

DGAP POLICY BRIEF

Return and Reconstruction

How the EU Should Invest in Ukrainian Refugees



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While preparing for a longer war, Ukraine and its allies are already planning for reconstruction. Human capital will be the linchpin of this effort. A multifaceted approach to reconstruction includes physical restoration, economic recovery, and governance reinstatement, but people on the ground will matter most. Already before Russia's full-scale invasion, Ukraine was lacking people in its administration and crucial sectors. That is why European countries should more strategically address the prospective return of Ukrainians who fled the war by enhancing their potential to help reconstruction.

– After conflicts, security concerns and returnees' perceived prospects in their country of origin play a pivotal role in sustainable return and reintegration. Three unique uncertainties add to the Ukrainian case: Unclear return rates due to the protracted state of war, a conflict of interest between labor demand in the EU and reconstruction needs in Ukraine, and more flexible mobility in light of Ukraine's potential EU accession.

– Reconstruction planning should follow a two-pronged strategy of investing in Ukrainians: First, European countries should offer reception conditions that help Ukrainians bolster their potential to contribute to reconstruction once it is possible to return to Ukraine. These include reliable residence and work permits beyond 2025, improved procedures for recognizing qualifications, transferability of school diplomas, and specialized training programs in sectors relevant for reconstruction.

– Second, European countries should plan for comprehensive reintegration programs that ensure a smooth return for Ukrainians. This means supporting Ukrainian-led initiatives, prioritizing their informed return, and enabling region-specific reintegration assistance.

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1. HUMAN CAPITAL AS THE KEY COMPONENT IN UKRAINE'S RECONSTRUCTION

Ukraine's reconstruction is high on the political agenda of Ukraine and its allies. While preparing for a longer war,¹ and although the extent of requirements for reconstruction remains unclear, planning for post-war recovery has already started. International donors have set up multiple political processes to address reconstruction needs. For instance, two international recovery conferences have taken place since Russia's full-scale invasion in February 2022, with gatherings in Lugano, Switzerland, in July 2022 and London in July 2023, and a third conference planned for June 2024 in Berlin. In January 2023, the government of Ukraine, G7 countries, the European Union, and international financial institutions established the Multi-agency Donor Coordination Platform to facilitate coordination among international donors and ensure coherence and transparency.²

Ukraine's reconstruction will encompass several components.³ First, the restoration of physical infrastructure, such as the repair and rebuilding of roads, bridges, buildings, utilities, and vital facilities that suffered damage or destruction during the conflict. Second, economic recovery, especially to reinvigorate industries, foster job creation, and establish stability within financial systems to foster sustainable growth. Third, the restoration of governance and institutions post-conflict, which involves the re-establishment of stable political structures, bolstering the rule of law, and ensuring the effectiveness of administration once the state of war ceases.

But a fourth factor is the most critical in the country's recovery and rebuilding. It is not procedural or economic, but human. It will be those people who take on

the task of reconstructing bridges and hospitals, revitalizing industries, executing strategies, and translating planned expenditures into reality. The concept of human capital thus matters greatly for the reconstruction planning of the Ukrainian government and its partners. Indeed, it is one of the central goals of the government's reconstruction efforts, outlined in the Ukraine Plan under the Ukraine Facility program.⁴

2. OLD NEWS WITH ELEVATED RELEVANCE: UKRAINE'S DEMOGRAPHIC PROBLEM

Yet Ukraine has a demographic problem, and it is not a new one. The Ukrainian population has been declining steadily since the 1990s due to low birthrates, a low life expectancy, and high outward migration.⁵ Although Ukraine had a population of 51.5 million after gaining independence in 1991, its estimated population in 2019 had fallen to a mere 37.3 million (excluding Crimea and those parts of Donetsk and Luhansk oblasts that Kyiv did not control).⁶

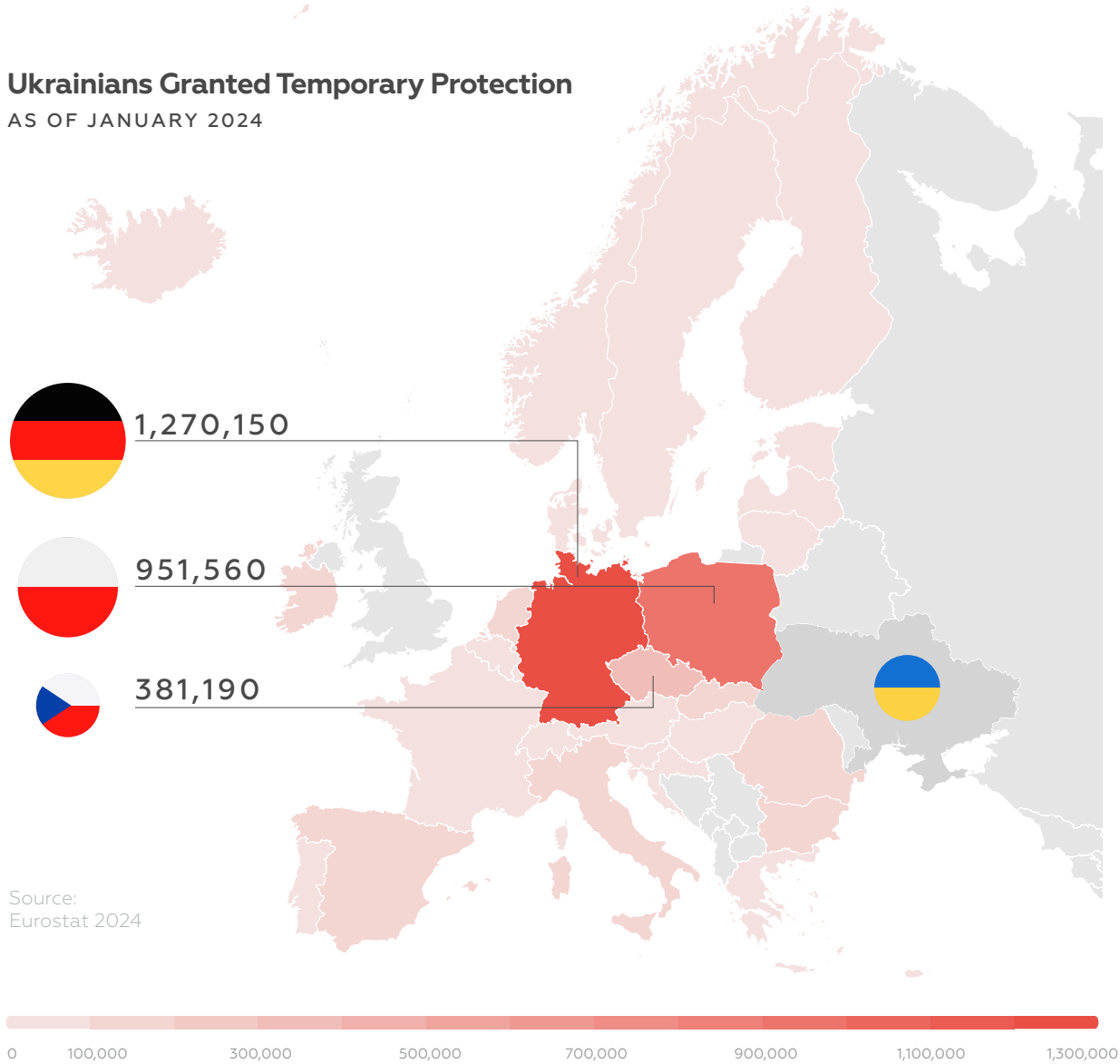
Russia's invasion has further worsened Ukraine's demographic problem. Besides an estimate of close to 70,000 casualties,⁷ more than 10,000 civilian fatalities⁸ and the systematic abduction of Ukrainian children to Russia, the Russian hostilities have triggered the biggest displacement in Europe since World War II. UNHCR, the UN refugee agency, reports 6.4 million refugees from Ukraine globally.⁹ As of January 2024, 4.3 million of them were registered in EU member states, with nearly half of them in only two member states: Germany (29 percent) and Poland (22 percent).¹⁰

The future looks bleak. One projection by the Vienna Institute for International Economic Studies suggests that regardless of the duration of the war, Ukraine's

- 1 Meister, S. et al (2023): Preparing for a Longer War. DGAP Analysis No. 6, December 20, 2023. Available at: <https://dgap.org/en/research/publications/preparing-longer-war> (Last retrieved: 22/03/2024).
- 2 EU Commission (2024): Recovery and reconstruction of Ukraine. Available at: https://eu-solidarity-ukraine.ec.europa.eu/eu-assistance-ukraine/recovery-and-reconstruction-ukraine_en#ukraine-facility (Last retrieved: 10/02/2024).
- 3 What reconstruction looks like very much depends on the outcome of the war. This paper follows a scenario whereby Ukraine would regain most of its territory.
- 4 Ukrainian Government (2023): Human capital development is one of the key areas of Government's work on the Ukraine Plan under the Ukraine Facility programme. Available at: <https://www.kmu.gov.ua/en/news/rozvytok-liudskoho-kapitalu-odyn-z-kluchovykh-napriamkiv-roboty-uriadu-nad-planom-ukrainy-v-ramkakh-prohramy-ukraine-facility> (Last retrieved: 10/02/2024).
- 5 Tverdostup, M. (2023): The Demographic Challenges to Ukraine's Economic Reconstruction, p. 10. Available at: <https://wiiw.ac.at/the-demographic-challenges-to-ukraine-s-economic-reconstruction-dlp-6620.pdf>
- 6 Rogoża, J. (2023): Ukraine in the face of a demographic catastrophe. Available at: <https://www.oswwaw.pl/en/publikacje/osw-commentary/2023-07-11/ukraine-face-a-demographic-catastrophe> (Last retrieved: 10/02/2024).
- 7 Landay, J. (2023) U.S. intelligence assesses Ukraine war has cost Russia 315,000 casualties - source. Available at: <https://www.reuters.com/world/us-intelligence-assesses-ukraine-war-has-cost-russia-315000-casualties-source-2023-12-12/> (Last retrieved: 10/02/2024).
- 8 Court, E. (2023): Prosecutor: Over 10,000 Ukrainian civilians killed since Feb. 24, 2022. Available at: <https://kyivindependent.com/prosecutor-over-10-000-ukrainian-civilians-killed-since-beginning-of-full-scale-invasion/> (Last retrieved: 10/02/2024).
- 9 UNHCR (2023): Ukraine Refugee Situation. Available at: <https://data.unhcr.org/en/situations/ukraine> (Last retrieved: 10/02/2024).
- 10 Eurostat (2024): Beneficiaries of temporary protection at the end of the month by citizenship, age and sex – monthly data

Ukrainians Granted Temporary Protection

AS OF JANUARY 2024



Source: Eurostat 2024

population will not return to its pre-war level even by 2040. The outlined scenarios predict a potential 20 percent decline in Ukraine’s population over the next 16 years, with the working-age population even more severely affected than the total population. Here, the researchers estimate a further decline of 22-25 percent by 2040, relative to 2021.¹¹

The demographic situation looks especially grim since 30 percent of Ukrainian refugees are minors, and around 70 percent of adult refugees are women.¹²

This marked prevalence of female departures not only differs significantly from other refugee contexts but is important for understanding the challenges for reconstruction. Ukrainian women are, on average, better educated than men, as 65 percent of women have completed tertiary education, compared to only 50 percent of men,¹³ thus representing an important resource for a labor-intensive reconstruction phase. This is why the crucial conversation about prospects for return and reintegration of Ukrainian refugees, and potential barriers to it is gaining traction.

11 Tverdostup, M. (2023): The Demographic Challenges to Ukraine’s Economic Reconstruction, p. 24. Available at: <https://wiiw.ac.at/the-demographic-challenges-to-ukraine-s-economic-reconstruction-dlp-6620.pdf> (Last retrieved: 10/02/2024).

12 Lauren, A. and Dumont, J.-C. (2023): What are the integration challenges of Ukrainian refugee women? Available at: <https://www.oecd.org/ukraine-hub/policy-responses/what-are-the-integration-challenges-of-ukrainian-refugee-women-bb17dc64/> (Last retrieved: 10/02/2024).

13 Tverdostup, M. (2023): The Demographic Challenges to Ukraine’s Economic Reconstruction, p. 13. Available at: <https://wiiw.ac.at/the-demographic-challenges-to-ukraine-s-economic-reconstruction-dlp-6620.pdf> (Last retrieved: 10/02/2024).

3. CHALLENGING HOMECOMINGS: BARRIERS TO RETURN AND REINTEGRATION

Personal circumstances and experiences pose their own reintegration challenges, but returning to a country ravaged by war after several years abroad often comes with shared difficulties like a lack of housing and medical facilities. Even if reconstruction is advancing, limited access to livelihood opportunities, aggravated by economic instability and disrupted markets, can hamper sustainable reintegration efforts. War wounds – both physical and psychological – from the experiences of conflict and displacement are also an obstacle, affecting health and well-being, and impacting successful reintegration.¹⁴ Not least, bringing back children who spent years abroad or were born in host countries and do not speak the local language can make a homecoming difficult.¹⁵

It is impossible to predict when the military situation will allow for the safe return of Ukrainian refugees and how many of them will be willing to return. Studies suggest return rates between 50¹⁶ and 80 percent,¹⁷ but it is probable that this percentage will decrease over time. Each month will further the refugees' integration abroad and likely cause more damage to Ukraine's infrastructure and institutions, making a decision to return less likely.¹⁸ Even if a considerable number of people opt to return, it is uncertain how long they will remain in Ukraine, considering Ukrainians have enjoyed visa-free access to the EU since 2017. A potential EU accession of Ukraine, with negotiations opened in December 2023, would likely foster increased mobility. While this could on the one hand allow for circular mobility and make diaspora

investments easier, thus benefiting reconstruction, it could also negatively impact long-term return rates.

Moreover, it is important to consider the conflict of interest between the demand for labor in the EU and the requirements for reconstruction. Well-educated Ukrainian refugees represent an enormous potential for EU member states, which find it more and more difficult to fill vacancies. This trend is expected to continue. Eurostat predicts that the share of Europe's working age population will decline from 64 percent of the total EU population in 2022 to around 54 percent in 2100.¹⁹ Germany alone will need an additional 400,000 migrant workers each year to mitigate labor market shortages, according to an estimate by the country's employment agency.²⁰ While some EU member states are struggling to integrate Ukrainians into their labor markets, more and more Ukrainians are finding jobs as they learn the local languages and receive support from local authorities. The EU and its member states will have to strike a balance between their demand for (skilled) labor and their geopolitical interest in a strong, prosperous, and independent Ukraine, which will rely on these people.

4. RECOMMENDATIONS

The EU and its member states should do two things to meet these challenges: (a) influence what is happening at home, i.e. offer the right reception conditions during Ukrainians' stay in the EU, and (b) shape what will happen in Ukraine once the military situation allows for it, i.e. plan for comprehensive reintegration programs.

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- 14 See also Fachkommission Fluchtursachen der Bundesregierung (2021): Krisen vorbeugen, Perspektiven schaffen, Menschen schützen. Bericht der Fachkommission Fluchtursachen der Bundesregierung, p. 58. Available at: <https://www.fachkommission-fluchtursachen.de/start#dokumente> (Last retrieved: 10/02/2024); IOM (2021): IOM's Policy on the Full Spectrum of Return, Readmission and Reintegration, p. 8. Available at: <https://www.iom.int/sites/g/files/tmzbdl486/files/documents/ioms-policy-full-spectrum-of-return-readmission-and-reintegration.pdf> (Last retrieved: 10/02/2024); Graviano, N. et al. (2017): Towards an integrated approach to reintegration. Available at: <https://returnandreintegration.iom.int/fr/resources/manual/towards-integrated-approach-reintegration-context-return> (Last retrieved: 10/02/2024); and IOM (2019): Special Issue on Return and Reintegration. Migration Policy Practice 9, no. 1 (2019), p. 30 ff. Available at: <https://publications.iom.int/books/migration-policy-practice-vol-ix-number-1-january-2019-march-2019> (Last retrieved: 10/02/2024)
- 15 Interviews with returnees to Kosovo and Serbia from November 2022 to March 2023.
- 16 Brücker, H. et al. (2023): Geflüchtete aus der Ukraine: Knapp die Hälfte beabsichtigt längerfristig in Deutschland zu bleiben. Available at: https://www.diw.de/documents/publikationen/73/diw_01.c.877240.de/23-28.pdf (Last retrieved: 10/02/2024).
- 17 Kudlyak, M. et al. (2022): Policy Insight 117: The effect of the war on human capital in Ukraine and the path for rebuilding. Available at: <https://cepr.org/publications/policy-insight-117-effect-war-human-capital-ukraine-and-path-rebuilding> (Last retrieved: 10/02/2024) and Libanova, E. (2023): Ukraine's Demography in the Second Year of the Full-Fledged War. Available at: <https://www.wilsoncenter.org/blog-post/ukraines-demography-second-year-full-fledged-war> (Last retrieved: 10/02/2024).
- 18 A survey conducted by IAB, BiB, BAMF-FZ, and DIW Berlin found that besides the security situation in Ukraine and their family situation, social integration in their host countries influences Ukrainians decision to return, see Brücker, H. et al. (2023): Geflüchtete aus der Ukraine: Knapp die Hälfte beabsichtigt längerfristig in Deutschland zu bleiben. Available at: https://www.diw.de/documents/publikationen/73/diw_01.c.877240.de/23-28.pdf (Last retrieved: 10/02/2024).
- 19 Eurostat (2023): Population projections in the EU. Available at: <https://ec.europa.eu/eurostat/statistics-explained/index.php?oldid=497115#:~:text=The%20share%20of%20working%20age,redution%20of%2057.4%20million%20persons> (Last retrieved: 10/02/2024).
- 20 Deutsche Welle (2021): Deutschland braucht 400.000 Migranten pro Jahr. Available at: <https://www.dw.com/de/deutschland-braucht-400000-migranten-pro-jahr/a-58962209> (Last retrieved: 10/02/2024).

1 Offer the right reception conditions to bolster human capital

Successful reintegration begins with the initial migration journey, as it sets the foundation for the challenges, experiences, and adaptations that individuals undergo.²¹ To support a Ukrainian workforce that is well-prepared to contribute to reconstruction once they have the opportunity to return, the EU should give Ukrainian refugees the following rights – beyond to the rights outlined in the Temporary Protection Directive (TPD).²²

- Ensure reliable residence permits and easy labor market access.** To avoid unintended employment gaps and enable on-the-job training, providing a clearer picture about longer-term strategies is crucial. Ukrainian refugees in the EU presently benefit from the protection measures outlined in the TPD, encompassing a temporary residence permit and uncomplicated labor market access. However, this protection mechanism will expire in March 2025, with no official communication from the EU Commission to date regarding post-TDP strategies.²³ This uncertainty could deter employers who are looking for long-term staff from hiring Ukrainians and investing in their training, thus hampering Ukrainians' employment chances. These potential career breaks not only have a detrimental impact on the labor markets of the European host countries but also squander the opportunity to maintain or even enhance Ukrainians' qualifications. Qualified labor will be essential for reconstruction.
- Provide childcare facilities and improve the process for recognizing qualifications.** Ready access to childcare allows refugees to seek full-time employment. Easing the process for recognizing people's qualifications will ensure they can seek employment that matches their qualifications – imperative to bolster the development of human capital. This not only helps the host countries' economies but also

prevents a loss of Ukrainians' human capital during their time abroad. Labor market participation of Ukrainians varies across EU member states. While 65 percent of working-age Ukrainian refugees are employed in Poland,²⁴ the employment rate of Ukrainian refugees in Germany is currently only 19 percent.²⁵ However, even within contexts with relatively high employment rates, challenges such as mismatched skills prevail, and part-time employment is prevalent among Ukrainian refugees due to caregiving responsibilities for children.

- Offer Ukrainian language courses for children and transferability of diplomas.** Setting up voluntary Ukrainian language courses and planning for the transferability of diplomas with the Ukrainian authorities is important to eliminate potential barriers to families' return to Ukraine. One third of Ukrainian refugees in the EU are minors. Although the Ukrainian government is offering distance learning, some EU member states are striving to increase enrollment rates among Ukrainian children.²⁶ While attending class in the children's host countries can contribute to their integration, it can also hamper their Ukrainian language skills and render it difficult to reenter the Ukrainian school system if their displacement lasts multiple years, a scenario that is unfortunately very likely.
- Create specialized training programs.** EU member states should set up training programs in their countries to specifically advance qualifications in sectors relevant for reconstruction.²⁷ Many Ukrainian refugees are highly qualified; however, their skill sets may not precisely align with the demands of the reconstruction efforts. A Rapid Damage and Needs Assessment by the World Bank, the Government of Ukraine, the EU and the UN found that the housing, transport, commerce and industry, agriculture, and energy sectors were most affected by the Russian hostilities.²⁸

21 See e.g. Cassarino, J.-P. (2004:) Theorising Return Migration: The Conceptual Approach to Return Migrants Revisited. *International Journal on Multicultural Societies*, 2004, 6 (2), pp.253-279.

22 In March 2022, in response to Russia's full-scale invasion of Ukraine, the European Union took the unprecedented step of activating the Temporary Protection Directive (TPD) for the first time since its inception in 2001. This directive was implemented as a pragmatic solution, providing expedited stay, residence, and work status to Ukrainian citizens and eligible Ukrainian residents affected by the conflict. It is set to expire in March 2025.

23 For an overview of potential scenarios see ICMPD (2023): Responding to Displacement from Ukraine: Options to Remain When EU Temporary Protection Ends. Available at: <https://www.icmpd.org/file/download/59847/file/ICMPD%2520Discussion%2520Paper-Options%2520to%2520remain%2520when%2520EU%2520temporary%2520protection%2520ends.pdf> (Last retrieved: 10/02/2024).

24 Ptak, A. (2023): Poland has the highest employment rate among Ukrainian refugees, finds OECD study. Available at: <https://notesfrompoland.com/2023/10/25/poland-has-the-highest-employment-rate-among-ukrainian-refugees-finds-oecd-study/> (Last retrieved: 10/02/2024).

25 Hansen, H. (2023): Germany eyes faster entry of Ukrainian refugees into labour market. <https://www.reuters.com/world/europe/germany-eyes-faster-entry-ukrainian-refugees-into-labour-market-2023-10-18/> (Last retrieved: 10/02/2024).

26 European Commission (2022): What helps displaced children from Ukraine enroll in EU schools?. Available at: <https://education.ec.europa.eu/news/what-helps-displaced-children-from-ukraine-enrol-in-eu-schools> (Last retrieved: 10/02/2024).

27 See also the proposal by Angenendt et. al. (2023): Für den Wiederaufbau von Wohnraum braucht die Ukraine Fachkräfte. Available at: <https://www.swp-berlin.org/publikation/fuer-den-wiederaufbau-von-wohnraum-braucht-die-ukraine-fachkraefte> (Last retrieved: 10/02/2024).

28 World Bank (2024): Ukraine - Third Rapid Damage and Needs Assessment (RDNA3) February 2022 – December 2023. Washington, D.C.: World Bank Group. <http://documents.worldbank.org/curated/en/099021324115085807/P1801741bea12c012189ca16d95d8c2556a> (Last retrieved: 22/03/2024).

2 Set up comprehensive and adequate reintegration programs

Second, while Russia's war in Ukraine will likely continue at least beyond 2024, it is prudent to begin planning appropriate reintegration programs for future use when the military situation permits. The EU and its member states should take four points into consideration.

- **Plan programs in collaboration with Ukrainian authorities and civil society.** It is crucial to involve experts with a deep understanding of the Ukrainian context from the beginning, namely Ukrainian government agencies, Ukrainian NGOs, Ukrainian diaspora organizations abroad, and Ukrainian refugees themselves.²⁹ Collaboration with these key stakeholders can lead to more contextually relevant and successful reintegration programs. Programs that work can be EU-supported but they must be Ukraine-planned and Ukraine-led. This is important as the effectiveness of reintegration programs often suffers from two problems: (1) a lack of suitability of established concepts for the local context, and (2) a lack of agency of local actors in programs prescribed and funded from abroad.
- **Set up comprehensive programs involving those who stay.** Reintegration programs should encompass provisions for a seamless re-entry into social systems, bolster employability, and address mental health issues. Reintegration research underscores the need to move beyond solely focusing on economic reintegration and recognize the importance of social and psychosocial reintegration.³⁰ This could, for example, include training mental health and psychosocial support counselors. Additionally, it is crucial to provide services both to those who stayed and those who left to promote social cohesion,³¹ as programs that exclusively assist returnees who may be perceived as having had an easier time abroad compared to those who stayed in Ukraine and experienced the horrors of war can potentially contribute to conflict.

- **Prioritize informed return.** Access to reliable information from trusted sources, such as diaspora organizations in the host country or connections with relatives and acquaintances in Ukraine, is essential.³² Return decisions depend on individual and structural circumstances. The security situation in the home country plays a pivotal role as well as individual employment opportunities and family constellations. Here, the most important pre-condition of a sustainable decision is the amount of information available to potential returnees. Test visits are another effective method to ensure informed choices, allowing individuals to return for a specified period without jeopardizing their residency status in the host country.

- **Design region-specific return programs.** Linking supported return opportunities to regional reconstruction initiatives could prove to be a successful strategy. Rather than adopting generic return programs for all of Ukraine, it is advisable to tailor them to specific regions that are prioritized for reconstruction efforts. The Afghanistan case³³ demonstrates a clear connection between reconstruction endeavors and return decisions. A geographical focus could also facilitate matching processes, such as a platform featuring job vacancies in Ukraine for refugees abroad, which could also be a component of test visits (see prior paragraph).

The cornerstone of Ukraine's reconstruction is its people, making it crucial to harness the skills and expertise of a significant resource abroad: Ukrainians forced to leave their country after February 2022. The encouraging news is that empowering their potential is an actionable step the EU and its member states can take now, irrespective of the conflict's duration.

29 Meiners, S. (2023): Changing reintegration in a meaningful way. Available at: <https://www.ips-journal.eu/topics/democracy-and-society/changing-reintegration-in-a-meaningful-way-6909/> (Last retrieved: 02/04/2024).

30 See e.g. Salgado, L. et al. (2022): Putting Migrant Reintegration Programs to the Test: A Road Map to a Monitoring System. Available at: <https://www.migrationpolicy.org/research/migrant-reintegration-monitoring-system> (Last retrieved: 10/02/2024).

31 In this regard, the integrated approach of the "Centres for Migration and Development," managed by GIZ in ten partner countries, can serve as a best practice, see also: <https://www.giz.de/de/downloads/giz2023-en-ZME.pdf>

32 See e.g. Walsh, M., Black, R. and Koser, K. (1999): Repatriation from the European Union to Bosnia-Herzegovina: the Role of Information. In: Black, R. and Koser, K. The End of the Refugee Cycle? Refugee Repatriation & Reconstruction.

33 Marsden, P. (1999): Repatriation and Reconstruction: The Case of Afghanistan. In: Black, R. and Koser, K. The End of the Refugee Cycle? Refugee Repatriation & Reconstruction.

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