

# Mobilizing Frozen Russian Sovereign Assets for Ukraine's Reconstruction

CEED Report



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As Ukraine faces immense reconstruction needs, frozen Russian assets remain at the center of an important international debate.

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## 1. The Scale of Damage in Ukraine

Ukraine faces a reconstruction challenge unparalleled in Europe since World War II. After three years of full-scale war, the toll on Ukraine's infrastructure, economy, and cultural heritage is staggering.

### a. Physical Infrastructure Destruction

- **Direct physical damage** to buildings, roads, power grids, and other infrastructure is estimated at **\$170–176 billion** (World Bank/UN/EU, RDNA4, Dec 2024).
- **Over 13% of Ukraine’s housing stock** has been damaged or destroyed.
- Housing, transportation, energy, and industrial/agricultural assets are among the hardest-hit sectors.
- Key cities like **Mariupol** have been largely leveled, and destruction continues across eastern and southern Ukraine.

## **b. Economic Losses**

- Ukraine’s **GDP shrank by about one-third in 2022**. Modest growth returned in 2023–2024, but the economy remains severely disrupted.
- **Millions of jobs lost** and thousands of businesses destroyed.
- **Total reconstruction and recovery needs** are now estimated at **\$524 billion** over the next decade (World Bank, Feb 2025).
- *Note:* Latest international assessments do not separately quantify total economic output losses beyond overall recovery needs.

## **c. Agricultural and Industrial Pillage**

- **Grain and agricultural assets:** At least **4 million tonnes of grain** (worth ~\$800 million) have been stolen from occupied territories (Ukrainian government). The agricultural sector’s direct war damage is estimated at **\$10.3 billion** (KSE Institute). Farm equipment, such as \$5 million in John Deere tractors from Melitopol, has also been looted.
- **Industrial equipment and companies:** Over **\$600 million** in finished steel products have been stolen (Metinvest). **Total direct damage to industry, construction, and services: \$14.4 billion** (World Bank/UN/EU). At least **1,150 Ukrainian companies** in

occupied regions have been illegally seized and incorporated into the Russian economy.

#### **d. Cultural Heritage and Art Theft**

- Over **1.7 million cultural items** have been stolen or destroyed (Ukrainian Ministry of Culture; not independently verified).
  - The **Kyiv School of Economics** estimates cultural heritage losses at **\$4 billion**.
  - Notable thefts include over 2,000 museum pieces (including Scythian gold) from Mariupol and thousands of paintings from the Kherson Regional Art Museum.
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## **2. The Funding Gap and Frozen Russian Assets**

- Despite substantial international aid pledges, a **\$9.96 billion financing gap** remains for 2025, with most aid focused on immediate stabilization rather than long-term rebuilding.
  - The **latest joint assessment** projects **\$524 billion** in reconstruction and recovery needs over the next decade.
  - **Approximately \$300 billion in Russian sovereign assets** have been immobilized in G7 and EU jurisdictions since early 2022. These figures do not include private Russian assets, which are not under discussion for reparations.
  - Even if fully mobilized, these frozen assets would cover only a portion of Ukraine's needs—underscoring the urgency of unlocking all available resources.
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## **3. Legal and Moral Basis**

- The **UN General Assembly (Resolution ES-11/5, 2022)** recognized Russia's responsibility to provide reparations for its aggression against Ukraine and called for an international reparations mechanism. However, this resolution is non-binding and does not authorize asset confiscation; binding action would require UN Security Council approval, which Russia can veto.
  - **Precedent:** The **UN Compensation Commission (UNCC)**, established after Iraq's invasion of Kuwait, administered over \$50 billion in reparations, funded primarily by a percentage of Iraq's oil revenues-not by direct confiscation of sovereign reserves.
  - The legal basis for outright confiscation of Russian state assets remains untested and is not currently permitted in most jurisdictions. Even the use of interest proceeds faces ongoing legal challenges, particularly in Belgium and the European Court of Justice.
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#### 4. Current Status of Asset Utilization

- The **European Union** has reached consensus (using qualified majority voting) on using interest generated by immobilized Russian sovereign assets for Ukraine's benefit. The first tranche (~€2.1 billion from 2024 interest earnings) was announced in March 2025, but as of May 2025, only a portion has been allocated due to administrative and legal procedures in Belgium.
- The **G7** agreed in principle in 2024 to issue a \$50 billion loan to Ukraine, to be repaid using future interest from frozen Russian assets. However, as of May 2025, the loan itself has not been issued; only the EU has begun transferring interest proceeds, which is not part of the G7 loan mechanism.
- **Legislative efforts** such as the U.S. REPO Act (passed by the House, pending in the Senate) and similar initiatives in Canada and

the UK are at various stages. While the UK and Canada have enabling legislation for potential asset confiscation, the EU has not advanced principal confiscation legislation beyond discussion, and no jurisdiction has yet enacted comprehensive frameworks for principal seizure and transfer.

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## **5. Key Challenges and Considerations**

### **a. Legal Certainty**

- The legal foundation for confiscating sovereign state assets is evolving. While international law supports reparations for aggression, the direct seizure of reserves remains largely untested, is not currently permissible in most jurisdictions, and faces significant legal hurdles and ongoing court challenges, particularly in Belgium and the EU.
- Theories regarding compensation for stolen assets, the kidnapping of children, inflicted suffering on civilians, unjust enrichment, and war crimes should support confiscation based on strong legal foundations.

### **b. Political Consensus**

- Achieving and maintaining a unified approach among G7 and EU members is challenging due to differing legal systems, risk tolerances, and political positions. The EU has successfully acted on interest transfers through qualified majority voting.

### **c. Implementation**

- Even with enabling legislation, the mechanics of asset transfer, oversight, and accountability require careful design to ensure transparency and effectiveness. The process of transferring

interest proceeds has been sluggish, with significant administrative and legal backlogs, especially in Belgium.

#### **d. Impact on Private Investors**

- More than 5 million Russian private investors have been affected by asset immobilization, resulting in ongoing legal actions in Belgium and the EU. These private assets are not considered for reparations at this time.

#### **e. Financial Stability**

- The IMF's April 2025 Global Financial Stability Report found no significant impact on global reserve currency preferences due to these measures, as most central banks consider the Russian case to be unique and not a precedent for broader asset seizures.
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### **6. Recommendations**

- **Accelerate Legislative Action:** Encourage G7 and EU partners to harmonize and expedite laws enabling the use of interest from immobilized Russian sovereign assets for Ukraine's reconstruction. Continue to explore legal avenues for principal confiscation while recognizing current limitations and ongoing legal challenges.
- **Prioritize Transparency:** Establish strong oversight mechanisms, using the UNCC example, to ensure that asset transfers are managed transparently and in accordance with international best practices.
- **Maintain Legal Prudence:** Continue consulting with international legal experts to ensure that any asset confiscation measures are defensible under international law and minimize potential negative repercussions.

- **Leverage Interest Now:** Expand and accelerate the use of interest from immobilized assets as an immediate source of funding while developing longer-term solutions for the principal and addressing legal challenges.
  - **Monitor Legal Challenges:** Closely monitor ongoing legal proceedings in Belgium and the European Court of Justice, as their outcomes may impact the feasibility and timing of future asset transfers.
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## 7. Precedent: The UNCC Example

After Iraq's 1990 invasion of Kuwait, the **UN Compensation Commission** managed over \$50 billion in reparations funded by a share of Iraq's oil revenues, instead of through direct confiscation of sovereign assets. This demonstrates that international reparations are feasible with the right legal and administrative frameworks.

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## 8. Conclusion

The immobilization of Russian sovereign assets presents a unique opportunity to finance Ukraine's long-term recovery. Realizing this potential requires coordinated legal, political, and administrative action, as well as careful navigation of legal and operational risks. By learning from past precedents and ensuring a transparent, lawful approach, the international community can help Ukraine rebuild while upholding the principles of international law and financial stability. Again, The **latest joint assessment** projects **\$524 billion** in reconstruction and recovery needs over the next decade.

The G-7 cannot allow the frozen funds to be returned to Russia, nor can they be expended by other nations on their reparations without

compensating Ukraine first. This is a test of our international rules-based order and our commitment to democracy and the sovereignty of all nations. Let us rise to the challenge.