



THE UKRAINE FUND

PUTTING RUSSIA'S SOVEREIGN ASSETS TO WORK

MAKE RUSSIA PAY — \$300 BN
#MAKERUSSIA PAY
DATE 24.02.2024
QTY 1 CRIMINAL
— DAMAGE TO INFRASTRUCTURE — \$54.6 BN | 19 —
— DESTRUCTION OF AIRPORTS AND AIRFIELD — \$10.6 BN
STATIONS 346 — ROAD BRIDGES AND OVERPASSES HAD BEEN DESTROYED
— DAMAGE TO INFRASTRUCTURE — \$10.6 BN
— DAMAGE TO INFRASTRUCTURE — \$10.6 BN
— DAMAGE TO INFRASTRUCTURE — \$10.6 BN
— GRAIN THEFT — \$10.6 BN
— DAMAGE TO INFRASTRUCTURE — \$10.6 BN
SCHOOLS DESTROYED 1300 — EDUCATION INSTITUTIONS DAMAGED
— HEALTHCARE DESTROYED — \$10.6 BN
— CULTURAL AND TOURISM LOSSES — \$10.6 BN
BUILDINGS DESTROYED — \$10.6 BN
RELIGIOUS BUILDINGS DESTROYED — \$10.6 BN
— COMMERCIAL AND INDUSTRY — \$10.6 BN
— DESTRUCTION OF THE KHIVKA DAM — \$23.2 BN
— EXPLOSIVE HAZARDOUS WASTE — \$10.6 BN
— THE LIST OF DAMAGES — \$10.6 BN
caused to Ukraine as a result of Russia's military aggression grows with every day of the war. And human lives are lost.

TOTAL AMOUNT — \$411+ BN
DATE 29.09.2026 10:00
#MAKERUSSIA PAY

#MAKERUSSIA PAY

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POLICY BRIEF / KEY FINDINGS



1 Europe faces a long-term financing challenge in Ukraine that extends far beyond reconstruction alone.

The latest joint assessment by the World Bank, European Commission, United Nations and Government of Ukraine estimates Ukraine's reconstruction and recovery needs at almost \$588 billion over the next decade, while the Ukrainian government's broader recovery vision has discussed financing needs exceeding \$800 billion. These estimates do not fully capture the additional long-term requirements associated with defence and deterrence, compensation for victims, debt sustainability and Ukraine's convergence with the EU.

Ukraine's victory and successful recovery are European strategic interests. Victory is necessary to end Russia's aggression on terms that preserve Ukraine's sovereignty and security; reconstruction, defence, deterrence and long-term economic development are necessary to make that victory durable. Europe therefore needs a sustainable financial strategy capable of ensuring both.

2 The approximately €290 billion in immobilised assets of the Central Bank of Russia (CBR assets) represent the only currently available pool of capital remotely comparable in scale to this challenge.

Almost €210 billion are located in the EU jurisdictions. There is already broad political agreement across the UN, EU, G7, and the Council of Europe that Russia must bear responsibility for the damage caused by its aggression and that its sovereign assets should remain immobilised until compensation is paid.

3 Since 2024, Ukraine's partners have progressively moved beyond immobilisation of the CBR assets.

Windfall profits have been redirected to Ukraine, the G7 established the €45 billion ERA Loans initiative, US legislation authorised the confiscation of Russian sovereign assets under the US jurisdiction, and the EU strengthened the immobilisation regime by prohibiting transfers of CBR assets back to Russia under Article 122 TFEU. These steps demonstrate that the use of the assets is not operationally or politically unthinkable. Yet they still fall far short of putting the underlying capital itself to productive long-term use.

At this point, indefinite immobilisation can no longer be treated as a sufficient end goal. While it ensures a minimum — preventing Russia from accessing the assets for the time being — it neither secures them as a durable resource for Ukraine in the long run nor safeguards against their possible return to Russia if political dynamics in Europe change dramatically. Europe must therefore focus on how to lock in the strategic use of the CBR assets for Ukraine while the necessary political consensus and favourable environment still exist.

4 This paper supports a new policy choice offered to Europe. The relevant alternatives are no longer either full confiscation or continued immobilisation.

A third option exists: the transfer of the assets into a dedicated special purpose vehicle – a Ukraine Fund and beginning to use them more productively even before the political and legal debate over final confiscation is resolved. This distinction is central to the model. Prominent law and finance experts offered several pathways through which the transfer without deprivation of Russia’s formal ownership rights could potentially be structured based on provisional international countermeasures – a “bad bank” model and establishment of the special-purpose vehicle directly under Article 122 TFEU. The establishment of the Ukraine Fund should be seen as a way to unlock the potential of the CBR assets for Ukraine, consolidated within a transparent institutional structure, their returns optimised, new financing engineering developed, laying the ground of the infrastructure required for future reconstruction and compensation established in advance.

5 The transfer of the assets would address a structural weakness of the current architecture: the excessive concentration of political, legal and security risk in Euroclear and Belgium.

The overwhelming concentration of CBR assets in a single custodial institution has created an obvious pressure point for Russia. Reported personal threats, intelligence activity, lawfare and other forms of pressure against Belgian officials and the Euroclear management demonstrate that Russia is actively abusing this exposure. The Ukraine Fund would allow Europe to redesign the locus of risk itself. Moving the assets into a collectively governed European vehicle – potentially with the participation of the G7 states and other partners – would reduce dependence on a single institution and jurisdiction. The remaining legal and financial risks shall then be shared collectively rather than remaining disproportionately Belgian. The remaining legal and financial risks shall then be shared collectively rather than remaining disproportionately Belgian.

6 The failure of elaborating the EU Reparations Loan proposal in December 2025 provides lessons for designing collective indemnification differently.

EU was in a rush attempting to secure new contingent liabilities through national guarantees that would often require voting at the national parliaments or changes to an already agreed Multiannual Financial Framework (MFF). The ongoing negotiations on the MFF 2028–2034 create a different opportunity: a collective indemnification or budgetary backstop could be designed ex ante as part of the next seven-year financial framework. Such an arrangement would still require political agreement, but it could allow Member States to determine in advance the scale and allocation of the risks they are prepared to share, rather than seeking under big pressure ad hoc national guarantees after liabilities arise. EU crisis-management experience — including NextGenerationEU, SURE and the EIB’s Pan-European Guarantee Fund — demonstrates that the Union has previously created collective financial backstops capable of supporting commitments substantially larger than the resources immediately provisioned. The legal indemnification for Euroclear should further be strengthened through amending a “no-claims” clause of the Council Regulation (EU) No 833/2014.

7

The Ukraine Fund should draw on the Norwegian sovereign wealth model.

Norway's Government Pension Fund Global demonstrates the value of separating political oversight from professional investment management and of allowing investment returns to compound over long horizons. Political authorities determine the mandate, strategic asset allocation and acceptable risk; professional managers make individual investment decisions within those rules. The scale of Norway's experience illustrates the potential of long-term professional asset management: by 2026, the GPFG's cumulative investment returns had reached NOK 15.2 trillion (approx. €1.4 trillion) or 2.7 times the total capital ever contributed, exceeding the total government contributions from oil and gas revenues for approximately 2.7 times.

With an average annual return of approximately 6.9% since 1998, the power of compounding has gradually made investment returns, rather than new resource revenues, a principal driver of the GPFG's growth.



Graph 1. Assets of the GPFG of Norway¹

The lesson for Ukraine and Europe is not that historical Norwegian returns can be reproduced simply, but that professionally managed sovereign capital can generate substantial additional value when protected by disciplined governance, transparency and a sufficiently long investment horizon.

8

The main argument voiced against active management is inevitable years of negative returns.

However, investment risk can be managed, and should not be used as a justification for inaction. Moreover, the current approach of conservative management is not risk-free either. Keeping assets concentrated in cash, central-bank deposits and other highly

¹ Norges Bank Investment Management, "The Fund's Value," accessed 3 September 2026, <https://www.nbim.no/en/investments/the-funds-value/>

conservative instruments exposes them to inflation, periods of very low or negative interest rates, reinvestment risk, and the opportunity cost of foregone compound returns.

The Norway's GPFG experience shows that properly structured and managed, the Fund can survive major periods of market volatility equal to the 2008 global financial crisis or COVID-19.

In a severe “lost decade” scenario, a professionally managed Fund could face more sustained losses, but there are tools to mitigate them too: substantial liquidity reserves, diversified asset allocation, flexible withdrawal rules, phased deployment of capital, rules-based rebalancing and strict concentration, credit and counterparty limits. Immediate reconstruction and debt-servicing resources should be held in lower-risk liquid instruments, while the long-term endowment could accept greater market exposure. In that case, one of the most important safeguards is to avoid making investment decisions in response to market panic.

However, in this severe scenario, it is important to assess other European alternatives for ensuring the continued support for Ukraine. The same crisis would also weaken European growth, public revenues, borrowing conditions and private investment — precisely the sources on which Ukraine would otherwise have to rely on if Europe chose not to utilise CBR assets for Ukraine’s recovery and instead depended primarily on taxpayer-funded support. A pre-funded pool of diversified assets would therefore itself constitute a form of resilience against future economic and political uncertainty and shocks.

9 The Ukraine Fund should follow a hybrid model, combining long-term capital preservation with carefully structured use of its financial capacity, rather than sitting at either extreme — operating as a traditional sovereign wealth fund or as a one-off pool of money to be exhausted immediately.

The Norwegian experience demonstrates the exceptional long-term potential of a \$300 billion capital base if professionally managed and allowed to compound. The safest starting point would therefore be to preserve and invest the principal while using investment returns to support Ukraine. However, Ukraine’s immediate reconstruction, defence and compensation needs cannot be met from using returns alone.

The Fund should therefore rest on three mutually reinforcing pillars:

1) a professionally managed long-term endowment generating investment returns; 2) financing mechanisms for more immediate needs, based on investment of money into short-term instruments or providing as loan, or serving as back of new external loans based on the logic of the ERA Loans (“ERA 2.0”) but in bigger amounts; and 3) the use of part of the Fund’s balance sheet for guarantees, war-risk insurance and blended finance to mobilise additional private capital. This would allow the same asset base to be much more productive than simply and outrightly spending down the €290 billion principal.

Once the legal and political question of final confiscation is resolved, the Fund’s mandate and the permissible use of the principal directly could be adjusted accordingly. In addition, the international compensation mechanism being developed through the Council of Europe could receive financing from the Fund or be linked to it through a dedicated financing window.

Over time, the Fund could contribute to servicing Ukraine-related wartime financing obligations, particularly the ERA Loans, which are already linked to revenues generated by immobilised CBR assets.

10 Illustrative modelling conducted in the ICUV paper demonstrates that the economic potential of the CBR assets substantially exceeds their nominal principal.

The paper models different combinations of immediate spending, investment mobilisation, long-term endowment preservation and debt servicing over 30 years. Under the central assumption of a \$300 billion asset base transferred, and a 6.5% average annual return, the modelled strategies generate approximately \$585–677 billion in cumulative economic value, while retaining between approximately \$36 billion and \$112 billion in endowment capital after 30 years. The models are illustrative rather than predictive and are not intended to identify a single optimal allocation. Their purpose is to show the order of magnitude of the financial capacity that could be generated by treating the assets as a productive balance sheet rather than a finite pool to be immobilized or spent once.

11 A broader mandate beyond administering CBR assets could turn the Ukraine Fund into a platform for engaging partners supporting Ukraine's recovery and reconstruction beyond the EU and G7, potentially reinforcing its immediate financing pillar through bilateral aid flows.

Also, Ukraine and the EU can proactively engage Gulf states, including Saudi Arabia, the United Arab Emirates, Qatar and Kuwait, whose governments and sovereign investors command substantial financial resources and have increasingly important economic and security relationships with both Europe and Ukraine. Their participation could take different forms, including capital contributions, co-investment vehicles, reconstruction projects and, potentially, representation within the Fund's wider governance architecture. The Fund's guarantees and risk-sharing instruments could simultaneously create opportunities for their investors and companies to participate in Ukraine's reconstruction under a credible internationally governed framework.

This would also have a broader geopolitical purpose. Some Gulf states previously expressed concerns over Western proposals to use immobilised CBR assets. Bringing them into the institutional and investment architecture surrounding the Ukraine Fund could help broaden international engagement into Ukraine's reconstruction, allowing the Fund evolve from a vehicle managing CBR assets into a wider geostrategic platform linking Ukraine's recovery to a more diverse coalition of states and long-term investors.

12 The Ukraine Fund should also be designed to serve wider European interests.

A portion of its endowment investment portfolio could go to high-quality European financial assets, strategic infrastructure, energy security, defence-industrial capacity, critical technologies and joint European-Ukrainian defence production, as well as bonds of the Member States. This would allow CBR assets both to finance Ukraine's recovery and strengthen Europe's own economic resilience and deterrence capabilities in the long run. Moreover, the Fund could also partially pre-finance investments that overlap with Ukraine's future EU convergence requirements — including transport, border infrastructure, energy modernisation, environmental upgrades and regional development — allowing Ukraine to enter the EU having already financed part of the convergence bill that would otherwise place additional pressure on future cohesion budgets.

13**The Ukraine Fund could have an important long term deterrence effect.**

Russia's strategy largely relies on the expectation that it can outlast Ukraine and its partners — that Western financial support will eventually weaken, Ukraine's economic capacity will deteriorate, and continued or renewed aggression may therefore become profitable again. A permanently capitalised Ukraine Fund would weaken this assumption by demonstrating that Ukraine has access to substantial financial resources for reconstruction, resilience and defence over decades rather than depending on electoral or annual budget cycles in the partner states. The stronger and more predictable Ukraine's long-term financial capacity becomes, the weaker the incentive to pursue a strategy based on exhaustion, destruction and waiting for Western support to collapse.

14**The central policy conclusion is that Europe should act while it still has the political opportunity to do so.**

The status quo approach leaves an asset base of extraordinary strategic value underused, concentrated in a vulnerable institutional structure and exposed to future political reversal. The Ukraine Fund offers a way to move beyond this binary debate: secure the assets in a durable institutional framework, begin making them productive already today, distribute risks collectively, compensate victims, support Ukraine's defence and reconstruction, mobilise private capital and preserve long-term value.

15**The alternative is considerably more dangerous, the cost of no action is high.**

Leaving the assets largely idle preserves financial, political and security risks without securing them as a durable resource for Ukraine and Europe. If the assets are eventually returned to Russia, they would provide a major financial resource for rebuilding its military capabilities; if Ukraine remains underfunded, Europe would simultaneously face the consequences of a weakened and unstable frontier state requiring decades of financial and security support.

The strategic choice facing Europe today is whether to transform the immobilised CBR assets into a long-term instrument of Ukrainian recovery and European security while the political opportunity exists, or to leave them largely idle and accept the risk that changing political circumstances may eventually allow their return to Russia.

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