Controversial Companies BlackRock and JPMorgan to Collaborate with Ukrainian Government Establish Reconstruction Bank for Massive Private Investment

In a move that has garnered both praise and criticism, financial giants BlackRock and JPMorgan Chase have announced they are helping the Ukrainian government in establishing a reconstruction bank, the Ukraine Development Fund. The fund's aim is to attract private investment on a large scale for post-war rebuilding projects, Financial Times reported.

BlackRock's vice-chair, Philipp Hildebrand, announced their intention to "mobilize capital at scale" and use it to attract between five and ten times as much private investment. The investment will be prioritized in infrastructure, climate, and agriculture.

“So many of today’s long-term challenges are best addressed through blended finance and this is one. You need these vehicles to mobilize capital at scale,” said Hildebrand.

The World Bank estimated in March that Ukraine would need $411 billion to rebuild after the war.

“A new joint assessment released today by the Government of Ukraine, the World Bank Group, the European Commission, and the United Nations, estimates that the cost of reconstruction and recovery in Ukraine has grown to US $411 billion (equivalent of €383 billion) according to the news release.

“The estimate covers the one-year period from Russia’s invasion of Ukraine on February 24, 2022, to the first anniversary of the war on February 24, 2023. The cost of reconstruction and recovery is expected to stretch over 10 years and combines both needs for public and private funds,” it added.

The Financial Times reported that the Development Fund will attract low-cost loans from various governments, charities, and international organizations.

“The fund is being set up to also give public and private sector investors the opportunity to invest into specific projects and sectors,” said Stefan Weiler, JPMorgan’s head of debt capital markets. “There will be different sectoral funds that the fund identified as priorities for Ukraine. The aim is maximize capital participation.”

More from Financial Times:

The Kyiv government engaged BlackRock’s consulting arm in November to determine how best to attract that kind of capital, and then added JPMorgan in February. Ukraine president Volodymyr Zelenskyy announced last month that the country was working with the two financial groups and consultants at McKinsey.

No formal fundraising target has been set but people familiar with the discussions say the fund is seeking to raise low-cost capital from governments, donors and international financial institutions and leverage it to attract between five and 10 times as much private investment.

BlackRock and JPMorgan are donating their services, although the work will give them an early look at possible investments in the country. The assignment also deepens JPMorgan’s relationship with a longstanding client. The bank has helped Ukraine raise more than $25bn in sovereign debt since 2010 and led the country’s $20bn debt restructuring last year.

The financiers consulted with private and public sector investors and found they wanted to help Ukraine but were leery not just about war losses but also the country’s governance, lack of transparency and shallow capital markets.

What Ukraine needed, BlackRock advised, was a development finance bank to find investment opportunities in sectors such as infrastructure, climate and agriculture and make them attractive to pension funds and other long-term investors and lenders. JPMorgan was brought in partly for its debt expertise.

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