



Securing Long-term and Sustainable Funding to Support the Reconstruction of Ukraine

Global trends in aid funding are becoming increasingly unreliable and media driven. It is therefore essential we secure more sustainable ways to fund our support to conflict-affected countries when they inevitably fall from the headlines. The economic pressures arising from the Covid-19 pandemic, the war in Ukraine, and a cost-of-living crisis have created significant challenges in UK. Focus is undoubtedly turning towards tackling the problems at home, and the implications for overseas aid spending remain uncertain. Recent geopolitical events such as the Afghanistan and Ukrainian refugees crises have caused additional pressures on the UK aid budget, which has now supported 141,500 people from Ukraine and 21,500 from Afghanistan, having spent an estimated £3 billion (25% of the ODA budget) on hosting UK-based refugees in 2022. The FCDO, whose ODA spending is capped at 0.5% of GNI, paused non-essential aid spending from July to November 2022. The UK is now facing significant problems in managing a budget which is capped and now overloaded to 0.55%.

The UK Government has the opportunity to explore alternative funding mechanisms which can both improve the efficiency of their capped spend and explore new sources of funding in order to bridge gaps. These include impact/outcome finance, public-private partnerships, asset recovery, and front-loading finance.

In the case of Ukraine this will not only address the multi-million-pounds cost of reconstructing the country's infrastructure, but also alleviate pressures on other programmes funded by the UK's ODA budget. An agile, efficient and well-managed aid budget, supported by private investment and finance is key to unlocking the inherent challenges facing conventional aid spending, and to ensure we can continue to help fund Ukraine to rebuild sustainably into the future.

What we are proposing:

1. Support civil enforcement and asset recovery efforts in Ukraine.
 - A. Explore the application of asset recovery of non-sanctioned assets taken from Ukraine through organisations such as Restitution.
 - B. Create a litigation fund which can support long-term humanitarian work as a stable funding stream raised by assets taken from Ukraine.

2. Private sector involvement.

A. Impact bonds

i. Explore the application of asset recovery of non-sanctioned assets taken from Ukraine through organisations such as Restitution.

ii. Create a litigation fund which can support long-term humanitarian work as a stable funding stream raised by assets taken from Ukraine.

B. Blended finance

i. Begin targeted use of development and philanthropic funding to attract and mobilise private capital.

ii. Encourage investment into Ukraine, with a particular focus on agricultural and exports sector.

3. A review into UK legislation on freezing and repurposing assets.

A. Amendments to the Sanctions and Anti-Money Laundering Act 2018.

i. To include provisions allowing the repurposing of frozen and seized assets which have been deemed by a Minister to be in the interests of international peace and security,

ii. Repurposed funds to be used for reconstruction efforts in the affected country.