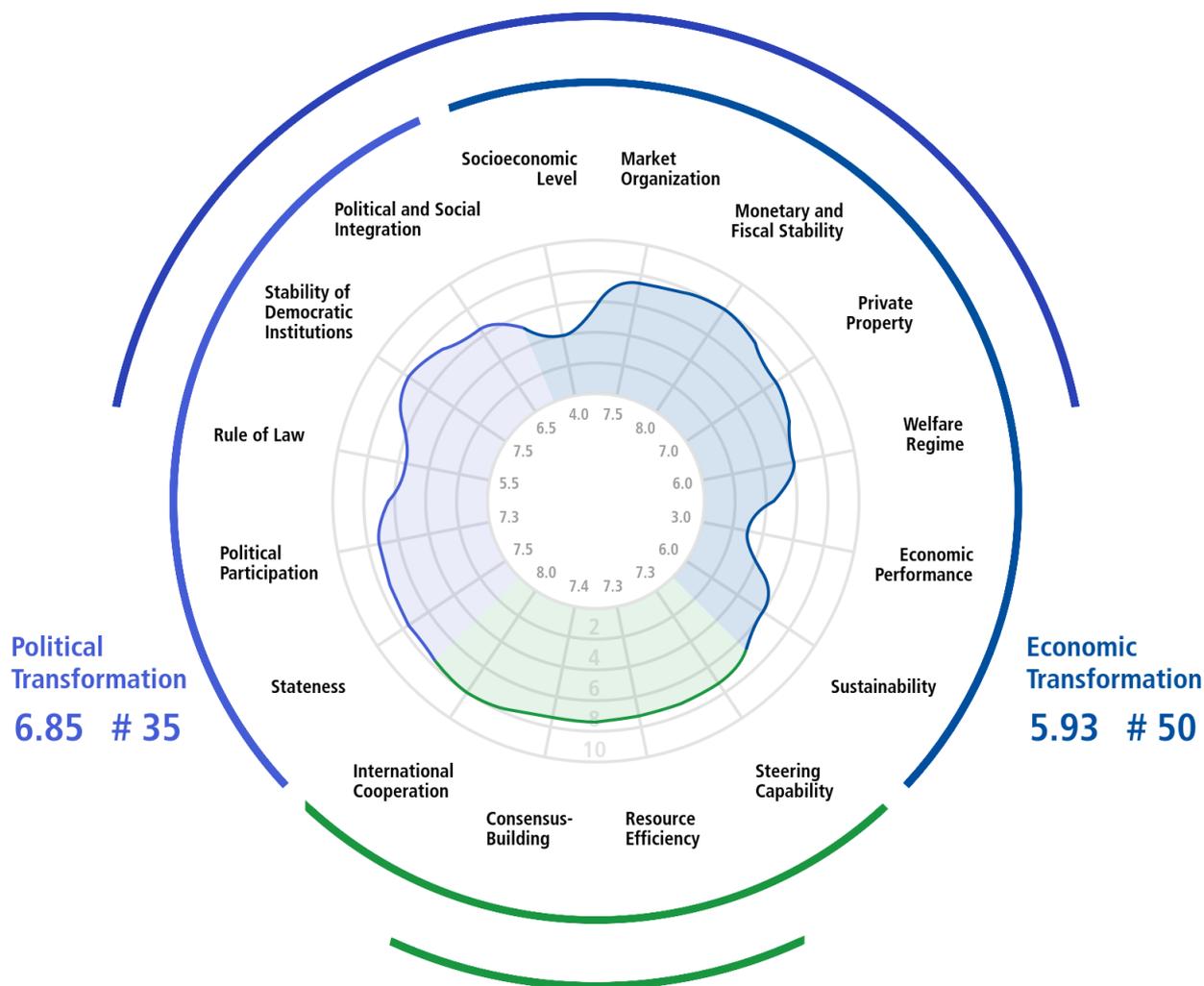


Ukraine

Status Index

6.39 # 37

on 1-10 scale out of 137



Governance Index

6.58 # 17

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2026**. It covers the period from February 1, 2023 to January 31, 2025. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	37.9	HDI	0.779	GDP p.c., PPP \$	18550
Pop. growth ¹	% p.a.	0.3	HDI rank of 193	87	Gini Index	25.6
Life expectancy	years	73.4	UN Education Index	0.741	Poverty ³	% 0.2
Urban population	%	70.3	Gender inequality ²	-	Aid per capita \$	1031.9

Sources (as of December 2025): The World Bank, World Development Indicators | UNDP, Human Development Report 2025. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

The full-scale war launched by Russia in 2022 has divided Ukraine’s modern history into “before” and “after.” During the review period (2023 – 2024), the country continued to demonstrate resilience in defending its sovereignty and democratic future. The war has brought widespread destruction, economic losses and humanitarian hardship, but it has also galvanized unprecedented international support.

As of early 2025, roughly 19% of Ukraine’s territory remains under Russian occupation, including Crimea, parts of Donbas and areas seized after February 2024. At the same time, large swathes of territory remain heavily mined, complicating security and reconstruction efforts.

The economic toll has been severe. Despite moderate GDP growth of 5.3% in 2023 and 3.4% in 2024, total infrastructure losses reached \$155 billion by the end of 2024. The National Bank of Ukraine has managed to balance exchange rate stability and inflation control – keeping inflation near 12% – while financing a large budget deficit. This stability has come at the cost of high interest rates and strict capital controls, discouraging investment essential for defense production and postwar recovery.

Between 2023 and 2024, Ukraine received \$17 billion in grants and \$59 billion in loans, covering about 80% of its budget deficit. The government expects \$75 billion in foreign assistance between 2025 and 2027 to meet fiscal needs, though the suspension of U.S. aid as of January 2025 has cast doubt on these projections and threatens key projects related to energy security, social services and economic reform.

More than 6.8 million people have fled Ukraine since 2022. Alongside wartime mobilization, this exodus has strained the labor market, driving wages up by around 10% in real terms. Yet, the share of Ukrainians living below the subsistence minimum has risen by 15%. The state’s fragile welfare system has struggled to support more than 4 million internally displaced persons, prompting greater reliance on NGOs and community-based initiatives.

Despite these pressures, Ukraine has made notable progress in governance reforms. Legislative changes in justice, media and minority rights have aligned the country more closely with EU standards, reflecting its determination to advance EU accession. Institutional reforms launched after 2014 have ensured continuity of state functions even under extreme wartime conditions.

Ukrainian civic identity has deepened across linguistic and ethnic lines. Civil society and volunteer networks play a critical role in sustaining both the military effort and civilian resilience, mobilizing resources for humanitarian aid and strengthening social cohesion.

Throughout the war, the Ukrainian government has maintained control over most of the country, ensuring the provision of basic services despite the large-scale destruction of energy and social infrastructure. Reconstruction of hospitals, schools and water systems has become a national priority.

Although elections have been postponed under martial law, democratic institutions remain functional, and public commitment to democratic values is strong.

Overall, 2023 – 2024 marked a period of profound challenge but also of transformation, as Ukraine advanced reforms, strengthened democratic foundations and adapted to the new realities of a protracted war.

History and Characteristics of Transformation

Since gaining independence in 1991, Ukraine has undergone a complex process of political, economic and social transformation. The early years were marked by the absence of a clear development strategy, allowing narrow elite groups to shape institutions to their own advantage. Nontransparent privatization concentrated wealth in the hands of powerful oligarchic clans, entrenching their influence over both politics and the economy. The 1996 constitution created a strong presidential system, which encouraged authoritarian tendencies – particularly during Leonid Kuchma’s second term (1999 – 2004).

During this period, corruption and clientelism became the main challenges to Ukraine’s democratic development. The 2004 presidential election, marred by fraud, sparked mass protests known as the Orange Revolution, leading to the victory of opposition candidate Viktor Yushchenko. Yet, the reforms that followed failed to meet public expectations, revealing the political elite’s inability to unite behind a coherent reform agenda and fueling popular disillusionment. In 2010, Viktor Yanukovich’s election marked a return to power centralization and democratic backsliding. His decision in late 2013 to abandon the planned Association Agreement with the European Union ignited the Revolution of Dignity, driven by demands for democracy, accountability and a European future. The protests culminated in Yanukovich’s flight from the country, after which Ukraine resumed its European course, launched key reforms and, crucially, demonstrated the growing capacity of civil society to influence politics.

The Russian war against Ukraine, which began in 2014 with the annexation of Crimea and the occupation of parts of the Luhansk and Donetsk regions, took on a new dimension after the full-scale invasion in February 2022. This war has fundamentally changed all aspects of life in the country. Military actions have led to human losses, the destruction of infrastructure and the displacement of millions of citizens. At the same time, the large-scale invasion has united Ukrainian society and contributed to the growth of civic activism and international support.

The Ukrainian government has focused on ensuring defense capabilities, while key reforms have been adapted to wartime conditions. In particular, decentralization, which began in 2015, has allowed communities to play an important role in providing humanitarian assistance and coordinating armed support. The war has also stimulated the development of a national identity and the rejection of any form of cooperation with Russia.

Moreover, the role of oligarchs in Ukraine's political and economic life has changed significantly. The fighting, the destruction of businesses and the imposition of sanctions against some businessmen have significantly reduced their assets and influence. In addition, the adoption of the law on "de-oligarchization" has further curtailed their power by stripping control over major media assets once used to advance political interests. As a result, oligarchs no longer dominate political processes as they once did.

Despite the war, Ukraine has made substantial progress toward European integration. The country's designation as an EU candidate marked a historic milestone. Accession talks are underway, focusing on legislative and institutional reforms to align with EU standards in the rule of law, human rights and anti-corruption. This trajectory enjoys broad support among both Ukrainian citizens and international partners. The war has forced the government to seek new economic opportunities through energy diversification, the reconstruction of critical infrastructure and the attraction of foreign investment.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

Since February 2022, Russia has launched a new phase of full-scale military aggression against Ukraine, which has significantly affected the ability of the Ukrainian state to maintain a monopoly on the use of force throughout the whole territory.

As of January 2025, about 19% of the territory of Ukraine, which is approximately 111,642 square kilometers, remains occupied. This area includes the Autonomous Republic of Crimea, the majority of Donetsk and Luhansk regions, as well as parts of Zaporizhzhia and Kherson regions captured after February 24, 2022.

In addition, significant areas of Ukraine are under threat of mining. In total, 138,503 square kilometers are at risk of mine contamination, of which only 35,496 square kilometers have been cleared so far. This poses serious challenges to the security of the population, the restoration of infrastructure and the return of control over occupied territories.

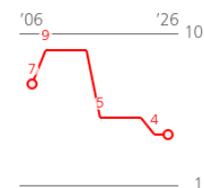
Over the past three decades, Ukrainian society has seen a growing support for the concept of the Ukrainian nation as a political community. While in the early 2000s, only 40% of the population identified themselves primarily as citizens of Ukraine, by 2014 this figure had risen to 51%, by 2022 to 60%, and after the full-scale Russian invasion in 2022 to 80%.

This trend is observed among both Ukrainian-speaking (81%) and Russian-speaking citizens (75%). Survey results also show that the absolute majority of Ukrainians, regardless of ethnic origin or language, consider themselves part of the Ukrainian nation. For example, in June 2024, 94.7% of respondents identified themselves as Ukrainians by nationality, which is significantly higher than the corresponding figure in 2000 (72.7%).

Question
Score

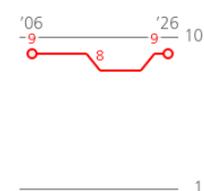
Monopoly on the
use of force

4



State identity

9



In addition to a high level of civic identification, Ukrainians demonstrate unity in their attitude toward Russia as an enemy. According to the Kyiv International Institute of Sociology, in the period 2022 – 2024, 96% of residents of the western regions, 93% of the central, 90% of the southern, and 88% of the eastern regions have a negative attitude toward Russia. This position contributes to a better understanding of Ukraine as its own state. Regardless of language or religion, Ukrainians perceive their nation as a political community that corresponds to modern ideas about statehood.

Access to citizenship and naturalization is not denied to particular groups. Ethnic Russians are fully integrated into the Ukrainian state if they hold Ukrainian citizenship. As a general rule, Ukraine does not yet allow dual citizenship.

The state’s legal framework and institutional arrangements are fully based on secular norms and positive law.

Religious institutions do not have formal influence over state decision-making, and political as well as legislative processes remain independent of the church. While the role of the Orthodox Church – particularly the Ukrainian Orthodox Church of the Moscow Patriarchate (UOC-MP) and the Orthodox Church of Ukraine (OCU) – is often a subject of public debate, it does not extend to direct political control.

In order to curtail foreign, that is Russian, influence through religious organizations while protecting religious freedom, in 2023/2024, Ukraine introduced changes to religious organization laws. This happened in response to the Russian aggression, aiming to ensure national security and prevent destabilization. On August 20, 2024, the Verkhovna Rada passed a law banning organizations linked to centers in aggressor countries, including the Russian Orthodox Church (ROC), though not explicitly mentioning the Ukrainian Orthodox Church of the Moscow Patriarchate (UOC-MP). The UOC-MP’s ties to the ROC and its role in spreading the “Russian world” ideology during the war prompted an increased state scrutiny.

The law gives the State Service of Ukraine for Ethnopolitics and Freedom of Conscience authority to investigate connections with the ROC. Religious organizations found with such links must sever them within nine months, or face legal action. However, religious communities can continue their activities by registering churches as natural persons, maintaining freedom of religion under increased control.

Inspections and raids targeting the UOC-MP continued in 2023/2024, with clergy arrested for supporting Russian aggression. Despite the UOC-MP’s 2022 break with Moscow, these actions were seen as insufficient due to historical ties.

No interference of religious dogmas

10



1

Despite the ongoing war, Ukraine has retained the basic administrative structures in all government-controlled territories. Since 2014, Ukraine has implemented decentralization reforms that have significantly improved the efficiency of local and national authorities, allowing the provision of essential services to continue even in the face of a full-scale Russian invasion.

Large-scale targeted Russian air attacks on residential areas and civilian infrastructure have damaged water supply and sewage systems, especially in eastern and southern Ukraine, leaving many settlements without access to drinking water. Approximately 11 million Ukrainians had problems with access to water and sanitation due to the destruction of infrastructure. The situation continues to deteriorate due to the armed conflict.

Before the war, 100% of the population of Ukraine had access to electricity. However, after attacks on the energy infrastructure, electricity shortages became a serious problem, especially in winter. Initially, a significant reduction in energy supplies was predicted, but thanks to energy imports and business adaptation, the shortfall was reduced to 5% by 2024.

Ukrainian schools adapted to the war by switching between different formats of education. Whereas in the summer of 2022, 95% of schools switched to distance education, in the 2023/2024 academic year, the majority of educational institutions (53%) returned to full-time education, 28% operated in a blended format, and 19% in distance learning. Despite the significant destruction of educational buildings, which caused direct damage of \$6.8 billion, education continued in various formats in order to minimize interruptions to the educational process.

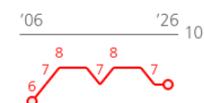
Despite numerous attacks on hospitals, the Ukrainian health care system continues to function. As of 2024, in total, 1,971 medical institutions have been damaged, of which 300 were completely destroyed. However, their restoration is a priority for the state, and at the moment 963 medical facilities have been restored, 593 fully and 370 partially. This ensures citizens' access to medical services even in the regions that suffered the most destruction.

Even in frontline regions, Ukrainian authorities continue to provide administrative services through Administrative Service Centers. In areas where physical access to administrative services is not possible, a significant part of services is provided online, ensuring citizens' access to essential functions such as jurisdiction, taxes and law enforcement, despite the difficult conditions of war.

Public transport continues to operate, although schedules and available modes of transport have to be adjusted depending on the security and energy supply situation. The Ukrainian transport system has demonstrated a remarkable adaptability, confirming its ability to function effectively even in wartime.

Basic
administration

7



1

2 | Political Participation

In peacetime, Ukraine holds general, free and fair elections at the national level, ensuring universal suffrage and secret ballot. Political positions are filled on the basis of election results, and parties with different platforms are able to participate in the electoral process. According to the established schedule, parliamentary elections were to be held in October 2023, and presidential elections in March 2024.

However, due to martial law declared in reaction to the Russian full-scale war against Ukraine, no elections are currently held. In line with the constitution, the parliament elected prior to the declaration of martial law (i.e. in 2019) remains active.

The constitution clearly regulates that during martial law parliamentary elections cannot be held (while a law states the same for presidential elections). At the same time, the constitution cannot be changed during martial law (in order to avoid democratic backsliding). This implies that conducting parliamentary elections during martial law is always unconstitutional.

In addition, elections would also meet serious practical obstacles. Large refugee flows (including abroad) require a complete revision of voter lists. Ukrainian citizens living under Russian occupation would not be able to participate. Moreover, Russian air strikes on any election day would endanger the voting process.

That is probably why the majority of Ukrainian citizens, according to a survey by the Kyiv International Institute of Sociology, spoke out against holding elections during wartime. Only 16% of respondents supported holding parliamentary and presidential elections within the terms specified by the constitution, while 81% believed that the elections should be postponed until the end of the war.

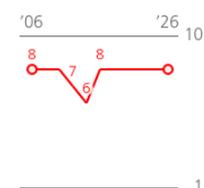
Democratically elected political representatives in Ukraine retain effective power to govern at all levels, and in the context of a full-scale war, this has become particularly evident. President Zelensky and his office, after his election victory in 2019, strengthened control over both the legislative and executive branches. This allowed to quickly mobilize resources to fight the aggressor and implement key reforms in the face of war.

In the preceding decades, the main unconstitutional veto powers in Ukrainian politics were business elites (the so-called oligarchs), a small number of business magnates who used business power, media ownership and political corruption to influence national politics in their favor.

Since 2022, important steps have been taken to limit their influence, especially concerning media ownership. In particular, the presidential decree on the unification of all cable news into a single program to counter Russian disinformation deprived the oligarchs who owned media assets of a significant tool for influencing public

Free and fair elections

8



Effective power to govern

8



opinion. By the summer of 2022, many oligarchs were forced to give up their media ownership due to the requirements of the new legislation. These changes also concern legislation that limits the ability of oligarchs to own privatized state assets or finance political parties. As a result, their political power was significantly weakened, and the role of the state in ensuring political stability increased.

The Ukrainian authorities continue to combat the influence of oligarchs on political life, introducing measures to further limit their economic and political role. The investigation into oligarch Ihor Kolomoisky, suspected of fraud and money-laundering, shows that the Ukrainian state is actively fighting corruption and economic crimes. However, the influence of oligarchs has not completely disappeared, but their ability to exercise significant political influence has been limited.

In Ukraine, the right to peaceful assembly is guaranteed by Article 39 of the constitution of Ukraine, which defines it as a fundamental democratic right of citizens. However, during the legal regime of martial law, this right may be temporarily restricted, in particular, to ensure security and stability in times of war. This restriction is prescribed by law and may be introduced by the military command or military administrations, in particular, to prevent threats to national security.

Despite martial law, peaceful assemblies that do not disrupt public order and security are still permitted in Ukraine. For example, gatherings in support of prisoners or student rallies against the reorganization of higher education institutions continued to take place in 2023.

Freedom of speech in Ukraine is guaranteed by the constitution, which provides a legal basis for the expression of opinions by individuals and organizations. While the constitutional right to freedom of expression remains in place despite the full-scale Russian invasion in 2022, a number of factors, such as state interference, self-censorship and external pressure, affect the extent of this freedom in practice.

There are generally no incidents of blatant intrusions like outright state censorship or media shutdowns, but both government bodies and media owners are seen as a source of censorship pressure. For example, 62% of the journalists surveyed by the Democratic Initiatives Foundation in early 2023 considered the single telethon, launched at the beginning of the full-scale invasion, to be a form of censorship. The country's media landscape and information space have undergone significant changes, and state control over the media has significantly reduced pluralism in the information sphere. In addition, self-censorship among journalists is becoming increasingly pronounced.

External factors, including Russia's military actions, have also become a significant threat to freedom of speech. The Institute of Mass Information (IMI) has recorded 801 crimes against journalists and media in Ukraine since the start of the war,

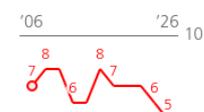
Association /
assembly rights

8



Freedom of
expression

5



including 150 violations in 2023. In 2024, a total of 268 violations of freedom of speech were documented in Ukraine. Of these, 155 were attributed to Russia as a direct consequence of its full-scale invasion, while 113 were linked to Ukrainian actors – an increase from 83 such cases recorded in 2023. The main categories of violations on the Ukrainian side included cyberattacks, obstruction of lawful journalistic activities, restrictions on access to public information and various forms of indirect pressure.

Legislative and regulatory initiatives addressing the media in Ukraine, including restrictions on access to public information and penalties for obstruction of journalistic work, remain a complex issue. Although Ukraine is striving to meet EU standards, including through media reforms, problems with state interference and restrictions on freedom of expression remain relevant.

As a result, public trust in the media is declining, especially regarding the state telethon. While at the beginning of the invasion, 69% of respondents trusted the United News, by February 2024, this figure had decreased to 36%. At the same time it has to be noted, that the share of the population indicating the United News as their major source of information has also dropped significantly.

3 | Rule of Law

The constitution defines the country's political system as semi-presidential. The resulting order of checks and balances has not been changed by martial law. Though the president has gained some additional powers, parliament is still the only legislative body and judicial control is still active.

However, in practice, checks and balances often do not work properly. Since the presidential and parliamentary elections in 2019, when Zelensky effectively gained control over the state executive and the national parliament, the Office of the President (i.e. the presidential administration) has a unique position in the system of state institutions. Formally, it is an auxiliary body that provides organizational, advisory and expert support to the president. Its head reports only to the president and coordinates the work of subordinate bodies. In reaction to Russia's full-scale invasion in 2022, power was further concentrated in the Office of the President. This led to a further weakening of the parliament, including both the opposition and the government.

Against the background of the war, attempts were observed to strengthen the influence of the presidential vertical through the creation of military administrations, which became the basis for more centralized management on the ground. These administrations have become a tool for strengthening the president's vertical in regions where local authorities are in opposition to the Office of the President.

Separation of powers

5

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1

Next to conflicts with local elites, the president's conflict with the constitutional court has clear implications for the constitutional system of checks and balances. The original law of December 2022 gave the president and parliament the right to appoint each a third of the judges, meaning that the president and his parliamentary majority would largely have

defined the composition of the new court. After pressure from the European Union, the law was amended, but influence peddling continues.

Concerning both local and judicial elites, many incumbents were clearly corrupt. However, the replacement process overseen by the Presidential Office often appears designed not merely to renew personnel but also to promote loyalists into key positions, thereby consolidating the president's political influence. As a result, the executive branch has faced criticism for partly undermining institutional checks and balances.

The constitution remains the main document that ensures the continuation of justice even during martial law. However, the war significantly affects how the judicial system operates, in particular, the staffing of courts. For example, 22% to 61% of judicial positions in Ukraine are still vacant, depending on specialization and jurisdiction. The biggest problems are observed in the Constitutional Court of Ukraine, which, as of January 2025, is still not staffed. Despite this, the judges of the Constitutional Court have a quorum, which allows them to perform their functions, although power outages also slow down legal proceedings. The high workload of judges leads to significant delays in court rulings and to a deterioration in the quality of justice.

Corruption scandals in the judicial system continue to evoke public outrage. Thus, in May 2023, the Chairman of the Supreme Court, Vsevolod Knyazev, was detained and accused of receiving a bribe in the tune of \$2.7 million. The investigation was initiated by the leading anti-corruption bodies of Ukraine, such as the Specialized Anti-Corruption Prosecutor's Office (SAPO) and the National Anti-Corruption Bureau of Ukraine (NABU).

In the context of war, Ukraine has also begun to actively implement e-justice to ensure access to judicial services for citizens who have been forced to leave their homes or cannot attend courts for security reasons. While this initiative allows for the continuation of justice even in times of hostilities, the infrastructure for e-justice needs to be significantly improved to ensure the effectiveness of such procedures.

Independent
judiciary

5



In 2024, Ukraine's anti-corruption institutions, particularly NABU, SAPO, and the High Anti-Corruption Court (HACC), continued efforts to hold public officials accountable for corrupt practices. A total of 669 high-level anti-corruption cases were initiated, targeting sectors such as defense, energy and law enforcement. The authorities successfully reclaimed over UAH 823 million for the state and seized assets worth UAH 6.8 billion. Additionally, SAPO set a record for asset recovery, pursuing UAH 55 million in unjustified wealth through legal claims.

The High Anti-Corruption Court (HACC) issued 86 legally binding rulings in 2024, slightly fewer than in 2023. However, the share of acquittals and case dismissals increased, with 26 cases closed without convictions. Among those found guilty were one member of parliament, two deputy ministers and four judges. While these convictions indicate that prosecutions continue, concerns remain regarding lengthy trials, case backlogs and procedural delays. On average, each judge handles 229 cases and materials, leading to extended trial durations. Defense strategies aimed at prolonging proceedings sometimes result in cases exceeding the statute of limitations, allowing defendants to evade punishment.

Public perception of anti-corruption efforts remains mixed. While financial recoveries and legal actions suggest active enforcement, 79.4% of citizens and 76% of business representatives still consider corruption the second most critical issue after Russia's armed aggression. Furthermore, public confidence in the government's commitment to fighting corruption is limited, with only 5.87% rating it as very strong.

Overall, while there is demonstrable progress in anti-corruption efforts, structural and procedural obstacles hinder the full accountability of corrupt officials. The expansion of HACC's jurisdiction without increasing judicial capacity further exacerbates delays, and targeted reforms are necessary to strengthen prosecution effectiveness.

During the full-scale war, Ukraine continues to face serious challenges in safeguarding civil rights. The introduction of martial law has led to temporary restrictions on certain civil liberties, including freedom of movement, participation in elections and the right to peaceful assembly. However, the constitution guarantees that fundamental rights – such as the right to life, liberty, and dignity – cannot be restricted even under martial law, providing at least a formal legal basis for the protection of civil liberties.

In practice, however, the wartime environment has complicated the observance of these rights. Martial law has enabled tighter government control over media and information flows. There have been cases in which journalists and activists critical of the government were reportedly blacklisted or faced indirect pressure from state-controlled media.

One of the most significant challenges has been the restriction of freedom of speech. Ukrainian law criminalizes propaganda that recognizes or justifies Russian aggression. Between March 2022 and November 2023, 443 convictions were issued

Prosecution of office abuse

6

'06 _____ '26 10

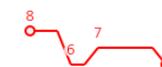


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Civil rights

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'06 _____ '26 10



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under Article 436-2 of the Criminal Code, which prohibits denial of the Russian Federation's aggression against Ukraine. However, it is worth noting that the most of these convictions did not result in imprisonment.

Discrimination also remains a concern, particularly in terms of gender and sexual orientation. The 2024 Global Gender Gap Report ranked Ukraine 63rd out of 146 countries (score: 0.713), reflecting persistent inequality. In January 2025, the government took a step forward by guaranteeing equal medical access regardless of gender, sexual orientation or family status. Nevertheless, Ukraine still ranks low in ILGA-Europe's 2024 LGBTQ+ rights index – 40th out of 49 European countries. The human rights organization Nash Svit recorded 51 cases of homophobic and transphobic violence in 2024, up from 25 in 2023, including physical assaults, attacks on LGBTQ+ events, and property damage.

Although the constitution guarantees equality and prohibits discrimination based on race, nationality, language, political views, or religion, in practice, enforcement of these protections remains inconsistent.

4 | Stability of Democratic Institutions

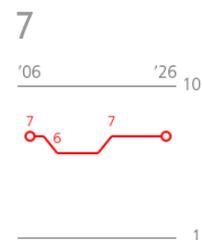
Since obtaining EU candidate status, Ukraine has demonstrated its capacity to rapidly and effectively meet the requirements associated with this position – evidence of the growing strength of its democratic institutions. A major milestone has been the implementation of the European Commission's seven key recommendations, including amendments to the Law on the Constitutional Court and the adoption of important legislation such as the Law on Media, the Law on National Minorities, and the Law on Lobbying. Another significant achievement was the ratification of the Rome Statute of the International Criminal Court in August 2024, which strengthens cooperation with the ICC and expands legal avenues for victims of war crimes.

The president has concentrated significant powers in his hands, often interfering in areas traditionally belonging to the government and parliament. This has been manifested in the use of the National Security and Defense Council to influence key political decisions, which goes beyond its constitutional powers.

At the same time, the role of the Cabinet of Ministers has weakened. The government now largely performs technical functions, implementing decisions made by the Office of the President. The limited influence of the prime minister and cabinet members over strategic policymaking continues to undermine the effectiveness of governance.

The Verkhovna Rada in 2023 largely performed the function of legitimizing already adopted decisions, and the parliamentary opposition was limited in its activities. At the same time, by the end of 2024, a certain adaptation of the parliament is observed,

Performance of democratic institutions



and although the process of normalization of work continues, it is difficult to say whether it will be able to again become a full-fledged center of legislative initiative and political discussions.

Moreover, the war has significantly complicated the work of the judicial system. Many courts are unable to function due to damage or occupation, and the restoration of court premises is suffering from a lack of funding. Moreover, the establishment of a specialized court for administrative cases of national importance is delayed, and the reorganization of local courts has been suspended. Problems also arise with the implementation of an electronic justice system.

Municipal authorities in Ukraine were among the first to take on a significant part of the challenges of the war during the full-scale invasion: ensuring territorial defense, social security, infrastructure issues and working with internally displaced persons.

Decentralization and strengthening of local budgets have greatly facilitated this process, although, against the background of martial law, the issue of powers between local and central authorities remains acute. The system of military administrations, which operates in some territories, in particular those that are not combat zones, causes legal conflicts. Despite these problems, the development of municipal democracy and public administration at the local level remains an important aspect of Ukraine's European integration, in particular through the implementation of EU policies at the local level, which accounts for about 80% of all policies.

All major political players officially declare their commitment to democratic institutions and principles. There are no influential forces in Ukraine that would openly question the democratic system or consider it externally imposed.

At the same time, in practice, abuse of power and its use for personal or political interests remain a problem. Undemocratic practices continue to be observed within democratic structures, in particular through informal mechanisms of influence.

The judicial system remains a serious challenge to the legitimacy of democratic institutions. There is a significant distrust of courts and law enforcement agencies, largely due to their perceived corruption and political dependence. Despite reforms, these institutions still do not enjoy a sufficient level of trust.

At the same time, civil society and non-governmental organizations generally operate within democratic norms. While previously influential interest groups, such as oligarchs, actively used informal networks to advance their interests, their role in public administration has now significantly diminished. Many of them have lost resources and leverage over political processes, which substantially limits their participation in decision-making.

Support for democracy and Ukraine's European course among citizens remains high and has only increased in the context of the war.

Commitment to democratic institutions

8



1

5 | Political and Social Integration

The multiparty system in Ukraine continues to demonstrate significant instability. Political parties frequently change their names, ideological orientations and leadership, which indicates a lack of organizational institutionalization. Many registered parties remain regional or nominal political projects, rather than becoming stable representatives of public interests. As a result, Ukraine's party system remains highly fragmented, as parties often fail to secure long-term voter support due to weak ideological foundations and organizational structures.

A high level of electoral volatility also remains a key characteristic of the party system. Voter preferences change rapidly under the influence of populist promises and political manipulation. The low level of institutional organization of parties, the lack of deep social roots, and clientelistic practices significantly limit the ability of parties to serve as centers of political articulation and aggregation of public interests.

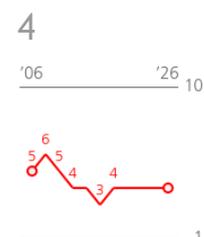
After the start of Russia's full-scale war against Ukraine, the number of political parties in Ukraine remained significant, despite the ban on pro-Russian parties and the inability to register new political projects during martial law. According to YouControl and the CHESNO movement, there are currently at least 360 parties operating in Ukraine.

The constitutional ban on parliamentary elections during martial law (i.e., the postponement of elections for an undetermined period) does not help to increase the political relevance and visibility of political parties.

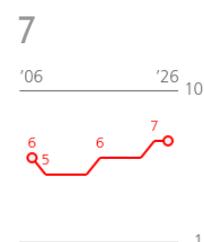
In Ukraine, despite the impact of the full-scale Russian invasion in 2022 and martial law, civil society has shown considerable resilience and continues to take important steps to ensure greater citizen participation in the political process. In particular, the adoption of the law on public consultations and the entry into force of the Cabinet of Ministers' resolution on improving mechanisms for interaction between the government and the public. These steps provide clear procedures and timelines for public consultations, allowing them to be involved in a wide range of public interests in the decision-making process.

One of the most important components of civil society has become volunteer organizations, which during the war have played a critically important role in supporting both military and civilians. They unite to provide resources and assistance in various areas: from medical supplies to the evacuation of displaced persons. Volunteer organizations have become much more organized and effective, thanks to which it has been possible to establish coordination between national and international donors.

Party system



Interest groups



The role of the oligarchs, although reduced, still partially influences decision-making in the Verkhovna Rada, but it no longer has the same weight as before the war. In particular, they have lost their media power and opportunities for informal influence.

Trade unions, despite their significant number, do not play a significant role in protecting workers' rights, as their activities are limited to a formal existence without real public manifestations. Consumer rights in Ukraine are protected at the legislative level, but there are currently no specialized groups that actively defend these rights.

The overwhelming majority of citizens support Ukraine's development as a full-fledged democracy and have become increasingly politically engaged. However, public trust in key democratic institutions remains low, reflecting widespread dissatisfaction with how the political system functions in practice.

In May 2024, a survey conducted by the Kyiv International Institute of Sociology showed that the percentage of respondents who want Ukraine to become a full-fledged democracy remains consistently high at 93%. This indicates strong support for democratic norms among citizens.

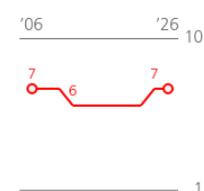
Ukrainians also continue to actively participate in democracy. According to the survey, 75% of respondents indicated that they actively express their opinion to local or national authorities or are ready to do so if there is an appropriate opportunity. This shows a high level of civic activity and a desire to contribute to democratic processes. At the same time, in September 2024, according to the Razumkov Center survey, the level of trust in state institutions varies. The highest level of trust is observed in the Armed Forces of Ukraine (91.5%), the State Emergency Service (83%) and volunteer organizations (80%). Trust in the president is still at 48.5%, yet considerably less than the 72% in 2023. Distrust in the government and the Verkhovna Rada remains at a fairly high level (72.5% and 78.5%, respectively). In addition, a significant level of distrust is shown in political parties (73.5%) and courts (70%). Trust in the media is also controversial (48% of respondents express trust, and 45% do not.)

In recent years, Ukraine has seen significant development in social self-organization and social capital building. During the war, civic activity in Ukraine increased significantly, and people were actively involved in volunteering and charity. According to the international organization Charities Aid Foundation, in 2024, Ukraine took seventh place in the world charity ranking, although in 2023 Ukrainians took second place. 77% of Ukrainians surveyed help strangers, 67% regularly make donations, and 27% are engaged in volunteering.

Trust in volunteer organizations remains particularly high at around 80%, followed by 59% for civil society organizations. This reflects a strong sense of mutual support and solidarity among citizens, as well as the crucial role volunteers play in maintaining social stability and supporting Ukraine's Armed Forces. Ukrainians continue to demonstrate a remarkable willingness to help one another – a key component of the country's social capital and resilience during wartime.

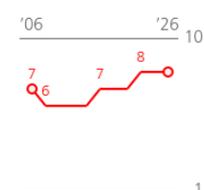
Approval of democracy

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Social capital

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II. Economic Transformation

6 | Level of Socioeconomic Development

The exodus of 6.8 million Ukrainians since the beginning of the full-scale invasion and wartime mobilization has put enormous pressure on the labor market and exacerbated the existing demographic crisis. Thus, while wages rose roughly 10 percentage points faster than inflation (21.5%) in 2024, this reflected labor shortages rather than productivity gains. The persistence of high unemployment further suggests a mismatch between vacancies and the skill profile of workers, although unemployment fell from 20.6% in 2022 to 14.3% in 2024.

According to the Ministry of Social Policy, the number of Ukrainians living below the actual subsistence minimum (approximately €185 per month) rose from 20.6% in 2021 to 35.5% in 2023, while those living below the legal subsistence minimum (approximately €61 per month) rose from 1.3% in 2021 to 8.8% in 2023. According to the World Bank, poverty in Ukraine (less than \$6.85 per day) rose from 5.5% in 2021 to 24% in 2022 “pushing more than seven million people into poverty, setting back 15 years of progress.” Although most poverty is a consequence of Russia’s invasion, it risks becoming structurally ingrained in the absence of a sufficient recovery effort and in the context of Ukraine’s demographic crisis.

According to the latest World Bank estimate in 2020, the Gini coefficient for Ukraine was 25.6, putting it in the lowest 20% globally for inequality. Ukraine’s ranking on the Human Development Index (HDI) fell from 77th in 2021 (with a score of 0.773) to 100th

out of 191 (score of 0.734) in 2022. HDI loss due to inequality was 7.9% in 2022.

The Gender Inequality Index score fell slightly from 0.200 in 2021 to 0.188 in 2022. Women have equal access to education, social protection and the labor market, yet still tend to receive lower wages. As of 2021, 92% of single parents are female, while 59% of Internally Displaced Persons are female as of 2023.

There are no specific social barriers associated with religion, but social exclusion is registered for some ethnic minorities, like Roma. In addition, disabled individuals and people living with HIV/AIDS continue to face social exclusion. Data on the number of people living with disabilities in Ukraine since Russia’s invasion are unavailable, but certainly much higher than the 2.7 million before the invasion.

Russia’s full-scale invasion of 2022 led 6.8 million people to leave Ukraine and caused 4 million to become Internally Displaced Persons, alongside a host of other economic and social catastrophes. According to polls, the share of Ukrainians who

Question
Score

Socioeconomic
barriers

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definitely plan or rather plan to return fell from 64% to 53% from November 2022 to January 2024, yet even these intentions are strongly linked to a future cessation of hostilities. 14.6 million people were in need of humanitarian assistance in 2024 according to UNHCR; however, figures on the reintegration of IDPs into the labor market have improved.

Economic indicators		2021	2022	2023	2024
GDP	\$ M	199765.9	161989.5	181221.5	190741.3
GDP growth	%	3.4	-28.8	5.5	2.9
Inflation (CPI)	%	9.4	20.2	12.8	6.5
Unemployment	%	9.8	-	-	-
Foreign direct investment	% of GDP	4.0	0.1	2.5	2.1
Export growth	%	-8.6	-42.0	-5.9	10.3
Import growth	%	14.2	-17.4	8.9	7.7
Current account balance	\$ M	-3882.0	7976.0	-9564.0	-15932.0
Public debt	% of GDP	48.9	77.7	81.2	89.7
External debt	\$ M	136907.6	143317.9	176645.5	-
Total debt service	\$ M	14493.6	10993.7	7827.7	-
Net lending/borrowing	% of GDP	-3.5	-17.0	-19.6	-
Tax revenue	% of GDP	19.1	16.7	17.5	-
Government consumption	% of GDP	17.7	39.8	41.9	37.9
Public education spending	% of GDP	5.1	-	-	-
Public health spending	% of GDP	4.3	-	-	-
R&D expenditure	% of GDP	0.4	0.3	0.3	-
Military expenditure	% of GDP	3.4	25.9	36.7	-

Sources (as of December 2025): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Essential elements of a market economy are in place. Freedom to launch and withdraw investments is largely upheld, with the exception of capital controls introduced after the full-scale invasion. There is no systematic discrimination based on ownership type or size; however, politically connected businesses may receive favorable treatment. Ukraine has entered into a number of bilateral investment treaties (BITs) to protect foreign investors, including opportunities for international arbitration.

Market entry is generally a quick and easy process, and it is possible to register a new business online. Individuals can register as private entrepreneurs in Diya – Ukraine’s e-governance application – in around 10 minutes, where they can also declare and pay tax and social security contributions. Ukrainians can access a range of government services online and sign documents using a secure e-signature. Since 2022 citizens can also easily buy government bonds in the Diya app, with a choice of commercial banks as intermediaries. In late 2023 Ukraine launched a program of e-residency, allowing foreigners to do business in Ukraine more easily.

There is an issue of workers operating as private entrepreneurs, when in fact they work almost exclusively for one employer. This practice reduces tax revenues and social security contributions, and create an uneven playing field between employers who pay a high effective tax rate on employees (more than 40%), versus those who exploit these loopholes and pay a very low effective tax.

The Antimonopoly Committee of Ukraine (AMCU) is responsible for preventing unfair

competition and collusion, overseeing price-setting in natural monopolies and monitoring and authorizing state aid. However, since 2016 the AMCU has been criticized for low fines and weak or selective enforcement. The Commission opened investigations into inflated electricity tariffs by the energy company DTEK, which belongs to Ukraine’s wealthiest individual, Rinat Akhmetov, cartels in the fuel market and market concentration in the agri-sector and media, but imposed either zero or low fines which did not constitute a deterrent. In August 2023, Ukraine’s parliament passed amendments to strengthen the legal framework of the AMCU aiming to enable it to more effectively combat monopolistic practices.

According to the European Union’s 2024 progress report on Ukraine “there was a significant increase in the number of cases for anti-competitive concerted actions, abuse of dominant position and mergers in relation to the previous year. The amounts of fines imposed by AMCU as a conclusion of these cases also significantly increased.”

Market
organization

7



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Competition policy

8



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Independent national commissions regulate prices in energy, utilities and telecommunication; however, vested interests still have informal power and oligarchs remain major owners, even after the government's nationalization of Ukrnafta, the country's largest oil and gas provider. In 2023, Ukraine adopted a law similar to the European Union's Regulation on Wholesale Energy Market Integrity and Transparency (REMIT). The REMIT law is one of Ukraine's critical commitments under the EU-Ukraine Association Agreement, establishing mechanisms aimed at eliminating manipulation and corruption in the energy market.

Prices are mostly liberalized. Maximum retail prices imposed on certain sensitive goods in 2022 were not prolonged in 2024.

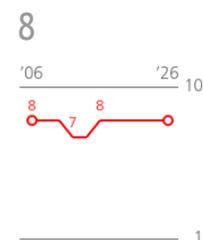
Ukraine has continued to harmonize legislation with the European Union and implement measures necessary for the Deep and Comprehensive Free Trade Area (DCFTA) component of the EU-Ukraine Association Agreement. The European Union has prolonged the Autonomous Trade Measures (ATM) Regulation until June 2025, which suspended import duties, quotas and trade defense measures for imports from Ukraine on a temporary basis. In practice, the ATM includes an "emergency brake" in the import of certain Ukrainian goods, which has been activated several times. Ukraine continues to reduce and remove tariffs on imports of goods which were granted temporary exemptions under the DCFTA.

In December 2024, Ukraine introduced minimum export prices for major agricultural goods, in order to close tax evasion and fraudulent VAT refund schemes. The new rules set minimum permissible export prices based on state customs service data, updated monthly by the agriculture ministry. Exporters must register in a special agricultural register to export goods. However, the requirement for exporters to undergo a vetting process and obtain export licenses was abolished, simplifying the export process. In July 2024, Ukraine's parliament passed legislation eliminating taxes and duties on energy equipment imports.

Ukraine became a member of the World Trade Organization (WTO) in 2008, and has multiple free trade agreements (FTAs). In 2024, the modernized version of an FTA with Canada entered into force. Ukraine also signed a modernized FTA with the European Free Trade Area (EFTA) states (Iceland, Liechtenstein and Norway) and concluded negotiations for a Comprehensive Economic Partnership Agreement (CEPA) with the United Arab Emirates.

According to the WTO, the average most-favored-nation (MFN) tariff applied by Ukraine was 4.3% in 2023.

Liberalization of
foreign trade



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The National Bank of Ukraine (NBU) acts as a supervisory and regulatory body for the financial sector, while commercial banks serve businesses and individuals. The NBU has been able to maintain its independence, despite the need to re-interpret its mandate in light of Russia's full-scale invasion by facilitating financing of the war effort. The NBU was able to cease deficit financing of the state budget by the second half of 2023. In May 2024, the Bank introduced substantial currency liberalization measures aimed at easing restrictions for businesses imposed in 2022 to prevent capital flight and devaluation of the hryvnia.

According to the European Union's 2024 progress report on Ukraine "Most banks in Ukraine have sufficient capital, and the banking system as a whole has a high safety margin against the required NBU targets. [...] In December 2023, the NBU aligned the regulatory capital structure of the banks with EU norms. [...] It also introduced prudential liquidity ratios for the banking sector on a consolidated basis in January 2024. In June 2024, through a series of new Resolutions, the NBU further enhanced capital requirements for banks and banking groups."

Ukraine's bank capital to assets ratio fell from 6.9% in 2021 to 5.8% in 2022. Bank non-performing loans increased relative to total gross loans from 31.7% in 2021 to 38.1% in 2022.

Ukraine's capital market outside of the banking sector is relatively underdeveloped. The Ukrainian stock market is small and illiquid, with a limited number of listed companies.

8 | Monetary and fiscal stability

The National Bank of Ukraine (NBU) officially adopted an inflation targeting regime in 2016. However, at the onset of Russia's full-scale invasion the NBU introduced capital controls and a fixed exchange rate to anchor expectations and prevent a currency run and capital flight. The NBU was tasked with combining its traditional mandate of price stability with facilitating high defense spending. In practice this meant deficit financing of critical budget expenditures. The NBU immediately transferred UAH 19 billion to the state budget, and bought government bonds worth 13% of government expenditure in 2022. In March 2023, the NBU was awarded the Central Bank of the Year award by Central Banking magazine. This recognition highlighted the NBU's effective measures to maintain financial stability amid the challenges posed by the full-scale war.

By June 2023, the NBU ceased buying bonds from the Ministry of Finance, and the government of Ukraine was able to cover the deficit through external financing and domestic debt issuance.

Banking system

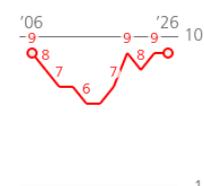
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Monetary stability

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In September 2024, the NBU adopted a flexible inflation targeting approach (allowing the hryvnia exchange rate to fluctuate within set limits), aiming to bring inflation to a 5% target within a reasonable policy horizon not exceeding three years. This should involve more active use of interest rates to control inflation and the easing of capital controls. A full return to inflation targeting remains the NBU's stated aim, but is unlikely under wartime conditions. Headline inflation fell dramatically from 26.6% in 2022 to 5.1% in 2023, only to rise to 12% in 2024, slightly higher than the 9.7% forecasted by the NBU in October of the same year.

The NBU raised the policy rate from 7% pre-invasion to 25% by June 2022. This was maintained until June 2023, when the rate began to be lowered to 13% by June 2024. As of January 2025, the key policy rate stands at 14.5%. These high rates enabled banks to raise interest rates on domestic currency deposits and for the volume of their retail clients' hryvnia term deposits to return to growth. However, they discouraged borrowing and hence investment in the real sector.

In close cooperation with the IMF, Ukraine was able to secure an unprecedented restructuring of \$19.7 billion in bond debts in July 2024, negotiating a nominal haircut of 37% and thus enabling the country to meet its debt payments.

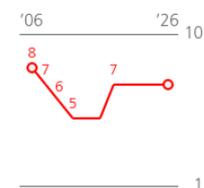
The Ukrainian government was able to cease its reliance on bond purchases by the National Bank of Ukraine in mid-2023 and cover its deficit through external financing and domestic debt issuance. Large fiscal deficits overwhelmingly reflect the need to finance the war effort, although concerns about the effectiveness of public spending remain.

Ukraine received \$17 billion in foreign grants and \$59 billion in loans in 2023/2024, covering 80% of the budget deficit. The G7's Extraordinary Revenue Acceleration Loans for Ukraine (ERA) mechanism intends to provide Ukraine with \$50 billion in financial assistance over 2024 – 2027, while the European Union's Ukraine Facility should provide a further €50 billion over the same period. The \$75 billion that Ukraine expects to receive from foreign partners in 2025 – 2027 should cover most direct fiscal financing needs. However, the freezing of all United States foreign aid as of January 2025 puts these expectations into doubt and threatens key projects related to energy security, social services and economic reforms. The United States had previously committed \$20 billion to the ERA.

In summary, the government's budgetary policies promote fiscal stability, but the Russian war of aggression creates challenges which Ukraine is unable to address without international support. At the same time, Ukraine has not yet established an independent fiscal oversight body with the authority to monitor compliance with fiscal rules. There is also no independent state body with the competence to provide forecasts of the budgetary impacts of specific state measures.

Fiscal stability

7



Ukraine's current account shifted from a surplus of \$8 billion (5% of GDP) in 2022 to a deficit of \$9.6 billion (5.4% of GDP) in 2023. Public debt rose from 70.9% of GDP in 2022 to 80.3% in 2023 and an estimated 95.5% in 2024. Government consumption rose from 17.7% of GDP in 2021 to 38.2% in 2022 and 41.7% in 2023.

9 | Private Property

The Ukrainian constitution, alongside its civil and commercial codes, guarantees private property rights. However, corruption and an ineffective judicial system threaten the protection of these rights. Several attempts at wide-ranging judicial reform have stalled over the selection and vetting of judges, due to obstruction from successive governments and within the judiciary.

Over the years, multiple anti-raiding laws and laws on intellectual property rights (IPRs) have been passed with the aim of strengthening property rights. A High Court on Intellectual Property was created in 2017, but faces delays in appointing judges. There are investment protection mechanisms in place, including provisions on international arbitration.

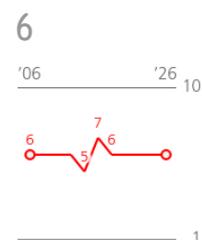
According to the European Union's 2024 progress report on Ukraine "Property rights are generally respected in the government-controlled territories of Ukraine, but the modernisation of the state land registry system remains incomplete. The authorities are applying property-rights legislation introduced at the start of the full-scale invasion, in particular concerning the monitoring of property damage and compensation for property damage."

Private companies are viewed institutionally as primary engines of economic production. However, Ukraine has a relatively large number of state-owned enterprises (SOEs), many of which receive subsidies from the state budget. Other SOEs are not in operation, but are yet to be privatized. Private companies are also seen as major actors of the country's reconstruction effort in reaction to Russia's war of aggression. For private construction and infrastructure projects regulations have been streamlined and insurance is offered.

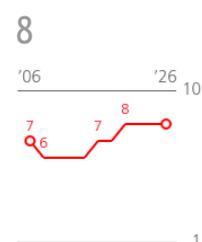
At the same time, there are informal challenges to private business. Corruption and clientelism continue to create an uneven playing field for business. Informal barriers to entry remain in certain sectors, such as energy and road building.

Ukraine has established four anti-corruption institutions since 2014: the National Anti-Corruption Bureau of Ukraine (NABU), the Specialized Anti-Corruption Prosecutor's Office (SAPO), the National Agency on Corruption Prevention (NACP) and the State Bureau of Investigation (DBR). However, political interference and legislative deficiencies have hampered their ability to effectively and impartially investigate and prosecute corruption offenses. The Security Service of Ukraine

Property rights



Private enterprise



(SBU) – and especially the Bureau of Economic Security, which was established in 2021 to combat financial crimes – have faced accusations of illegal activity, most notably extorting businesses.

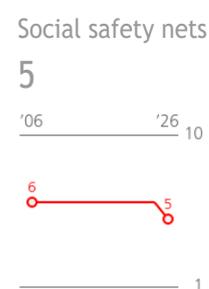
In reaction to the war, the focus has shifted from privatization to nationalization. In 2022 a large number of Russian-owned businesses were nationalized, as well as several large Ukrainian enterprises deemed essential for the war effort. Some of these assets were owned by Ukrainian oligarchs. According to the legislation they should be returned after the war ends or be fairly compensated.

10 | Welfare Regime

The state social welfare system remains functional but has struggled to meet the needs of a population suffering from a large-scale war. In 2022, 42% of Ukraine’s state budget was spent on defense (a ninefold increase), while social spending came second but, compared to 2021, its share has fallen from 23% to 16%. Thus, the Russian war of aggression has caused a dramatic decline of the social situation. According to the World Bank, the share of Ukrainians living below the poverty line of \$6.85 per day rose from 5.5% in 2021 to 24% in 2022, “pushing more than 7 million people into poverty, setting back 15 years of progress.”

A clear indication of resulting challenges is the situation of internally displaced persons. The Ministry of Social Policy reduced the number of IDPs eligible for financial aid from 2.5 million (out of 4 million IDPs) in 2023 to around 1 million in 2024, citing wartime budget constraints. The monthly allowance of \$45 for adults and \$70 for children and people with disabilities remains well below the actual subsistence minimum, yet for many internally displaced persons it serves as their primary source of income, according to the Ombudsman’s Office. The government and municipalities have also struggled to provide social housing, with 2,995 IDPs living in temporary municipal lodgings in 2024 compared to 13,048 on the waiting list. Government spending on social protection fell by 2.6% from 2022 to 2023. The government has emphasized the need for self-reliance among citizens amid wartime conditions, as well as reliance on international humanitarian organizations.

Ukraine’s pension system involves a solidarity system and a voluntary private system. However, underdeveloped financial markets, lack of trust in financial institutions and a lack of tax incentives to make pension contributions have led to low enrollment in private pension schemes. The solidarity pension system is funded by mandatory social security contributions paid by employers and freelancers, alongside transfers from the budget. The Russian invasion has worsened Ukraine’s demographic crisis, leaving the pension system under threat. The average solidarity pension at the end of 2024 was €132, 4.5% less than in 2023 in real terms. The government has freed freelancers from the obligation to pay social security contributions since 2022. This may exacerbate the problem of a large amount of



working-age Ukrainians not making social security contributions (often due to working in the shadow economy) and therefore being ineligible to receive a solidarity pension.

Ukraine's social welfare system also includes targeted transfers for poor individuals, housing and utility subsidies, payments for single mothers or fathers, disabled children and adults, and childbirth payments.

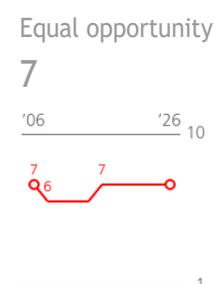
Ukraine has a universal, state-funded health care system. Since 2018, Ukraine has been undertaking a reform aimed at moving from the Semashko model of health care financing to a "money follows the patient" approach. Ukrainians can now choose their general practitioner, and a list of treatments covered by the state system has been drawn up, reducing the space for corruption. There are also a large number of private health care providers, as well as corporate health insurance schemes.

In 2020 public health expenditure increased as dramatically as a percentage of GDP from 0.97% to 2.98% due to the COVID-19 pandemic. However, public health expenditure decreased by 14% from 2022 to 2023 due to budget constraints caused by Russia's invasion, while at the same time the war increased the need for health care and targeted as well as indiscriminate Russian air attacks damaged a larger number of health facilities.

Ukraine has adopted anti-discrimination legislation which partially meets EU minimum standards and other obligations under international law, but is yet to introduce legislation in line with certain EU Directives on equality and hate crimes investigation. Ukraine ratified the Istanbul Convention in 2022. Female labor force participation (ages 15 and older) was 47.8% in 2022. The enrollment ratio in 2023 was 52.2% female enrollment for Bachelor's studies and 42.9% for Master's studies. According to the Global Gender Gap report, Ukraine ranked 91st out of 146 countries for political empowerment of women – an improvement on 100th place in 2022, but much poorer performance than for most other indicators in the report. Five out of 21 members (24%) of the Cabinet of Ministers of Ukraine and 85 out of 316 (27%) of members of parliament were female as of the end of 2024.

According to Kyiv International Institute of Sociology (KIIS) polling, from August 2022 to November 2023, support for legal equality for LGBTQ+ people increased about one and a half times – from 54% to 72%. 59% of polled Ukrainians support the right to registered civil partnerships for same-sex couples, while 46% support the right to same-sex marriage in 2023. President Zelensky declared support for introducing same-sex civil partnerships, but noted that the necessary constitutional amendment is forbidden during martial law.

According to the European Union's 2024 progress report on Ukraine "During the COVID-19 pandemic and since the introduction of martial law, there has been no competitive recruitment and selection to the civil service based on merit and equal opportunities."



11 | Economic Performance

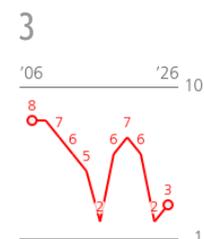
The war has dealt a significant blow to the economy: despite moderate GDP growth (5.3% in 2023 and 3.4% in 2024 after a 29% drop in 2022), total infrastructure losses reached \$155 billion in early 2024. Unemployment fell from 20.6% in 2022 to 14.3% in 2024 and wages rose 21.5% in 2024; however, the latter reflects shortages in the labor market due to mass outward migration and mobilization rather than productivity gains.

Russia conducted 13 large-scale attacks on Ukraine's energy infrastructure in 2024, targeting maneuverable generating capacities, high-voltage substations and local distribution equipment. The government expected a deficit of 3-4 GW during the winter of 2024/2025 due to the significant damage and reduced capacity of Ukraine's nuclear reactors, but a further attack at the end of 2024 exacerbated the situation. Ukraine imported 4.1 TWh of electricity in 2024 – five times the amount in 2023. This put additional strain on the economy through higher energy prices, as well as on the state budget and currency due to increased imports.

Public debt rose from 71% of GDP in 2022 to 80% in 2023 to 95% in 2024. Pre-invasion public debt stood at 49% in 2021. Of the \$50 billion committed under the G7's Extraordinary Revenue Acceleration Loans for Ukraine (ERA) program, \$16.3 billion will be disbursed as grants and \$33.7 billion as loans. Similarly, the European Union's Ukraine Facility is composed of €17 billion in grants and €33 billion in loans. According to the Kyiv School of Economics Institute, Ukraine will remain heavily dependent on foreign assistance with a high proportion of loans at least until 2027, creating a significant financial burden for the future. Ukraine's current account balance was positive in 2022 due to a dramatic increase in external financing and aid. However, a deficit of 9.6% was recorded in 2023, as imports recovered while exports continued to decline. The agricultural sector has begun to recover since 2022 with the unblocking of Ukraine's Black Sea ports, yet agricultural exports in 2023 were still at 85.2% of 2021 levels.

Pressure on prices resulting from wage rises, energy and food shortages as well as high public debts among others, have led to an increase in the inflation rate, from below 3% in 2020 to 20% in 2022. As a result of the macroeconomic stabilization, inflation fell to 13% in 2023. In September 2024 the National Bank of Ukraine set an inflation target of 5% over a three-year horizon.

Output strength



12 | Sustainability

Russia's war in Ukraine has caused extensive environmental damage through billions of liters of fuel used by military vehicles, fields and forests set ablaze, hundreds of oil and gas structures blown up and mountains of steel and cement used to fortify the front lines and energy infrastructure.

According to an assessment of the Initiative on Greenhouse Gas Accounting of War (IGGAW), the total climate damage caused by the Russian Federation in the first two years of the full-scale invasion of Ukraine amounts to \$32 billion.

In the first 24 months since the invasion, war-related emissions reached 175 million tons of carbon dioxide. This exceeds the annual emissions of a highly industrialized country like the Netherlands or putting 90 million new gas-fueled vehicles on the road.

In particular, the destruction of the Nova Kakhovka Dam by the Russian military caused environmental devastation in Southern Ukraine. The KSE Institute has produced an estimate of \$2 billion in environmental costs alone, not including direct economic costs. According to the governor of Kherson Oblast, Oleksandr Prokudin, 600 square kilometers were flooded. Andriy Yermak, head of the Office of the President of Ukraine, stated that more than 50,000 hectares (120,000 acres) of forests were flooded, more than the total amount of forested land in Iceland. The upstream drainage and lowland flooding had severe negative effects on the Kamianska Sich National Nature Park and the Askania-Nova biosphere reserve.

In February 2024, the High-Level Working Group on the Environmental Consequences of the War (co-chaired by Andriy Yermak, Head of the Office of the President of Ukraine, and Margot Wallström, former Minister of Foreign Affairs of Sweden) released "An Environmental Compact for Ukraine." This document outlines strategies for environmental accountability and recovery, emphasizing monitoring environmental damage and risk mitigation, ensuring accountability for environmental harm and promoting green reconstruction.

In May 2023 a new State Fund for Decarbonisation and Energy Efficient Transformation was established. In July 2024 the Fund began processing applications from interested institutions, companies and organizations to finance projects for decarbonization and energy efficiency improvement.

In June and August 2024, the government approved a National Energy and Climate Plan (NECP) and National Renewable Energy Action Plan for the period up to 2030. Together, these plans envisage a reduction in greenhouse gas emissions by 65% compared to 1990 levels, reaching a 27% share of renewable energy sources in total final energy consumption, diversifying energy sources and supply routes and a final energy consumption of no more than 42.2 million toe by 2030.

Environmental
policy

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In January 2024 the National Energy and Utilities Regulatory Commission (NEURC) replaced the previous Feed-in-Tariff (FiT) system with a Feed-in Premium (FiP) system, representing a shift to a more market-responsive model. Renewable energy producers can now sell directly to the market at market prices, while receiving a premium from the NEURC to cope with price fluctuations. In August 2024 the NEURC began accepting applications for the electronic register of guarantees of origin (GoOs) for renewable energy suppliers in Ukraine.

In May 2023, Ukraine issued its first accreditation certificate to Organic Standard LLC, and subsequently launched a Register of Operators Producing Organic Products. These steps aim to regulate and promote organic production, aligning with European Union standards.

In July 2024, parliament approved two laws to cancel customs duties and value-added tax on imports of equipment for wind and solar generation.

EU conditionality related to accession negotiations provide one important impetus for the continuation of climate change policies despite the ongoing war. In October 2024, Ukraine adopted the framework law on climate policy, which formalizes the commitment to the European Union's long-term target of climate neutrality by 2050.

As a result of these efforts, Ukraine's position in the Environmental Performance Index improved from 52nd in 2022 (49.6 points) to 41st in 2024 (54.6 points).

Education spending decreased to approximately 3.53% of GDP in 2023, compared to 4.25% in 2022.

Russia's full-scale invasion has impacted Ukrainians' access to education at all levels. Many schools, colleges and universities continue to operate entirely online since the COVID-19 pandemic due to proximity to conflict zones and a lack of appropriate air-raid shelters. Nineteen higher education institutions have relocated from occupied territories or areas near the frontline.

The number of school entrants was 13.5% lower in 2024 than in 2023, and 30.5% lower than 2021, before the Russian invasion.

In the 2023 PISA assessment, Ukrainian 15-year-olds scored 441 in mathematics and 428 in reading, both below the OECD averages of 472 and 476, respectively. Compared to 2018, Ukraine's scores in mathematics and reading dropped from 453 to 441 and from 466 to 428 respectively. Ukraine continues to use a simplified National Multi-Subject Test (NMT) to determine university admission instead of the traditional ZNO (External Independent Evaluation) due to wartime constraints.

State universities charge tuition fees at a regulated price. Free study places and scholarships for certain programs are allocated by the Ministry of Education. In previous years, 55% to 60% of students were fee-payers, while 40% to 45% received

Education policy /
R&D

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a state-funded study place. A system of higher education grants was introduced in September 2024 to supplement the existing system of free places. Prospective students who received a high score in their school-leaving exams could receive grants of between 15,000 and 50,000UAH.

The government is planning to reduce the number of higher education institutions in Ukraine in order to concentrate resources, citing the low number of enrollments per university and generally low quality of higher education.

Intramural R&D spending increased from UAH 17.1 billion in 2022 to UAH 21.3 billion in 2023, but remained at 0.33% of GDP. However, this figure may not reflect R&D investments in the defense sector, which has received a government and international funding to expedite the development of defense technologies, and a growth of private sector mil-tech startups.

The Ministry of Digital Transformation and the Ministry of Education have announced plans to create a special tax regime Science City, enabling scientific parks based at Ukrainian universities to create their own startups, attract investment and receive tax benefits.

Governance

I. Level of Difficulty

Ukraine continues to face significant structural constraints that limit the political leadership's ability to govern effectively. While some of these challenges have historical roots, others have been exacerbated by the full-scale war with Russia. These constraints have significantly increased in some areas over 2023 – 2024, creating serious obstacles to effective governance and recovery efforts.

The main structural constraint remains Russia's military aggression, which has been ongoing since 2014 and escalated into a full-scale invasion in 2022. Despite the return of significant territories to Ukrainian control in 2022 and 2023, the country's territorial integrity remains compromised, with around 19% of its territory still occupied as of early 2025. The war continues to inflict enormous damage on Ukraine's infrastructure, economy and population. As of early 2024, estimated damage to infrastructure and housing has reached \$154.9 billion, and reconstruction needs have risen to over \$500 billion. These figures underscore the enormous scale of the reconstruction task amid ongoing hostilities, which further strain governance and economic recovery.

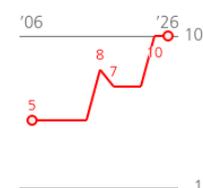
Russia's targeted attacks of civilian infrastructure, especially in the energy sector, lead to severe infrastructural deficiencies in all regions of Ukraine. By 2024, Ukraine had lost approximately 70% of the electricity production capacity that was operational before the war. As a result, there are planned rolling power outages, disproportionately affecting industry (as private households get a higher priority).

Ukraine's demographic crisis deepened during this period. The country's population, which had already begun to decline by 2022, has fallen further due to the massive displacement caused by the war. Around six million Ukrainians remain abroad as refugees, while millions more are internally displaced. These demographic changes are related to a labor shortage exacerbated by military casualties and the emigration of skilled workers. Business surveys conducted in 2023 and 2024 continue to reveal significant difficulties in finding qualified workforce hampering the recovery and modernization of Ukraine's economy.

Fiscal constraints remain extremely severe, with Ukraine's military spending accounting for a significant portion of the budget. International aid plays a crucial role in supporting the functioning of the government, as domestic revenues are

Structural
constraints

10



insufficient. In 2023, Ukraine's budget deficit required continued external financing, much of which comes from Western governments, international financial institutions and private donors. However, the scale of financial needs – both immediate and long-term – exceeds available resources, placing ongoing pressure on governance capacity. In addition, Ukraine's geographic location continues to pose logistical challenges, especially in the context of the ongoing conflict. Black Sea ports, which are key for grain exports, remain vulnerable to Russian blockades and attacks, disrupting trade and limiting economic recovery. The need to reroute exports through less efficient land corridors to Europe has further increased logistics costs, reducing the competitiveness of Ukrainian goods in global markets.

The environmental damage caused by the war also creates long-term structural constraints. By 2024, an estimated 30% of Ukraine's territory was contaminated with explosive remnants of the war, making agricultural production and infrastructure recovery difficult. In addition, widespread military pollution and damaged ecosystems will require substantial resources and time to restore.

The traditions of civil society in Ukraine have roots that date back to the Soviet era. During the Soviet period, civil society was suppressed by the state, but human rights movements such as the Ukrainian Helsinki Union or the Kharkiv Human Rights Group emerged at this time and became the basis for modern initiatives. A similar legacy can be traced in the activities of some charitable foundations.

In 2023, Ukraine reached 2nd place in the World Giving Index, which indicates a high level of charity, volunteerism and assistance to strangers. This is significant progress compared to 10th place in 2022 and is explained by the increase in citizen activity during the full-scale war, which mobilized Ukrainians to support the army, victims of Russian aggression and humanitarian initiatives.

Civil society organizations remain important players in solving social problems. In 2023, trust in them remained at a high level, although it decreased compared to the beginning of the year. According to survey results, 51.6% of citizens are likely to trust NGOs, and 84% of respondents express trust in volunteers. At the same time, public organizations remain active in social and humanitarian initiatives, with 77% of them continuing to work in previously defined areas.

The total number of non-profit organizations in Ukraine as of December 2023 was over 208,000, of which 10% are charitable foundations. At the same time, the number of such organizations increased by 43% between 2021 and 2023. Most NGOs are funded by donations, membership fees and endowments, although the share of organizations with state funding has also increased.

Civil society involvement in reform processes and cooperation with international organizations is increasing. In 2023, over 52% of territorial communities involved NGOs or activists in developing recovery plans. Despite the decrease in financial support from international donors, civil society continues to demonstrate high effectiveness in responding to social challenges.

Civil society traditions

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Ukraine remains an ethnically, linguistically and religiously diverse country, but conflicts of ethnic, linguistic or religious origin are not significant. In 2023, the Law on National Minorities was adopted, which allows the use of languages of national minorities, which are official languages of the European Union, in private schools, universities, national minority classes, the media and during election campaigns. The law also obliges the study of Ukrainian or the duplication of information in Ukrainian.

Additionally, publishing houses working in the Crimean Tatar language and the languages of indigenous peoples and national minorities of the official languages of the European Union were exempted from the 50% quota in Ukrainian. For broadcasters, the quota for broadcasting in Ukrainian is 30% or more. These norms do not apply to Russian, which, according to the law, is restricted as the language of the aggressor state.

Religious conflicts in Ukraine are not a serious problem. Ukraine has a liberal legislation on religion that guarantees freedom of spiritual practice. There is no state church in the country, and religious groups can operate freely. However, due to the war, some religious organizations have become the center of political disputes, especially regarding the Ukrainian Orthodox Church of the Moscow Patriarchate.

According to KSE and KIIS research, Ukrainians generally demonstrate a high willingness to cooperate, regardless of the language of communication, place of residence or service in the Armed Forces of Ukraine. This indicates the cohesion of society in the context of the fight against external aggression.

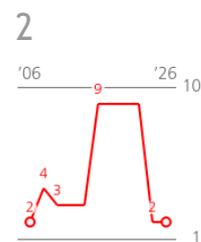
II. Governance Performance

14 | Steering Capability

During 2023/2024, the Ukrainian government demonstrated efforts to maintain strategic priorities in the difficult conditions of war and political instability. The main focus remained European integration, which includes the implementation of the European Commission recommendations issued in 2022 and the adaptation of legislation to European standards. In line with these commitments, the government has made significant progress in justice reforms, the fight against corruption and ensuring the rights of national minorities.

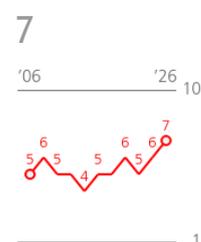
The European integration process has contributed to increasing the government's ability to prioritize policies, especially within the framework of long-term commitments, such as the Association Agreement with the European Union, the implementation of the U.N. Sustainable Development Goals, and the fulfillment of the terms of international financial memoranda. For example, laws on energy sector transparency and public consultations indicate the government's growing strategic focus on reforming key sectors.

Conflict intensity



Question Score

Prioritization



In 2024, the government continued the implementation of long-term budget planning, despite the challenges of the war. Preparation of new strategic documents has also begun, combining the reconstruction of the country with integration into the European Union and NATO. However, external factors play a significant role in prioritizing policies, in particular international donors and influential economic groups, which can both support and hinder the implementation of reforms.

Moreover, the president's personnel policy, which is assumed to be highly influenced by the head of the presidential administration, is sometimes criticized for too much rotation in key positions and for an alleged preference of loyalty over competence.

During 2023 – 2024, Ukraine continued its consistent work on fulfilling the conditions for joining the European Union. One of the most important steps was the successful implementation of the recommendations of the European Commission, provided in 2022 after granting Ukraine the status of a candidate country. In 2023, Ukraine continued to adapt its legislation to integrate with European standards, in particular in areas such as the fight against corruption, judicial reform and strengthening democratic institutions.

The changes to the legislation adopted in 2023, in particular on the rights of national minorities, were positively assessed by the European Commission, which underlines the significant progress toward European integration.

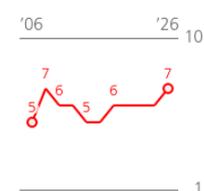
There has also been progress in the judiciary, but it is limited. Ukraine continues to implement judicial reform aimed at improving the integrity of judges. However, despite the existence of new mechanisms for the selection of judges, as well as qualification assessments, many critics point to the slow process of cleansing the judiciary of dishonest elements. For example, in mid-2024, the process of evaluating judges according to new standards was resumed, but in practice, there have been no significant changes in the judicial corps so far, which may affect the fairness of trials, in particular in cases against high-ranking officials.

Regarding the fight against corruption, Ukraine has shown some progress, but the European Commission notes that this is not sufficient. One of the main problems is the slow investigation of corruption cases in high-level government. Anti-corruption bodies, such as NABU and SAPO, suffer from political pressure, which slows down the investigation and prosecution of corrupt individuals. For example, in 2024, several corruption cases were opened against high-ranking officials, but they are progressing slowly, and there are concerns about their politicization.

The state executive acts coherently, guided by the president and his administration. Thanks to the fact that his party holds a majority in parliament, the president can appoint and dismiss government officials at will. Due to additional formal rights as well as a feeling of societal unity resulting from the state of war, the president can do so rather unchallenged.

Implementation

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Finally, it should be noted that the main task of the state executive is to ensure the defense of the country, which it is organizing much better than anyone would have expected in spring 2022 – though the high uncertainty surrounding all aspects of warfare (especially when faced with a war of aggression involving war crimes on a large scale) makes it impossible to avoid regular mistakes.

Political learning is an important element of the decision-making process in Ukraine, and the government is actively using the experience of international partners to improve legislation. Publication of reports on the official websites of state authorities ensures transparency and allows the public to monitor the implementation of reforms. This contributes to effective monitoring and evaluation, which allows for adjusting approaches and increasing the efficiency of management decisions.

The process of European integration has also had a significant impact on shaping Ukraine's legal framework. International pressure – particularly from the European Union – has become a key driver of legislative reform. EU cooperation programs facilitate the alignment of Ukrainian legislation with international standards, as reflected in the adoption of major draft laws such as On Amendments to the Law of Ukraine On Local Self-Government in Ukraine and On Public Consultations, among others.

The flexibility of the Ukrainian government is manifested in its ability to adapt to new conditions, in particular through the adoption of laws and regulations that respond to both citizens' needs and the expectations of international partners.

This ability is of vital importance for arranging the defense of the country, including the coordination of arms supplies from very diverse sources, increasing domestic arms production, innovation in warfare (especially in drones), logistics and military planning.

15 | Resource Efficiency

In 2023/2024, ensuring the efficient use of state resources remained a key challenge for the Ukrainian government, particularly amid wartime demands and defense priorities. To strengthen fiscal management, the National Revenue Strategy for 2024 – 2030 was adopted, focusing on mobilizing tax revenues, aligning tax legislation with EU standards and improving human resource management. An important achievement was the implementation of the Public Investment Management (PIM) system. A roadmap for the PIM reform was developed in 2023, and an action plan for its implementation was approved in June 2024. A Strategic Investment Council was established and the first single project portfolio was formed in September 2024. However, the gap between planned and actual expenditures remained significant, indicating the need to improve the efficiency of budget spending.

Policy learning

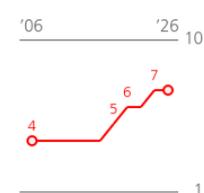
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Efficient use of assets

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In the area of human resources management, restrictions caused by martial law continued to apply. In 2023, a competitive recruitment system for the civil service remained absent, which reduced its professionalism and stability. However, a temporary wage reform introduced through the 2024 Budget Law allowed for the introduction of a new salary system based on job classification. However, the system remains opaque due to the division of institutions by “jurisdictional levels.”

Local self-government has kept functioning under martial law in most regions and in cooperation with military administrations. However, at the local level, public investment procedures need to be improved, which should be consistent with the principles of decentralization.

The government also continued to implement digital solutions. Progress in piloting the Digital Restoration EcoSystem for Accountable Management (DREAM) and the implementation of a new IT tool for budget planning are important steps to improve the transparency and efficiency of public finance management. However, the full functioning of the independent fiscal oversight body has not yet been ensured, and effective oversight of the budget process remains a necessity.

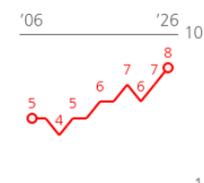
The government has taken steps in 2023/2024 to improve policy coordination by introducing new analytical tools and structures. In June 2024, the Reform Matrix was introduced as a tool to consolidate administrative, legislative and financial resources for reform implementation. The matrix integrates recommendations from the European Commission, the IMF’s structural benchmarks, the indicators of the Ukraine Facility program, and World Bank conditionalities. Its implementation demonstrates an attempt to balance different policy objectives and reduce conflicts between them.

Particular attention continues to be paid to the coordination of European and Euro-Atlantic integration. The Government Office for the Coordination of European and Euro-Atlantic Integration ensures the coherence of national legislation with the EU acquis, working in close cooperation with the relevant deputy ministers. This allows to avoid duplication of efforts and to focus resources on priority areas.

At the same time, the key role in strategic decision-making remains with the Office of the President, which coordinates the activities of the Cabinet of Ministers and the parliament through the National Security and Defense Council. This ensures a centralized decision-making model but also limits the influence of other institutions, such as the Secretariat of the Cabinet of Ministers and the National Reform Council. Their functions currently remain mainly advisory, which may reduce the effectiveness of horizontal coordination between different agencies.

Policy
coordination

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The government of Ukraine has shown some progress in the fight against corruption, in particular through the strengthening of anti-corruption institutions and the gradual establishment of a practice of investigating and punishing high-profile corruption cases. Specialized anti-corruption bodies, such as the Specialized Anti-Corruption Prosecutor's Office (SAP), the National Anti-Corruption Bureau of Ukraine (NABU), and the National Agency for the Prevention of Corruption (NAPC), have gained some independence and greater institutional capacity through increased staffing and other measures. This strengthened the effectiveness of the specialized bodies.

Regarding anti-corruption mechanisms, Ukraine has introduced several key tools. In particular, the government is actively working to ensure transparency, including the development of modern conflict of interest management systems. The NAPC and other anti-corruption organizations have created technologies to monitor such cases. In addition, there are institutional and technological systems for the disclosure of information, in particular regarding public declarations of assets, political party financing and registration of beneficial ownership.

In terms of auditing public spending, the NAPC conducts corruption risk assessments in state bodies and provides evidence-based anti-corruption programs. Strategic analysis and anti-corruption expertise of legislation are important components of corruption prevention. Over 10,000 authorized persons work in state institutions for the prevention and detection of corruption.

Most analysts consider the anti-corruption bodies effective, and while corruption remains a serious problem, reforms and efforts in this area have the potential to reduce it. The appointment of 248 new local court judges in 2023, vetted by independent anti-corruption organizations, is helping to clean up state bodies and reduce corruption schemes.

However, the government has been less successful in eliminating corruption in areas such as the use of natural resources, regulation of monopolies and large infrastructure projects.

Moreover, while law enforcement has improved strongly over the last decade, reforms of the judicial processing of corruption cases stay behind.

Finally, it should be noted that a larger number of corruption scandals can actually indicate that the functioning of integrity mechanisms has improved and is delivering results (i.e. is uncovering corruption cases).

Anti-corruption policy

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16 | Consensus-Building

All key political actors in Ukraine remain committed to democratic principles. Thanks to international support, especially the European Union's requirements for EU accession, the country's strategic goals are aimed at strengthening democratic institutions. An important factor is the unification of the political elite and society around the course toward democracy, including opponents of the ruling groups who do not publicly deny this direction.

However, certain challenges remain. The war continues to restrict civil rights, for example, the lack of elections during martial law and the reduction of access to public information. Nevertheless, Ukraine's application for EU membership and the candidate status it has been granted reaffirm the country's firm commitment to democratic principles, even under the extraordinary conditions of wartime.

The broad consensus in favor of developing a market economy remains intact, with key political forces and society at large continuing to support this course, particularly in the context of EU accession. The application for EU membership and candidate status have reinforced this commitment, positioning a market economy as a crucial component of successful integration.

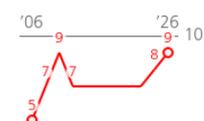
At the same time, opposition to certain aspects of economic liberalization persists, particularly regarding the energy market. While reforms continue, public attitudes toward privatization have shifted significantly. According to a 2023 poll by the Kyiv International Institute of Sociology, 47.2% of respondents support privatization, while 41.8% oppose it – a notable change from 2020, when only 23.1% were in favor and 55.1% were against it. This trend indicates a growing acceptance of market liberalization among Ukrainians. Despite ongoing debates, the overall commitment to European integration strengthens political will for reform, while the war and EU aspirations limit the influence of interest groups resisting change.

The full-scale war, the prospect of EU accession, and Ukraine's significant dependence on international aid have significantly changed the situation with anti-democratic actors. The influence of large financial groups has decreased due to the loss of assets and positions by Ukrainian oligarchs, as well as the complete marginalization of pro-Russian political forces. The banning of pro-Russian parties that previously promoted anti-democratic policies has created conditions for a more stable political environment.

In addition, EU membership requirements, including reducing the influence of oligarchs, judicial reform and the fight against corruption, have significantly increased pressure on anti-democratic actors. Although reforms have not always been smooth, Ukraine has made significant progress thanks to internal public pressure and external demands from international partners.

Consensus on goals

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Anti-democratic actors

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Currently, there are virtually no influential anti-democratic actors in the Ukrainian space that could seriously compete or influence general policy. Although individual deputies sometimes spread anti-democratic narratives, their influence is minimal. Thanks to this, reformers retain significant capacity to achieve their goals, which is facilitated by both public support and international pressure.

Before the start of the full-scale war, the main division in Ukrainian society remained geopolitical, while linguistic, religious or social differences were of a secondary nature. According to a study conducted by KSE and KIIS in September 2024, polarization in Ukrainian society is practically absent. Ukrainian citizens do not show hostility toward each other regardless of the language of communication, region of residence or the fact of service in the Armed Forces of Ukraine. This indicates a high ability of society to unite in the face of an external threat. At the same time, certain divisions persist, especially in the religious sphere. Conflicts between parishioners of the Orthodox Church of Ukraine (OCU), the Ukrainian Greek Catholic Church (UGCC), and the Ukrainian Orthodox Church of the Moscow Patriarchate (UOC-MP) are noticeable. The greatest social distance is observed between representatives of the OCU, the UGCC and the UOC-MP, which may be related to the aggravation of discussions on the ban on the activities of the UOC-MP. Regarding the language issue, the social distance between Ukrainian-speaking and Russian-speaking is minimal. Both groups demonstrate a willingness to interact.

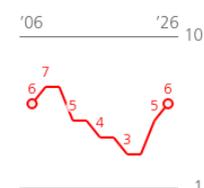
The political leadership plays an important role in maintaining this balance, preventing the division of society along the main lines of the conflict. Thanks to the joint efforts of the authorities, civil society and the international community, it has been possible to maintain general unity, which is critically important for the country's stability in war conditions.

The political leadership of Ukraine actively involves civil society organization in the development and implementation of policies, which is especially noticeable in the context of the European integration process. During 2023/2024, one of the main mechanisms was the creation of a platform for dialogue and cooperation between the authorities, businesses, the public and international partners – European HUB. Over the nine months of its operation, the European HUB has held almost 90 events, including consultations and workshops, which allow all participants to actively participate in the process of preparing for Ukraine's accession to the European Union.

At the same time, it is worth noting the importance of legislative work that contributes to the effective involvement of civil organizations. One of the significant achievements is the adoption of laws about the simplification of importing humanitarian aid, which became an important step in facilitating humanitarian aid. Civil society representatives actively supported this step, which is a significant achievement in the development of the legal framework for public control.

Cleavage /
conflict
management

6



Public
consultation

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Despite these achievements, challenges remain, in particular the need to strengthen the organizational capacity of civil society organizations, improve advocacy activities and use legislative mechanisms to influence the authorities. These aspects require further attention to ensure more effective citizen participation in political processes.

While civil society is often well integrated into local politics, the national leadership tends to be more resistant to advice that challenges its self-perception.

Russia's full-scale invasion in 2022 raised the issue of justice to a new level, highlighting the need to consider both modern and historical crimes.

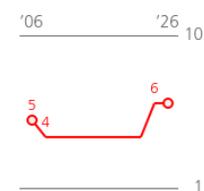
In 2023, the State Bureau of Investigation (SBI), despite the active phase of the war, continued its work on investigating crimes committed during the Revolution of Dignity of 2013/2014. In October 2024, the investigation of the most important case, the organization of the dispersal and shooting of protesters on February 18 – 20, 2014, was completed. An indictment was submitted to the court against several former high-ranking officials, including the former president of Ukraine, the minister of internal affairs, the head of the SBU, and other representatives of the security forces. At the same time, in 2025, some of the cases were closed due to the expiration of the statute of limitations, which led to the release of many defendants.

Russian military aggression has not only intensified the demand for justice but also influenced the collective rethinking of historical traumas associated with the Holodomor, Stalinist repressions and World War II. The process of decommunization, which intensified after 2015, in 2023/2024 continues to play a key role in the formation of a new historical memory, which is aimed at distancing itself from the Russian imperial past.

Despite these efforts, achieving genuine reconciliation between victims and perpetrators remains a challenge, particularly amid the ongoing war, humanitarian crises and profound human losses. The persistence of this sensitivity was evident in 2023/2024, when tensions flared between Ukraine and Poland over the Volhynia massacre of 1943. The dispute was finally resolved in January 2025, when Ukrainian President Volodymyr Zelensky and Polish Prime Minister Donald Tusk reached an agreement permitting exhumations.

Reconciliation

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17 | International Cooperation

In 2023/2024, Ukraine actively used international support, integrating it into its own development strategy focused on reconstruction, modernization and European integration. Due to the unprecedented challenges posed by Russia's full-scale military aggression, new mechanisms for coordinating international assistance have been established.

The Donors' Platform for Ukraine, which brings together 23 permanent and temporary members, as well as seven participants, including international financial institutions and the European Union, plays a key role in this. This platform coordinates financing for Ukraine's immediate needs, as well as its economic recovery and reconstruction. In parallel, the G7 multilateral platform focuses efforts on long-term support, reform and stimulation of the private sector. In addition, a specialized platform was created to overcome the consequences of Russia's terrorist attacks on Ukraine's energy infrastructure.

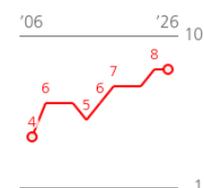
One of the main instruments of international support has become the EU Mechanism for Ukraine, which became operational on March 1, 2024, and will operate until 2027. This program provides for stable financing of up to €50 billion.

To coordinate the reconstruction process, the position of deputy prime minister for reconstruction of Ukraine was introduced within the government. In addition, in January 2023, the State Agency for Infrastructure Restoration and Development of Ukraine was established, which is responsible for the technical coordination of projects. In turn, civil society joined the monitoring of transparency and efficiency of the use of funds through the RISE coalition.

Financial support to Ukraine from international partners in 2023 amounted to €42.479 billion, and in 2024 to \$41.7 billion. As of November 28, 2024, Ukraine had received more than \$11 billion from the IMF, more than \$5 billion from the World Bank, and \$720 million from the European Investment Bank. The main donors remained the United States of America and the European Union. Regular audits of the U.S. government did not reveal any significant violations in the use of funds. At the same time, a joint audit of the Ministry of Defense of Ukraine and the Pentagon showed the need to improve the regulatory framework for accounting for military assistance.

Effective use of support

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Ukraine's relations with the international community in 2023/2024 indicate a significant level of trust and reliability of the Ukrainian government as a partner. During this period, the country received strong financial support from international partners, which indicates its ability to effectively interact with international institutions. In 2023, Ukraine became a participant in important international processes, such as the launch of negotiations with the European Union on accession to the organization, which was a historic step in the country's progress on the path of European integration. This process received the support of the international community, and on December 14, 2023, the European Council adopted a decision to open the final stage of negotiations. At the same time, the signing of long-term security agreements with Western countries has begun, which indicates an increase in the level of Ukraine's strategic partnership.

Ukraine actively participates in the activities of numerous international organizations, such as the UN, NATO, the European Union, the Council of Europe and others. The country has signed over a hundred international agreements in various fields, including security, human rights, social policy and economics. Relations with international organizations include cooperation in such important issues as health care, ecology, justice, international jurisdictions, energy and others.

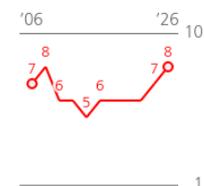
Ukraine has also established itself as a reliable partner for international auditors. Thus, in 2023, audits of the funds spent were conducted, and the auditors did not find any violations in the use of international aid. This is an important confirmation that the Ukrainian government is ready to comply with international standards and ensure transparency in the use of aid.

The political leadership of Ukraine is actively promoting the development of good, neighborly relations, which have significantly intensified after the start of the war with Russia. As a result of the Russian aggression, neighboring countries, in particular Poland, and other countries of Central and Eastern Europe, have shown support for Ukraine at the political, humanitarian, and military levels. Several bilateral and multilateral agreements have been signed aimed at strengthening cooperation. For example, Poland has become an energy bridge between Ukraine and the European Union, and Romania has become the main supplier of fuel to Ukraine (replacing Belarus). In addition, trade relations have improved significantly, in particular with Poland, Slovakia and Romania, which has led to an increase in exports and mutual investments.

The political leadership of Ukraine is also actively working on integration into European and international structures, which includes support for the European Union and NATO. Ukraine actively cooperates with international organizations such as the United Nations, the Council of Europe, and the OSCE, and also seeks to achieve full defense interoperability with NATO. In addition, the country participates in the Interreg Europe program and other initiatives that promote the development of cross-border cooperation and the exchange of experience with neighboring states. Cooperation with EU member states is also an important aspect, in particular through the signing of security agreements, which adds to political stability in the region.

Credibility

8



Regional cooperation

8



However, against the backdrop of stable positive trends in cooperation, several domestic political inclinations in neighboring countries, notably in Hungary and Slovakia, have introduced elements of tension into bilateral relations. Disagreements have emerged over minority rights and, since early 2025, over gas transit. Tensions have also been fueled by the conciliatory stance these governments have adopted toward Russia.

In summary, Ukraine cooperates well with neighboring countries that support it against the Russian invasion. And this needs not curtail aid, as the case of Poland demonstrates with which tensions occasionally flare up in relation to economic interests (like the export of agricultural products) or history (like the Volhynia massacre).

Strategic Outlook

During 2023/2024, Ukraine continued to face large-scale challenges spanning security, the economy, justice and civil society. Winning the war and securing long-term security guarantees remain the country's top priorities. In this context, it is crucial to sustain international support to strengthen Ukraine's defense capabilities – including military equipment, financial assistance and intelligence cooperation. At the same time, domestic capacity must be expanded by reinforcing territorial defense, scaling up emergency preparedness programs, and demining territories.

Ukraine has made significant progress on its path toward European integration. On December 14, 2023, the European Council formally opened accession negotiations – a historic milestone recognizing the country's reform efforts and institutional resilience. To maintain momentum, Ukraine must continue building institutional capacity, ensure consistent reform implementation and foster the active participation of civil society in this process.

Ukraine should avoid a simple return to pre-war economic management by focusing on modernization. Strategic infrastructure reconstruction projects should be based on the principles of energy efficiency, environmental sustainability and digitalization. While it is difficult to discuss major investments in education during wartime, Ukraine needs a long-term strategy for human capital development – including stronger vocational training, revitalized R&D through science parks and public-private partnerships, and governance reforms in higher education, supported by international partners.

Transparency in the use of foreign aid remains essential. The adoption of uniform audit standards and transparent monitoring mechanisms would bolster donor confidence and mitigate corruption risks. Key decisions in this area should draw on recommendations from civil society and international experts.

Particular attention should be paid to the rehabilitation of energy infrastructure, which remains highly vulnerable to Russian attacks. Expanding cooperation with the European Union within the framework of the Energy Partnership and the use of renewable energy sources can reduce dependence on traditional energy resources and improve energy security.

Despite martial law, institutional reforms must remain on the agenda. Judicial reform, aligned with EU recommendations, should include systematic efforts to fill judicial vacancies through transparent selection procedures involving independent experts. Establishing a new administrative court for cases involving national state bodies and ensuring merit-based judicial appointments are essential. Further legislation should enhance judicial integrity through robust declarations of ethics and effective verification mechanisms. Addressing corruption risks – especially in the Supreme Court – requires stronger oversight of asset declarations and lifestyle monitoring.

Civil society plays an important role in ensuring the stability of Ukraine. Volunteer and charitable organizations have proven their effectiveness in mobilizing resources and supporting the army, internally displaced persons and affected communities. The state should facilitate their activities

by simplifying registration procedures, reducing the tax burden and involving them in decision-making processes. Moreover, further institutional reforms should focus on enhancing local governance, fiscal decentralization and public administration efficiency. Establishing transparent financing mechanisms for local recovery and modernization – in line with the European Union’s Ukraine Facility Regulation – is vital. A formal coordination framework needs to be implemented to ensure that local authorities and associations are consistently involved in policy design and implementation. Additionally, the growing number of local military administrations necessitates clear legal criteria for their establishment to avoid any political manipulation.

Finally, preparing for the revival of political life after the war will be essential. Ensuring fair elections, facilitating participation by internally displaced persons and guaranteeing equal political competition must be priorities. Strengthening citizens’ trust in public institutions through transparency, accountability and openness will be key to rebuilding democratic legitimacy.