022. And as you see the total number of the figures of all the efforts which were paid, which were paid this year, you see no single month Ukraine managed to receive $5 billion. And this is the problem. And also you see the written month, its completely different, it’s not written. And this is what Yuriy said when he was speaking about the [inaudible] and monetary financing, which clearly is not the best outcome. But this monetary financing was a result of not making timely, you know, international aid. With all the attention for Ukraine in 2022, I, I feel that 2023 might be even more difficult with the developments in, in the US politics with European Union going through the winter, you know, and this, we might be a complicated year and that’s why we need to put a lot of efforts and as Beatrice said and David, as you asked, we need to really focus on that.

Now, having said that, are there money available today? No, there are no yet available money for the reconstruction, but there are many potential resources for, for the for money. They may come from, from IMF, you know, IMF is helping, we have, have a board meeting next Monday for the monetary program, which hopefully will lead to the early next year to more cash program for Ukraine. IMF provided around $2.7 billion this year to help Ukraine to run the economy. There are bilateral loans and grants which Yuriy was saying, you know, there is a multi-donor fund from the World Bank, which is using, that is working very well in all. And I think it might become a very good instrument as a multi-donor fund in future. And we write about that in our in our chapter. As they are channeling this all the money which has a like the IMF currency, unfortunately, we didn't manage this year, but we still don't close this these a possibility for future.
The World Bank is doing a lot of job, MIGA is just now working on the war insurance, which will be very much important for the for the development of the private investments for Ukraine. And in the next the next year different multinational multinational development banks like EIB, EBRD, IFC, including JICA, you know, they, they, they will, clearly will be ready to come, maybe mostly to the private sector. They already support Ukraine. European Union, you mentioned the European Union, you know, which is little bit going behind the US and providing money. And fortunately they don't have grants, they provide the loans only, but they are currently in the discussion of €18 billion of the next for the next year in the parliament approved now is a topic you know how to implement it next year.

And probably we will, we will see more pre-accession and structural funds for the for the reconstruction is not yet clear. And maybe one day that we can think about something like a European Union bonds similar to the NewGenerationEU bonds also to finance Ukraine. I mean I don't know if we will manage there to have a Marshall plan for Ukraine. But I strongly believe that the reconstruction may be a good opportunity for the Marshall Plan for Europe, because the Marshall if you add together, you know these the NewGenerationEU together with free seas initiative and the reconstruction of Ukraine, these will be a good opportunity for you also to review and a little bit to rethink also themselves, you know, in the longer term. Russian assets could be also an instrument of reparations so different type of taxes from the Russian export, unfortunately, we are not there yet on that on that. And also private capital and internal and internal resources, they can be also use on that.

But the question is not if the system is not so linear, you need really need to balance, you know, need to, to manage, you know, to, to model on a daily basis which kind of instruments, which kind of countries, you know, which institutions, how, which and when and who is giving that. And that's why we so much need the coordination platform. I'm happy to say that I was the one of the initiator of these, the economic grandstand concept, which I which we agreed with the President, Prime Minister, as a proposal from the government provided to G7 countries. I'm happy that last Monday the, well this Monday on the 12th, the G7 leaders came over their communiqué which were actually saying that, yes, we create this platform, yes, there will be, you know, the financial track, which is, will focus on that on the short term needs. There will be also the larger, you know, needs understanding how to support Ukraine.

There will be secretariat for that, which is already a big step. Even G7 doesn't have a secretariat, and the operational platform of these, operational layer of this platform is already working,
they’re meeting weekly, and we are going to develop them further. And Ukraine is, is an important element, an important partner in these and also leading these efforts now, which shows again that one of the principles for the Ukrainian ownership. One of the questions, you know, we will discuss the, the next Marshall Plan, who is the next Mr. Marshall? Because still we’re missing, you know, someone who will take a leadership in the world. And again, I don’t have an answer who can be just a number of pictures which I have in mind, but we don't have yet that leader.

David Wessel [00:52:51] Go back to that picture and tell people who they are. Not everybody will know those faces.

Vladyslav Rashkovan [00:52:55] No way. Why, you know, these are you sort of you have Ursula von der Leyen, you know, the president of the European Commission. You have Samantha Power, the, the head of USAID, you have Boris Johnson, you have Draghi, you know, you have Dombrovskis, you know, who was working, who was one of the biggest supporter of Ukraine, you have David Lipton was working in IMF and recently in [inaudible], and we have a general you know who is working address who was working very closely the monitoring what is going on in Ukraine. I would not I mean Ukraine is not the military you know economy hopefully after the war. But you know, maybe there are other names.

But so far, you know, with all these discussions, there is no one leader, no Marshall. So I don’t know if we need a Marshall. So but this is a good question. Who can be that, maybe it could be institution. Maybe, but still someone should have a, you know who will, can in 50 years or 70 years we can mention as a person for, you know, helping Ukraine most. And finally, you know, to go to the implementation, I mean we need to, to build the implementation engine for that. And there are many options, there are many different countries we analyze many different examples. You know, clearly you can create a separate like a agency government, non-government agency, you can integrate the agency to the to the existing ministerial system, meaning that there could be a minister, vice prime minister responsible for reconstruction. You can have a decentralized system on the regional levels, like I had the reconstruction of different regions. You can have an international agency, or you have some kind of hybrid model.

So we had a debate even within with everybody, even with Yuriy, you know, with others. We had a debate that we strongly believe that we need to merge somehow the idea of a European vector, European integration and Ukrainian ownership. So we believe and the same time, the coordination,
so the three different vectors. So we believe that the majority of people should be sitting in Kiev they are just agency, could be and say EU led agency, but clearly there should be also a management in a supervisory board should be people I mean representing the G7 countries and non-European G7 countries just to not to pretend that it is only European project. And later you know how to operationalize this. We wrote also about this in our chapter, but I think this is one of the topics also for the coordination platform to put this in place. This is not the end, because as soon as you have an agency, as soon as you have to have a multi-donor fund to manage Ukraine, as soon as you all have, you know, the coordination platform, you really need to build a bridge between them, and how to go from needs assessment, you know, to the to the, all their, you know, strategizing programing of, of the reconstruction, project verification, you know, the mid-term, short term, the mid-term, long term budgeting and planning, finding resources for specific projects, doing the public procurement, you know, you know, building itself, you know, not only building because it will require also a lot of soft things, not only the infrastructural things.

And there will be a lot about social mobility, about reconciliation in our people. So we need to go for these. And clearly you need to have just pure things like accounting, controlling, reporting, because the figures which I showed to you about the support for Ukraine, this is only support of the Ukrainian budget, which doesn't include the support of the state owned enterprise, does not include the support of the private business, doesn't include support of the, of the regional levels or in-kind contributions from like Hague to Kiev or from Denmark to Mykolaiv. You know these the figures don't include so we really need to have a proper financial digital system which will track those resources like it's done, it was done in Pakistan or Indonesia. And we need also to build a lot of analytics, you know, to give the opportunity for civil society to oversight the process of, of, of monitoring. This is also a part of Ukrainian ownership but also need to evaluate and define did you manage to build back better.

So all of this is not existing now and definitely these there are some different groups are working on these like we speak, and without that without the you know the understanding of the funding understanding the implementation agency and without this building of accountability framework and without coordination, the reconstruction will be a failure. And we don't need a failure, we need a success. So we want others to be a part of our victory. And also victory not only in the war, but also in the peace. And therefore, I encourage all the bright minds and thanks very for organizing
this event, to think about that in advance, it is not prematurely. This is exact time, what we need to do it and also to encourage Ukrainians to fight more in order to, you know, to to to to demonstrate them that the world will support them, and they know how to do it and will be ready as soon as Ukraine wins the war. Let me stop here.

David Wessel [00:58:01] Thank you very much. Let me ask you a couple of questions and I have a couple for Yuriy as well. So exactly what is this new G-7 arrangement going to look like? So each G-7 country, which is, includes the US, of course, and Japan, will have a representative on some kind of oversight board. And then there’s going to be a secretariat or what, what do we know about that secretariat? What kind of people, where is it going to sit? Who’s going to pay for it? Do we know anything about that?

Vladyslav Rashkovan [00:58:32] Yeah. Yeah, you're, you're asking the right question. But I would be, if I may, a little bit extended. Okay. So our idea was but factually, there are three different layers. One is already existing, which is a G7 ambassador on the ground. They already coordinate together with a representative of international institutions, but they are collecting on the ground the information they’re interlocked in liaison with Ukrainian government, they collect all the needs, and they distribute later then to share them with their capitals. The second thing is well, thinking we need to have more operational and financial side, and this is a these have been created in March between the IFIs so meaning that the international financial institutions like IMF, World Bank, EBRD, the EIB and European Commission, they had the biweekly meetings on the coordination of the, of the aid, mostly for information sharing. What we need now, after Berlin conference in October, we also invited the Ukraine, we also invited representative from Minister of Finance. We invited US as the biggest supporter of Ukraine, and we also invited Germany as a G7 president. Next year we should be there, Japan. You know shall we enlarge these group to other G7 countries or allow Japan you know to represent G7. These two will be discussed.

But the idea is that while it was a meeting, it was a platform for coordination of information flow, we need also to go a little bit further and to disburse to, to repurpose it, the factually the theme of these information, all of these layer should start with the table which I showed you, you know, and thinking about three, six months in advance, you know, where we have gaps in financing and factually they need to bring these, I’m a part of this team with a prime minister, but I want someone in the world, this group, to bring them, bring these tables to their capitals. And actually, this is the political
level and the political level, the ideas should be represented by the, our proposal was the G7 ministers, the G7 leaders communicate they don't specify it's a minister they specify ministers in another place and the ministers should meet in January, but there it could be ministers or it could be and for Ukraine to be a prime minister and it would be also the, the Sherpas, you know, from G7, which would also be high level.

But and later, you need to have someone who would coordinate even this coordination. And these are Secretariat, you know, someone who would prepare the meeting, someone who will prepare their, you know, the minutes, who will follow between the meetings, you know, what is going on and what is not. And that as of now, the Ukrainian proposal is that this should be in Kiev, the secretariat should be Kiev. There is a reform delivery office working with the Prime Minister, is financed by European Commission Finance by EBRD, you are the, they are capable people. They are ready to do it. We want to leverage on that. The European Union Commission believes it should be placed in the European Commission and I think this is, the discussions about Secretariat is still ongoing. But for me the Secretariat is a secretariat, okay, the important things are going between the political level and information level wise, the secretariat is not, it should not be so powerful, I would say.

David Wessel [01:02:10] I see. Yuriy, a couple of questions have come in about the economics of aiding Ukraine. One of them, which I know you've heard before, is how can donors be sure that Ukraine is solving the problem of corruption that has so often plagued this country? And where is that? And I'll tell you what, the second one as well is can Ukraine's economy prosper if the refugees become permanent exiles or do they need people to come back?

Yuriy Gorodnichenko [01:02:41] All right. So corruption is always coming up in this conversation. Unfortunately, Ukraine has a reputation, and it takes time to, to change this reputation. And I must say, you know, it's true that Ukraine has problems with corruption, but we should put this in the perspective where but go back to 2014, the Revolution of Dignity, this was truly the lowest point in the history for Ukraine. You know, Viktor Yanukovych, the president at the time was literally looting the country. And since then, we have lots and lots and lots of reforms. So, you know, the National Bank of Ukraine reform is a part of this effort to really reinvent the country. We have a new anti-corruption prosecution office. We have a new office to prevent corruption. So a lot of things we have done even before the war.
Now, is there a EU on the horizon? There is a strong demand in Ukraine to push through these very difficult reforms and also a lot of demand from the EU side to kind of accelerate this process. And for example, when Ukraine got their candidacy status, we had some issues with appointing a new anti-corruption prosecutor. You know, so by some miracle, you know, it became possible he was appointed. So, so lots of things are changing. And, and this is why, you know, one of the things we emphasize in our report is that you have to have some type of conditionality. There has to be some way to verify that money is well spent, and Ukraine has a radius of infrastructure to do this.

So I think this is happening. And, you know, in some ways for Ukraine, at least in the Ukraine, there is a clear appreciation that corruption is an existential threat. It's not just Russian missiles we have to deal with corruption if you want to be a successful country. Now. But about the refugees, it's true that many people left the country about all sorts of polls done on these people suggest that the vast majority of them want to return to Ukraine as soon as the hostilities end. So 90%, 80%, some of them are going to stay, obviously. But in a way, this is a resource because if we want to integrate Ukraine into the European economy, we have to have those bridges, you know, some contacts on the ground that are going to help to establish economic links, bridges, if you will. And so this is a good resource. Also, some people are now working remotely. And again, this is an opportunity to kind of expand the labor force beyond the borders. So even if people are not on the ground, they are still useful members of the society.

David Wessel [01:05:19] Great. So I want to thank you both for really a good taste of what's in the CEPR report. I want to encourage people to look at it. It's, it's very detailed. And I think a lot of thought went into it, which I think has laid a great foundation for the kind of choices that both Ukraine and the donors are going to have to make in the years ahead. And I think we all want to hope and pray that we are soon, as soon as possible and have at least a tentative peace in Ukraine so we can focus exclusively on economic issues as opposed to protecting the people of Kiev from Russian missiles. But I think we have to be realistic that this is not going to happen anytime soon and we're in for a long haul.

I want to turn the podium over now to my colleague Constanze Stelzenmüller. One of the ways we conceived this event, it just struck me that I heard so many references to the Marshall Plan, some for people who probably couldn't tell you what the Marshall Plan was, that it would be good to
take advantage of the expertise that we've been able to recruit to say when the world has tried to help countries recover from situations, some as bad as Ukraine, some worse, some not so bad, what did we do right and wrong there so we can employ those lessons and at least make new mistakes the next time around? So we have four panelists and I'm going to let Constanze introduce them. So, Constanze, your term. You're on mute, Constanze.

Constanze Stelzenmüller [01:07:01] Hello. You know, three years of pandemic and still you make these mistakes. Good morning, everyone. Thank you, David, and Yuriy Gorodnichenko, Vladyslav Rashkovan, Beatrice Weder di Mauro for a brilliant panel that really set out a staggering challenge. My name is Constanze Stelzenmüller. I run the Center on the United States and Europe in the Foreign Policy division at Brookings. And I'm really grateful that David reached out to us, for us to do this event together. I would also only just say about the Marshall Plan, that it is part of Brookings history. The, the economists of Brookings in the, in the 1940s contributed quite significantly to the, the numbers that, the economic analysis that was used by the Truman government for the Marshall Plan. So that is one of our trends of fame, before my time, obviously.

But with that, I'm going to hand over to our second panel, the lessons of the past, and we will be looking at the Marshall Plan, with Harold James presenting, South Sudan, Brian d' Silva, Afghanistan, our colleague Naheed Sarabi presenting. And finally, Iraq, Hideki Matsunaga from Japan. Professor James, who will go first, is a distinguished economic historian at Princeton University with a specialization on German economic history and the interwar period and the postwar period, and also an expert on the history of globalization. So he is literally the best scholar we could have possibly have found to speak to us about the lessons from the Marshall Plan. Over to you, Harold James, thank you very much for joining us.

Harold James [01:08:56] Well, thank you, Constanze. And thank you, David. It's, it's great to be here on this very important panel and also to congratulate CEPR on their really wonderful, important book. I'm going to try to share some slides. Let me see whether I can do that. It's, it's, it seems to have gone away. Let me try again. No, I just can't find it, unfortunately. So.

David Wessel [01:09:47] Got it. It's up. We see.

Harold James [01:09:49] It's up. Okay, wonderful. That's great. And to this.

David Wessel [01:10:00] Perfect. Perfect.
So, yes, it's absolutely right. And thank you, David and Constanze, to go back to the story of the Marshall Plan. The Marshall Plan was transformative, but because it was so transformative, it's produced always historical echoes, whenever there's an event, for instance, the collapse of the planned socialist economies in the 1989, the collapse of the Soviet Union in 1991. People always think you need a Marshall Plan, the Arab Spring, the European debt crisis, you need a Marshall Plan. And so it accumulates a lot of myths around it.

But first of all, I just wanted to introduce very briefly what's in the Marshall Plan and what's in the speech that Secretary of State's Marshall made at the Harvard commencement in June of 1947. And, and it looks in some ways astonishingly actual, astonishingly relevant, the modern system of the division of labor upon which the exchange of products is based, is in danger of breaking down, Europe’s requirements for the next three or four years of foreign food, other essential products are so much greater than her present ability to pay, the need to break a vicious circle to restore the confidence of the European people in the economic future of their countries and of Europe as a whole. And then saying that this is the business of the Europeans, the initiative, I think, must come from Europe. Those are all the words of George Marshall. And they, they look as if they really could have been made by somebody speaking about today’s problems.

And Marshall asked the right questions. And you've been looking at those questions in the previous panel, how the amount of aid given relates to the scale of the intended effects, how aid can be used as a catalyst for a general development of productive forces, how support can bind the recipient into a deep network of international connections. And Yuriy was just saying exactly how the massive migration, the people fleeing from the horror of the Ukraine war has the capacity to create a network in Europe and elsewhere. How much should be organized by the governments and how knowledge in the private sector of the donor can be used to transform productivity in the recipient.

So Ukraine lagged very badly since 1990, in comparison, say, to Poland or to the Russian Federation. You need to get a better kind of economic development in the future to sustain the viability of Ukraine as a political system. But the Marshall Plan also produced its problems, and I think there are two myths. One of them is a positive myth and the other a negative myth. The positive myth is that this was a uniquely generous act, that it's something that can't ever be repeated again in the terms of its, its scale, or that the American people, even after the strain of fighting the Second World War, were just prepared to give away money. And the negative version of it is that this was purely
oriented to American political calculations, American domestic political calculations, and a way of imposing an American view on the rest of the world, that it was a tool of US imperialism, and you will hear both of those stories told about the Marshall Plan. And in particular the second one, this is a tool of U.S. imperialism, I think comes about because this was born at the beginning of the Cold War. And so it looks like a Cold War instrument. And it's after the civil war in Greece, the civil war in Turkey in the summer of 1947.

But to start with that, it's not quite right to say that. I mean, this is a very parochial principal point, but the outlines were already announced before the civil war in Greece, before the civil war in Turkey, before the Cold War really started in February 1947, in Marshall's very, very first speech as secretary of state to a group of alumni in Princeton University. And then the question about the generosity of it. So it's massively frontloaded and it's massively concentrated on Western Europe. So you can see the scale of it going over time, going downwards. And when you think of the Marshall Plan, I think in the memory of it, it's often thought of as something that contributed, particularly to the rehabilitation of Germany. And it's striking that we have and it's very generous also for funding the German Marshall Fund, which is Germany's way of repaying the amount of support that Germany got. But Germany is only a very small portion of this, this aid, 11% overall. And in terms of the contribution to national income, you can say Germany is way down on that. It's only 3% of German national income that is involved in the support. Some countries, Austria, the Netherlands have a much greater degree of support, Ireland or France even. But Germany is relatively little.

Can we talk about the amounts? The total amount at the time was 13.3 billion. If you want to scale that up to today's value, it's 175 billion. And you might want to measure it as a share of GDP at the time, in which case you get a higher level. And then you're getting close to these 1 trillion figures that Vlad was referring to. And you have to think of that, obviously, in terms of the relationship to the amount of damage that has been done to Ukraine and the amount that's needed for rehabilitation. What the Marshall Plan specifically did and why it is actually only such a small proportion of national income in the 1940s is that it's required to finance particular imports. It's concentrated in just two areas, foodstuffs, because the Europeans at that time couldn't feed themselves, and if they couldn't feed themselves, they couldn't work, so they couldn't restore the economy.

And secondly, machine tools, because the, Europe was devastated by the physical consequences of the war, you needed to get new equipment. There were three large machine tool
producers in the middle of the 20th century, but two of them, Japan and Germany, had been destroyed by the war. And so it's only the United States, the third that came into question as a possible supplier of machine tools. And so one of the critical and interesting features of the Marshall Plan is the way in which the aid from abroad is also linked to governments on the spot during their own investment programs, because importers, instead of paying the exporter in the United States, would pay the government, and the government would, in consequence, develop counterpart funds, which it could use in terms of a national economic plan. And they did that in order to build up, again, key sectors, particularly electricity production. It's catalytic in that this is a story where the projects that are advanced have a much greater effect because there's a lot of private money coming in as well.

And finally, the Marshall Plan is also linked— and this is why people remember it in in Germany as well— to a solution of the debt issues, the outstanding debt issues that existed before the announcement of the Marshall plan. It's very, very complicated in terms of the number of people, institutions that are involved in doing it. And so in that sense, it's like the complexity that Vlad was talking about in panel number one. But there is an administrator of the Marshall Plan, and I think that's what really you're looking for rather than the person who announces it. So the equivalent of Paul Hoffman, who was the person who really put this all together and the American civil servant, but he had wide representation in his committees from the business, labor, agricultural interests of the United States. And then it's coordinated through a newly created organization, the Organization for European Economic Cooperation. That's the origin of the OECD. And, and then there's a payment system that's multilateralized through the Basel Bank for International Settlements, not through the International Monetary Fund.

And let me come to some lessons from this very, very briefly. A large amount of money is required for reconstruction. But the U.S. wasn't the source of the major funding for the reconstruction after the Second World War. And the same principle, I think, should apply to Western governments funding Ukrainian reconstruction. What they can do is to trigger specific bits of reconstruction. And the key to doing that is to identify the bottlenecks. Clearly, there are energy sector issues because in particular, the way that the war has been transformed since November has turned to a Russian attack on energy infrastructure, as well as hospitals in Ukraine. Those need to be reconstructed, put in place very, very quickly again. But you might also think in the longer term, what kinds of bottlenecks do we have in high tech sectors? You can think of the way in which high tech investment and one of the
things that the war demonstrated was Ukraine's superb capacity in terms of software capability. And you can think of building a software economy that is going to be a very, very dynamic economy in a broader frame of reconstruction.

So it's not just repairing the physical damage, but it's thinking of investments that can make for a really dynamic economy. Debt relief, it's going to play a really major question, as it did for the European economies in the 1940s. At the end of 2021, before the 24th of February, in the new phase of the war, Ukraine's external public debt was around 57 billion, over a quarter of GDP, including quite a large amount owed to the IMF. And there's also a large private sector debt. But then the gross debt position corresponds to substantial, mostly privately held assets abroad, so that the net international investment position is much, much smaller.

And it's a question also, I think, of mobilizing those substantial assets held abroad in terms of getting the reconstruction going. The employment of some part of the funding of reconstruction at the discretion of the recipient government in the style of those Marshall Counterpart funds is a key part of the process of creating ownership and building democracy, and that's really vital to the desired process of restoring normality. The question that was raised to, to David, Western funders should be concerned about the potential for corruption. But too intrusive of monitoring by outsiders and outside institutions, as opposed to democratic and transparent control in Ukraine, would be counterproductive. That was also part of the story of the Marshall Plan, that it was launched before the Federal Republic of Germany was created and essentially supervised and managed by local governments in Germany. One of the things that it does is to build up local democracy. And local democracy is a really effective way of combating corruption. The essence of the Marshall Plan was in the vision of a European context. Paul Hoffman spoke repeatedly about the need for a European political Union. And that context, I think is still essential. The issue of closer engagement with the EU is after all the critical element in the precipitation of the Maidan, and that is really going to be the key to guiding the success of Europe and of Ukraine in the future, it lies in integration.

The difficulty, I think, is then—and that's the difficulty that Vlad was wrestling with in the previous presentation—can you entrust it to a world level multilateral institution such as the IMF? Well, it's difficult as long as the geopolitical tensions remain. And in general, the less politicized the administrating organization, the better you do. The IMF could have been a powerful part of the Marshall Plan, but it was ruled out because the US State Department was worried at that time
because of the controversy about the first American executive director of the IMF, a key figure in making the whole Bretton Woods system, Harry Dexter White, there was a controversy about whether he was a Soviet spy or not. And the consequence of that controversy was that the IMF was pushed out of this program.

But looking forward—and something that wasn't really mentioned in the first part—you need to look, I think also beyond the G-7 and to thinking about the global connections are crucial. Thinking about the role of China in solving the Ukraine crisis at the moment is also, I think, part of the challenge. Ukraine is a key linkage in the Belt and Road that connects China to Europe. And there's a strong historical interest of China in Ukraine's development. And the governance structure that allows for the re-engagement of Ukraine, thus needs an element of flexibility. The Marshall Plan was directed to global prosperity. And there's a strong case, I think, for building a general program for the management of post-conflict societies rather than a specifically Ukraine oriented effort. You need to avoid the dark side of the Marshall Plan. You don't want a reconstruction project that's just seen as advancing the agenda of the U.S. or some EU countries or of the EU Commission. That would be absolutely fatal. You need to think of it in a global context. And I think also unlike Germany in 1945 or after 1945, where there was a real question about whether Germans can be democratic or not, there is, in this case, no need to teach Ukraine or Ukrainians lessons about democracy and democratic values. And on the contrary, I believe that Ukraine has a great deal to teach the West in this respect.

Thank you.

David Wessel [01:26:51] We seem to have lost.

Constanze Stelzenmüller [01:26:52] And no I'm back. Sorry. That was my bookshelf. Thank you, Professor James. That was a spectacularly not just comprehensive but truly riveting presentation, especially in the lessons part. I wanted to bring you back with one question, and I would ask you for a brief answer, since we have three more presentations. But you, you noted in your third point, third lesson about debt relief, this gross debt position corresponds to very substantial, mostly privately held assets abroad. That, I think, was a tactful way of mentioning the, the oligarch issue, though. That was not a problem that the Germans had after or other countries had after 1945. Would you care to explain? What do you think the role of the oligarchs should be here? Do we ensure they pay a patriotic tax?
Harold James [01:27:54] I think your efforts to get them to pay a patriotic tax would be great, but it would also be great if they got involved in the reconstruction. So I think that the story of trying to sketch out a long-term horizon where Ukraine is a vibrant, dynamic economy that doesn't just depend on raw material or energy issues and raw material exports have been really at the core of what Ukraine has done since the 1990s, food exports. You really need a transition to a different kind of economy. And, you know, I think that is a challenge that you could say is also a challenge for a post-conflict Russian society as well. As long as you have these, these raw, material-based economies that are likely to produce the kinds of oligarch story and, you know, oligarchs need to be invested in the future. You need to think of ways of doing that and making that institutionally possible. A tax is one way, but not just tax.

Constanze Stelzenmüller [01:29:10] Sorry, that was a slightly facetious way of putting it, but I'm glad you pinpointed that issue. I'm very grateful for that explanation. And I will now lead over to Brian d'Silva. Brian d'Silva has just retired from US government service after 32 years. He's been involved in Sudan and South Sudan since 1981 as an academic, a USAID senior policy advisor, and most recently as an advisor to Prime Minister Hamdok until the coup of 2021. Over to you, Brian d'Silva, thank you so much for joining us.

Brian d'Silva [01:29:44] Thank you. And I'll try to stick to a few points. Just in reflection, US government interest in Sudan and South Sudan has existed across all US administrations, Democratic and Republican, over the last 40 years. Some of the reasons have been political, others have been humanitarian as well as security related. I'll just share some highlights of these, including the following, this is not an exhaustive list. Under Presidents Carter, Reagan and George H.W. Bush, Bush in the 1980s, Sudan became the largest recipient of development assistance in sub-Saharan Africa. In addition, it received military and human assistance as a result of the Camp David Peace Accords and the famine of 84, 85. The second civil war between the government of Sudan and rebels of the SBLMA, a led by US PhD economist, a US trained PhD economist, John Garang, started in May 83. The coup of Bashir on June 30th, 1989 led to a halt of all development and military assistance by the end of February 1990, according to US law.

Now we shift to the 1990s, where under President Clinton, the US sent its ambassador from Khartoum to visit the SPLM/A rebel held areas in South Sudan in February of 1993. The key reason was to respond to the humanitarian disaster called the Hunger Triangle, the fallout from the 1991 split
of the SPLMA leadership. In addition, the US tried to reconcile the split between Garang and other
SPLM factions led by Riek Machar. Due to congressional interest and pressure, Clinton's NSC
imposed sanctions on Sudan, at the same time authorized use of development assistance to
opposition held areas of Sudan, mostly in South Sudan, which started in 1998, 99. Congress
authorized the appropriated assistance initially at a modest level of $5 million for the first year.

Under President George W. Bush, the administration took a strong interest in Sudan, and
especially on a peace process between the government of Sudan and the SPLMA. President Bush
appointed US administrator Andrew Natsios, a special humanitarian coordinator for Sudan, in May
2001, and Senator John, John Danforth as the President's Special Envoy for Sudan in September
2001. The latter was just after 911. The peace process also brought USAID into negotiations between
the U.S., between the GOS, the government of Sudan and the SPLMA. It also brought together an
interagency process within the US government and very close collaboration with the Congress.
Andrew Natsios initiated new programs, for the SPLMA areas in South Sudan under the objective of
preparing South Sudan for peace. And these programs were initiated in what I would call rebel held
areas. Programs were an agriculture revitalization, 22.5 million for five years. Basic education with
just 20 million over five years. Peacebuilding 20 million over five years. These were started in 2001,
2002. It's noteworthy that these programs were started through development assistance and not
through humanity assistance. All of these were initiated even before a peace agreement had been
negotiated.

Under George W Bush, supports the peace process continued until a comprehensive peace
agreement was negotiated and signed in January 235 in Nairobi. The peace process also brought
close strategic coordination between the troika, which is the US, UK and Norway. This was also key
to supporting peace implementation between 2005 and 2011. Close relations were built up during the
CPA negotiations within the US and the SPLM leader Garang during the 2001 to 5 period. However,
Garang had an untimely death on July 30th, 2005. The US continued to develop relations with Garang
successor, President Salva Kiir. President Bush invited Salva Kiir four times for Oval Office visits
between 2006 and January 2009. The US led donors in both political economic support to
implementation of the Comprehensive Peace Agreement, as well as in develop ultimate assistance
between 2005 and 2011.
Support from the U.S. Congress was paramount during this period. It came from both sides of the aisle and both houses, which is the House and the Senate. The US opened its consulate in Juba on November 25. Now two levels of assistance. During the 2005-2011 time period, the US provided over $3 billion in development assistance to South Sudan. It was still not yet an independent country. During the same time, the US also provided $1 billion in humanitarian assistance to South Sudan.

Key areas of support during this time included governance, political and economic, agriculture, natural resource management, basic education, health and infrastructure. Between 2004 and 2006, the US provided nearly 200 million to open up over 2000 kilometers in South Sudan, as well as de-mining them. Subsequently, in 2008, the first paved road in South Sudan was built by USAID between Juba and the border with Uganda for a cost of 250 million.

Just in terms of comparison, South Sudan was, is a huge country, and at independence in 2011, they had paved roads which are less than the state of Rhode Island. The other donors have also provided assistance, are the UK, Norway, the European Union and the Netherlands. The UN had a UN mission to Sudan from 2005 to 2011 called UNMAS, and when South Sudan became independent, the UN had a mission, the UN mission to South Sudan from 2011 to the present. South Sudan became independent on July 9, 2011, and the US upgraded its consulate to an embassy.

However, it was not long before the euphoria of independence began to unwind, and the country found itself in a downward spiral. Some key moments in the standard spiral of January 2012, barely six months after Independence, South Sudan made a unilateral decision to stop oil production and exports by the government of South Sudan, probably the worst political economic decision of the newly independent state.

In July 2012, the president, Salva Kiir, summarily fired the entire cabinet, his first vice president and the secretary general of the SPLM, the ruling party, all in the same evening. In December 2013, the country descended into civil war in which it has been embroiled for the last nine years. All of the investment in governance structures, infrastructure, health and education were negated by the death and destruction caused by the Civil War, which has started 2013 to the present.

In recent years, the U.S. has provided nearly $1 billion a year in humanitarian, peacekeeping and development in South Sudan. So the questions are, what have we learned? What has the U.S. and the international community learned from all of the investment in time, financial and human resources in supporting South Sudan and the South Sudanese people in their quest for independence? This is
from the ending of the war through the CPA to the current internal civil war and the newly independent country of South Sudan.

Here are some of the lessons learned, at least from my perspective. One is invest in institutions and don’t tie success to one particular individual. In the case of South Sudan, the U.S. very much tied assistance, tied success to the leadership of Garang and his leadership of the SPLMA. The focus on governance should shift away from capital to states that is to decentralized. From 2005 to 2011, investment of international partners was in Juba, the capital, as they wanted to be sure that if South Sudan became independent, they could run a state. Third, focus on root causes of conflict. In the case of South Sudan, we saw from the 1991 split and the SPLA, the importance of ethnic division and personal greed as an influence political decision made, decision making in the country. And I contend that we did not do sufficient efforts to try to attack those causes of the conflict. The international community did not do enough to assist the South Sudanese dealing with these core issues. Fifth, the impact of trauma from experiencing long term conflict. We had no idea as the magnitude of that issue only began to pay attention to this much later. Sixth invest in infrastructure. The isolation of communities did not help in recovering from conflict. We needed to realize that a country like South Sudan, with minimal roads and infrastructure, needed linkages to facilitate conflict resolution and development. Focus on agriculture needs for a country like South Sudan, with all its natural resources, it should be able to feed itself. There’s no need for the billions of humanitarian assistance to feed over 50% of the population during the last nine years.

During conflict, U.S. and international should act in open to developing and nurturing youth and women leaders, rather than supporting existing militaristic structures and leaders. Insufficient attention to anti-corruption. The magnitude of corruption that has taken place, taken hold over the last ten years is unbelievable. The international community was well aware of it, only paid lip service to anti-corruption and actual efforts that were made. Oil revenues never stopped since oil was resumed in 2013, but there was hardly any accountability. Development partners were not strong enough to require accountability in publishing of oil revenues so that people knew how much money was received and where the money went. There was very little transparency. Transitions will take place. Ho, how do we prepare for it, and how do you support people in the country for the transition, be it political transition or the transition from war to peace? Too much attention has been paid in trying to justify the influx of resources, but insufficient attention to accountability and transparency use of the
country's own resources. South Sudan is a rich country, both in natural resources and human resources. Focus has to be on institutions and supporting a new generation of leaders who prioritize their own communities rather than getting rich at any cost.

Some of the major points. You can have money, but you don't have diplomatic and political attention. You, as a development partner will not have impact. We need to have a political conflict lens together with a technocratic lens. Political attention and policy are needed during the entire time, in this case, the life of a new country. Also, don't assume that dollars and political support will always be there in your favor. There is a need for a strong donor coordination system, especially with and within the UN system. This helps in the division of labor. Always remember that the strength of bilateral relations is between the people of the country and the people of the US.

And I would like to end with a short anecdote which came home to me in the aftermath of September 11. I was in South Sudan on 9/11 and flew out to Nairobi as the Twin Towers were falling. Exactly a year ago, on September 11, 2002, I happened to be in South Sudan, in the town of Yambio. Unbeknownst to me, the, the Commissioner of Yambio was a lady called [inaudible] and called for the entire town to get together for a memorial service at noon on September 11, 2002. And that's what she said, we have to remember today the people who lost their lives in the incidents of 911, and we also have to be with the people of the US, because when we were bombed by Sudan, they were always with us. And today on 9/11, 2002, the people of South Sudan are with the people of the US. In all my briefings to senior US government and other people who go out to South Sudan, I said you have a political role there and a political job but cannot forget the fact that the relations are there between the people of South Sudan and the people of US. Thank you.

Constanze Stelzenmüller [01:44:33] Thank you so much. That was a riveting and rather moving account of your experiences in South Sudan. It sounded, as I would, steering for you personally as well, for which I have some sympathy, having spent some time in Africa as a journalist myself. There is, and I think there are, in your, in your extensive list of mistakes to avoid, I think there are a lot of lessons very clearly for for the West in Ukraine. But it struck me that there was one thing that you didn't mention in your presentation, and that is something that Howard James did mention, which is that Ukraine, for example, is, plays a role not just in Russia's strategic calculations, but also those of China. Was, in your experience there a role for Russia and or China in South Sudan as well that complicated Western efforts at reconstructing and aid?
Brian d’Silva [01:45:38] Well, China has had a major role in Sudan because of its assistance in oil exploration and development. So from 1999 to 2011, the major oil fields about to explode really started off with China. And then with the support of India and Malaysia, were a key factor in the exports of oil for Sudan. Between 2005 and 2011, the peace agreement, oil revenues were shared for the first time, but in 2005, with Sudan and South Sudan. After 2011, when South Sudan became independent, they did not have any real time to develop their own sort of [inaudible], you might say, with the oil companies of China, Malaysia and India. So everything was replicated. What had taken place in Sudan was replicated in South Sudan. So the same type of structures were shifted by China, India and Malaysia from Sudan to South Sudan. Now, in terms of Russia's involvement, I would say Russia is more involved in Sudan, not in South Sudan.

Constanze Stelzenmüller [01:46:58] Yeah, of course. All right. Well, thank you very much. That was a very helpful additional point. And I will now move to a third speaker. Naheed Sarabi, who is the visiting fellow in the Center for Sustainable Development, and that is housed within the Global Economy and Development program at Brookings. She is a development practitioner with over ten years of experience and served as the Deputy Minister for Policy at the Afghan Ministry of Finance from 2017 to 2020, the highest-ranking professional woman at the ministry in the pre Taliban times. Naheed Sarabi, it's great to have you on this panel. As someone who also spent some time in Afghanistan, I am very eager to hear what you have to say. Thank you.

Naheed Sarabi [01:47:44] Thank you so much, Constanze, and it's such a great pleasure to be part of this panel with such interesting discussion. As you said, having come from Afghanistan and working there, I can very well understand the toll that war takes on reconstruction and development and overall economy. I want to begin by providing a political economy background that underpins most of the development efforts in the years of reconstruction in Afghanistan. The reconstruction efforts begun when many development indicators were at their lowest. The country had suffered over a decade from international isolation and civil war that depleted the infrastructure, institutions and human capital. The political settlement of 2001 bond conference brought into a structure the elites and stakeholders of the previous decades that to a great extent shape the nature and dynamics of institution building and development in the country. The main course of action was foreign terror and reconstruction followed.
So you had a country that was in the middle of the conflict that also pursued development and economic goals. While much of the international effort was consumed by fighting terrorism, I just want to focus on economic development here and some of the lessons learned. More than 70 donors and international agencies were involved in Afghanistan from 2001 till 2021, before the collapse of Afghanistan in the hands of Taliban. Some 75 donors did the heavy lifting. While U.S. and EU being one of the top five donors. I want to begin with the question, was there a strategy for reconstruction and development? And the question was, yes, Afghanistan developed four development strategies over the course of 28 years. The first one in 2002 put forward an ambitious but moderately prioritized plan for reconstruction and development. The Advance on Reconstruction Trust Fund that was administered by the World Bank was established, which even continued before the collapse until now.

It was then followed by a five-year Afghanistan National Development Strategy and Afghanistan National Peace and Development Frameworks one and two subsequently. Unfortunately, there wasn’t enough convergence on implementing the first development framework within the donors and its national plans, which also led to too many projects led by international agencies and donors themselves. The subsequent strategies became ambitious plans that reflected these, but not the absorptive capacity of both the government and non-government actors. For example, the first national development strategy was costed around $50 billion, but only if you count the entire commitment and disbursement of donor funds doesn’t go beyond $67 billion over the course of 20 years. Afghanistan witnessed tremendous improvement in some sectors. Human capital indicators, for example, and health and education had an upward trend during the first decade. This was also because these indicators are one of the worst examples for example, girls' enrollments in school were zero when the Taliban were toppled. Health service delivery, mostly through NGOs, was a great success. Community building and development remain consistent and also one of the success stories during the years of reconstruction and development.

However, progress in other sectors remained mixed and sluggish, compared to 20 years of international investment. Priorities and sectors and how to absorb donors' funds were not well identified. For example, despite high dependance of rural people on agriculture, which is 75%, the sector did not have many success stories. Community development and big infrastructure development did not go parallel. Despite years of investment, Afghanistan remained a highly a
dependent country, with over 70% of its public expenditure still financed by aid before the Taliban takeover.

Now, why this. First, not enough and consistent investments were done in ES that could generate revenues for the government to respond to the growing needs and become self-sufficient. Second, corruption and weak institutions cause leakages in the systems. And third, although most parts of the security expenditure were externally financed, it is still exerted pressure on civilian budget and enforced investment tradeoffs for the government. I want to also draw a few analyses on the nature of development assistance. International assistance to Afghanistan suffered from short termism and unpredictability, something which also came during discussion on Ukraine. For example, pledges from the international community were made and renewed every four years through cumbersome exercise of international conferences. That somehow influence government to make short term development plans for these long ones and say yes to any type of aid that came through.

There was also a degree of difference between aid pledged and aid dispersed. For example, the Afghanistan Republic data estimated more than 80 billion of dollars of pledges, while OECD data shows the total disbursed from 2002 to 2020 to be $67 billion. So there was a like a degree of difference between aid pledged and committed and also disbursed. First decade of reconstruction and development saw high amounts of aid disbursed with its peak levels in 2010 and 2011. The Afghan Republic data in 2018 showed that out of total grants disbursed to Afghanistan only 33% was spent on budget meaning using country systems. Previous years showed even lower unbudgeted spending rates. This modality of aid disbursement gave rise to weak government systems and parallel systems outside the government. As a result, alliances were drawn more to aid providers, undermining government legitimacy.

On the other hand, high levels of aid financing made the government more accountable to our donors and the citizens and public. Aid coordination had both success stories and its challenges. With too many donors being involved in Afghanistan, prioritization became an onerous tool. Donor priorities reflected that of their capitals, which became challenging back in Afghanistan to coordinate. However, despite obstacles, a lot of work and a lot of work needed from the government side of course, there was a mechanism of donor coordination that was put in place in Afghanistan in form of a joint body co-chaired by United Nations and the Afghan government. It met on frequent basis, and it provided a
platform of accountability between the government and donor agencies on a platform of coordination for plans and priorities.

I want to close my statements, just maybe if I could draw two big lessons from the construction and development efforts in the past 20 years, although there's a lot to cover. First of all, a strategy with prioritized, planned and predictable, predictable resources is essential. Donors must stay vigilant of unpredictable security situation as it was in the case of Afghanistan. I would say list ambitious plans and as our motto was in the last years and the Afghan public promise list deliverable. Second, country ownership and donor coordination and planning is of essence, since it is not only about ownership of the processes of taking conditionalities and agreeing to those conditionalities, but also taking ownership in terms of implementation. Corruption will be an issue. There will be debates on country systems being approved, but the main aim of the aid should be to capitalize and improve the systems and not to make parallel structures. I would start with here. Thank you.

Constanze Stelzenmüller [01:56:52] Thank you very much, Naheed. I'm conscious of the passage of time. I have questions, but I also don't want to shortcut our third, fourth, final speaker, Hideki Matsunaga, who is the director general for the Middle Eastern Europe Department and the Japanese International Cooperation Agency. And I want to note in this context that Brookings is grateful to have received previous funding from the agency, but it is in no way associated with this event. We're always grateful when our donors respect our independence, and this has been the case here. Hideki Matsunaga, you will speak to us about the case of Iraq, which you've been associated with, but you are also currently overseeing JICA efforts in relationship to Ukraine. So if you could link those two, I think we'd be grateful in the remaining time that we have. Thank you so much for joining us.

Hideki Matsunaga [01:57:48] Thank you. Thank you for having me. And it's a pleasure to participate in this panel. I just returned from a trip to Ukraine last Sunday, and I'm currently, as you just said, engaged in the reconstruction, I mean response to the Ukraine crisis. In the past, I was engaged in the Iraq reconstruction for a number of years. I understand because of these experiences, today, I'm asked to talk about the comparison of the reconstruction of Ukraine and Iraq. But when we tried to compare the recovery and reconstruction of Ukraine with the cases of fragile countries such as South Sudan, Afghanistan or Iraq, there is often strong opposition. Ukraine is not the country like Iraq or Afghanistan or South Sudan. Yes, it is true. There are also fundamental differences between
Ukraine now and most of the country rebuilding after the Second World War. However, what we should mainly learn from this case is not so much about the country's context, but about the mistakes and failures of the international community and donors.

First, we can and must learn from past efforts and restructuring while also recognizing the uniqueness of the Ukrainian situation. Let me frame my comments around four set of issues. First, ownership. Naheed touched upon this in the closing part. I think all of the experience indicate that to be successful, reconstruction has to be owned by the country itself. The reconstruction has to be embedded in its own vision for the future. Action taken by the international community need to reinforce national success through national institution. This has arguably not been the case in some instances, especially in Iraq, where the international community has perhaps been too much in the driver's seat. Inextricably linked to this is what we mean by the country. We aren't just talking about the government or a political and economic elite, but about the people themselves. This was not the case in previous reconstruction effort, but Ukraine is potentially going to be different because of the circumstances and the fact that the government and civil society are already laying out their vision of what reconstruction should do and how it should be managed.

Another unique feature of Ukraine is that it has succeeded in this decentralization to some extent before the Russian aggression through delegating authority to local governments. There is significant potential that geographic regions, oblast or municipality will take part in and benefit from the reconstruction. Second, the cost of the reconstruction. This was being discussed by Vlad and Yuriy at the first panel. Who will pay and how to bear the cost of reconstruction of Ukraine. At the Lugano conference, the Ukrainian government estimated the cost of reconstruction up to 2032 is approximately 750 billion USD, while the short term needs around 100 billion USD. Because of the worsening attack on the infrastructure after October 10th, that figure could be higher. In the case of Iraq, it was estimated that about 220 billion US dollars was spent on reconstruction between 2003 to 2012, 66% of which was financed by its own oil revenue. In the case of Ukraine, we cannot expect much revenue from natural resources and each donor countries fiscal situation is worse than when the Iraq war started.

Already in response to the crisis in Ukraine, civil donors has pledged and disbursed a substantial amount of assistance. But there might be less money available for the reconstruction of Iraq in the future and in the end. The Ukrainian government will probably fend out of its budget, but it
does have limitation. War repatriation or seized assets of Russian could it be a source, but as we know, there are many, many political and legal difficulties. We have to find a way to fund the cost.

Third, and linked to this cost issue is private sector participation. Substantial money to rebuild infrastructure may come from donors or from the Ukrainian government budget, but the resources required for fiscal infrastructure development are so great that private as well as public finance is essential. The private sector will invest if there are opportunities and if the investment can meet, can be made less risky and generate a return. It is not so easy as we speak. So a major task for the international community is to de-risk private investment.

Another reason private sector participation is important, that it is essential to create job opportunities. Most of the reconstruction efforts since the Marshall Plan have not generated the improvement that allowed ordinary people to benefit and to rebuild their lives. In Iraq, the most critical shortcoming was that reconstruction failed to diversify the Iraqi economy away from the dominant oil sector. As a result, few economic opportunities were created in the non-oil private sector. Force is an issue of collaboration and coordination of different stakeholders. Many previous panel you know discuss about this, but coordination, collaboration, both domestic and international. The domestic coordination, of course, will be a challenge.

But I would like to emphasize that the International Committee is not particularly good at collaborating either. Vlad touched upon all about this. The idea of coordinating entity has a merit but requires careful thought to ensure that it remains at the service of Ukrainian reconstruction rather than dominates it, and that Ukrainian ownership of the process is not undermined. In Iraq, reconstruction became a set of disparate projects rather than the national enterprise, in part because each donor oversaw a project for which it was providing funding. In part, this is because sovereign state or international institutions governed by sovereign states have processes and procedure that have to be followed and have to make the case that what they are doing use, uses public money well. The World Bank 2011 World Development Report argued that donors and the international organization are accountable first to their constituencies and shareholders and only second to the people of recipient states. It calls this the dual accountability dilemma. In Iraq, the intention of the Iraqi and many international staff in the field often went unheeded by official back in donor capitals. I think, you know, Ukraine can learn from the lessons of past the reconstruction effort, but it is equally, if not more
important that the countries and international institutions that want to support it also learn from them. Let me stop here. Thanks a lot.

Constanze Stelzenmüller [02:06:26] Thank you very much. David, am I, do understand correctly that we have a hard stop in 3 minutes.

David Wessel [02:06:33] We did. So you can ask one question as long as Hideki's answer is two and a half minutes.

Constanze Stelzenmüller [02:06:39] Yes. Okay. Hideki, you, I think, gave a very thorough account of, of the really very substantial technocratic challenges to the reconstruction of Ukraine. And I, and I assume that you may not be particularly willing to answer the question that I'm going to ask you. But what about the political questions, the political challenges to reconstruction, both in Iraq and in Ukraine? And by that, I mean Western cohesion and I mean the involvement of authoritarian great powers.

Hideki Matsunaga [02:07:21] Right. Yeah, it's a, it's a very I think, you know, it's a big, big questions and, you know, political issues. I think it's both applied to international politics as well as a domestic politics. So we have to look at the both ways, you know, Western powers and it's not the one voice within the Western powers there are a little bit of push back and, you know, maybe small fighting. And also there is a political relationship between the West and Russia and could it be a China as well. So we really need to look at that international context. At the same time, we should look into their, you know, domestic politics as well. So, you know, I mean, Ukraine has gone through many cycles of liberation and changes in the past, like 20 years ago, 15 years ago, change, there was revolutionary, you know, people as well as the old guard. So we really need to look at that but you know, my visit, I'm quite encouraged, those young leaders, you know, very dynamic. And thanks a lot.

Constanze Stelzenmüller [02:08:38] Thank you so much for staying within our time limits. I just want to say I thought this was a riveting set of two panels on the challenge presented by Ukraine, a global war, I'm sorry, a regional war with already global implications and no clear end in sight. We've heard, particularly in the second panel, which I had the honor to moderate a lot of cautionary tales from which we must learn. But we also, I think, understand that this war more than perhaps some of the others discussed here may have repercussions on our own future and our own future prosperity, safety and security. And with that, I thank you all for participating. It's been an honor and a pleasure to listen to you, to moderate you. We could have gone on for hours. And I'm particularly grateful to David
Wessel for working with the Foreign Policy division and my Center for Europe for this. Thank you, everyone, and have a good day. I hope to see you all again in similar contexts. Goodbye.