



DEFENCE AND DETERMINATION

UKRAINE DURING THE THIRD YEAR
OF THE RUSSIAN INVASION

Edited by Tadeusz Iwański



DEFENCE AND DETERMINATION

UKRAINE DURING THE THIRD YEAR OF THE RUSSIAN INVASION

Jakub Ber, Tadeusz Iwański, Marcin Jędrysiak,
Sławomir Matuszak, Krzysztof Nieczypor, Piotr Żochowski

© Copyright by Centre for Eastern Studies

CONTENT EDITORS

Wojciech Konończuk, Tadeusz Iwański

EDITOR

Tomasz Strzelczyk

CO-OPERATION

Szymon Sztyk, Katarzyna Kazimierska

TRANSLATION

Ilona Duchnowicz

CO-OPERATION

James Long

CHARTS

Urszula Gumińska-Kurek

MAP

Wojciech Mańkowski

GRAPHIC DESIGN

OSW

DTP

Wojciech Mańkowski

PHOTOGRAPH ON COVER

Wirestock Creators / Shutterstock.com



Centre for Eastern Studies

ul. Koszykowa 6a, 00-564 Warsaw, Poland

tel.: (+48) 22 525 80 00, info@osw.waw.pl

www.osw.waw.pl

ISBN 978-83-68327-12-0

Contents

MAIN POINTS | 5

INTRODUCTION | 9

I. THE ARMY | 11

1. The positional war | **11**
2. Crisis in the ground forces | **13**
3. The ineffective and chaotic mobilisation | **14**
4. The need for change | **15**
5. Drone warfare and the successful strikes on infrastructure deep within Russian territory | **16**

II. THE SOCIAL SITUATION | 18

1. The demographics of the war | **18**
2. The weariness and impoverishment of the Ukrainian public | **20**
3. Belief in victory against all odds | **22**
4. The active vs the passive | **25**
5. The phenomenon of the Ukrainian volunteer movement | **26**

III. INTERNAL SECURITY | 28

1. The fight against corruption and abuse | **28**
2. Rivalry, overzealousness and 'manual control' of law enforcement agencies | **30**
3. Crime | **31**
4. Fighting the Russian threat | **32**

IV. DOMESTIC POLICY | 33

1. The concentration of power within the presidential administration | **33**
2. The marginalisation of the Verkhovna Rada and the Cabinet of Ministers | **34**
3. The president (still) leads the polls | **37**
4. The weakness of the opposition | **38**
5. Fighting political opponents | **39**

6. The elections that did not happen | **40**
7. The weakening of oligarchs | **40**

V. ECONOMY AND FOREIGN TRADE | 44

1. The macroeconomic situation – a fragile stability | **44**
2. Material losses caused by the war | **45**
3. The successful monetary policy | **46**
4. Temporary inflation issues | **47**
5. Foreign financial support as a critical driver of the state's functioning | **48**
6. Trade – new logistic routes | **50**

VI. FOREIGN POLICY | 53

1. No concessions to Russia | **53**
2. Efforts to secure Western support | **55**
3. The wartime path of integration with the EU | **55**
4. Commitments instead of security guarantees | **57**
5. Recovery under the European Union's umbrella | **58**

PROSPECTS | 60

MAIN POINTS

- The Ukrainian armed forces, particularly the ground troops, are experiencing a serious personnel, organisational, and material crisis. The most pressing issues include personnel shortages and the declining condition of the infantry, which is not being reinforced with young, physically fit soldiers. Despite the expanded scope of mobilisation throughout the spring and summer of 2024, the staffing of the ground troops is unlikely to significantly improve in the coming months. The way the offensive was conducted in the summer of 2023 also revealed numerous organisational shortcomings in the war effort and insufficient skills of commanders within the AFU, which are internal issues and independent of foreign military assistance.
- Despite the challenges, the front line remains resilient, and Ukrainians continue to hold their positions while inflicting significant losses on the enemy. There are no signs of a widespread decline in morale or will to fight. The AFU retains a significant number of dedicated rank-and-file soldiers and NCOs, who form the backbone of the fighting units. Throughout the nearly three years of invasion, a valuable portion of the officer corps has emerged – particularly junior officers and commanders of battalions and brigades. They advocate for reforms that would enable the AFU to build a substantial force capable of defeating an adversary with superior mobilisation capacity, weapons, and ammunition. The Ukrainian army retains the capacity for development, though improved strategic management and better organisation of the war effort at the national level will be needed to fully leverage this potential.
- The invasion has significantly altered Ukraine’s social structure. Up to 6.5 million people – over ten percent of the pre-war population – have left the country, with some likely to remain abroad permanently. Thus, Ukraine’s already poor demographic indicators, which were low even before the full-scale aggression, will be even more exacerbated. Additionally, 3.6 million people have been internally displaced. As a result of the war, citizens are experiencing increasing impoverishment, a trend that may accelerate in 2025, given the likelihood of mounting economic and budgetary challenges.
- There is a growing sense of fatigue among the Ukrainian public due to the prolonged war and its destructive impact on the economy and daily life. This has led to increased apathy and detachment from the state’s defensive efforts among a significant portion of the population. The most visible signs of

this attitude include men evading military service by hiding, paying bribes, or attempting illegal border crossings. Despite these issues, the majority of Ukrainians still believe their country will win the war with Russia. Tens of thousands support the military as volunteers, and hundreds of thousands regularly donate to fundraisers aimed at purchasing equipment and aiding war victims.

- The state of emergency, regulated by martial law, was introduced in February 2022 to impose discipline on the administrative apparatus and society in response to an existential threat to the state. However, it failed to significantly reduce internal security risks. Wartime conditions have fostered the development of new methods and schemes of financial abuse, corruption, and crime. The increased activities of Russian agents have further exacerbated the situation.
- Since 24 February 2022, domestic politics has been entirely dominated by Volodymyr Zelensky and the Office of the President of Ukraine that reports to him. This centre of power has leveraged martial law regulations, the weakening position of oligarchs, and the social and political unity against the aggressor to consolidate its authority. Consequently, other constitutional bodies, including the Verkhovna Rada and the Cabinet of Ministers, have seen their influence diminish, while the opposition has been marginalised.
- The head of the Office of the President of Ukraine, Andriy Yermak, has secured an exceptionally influential position within the power structure. He has become the second most important person in the state, with significant influence over appointments to key positions as well as over foreign policy.
- After a severe economic downturn in 2022, the country managed to achieve relative stability the following year. Modest GDP growth was recorded, inflation was contained, and the hryvnia avoided devaluation. This would not have been possible without financial support from Western countries and international financial institutions, which are, in effect, covering nearly all Ukrainian budgetary expenses unrelated to the armed forces and defence. The potential uncertainty surrounding aid, particularly from the United States in 2025, presents a significant challenge.
- Ukraine requires a sustained inflow of foreign funds to ensure its survival as a state. Hence Kyiv's efforts to maintain and increase aid from Western countries and international financial institutions. For this reason, relations

with countries and institutions providing the largest financial and military assistance – primarily the USA, Germany, the UK, the EU, and the G7 – are of paramount importance.

- The war has significantly depleted Ukraine's exports and altered its geographic distribution. The EU has solidified its position as Ukraine's main trading partner, accounting for 65.6% of exports and 53% of imports in 2023, with Poland becoming its second largest partner after China. A major achievement for Kyiv was the reopening of the deep-sea ports of Greater Odesa in September 2023, which enabled not only food exports and other goods by sea but also the import of essential supplies.
- Membership in the EU and NATO continues to be Kyiv's most significant foreign policy objective, and the prospect of accession is a crucial pillar of Ukrainian public morale. Support for integration with these organisations has reached record levels, fluctuating between 78–92% for the EU, and 68–89% for NATO over the past two and a half years. The start of negotiations with Brussels in June 2024 marks the culmination of an accelerated preparation process that began with Ukraine's application for membership in March 2022.
- Ukraine was disappointed to find that it was not invited to join NATO at the summits in Vilnius (2023) and Washington (2024). However, the country is actively seeking ways to deepen Western partners' involvement to improve its security. To this end, it has pursued long-term bilateral cooperation agreements with key Western countries, including NATO members. By late September 2024, Kyiv had signed 26 such agreements, including with the USA, the United Kingdom, France, Canada, Poland, and Germany.
- Ukrainian political elites show unwavering determination to resolve the conflict with Russia on their terms. The starting point for any potential negotiations with the Kremlin is the so-called Zelensky Peace Formula, which includes the withdrawal of occupying forces from all Ukrainian territories, the restoration of Ukraine's 1991 borders, and the prosecution of those responsible for war crimes. The Ukrainian government is striving to achieve this goal by gaining international support, particularly from countries in the Global South. This is one of the reasons why the peace summit was organised in Switzerland in June 2024.

- Kyiv is making efforts to engage countries, financial institutions, and private investors in the reconstruction of Ukraine, despite the ongoing conflict. However, the current scope and intensity of hostilities hinder progress in initiating this process on a large scale. The threats posed by the conflict, along with limited progress in combating corruption, continue to deter foreign capital from entering the Ukrainian market. In the absence of FDIs, the success of reconstruction efforts and the prospects for a sustainable economic revival in post-war Ukraine remain highly uncertain.

INTRODUCTION

Ukraine has demonstrated resilience, ingenuity, and a will to fight against the stronger and better-resourced aggressor during the war that has been lasting for over two and a half years. In the face of losing sovereignty, the state has become of paramount value to its citizens. The queues at recruitment centres in the early months of the invasion effectively debunked Vladimir Putin's claims that Ukraine is an artificial state and Ukrainians are part of the Russian nation. Ukraine also managed to avoid institutional paralysis, as the railways, banking system, and internet continued to operate despite shelling and the direct threat to the capital in February and March 2022.

The conflict persists without resolution after more than 30 months of the invasion. Following the failure of Ukraine's offensive in autumn 2023, the Russians took the initiative on the front, but have not yet achieved a strategic success. This exhausting trench warfare has been accompanied by destructive Russian air raids on civilian infrastructure, including the energy grid, aimed at breaking Kyiv's resistance. Ukraine has exceeded its own limitations in its response, and with the help of Western partners, it has defended its territory and delivered painful blows to the Russian Black Sea Fleet and the occupier's oil industry, yet it has not been able to tip the balance in its favour.

The defensive effort is gradually exhausting Ukrainian resilience and reserves. Dissatisfaction and impatience are emerging, though not a desire to capitulate. Ukrainians are increasingly tired of the war and therefore tend to support negotiations with the aggressor. However, a significant majority are unwilling to yield territory to the enemy, let alone abandon sovereignty. The government follows public sentiment as well as the global political dynamics – electing a new US president in November 2024 prompts Kyiv to show a willingness to negotiate, though not to make far-reaching concessions.

The besieged country needs a significant victory on the front to boost morale among both the military and civilians. The entry of Ukrainian forces into Russia's Kursk Oblast in August 2024 served this purpose, though the long-term implications and outcomes of this operation remain uncertain. Both the Ukrainian public and politicians became united during the first months of the war, and reclaiming some territories further bolstered this consolidation. However, trust in the leadership has waned in the third year of the invasion, and critical voices have already grown louder among their opponents. There are growing challenges inside the Ukrainian army, which is internally divided,

underequipped, and lacking well-trained new recruits. Additionally, relations between those directly involved in the defensive effort and the supporting personnel are increasingly strained. These two groups are no longer seamlessly complementing each other. Instead, there is a deepening divide between them, and it will likely become a crucial element of domestic politics when the war concludes.

The existential war has profoundly transformed every sphere of the Ukrainian state's operation. This paper aims to highlight the key trends in this domain. It begins with a chapter discussing the challenges the Armed Forces of Ukraine (AFU) are facing. The military situation has the greatest impact on public sentiment in the country, which, in turn, will influence the political dynamics and the terms on which leaders and citizens may agree to peace negotiations. Subsequent sections address the social situation, the transformation of the government infrastructure during the war, and the evolving nature and types of internal security challenges. The text concludes with chapters outlining the condition of Ukraine's economy, which is crucial for securing the resources necessary to sustain its defence, as well as its foreign policy reflecting a pro-Western orientation and the nation's definitive decision not to align its future with Russia.

I. THE ARMY

The offensive on the Zaporizhzhia front, which lasted from June to September 2023, marked the latest attempt to deliver a strategic defeat to Russian forces. The course of this offensive revealed that both armies had reached a relative equilibrium, influenced by factors such as troop training and morale, the quality and quantity of weapons and military equipment, ammunition reserves, commander skills, resilience to losses, and the willingness of commanders to sacrifice soldiers' lives. This balance prevented either side from achieving a decisive victory.

General Valerii Zaluzhnyi¹ has astutely assessed this situation, emphasising the need for a new strategic approach to warfare and the acquisition of innovative combat technologies, which, in addition to strengthening conventional weaponry, would enable Ukraine to secure an advantage over the adversary. In Zaluzhnyi's opinion, achieving dominance in the air, improving capabilities for traversing minefields, enhancing counter-battery and electronic warfare efficiency, and forming reserves are key factors in breaking the deadlock of the positional war.

1. The positional war

The five-month-long battle for Avdiivka, a town with a population of 30,000, located near Donetsk, confirmed that the Ukrainian-Russian conflict has firmly evolved into a positional war. In this phase, key elements include not only infantry and artillery but also fortifications, minefields, and both surveillance and strike drones.

In October 2023, Russian forces seized the initiative along almost the entire front line and launched an operation to capture Avdiivka. The initial plan was to conduct targeted strikes on the flanks of the defensive grouping in the city to sever its support lines. However, despite amassing substantial forces and achieving significant firepower superiority, this manoeuvre ultimately failed, resulting in heavy casualties for the aggressors. After approximately three months, Russian troops altered their tactics, shifting the focus directly to Avdiivka itself and probing for weaknesses within the stretched Ukrainian infantry defensive lines.

¹ V. Zaluzhnyi, 'Modern positional warfare and how to win in it', *The Economist*, 1 November 2023, [infographics.economist.com](https://www.economist.com/infographics).

At the same time, the Armed Forces of Ukraine had to deal with a few serious challenges: the depletion of brigades that had been fighting continuously without rotation, a lack of sufficient reinforcements, and a matériel crisis, primarily a shortage of artillery ammunition. In mid-February 2024, Russian forces breached Ukrainian defences in Avdiivka, forcing Ukrainian forces to withdraw from the city. However, they lacked the strength to effectively pursue the retreating Ukrainian forces. By March, the Ukrainians had established a defensive line along a series of natural obstacles located several kilometres beyond the city. Russian attempts to destabilise the Ukrainian front in the spring and summer, including an offensive operation in the Kharkiv Oblast, failed to significantly shift the strategic balance.

Although this has long been a positional war, the intensity of the fighting has not significantly diminished. Throughout spring and summer 2024, Russian forces continued their offensives, adjusting their tactics to align with their capabilities and the battlefield environment. They discontinued large-scale operations aimed at outflanking Ukrainian forces, and instead they have focused on gradually pushing the defenders from their strongholds. This approach aims to impose a prolonged, attritional trench warfare on the Ukrainian forces, a tactic Russia can sustain due to its steady infantry replenishment and expanded production of artillery ammunition and strike drones. This method is primitive and entails serious human and matériel losses, but it has slowly degraded Ukrainian brigades, particularly those engaged in defence without robust fortifications or regular reinforcements. It has resulted in modest territorial gains for Russian forces along specific sections of the front.

Along the primary offensive axis, advancing along the Avdiivka–Ocheretyne–Pokrovsk railway line, the Russian forces managed to push the front line by a distance ranging from approximately three to 30 kilometres over six months. This advance posed a serious threat to the Pokrovsk agglomeration – the second-largest urban area in the Kyiv-controlled part of Donetsk Oblast. This city serves as a critical transportation hub in the Donbas and is home to the country’s largest coal mine, which produces scarce coking coal. Losing Pokrovsk, would deal Ukraine a significant military and economic blow.

The offensive in Russia’s Kursk Oblast, launched in early August 2024, was an attempt to alter the war’s dynamics, albeit on a limited scale. The Ukrainian army demonstrated its ability to surprise the enemy and conduct manoeuvre warfare despite extensive drone surveillance. This operation revealed the relative weakness of Russian forces, who struggled to secure the border and,

contrary to their leaders' lofty assurances, lacked reserves capable of swiftly addressing a crisis within their own territory. Ukraine, however, was unable to leverage its initial success or expand the operation to other border regions due to personnel and equipment constraints. Following initial advances, the situation in Kursk Oblast stabilised, and clashes began to resemble those elsewhere. As the war approaches the end of its third year, both sides – albeit to varying degrees – are feeling the effects of personnel, ammunition, and equipment shortages. This has led to minimal movement along the current front line, which, excluding sections of the border, now stretches over 1,000 kilometres. Russian forces can only mount attacks at selected points, securing minor gains along less than 10% of the front. Ukraine's ability to conduct offensive operations is even more limited, especially in the critical Donetsk Oblast.

The Ukrainian government, under President Zelensky's leadership, allocated substantial additional funds to reinforce fortifications along the entire front line and the borders with Russia and Belarus, but only during the battle of Avdiivka. This decision – roughly a year overdue – was largely prompted by a wave of criticism in the Ukrainian media at the turn of 2023 and 2024.² The defensive lines in Donbas had been inadequately prepared, necessitating rushed reinforcements under the pressure of an advancing enemy. Similar shortcomings, albeit on a smaller scale, were exposed in May 2024 during a Russian offensive in the Kharkiv Oblast.

2. Crisis in the ground forces

The summer offensive on the Zaporizhzhia front revealed numerous structural issues within the Ukrainian Armed Forces, which became even more evident in the subsequent year. Chief among these were deficiencies in the skills of commanders and the quality of soldiers' training.

The rapid expansion of ground forces during the first year of the war came at the expense of quality – something that could not be avoided. Many commanders appointed to lead units, particularly from platoon to battalion levels, were predominantly reserve officers with minimal training or older career officers brought into frontline roles from administrative positions or even retirement. Most of them lacked sufficient competencies to lead assault units, particularly under the challenging conditions they encountered in combat.

² J. Ber, 'Ukraine: belated expansion of the fortification system', OSW, 15 March 2024, osw.waw.pl.

The level of training and the interoperability of subunits also posed a serious challenge. Transforming the brigades formed in early 2023 into effective combat units within just a few months proved unfeasible, leading to heavy losses during their initial engagements. Meanwhile, some brigades composed primarily of volunteers came under the leadership of competent officers and NCOs and demonstrated effectiveness after acquiring the necessary experience. The best example of this is the 47th Mechanised Brigade “Magura”, which was entirely equipped with Western hardware and armament, including Bradley infantry fighting vehicles.

During the summer campaign, numerous errors in operational preparation and command of subunits, units, and tactical formations came to light, resulting in heavy losses. Among the most significant shortcomings on the Ukrainian side was losing ground in an area where they had previously held an advantage: battlefield drones. Ukraine failed to form a strong grouping of unmanned aerial vehicles and electronic warfare assets that could have protected advancing assault groups at least from the surveillance of low-flying, mass-deployed drones used to adjust enemy artillery and mortar fire. The offensive on the Zaporizhzhia front also revealed that Ukrainian commanders and staff misjudged their own capabilities and those of the enemy, seemingly hoping for a repeat of the scenario from the summer and autumn of 2022 in the Kherson Oblast. At that time, Russian troops resisted the assault for several weeks, but as the battlefield crisis intensified, their command ultimately chose to retreat. However, the Russians learned from those previous failures and adequately prepared for a prolonged defensive operation in 2023.

3. The ineffective and chaotic mobilisation

The summer campaign of 2023 also highlighted that a full-scale war cannot be effectively conducted without full-scale mobilisation. During the battles in the Robotyne and Verbove areas in August and September, it became evident that there were no trained reserves prepared to replenish the losses in assault units, which would allow for maintaining the momentum of the offensive. Additionally, a significant portion of the mobilised infantry struggled to endure the hardships of combat due to their advanced age and poor physical condition.

The issues of personnel shortages and inadequate reinforcements worsened over time, culminating in a staffing crisis by the end of 2023.³ This situation created a risk of demoralisation and a drastic decline in the combat capabilities of the Armed Forces of Ukraine, especially within the infantry brigades, which formed the backbone of the forces on the front lines.

The mobilisation regulations were amended in April 2024. However, these amendments remain inadequate to resolve the pressing manpower shortages.⁴ Most importantly, they do not guarantee a rapid influx of young and physically fit soldiers in numbers sufficient to replenish existing infantry brigades to their full strength. The minimum age for mobilisation was reduced by only two years (from 27 to 25 years), while young people between the ages of 18 and 25 are excluded from conscription and only join the army if they volunteer. Led by President Zelensky, politicians have been resisting stricter regulations for several months, fearing that their popularity ratings will decline as Ukrainian public opinion remains largely opposed to a new wave of mobilisation. Pressure from the army on the president to enforce mobilisation was reportedly one of the factors behind the dismissal of General Zaluzhnyi.

4. The need for change

The failure of the summer offensive was a harsh reality check for both the Ukrainian army, government, and public. By autumn 2023, it became clear that Kyiv lacked a plan for a prolonged war of attrition. Additionally, the US suspended its military aid until April 2024,⁵ which once again highlighted how heavily Ukraine relies on Western support and that its defence industry, despite ongoing expansion, can only cover a small percentage of its requirements for weapons and ammunition.

Actual results show that promises made by Zelensky and his ministers to produce “a million drones” in 2024 have not yet been fulfilled. Battlefield drones, both observation and strike types, are still predominantly supplied by non-governmental organisations and volunteers, who also procure other equipment, such as vehicles, for the army on a significant scale. The only notable exception is the development of long-range drones, which have been

³ For more information see *idem*, ‘On the threshold of a third year of war. Ukraine’s mobilisation crisis’, *OSW Commentary*, no. 572, 9 February 2024, osw.waw.pl.

⁴ *Idem*, ‘Ukraine adjusts its mobilisation policy’, *OSW*, 17 April 2024, osw.waw.pl.

⁵ J. Graca, F. Rudnik, ‘The new supplemental bill on Ukraine and the threat to confiscate Russian assets’, *OSW*, 24 April 2024, osw.waw.pl.

inflicting significant losses on the Russian energy sector and Navy since the beginning of 2024 (see below).

Despite the failure of the offensive, Ukraine has yet to fully transition to a wartime footing. The organisation of national defence still largely depends on improvisation and the goodwill of active members of society, particularly volunteer soldiers in the Armed Forces of Ukraine and civilian volunteers. However, the crisis affecting the ground forces is slowly forcing state leadership to implement changes, the first example being the construction of the fortification network in early 2024. The greatest challenges include conducting an effective and swift mobilisation to replenish depleted ranks, enhance the rotation of combat units, and rejuvenate the forces, with a particular emphasis on infantry.

Mobilisation is necessary to maintaining the effectiveness of national defence in the medium and long term, especially in the event of a potential transition to counteroffensive operations. However, for it to succeed, President Zelensky, who wields complete authority and is constitutionally obligated to oversee the Armed Forces of Ukraine, would have to fundamentally change his approach. At the same time, a major part of the irregularities and problems plaguing the army – such as red tape, corruption, nepotism, and an inefficient and overly centralised training system – are the result of years of neglect and conditions existing within the army and cannot be blamed solely on politicians.

5. Drone warfare and the successful strikes on infrastructure deep within Russian territory

The area where Ukrainians have achieved spectacular successes in the past year is the use of long-range maritime and aerial strike drones. Through consistent advancements in production, the embattled country has acquired the capability to strike targets far beyond the front lines, despite lacking functional warships and a robust arsenal of domestically produced missiles.

The development of maritime drones began in 2022, and they started to be effectively deployed on a large scale in the summer of 2023. Given their tactical and technical parameters, these drones are capable of destroying targets located virtually throughout the entire Black Sea region. Regular drone strikes on the Black Sea Fleet have been complemented by airstrikes on Crimean ports using Storm Shadow/SCALP and ATACMS cruise missiles.

The Russian Black Sea Fleet has suffered immense losses in this war, with at least 14 vessels either sunk or severely damaged. As a result, its operational role has been minimal since the summer of 2023. Currently, the Russian Navy is unable to disrupt the movement of commercial ships docking at Ukrainian ports, which is crucial for the profitability of grain and industrial production exports.

The second category of drones that have inflicted serious losses on the aggressor are aerial strike drones. Ukrainians have used them to attack targets located deep within Russian territory since the early months of the war, although initially, their range was limited to border areas and occupied territories. A breakthrough occurred in the summer of 2023 when the first drones, equipped with small explosive payloads, struck Moscow and other cities hundreds of kilometres from the border. The strikes launched during this period mainly had a psychological effect, but they also aided in evaluating the enemy's air defence response deep within the country.

In January 2024, long-range drones equipped with warheads of several dozen kilograms or more launched a series of strikes on refineries and other industrial facilities up to 1,300 kilometres from Ukraine. These airstrikes resulted in the destruction or severe damage of critical oil processing infrastructure, leading to losses (both direct and indirect) amounting to billions of dollars. Further attacks on refineries could lead to significant disruptions in the Russian fuel market and drastically reduce the revenues of major energy companies closely tied to the Kremlin.⁶

It is important to emphasise that the naval and aerial strike drones used in these operations were designed and manufactured in Ukraine. This positions the Ukrainian army as a global leader in the deployment of such weaponry. The initiatives undertaken during 2023 and 2024 also highlight the efficiency and capability of the Ukrainian state, whose institutions have demonstrated not only the ability to develop innovative drone concepts but also the skill to implement them successfully.

⁶ F. Rudnik, 'Budanov's sanctions. The consequences of Ukrainian attacks on Russian refineries', *OSW Commentary*, no. 597, 21 May 2024, osw.waw.pl.

II. THE SOCIAL SITUATION

1. The demographics of the war

The war has fundamentally affected where and how Ukrainians live. By early 2024, approximately 29 to 31 million people were residing in areas controlled by Kyiv (compared to approximately 38 million before 24 February 2022, excluding occupied territories), with this figure fluctuating slightly depending on the season and the course of hostilities.⁷ With each passing month of the invasion, the demographic situation continues to deteriorate. However, even before the war, Ukraine was identified by the UN as one of the world's fastest-depopulating countries.

The confirmed number of civilian casualties currently stands at several thousand, though the actual figure is likely significantly higher. In February 2024, President Zelensky stated that 31,000 Ukrainian soldiers had died in the war. However, this figure appears to be understated, likely accounting only for those officially recognised as killed in action, while excluding those missing. Furthermore, there are tens of thousands of individuals with severe health issues.

However, the majority of Ukrainians, over 20 million people, have stayed in their homes. This group includes the vast majority of residents in the western and central regions of the country, while to a lesser extent, it comprises those in the regions bordering the front line and the Russian Federation.

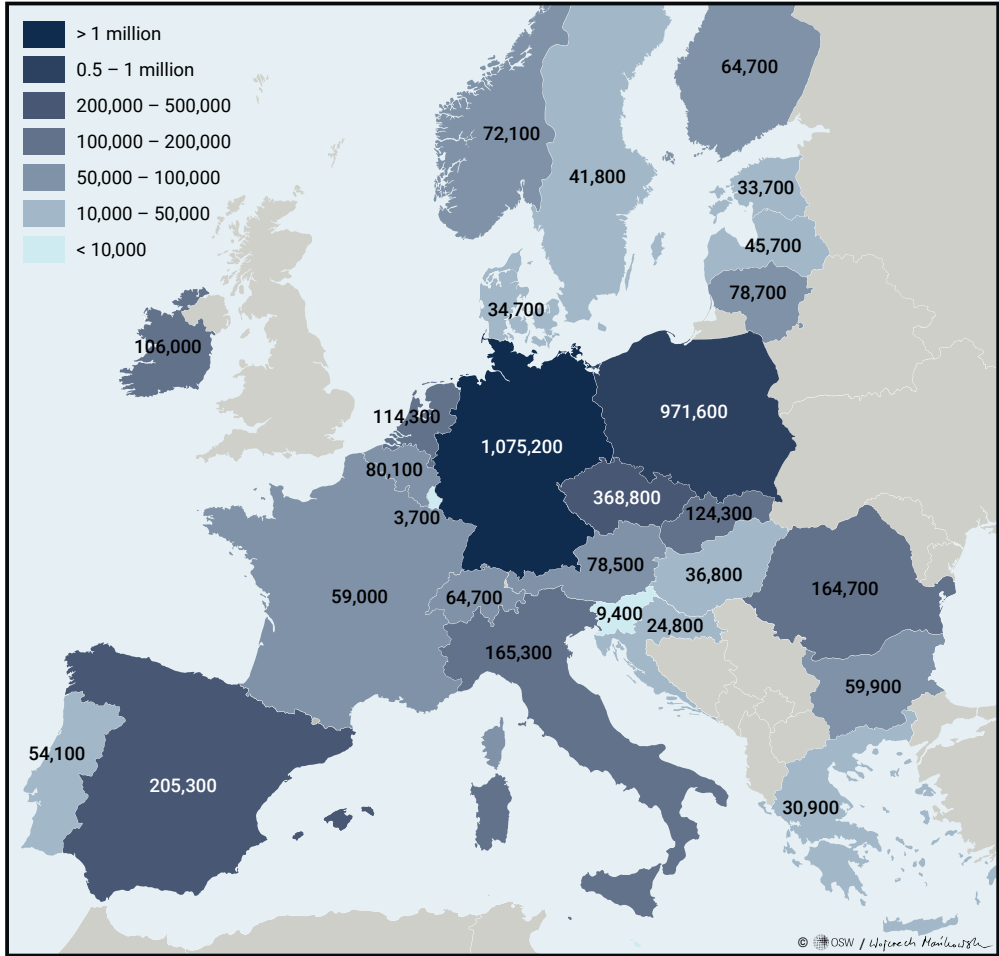
The second largest group consists of refugees who have left the country, currently estimated to range from 5 million (Ukrainian organisations) to 6.5 million (UN figures).⁸ The vast majority of them are in Europe, primarily in Poland and Germany (almost 2 million combined), while over 1 million remain in Russia, largely due to coercion. Despite the stabilisation of the front line by the end of 2022, Ukrainians continued to leave their country in large numbers; according to Eurostat data, their population in the EU grew by approximately 500,000 during 2023. Most of the refugees are women with children, whose husbands or sons have remained in their homeland. Predicting post-war trends is challenging, as it

⁷ See B. Pancevski, 'One Million Are Now Dead or Injured in the Russia-Ukraine War', The Wall Street Journal, 17 September 2024, [wsj.com](https://www.wsj.com).

⁸ Some Ukrainian researchers believe, however, that these estimates are exaggerated, and the actual number of Ukrainian refugees abroad was slightly below 5 million at the beginning of 2024. See В. Ланда, М. Ревук, 'Три важливі демографічні показники. 2023-го народилося найменше дітей за останні 300 років', Texty.org.ua, 9 April 2024.

remains unclear whether more women with children will return home or if men, once borders reopen, will decide to join their families living abroad.

Map. Number of Ukrainian nationals under temporary protection in member states of the EU and the European Free Trade Association (as of July 2024)



Source: Eurostat.

According to the Ministry of Social Policy of Ukraine, there are 4.9 million internally displaced persons, of whom 3.6 million have left their homes since the outbreak of the war (1.3 million were granted this status between 2014 and 2022). These are primarily residents of the territories occupied by Russia after 24 February 2022, as well as refugees from front line and border regions, specifically Kherson, Zaporizhzhia, Donetsk, Kharkiv, Sumy, and Chernihiv. The number of internally displaced persons is limited due to the fact that ground military operations have primarily impacted sparsely populated regions, typically with fewer than 40 people per km². Exceptions include parts

of the Donetsk Oblast, particularly Mariupol, which had nearly half a million residents before the invasion, as well as large cities that are under threat of artillery shelling or bombardments, primarily Kharkiv (1.4 million residents before the invasion) and Kherson (300,000 residents).

Another group consists of combatants, that is soldiers serving on the front lines (including the borders with Russia and Belarus) and in its immediate support areas, excluding those who are stationed in the rear (central institutions, military administration, border protection with EU states, etc.). This group currently comprises several hundred thousand individuals. Additionally, civilians residing in active combat zones primarily depend on humanitarian aid or support military operations by providing services, all while living in constant fear for their lives and well-being. This is an additional group of several hundred thousand individuals.

The population of territories that have been occupied since 24 February 2022 and are currently under enemy control must be assessed separately. These areas include most of the Kherson and Zaporizhzhia oblasts, the northern part of Luhansk Oblast, and several regions of Donetsk (primarily the southwestern part, including Mariupol). The number of individuals in this category currently stands at several hundred thousand, some of whom are loyal to Kyiv, while others remain there due to circumstances beyond their control. This group mainly consists of elderly individuals, the sick, or families with young children who did not evacuate amidst the chaos of the early days of the war. However, a significant proportion of those residing in these territories support Russia or even openly collaborate with the occupying authorities.⁹

2. The weariness and impoverishment of the Ukrainian public

As the war enters its third year, Ukrainians are experiencing increasing exhaustion. This weariness arises not only from the direct effects of the conflict, such as fears for their lives and property, but also from daily hardships tied to poverty, stress, electricity disruptions, and frequent air raid alerts that interfere with work and education. Employment challenges, low wages, and additional expenses (such as repairing damaged homes, purchasing a generator, or supporting relatives in the military) compel many to take on debt or

⁹ The residents of territories occupied in 2014 are a separate category, which is not discussed in this paper. Regardless of their status under international law, they are, in fact, citizens of the Russian Federation, with all the consequences this entails, including compulsory military service.

seek extra sources of income, often resulting in overwork and prolonged mental strain. All this, combined with ongoing mobilisation and emerging social divisions over national defence (as discussed below), is causing growing frustration and interpersonal conflicts. Despite these challenges, there are currently no clear signs of a systemic or sudden rise in violence or common crime rates in Ukraine.

Poverty mainly affects internally displaced persons, residents of industrial and mining areas located near the front line, those employed in the agriculture and construction sectors, and public sector workers who have lost various pay supplements (such as for years of service, academic degrees, etc.), which had previously formed a significant portion of their income. Most pensioners (a group of about 10 million people) also receive minimal benefits.

Many families are supported by soldiers, especially those serving on the front lines, who receive significant combat pay supplements. Families of fallen soldiers are also entitled to substantial compensation.¹⁰ These payments play a crucial role in stabilising local markets, particularly in non-metropolitan areas. While poverty remains a pressing issue across Ukraine, it has not yet reached critical levels due to controlled inflation and the government's ability to maintain financial liquidity, primarily supported by Western aid.

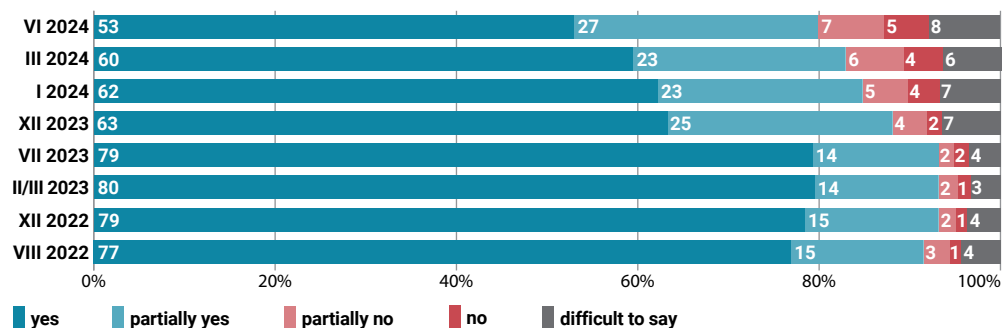
The invasion is deepening the divide between residents of major cities and those in rural or less urbanised areas. In Kyiv and some regional centres, wages remain near pre-war levels and have even risen for certain professionals. However, the economic crisis has severely affected smaller towns and rural areas where wages often hover around 10,000 hryvnias (less than €230) and are usually below the national average, which stood at around 17,500 hryvnias (around €400) in 2023. Numerous small businesses went bankrupt in the first two years of the full-scale conflict due to a drop in demand and increased production costs, driven in part by power supply disruptions. Some families have also lost significant income from seasonal city jobs, especially in construction, and from employment abroad.

¹⁰ If a soldier is killed in action, their family is eligible for compensation totalling 15 million hryvnias (approximately €340,000). Currently, the basic pay for a private is approximately 20,000 hryvnias (around €450), and those serving on the front line receive a special monthly allowance of 100,000 hryvnias. However, it is not always paid in full; the military administration frequently calculates this allowance on a per-day basis, only counting the time spent in the frontline trenches and excluding periods of rotation or time in reserve in the immediate rear of the front. Additionally, soldiers often allocate part of their pay for purchasing additional gear, drones, or means of transport for their unit.

3. Belief in victory against all odds

Despite numerous challenges and the unfavourable situation on the front, Ukrainians remain optimistic. Most surveys indicate that around 80% believe, either unconditionally or with some caveats, that their country will win the war.¹¹

Chart 1. Answers to the question “Do you believe that Ukraine will win the war with Russia?”

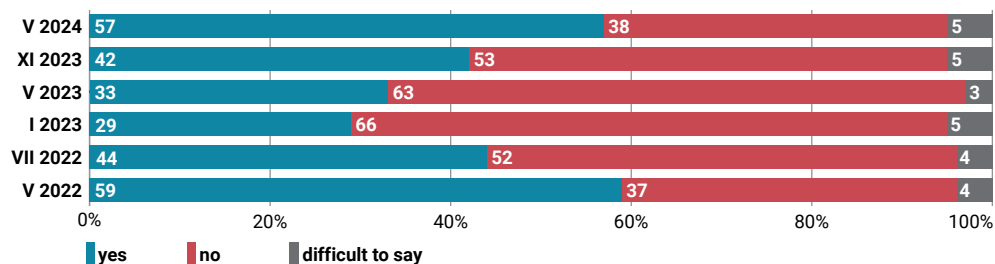


Source: Razumkov Centre survey conducted in June 2024.

At the same time, following the failed 2023 offensive, neither the government nor the public has a clear vision of what victory truly entails. After the brilliant successes of 2022, coupled with overly inflated promises – largely driven by state propaganda – of defeating the enemy the following year, Ukrainians found themselves disappointed, confused, and surprised that their army had to shift to a defensive stance on all fronts and that further sacrifices would be required of them, the greatest being the expansion of mobilisation. On one hand, the prevailing sentiment is that victory means regaining control over the 2013 borders. On the other hand, most citizens are acutely aware that the army is currently unable to drive enemy forces out of Donbas and Crimea. There is also a significant dissonance between official statements, survey results, and the reluctance to serve among a large segment of men, compounded by the president and parliament’s procrastination regarding mobilisation. Consequently, an increasing number of Ukrainians are open to negotiating with Russia for a swift end to hostilities.

¹¹ Р. Кравець, ‘Володимир Паніотто: Відставка Залужного відразу відобразилася на рейтингу Зеленського’, Українська правда, 2 April 2024, pravda.com.ua.

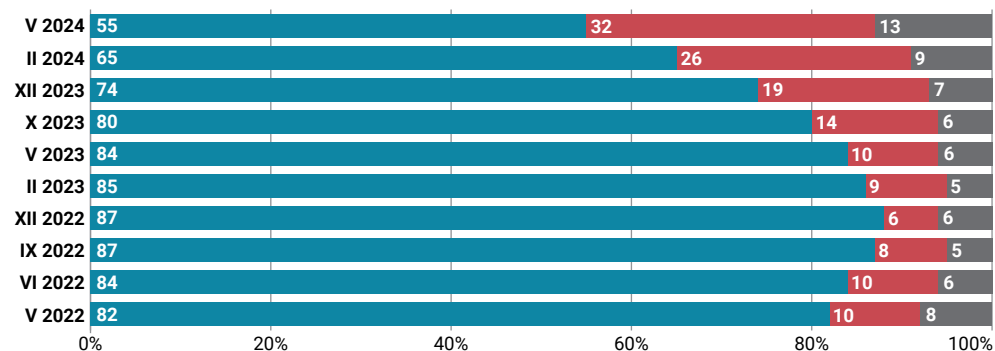
Chart 2. Answers to the question “Should Ukraine initiate peace negotiations with Russia?”



Source: National Democratic Institute survey conducted in July 2024.

Although the majority of citizens still believe that victory entails the restoration of full territorial integrity, a growing number are open to compromises as the cost of ending hostilities and achieving peace. Furthermore, an increasing portion of the population lacks a clear position on the issue.

Chart 3. Readiness for territorial concessions



Under no circumstances should Ukraine relinquish any of its territories, even if this prolongs the war and poses threats to the preservation of independence

To achieve peace as quickly as possible while safeguarding independence, Ukraine may consider ceding some of its territories

Difficult to say

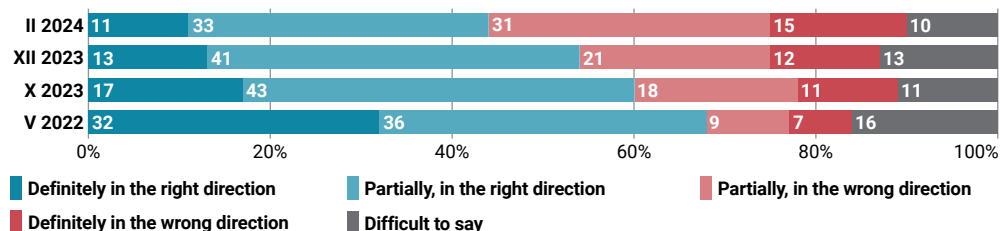
Source: Kyiv International Institute of Sociology survey conducted in July 2024.

Since autumn 2023, reports of significant casualties and numerous issues within the military, including corruption, inadequate training, shortages of personal equipment, poor leadership, and some commanders’ disregard for soldiers’ lives, have increasingly surfaced in the public sphere, often amplified by social media. Military recruitment centres, notorious for conducting erratic and disorganised mobilisations and sometimes resorting to checks and roundups in public places, have earned a particularly poor reputation. Such reports have contributed to a sharp decline in the number of volunteers and

the proliferation of so-called ‘draft-dodging’. By June 2024, nearly half of respondents indicated they would tolerate such evasion.¹²

All these issues, coupled with the lack of military successes, are making Ukrainians increasingly pessimistic about the country’s situation.

Chart 4. Answers to the question “In your opinion, are affairs in Ukraine developing in the right or wrong direction?”



Source: Kyiv International Institute of Sociology survey conducted in February 2024.

Ukrainians are becoming increasingly passive, and a growing number tend to view the war as something distant, taking place only on the front lines, a type of ‘new reality’ reminiscent of the frozen conflict in Donbas following 2015. This trend is particularly noticeable in major cities and among those exempt from mobilisation, who strive to maintain their pre-war lifestyles. The country’s political leaders, who have shaped television narratives since the early days of the invasion, capitalise on this. To maintain support, they withhold information about setbacks at the front, casualties, incompetence, or corruption within their ranks. This fosters increasing apathy among the Ukrainian public and a growing reluctance to resist the Russian invasion.

Simultaneously, most Ukrainians, overwhelmed by the daily challenges of life amid an ongoing war, are ambivalent towards current politics. The most active segment of the population – those who would typically engage in public life during peacetime – are now focused on defending the country. Many have either joined the military or devote their free time to volunteer tasks.

Ukraine has not seen the emergence of a vocal ‘peace party’, let alone proponents for a deal with Russia. Some Ukrainians do collaborate with the

¹² I. Ведернікова, ‘Війна чи мир. Українці хочуть повернути кордони 1991 року, але чіими руками? Результати соціологічного дослідження’, Дзеркало тижня. Україна, 15 July 2024, zn.ua. Soldiers fighting on the front line did not take part in this survey.

aggressors and receive money for spying for Russia. This happens across the entire country and presents a serious security threat. However, these cases are isolated and generally involve individuals seeking personal gain, often from marginalised backgrounds, or ideological supporters of the ‘Russian world’ who have family ties to the occupied Donbas region or Russia.

4. The active vs the passive

At the start of the third year of the invasion, the most significant dividing line within Ukrainian society no longer runs along political, linguistic, religious, or economic differences. Instead, it centres on attitudes towards the war effort and participation in resisting the invasion. At one end are the soldiers, their families, and volunteers. At the other are citizens seeking to distance themselves from the defence of their state, focusing instead on their private lives, or even emigrating.

This divide has been deepening since early 2023, as mobilisation intensified in preparation for the summer offensive. This was also the time when media reports increasingly highlighted rising irregularities, such as bribes paid for documents exempting men from military service or allowing them to leave the country. During this time, some officers in recruitment centres responsible for mobilisation amassed substantial wealth.¹³ By autumn 2023, evasion of military service became one of the main issues in national public debate. Mounting casualties and battle fatigue among soldiers, many of whom have been fighting continuously since the early months of the war, have led the military to openly criticise so-called ‘draft-dodgers’. President Zelensky and the Verkhovna Rada were also criticised for failing to create efficient and fair mobilisation systems to minimise the risk of abuse.

Soldiers are increasingly resenting individuals legally exempted from frontline service, including certain state and local government employees, as well as officers of the Security Service of Ukraine (SBU) and the police. Discontent is also growing towards medium and large business owners, who are accused of profiteering during wartime and evading enlistment. This group has ironically been labelled ‘defenders of the economic front’.

¹³ J. Ber, ‘Corruption and irregularities in the Ukrainian army’s rear’, OSW, 4 August 2023, osw.waw.pl.

5. The phenomenon of the Ukrainian volunteer movement

Ukraine's resilient defence against the invasion is primarily sustained by the dedication of its military. Its backbone are volunteer soldiers and conscripts who dutifully responded to the call of duty and perform their duties with commitment. Complementing this core are civilian volunteers who play a vital role in the nation's war effort. Their work typically falls into three main organisational types. The first and most widespread, consists of small groups of soldiers' families and friends who produce or procure much-needed equipment. In most cases, this includes individual gear, which the military still struggles to consistently provide in adequate quantity or quality. These volunteers also provide battlefield medical supplies, vehicles (such as all-terrain vehicles and quads), drones, and organise repair support. Although the remuneration for this assistance may be modest, the efforts of these volunteers are invaluable, as they foster close, trusted relationships with soldiers and adapt flexibly to the evolving needs of specific units.

The second type of volunteer effort involves small to medium-sized non-governmental organisations, typically led by local community leaders who regularly collaborate with local governments or businesses. These NGOs have connections with brigades that involve soldiers from their local area or region. They provide similar categories of supplies as those in the first group but on a larger scale. This group also includes organisations that support specific brigades and battalions, especially those originating from political movements and volunteer units formed in 2014.

The third type of volunteer movement involves large, nationwide organisations that conduct professional fundraising efforts, generating the equivalent of millions or even tens of millions of euros annually. The best-known of these are the Come Back Alive Foundation and the Serhiy Prytula Charity Foundation, both of which hold licences to purchase weapons and specialised military equipment. During the war, dozens of other NGOs remain active, focusing on tasks such as evacuating people and animals from the front lines, providing psychological support for veterans, facilitating the rehabilitation of the wounded, and assisting internally displaced persons.

In the third year of the full-scale conflict, civilian volunteers continue to play a crucial role in securing the front. They enjoy the highest level of public trust, second only to the military. It appears likely that, once the war ends, new political leaders will emerge from these two groups, both at the national level and

within local governments. The rapid expansion of the volunteer movement, which sustained its momentum beyond the early months of the invasion and now encompasses tens of thousands of activists and hundreds of thousands of supporters, remains a crucial factor underpinning Ukraine's effective defence against the Russian invasion. It also promises a positive indication for the country's post-war recovery.

III. INTERNAL SECURITY

Operating under martial law and bearing the immense costs of the military effort have not resulted in a reduction in Ukraine's crime rate. The country is still grappling with widespread corruption linked to military procurement, which adversely affects its defence capabilities during wartime. The scale of financial abuse and bribery has not diminished in new areas of economic and public life, such as the misappropriation of humanitarian aid and the smuggling of men avoiding military service. During the invasion, Russian agents have intensified their activities aimed at undermining the effectiveness of the Ukrainian armed forces and the security of critical infrastructure. An important shift has occurred in the operations of Ukraine's secret services, as certain units of the SBU have become involved in direct actions on Russian territory, utilising combat drones.

1. The fight against corruption and abuse

The conflict with Russia has not reduced the scale of corruption. On the contrary, it has fostered new schemes of abuse, particularly in areas related to the country's defence capabilities. The limited effectiveness of efforts to combat these practices has deepened public frustration and resulted in a decline in the Ukrainian leadership's legitimacy. According to respondents in public opinion polls, corruption within the state administration (51%) poses the biggest threat to Ukraine's development, even more so than the Russian invasion, which was ranked second (46%). As many as 78% of those surveyed believe that the president is directly responsible for the irregularities.¹⁴

Scandals exposing financial abuse, including cases in the Ministry of Defence,¹⁵ military commissions,¹⁶ and public procurement, have revealed that an alarmingly high number of officials eager to illegally enrich themselves. Despite intensified efforts by agencies responsible for the country's economic security, there has been little progress in disciplining civil servants or significantly reducing economic crime rates. Scandals uncovered by law enforcement agencies and investigative journalists – most notably the financial abuses within

¹⁴ 'Українці порівняли корупцію до агресії РФ у переліку найбільших загроз для країни — опитування', New Voice, 4 April 2024, nv.ua.

¹⁵ J. Ber, 'Ukraine: a wave of dismissals against a background of corruption', OSW, 31 January 2023, osw.waw.pl.

¹⁶ *Idem*, 'Corruption and irregularities in the Ukrainian army's rear', *op. cit.*

the Ministry of Defence – have exposed a malfunctioning system of oversight for public procurement related to military supplies.

A step in the right direction in the fight against corruption is certainly the amendment to the Law on the Economic Security Bureau of Ukraine,¹⁷ which envisions the replacement of its leadership and the vetting of all employees, as well as a staff reshuffle and organisational changes, with the Defence Procurement Agency operating according to NATO standards. However, instances of abuse persist, notably in areas such as food procurement for military units.

According to surveys conducted by the National Anti-Corruption Bureau of Ukraine (NABU), in 2023, over 60% of respondents – more than twice as many as in 2022 – believed that corruption is unfortunately thriving.¹⁸ Ukrainians most frequently encounter it during interactions with officials from the Ministry of Internal Affairs, when seeking construction permits, resolving land ownership and usage issues, obtaining medical certificates, or arranging connections to utilities such as electricity, gas, or sewage networks. From a business perspective, the most corrupt institution is the Customs Service, whose officers extort bribes, for example, for bypassing inspections of imported goods.

Improving the situation in this area is particularly important for President Zelensky. It is not just a matter of his reputation, but also of maintaining the trust of Western donors. For this reason, as well as in light of the commencement of EU accession negotiations, the Ukrainian government is continuing efforts to adapt the judiciary and institutions responsible for combating corruption and economic crime to the requirements set by international partners. Consequently, Ukraine improved its ranking in the 2023 Corruption Perception Index by Transparency International, rising to 104th place out of 180 countries (from 116th in 2022).¹⁹

The government's efforts have not resulted in a breakthrough in curbing corruption partly due to inconsistency in the imposition of stricter penalties. The Criminal Code still stipulates that a person charged with bribery can be sentenced to 5–10 years in prison. A proposal submitted by President Zelensky in

¹⁷ The head of the Bureau will be selected by a six-member commission, three members of which will be appointed by experts in international affairs and the other three by the Council of Ministers. 'Зеленский підписав закон про перезавантаження БЕБ', Дзеркало тижня. Україна, 28 June 2024, zn.ua.

¹⁸ *Корупція в Україні 2023: розуміння, сприйняття, поширеність*, National Anti-Corruption Bureau of Ukraine, InfoSapiens, 2023, nazk.gov.ua.

¹⁹ 'Corruption Perception Index 2023: Ukraine improves its score by 3 points', National Agency on Corruption Prevention, 30 January 2024, nazk.gov.ua.

the summer of 2023 to impose the same penalty for bribery as is envisioned for treason (12 to 15 years) was rejected by parliament. This suggests that lawmakers were uncertain whether such measures would create a ‘chilling effect’ among potential offenders and were concerned that anti-corruption efforts might be exploited by the Office of the President to remove inconvenient officials.

2. Rivalry, overzealousness and ‘manual control’ of law enforcement agencies

One of the shortcomings of the functioning of Ukrainian institutions responsible for national security is the overlap of competences in counteracting economic crime. The Security Service of Ukraine (SBU), the National Anti-Corruption Bureau of Ukraine (NABU), the Economic Security Bureau of Ukraine, and the State Bureau of Investigation often compete with each other, conducting investigations into the same cases. This issue became apparent when the SBU arrested oligarch Ihor Kolomoisky,²⁰ shortly before his detention by NABU. It is possible that the SBU leadership, contrary to the objectives of the institution’s reform, sought to secure support from the president’s inner circles to retain its authority over combating economic and financial crime. This reform, mandated by the West but still incomplete, envisions removing this prerogative from the SBU.

Business circles criticise the functioning of Ukrainian security agencies. According to a survey conducted by the Ukrainian European Business Association, 33% of respondents from these circles believe that unlawful actions by the authorities threaten the business environment in the country. This concern ranks behind mobilisation, the ongoing war, the brain drain, and corruption.²¹ In an effort to demonstrate competence to the president, the agencies have, at times, acted with excessive zeal and even breached legal boundaries in their efforts to uncover illegality in the private sector; one prominent example being the arrest of the well-known businessman Ihor Mazepa.²²

These moves have intensified criticism of the government among investors and compelled President Zelensky to implement measures aimed at preventing similar incidents in the future. The Council for the Support of Entrepreneurship

²⁰ J. Ber, P. Żochowski, T. Iwański, ‘The downfall of an oligarch. Ihor Kolomoisky under arrest’, OSW, 10 October 2023, osw.waw.pl.

²¹ ‘Business assessed the security of doing business in Ukraine’, European Business Association, 18 December 2023, eba.com.ua.

²² S. Matuszak, ‘Ukraine: the law enforcement bodies take controversial actions targeting business’, OSW, 26 January 2024, osw.waw.pl.

under Martial Law was established within the Office of the President of Ukraine as a communication platform between business leaders and the government, although it has not been overly active. Of greater significance is the decision by the National Security and Defence Council of Ukraine to recommend an audit to assessing the legitimacy of ongoing investigations. Agencies have also been directed to refrain from pre-emptively freezing corporate accounts, allowing businesses to continue their economic activities regardless of ongoing investigations. However, these government declarations have failed to alleviate the situation; business owners continue to accuse law enforcement agencies of using investigations as a means to extort bribes.²³

The ‘manual control’ of security services by politicians from Zelensky’s inner circle is an alarming trend. For example, the illegal surveillance of journalists critical of the president’s policies has provoked a public scandal.²⁴ This scandal has highlighted the issue of using the SBU for political purposes, as it reports directly to the president. Attempts to discredit independent media through questionable compromising materials may further erode public trust in the president.

3. Crime

Ukraine’s annual crime rate remains high, with 321,000 crimes committed in 2021, 362,000 in 2022,²⁵ and 302,000 in 2023, reflecting a shifting nature of offences.²⁶ According to the Ministry of Internal Affairs, the most serious issues currently involve drug trafficking and smuggling, the illegal trade of firearms and explosives, vehicle theft, and cyber fraud. Domestic violence has become more widespread, with over 450 criminal proceedings initiated in January 2024 alone.²⁷ Notable improvements have been seen in tackling street crime, as a result of the curfews, increased activity of law enforcement agencies, and legislative amendments, such as harsher fines for petty theft.²⁸

²³ ‘Жодна резонансна справа корупційного тиску на бізнес не закрита – Маніфест 42’, Наші гроші, 12 July 2024, nashigroshi.org.

²⁴ M. Jędrysiak, P. Żochowski, ‘Ukrainian media in the crosshairs of the secret services’, OSW, 20 February 2024, osw.waw.pl.

²⁵ ‘Еще одна сторона медали: как война повлияла на уровень преступности’, Деловая столица, 27 February 2023, dsnews.ua.

²⁶ ‘Як змінилися результати роботи правоохоронців з початком великої війни’, Слово і діло, 21 August 2023, slovoidilo.ua.

²⁷ ‘Рекордну кількість справ про домашнє насильство зареєстрували у 2024 році’, Опендатабот, 8 March 2024, opendatabot.ua.

²⁸ ‘Покарання за дрібні крадіжки в Україні замінили зі строків у в’язниці на штрафи’, РБК-Україна, 18 July 2024, rbc.ua; ‘В 2023 году задержали около 11 тыс мужчин, пытавшихся незаконно пересечь границу Украины’, УкрРудПром, 29 December 2023, ukrudprom.com.

The wartime conditions have altered organised crime, extending its reach into areas such as the illegal trade in humanitarian aid (including vehicles) and smuggling of individuals, who are avoiding military service, to EU countries, primarily Romania and Hungary. According to Ukrainian border guard data, 11,000 individuals were detained for attempting to cross the border illegally in 2023, although no estimates were provided on how many successfully emigrated. The fee for smuggling a conscription-age man ranges from €5,000 to €10,000.

Unrestricted access to firearms continues to be an issue. Prior to the invasion, over 9 million firearms were registered in Ukraine, while according to the estimates of the Ministry of Internal Affairs, the illegal market could be significantly greater. In early 2024, the ministry reported that an additional 3–5 million firearms entered the market after February 2022. This figure includes weapons distributed to ad hoc territorial defence units and those brought back from the front line (including grenades and grenade launchers). The ministry has also acknowledged that an increase in firearm-related crime is anticipated.

4. Fighting the Russian threat

Effective counterintelligence remains a constant challenge due to the persistent activity of a network of agents supporting the Russian military operations. Particularly alarming is the ease with which the enemy recruits new informants, who supply data on military and critical infrastructure, directly enhancing the effectiveness of Russian air and missile attacks. Protecting the country's leadership from terrorist attacks is a priority for Ukrainian security services. The fact that colonels from the Ukrainian State Security Administration were engaged in an unsuccessful plot to assassinate the Ukrainian president proves that this threat is credible.

The SBU's unprecedented engagement in direct combat operations marks a significant change. The Special Operations Centre "A" ("Alpha") is responsible for regular drone attacks in occupied Crimea, including the Crimean Bridge, and in frontier regions of the Russian Federation. It is also tasked with supervising saboteurs engaged in acts of sabotage within Russia. The SBU has also been successfully eliminating collaborators in occupied territories. Its effective involvement in combat and sabotage operations has earned it a trust level of over 70%.²⁹

²⁹ 'Підсумки 2023 року: громадська думка українців', Фонд «Демократичні ініціативи» ім. Ілька Кучеріва, 27 December 2023, dif.org.ua.

IV. DOMESTIC POLICY

1. The concentration of power within the presidential administration

After more than two years of full-scale war, the presidential administration has solidified its position as the primary decision-making hub. The factors that have facilitated this include the strengthened role of the president as the commander-in-chief, wartime legislation regulations, and a Ukrainian political tradition in which the head of state and his inner circle strive to extend their actual powers beyond those outlined in the constitution. However, a key factor, has been the consolidation of substantial informal power in the hands of the Head of the Office of the President, Andriy Yermak, since March 2020.³⁰

The scope of Yermak's actual power far exceeds the formal prerogatives vested in his position, and his influence surpasses that of any previous head of the administration. He has almost monopolised access to the president, accompanying him on most foreign trips and domestic meetings, internal consultations, and telephone conversations. An exceptionally high level of trust exists between the two politicians, and Yermak has publicly displayed absolute loyalty to Zelensky.

The president entrusts the head of his office with numerous essential tasks in foreign policy: even prior to the invasion, it was Yermak who handled contacts with Russia and the US, and following 24 February 2022, he also undertook negotiating security agreements with Western countries, organising the peace formula summit in Switzerland, and facilitating the return of children abducted by Russia. Domestically, he was reportedly the person behind the key staff reshuffles, including the dismissal of overly independent military figures, such as the Commander-in-Chief General Zaluzhnyi in February 2024, and officials, such as Deputy Prime Minister and Minister of Infrastructure and Reconstruction, Oleksandr Kubrakov, in May 2024.

The concentration of power in the hands of Zelensky and Yermak has adversely affected transparency and openness in the decision-making process. The Office of the President of Ukraine employs nearly 80 advisers and deputies, whose influence on shaping reality surpasses that of constitutional bodies (see below).

³⁰ M. Jędrzyak, 'Zelensky, Yermak and Ukraine's wartime governance', *OSW Commentary*, no. 619, 14 August 2024, osw.waw.pl.

Consequently, it effectively functions as an alternative ‘cabinet’, setting the course of action in foreign affairs (Yermak and Ihor Zhovkva), economic policy (until 3 September 2024, Rostyslav Shurma), the justice system (Iryna Mudra), and the secret services (Oleh Tatarov), for the Cabinet of Ministers and parliament. However, the competencies and scope of prerogatives for each of these ‘supervisors’ are neither clearly nor formally defined, which means they cannot be legally held accountable for their actions, and politically, they only report to the president.

Yermak uses his position within the system and his close relationship with Zelensky to influence the nominations of the most senior officials in primary state institutions, such as the Prosecutor General’s Office, the National Bank of Ukraine (NBU), and the National Agency on Corruption Prevention (NAZK). The Office of the President of Ukraine (OPU) has also endeavoured to undermine the independence of NAZK, crucial for effective anti-corruption efforts, has aimed to influence judicial appointments, and has effectively politicised the country’s oldest news agency, Ukrinform. Many of the staff reshuffles within the OPU have helped Yermak to distance the president from his friends and trusted collaborators from his film career, who previously had alternative direct access to him. As a result, Yermak has replaced all his deputies except for Zhovkva since he took office over four years ago.

2. The marginalisation of the Verkhovna Rada and the Cabinet of Ministers

Ukraine has seen a continuing marginalisation of parliament and the government. This process began even before the war,³¹ since the president typically has a strong informal status within the Ukrainian political system, often extending beyond the prerogatives defined in the constitution. Zelensky’s position had already been exceptionally strong since the 2019 parliamentary elections,³² and the invasion has only strengthened it further. Under martial law conditions, the Verkhovna Rada has increasingly become a body that executes the directives of the leader and his administration and has lost the ability to co-shape strategic decisions.

³¹ T. Iwański, P. Żochowski, ‘Zelensky: a recipe for the presidency’, OSW, 25 September 2019, osw.waw.pl.

³² T. Iwański, ‘To serve the people – total power in Zelensky’s hands’, *OSW Commentary*, no. 306, 24 July 2019, osw.waw.pl.

Since 24 February 2022, parliamentary sessions have not been broadcast, and journalists' access to its meetings has been restricted, which has negatively impacted the quality of debate on the issues being voted on, attendance discipline, and the deputies' media engagements. This led to numerous resignations, as MPs felt their work in a parliament stripped of significance was futile. Furthermore, MPs do not receive satisfactory salaries,³³ and are subject to significant social and administrative scrutiny. This oversight has intensified partly since a law on politically exposed persons (PEPs) was adopted during the war in line with the EU's requirements. Under this law, they – and even their family members – are subject to checks by banks and other institutions to verify the sources of their assets.

The self-sustaining parliamentary majority of the Servant of the People party is increasingly proving to be illusory. Since the Russian invasion, some deputies have lost their mandates, while others have resigned due to accusations of treason and corruption, scandals related to foreign trips, or health issues. Consequently, this party has already lost 21 out of the 254 deputies it had in 2019, and approximately 170–180 regularly participate in votes. Independently passing legislation (which requires 226 MPs) has become increasingly challenging; in 2022–2023, this happened only 17 times.³⁴

Cohesion within Servant of the People party is increasingly emerging as a significant issue. In August, some of its members opposed the outlawing of the Ukrainian Orthodox Church of the Moscow Patriarchate,³⁵ and in September 2024, some of them resisted proposed cabinet reshuffles.³⁶

Zelensky's team controls the parliament by securing votes from members of other parties. Pro-European opposition parties: European Solidarity, Holos, or *Batkivshchyna* usually support bills concerning European integration or measures to curb corruption. Other initiatives are supported, for instance, by former deputies of the banned pro-Russian Opposition Platform – For Life, now regrouped under Restoration of Ukraine and the Platform for Life and Peace. These groups are susceptible to accusations of treason, rendering them increasingly compliant in dealings with the president and his administration.

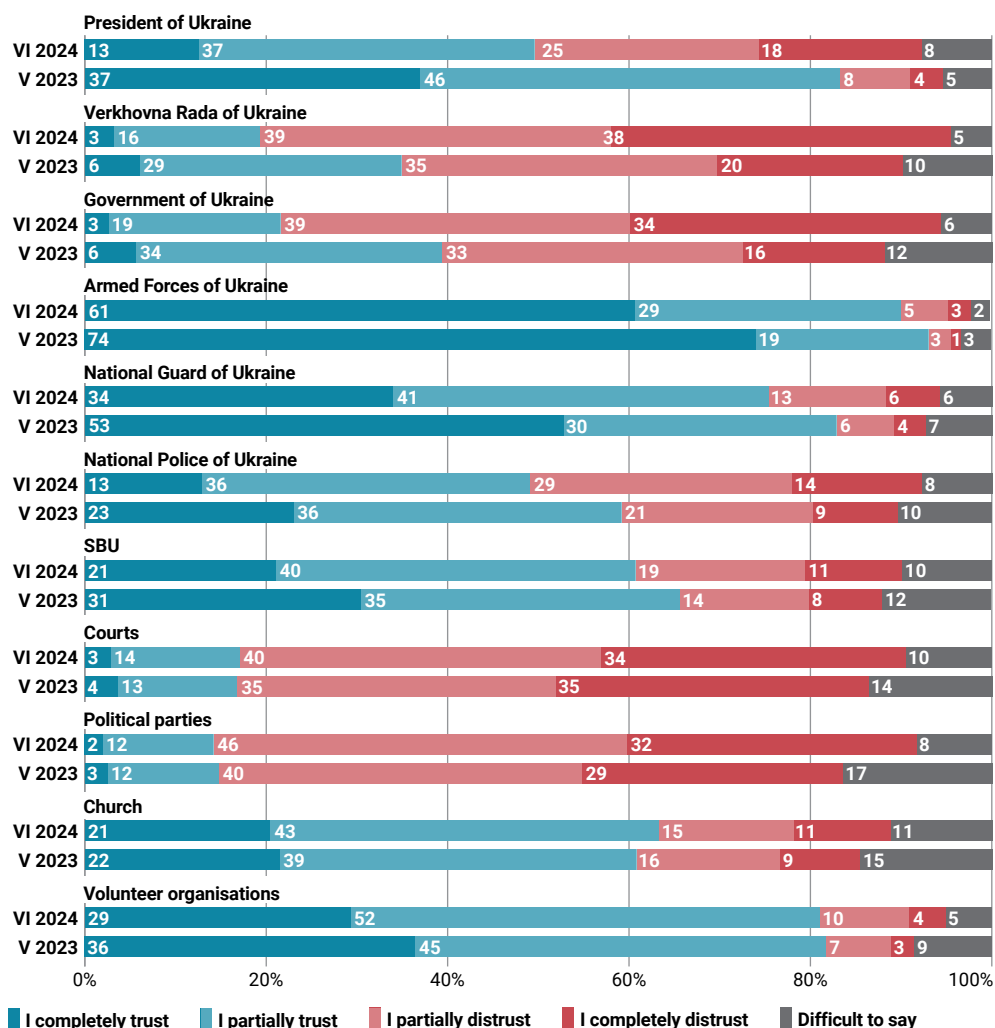
³³ J. Ber, 'Ukraine: crisis inside the parliament's pro-presidential camp', OSW, 27 March 2024, osw.waw.pl.

³⁴ O. Саліженко, 'Люзія більшості: як закритість Ради формує парламентську кризу', Рух ЧЕСНО, 22 March 2024, cheshno.org.

³⁵ M. Jędrysiak, K. Nieczytor, 'The Ukrainian parliament votes to ban a Moscow-controlled church', OSW, 21 August 2024, osw.waw.pl.

³⁶ M. Jędrysiak, S. Matuszak, K. Nieczytor, 'Ukraine: a major government reshuffle', OSW, 6 September 2024, osw.waw.pl.

Chart 5. Level of trust in state institutions and various organisations³⁷



Source: Razumkov Centre survey conducted in June 2024.

The Cabinet of Ministers has also become marginalised and is now mainly composed of individuals whose political survival depends on the will of Zelensky and Yermak. Prime Minister Denys Shmyhal is a technocrat with limited influence, ambition, or support. It is the Office of the President of Ukraine, not the prime minister, that decides who will be nominated as a minister or dismissed from duties. Since the record-high rise in public trust in the head of state following the outbreak of the full-scale war (see below), the cabinet’s independence has eroded further, and like the parliament, it has become an executor of

³⁷ No such survey was conducted in 2022 due to the challenging situation in the first year of the war.

the leader's directives, devoid of autonomous power. The changes introduced in September 2024 may cement this state of affairs, since three of Yermak's deputies were co-opted into the cabinet at that time, and thus the presidential administration expanded the scope of its control over the executive branch.³⁸

Both the Verkhovna Rada and the Cabinet of Ministers are grappling with staff shortages. Key positions, including the ministers of culture, youth and sports, have remained unfilled since 2023. Forced reshuffles, such as the resignation of Agriculture Minister Mykola Solskyi due to corruption allegations,³⁹ led to acting appointments rather than full replacements. The vacancies were only filled as a result of the government reshuffle in September, though these changes mainly involved rotations within ministries or the transfer of officials from the Office of the President.

The declining significance of the government and parliament is reflected in low public trust. Paradoxically, citizens seem to blame ministers and deputies for the nation's problems rather than the president, who holds actual power. Zelensky continues to benefit from his status as a symbol of resistance, although this brings diminishing returns, with public confidence in him decreasing steadily since mid-2023 (see below). The highest level of trust is vested in entities associated with national defence: the military, volunteer organisations, and the National Guard.

3. The president (still) leads the polls

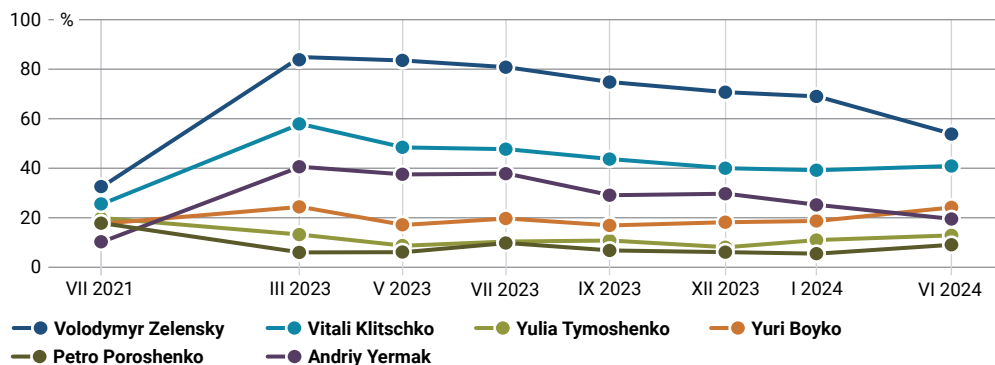
Zelensky's popularity, although still high, is gradually diminishing. According to a Razumkov Centre survey, his trust rating in June 2024 stood at 53.8%, compared to 90% in April 2022,⁴⁰ 85% in March 2023, and 69% in January 2024. Several factors have contributed to this trend: the waning of the initial rally 'round the flag' effect, when people instinctively unite around a leader in times of crisis, a lack of military successes since the recapture of Kherson in November 2022, the failed offensive in 2023, worsening financial conditions, and the increasingly visible concentration of power within the presidential administration.

³⁸ *Ibidem.*

³⁹ M. Jędrysiak, 'Ukraine: the agriculture minister faces charges of corruption and running a criminal group', OSW, 26 April 2024, osw.waw.pl.

⁴⁰ A. Hrushetskyi, 'Direction of affairs in the country and trust in political, military and public figures', Kyiv International Institute of Sociology, 15 February 2024, kiis.com.ua.

Chart 6. Levels of trust in politicians from 2021 to 2024⁴¹



Source: Razumkov Centre surveys.

Party leaders such as Petro Poroshenko (European Solidarity), Yuri Boyko (Platform for Life and Peace), and Yulia Tymoshenko (Batkivshchyna) occupy the lowest positions in trust rankings. The challenges facing Zelensky's inner circle and his party have only marginally improved their standing. The Ukrainian public increasingly desires new faces in politics, with military figures, volunteers, and social activists topping the trust rankings, which suggests that the country's post-war political elite is likely to originate from these groups.

Currently, President Zelensky lacks serious competitors, as shown in the few polls measuring support rather than trust in politicians. According to surveys conducted in May and June 2024, if Ukrainians were to elect a president, 27% would favour Zelensky or General Zaluzhnyi, the former Commander-in-Chief of the Armed Forces of Ukraine, who has distanced himself from political activity and serves as Ukraine's ambassador to the UK. Former President Poroshenko would garner only about 7% of the vote.⁴²

4. The weakness of the opposition

The Martial Law Act has created favourable conditions for marginalising opponents, such as the ban on organising assemblies and the discontinuation of live broadcasts of parliamentary sessions. Political pluralism has been further undermined by the joint news Telethon broadcast by numerous television stations under the control of the Office of the President. Representatives of

⁴¹ No such survey was conducted in 2022 due to the challenging situation in the first year of the war.

⁴² O. Onuch et al., *MOBILISE Project Ukraine. Nationally Representative Survey May/June 2024*, mobilise-project.com.

parties critical of the political leadership are seldom featured on the Telethon. While initially popular, this format has steadily lost audience trust to social media and news portals, where government influence is more limited.

The opposition faces significant challenges, as anyone who criticises the president's camp too harshly risks accusations of treason or being labelled a Russian agent. No Ukrainian political party openly criticise the government's pro-Western stance or advocates for negotiations with Russia or acceptance of its terms. As a result, parties opposing Zelensky have been left with little room for manoeuvre, the most active of them being the European Solidarity party. This party has managed to propose its own bills or amendments and even secure some parliamentary support for them, such as the law on national minorities. It is the only party with its own media outlets (Channel 5, Espresso.tv) and regional structures. As part of its efforts to maintain its support base, it advocates intensified de-Russification and highlights the excessive consolidation of power in the hands of the president's inner circle. The Platform for Life and Peace and the Restoration of Ukraine faction, remnants of the former pro-Russian Party of Regions, face even greater obstacles. They are striving to position themselves as defenders of the Russian-speaking population and its rights but, like Tymoshenko's Batkivshchyna, they are primarily focused on political survival.

5. Fighting political opponents

Despite the war and calls for internal consolidation in the face of the Russian invasion, those in power have not ceased fighting their real and potential political opponents. The only person to have enjoyed greater public trust than the president over the past two years is General Zaluzhnyi, who is associated with Ukraine's successes during the early months of the invasion. His charisma and independence eventually started raising concerns within Zelensky's camp, as he would openly criticise the government's sluggishness in passing the mobilisation law. The conflict reached its peak in November 2023, when Zaluzhnyi stated that the war had reached a stalemate, contradicting the more optimistic narrative of the presidential administration. Ultimately, he was dismissed, reportedly at Yermak's behest, who ensures that no one jeopardises the president's popularity.

The leadership also safeguards its monopoly on foreign contacts. For instance, it has restricted foreign travel for deputies, such as Petro Poroshenko, who has his own international contacts. Two decrees issued by the speaker of the

Verkhovna Rada in December 2023 allow the speaker to approve deputies' foreign trips, provided they have consulted their positions with the Ministry of Foreign Affairs. The decrees also grant the speaker the authority to unilaterally appoint delegations to inter-parliamentary assemblies, violating the principle of proportional representation for all parliamentary parties.

6. The elections that did not happen

Ukrainians will not elect a new government for some time, as the Law on the Legal Regime of Martial Law explicitly prohibits holding elections (both presidential and parliamentary) while martial law is in effect. The constitution provides for the extension of parliament's term until the first session of the newly elected Verkhovna Rada convenes following martial law being lifted. The Law on the Legal Regime of Martial Law includes a similar provision concerning the presidency.⁴³

The legislation is widely supported by the Ukrainian public and politicians. According to a February 2024 survey, 69% of citizens believe that Zelensky should remain in office until martial law concludes, while only 15% want new elections.⁴⁴ This is shaped by an awareness of the numerous logistical challenges involved in holding elections, including enabling frontline soldiers and displaced persons to vote, securing funding for the process, ensuring free media access, and, most critically, guaranteeing the safety of voters and electoral commission members in regions subject to daily missile and bomb attacks. Additionally, voting could provide Russia with opportunities to destabilise Ukraine. The lack of public support for this initiative, along with the president's high approval ratings, discourages the opposition from pushing for elections. In November 2023, representatives of all political forces signed an agreement to hold both presidential and parliamentary elections only after the conclusion of martial law.

7. The weakening of oligarchs

One of the most significant shifts in Ukraine's political landscape is the substantial reduction of oligarchs' influence over state policy. This change has occurred for several reasons, as many production facilities owned by

⁴³ M. Jędrysiak, 'President until the end of the war. Volodymyr Zelensky's term of office is extended', OSW, 20 May 2024, osw.waw.pl.

⁴⁴ A. Hrushetskyi, 'Perception of the need for the presidential elections', Kyiv International Institute of Sociology, 20 February 2024, kiis.com.ua.

prominent business figures are located in occupied territories or have been destroyed or damaged during the war, and thus the fortunes of their owners have been severely depleted. A striking example is Rinat Akhmetov, whose pre-war assets included the Azovstal steel plant in Mariupol and the Avdiivka coke plants. Similarly, Oleh Bakhmatyuk's agricultural holding Ukrlandfarming has suffered immense losses. Power outages caused by Russian shelling led to the deaths of over 4 million poultry at Europe's largest farm in Chornobaivka, which used to supply 15% of the eggs consumed in Ukraine prior to the invasion. Based on the company's estimates, it has lost approximately \$50 million as a result of the damage.

Table. Ukraine's top ten richest people in 2023

| | Name | Assets in 2021 (in \$ bn) | Assets in 2023 (in \$ bn) | Change | Key asset |
|----|----------------------------|------------------------------|------------------------------|--------|---------------------------|
| 1 | Rinat Akhmetov | 7.60 | 6.59 | -13% | System Capital Management |
| 2 | Viktor Pinchuk | 2.50 | 1.72 | -31% | EastOne |
| 3 | Petro Poroshenko | 1.60 | 0.95 | -41% | Roshen |
| 4 | Halyna and Oleksandr Hereh | 1.70 | 0.91 | -46% | Epicentr-K |
| 5 | Vlad Yatsenko | 0.30 | 0.89 | +97% | Reolut |
| 6 | Oleksiy Shevchenko | 0.26 | 0.87 | +235% | Grammarly |
| 7 | Maksym Lytvyn | 0.26 | 0.87 | +235% | Grammarly |
| 8 | Vadym Novynsky | 1.40 | 0.85 | -39% | Smart Holding |
| 9 | Ihor Kolomoisky | 1.80 | 0.63 | -65% | Privat Group |
| 10 | Andriy Verevskyi | 0.52 | 0.57 | +10% | Kernel |

Source: the authors' own estimates based on О. Пасховер, 'Топ 30 найбагатіших українців', New Voice, nv.ua; '100 найбагатіших українців 2021', Forbes Ukraine, forbes.ua.

Additionally, some assets owned by oligarchs have been nationalised, sometimes for political reasons. In November 2022, authorities transferred the assets of Ukrnafta and Ukrtatnafta to state ownership. These companies were managed by Ihor Kolomoisky, who was formerly President Zelensky's political patron. Kolomoisky also lost control over Dnipro airport and, in April 2023, over the oil company Ukrnaftoburinnia. Since September 2023, he has been in detention following accusations by the SBU and the Economic Security Bureau of leading a criminal group that misappropriated funds from Privat-Bank, Ukraine's largest bank, between 2013 and 2016. Another businessman, Kostyantyn Zhevahov, lost control of five companies, including the AvtoKrAZ truck factory. He is currently wanted by prosecutors for embezzling 2.5 billion hryvnias and laundering money through his Finance and Credit bank.

Such measures have primarily targeted individuals whom the authorities suspected of pro-Russian views. Since May 2022, the state has taken over energy companies owned by Dmytro Firtash, which controlled approximately 70% of Ukraine's gas distribution market.⁴⁵ In turn, Viktor Medvedchuk was stripped of Ukrainian citizenship, and by April 2022, his assets, including shares in 25 companies, a yacht, 26 cars, and dozens of properties, were confiscated. Simultaneously, oligarchs who have supported Ukraine have faced repercussions in Russia. For instance, Rinat Akhmetov lost assets such as Metinvest Eurasia, a subsidiary of his Ukrainian mining and metallurgical group.

Major media outlets, particularly television stations, which once served as key instruments for oligarchs to shape public opinion and influence political elites, have now been integrated into the Telethon, a state-controlled propaganda platform. Furthermore, channels participating in this format are prohibited from earning revenue through advertisements, which negatively affects their profitability. Meanwhile, television stations overseen by Petro Poroshenko and openly critical of the government have been disconnected from digital broadcasting platforms. These channels are now limited to broadcasting online or via satellite television.⁴⁶

The influence of big business has been further diminished due to the marginalisation of the Verkhovna Rada. Before the 2019 elections, political parties and parliamentary factions funded by oligarchs were key tools for lobbying

⁴⁵ S. Matuszak, 'Ukrainian oligarchs and their businesses: their fading importance', *OSW Commentary*, no. 517, 13 June 2023, osw.waw.pl.

⁴⁶ *Idem*, 'Ukrainian oligarchs in wartime', *OSW Commentary*, no. 449, 30 May 2022, osw.waw.pl.

favourable legislation or pressuring the government, for instance, by withholding support for their proposed laws. Currently, the scope of such practices has been significantly reduced, owing to the weakening of the oligarchs on one hand, the shift of power to the presidential administration on the other, and the strong public demand for unified efforts to repel the enemy. Additionally, the oligarchs' position could be formally undermined by the 2021 law targeting their influence.⁴⁷

⁴⁷ *Idem*, 'An attempt to "deoligarchise" Ukraine - real action or a game of pretence?', *OSW Commentary*, no. 415, 15 November 2021, osw.waw.pl.

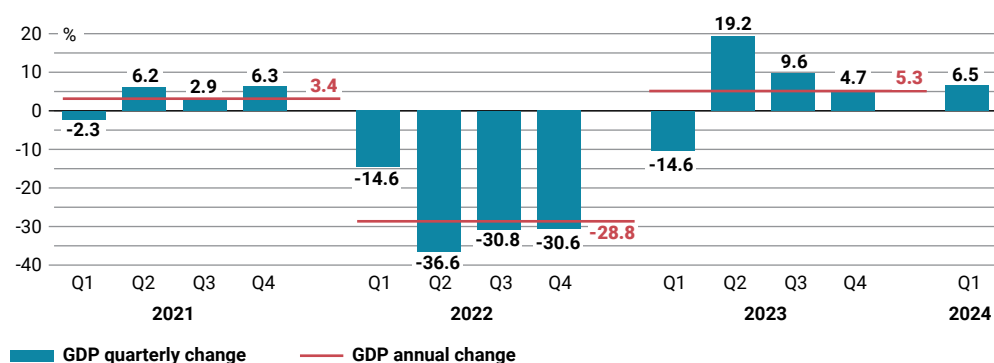
V. ECONOMY AND FOREIGN TRADE

1. The macroeconomic situation – a fragile stability

The Russian invasion has brought about the most severe economic crisis in independent Ukraine's history. In 2022, Ukraine's GDP shrank by 28.8%, although this decline was less severe than many analysts predicted during the first months of the war. Some signs of economic recovery started to be seen from the second quarter of 2023, mainly because the baseline in the same period in the previous year was relatively low. Consequently, 2023 saw a GDP growth of 5.3%, driven largely by the relative stabilisation of the situation on the front lines and the cessation of intense shelling of critical infrastructure by Russian forces.

In the near future, Ukraine's economic outlook will depend firstly on the intensity of the hostilities, potential advances by Russian troops, and the scale of international support for Kyiv (see below). The International Monetary Fund (IMF) projects a 3.2% GDP growth for Ukraine in 2024, while the state budget act anticipates a 4.6% increase. However, in April 2024, the National Bank of Ukraine downgraded its forecast from 3.6% to 3%, largely due to the resumption of Russian attacks on energy infrastructure in March.⁴⁸ These strikes caused substantial disruptions, resulting in nationwide power outages for businesses and adversely impacting Ukraine's economic development.

Chart 7. Annual and quarterly changes in Ukraine's GDP from 2021 to 2024



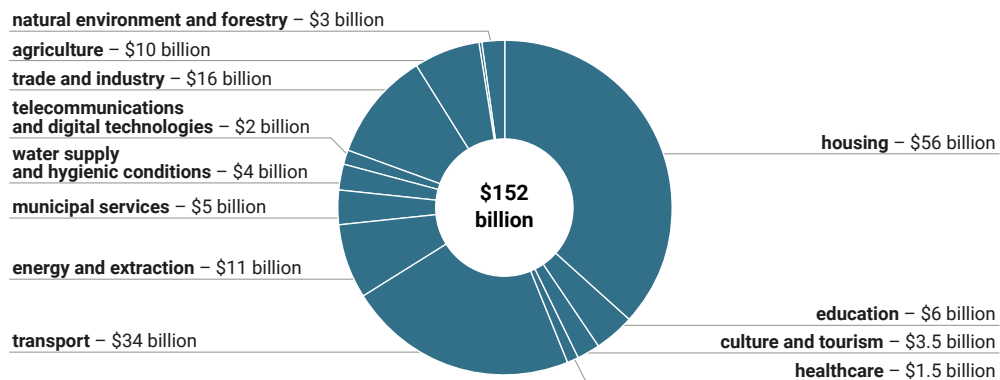
Source: State Statistics Service of Ukraine.

⁴⁸ *Idem*, 'Russia's new large-scale attacks on Ukraine's energy infrastructure: losses and challenges', OSW, 17 April 2024, osw.waw.pl.

2. Material losses caused by the war

The World Bank's report published in February 2024 estimates that the direct damages resulting from the invasion have reached \$152 billion. Over one-third of these losses (\$56 billion) concern residential buildings. Significant damage has also been inflicted on the transport sector (\$34 billion). The most severely affected regions are in the southeastern part of the country, where the front line currently runs, as well as Kyiv Oblast, which was temporarily occupied by Russian forces during the first month of the war. Reconstruction will require significantly greater resources, with the World Bank estimating costs of \$486 billion over a 10-year period.

Chart 8. The breakdown of direct damage caused by the Russian invasion



Source: World Bank.

The invasion has severely impacted local businesses, with its effects extending far beyond direct destruction. The resulting losses have been substantial (\$16 billion in trade and industry) and have affected many key facilities, such as the Azovstal plant and the Illich Iron and Steel Works in Mariupol. Additionally, business profitability has plummeted. While in 2021, Ukraine's top 500 companies generated and aggregate profit of nearly 550 billion hryvnias (approximately \$20.1 billion),⁴⁹ this figure fell to just 6.6 billion hryvnias (\$0.2 billion) in 2022. In 2023, a slight economic recovery led to their profits rising to 223 billion hryvnias (approximately \$6.1 billion). However, this is still significantly below pre-war levels, especially when inflation is taken into account (see below).

⁴⁹ Converted on the basis of the NBU's average exchange rate in a given year.

In order to support businesses located in areas affected by hostilities, the government has offered assistance in relocating them to safer regions. However, this initiative has not been overly successful as by October 2023, only slightly over 800 companies had utilised it, of which 667 had resumed operations. The majority of businesses have been relocated to the Lviv Oblast (199 firms) and the Zakarpattia Oblast (120 firms), with the largest proportion (around one-third) being wholesale trade companies.

Business owners are increasingly concerned about labour shortages. According to the National Bank of Ukraine (NBU), civilian employment among those aged 15–70 decreased by 25% in 2023, primarily due to emigration, mobilisation, demographic losses, and the occupation of parts of the country. A survey conducted by the European Business Association revealed that 74% of entrepreneurs reported experiencing a workforce shortage, with an additional 17% noting a partial shortfall.⁵⁰ Given the need to increase military conscription and the ongoing emigration (the NBU estimates that 200,000 people will leave the country in 2024), while the challenge of labour shortages is set to worsen.

3. The successful monetary policy

Since the beginning of the Russian invasion, the NBU has taken measures to maintain the stability of the hryvnia's exchange rate. One of the most important solutions involved the imposition of temporary restrictions on foreign capital flows to prevent a massive outflow of foreign currency from the country. The central bank has also tightened monetary policy by raising interest rates to curb inflation and enhance the appeal of hryvnia-denominated deposits. Initially, a fixed exchange rate of 29.3 hryvnias per dollar was set after 24 February 2022. However, as it increasingly diverged from the actual market rate, the regulator devalued the currency to 36.6 hryvnias per dollar in July 2022, less than six months after the invasion. These measures proved effective, meaning it was possible to partially liberalise the hryvnia's exchange rate by October 2023. This achievement earned NBU Governor, Andriy Pyshnyy, the prestigious Banker of the Year award from *The Banker* magazine.⁵¹

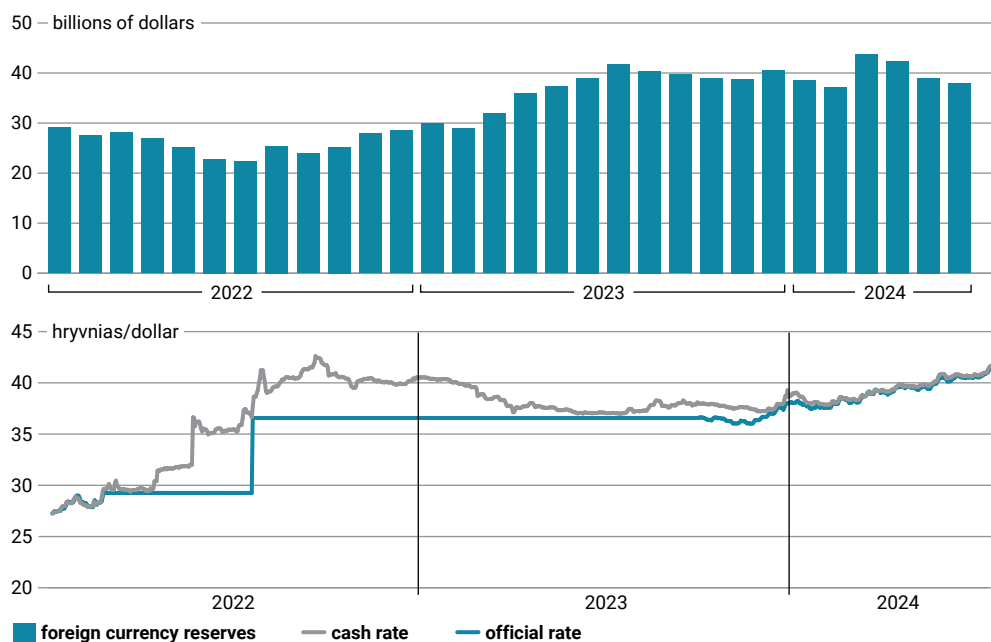
The significant inflow of foreign aid has helped Ukraine amass record-high foreign currency reserves, which reached \$43.8 billion in March 2024. These

⁵⁰ 'Three quarters of employers are experiencing staff shortages in Ukraine', European Business Association, 24 April 2024, eba.com.ua.

⁵¹ 'Central Banker of the Year 2024', *The Banker*, 2 January 2024, thebanker.com.

reserves have since remained at a safe level, sufficient to cover nearly six months' worth of expenditures covering imports of goods and services.⁵² Consequently, the NBU has been able to ease some restrictions it had introduced in the early months of the war. In May 2024, the NBU permitted dividend payments abroad as well as the servicing and, in certain cases, repayment of foreign corporate loans. While these measures have gradually weakened the hryvnia, the process appears to be under full control.

Chart 9. The hryvnia exchange rate and foreign currency reserves from 2022 to 2024



Source: National Bank of Ukraine.

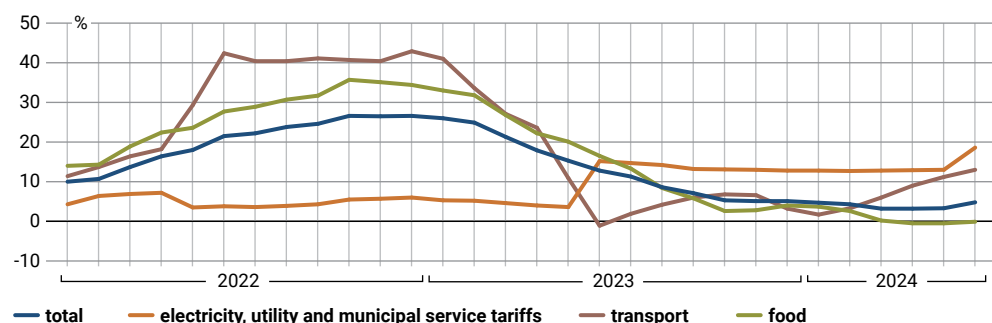
4. Temporary inflation issues

The invasion resulted in a temporary but very sharp spike in prices. This, coupled with the global price increases caused by the pandemic, resulted in soaring prices in the second half of 2022. Since then, inflation has been steadily decreasing, eventually dropping below 5% in the early months of 2024.

⁵² 'International Reserves Increase to USD 43.8 billion in March Hitting New Record High for Independent Ukraine', National Bank of Ukraine, 5 April 2024, bank.gov.ua.

However, certain categories of goods and services, including socially sensitive ones such as food and transport, became relatively more expensive than others. This happened due to fuel supply issues caused by damage to infrastructure and disruptions in supply chains. It was only possible to successfully manage the rise in these prices in the second half of 2023.

Chart 10. Monthly inflation (y/y) in Ukraine from January 2022 to March 2024



Source: National Bank of Ukraine.

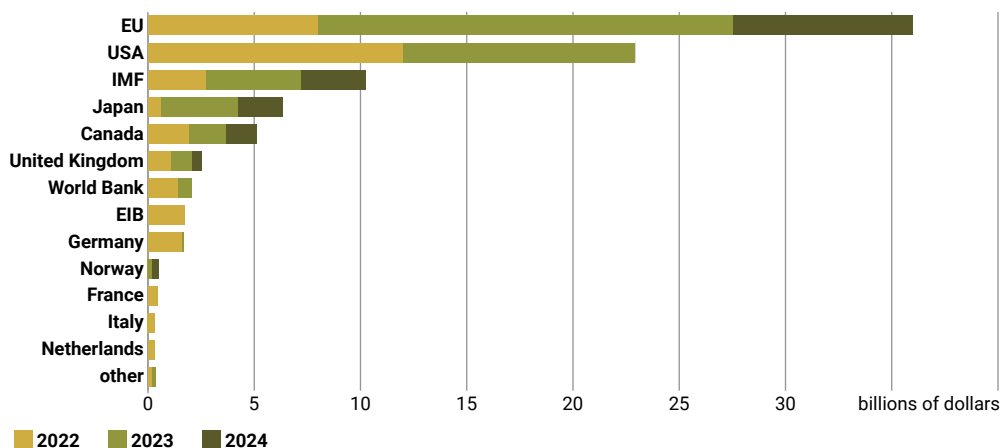
5. Foreign financial support as a critical driver of the state's functioning

Ukraine could not have maintained financial stability without the support of broadly defined Western countries and international financial institutions. The Russian invasion triggered a sharp increase in security sector expenditures, which accounted for approximately half of the state budget in 2022 and subsequent years (amounting to \$46.7 billion out of \$92.6 billion in the 2024 budget). Diminished state revenues were barely sufficient to meet defence needs, while all other expenditures, including those related to social welfare, have effectively been financed through loans and grants from foreign donors, as well as through the issuance of domestic bonds, especially during the first year of the war.

In 2022–2023, Ukraine received the greatest support from the EU (\$27.5 billion) and the United States (\$22.9 billion). Japan, Canada, and the United Kingdom also played significant roles, alongside international organisations, particularly the IMF. In March 2023, Ukraine signed an agreement with the IMF for an Extended Fund Facility,⁵³ worth \$15.6 billion.

⁵³ S. Matuszak, 'Ukraine: the IMF support package and increased defence spending', OSW, 24 March 2023, osw.waw.pl.

Chart 11. Foreign partners’ financial contributions to Ukraine’s budget from 2022 to 2024 (as of 16 July 2024)



Source: Ministry of Finance of Ukraine.

Foreign aid to Kyiv is unprecedentedly high, but still insufficient. The 2024 budget projects a nearly \$44 billion deficit, but the support promised so far for this year will not cover all the needs. Another issue is the intermittent payments and varying amounts of donor contributions. For instance, in January 2024, Ukraine received only \$400 million, in February \$800 million, and in March as much as \$8.9 billion (more than half of which came from the EU). Therefore, maintaining financial stability remains a challenge for the country’s government.

To streamline support, the European Commission proposed the Ukraine Facility, which includes nearly €39 billion in direct budgetary assistance for 2024-2027 (the first tranche of €4.9 billion was delivered in March 2024). Although substantial, this amount remains insufficient to meet the needs which are likely to increase further in 2024 following budget revisions, as was the case in 2023. An additional complication was the uncertainty regarding US assistance, both financial and military. Conflicts inside the Republican Party delayed Congress’s approval of the relevant legislation for six months, until it was finally passed in April 2024.⁵⁴ The supplemental bill provides a total of \$61 billion in aid, of which \$7.8 billion will go directly to the budget and \$1.6 billion will be allocated for economic purposes, including the repair of critical infrastructure.

⁵⁴ J. Graca, F. Rudnik, ‘The new US supplemental bill on Ukraine and the threat to confiscate Russian assets’, *op. cit.*

In June 2024, the G7 countries made significant progress on the issue of using frozen assets of the Central Bank of Russia. Initially, Ukraine sought to ensure these funds were designated for post-war reconstruction. However, the ongoing military conflict and growing realisation that it would not end soon prompted proposals to redirect the funds towards immediate budgetary needs or arms procurement.

Discussions about seizing frozen Russian assets began in the first half of 2022, but it was only during the G7 summit that a mechanism was agreed upon to provide Ukraine with \$50 billion by the end of 2024. The Extraordinary Revenue Acceleration Loans for Ukraine (ERA) programme will involve granting loans to Kyiv, financed by G7 members. These loans are to be repaid using proceeds from the so-called extraordinary profits generated by the frozen Russian capital deposited in G7 countries. According to the summit communiqué, these funds may be used to support Ukraine militarily, for its budgetary needs, and for reconstruction.

The G7 nations also stipulated that this decision does not preclude further discussions on potentially transferring all of the confiscated Russian assets to Kyiv. While it remains uncertain whether these funds will be available for use in 2024, they are expected to play a significant role in financing Ukraine's 2025 budget. Foreign donors are yet to pledge funds to cover \$12–15 billion in planned expenditures for that year.

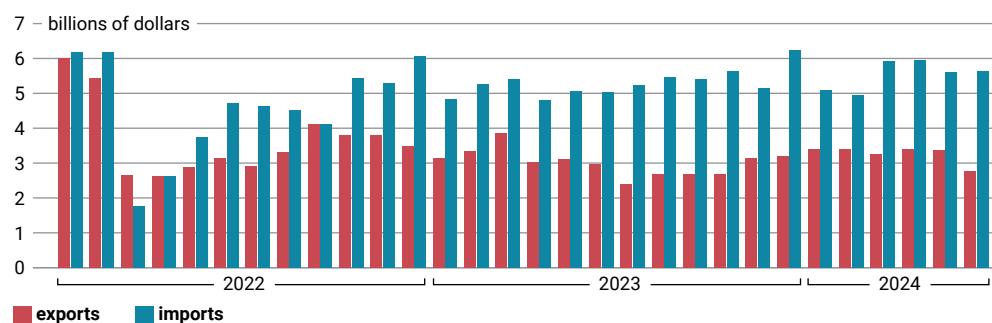
6. Trade – new logistic routes

The economic slump caused by the invasion had a severe impact on foreign trade, leading to a dramatic reduction in both exports and imports. Over the following months, imports returned to levels only slightly below those seen before the war, driven by the need to procure large quantities of fuel (the primary category of imported goods) as well as commercial purchases of armaments. However, the situation with exports of domestically produced goods has been more complex.

The greatest challenges were linked to logistical constraints, particularly the Russian blockade of Black Sea ports, which used to be Ukraine's gateways for dispatching around two-thirds of its key exports (agricultural products, metallurgical goods, and iron ore) before the war. The Black Sea Grain Initiative helped resolve these issues only partially, enabling Ukraine to export agricultural produce through the ports of Greater Odesa from August 2022 to July 2023.

Ukraine also began utilising ports on the Danube River, which were practically unused before the war. By the second half of 2023, approximately 2 million tonnes of agricultural produce were transported through these ports each month. Additionally, the European Union launched the so-called solidarity corridors aimed at increasing the capacity of the land border between Ukraine and EU member states.

Chart 12. Ukraine’s monthly trade from January 2022 to June 2024



Source: State Statistics Service of Ukraine, State Customs Service of Ukraine.

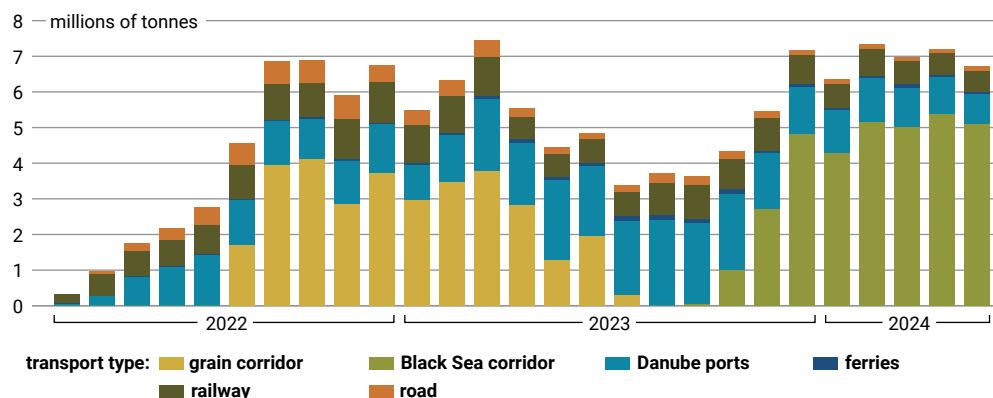
The rerouting of trade flows strengthened the EU’s position as Ukraine’s primary trading partner. In 2023, the European Union accounted for 65.6% of Ukraine’s exports and 53% of the country’s imports. In terms of trade structure, the importance of agricultural and food products increased significantly, accounting for 60.8% of Ukraine’s foreign sales in 2023.

In September 2023, Ukraine unilaterally decided to reopen the ports of Greater Odesa despite the risk of Russian attacks on vessels.⁵⁵ This move proved to be a success, as by December 2023, the new Black Sea corridor had transported more agricultural produce than the grain corridor during its peak months. Furthermore, this route allows for the export of non-food goods and the import of various commodities (though the Ukrainian government refrains from providing specifics). From September 2023 until the end of March 2024, over 1,100 ships used this route, transporting 33.8 million tonnes of goods, including 23.1 million tonnes of agricultural products. In April 2024, Ukrainian exports reached 13 million tonnes, exceeding levels recorded in February 2022.

⁵⁵ S. Matuszak, J. Ber, ‘Ukraine: the new Black Sea corridor is a success’, OSW, 22 December 2023, osw.waw.pl.

The launch of the new maritime route significantly mitigated the effects of the blockade at the Polish-Ukrainian border, which lasted from November 2023 until January 2024 (with sporadic disruptions at specific crossings by Polish farmers continuing until late April). According to the National Bank of Ukraine, during the first month of the blockade Ukraine sustained direct import losses of \$500 million and export losses of \$160 million. However, these losses were partially offset through the utilisation of alternative trade routes.

Chart 13. Ukrainian monthly exports of agricultural produce since the beginning of the war by means of transport



Source: the authors' own estimates based on data from the Ministry of Agrarian Policy and Food of Ukraine, Humanitarian Data Exchange, Spike Brokers, and the Ukrainian Grain Association.

VI. FOREIGN POLICY

The two overriding goals at the heart of Ukraine's diplomatic efforts are the necessity to defend the country and to end the conflict on its own terms. The top priority is to mobilise international partners to increase the supply of weapons, ammunition, and financial resources to sustain effective resistance against the aggressor. In the long term, Ukraine seeks to become permanently integrated into Western structures (NATO and the EU), which is viewed as a guarantee of its security and a prerequisite for the country's sustainable development.

President Zelensky and the head of his administration, Andriy Yermak, are the two key players in Ukraine's foreign policy. The Ministry of Foreign Affairs has been relegated to an administrative and representational role, focusing on maintaining relations with less geopolitically significant countries and handling consular matters. The ministry is underfunded and understaffed,⁵⁶ which further exacerbates its marginalisation.

Ukraine's diplomatic efforts are focused on frequent communication with strategic partners (the US, the G7 nations, the EU, and NATO), organising major international events such as the Peace Summit in Switzerland, building coalitions of countries offering Ukraine financial and military support, and engaging with the Global South. The president demand for swift results from his team influences the style of Ukrainian diplomacy, making it assertive and occasionally even overbearing.

1. No concessions to Russia

Ukraine refuses to make any political or territorial concessions to Moscow, and endeavours to persuade the international community to support ending the war on its terms. To this end, the Ukrainian leaders are promoting the so-called peace formula, which was presented by President Zelensky in November 2022. The formula consists of 10 points, including the full withdrawal of Russian troops from occupied territories, the restoration of Ukraine's territorial integrity, protection of food supplies, nuclear safety, and the creation of a special tribunal to prosecute war crimes.

⁵⁶ Personnel for many diplomatic missions have been recruited from outside the diplomatic corps as part of open competitions. However, key positions in critical countries, such as the United States, China, and the United Kingdom, have been assigned to political appointees.

In June 2024, Ukraine initiated the first peace formula summit in Switzerland to garner support for three of the ten objectives outlined in the document: ensuring nuclear safety, securing food supplies, and facilitating the return of children abducted by Russia as well as prisoner exchanges. The summit, which was attended by leaders from around the world, resulted in a final communiqué signed by 78 countries. The communiqué reaffirmed a commitment to refrain from the threat or use of force against Ukraine's territorial integrity or political independence within its internationally recognised borders. However, Ukrainian diplomacy did not manage to persuade key Global South countries to support the peace proposal. Nations such as India, South Africa, Brazil, Mexico, the United Arab Emirates, and Saudi Arabia declined to sign the document. Additionally, many South American and African countries did not send their representatives to the summit due to pressure from the Russian Ministry of Foreign Affairs and the position of China, which found the summit irrelevant and unproductive because Russia did not participate in it. China also actively lobbied against the participation of major Global South countries.

The stance of the Global South was particularly disappointing for Ukraine, despite its leaders intensive efforts to counter Moscow and Beijing's influence in these countries. President Zelensky appointed a special envoy for the Middle East and Africa, while the Ministry of Foreign Affairs doubled the number of diplomatic missions in Africa and announced plans to establish more missions in South America. Furthermore, between 2022 and 2023, Foreign Minister Dmytro Kuleba went on four diplomatic tours to African countries, and Zelensky attended the inauguration of Argentina's President Javier Milei, using the event as an opportunity to engage in talks with leaders from Ecuador, Paraguay, and Uruguay.⁵⁷

Ukrainian leaders have announced that the remaining points of the peace formula will be discussed and adopted at the next summit, which is planned to take place by the end of 2024. Ukraine has suggested a willingness to invite Russian representatives to the summit, thus addressing the concerns of those countries, particularly in the Global South, that have conditioned their participation on inviting Russia, as well as responding to Western pressure and statements by US President-elect Donald Trump who advocates for ending the war

⁵⁷ See K. Nieczydor, 'Pax Ukrainica. Ukraine's hopes and expectations ahead of the summit in Switzerland', *OSW Commentary*, no. 601, 4 June 2024, osw.waw.pl.

as soon as possible.⁵⁸ However, this does not mean that Ukraine has accepted Russians demands.

2. Efforts to secure Western support

Ukraine's efforts to maintain international assistance have been focused on strengthening cooperation with its largest donors, the United States and the European Union, which have provided it with approximately \$75 billion,⁵⁹ and €88 billion,⁶⁰ respectively, since the start of the invasion. This support has included humanitarian, financial, and military aid. Given the prolonged political deadlock in Washington over approving a financial package for Ukraine (October 2023–April 2024),⁶¹ the EU took on the role of the main donor of financial assistance. In February 2024, the EU approved the launch of a special Ukraine Facility worth €50 billion for the period from 2024–2027. The implementation of this facility is crucial for the financial stability of the war-torn country. However, access to a significant portion of these funds will be contingent on Kyiv's progress in implementing reforms outlined in the Ukraine Plan approved by the European Commission.⁶²

3. The wartime path of integration with the EU

Ukrainians treat EU membership as one of the most important objectives in foreign policy, and 84% want their country to join the European Union. They regard this step as a vital element of their country's ultimate victory over Russia. Public expectations act as a key driving force for the government, spurring it to redouble its efforts towards this goal.

Receiving approval for the commencement of accession negotiations in December 2023 and their formal launch in June 2024 are Ukraine's greatest achievements in foreign policy in recent years, as they reaffirm the membership perspective that the country's successive governments have pursued since 2014. The EU Council's decision was influenced by the radical shift in the

⁵⁸ E.M. Lederer, 'Trump says he can end the Russia-Ukraine war in one day. Russia's UN ambassador says he can't', The Associated Press, 2 July 2024, apnews.com.

⁵⁹ J. Masters, W. Merrow, 'How Much U.S. Aid Is Going to Ukraine?', Council on Foreign Relations, 9 May 2024, cfr.org.

⁶⁰ 'EU support for Ukraine', European Union, european-union.europa.eu.

⁶¹ J. Graca, F. Rudnik, 'The new US supplemental bill on Ukraine and the threat to confiscate Russian assets', *op. cit.*

⁶² K. Nieczytor, I. Gizińska, Ł. Maślanka *et al.*, 'The EU approves financial assistance for Ukraine and negotiates military assistance', OSW, 2 February 2024, osw.waw.pl.

geopolitical landscape and public sentiment in Europe following the Russian invasion. The member states which had been sceptical about Ukraine's membership perspective before the war changed their stance partly because opposing Ukraine's EU accession began to be perceived as a position supportive of Moscow. Another significant factor was the widespread support for Ukrainian aspirations among European citizens.

The launch of accession negotiations represents the culmination of Ukraine's efforts to implement the reforms outlined in the European Commission's June 2022 report, along with the periodic evaluation of progress in these areas. The Ukrainian government has managed to successfully fulfil the vast majority of the Commission's recommendations, which included revising the procedure for selecting judges for the Constitutional Court, intensifying anti-corruption efforts, and finalising legislative reforms concerning national minorities. The latter requirement posed significant challenges, particularly due to its impact on relations with EU neighbours, above all Hungary. Ultimately, the amendments were passed just days before the December 2023 summit, undermining Hungary's frequent arguments against key EU decisions critical to Ukraine, including those related to European integration and the allocation of funds for arms purchases via the European Peace Facility.

Ukraine's accession will also depend on the European Union's readiness for enlargement, meaning that formal progress on the integration path is contingent not only on the success of the reforms but also on decisions by member states, including Hungary, which under Viktor Orbán's leadership has effectively opposed such moves. As a result, Ukraine's accession is likely to be a protracted and bureaucratic process, heavily influenced by political manoeuvring and agreements within the EU.

The Ukrainian government is increasingly aware of the immense technical, bureaucratic, legal, and legislative work required to adapt to the EU legal framework. Ukraine has demonstrated determination by swiftly preparing membership-related documentation and implementing reforms essential for opening the negotiations. However, the administration currently lacks sufficient staff to successfully cope with these tasks and will require technical and training support. Although Ukrainian leaders no longer claim that the negotiation process will conclude within two years – unrealistic expectations that had raised public expectations – they still presume that certain processes can be expedited using moral and political arguments, without fully implementing the required changes.

Additionally, periodic protests by farmers and transport industry representatives in neighbouring EU countries, border blockades in 2023–2024, and Hungarian demands have all made Ukraine’s perspective on its EU accession more realistic. Ukraine has realised that it needs to garner support from individual member states and specific interest groups within the EU during the negotiations. Although the Ukrainian government still prefers to resolve conflicts directly with Brussels, bypassing regional actors, it is gradually recognising the practical challenges faced by certain communities and proposing that contentious issues be mapped as part of the integration process.

4. Commitments instead of security guarantees

NATO membership remains another top priority in Ukraine’s foreign policy, as it is regarded by Ukrainian policymakers and the public (77% of citizens support it) as the most reliable security guarantee. In September 2022, President Zelensky signed an application for accelerated accession to NATO, similar to the procedure that had been used for Sweden and Finland. Ukraine was, therefore, disappointed to discover that it was not invited to join NATO during the Vilnius summit in 2023 and that no clear path to accession was outlined. A similar situation unfolded following the Washington summit in July 2024, though this time, the Ukrainian leaders refrained from openly criticising NATO’s decision.

The positive results of the Vilnius summit included the initiation of bilateral talks under the aegis of the G7 regarding long-term military support commitments for Ukraine, intended as a temporary solution until the country achieves full NATO membership. In mid-January, the first such agreement was signed (a 10-year agreement between the UK and Ukraine),⁶³ and by the end of September 2024, an additional 26 agreements had been concluded with the US, Japan, Germany, France, Italy, Canada, Denmark, the Netherlands, Poland, and other countries. These documents refer to “security commitments and arrangements” rather than “security guarantees”, yet the Ukrainian government publicly exaggerates their significance by calling them security guarantee agreements. Nonetheless, these agreements remain crucial for Ukraine, given its growing challenges in securing support and the lack of a formal invitation to join NATO during the Washington summit in July 2024.

⁶³ J. Gotkowska, K. Nieczydor, J. Graca, ‘The West and Ukraine: agreements on security cooperation’, OSW, 19 January 2024, osw.waw.pl.

5. Recovery under the European Union's umbrella

Despite the ongoing war and the lack of prospects for ending the conflict in the near future, Ukraine is making efforts to encourage Western states, financial institutions, and international corporations to invest in the country's recovery. The scale of destruction caused by the Russian invasion makes this the greatest challenge in post-war European history. According to World Bank estimates from February 2024, the direct damage caused by hostilities amounts to \$152 billion, while the country's recovery is projected to require approximately \$486 billion.

Despite promises made during the first international conference in Lugano in July 2022 to develop a Marshall Plan for Ukraine,⁶⁴ and address the country's recovery, no such programme has yet materialised. The ongoing war, which continues to increase both the scale of destruction and the costs of recovery, remains a key obstacle to implementing these ambitious plans.

These factors severely impede the mobilisation of private capital, which is essential for the reconstruction and sustainable economic recovery of post-war Ukraine. To attract such investments and launch projects aimed at achieving these goals, a portion of funds from the EU's Ukraine Facility programme (approximately €8 billion) has been earmarked for this purpose. However, investors show little trust in Ukraine's state administration and judicial system due to pervasive corruption and issues with the rule of law, and this continues to pose a major challenge.

Western states have assumed a leading role in initiating reconstruction efforts, with Germany, France, Italy, the Czech Republic, the United States, and Poland appointing special coordinators to oversee cooperation with Ukraine in this domain. Additionally, regular international conferences have been held to discuss these issues (Lugano in 2022, London in 2023, and Berlin in 2024). These dynamics motivate the Ukrainian policymakers to prioritise relations with countries which are believed to have the strongest influence over financial decisions made in Brussels. Similarly, significant attention is given to the G7, whose member states are Ukraine's most influential economic and political allies. The European Union has likewise expressed its ambition to take a leading role in Ukraine's reconstruction efforts.

⁶⁴ S. Matuszak, 'Prezentacja „planu Marshalla” dla Ukrainy', OSW, 13 July 2022, osw.waw.pl.

Further tranches of macroeconomic assistance will be provided on condition that Ukraine has implemented the reforms envisaged as part of its accession process. The coordination of international reconstruction support has been entrusted to the Multi-Agency Donor Coordination Platform, which collaborates with financial institutions and organisations such as the IMF and the World Bank. The platform's secretariat is housed within the EU's Directorate-General for Neighbourhood and Enlargement Negotiations (DG NEAR), highlighting that, from the Western perspective, Ukraine's reconstruction is inherently tied to its EU membership aspirations and the necessity of reforms.

Beyond Europe, Japan has been particularly active in reconstruction efforts. This is facilitated through the governmental Japan International Cooperation Agency (JICA), which reopened its permanent office in Kyiv in November 2023 following its evacuation in January 2022. JICA's involvement is a reflection of Japan's concerns over Russia's aggressive policies. Its significant and direct financial support also serves as a substitute for military assistance, which Japan cannot provide due to a constitutional prohibition on the sale of arms to countries engaged in active conflict.

The conflict, increasingly resembling a war of attrition with no resolution in sight, precludes the commencement of full-scale reconstruction aimed at comprehensive modernisation under the 'build back better' principle. Current efforts remain confined to ad hoc repairs of transport and energy infrastructure, as well as public utility buildings. Consequently, discussions and decisions regarding reconstruction have increasingly focused on strategies to end the war. This shift is exemplified by the decision to reallocate interest accrued on the frozen assets of the Central Bank of Russia held in the West, which were originally intended to finance Ukraine's reconstruction, to primarily support the Ukrainian military.⁶⁵ Additionally, the Berlin conference on reconstruction held in June 2024, as previously noted, was used by Ukraine to urge Western partners to increase military assistance.

⁶⁵ I. Wiśniewska, Ł. Maślanka, K. Nieczydor, 'The EU's decision to use the profits generated by frozen Russian assets', OSW, 24 May 2024, osw.waw.pl.

PROSPECTS

There is an increasing desire for the war to end among key Western countries, whose support is crucial to preventing Ukraine's defeat. These nations, weary of the prolonged military confrontation, remain apprehensive about the implications of Russia's military defeat and favour stabilising or freezing the conflict, viewing such an outcome as more manageable. Donald Trump has repeatedly pledged a swift resolution to the war. Since spring 2024, various proposals and loosely defined plans for achieving peace have increasingly emerged on both sides of the Atlantic.

These shifts in sentiment in Ukraine and the West appear to be an opportunity for Russia. The Kremlin has been promoting the narrative that it was allegedly willing to enter peace negotiations as early as spring 2022,⁶⁶ attempting to create the impression that Kyiv, rather than Moscow, is now obstructing talks. Moscow has intensified its campaign, claiming that it is allegedly prepared to negotiate, while its actual motive is to weaken Western support for Ukraine. At the same time, it adheres to a maximalist vision of a potential peace agreement, effectively demanding Ukraine's capitulation. For the Kremlin, seizing parts of Ukrainian territory would only be a consolation prize, as its ultimate goal remains the complete subjugation of the entire country.

Ukraine continues its resistance against the enemy in the third year of the full-scale invasion. Despite mounting military challenges and growing war fatigue both at home and among international partners, the Ukrainian leaders have not initiated an open dialogue with the public regarding realistic objectives for the conflict and the conditions for its future resolution. The official stance remains anchored in President Zelensky's so-called Peace Formula, which calls for the restoration of territorial integrity based on Ukraine's 1991 borders. However, the situation on the front lines and public sentiment have shifted since the autumn of 2022 and the pre-2023 counteroffensive period, when military successes and the optimism in Ukraine gave credence to such a narrative. While Zelensky publicly declares that any concessions will depend on the will of the people, he has yet to provide a clear cost-benefit analysis of the various pathways to peace.

⁶⁶ S. Charap, S. Radchenko, 'The Talks That Could Have Ended the War in Ukraine. A Hidden History of Diplomacy That Came Up Short—but Holds Lessons for Future Negotiations', *Foreign Affairs*, 16 April 2024, [foreignaffairs.com](https://www.foreignaffairs.com).

In contacts with Western partners, the Ukrainian leaders are responding to their expectations and the US presidential election by demonstrating a willingness to negotiate with Russia, albeit on their own terms.⁶⁷ Zelensky has announced that a new peace plan will be presented in November and has admitted that not all territories need to be reclaimed as a result of military operations.⁶⁸ Nonetheless, he remains committed to bolstering Ukraine's negotiating position by improving battlefield conditions and avoids publicly indicating any willingness to make concessions.

Currently, Ukraine is not losing the war to the extent that it would consider relinquishing territory or sovereignty. Both sides, albeit to varying degrees, have been significantly weakened. Their own resources to continue the war are diminishing, therefore, they both increasingly rely on foreign assistance, though Ukraine's dependence on the West is far greater than Russia's reliance on China or North Korea.

Given these dynamics, it seems unlikely that a lasting peace will be achieved within the next few months. However, the conflict might be temporarily frozen. If this scenario materialises, it is likely to entail serious challenges for Ukraine's future and European security. Ukraine fears that freezing the conflict could lead to Western support waning, and this might embolden the Kremlin to renew efforts in subjugating its neighbour. Nevertheless, the prospect of a temporary pause in hostilities might appear appealing, as it would provide respite for both the military and the civilian population. From Kyiv's perspective, any such deal would require substantial military support from the West, along with security guarantees, ideally culminating in NATO membership. Furthermore, sanctions against Russia would have to be maintained to prevent a swift recovery of its military capabilities. This scenario would also require huge economic investments in Ukraine, while the West currently appears unwilling to make such commitments.

Ukraine's flexibility in negotiating an end to the war will largely depend on the success of its mobilisation efforts and the events of the autumn and winter months. The scale of destruction to energy infrastructure in 2024 due to targeted enemy strikes has created a situation where severe shortages of electricity and heating will impact every citizen remaining in the country, as well

⁶⁷ 'Volodymyr Zelensky : renoncer à des territoires ukrainiens est « une question très, très difficile »', *Le Monde*, 31 July 2024, [lemonde.fr](https://www.lemonde.fr).

⁶⁸ C. Mason, S. Williams, 'Zelensky: Trump would be hard work, but we are hard workers', *BBC*, 19 July 2024, [bbc.com](https://www.bbc.com).

as a significant portion of businesses. Without external support to address energy shortages, alongside continued financial and military support to counter setbacks on the front lines and mitigate the challenges of winter, public morale in Ukraine is likely to decline further, and the country's resources will diminish. This situation could increase Ukraine's willingness to enter negotiations with Russia and potentially pressure its leadership to consider concessions in exchange for even a temporary peace.

This text was finished on 15 September 2024.