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UKRAINE: FROM WAR TO PEACE AND RECOVERY

Analytical Assessments



I.

NATIONAL SECURITY AND DEFENCE: KEY DEVELOPMENTS, PROCESSES, TRENDS

Despite the relative stabilisation of the front line and the intensity of hostilities, the year of 2023 was extremely eventful in the context of the expected Ukrainian (counter-) offensive. Practical and informational preparations for the spring-summer campaign have obviously become the dominant factor affecting the strategy of both sides of the conflict, given the extremely high expectations of a potential turning point in the war.

The contact line remaining virtually unmoved in April can confirm earlier assumptions about the significant depletion of current Russian capabilities to conduct large-scale offensive operations. The winter offensive campaign culminated in late March, and in April, the Russian command focused its efforts on capturing Bakhmut. Control of this city became strategically important for the Russian army as it was unable to reach the administrative borders of Donetsk and Luhansk oblasts and, presumably, because of the hyper-emphasis on «Artyomovsk» (the Russian name for Bakhmut) in the Russian information space.

Russia's winter offensive gave rise to multiple assessments in the information space suggesting the depletion of the Russian troops' offensive potential. In our opinion, such conclusions are relevant only for the time being and, possibly, for the next few months, but should in no way be taken as a sign of the depletion of Russia's resources for waging the war.

Given the Russian officials' contradictory statements about their willingness/unwillingness for peace talks, it is clear that the Kremlin intends to force Ukraine to a temporary ceasefire, obtain an operational pause and disrupt the plans for the expected Ukrainian offensive.

COMBAT ACTION

Russia's main efforts in April were aimed at:

- ✓ capturing Bakhmut and breaking through Ukrainian defences in certain areas after failed attempts to complete the occupation of Luhansk and Donetsk oblasts during the winter offensive;
- ✓ regrouping and building up forces and capabilities to deter the expected Ukrainian counter-offensive;
- ✓ building a deeply echeloned defence in the occupied territories of the mainland Ukraine and on the Crimean Peninsula;
- ✓ undertaking targeted attacks on civilian infrastructure and military facilities, as well as indiscriminate shelling of frontline settlements.

The Ukrainian defence forces carried out measures pursuing the following objectives:

- ✓ preparing for the spring-summer offensive campaign by damaging the enemy's combat potential (including through exhaustion in the battle for Bakhmut) and accumulating human and material resources through own capabilities and external assistance;
- ✓ countering the enemy's efforts to seize the tactical initiative in the most threatening areas.

In April 2023, the contact line configuration and the overall situation on the battlefield did not change much compared to the previous months. Russian forces' advancements in Bakhmut can be seen as their local

and conditional success, given the ratio of sustained losses and territorial gains.

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The most intensive fighting was observed in the Kupyansk, Lyman, Bakhmut, Avdiivka and Shakhtarsk sectors. The rest of the front line mainly saw positional clashes, including artillery duels and reconnaissance and sabotage operations.

Russians continued rocket and artillery attacks on the frontline areas and used missiles and kamikaze drones targeting the entire territory of Ukraine. Border settlements in Chernihiv, Sumy, and Kharkiv regions are subjected to almost daily shelling from the Russian territory. The Ukrainian forces retaliate against enemy positions located there, which suggests that even de-occupation and access to the state border is a necessary precondition, but not a guarantee for ceasing hostilities between the warring parties.

The intensity of missile attacks on civilian objects has increased, and the nature of these attacks point at a deliberate intention to cause as many civilian casualties as possible. Russians constantly improve the tactics of missile and drone attacks, using terrain features, changing launch altitudes and routes, and combining types and number of munitions.

In April, Russia has stepped up the use of its frontline aircraft, possibly due to the introduction of guided, or the so-called smart bombs (GBU). Unlike conventional bombs, these are dropped at a distance of about 40 km from the target, which significantly reduces the risk of aircraft being hit by short- and medium-range air defences. This has become a new and serious threat to the defence forces' positions and frontline territories, especially given Russia's huge stockpile of conventional bombs, which require relatively little money and time to upgrade to the GBU. The use of smart bombs also partially compensates for the Russian army's growing shortage of missile and artillery ammunition.

In April, the threat of a ground invasion from Belarus was still assessed as low. Realisation of the Kremlin's decision to deploy tactical nuclear weapons in Belarus is likely to be suspended.

The reason for this could be the «disapproving» statements of official Beijing, combined with Moscow's lack of confidence in the effectiveness of this particular element of nuclear blackmail as an influence on Western partners.

In addition to threats of using nuclear weapons and deploying them on Belarus, the problem of the Kremlin's nuclear blackmail has another – non-weapons, but no less intimidating aspect in the context of the militarisation of the seized Zaporizhya NPP. Russian occupation forces set up positions in several NPP buildings and mined the surrounding area. Although these actions do not pose an immediate threat to the reactors themselves, they increase the risk of damaging NPP safety systems and hence, the threat of a nuclear accident.

UKRAINIAN GOVERNMENT'S POLICY DECISIONS AND ACTIONS IN THE DEFENCE SECTOR

The statement of Ukraine's Defence Minister Oleksiy Reznikov about the final stages of the defence forces' preparation for the offensive can be regarded as a report on the main result of the country's security and defence efforts not only for April, but for several months of comprehensive work on creating the necessary human and material reserves.

Ukraine's ability to ensure the necessary level of secrecy in planning for a future offensive as a key condition for minimising the risks of information leaks and, ultimately, surprising the enemy, deserves much credit. The incident involving the leakage of secret documents from the Pentagon, much of which concerned the Russia-Ukraine war, could have become a kind of «black swan». After the first sensational reaction, it turned out that this information had mostly lost its relevance at the time of publication, and some of the documents showed signs of falsification.

Despite significant international support, the Ukrainian government has serious problems with financing current defence expenditures and fulfilling obligations to military personnel, veterans and families of fallen defenders. For example, the issue of «combat» allowances for servicemen remains unresolved

at both legal and budgetary level. On 10 April, the Verkhovna Rada decided to restore payments of UAH 30,000 to all military personnel (amendment to draft law No. 8312).

This decision, however, did not identify appropriate sources of funding for additional UAH 120 billion per year, which raised concerns about its negative impact on the country's economy and finances. The military leadership also criticised this insufficiently substantiated and largely populist decision of the parliamentarians.

In April, the media raised questions about Ukraine's preparedness for tens of thousands of wounded soldiers who in addition to necessary medical care and rehabilitation, need to overcome bureaucratic hurdles. To confirm the fact of injury, disability or unfit for further service, the wounded have to collect dozens of certificates required by the current legal framework and wait in long lines to pass a medical commission.

To address these problems, the MoD, in addition to relevant sectoral measures, decided to set up a working group on medical issues, inviting reputable civil society activists. Also, the MoD engaged civil society representatives in cooperation in the forms of the Public Anti-Corruption Council and the Office for Changes. The government and civil society's initiatives and mutual willingness to cooperate in addressing pressing issues that may add to social tension, undermine the motivation of defenders and, as a result, damage the country's defence capability and resilience, are welcome.

FOREIGN EVENTS (EXTERNAL FACTORS)

In March and April, Ukraine received the largest amount of military aid since the onset of the Russian invasion. According to official statements, partners have fulfilled 98% of their commitments as part of Ukraine's preparation for the spring and summer campaign. Most of these commitments were made at previous Ramstein format meetings. The April meeting did not produce any sensational decisions, including on Ukraine's most pressing request for Western-made aircraft.

During the month, the upcoming Ukrainian offensive was not only among the top global «newsmakers», but also featured in many political and military officials' statements. With unanimous confidence in Ukraine's intentions

to launch an offensive, there is a wide range of different assessments, from cautious optimism to serious doubts about the possibility of achieving a strategic result and warnings about the disastrous consequences for Ukraine in case of failure. Some believe that even the most optimistic outcome of the Ukrainian offensive will hardly lead to Russia's complete military defeat and is unlikely to force Putin to abandon his maximalist goals in this war.

Western media, citing European and American officials, have expressed concern about a dangerous escalation of the conflict in the event of Ukrainian forces' successful offensive. In their opinion, this will not force Putin to abandon his goals of conquering Ukraine, but rather encourage him to «mobilise even more soldiers» and, accordingly, prolong the conflict.

While agreeing with the threat of a protracted war, supporters of the opposite view call for timely and comprehensive de-occupation of the entire territory of Ukraine as the most effective way to stop Russian aggression. The strategy of «dosing» military assistance to Ukraine as a tool to control escalation actually gives the Kremlin time to recover and accumulate resources to continue its war.

The most important events, political statements and decisions of April 2023 did not fundamentally change the course and prospects for ending the war. So, as of the end of the month:

- ✓ Despite Russia's failure to achieve its maximalist goals in the war against Ukraine, its intentions remain unchanged and there are no signs of any readiness to compromise on the part of Russia.
- ✓ The Russian leadership, having relied on a protracted war, is taking active and consistent steps to covertly mobilise the Russian economy and society.
- ✓ The wait for a Ukrainian offensive remains the dominant factor affecting the partners' political decisions to provide support to Ukraine and other measures aimed at deterring Russian aggression. Conceptual uncertainty about the image of victory is still a key deterrent for those partners who consider the threat of escalation more dangerous than the prospect of a prolonged war.

II. FOREIGN POLICY

The foreign policy portrait of April 2023 was made of multidirectional events and processes that affected Ukraine both directly and indirectly, influencing its position on the world stage. In general, one can talk about achievements of domestic diplomacy in certain strategic directions, promotion of national interests on international platforms and further political and diplomatic isolation of the aggressor. At the same time, Ukraine's geopolitical situation was complicated by regional and global challenges, as well as certain problems in relations with partner countries.

FOREIGN POLICY ACTIVITIES OF UKRAINIAN GOVERNMENT

An intense diplomatic marathon was underway in April as the Ukrainian diplomacy tried to promote initiatives to strengthen external support and solidarity in countering Russian aggression in relations with partner states and international institutions. At the same time, the prospects of negotiations on EU accession and the approaching key NATO summit in July 2023 have largely prioritised the European and Euro-Atlantic vectors in Kyiv's current foreign policy.

The following areas of Ukraine's actions globally deserve a particular attention.

Holding political dialogue with foreign partners. Intensive negotiations, consultations, and meetings with country leaders, government officials, politicians, and businesspeople continued throughout the month. There were important talks with the President of France Emmanuel Macron, President of the European Council Charles Michel, Speaker of the US House of Representatives Kevin McCarthy, prime ministers of the Netherlands, Italy, Greece and Iraq, Vice Chancellor of Germany, etc. The Secretary General of the Council of Europe Marija Pejčinović-Burić, the EBRD President Odile Renaud-Basso, and the Director-General of UNESCO Audrey Azoulay also paid visits to Ukraine.

Ukraine welcomed several delegations of American politicians, parliamentarians, public

figures, and entrepreneurs, led by former US Secretary of State Mike Pompeo and Chairman of the Permanent Select Committee on Intelligence Mike Turner. Ukrainian leadership's meetings with famous businessmen Howard Buffett, Richard Branson, bosses of Horizon Capital and the like were very useful as well. In parallel, consultations and negotiations at the level of the government, the Ministry of Foreign Affairs, and the Ministry of Defence continued with representatives of partner countries.

Ukraine's most important and high-profile contacts in April 2023 included the following:

- ✓ Official visit of the President of Ukraine to Poland on 6 April, during which he met the leadership of all branches of Polish government and mayors of Polish cities, attended a Ukrainian-Polish economic forum, and signed a number of bilateral agreements.
- ✓ NATO Secretary General Jens Stoltenberg's visit to Kyiv on 20 April, which was of great political significance in the context of strengthening the Alliance's support for Ukraine and expectations of reaching a new level of partnership after the July NATO summit.
- ✓ The first International Summit of Cities and Regions held on 19-20 April in Kyiv, bringing together 30 countries, the Council of Europe, the EU and the European Committee of the Regions. 11 agreements were signed between Ukrainian regions, cities, communities and foreign partners. A joint Declaration was adopted to support the reconstruction of Ukrainian regions affected by Russian terror.
- ✓ Adoption of joint declarations in support of Ukraine's European and Euro-Atlantic integration with Prime Minister of Estonia Kaja Kallas (24 April), the Presidents of Slovakia Zuzana Čaputová and of the Czech Republic Petr Pavel (28 April).
- ✓ Telephone conversation between the presidents of Ukraine and China. Important here is the very fact of talks at the highest level after a long break.

Promoting Ukrainian interests and initiatives globally. During the month, official Kyiv made efforts to gain the widest possible international support for its proposed projects and actions and to promote new relevant initiatives.

To this end, on 10 April the Verkhovna Rada adopted an appeal to NATO member states to accelerate Ukraine's approximation to NATO membership during the spring session of the Alliance's Parliamentary Assembly and the NATO Summit in Vilnius.

Another area is the international political and legal condemnation of the aggressor's crimes and the establishment of a special tribunal. This was the topic of President Zelenskyy's addresses to the Chilean (5 April) and Mexican (20 April) parliaments. In the meantime, the number of countries working on the establishment of a special tribunal increased to 36 during April, with Moldova, North Macedonia, and Costa Rica joining this group. In parallel, Ukraine initiated an international coalition to return Ukrainian orphans held or taken by Russia. A pool of international leaders who have expressed their public support for this coalition is currently being formed.

The Ukrainian side continues to persistently lobby bilaterally and at various international platforms to accelerate the development of mechanisms for confiscating Russian assets to be used to rebuild Ukrainian infrastructure destroyed by the aggression. This topic was actively promoted by Ukraine's Minister of Finance Serhii Marchenko at a meeting with the EU Ministers of Economy and Finance (ECOFIN) in Stockholm on 29 April 2023.

Worthy of note is the initiative of Naftogaz, which, during its meeting with the European Commission, offered to provide the necessary volume in Ukrainian gas storage facilities to store 10 bcm of natural gas.

INTERNATIONAL PROCESSES AND EVENTS

A number of Ukrainian war-related events, activities and multidirectional actions took place in April resonating in the European and global discourse. These included important decisions by partner countries and international institutions to support Ukraine, as well as provocations. The latter included the leak of classified documents, which, among other

things, mentioned US and NATO plans to support the Ukrainian army before the planned counter-offensive. One can assume that this benefited only one side – the Russian aggressor.

Summing up the April results, the following important events and processes deserve special attention.

Meeting of the NATO-Ukraine Commission on 4 April in Brussels. This ministerial-level event was important for many reasons. First, it marked the unlocking of basic institutional cooperation format at the high political level, which had been blocked by Hungary for many years. Second, it strategically established the absence of alternatives for Ukraine other than joining the Alliance and provision of full support on the eve of the NATO Summit. Third, it initiated a multi-year programme of assistance to Ukraine. The fact that on 6 April, the Lithuanian parliament adopted a resolution calling for Ukraine to be invited to join NATO at the Alliance's summit was quite symbolic.

Completed negotiations on an updated Free Trade Agreement between Ukraine and Canada. This was announced by the Prime Ministers of both countries on 11 April during Dmytro Shmyhal's visit to Canada. The new document improves the trade regime, provides guarantees for investors, introduces an investment protection system, includes separate agreements on digital trade and regulates the financial services system.

Trilateral mechanism for political and security cooperation of Ukraine, Moldova and Romania. At a meeting on 13 April in Bucharest, the Ministers of Foreign Affairs and Defence of Ukraine, Romania and the Republic of Moldova adopted a joint statement that stressed joint countering to the Russian threat and bringing the aggressor country to justice, supporting the Ukrainian peace formula and assisting in securing Ukraine and Moldova's full membership in the EU.

Ukraine's claim against Russia granted by the International Court of Justice in The Hague. On 13 April, the Arbitral Tribunal at the Permanent Court of Arbitration in the Hague ordered Russia to pay Naftogaz \$5 billion in compensation for the assets this Ukrainian SOE owned in Crimea before its temporary occupation. This court decision provides for the seizure of property of Russian state-owned companies in other countries and its sale at auction to repay the debt.

PACE resolution of 27 April recognising the deportation and forcible transfers of Ukrainian children to Russia as genocide. This strategically important political and legal act, on the one hand, substantiates and reinforces the International Criminal Court (ICC) decision of 17 March 2023 to issue arrest warrants for Russian President Vladimir Putin and Children's Ombudsperson Maria Lvova-Belova for the illegal deportation of Ukrainian children. On the other hand, it initiates the international process of recognising this crime committed by the aggressor as genocide. In this context, it is worth mentioning two important April events that preceded the PACE decision. On 6 April, more than 50 countries and the EU issued a joint statement condemning the speech by Lvova-Belova at the UN Security Council meeting organised by Russia. On 20 April, the French Senate passes a resolution calling for evidence of the forced transfer of Ukrainian children to Russia and for sanctions to be imposed on those involved in these crimes.

Numerous international actions to support the Ukrainian Armed Forces continued throughout the month. The United States, Canada, the Netherlands, Germany, the Czech Republic, Spain, Denmark, Lithuania, and some other countries announced regular military aid packages to Ukraine. At the same time, the EU Council approved the allocation of €1 billion under the European Peace Facility (EPF) to support the Ukrainian Armed Forces.

UKRAINE'S STEPS TOWARDS EUROPEAN INTEGRATION: EVENTS AND TRENDS

Outlining the current situation in the European direction, one should note some positive government actions in the country's approximation to the EU, including adaptation of legislation to the EU legal framework, intensification of inter-parliamentary dialogue and sectoral integration. On the other hand, the problem around Ukrainian agricultural exports to certain EU countries needs to be resolved. The following events in the EU-Ukraine relations were notable this month:

- ✓ On 7 April, the Cabinet of Ministers adopted a decision of the EU-Ukraine Association Committee that creates conditions for Ukraine to join the EU internal market roaming regime. Meanwhile, mobile operators from the EU and Ukraine adopted a joint statement on cooperation to ensure affordable/free roaming between the EU and Ukraine.

- ✓ On 12 April, Speaker of the Verkhovna Rada Ruslan Stefanchuk signed a directive on the establishment of a Parliamentary Office to support adaptation of Ukrainian legislation to the EU legal framework.
- ✓ On 12 April, the first ever joint inter-committee meeting of the Verkhovna Rada and the European Parliament MPs took place, effectively launching structural inter-parliamentary cooperation.
- ✓ On 20 April, Ukraine officially joined the EU Civil Protection Mechanism – a system of coordinated international assistance in emergencies.
- ✓ On 24 April, the Council of the EU passed a decision to establish contractual relations with Ukraine under the Hague Convention on the Recognition and Enforcement of Foreign Judgments in Civil or Commercial Matters. This is an important step towards establishing a common legal space for the recognition and enforcement of EU and Ukrainian judgments.
- ✓ On 25 April, the President of Ukraine signed a law introducing a number of European standards in Ukraine's civil aviation, simplifying state regulation and ensuring adaptation to EU norms and the Common Aviation Area Agreement.

Meanwhile, a conflict situation arose in April with the ban on Ukrainian agricultural exports by five EU members – Bulgaria, Hungary, Poland, Romania and Slovakia. Such restrictive measures, contrary to the EU-Ukraine Association Agreement, provoked a sharp reaction from official Kyiv. The conflict was somewhat minimised by the European Commission's intervention and the introduction of temporary «protective» measures for the export of Ukrainian agricultural products and compensations for farmers in these countries. But this sensitive issue remains on Kyiv's agenda.

In general, Kyiv's war diplomacy continued to focus on security issues, including the accumulation of external support to resist Russian intervention and ensure conditions for a counter-offensive. At the same time, the intensification of European and Euro-Atlantic integration processes has recently become increasingly important for Ukraine, given the prospects of launching negotiations on EU accession this year and introducing a new quality of relations with NATO following the Alliance's summit scheduled for July 2023.



CONSTITUTIONAL AND LEGAL FIELD

1. LEGISLATION

1.1. In April, the President signed two bills into laws directly aimed at fulfilling the constitutional requirement of the state's duty to promote the Ukrainian nation's consolidation and development, its historical consciousness, traditions, and culture (Article 11 of the Constitution of Ukraine), as well as at strengthening the legislative regulation of Ukrainian civic and national identity (paras. 16, 17, Article 1 of the Law of Ukraine «On the Basic Principles of State Policy in the Field of Strengthening Ukrainian National and Civil Identity»), namely **the Law «On Amendments to the Law of Ukraine 'On Geographical Names' concerning the decolonisation of toponymy and the regulation of the use of geographical names in the settlements of Ukraine» and «On Amendments to the Laws of Ukraine 'On Citizenship of Ukraine' and 'On Ensuring the Functioning of the Ukrainian Language as the State Language' concerning the conditions for admission to citizenship of Ukraine».**

With the entry into force of the **Law «On Amendments to the Law of Ukraine 'On Geographical Names' concerning the decolonisation of toponymy and the regulation of the use of geographical names in Ukrainian settlements»**, it becomes prohibited in Ukraine to assign names to geographical objects that glorify, perpetuate, propagate or symbolise the occupying power or its prominent, memorable, historical and cultural places, settlements, dates, events, and its figures, who carried out military aggression against Ukraine and other sovereign countries, state totalitarian policies and practices related to the persecution of the opposition (opposition figures), dissidents and other persons for criticising the totalitarian Soviet and totalitarian Russian regimes, including Ukrainian citizens who live in the temporarily occupied territories

of Ukraine or temporarily stayed in the territory of the occupying state and became victims of persecution by Russian repressive bodies. The Cabinet of Ministers was instructed to bring its own regulatory acts into compliance with this Law within six months, as well as to ensure that ministries and other central executive bodies bring their regulatory acts into compliance with this Law.

The Law «On Amendments to the Laws of Ukraine 'On Citizenship of Ukraine' and 'On Ensuring the Functioning of the Ukrainian Language as the State Language' concerning the conditions for admission to citizenship of Ukraine» stipulates that from 27 October 2023 (the date it enters into force), the conditions for admission to citizenship of Ukraine will also include a separate/special requirement «knowledge of the fundamentals of the Constitution of Ukraine and the history of Ukraine». The exams on the fundamentals of the Constitution of Ukraine and the history of Ukraine will be held in line with the procedure established by the Cabinet of Ministers. Instead, the previous requirement for persons willing to acquire Ukrainian citizenship to «speak the state language or understand it sufficiently to communicate» was replaced with «speak the state language in accordance with the level determined by the National Commission on State Language Standards». It is important that the legislators provided for certain peculiarities of the practical implementation of the above-mentioned requirements. For example, persons who have outstanding services to Ukraine, including foreigners and stateless persons who, in accordance with the procedure established by the legislation of Ukraine, perform military service under contract in the Armed Forces of Ukraine, the State Special Transport Service or the National Guard of Ukraine, persons whose admission to Ukrainian citizenship is of national interest to Ukraine, and persons who have

received a temporary residence permit under part 20 of Article 4 of the Law «On the Legal Status of Foreigners and Stateless Persons», have the right to enter the Ukrainian citizenship without certifying the level of proficiency in the state language, provided that they submit an obligation to pass examinations on the fundamentals of the Constitution of Ukraine, the history of Ukraine and the level of proficiency in the state language in accordance with the Law of Ukraine «On Citizenship of Ukraine». Such persons are obliged to master the state language at the level required by law within two years from the date of acquiring Ukrainian citizenship.

1.2. Other important acts adopted by the Verkhovna Rada in April include its resolution «On the Appeal of the of the Verkhovna Rada of Ukraine to the North Atlantic Treaty Organisation (NATO) member states and the NATO Parliamentary Assembly on Ukraine's membership in the North Atlantic Treaty Organisation» of 19 April 2023. In this document, Ukrainian MPs expressed their sincere gratitude to NATO member states for their principled position in condemning the unjustified and unprovoked full-scale armed aggression of the Russian Federation against Ukraine, which is accompanied by nuclear blackmail and undermines the international legal order based on universally recognised norms and principles

of international law. MPs further welcomed the accession of the Republic of Finland to NATO and expressed their support for the application of the Kingdom of Sweden to join the Organisation, as these are historic events that will contribute to strengthening security in Europe and the entire Euro-Atlantic area. The Verkhovna Rada specifically noted the adoption of the Seimas of the Republic of Lithuania resolution of 6 April 2023 regarding Lithuania's key goals at the NATO Summit in Vilnius, which, in the opinion of Ukrainian parliamentarians, is evidence of Lithuania's responsible and unwavering position in supporting Ukraine's Euro-Atlantic path. Through its legislators, Ukraine has called on NATO member states to continue supporting the Open-Door policy and Ukraine's need for NATO membership, especially given the current extraordinary circumstances. That is why the Verkhovna Rada asks the parliaments of NATO member states to pass relevant decisions/resolutions, confirming their leading roles in supporting Ukraine's accession to NATO, and to address the governments with which Ukraine has started the relevant negotiation process, with a proposal to adopt declarations/statements of support for Ukraine's Euro-Atlantic aspirations, to call on their governments to support Ukraine's application for NATO membership and to begin planning for Ukraine's accession to the North Atlantic Treaty Organisation.

IV. ECONOMY

DECISIONS

In recent months, the IMF, the government and the NBU have been working on a programme for Ukraine, and on 31 March the IMF Executive Board approved a four-year, \$15.6 billion financing package to help the country meet its urgent financing needs amid the ongoing war. Already on 3 April, Ukraine received the first tranche of \$2.7 billion. With these funds, the total assistance received from partners since the beginning of the year has reached \$13.6 billion, while the NBU's international reserves have exceeded \$32 billion, a record high since the end of 2011.

The launch of the **new IMF programme** is an important historic decision, which, however, may prove difficult for Ukraine to implement, as performance will be assessed against 19 structural benchmarks, including institutional requirements (transparency and accountability, compliance with the rules of the game, unacceptability of corruption, etc.) In previous years, it was the institutional tasks that turned to be the most challenging for the country.

According to the Ministry of Economy, Ukraine plans to set up a **Trust Fund** that could act as an insurer for investors and increase the interest of international financial institutions, as investment insurance plays a key role in raising funds for Ukraine's recovery. Negotiations with international donors are currently underway to establish and fill this special-purpose Trust Fund (the so-called insurance pool).

This fund can be viewed as the first step towards creation of a new political-military risk insurance agency in Ukraine, based on the best practices of the global market for this type of risk insurance.

Ukraine and Canada have announced the completion of negotiations on the **updated**

Free Trade Agreement between the two countries, effectively replacing the current agreement that has been in force since 2017. Since it has been quite efficient, this seemingly unprincipled update may have a systemic positive impact on Ukraine's international positioning.

The main differences are as follows: in addition to the cancellation of tariffs, Ukraine and Canada expand opportunities for companies that have not only Ukrainian but also foreign (EU, European Free Trade Association, UK, and Israeli) components in their products. This may help foreign investors who plan to supply their goods to the Canadian market to locate production in Ukraine. Second, the agreement does not regulate what is allowed, but rather carefully sets out the exceptions to the full freedom of service provision in a transparent and clear manner. Third, it contains a section on digital trade, which prevents future barriers and reduces obstacles for Ukrainian businesses to participate in global digital trade. By the way, this is only the second digital trade agreement that Ukraine has signed after concluding the first one with the **UK in January this year**.

Agreements with leading economies will facilitate the conclusion of similar agreements with other countries, which is extremely important for the competitiveness of the domestic economy.

The Verkhovna Rada adopted a law boosting the protection of intellectual property rights, the provisions of which entered into force on 15 April 2023. The importance of the law lies in the fact that it provides for the implementation of provisions of the Association Agreement between Ukraine and the European Union, the European Atomic Energy Community and their Member States on joint obligations, measures, procedures, and remedies for the protection of intellectual property rights into national legislation.

The peculiarity of amendments to the national legislation is that the court may order the withdrawal from circulation of goods distributed in violation of intellectual property rights, and, at the request of the owner, award damages or compensation and/or non-pecuniary (moral) damage from the infringer.

There are reasons to believe that the sphere of intellectual property in Ukraine will indeed get closer to the European one and enhance the integration effectiveness of state policy.

On 15 April, Poland officially banned imports of **agricultural products** from Ukraine. This was followed by the governments of Slovakia and Hungary, with several other countries joining in. For example, Romania announced that it would wait for the European Commission's decision rather than pass an independent decision.

The ban has been declared temporary and is expected to last until 30 June 2023, which is considered sufficient by the Central European countries «to find a long-term solution, consider a full duty-free regime for Ukrainian goods and the functioning of solidarity corridors». One of the main reasons for this decision is the use of specific agricultural practices in Ukraine that are not allowed in the EU.

Such decisions are very bad for Ukraine's exports and positioning in the world. Exports of grain and other agricultural products are the main source of foreign exchange earnings. Failure to address the problem and eliminate inappropriate practices will negatively affect cooperation with partners and damage Ukraine's business image.

Another unfortunate thing is that low-quality agricultural exports can cause significant damage to Poland, which has been Ukraine's consistent partner. The total amount of expenditures for Ukraine in 2022 was up to 2% of Poland's GDP. Some of these funds were compensated from EU funds, but Poland continues to support Ukraine.

DEVELOPMENTS, PROCESSES, TRENDS

The Ukrstat provided summary data on the country's economic dynamics in 2022. At the

year end, Ukraine's real GDP fell by 29.1% as a result of the war. Seemingly catastrophic, this outcome is much better than expected and predicted earlier. Therefore, nominal GDP declined by less than 5% to UAH 5.2 trillion, which translates into a GDP per capita of about UAH 126 thousand.

The peculiarity of the GDP structure is that consumer spending accounts for more than 104.2% of GDP, i.e., exceeds the value added created in the domestic economy. This became possible thanks to multibillion-dollar resources from international partners, which significantly mitigated the catastrophic losses caused by the war.

Experts observe signs of stability of economic dynamics in the first months of 2023, primarily due to the improved security and energy situation and the gradual restoration of logistics capabilities.

Meanwhile, this stability is still low. More specifically, in January-March 2023, Ukrainian steelmakers reduced steel production by 33.8%, iron production by 34.3%, and rolled products by 32.1% compared to Q1 last year.

The steel industry used to be the flagship of the domestic industry but following a 71% decline in steel production in 2022, Ukraine fell to 24th place in the global steel producer rankings compiled by Worldsteel.

According to analysts, significant borrowing in 2023 could lead to an increase in public debt to 90% of GDP by the end of the year. Although high, this figure is still not critical, especially when Western partners are ready to meet halfway with a country affected by Russian aggression. This is confirmed by the government's successful negotiations with creditors to defer debt payments until August 2024. Moreover, Ukraine's largest official creditors – the United States, Canada, France, Germany, Japan, and the United Kingdom – agreed to defer payments (principal and interest) on external debt until the end of the new IMF programme in 2027.

The Ministry of Finance is expected to negotiate with private creditors for similar deferrals so that all creditors are on the same footing, and there are reasons to believe that this will be achieved.

The first successful step has already been taken: Boeing Corporation, one of the world's largest aircraft manufacturers, has announced that it is releasing Ukrainian companies from a \$200 million obligation under the Sea Launch project, which has not been properly implemented.

In the first week of April, the NBU bought \$1 million and sold \$126.3 million on the inter-bank FX market, the lowest volume of foreign exchange sales by the regulator since mid-August 2022. Unfortunately, in the following two weeks, sales returned to over \$560 million. Overall, since the beginning of the year, the NBU's net sales have exceeded \$8.1 billion.

The NBU uses the sale of foreign currency from grain to contain pressure on the foreign exchange market and to balance the market of exporters and importers, thus seeking to maintain the current fixed exchange rate.

Ukraine gradually continues its integration into the EU's internal markets in all relevant areas. In early April, the Cabinet of Ministers adopted a decision of the EU-Ukraine Association Committee, which creates conditions for Ukraine to acquire the EU internal market roaming regime. The EU Council also approved this proposal and greenlit a bilateral decision on Ukraine's accession to the EU roaming area.

Ukraine's accession to the EU roaming area will create an internal market treatment and thus allow Ukrainians abroad to avoid paying

additional fees for communication in Europe, and Europeans - in Ukraine.

In this way, the government is implementing the updated Priority Action Plan to strengthen the implementation of the Free Trade Agreement agreed between the Ministry of Economy and the European Commission.

The NBU published the results of its survey of business expectations in Q1 2023. Despite active hostilities and shelling of civilian infrastructure, businesses continued to alleviate their negative expectations both for their development and for the dynamics of production of goods and services in Ukraine over the next 12 months.

Thus, the Business Activity Expectations Index increased to 91.2%, compared to 83.5% in Q4 2022. The improvement in assessments was reported by companies in almost all types of economic activity, except construction and trade, as well as in all components of the index.

In particular, businesses have significantly alleviated their negative expectations about the dynamics of production of goods and services in Ukraine over the next 12 months. The balance of responses was minus 16.7%, compared to minus 32.3% in Q4.

Although still in the negative zone, these results are «cautiously reassuring» in their dynamics, which could translate into an increase in real economic activity.

V.

ENERGY SECTOR

The World Bank estimates that the damage to Ukraine's electricity, gas and heating infrastructure, as well as coal mining, is around \$11 billion. As of the end of the autumn-winter period, the power system temporarily lost 44% of nuclear generation, 78% of TPP capacity, 66% of combined heat and power plants, 12% of hydroelectric power plants, 75% of wind generation, and more than 20% of solar generation due to the destruction and occupation.

ELECTRICITY MARKET

Electricity generation in April was sufficient to cover consumption. On 7 April, the Ministry of Energy decided to resume electricity exports, provided that they are carried out in surplus and only in compliance with the priority supply to Ukrainian consumers (exports were suspended from 11 October 2022 after the first massive attack on the power grid). The maximum capacity for electricity exports to the EU allowed by ENTSO-E is 400 MW.

Exports to Moldova and Poland have been carried out without interruptions, while exports to Slovakia started on 17 April but stopped on 21 April at the initiative of the Slovak transmission system operator due to the lack of a procedure for holding joint auctions for access to cross-border interconnectors.

The issues of unblocking electricity exports to Slovakia were discussed and ways to urgently resume exports were identified at a joint meeting initiated by NEURC with representatives of the EC, the Energy Community, the Slovak regulator and the TSOs of Ukraine and Slovakia.

The annual repair campaign at power plants has begun, which is mandatory to prepare for the winter period.

Currently, the outage of several NPP units is being compensated for by the active operation

of hydroelectric power plants and renewable energy facilities. HPPs continue to operate not only to cover consumption peaks in the morning and evening hours, but also throughout the day.

On 25 April, the Cabinet of Ministers extended the current special obligations (SO) mechanism for electricity supply for another month. The electricity price will remain at the current level until 31 May 2023 at UAH 1.44/kWh for consumption up to 250 kWh per month, and UAH 1.68/kWh for consumption above this amount.

NATURAL GAS MARKET

Naftogaz of Ukraine (the Naftogaz Group) has extended the «Fixed» tariff plan for another year, from 1 May 2023 to 1 May 2024 inclusive, and its price will continue to be UAH 7.96 per cubic meter, including VAT. This decision was made taking into account the martial law and the economic situation in Ukraine.

Naftogaz of Ukraine's customers include more than 12.4 million Ukrainian households that receive gas under the «Fixed» annual tariff plan. Also, Naftogaz expects to receive UAH 327 billion from the state budget this year, with the bulk of this amount being compensation for preferential tariffs for households. On 25 April 2023, the EU officially launched Aggregate EU, a platform for joint gas purchases, with Naftogaz being one of its participants. The platform will allow companies to submit their gas demand forecasts for 12 months starting from June 2023 and conclude agreements either independently or through special agents.

After the first tender, the EU plans to organise additional joint purchases, obliging governments to pool demand for 15% of their gas stocks stored for the heating season.

This year, the volume is about 13 bcm of gas, or about 3% of the EU's total demand. Ukraine

has the opportunity to purchase up to 2 bcm of natural gas under the EU's joint purchases.

RENEWABLES SECTOR

The debt of the SOE Guaranteed Buyer to universal service providers that supply electricity to households increased to UAH 32.7 billion (up 68% or UAH 13.3 billion in April 2023). 18 suppliers asked the government to take appropriate measures to ensure full and timely payment for affordable electricity services.

Between 11 and 25 April 2023, companies exporting to the EU transferred UAH 38.9 million to Guaranteed Buyer under the export SO (a total of UAH 2.833 billion for the period of the export SO). The notional income of the exporter is calculated based on the difference between the DAM prices in the country to which electricity is supplied and the DAM prices in Ukraine.

The NEURC has finally approved the regulation (25.054) regulating the procedure for entry and exit of business entities, including electricity facilities that are subject to the feed-in tariff, from the balancing group of the SOE Guaranteed Buyer to the free market.

At the same time, the question of the responsibility of renewables producers for imbalances remains open.

PARTNERS' SUPPORT

Italian government and businesses (which are potential investors in the Ukrainian energy sector reconstruction) provided Ukraine with energy equipment weighing almost 143 tonnes.

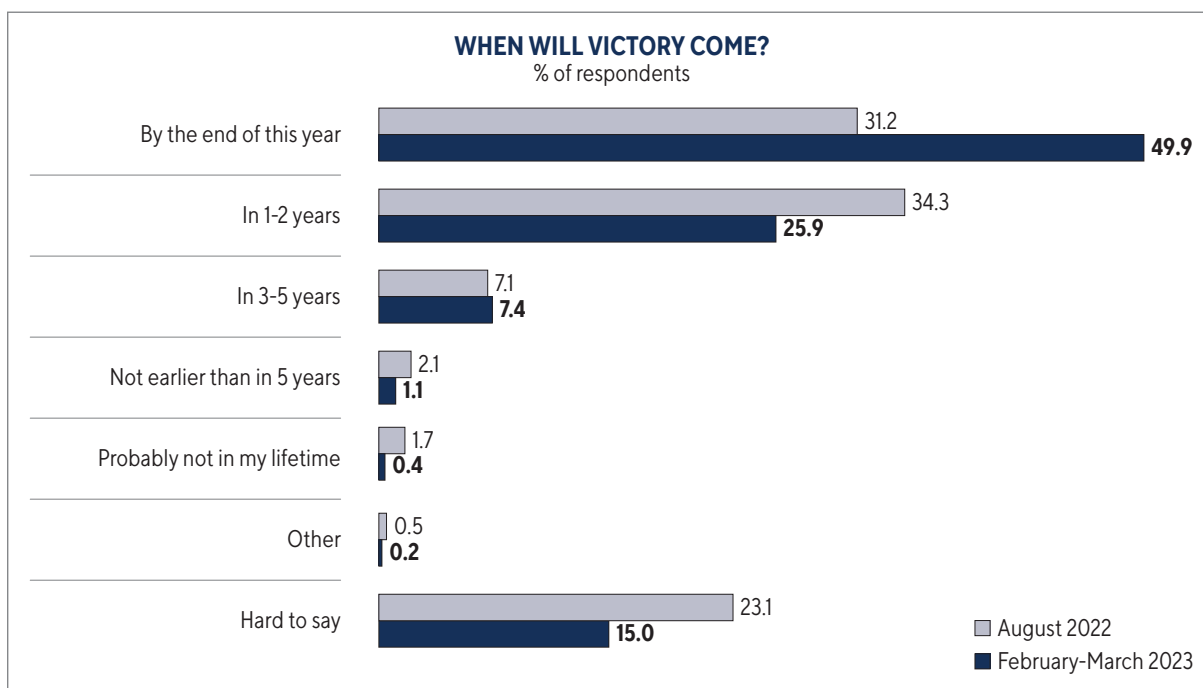
One example of successful cooperation is the agreement with the Italian company Enel to manufacture 5,700 solar panels for Ukraine, which will help decentralise power generation and ensure uninterrupted electricity supply to key public buildings, including hospitals.

At the WindEurope 2023 Conference in Copenhagen, Ukraine's Ministry of Energy and the Ministry of Climate, Energy and Utilities of Denmark signed an agreement expanding their energy partnership in the area of wind generation. The parties committed to promote further development of their energy partnership, as well as to share experience and knowledge in wind energy sector.



VI.

CITIZENS' OPINIONS ABOUT CURRENT ISSUES¹



¹ Results of a sociological survey conducted by the Razumkov Centre's sociological service from 22 February to 1 March 2023 within the MATRA project supported by the Embassy of the Kingdom of the Netherlands in Ukraine.

The authors' assessments and conclusions should not be considered as the official position of the Embassy.

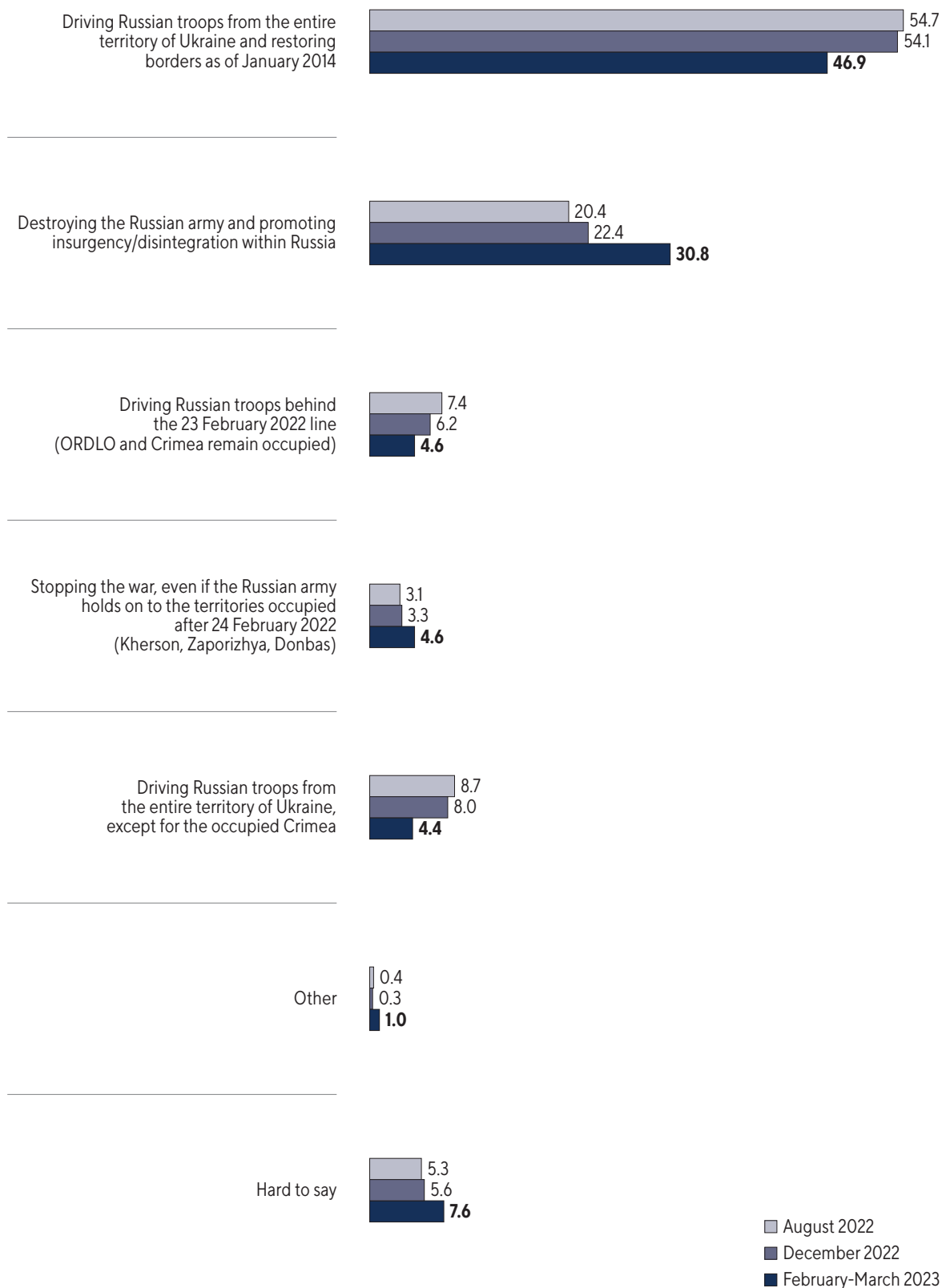
The face-to-face survey was conducted in Vinnytsia, Volyn, Dnipropetrovsk, Zhytomyr, Zakarpattia, Zaporizhzhya, Ivano-Frankivsk, Kyiv, Kirovohrad, Lviv, Mykolaiv, Odesa, Poltava, Rivne, Sumy, Ternopil, Kharkiv, Kherson, Khmelnytskyi, Cherkasy, Chernihiv, Chernivtsi oblasts and the city of Kyiv (survey in Zaporizhzhya, Mykolaiv, Kharkiv and Kherson regions was only carried out in government-controlled areas not subject to hostilities).

The survey was based on a stratified multi-stage sampling method with random selection at the earlier stages of sampling and a quota method of selecting respondents at the final stage (when respondents were selected according to gender and age quotas). The sample structure reflects the demographic structure of the adult population of the surveyed areas as of the beginning of 2023 (by age, gender, type of settlement).

A total of 2,020 respondents aged 18+ were interviewed. The theoretical sampling error does not exceed 2.3%. At the same time, additional systematic sampling deviations may be caused by the consequences of Russian aggression, in particular, the forced evacuation of millions of citizens.

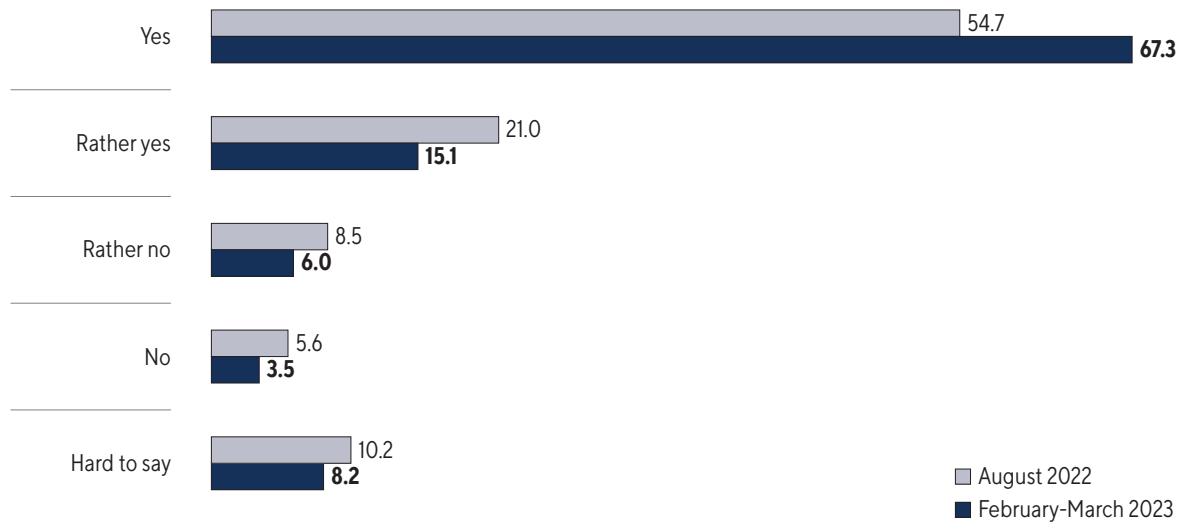
WHAT SITUATION WOULD YOU PERSONALLY CONSIDER A VICTORY IN THE WAR?

% of respondents



**AFTER UKRAINE'S VICTORY AND DE-OCCUPATION OF ITS TERRITORY,
WOULD YOU SUPPORT THE COMPLETE SEVERANCE OF ALL RELATIONS WITH
THE RUSSIAN FEDERATION UP TO A TOTAL BAN ON RUSSIANS ENTERING UKRAINE??**

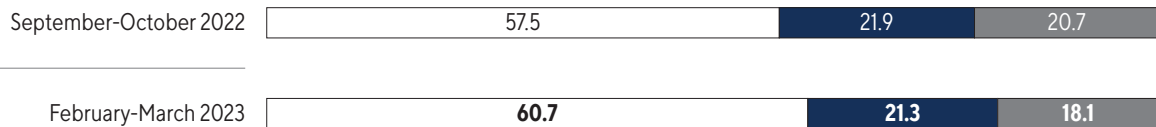
% of respondents



**THERE EXIST DIFFERENT OPINIONS ABOUT THE NEGOTIATIONS WITH RUSSIA.
WHICH OF THE FOLLOWING STATEMENTS DO YOU AGREE WITH THE MOST?**

% of respondents

**Negotiations with Russia are possible only after its troops
are driven behind the 1991 borders**



**Negotiations with Russia are possible only after its troops are driven behind
the contact line as of 23 February 2022**



Negotiations are an effective way to achieve peace that should be used now



☐ Yes ☒ No ☐ Hard to say

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