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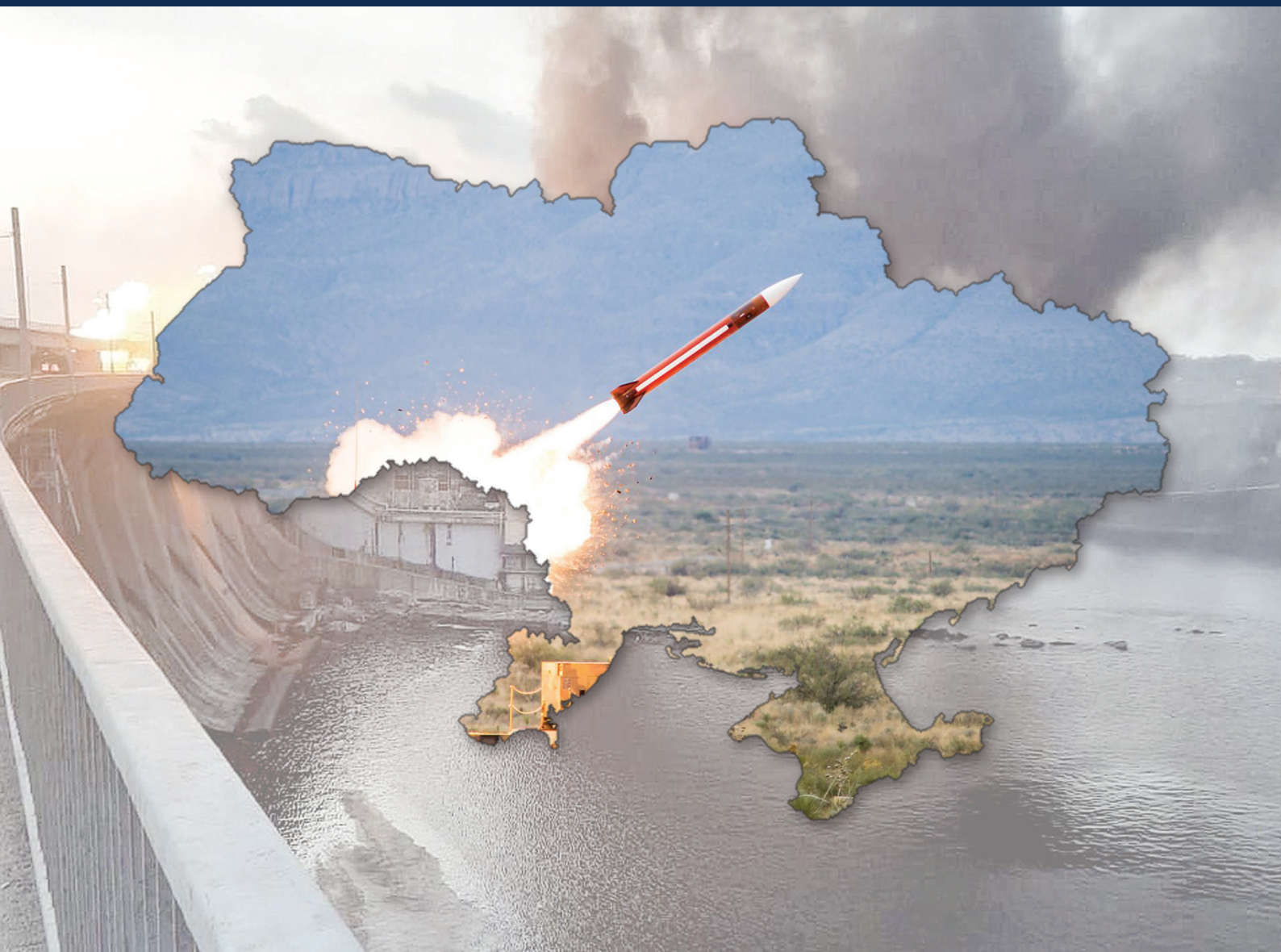
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# UKRAINE: FROM WAR TO PEACE AND RECOVERY

Analytical Assessments  
March 2024



# I. NATIONAL SECURITY AND DEFENCE: KEY DEVELOPMENTS, PROCESSES, TRENDS

In March 2024, the situation in the theatre of operations and around the Russia-Ukraine conflict in general did not change much compared to the previous month. Nevertheless, certain March decisions, events and political statements may have a significant impact on the situation in the combat zone and the further progression of the conflict, although they will hardly lead to a fundamental change in the course of the war in the short term.

## COMBAT ACTION

Russians maintained the tactical initiative on most of the front line due to their superiority in personnel and firepower, as well as their proven «meat assaults» and scorched earth tactics. After capturing Avdiivka, russian troops' offensive has slowed down significantly and they have been unable to build on their operational success. Despite the consistently high intensity of the assault and the political expediency of demonstrating success (presidential elections), this slowdown may suggest that that Russia's capabilities for large-scale offensive operations remain limited, or that the russian command deliberately has intentionally paused before the planned major offensive.

On the other hand, Russia's recent successes can be attributed to the limitations of Ukraine's defence capabilities caused by well-known internal (mobilisation problems) and external factors (delays in external assistance). Further delays in providing the Ukrainian defence forces with human and material resources create advantages to russians, as they prepare for their expected [offensive campaign in the spring and summer](#).

Since the start of their offensive in October 2023, russian troops have captured about [505 sq.km](#), which is certainly a heavy loss for Ukraine and appears to be a significant

achievement of the 6-month offensive. But if the occupied area is figuratively stretched along the entire contact line ([over 1,000 km](#)), the average depth of russian offensive will be about 0.5 km. This example underscores the importance of balanced assessments of intermediate results of the conflict, particularly in terms of territorial gains and losses, in order to effectively plan and measure the progress of operations in the context of a prolonged conflict that has become a «war of attrition».

Also, alongside the dominance of russian units' traditional tactics on the front line, there are indications of Russia employing advanced means of attack and new approaches to planning air strikes on military and civilian infrastructure deep inside Ukraine. Following a 2-month period of relative calm, Russia has resumed [massive, coordinated attacks](#) using drones and the existing range of missiles, including the latest models of the Zircon hypersonic missile.

There is speculation that the timing of resumed massive attacks on Ukraine's energy infrastructure may be linked to the Russian presidential election. Some observers believe that Putin's passion for «retaliatory strikes» could have acted as a deterrent, as there was fear of Ukraine launching symmetrical strikes on Russian energy, which could have negatively impacted the elections.

Interestingly, Ukraine's rather effective strikes on Russian oil refineries were met with an unexpectedly negative [reaction from official Washington](#).

The increasing use of guided bomb units (KABs) by russian tactical aviation has become a growing concern for Ukrainian defenders and frontline settlements. The russian military industry has rapidly increased production of relatively cheap modernised munitions

using old bombs of 500-1,500 kg – their stocks in Russia are almost «limitless». In total, nearly [2,300 KAB](#) strikes were recorded in March, a 65% increase from February. The KABs are launched from a distance of over 50 km from the contact line, beyond the range of Ukrainian air defence systems. The destructive power of these bombs leaves little or no possibility of holding the defence line. It is likely that Russia will continue using intensive and concentrated KAB strikes as a key tactic to break through Ukrainian defences in the absence of effective countermeasures against Russian aircraft.

The geography of the Russia-Ukraine conflict is expanding deeper into Russian territory (attacks on infrastructure facilities, the RDK and the Russian Legion [raids](#)), as well as far beyond the borders of the two countries and the European continent. As [The Wall Street Journal](#) reports, «The front line in the war between Ukraine and Russia now extends to Africa». The Ukrainian military has reportedly been involved in combat operations in Sudan against rebels and Russian mercenaries, also providing training to the Sudanese military, specifically in the use of drones. According to journalists, such actions may be [part of a strategy](#) to counter Russia's military and economic operations abroad. However, they also carry political risks, as they could be seen as

Ukraine interfering in Sudan's internal conflict, thus triggering an undesirable reaction from international partners. It is worth noting that the [Sudanese government secretly supplied Ukraine](#) with weapons in 2022, and video reports of Ukrainian special forces in Sudan first appeared in autumn 2023.

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

Ukraine's transition to strategic defence in 2024 and the above-mentioned risks bring to light concerns about the effectiveness of [engineering and fortification structures](#). Until recently, Ukraine's strategy focused on offensive operations, whereas the task of building fortifications was handled by the military itself, with little or no support from civilian authorities. The Ministry of Defence warns that the allocated funding does not cover the total need for complete construction works. At the same time, [operational data](#) points that as of 5 March, only 10% of the UAH 20 billion allocated for 2024 has been used.

The unresolved issue of mobilisation presents a growing challenge, as there is a critical shortage of personnel. This results in exhaustion, as the troops on the front line



are unable to rotate. Coupled with delays in the supply of weapons and ammunition, this raises doubts about Ukraine's ability to deter the Russian offensive. The impact of these challenges extends beyond internal military and socio-political dimensions, fuelling [Western partners' scepticism](#) about Ukraine's victory and influencing their decision-making. As [The Washington Post](#) puts it, «The quandary over how to fill the ranks has confronted Zelenskyy with perhaps the greatest challenge to his leadership since the start of the February 2022 invasion». It should be added that the disagreement between Ukraine's political and military leadership over the required number of troops, mobilisation strategy and methods was one of the reasons for the dismissal of the AFU's Commander-in-Chief, Valeriy Zaluzhnyi.

As expected, the appointment of the new Commander-in-Chief has not resulted in any dramatic changes in the war strategy or the situation in the combat zone. However, [General Syrskyi](#) stated that «despite the rather difficult situation along the entire front line, the Armed Forces managed to initiate the rotation and replacement of units and subunits that have been performing combat missions there for a long time». He also stressed the urgent need to replenish personnel and shared the first results of audit of the Defence Forces, which identified several thousands of servicemen in the rear who could be deployed for combat missions.

Furthermore, there have been [personnel changes](#) in the security and defence sector. Oleksandr Lytvynenko, the former head of the Foreign Intelligence Service since July 2021, has been appointed as the Secretary of the National Security and Defence Council of Ukraine, replacing Oleksiy Danilov, who had held this position since October 2019. Lytvynenko's appointment is expected to strengthen the analytical aspect of the NSDC, given his previous experience as director of the National Institute for Strategic Studies and NSDC deputy secretary.

The Cabinet of Ministers has drafted a law to [increase the size](#) of the State

Border Guard Service of Ukraine by 15,000 personnel, explaining it by the need to deploy additional (combat) units to perform tasks in the combat zone, and in the future – to watch border areas that require not only control but also defence functions..

## **FOREIGN EVENTS** **(EXTERNAL FACTORS)**

Another month of waiting for the US Congress' decision on the allocation of American military aid for 2024 has ended in vain. Although the Russian offensive has slowed down after the capture of Avdiivka, the 6:1 advantage in artillery ammunition is a major factor in Russia's continued creeping advance in various sectors of the front line.

After the initial categorical denial of the possible deployment of foreign troops to Ukraine as a response to the [French President Macron's statement](#), there have been discussions among Western political and expert circles regarding conditions and possibilities for such a scenario. [While most Western leaders](#) maintain that sending their troops to Ukraine is not possible, some leaders, like Estonian Prime Minister Kaja Kallas, [think](#) that Western leaders should not rule out this possibility. Czech President Petr Pavel suggested that NATO troops could perform support tasks within the bounds of international rules, citing the presence of about 1,000 NATO troops in Ukraine as part of training missions after the start of Russian aggression in 2014. However, concerns remain about a clear distinction between the deployment of combat and «auxiliary» units.

The Czech initiative to purchase artillery shells for Ukraine outside the EU and NATO has not only found the necessary support among Western partners but also had an unexpected positive development, specifically additional 700,000 shells to the previously announced 800,000. More than 15 countries have now joined in financing this initiative, and the first shells are expected to arrive in Ukraine in early April.

An analysis of the most important events, political statements and decisions leads to the following conclusions:

- ✓ as of the end of March 2024, the situation in the theatre of operations and around the Russia-Ukraine conflict in general did not change much compared to the previous month;
- ✓ russians maintained the tactical initiative on most of the front line, but the offensive slowed down after capturing of Avdiivka, which may be a sign of an operational pause in preparation for larger offensives with better weather conditions;
- ✓ the provision of the Ukrainian Defence Forces with personnel and material resources necessary to repel the russian offensive remains problematic, despite some positive developments in recent months.

# II. FOREIGN POLICY

March saw the continuation of multidirectional external processes outlined in Razumkov Centre's previous monitoring studies. These include uncertainty over US military and financial assistance, problems on Ukraine's western borders, and complex trends in the EU. At the same time, the escalation of external aggression and intensification of internal repression are also likely in Russia following the March pseudo-elections. In general, the instability has been increasing across the world, including in the Middle East and the Indo-Pacific, affecting Ukraine's external position directly or indirectly.

## INTERNATIONAL PROCESSES AND EVENTS

With intensified election processes, the government and opposition in the United States continued to clash over aid to Ukraine. The Republican majority in the House of Representatives rejected a bipartisan bill proposed by the Senate and instead introduced its own version of military support in the form of a loan, which was met with criticism from the White House. The March [primaries](#) determined the presidential candidates as Joe Biden and Donald Trump. The continued obstruction of aid to Ukraine, along with contradictory statements from Trump, including his meeting with Viktor Orban, raise concerns about Trump's stance on Ukraine if he wins the election. Additionally, the resignations of influential figures like Deputy Secretary of State Victoria Nuland and Senate Republican Leader Mitch McConnell weaken support for Ukraine within the US political establishment.

The French President Macron's idea of sending a military contingent to Ukraine has been widely discussed in Europe and globally, despite most European leaders rejecting this possibility. The fact that this issue is being actively discussed and debated in public, including at the meeting of EU foreign ministers, holds strategic importance.

The six-month blockade of the border with Ukraine by Polish farmers has had detrimental

effects on Kyiv-Warsaw relations. [Preliminary estimates](#) indicate that the Ukrainian budget will lose approximately UAH 6 billion in March, following losses of around UAH 7.7 billion in February. Despite Polish government's pro-Ukrainian stance in international matters, the ongoing «border crisis» has halted bilateral contacts and complicated the export of Ukrainian agricultural products to some EU countries. Discussions between Ukrainian Prime Minister Denys Shmyhal and his Polish counterpart Donald Tusk in Warsaw on 28 March did not resolve the issue of the border blockade.

Russia's hybrid aggression in Moldova continues. Official Chisinau denied another fake about a «terrorist attack» in Transnistria and took steps to limit Russian influence in the country. [According to Moldovan Foreign Minister](#) Mihai Popsoi, «the Russians are trying... to topple the democratic government in Moldova». Thus, the meeting between the leader of Gagauzia, Evghenia Gutul, and the leadership of the Russian Presidential Administration should be viewed in the context of Moscow's hybrid aggression, suggesting that the situation in the republic may worsen during the presidential elections in the autumn.

Meanwhile, the presidential elections in Russia on 15–17 March have been criticized by the international democratic community, which considers them neither free nor fair nor just. Essentially, it was a plebiscite to preserve the current regime in a totalitarian police state. Approximately 60 countries have [condemned](#) these elections in the occupied territories of Ukraine as illegitimate. Putin's re-election should be interpreted as a green light for him to strengthen his aggressive imperial foreign policy and increase domestic repression. Several authoritarian regimes, including Iran, Syria, Belarus, North Korea, China, Nicaragua, a number of Central Asian and African countries, have [congratulated](#) Putin on his victory in the elections, indicating solidarity among these regimes. The congratulations of Hungarian leader Viktor Orban deserve special mention.

Ukraine's external position was also impacted, both directly and indirectly, by other

international processes and events. March saw a number of initiatives and calls for negotiations with the aggressor. In particular, [Pope Francis's](#) interview, in which he said that Ukraine should have the «courage of the white flag» and start negotiations with the aggressor, sparked a negative response. Following his meeting with Donald Trump, Hungary's Viktor Orban also [stated](#) that the war would end when the US stopped helping Ukraine. Additionally, Turkish President Recep Tayyip Erdogan proposed negotiations with the aggressor at a meeting with foreign ambassadors on 12 March. These developments highlight the need for a Ukraine-initiated Global Peace Summit on the Ukrainian Peace Formula.

Furthermore, the ongoing conflicts in the Middle East, namely fighting in the Gaza Strip and the military operation against Yemeni terrorists in the Red Sea, complicates the Western coalition's support for Ukraine in political, financial and military terms.

## FOREIGN POLICY EVENTS

**On 5 March**, the International Criminal Court, as part of its investigation into war crimes during the war in Ukraine, [issued arrest warrants](#) for the commanders of Russia's long-range aviation and the Russian Black Sea Fleet for missile attacks on Ukraine's energy infrastructure between October 2022 and March 2023. This decision holds great legal importance as it contributes to international condemnation and prosecution of the political and military leadership of the aggressor country.

**On 7 March**, Sweden officially becomes NATO's 32nd member, having completed all the necessary procedures. This is a strategically important development as it strengthens the unity of the collective West and increases resistance to Russian aggression in Europe.

**On 8 March**, in his [State of the Union address](#), US President Joe Biden emphasised his support for Ukraine, noting that «Ukraine can stop Putin if we stand with Ukraine and provide the weapons it needs to defend itself». Unfortunately, the practical support for Ukraine has been blocked by the Republican majority in Congress for six months already.

**On 11 March**, the film «20 Days in Mariupol» by Ukrainian journalists won the Academy Award for Best Documentary, gaining significant international recognition and

bringing attention to the war in Ukraine and its truth. Additionally, 39 Nobel laureates have written [an open letter](#) urging the international community to increase support for Ukraine and refuse recognition of Putin as the president of the Russian Federation.

**On 21 March**, the EU leaders' summit focused on security issues, with a particular emphasis on supporting Ukraine in countering Russian aggression, including with the supply of weapons. European leaders also praised Ukraine's progress in terms of European integration and called for faster approval of the negotiation framework. The summit also addressed topics such as increasing Europe's defence preparedness, strengthening the defence industry's technological and industrial base, enhancing the sustainability and competitiveness of the European defence industry, etc.

**On 22 March**, a major terrorist attack at the Crocus City concert hall in Krasnogorsk, Moscow oblast, for which the ISIS group claimed responsibility, gained wide international attention. Western intelligence services had warned Russia about the threat in advance, but the Russian leadership falsely attributed the attack to a supposed «Ukrainian trace» in an attempt to mobilise society, increase anti-Ukrainian sentiment, and justify further repression.

**During March**, several countries, including participants of the Ramstein Group, announced their further military and financial assistance to Ukraine. In particular, the Czech Republic completed fundraising to purchase shells for Ukraine; the United Kingdom pledged military aid worth £325 million; Norway donated £150 million; the United States provided \$300 million; and Denmark offered \$336 million. Bulgaria, the Netherlands, Canada, France, the Baltic States, and others also joined in providing military support to Ukraine. Additionally, on 13 March, the EU decided to increase the European Peace Fund by €5 billion to finance arms supplies to Ukraine.

## FOREIGN POLICY ACTIVITIES OF UKRAINIAN GOVERNMENT

The Ukrainian government has been trying to compensate for the lack of military support from the US by strengthening its partnerships with other countries. This includes both increasing the operational military assistance packages discussed above and

negotiating long-term security agreements. In particular, President Zelenskyy and Prime Minister of the Netherlands Mark Rutte signed a [bilateral agreement](#) on security cooperation on 1 March in Kharkiv. Negotiations for similar agreements with Finland, Spain, Estonia, and Latvia have been initiated.

Political and diplomatic contacts have been intensified to strengthen collaboration with partners and promote Ukrainian interests and initiatives globally. In particular, President Zelenskyy had a meeting with Prime Minister of Greece Kyriakos Mitsotakis on 6 March in Odesa; made a working visit to Turkey on 9 March; held talks with German Chancellor Olaf Scholz, French President Emmanuel Macron, Prime Minister of Spain Pedro Sanchez, Vice Prime Minister of Denmark Troels Lund Poulsen, President of the European Council Charles Michel, Secretary General of the Council of Europe Marija Pejcinovic Burych and other world leaders.

Meanwhile, Ukraine has been focusing efforts on organising a Peace Summit in Switzerland with the widest possible participation of countries from around the world. In March, Kyiv hosted a regular meeting of national security advisers from different countries to discuss the Peace Formula. Relevant consultations with diplomats and government officials from China, Saudi Arabia, Brazil, and South Africa continued throughout the month. High level talks on this issue were held with the Prime Minister of India, and Ukrainian Foreign Minister Dmytro Kuleba visited this country in late March. [According to the Presidential Office](#), more than 160 countries will be invited to the summit.

## UKRAINE'S STEPS TOWARDS THE EU: EVENTS AND TRENDS

The Brussels-Kyiv relations have resulted in several important events and joint activities that bring Ukraine closer to the EU.

**First,** Ukraine and the EU signed an agreement on combating fraud, aiming to support in the fight against corruption and financial irregularities in various sectors.

Additionally, the Specialised Anti-Corruption Prosecutor's Office acquired the status of a legal entity under public law on 21 March, pursuant to the law on increasing the SAPO's independence.

**Second,** the European Commission presented the first major European Defence and Industrial Strategy (EDIS), which envisages active involvement of Ukraine's defence industry. The strategy includes the Defence Investment Programme (EDIP), which aims at «contributing to the recovery, reconstruction and modernisation of the Ukrainian defence technological and industrial base».

**Third,** EU ambassadors agreed on an updated trade regime with Ukraine at the end of March. This regime includes certain restrictions and safeguards on the supply of Ukrainian agricultural products.

**Fourth,** the terms of negotiations on Ukraine's EU accession were determined. On 12 March, the European Commission presented a draft «negotiation framework» containing the principles of negotiations, their content and procedure. The key task is to ensure the opening of membership talks by June 2024, during the Belgian EU presidency. Additionally, the European Commission released on 21 March an official communication on EU enlargement and internal reforms, which, among other things, recommended gradual integration of new members and a review of the current decision-making mechanism.

**Summing up the March 2024 events and trends, it should be noted that amid a six-month pause in US assistance and intensified russian aggression following the Putin's so-called elections, it is crucial to diversify military, technical, and financial support channels, expedite security treaties, and organise a Global Peace Summit. The opening of the EU membership negotiations in the first half of the year is of strategic importance. It is also essential to consolidate domestic resources, strengthen unity, and enhance the country's resilience.**



## CONSTITUTIONAL AND LEGAL FIELD

### LEGISLATION

On 12 March 2024, President Zelenskyy signed the [Law on Lobbying](#), adopted by the Verkhovna Rada on 23 February 2024. This document is primarily about implementing the recommendations of the European Commission, included in the enlargement package and are part of the government's anti-oligarchic agenda. As far back as November 2023, the European Commission identified adoption of a law on lobbying as one of the steps for Ukraine's accession to the EU.

Thus, the law defines the main terms in the field of lobbying, the rights and obligations of lobbying participants, methods of influence, rules of ethical behaviour of lobbying participants, etc. An important novelty of the law is the creation of the Transparency Register – a kind of database with information on lobbyists who will be engaged in lobbying, etc. – to be held and administered by the National Agency on Corruption Prevention (NACP).

«Lobbying» is defined as an activity carried out with the aim of influencing (attempting to influence) the object of lobbying in the commercial interests of the beneficiary (for remuneration received directly or indirectly and/or with payment of actual expenses necessary for its implementation) or in the person's own commercial interests and relating to the matter of lobbying. The «object of lobbying» is defined as the subject of lawmaking activity (except for the Ukrainian people at the all-Ukrainian referendum, territorial community at the local referendum) and/or the subject of lawmaking initiative. Instead, the «matter of lobbying» is defined as a regulatory legal act, by planning, drafting and/or adoption (publication) of which, amendment of which, invalidation (cancellation) of which (or refraining from the above actions) the subject of lobbying exercises influence (attempts to influence) on the

object of lobbying. The Law also states that the «subject of lobbying» is an individual or legal entity that engages in lobbying on the grounds and in the manner prescribed by the Law. The document further clarifies the principles of lobbying, the legal status of a subject of lobbying, the requirements for a lobbying agreement, and the establishment of the Transparency Register as an information and communication system for collecting, accumulating, protecting, recording, displaying, processing and providing information on subjects of lobbying and their reporting. The law will enter into force two months after the launch of NACP's Transparency Register, but no later than 1 January 2025.

By adopting this law, Ukraine has formally fulfilled one of the last European Commission's requirements put forward with Ukraine receiving the EU candidate status, and essentially created conditions for legalising the lobbying market in the country. With its entry into force, lobbyists in Ukraine will be able to officially partake in the development of draft laws and other regulatory acts. However, the content of the adopted law has caused a lot of controversy and criticism in the expert community. For example, according to the Ukrainian Helsinki Human Rights Union, «the lack of legal certainty in its provisions creates opportunities for the government to exert pressure on those civic associations that criticise the activities of the state, call for policy changes and advocate for alternative political initiatives. In a manual control mode, the public voice can be muffled under the guise of [fighting against dishonest lobbying](#)». Furthermore, the law requires the adoption of the Procedure for maintaining and accessing the Transparency Register and the Code of Ethical Conduct for Lobbying Participants. Hence, the NACP is responsible for developing the Transparency Register and adopting relevant regulations. As lobbying activities not registered in the Transparency Register are prohibited, the NACP will monitor the activities of lobbyists and take

measures to hold them accountable in cases of violation of lobbying legislation. Experts cannot predict all the consequences of the law, both positive and negative, and say that its effectiveness can only be analysed later.

## CONSTITUTION-RELATED POLITICAL AND LEGAL ACTS

On the eve of the presidential elections in Russia, the Ukrainian parliament adopted the Resolution «On the appeal of the Verkhovna Rada of Ukraine to the governments and parliaments of foreign states, international organisations, parliamentary assemblies in connection with the [‘presidential elections’](#) by the Russian Federation on the temporarily occupied territory of Ukraine». The Ukrainian MPs noted that the aggressor state «once again boasting of impunity and cynically disregarding the universally recognised principles and norms of international law», has organised and is holding the so-called presidential elections on the temporarily occupied territory of Ukraine – parts of Donetsk, Luhansk, Zaporizhzhia and Kherson oblasts, the Autonomous Republic of Crimea and the city of Sevastopol. By doing so, the aggressor once again blatantly violates the basic international legal acts on which the modern architecture of the world legal order is built. In view of this, the Verkhovna Rada calls on the governments, parliaments, international organisations and parliamentary assemblies to: condemn the actions of the Russian Federation in organising and holding the so-called presidential elections on the temporarily occupied territory of Ukraine; counter any attempts of the Russian Federation to attract international observers to legitimise the so-called presidential elections on the temporarily occupied territory of Ukraine; increase sanctions pressure on the Russian Federation and apply or strengthen personal economic and other restrictive measures (sanctions) against Russian officials involved in illegal presidential elections on the temporarily occupied territory of Ukraine, etc. Additionally, MPs once again called on all partners of Ukraine to increase military assistance, to take an active part in the implementation of Ukrainian Peace Formula and attend the inaugural Global Peace Summit in order to

achieve a comprehensive, just and lasting peace in Ukraine. And finally, Ukrainian MPs thanked foreign countries for their military, financial and humanitarian assistance to Ukraine.

While considering this resolution as an expected and much-needed reaction of the Ukrainian parliament, it was poorly timed (just one day before the Russian elections), especially being aware of the planned elections several months in advance. In this regard, the adoption of this document at least a few weeks before the elections would have allowed Ukrainian diplomatic missions to more actively counter Russian propaganda in the international arena. In addition, the resolution seems to present a somewhat «understated» political and legal assessment of the aggressor’s actions. After all, Ukrainian MPs only call on the world community to «condemn» the activities in organising and holding the «presidential elections» on the temporarily occupied territory of Ukraine but disregard the fact that such political events on the Ukrainian territory are essentially becoming an integral part of the presidential elections as a national phenomenon. This automatically raises the question of the legitimacy of electing Putin as the Russian president. It is noteworthy that immediately [after the election](#), both Ukraine and [several European countries](#) initiated a discussion whether it is appropriate to call Putin the «president of the Russian Federation» in the future.

## CRISIS OF PARLIAMENTARISM

In March, the internal parliamentary crisis in Ukraine reached nearly critical stage, which manifested in the de facto absence of a «parliamentary majority» and, consequent, the parliament’s inability to perform its main constitutional function – the exercise of legislative power. This crisis is systematically fuelled by extended, weeks-long pauses in plenary sessions, excessive secrecy (primarily from the media) of the work of the parliament and its bodies, constant neglect of the rights and legitimate interests of the parliamentary minority, etc. It has come to the point that dozens of MPs from

the so-called pro-government «mono-majority» are allegedly ready to step down but cannot do so without consent of the faction's leadership. As a result, in March 2024 the parliament adopted only 12 resolutions (five of which concerned MP inquiries to the President) and [not a single law](#). This is when a number of important pieces of legislation, such as draft laws on [changes to mobilisation and military registration](#), on the [prohibition of religious](#)

[organisations affiliated with the church of the aggressor state](#), and some other laws that are vital for Ukraine's security and defence have not been adopted for months. This situation around activities of the parliament of a warring nation is not only unacceptable but also extremely dangerous in terms of defending Ukraine's sovereignty and territorial integrity and ensuring its national security.



# IV.

## ECONOMY

### DECISIONS

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In early 2024, the World Bank and other international financial institutions estimated that Ukraine would need almost \$500 billion to rebuild after the Russian invasion. To attract the necessary resources, it is crucial for the efforts of the democratic community to be consolidated. In this context, it is extremely important that the IMF Executive Board has completed the third review of the EFF Extended Fund Facility for Ukraine and approved the disbursement of the [fourth tranche](#) of \$880 million (SDR 663.9 million). The funds are expected to arrive in Ukraine in the coming days and will be used to support the country's state budget.

The IMF noted that Ukraine had met all but one of the quantitative performance criteria by the end of December, all structural benchmarks by the end of February, and all indicative targets, which was the basis for the positive decision.

Furthermore, the EU [allocated](#) the first €4.5 billion under the Ukraine Facility. As a reminder, by the end of 2027, Ukraine is to receive €50 billion under this programme to implement reforms.

Meanwhile, private investors are expressing interest in financing Ukraine's needs, in addition to support from leading countries. A preliminary agreement has been reached for private investors to [establish a fund](#) to help rebuild Ukraine, with a programme aimed at providing \$15 billion in financing with the support of government agencies and capital markets. The fund will focus on priority sectors such as agriculture, manufacturing, infrastructure and energy.

The European Bank for Reconstruction and Development (EBRD) has also announced its investment intentions, planning [to invest](#) up to €10 billion in Ukraine over the next

five years. The EBRD will focus on five key areas of support, both in the private and public sectors, to respond to the war-induced crisis. These areas include energy security, critical infrastructure, food security, business support and trade finance.

Ukraine is receiving assistance through various channels. In particular, the European Commission [has proposed](#) extending the agreement on road transport with Ukraine and Moldova until the end of 2025. This extension is aimed at ensuring the security of supply chains, as the region's traditional transport routes have been disrupted or closed due to Russia's war against Ukraine and the inaccessibility of the Black Sea as a trade route.

The agreement will introduce new provisions, including the requirement for transport operators to have proper authorisation and documentation for international transport. These measures are expected to prevent further blocking of Ukrainian goods from reaching the EU.

Meanwhile, the Polish Sejm has [adopted a resolution](#) imposing sanctions on imports of Russian and Belarusian food and agricultural products to the EU. This move is seen as meeting the needs of Polish and European farmers and strengthening the Polish government's position in negotiations with the EU, particularly in relation to Ukraine, including in terms of reinstating the previous rules of trade with Ukraine and other non-EU countries before the outbreak of a full-scale war (which, in fact, meets the demands of Polish farmers).

This resolution partially «neutralises» Poland's negative and inconsistent trade policy, which has been opposed to the expansion of Ukrainian exports while still trading with Russia and Belarus and bringing huge revenues to the producers and budgets of these countries.

The Polish parliament's decision might have been influenced by Latvia, where farmers [are demanding a ban](#) on imports of Russian and Belarusian agricultural products.

The NBU Board's [decision](#) to cut the key policy rate from 15% to 14.5%, effective 15 March 2024, came somewhat unexpectedly. Although the rate cut is rather symbolic, it sends important signals, both financial and psychological, to economic agents, conveying the NBU's intention to resume policy of interest rate easing.

This easing is generally driven by a slowdown in inflation, a fairly stable FX market, and positive developments in obtaining external assistance (primarily European). It is expected to support economic recovery without posing a threat to macrofinancial stability.

## DEVELOPMENTS, PROCESSES, TRENDS

Ukraine's main partners continue to seek ways to adequately finance Ukraine's needs in the face of Russian aggression. For example, the UK [could lend](#) Ukraine frozen Russian assets as collateral for future reparations, allowing Ukraine to repay the loan once Russia has fulfilled its obligations. This is a very good signal from a partner, as it demonstrates the UK's confidence in Ukraine's eventual victory and the expectation that Russia will be compelled to make reparations.

Furthermore, it could also alleviate concerns in the capital market. In a sign of concern, S&P Global Ratings [downgraded Ukraine's long-term sovereign and foreign currency issuer ratings](#) to «CC» from «CCC» with a negative outlook. The Ukrainian government is expected to start formal debt restructuring negotiations with private creditors in the near term, aiming to complete the process by mid-year.

As a reminder, Ukraine's creditors have already extended the deferral of payments on official bilateral debt until the end of the IMF programme in 2027, but additional debt restructuring is possible with the consent of private external creditors. The government also

plans to ease the burden on Eurobonds before the payment moratorium ends in August.

This is crucial as [Ukraine's international reserves](#) have been decreasing recently, reaching \$37.05 billion on 1 March 2024. The reserves decreased by 3.8% in February and 8% since the beginning of the year. The decrease is primarily due to the NBU's FX interventions to maintain exchange rate stability and foreign currency debt payments, partly offset by receipts from international partners.

The NBU's net sale of foreign currency in February amounted to \$1.51 billion, down 1.4 times compared to January. The NBU also paid \$1.1 billion to service and repay the public debt in foreign currency. It should be noted that the situation may improve, given the tranche from the EU.

Meanwhile, despite a quite significant decline in reserves, the current volume of international reserves, accumulated in previous months, is able to cover 4.9 months of future imports, thus ensuring macroeconomic stability.

A well-functioning domestic banking and payment system, which ensures the continuous circulation of cash resources, contributes to maintaining macroeconomic stability. According to the NBU, in 2023, [domestic transfers](#) made through «money transfer» payment systems reached to UAH 728 billion (equivalent to \$19.9 billion), double the amount in «peaceful» 2021.

However, cross-border transfers to Ukraine in 2023 through these systems created by both residents and non-residents amounted to \$2.6 billion in equivalent, a 17% decrease from 2021, with the average transfer to Ukraine being \$255.

In total, around \$11.6 billion was transferred to Ukraine in 2023 from around the world through various channels, including formal ones like banks, international money transfer systems and post offices, as well as informal channels, such as hand-to-hand money transfers, which supported the purchasing power of many Ukrainian households.

In recent years, the agricultural sector has performed a stabilising function for Ukraine's overall economic environment. However, [recent studies](#) of the country's land fund dynamics have highlighted the growing risks for the agricultural sector. It is reported that the area of farmland affected by Russian invasion in 2022 was 10,514 thousand hectares, while the land that can be used in agricultural activities in 2024 is 32,924 thousand hectares, a 26% reduction since the beginning of the full-scale invasion.

Despite these challenges, there have also been some positive developments in the recovery process. Successful actions of the Ukrainian Armed Forces in 2022 and early 2023 led to the de-occupation of the territories of Kyiv, Zhytomyr, and Chernihiv oblasts, as well as the return of some lands in Mykolaiv and Sumy oblasts.

As a result, in 2023, the total area of Ukraine's land resources, excluding the occupied territories, active combat zones, areas along the Ukrainian-Russian border and other areas where economic activity is not possible, increased by 13.6% compared to 2022, to 46,787.98 thousand hectares.

The results of the February business survey show that businesses have [improved their assessments](#) of current performance and prospects. However, various challenges such as high security

risks, delays in external financing, logistical problems due to the border blockade, weak investment demand, a significant shortage of skilled workers, and a seasonal slowdown in economic activity at the beginning of the year continued to restrain economic activity and negatively affected their expectations.

This is evidenced by the Business Activity Expectations Index (BAEI), which the NBU calculates on a monthly basis. In February 2024, the index rose to 47.5 from 41.0 in January 2024.

As for sectoral distribution, industrial companies have somewhat softened but retained their pessimistic expectations about economic performance. Thus, the sectoral index slightly increased from 43.7 in January to 48.3 in February. Unlike in the previous month, respondents predicted an increase in output, while negative assessments of both new orders for products, including exports, and finished goods stocks improved.

If this positive trend continues in spring, there is hope for gradual industrial recovery, which could have a positive impact on transport, construction, and production services sectors.

To summarise, despite the ongoing aggression, stabilisation processes are continuing in Ukraine, and domestic business is showing cautious positive trends.

### PASSING OF THE WINTER 2023-24

Statements about the successful passage of winter proved to be premature and overly optimistic. Massive Russian attacks on critical infrastructure on 22-31 March put Kharkiv CHPP-5 and Zmiivska TPP out of operation, and seriously damaged Dnipro HPP, Burshtyn and Ladyzhyn TPPs, as well as about 20 substations. This resulted in a loss of at least 5 GW of installed capacity (4 thermal and 1 hydro), leading to seven regions of Ukraine implementing energy consumption limitations and requesting emergency assistance from Romania, Slovakia and Poland in the amount of up to 1.5 GW on 26-27 March. Hourly blackout schedules were introduced in Kharkiv, Dnipropetrovsk, Donetsk and Odesa oblasts. Although most regions had their power supply restored by early April, Ukrenergo still had to limit consumption by household consumers in Kharkiv region and industrial consumers in and around Kryvyi Rih.

Additionally, underground gas storage facilities (including the largest one) were also targeted three times, but despite the attacks, the nominations for storage services and capacity reservations were fulfilled in full.

Russia has been intensifying attacks on energy facilities in Ukraine, however, with the end of the heating season, Ukraine has enough resources to last until July (off-season consumption peak). Total coal stocks at TPPs and CHPPs increased to 1.1 million tonnes (+0.11 million tonnes compared to the last day of February). Gas reserves in underground storage facilities stand at 8.1 bcm (including 4.7 bcm of long-term storage and 0.7 bcm of gas owned by non-residents). In March, Ukraine has been withdrawing 34 mcm from facilities every day, producing 45-50 mcm and no gas imports.

Since only 2.7 bcm of gas in storage facilities remain available for use at TPPs and CHPPs

in spring and summer, it is recommended that Ukraine purchases additional gas immediately after the April stress test of the GTS and UGS facilities to ensure their reliability after the termination of Russian transit. Naftogaz Ukraine has the necessary funds for these purchases.

More than 100 hits on infrastructure facilities in just 10 days have reignited the issue of protecting them and preventing destabilisation of energy systems if attacks continue. It would be advisable to clarify the reasons for the failure to implement the NSDC decision «On additional measures to strengthen the resilience of the energy system and prepare the national economy for the autumn-winter period of 2023/24»; to remove the identified organisational constraints; to accelerate the implementation of the energy facilities protection programme; to focus on building small generation facilities with guaranteed capacity, integrated into small distribution systems, rather than on restoring the destroyed facilities; to restore the operation of low-capacity TPPs and CHPPs, primarily in the eastern and central regions; to ensure that power and distribution reserves and dispersed stocks of the most vulnerable equipment are in a state of readiness, etc. Limited distribution capacities, especially electricity transmission from the west to the east and south, raise the greatest concern.

An average of 390 settlements in Ukraine remained without power due to the hostilities; additionally, up to 200 settlements were cut off from power supply due to bad weather (e.g., on 29 March).

### ENERGY BALANCE

At the end of March 2024, 7 NPPs under Ukraine's control (one under repair) and 15 TPPs and CHPPs were operating in the country's integrated power system, including

three TPPs that use natural gas as their main fuel. For several days, one of the units at Khmelnytsky NPP was under emergency repair. The vast majority of TPPs and NPPs were providing baseload power. HPPs and PSPPs are the only source of manoeuvrable power. Before the massive attacks on energy facilities on 22 March, up to 20 units of thermal generation equipment were in reserve.

Although Ukrhydroenergo's generation remains limited after the damage to the [Dnipro HPP](#) and the destruction of the Kakhovka Dam, it is still higher (1.3 GW) than forecast (1.1 GW) due to melt and rain floods. Reservoir levels are in line with the decision of the Interagency Commission for the operating mode of the Dnipro Cascade and Dniester HPPs.

Electricity generation at SPPs and WPPs increased to 1.3 GW.

Before 22 March 2024, Ukraine generated about 13.7 GW of electricity every hour; and after 22 March—11.5–13.7 GW, compared to 20 GW generated in the same period in 2021. NPPs accounted for most generation (51%), followed by TPPs (15%), HPPs (12%), CHPPs (11%), and renewables (12%).

No shortage of energy was predicted for the month, even after the damage to infrastructure. There was a surplus on 5 occasions; to balance the system, the load of renewable facilities was limited, and emergency assistance was provided by the Polish operator. It received similar assistance from Ukrenergo on 3 occasions.

Commercial electricity exports were carried out mainly at night to Poland, Slovakia, Romania and Moldova with a maximum capacity of 726 MW (4 March). Electricity was imported from Slovakia, Romania, Poland, and Hungary during peak hours, primarily in the evening, with a maximum capacity of 0.1 – 1.0 GW, and up to 1.5 GW after 22 March. Until 22 March, exports exceeded imports.

Despite the increase in natural gas consumption (+14% compared to March 2023), there was no shortage of gas for heating and cooking. Its production is also up year-on-year (+6%). Daily commercial exports

of gas stored by non-residents in Ukrainian underground storage facilities in the customs warehouse regime amounted to 1.5 mcm (Drozdovychi USF).

Petroleum products of all types and grades are also sufficient to meet the growing demand (primarily diesel and LPG car fuel).

### *Transit*

In the reporting period, Gas Transmission System Operator of Ukraine LLC transited 42–43 mcm of Russian gas per day (38% of volume under the contract with Gazprom). About 88% was sent to Slovakia, and 12% – to Cuciurgan (Moldavian) power station in Transnistria. Transportation was carried out through the Sudzha gas metering station. Additionally, Ukraine ensured the daily transit of 4–6 mcm of gas from Hungary, primarily to Moldova.

Ukrtransnafta transited 30–35 thousand tonnes of Russian oil per day to refineries in Slovakia, the Czech Republic and Hungary (owned by the Hungarian MOL). Transportation was carried out via the southern branch of the Druzhba pipeline.

### *Price situation*

In March 2024, the [price index](#) for base-load electricity (BASE) on the day-ahead market (DAM) was 2,909 UAH/MWh, and at the peak (PEAK) it was 3,113 UAH/MWh (–6.2 and –9.3% compared to February). This change in rates indicates a decrease in consumption and a lower need for manoeuvring generation, at least before March 22.

The [weighted average price](#) on the intraday market (IDM) was UAH 3,063, and on the DAM – UAH 2,661/MWh (–6.8% and –16.4% compared to February, respectively).

Russian attack on the Dnipro HPP eliminated the generation surplus against the limited export opportunities, which could have significantly reduced market prices and incomes of market participants. Also, the issue of postponing the repair campaigns of Ukrainian NPPs and TPPs from July–September to April–May is no longer relevant.

The [weighted average price](#) of April natural gas in Ukraine based on the results of electronic trading on the UEEX in March was UAH 11,127/tcm (€261/tcm; -2.6% compared to February 2024).

In March, the [gas tariffs](#) of Naftogaz Ukraine for non-household consumers amounted to UAH 14,589 (including VAT), and starting from 1 April 2024 – UAH 13,600 (including VAT). The cost of natural gas at the European TTF hub, brought to the Ukrainian border, also reduced (UAH 17,614/tcm, including VAT, on 31 March 2024).

The record [gas reserves](#) in the EU's underground storage facilities (63.5 bcm; +46% to the 5-year average) has allayed all fears about the normal ending to the heating season in Europe. Six EU member states already started replenishing their stock.

In March, Coal (API2) CIF ARA (ARGUS-McCloskey) steam coal [futures](#) quotes ranged from \$107 to 114/t, up 15% compared to February 2024, but still significantly lower than in October 2023, when they peaked at \$139/t on 13 October, and one year ago (\$136/t on 1 April 2023). Coal stocks at ARA terminals amount to 6.0 mln tonnes (+24% compared to the annual average; -12% compared to March 2023).

In March, Brent crude oil [futures](#) quotes increased, ranging from \$82 to 88/bbl (\$87/bbl on 31 March 2024), but had not reached the September peak (\$95/bbl on 24 September 2023). The main reason for these changes was the [expectation](#) of higher demand with lower supply due to voluntary production cuts by OPEC+ member states. The IEA believes that if current trends continue, oil supply in 2024 will reach 102.9 million barrels per day, while demand will increase to 103.4 million barrels. As a result, for futures with near-term delivery dates are again lower than those for longer-dated positions.

As expected, retail prices for petroleum products in Ukraine continued to rise by 3-5% (compared to February), depending on the type, brand and grade. This upward trend is explained the rise in prices for European-produced fuels; the weakening of

the [hryvnia](#) to the US dollar (+2.4% over the month); increased demand, in particular from agricultural producers; and the ongoing blocking of checkpoints on the Ukrainian-Polish border, which has complicated the logistics of road fuel supplies from Poland and Lithuania. As of 31 March 2024, the [indicative prices](#) for Euro5 A-95 petroleum and Euro5 diesel fuel were UAH 57.29 and 54.13 per litre, respectively, while LPG car fuel was UAH 28.14 per litre. If the current trends persist, retail prices for petroleum products will increase by 1-2% in April.

### *Sector's financial situation*

Electricity [payments owed](#) by producers amount to UAH 26.7 billion, and payments owed to universal service providers reach UAH 23.9 billion (+4.4 and +3.9 billion, respectively, compared to February). The debts of district heating companies for gas exceed UAH 100 billion.

[Ukrenergo's debt](#) to renewable generation is UAH 22.9 billion (-3.1 billion compared to February), although the company still [does not agree](#) with the amount. The reduction of this debt is faultily done by transferring hryvnia overdue short-term liabilities to renewable energy generation into foreign currency long-term Ukrenergo's liabilities to international credit institutions.

[Ukrenergo's debt](#) to market participants increased to UAH 19.1 billion (+0.8 billion compared to February).

At the same time, market participants' debts to Ukrenergo reach UAH 20 billion for electricity transmission and UAH 9 billion for dispatching services. These debts emerged as a result of the [suspension](#) of the accrual and collection of penalties under the contracts concluded in line with the Law of Ukraine «On the Electricity Market», as well as due to postponement of repayment of debts of universal service providers following the NEURC inspections.

The [debt to Ukrenergo](#) on the balancing market reached UAH 31.4 billion in March (+0.7 billion compared to February). It can only be reduced by revising the current tariffs in the producer-supplier-protected consumer

chain to ensure the solvency of each of them and reducing the list of **protected consumers** by tightening the criteria for obtaining this status.

The National Security and Defence Council (NSDC) **has instructed** the Cabinet of Ministers to pass decisions on repayment of these debts, but the nature of these decisions is unclear. Most likely, in April, the NSDC will once again instruct the government to «work on approving the procedure for repayment of debts of state and/or municipal enterprises of critical infrastructure, as well as budgetary institutions to the supplier of last resort, the transmission system operator and universal service providers for electricity consumed».

## CHANGES IN THE REGULATORY FRAMEWORK

The Verkhovna Rada of Ukraine:

- ✓ adopted a **draft law** amending the Customs Code of Ukraine concerning customs clearance of biomethane (No. 9456 of 3 July 2023) and submitted it to the President for signature. As a result, this procedure will be carried out in the manner prescribed for natural gas. To export biogas by pipeline, it will be enough to submit a certificate of compliance with the criteria and proof of sustainability.

The Cabinet of Ministers of Ukraine:

- ✓ approved the **Plan** for the implementation of **Ukraine Facility** 2024-2027, which, in particular, identifies three investment priorities in the energy sector for 2024 (protecting and restoring facilities, increasing generating capacity, ensuring the development of renewable energy sources and energy storage systems), as well as five **performance indicators** (approval of the Integrated National Energy and Climate Plan; implementation of REMIT law; ensuring the independence of the NEURC; introduction of a market-based framework for renewable energy; adoption of the Strategy for Thermal Modernisation of Buildings until 2050 and the action plan);
- ✓ **improved** the model for the sale of «green» electricity, in particular in

terms of its simplification and the introduction of contracts for difference instead of a fixed tariff for the winners of auctions for the distribution of renewable energy quotas;

- ✓ **updated** the Procedure for receiving humanitarian aid to meet energy needs. The provisions of certain resolutions on humanitarian aid customs clearance and registration no longer apply to it, and its passage through the customs border is done by presenting a declaration of goods that are humanitarian aid without a relevant decision specially authorised state bodies;
- ✓ **approved** the Procedure for the export of electricity by the Guaranteed Buyer, which establishes requirements for the minimum selling price; the amount of profit from exports; peculiarities of determining the counterparty under the export contract and participation of the Guaranteed Buyer in auctions for the distribution of access to interstate crossing capacities;
- ✓ **exempted** the Guaranteed Buyer from performing special obligations on the market when exporting electricity.

The NEURC:

- ✓ **updated** the Methodology for determining significant price fluctuations and setting price caps in the day-ahead market, intraday market and balancing market. From now on, information on fluctuations must be provided by either the market operator or the settlement administrator and relate only to those market segments where price fluctuations are recorded.

1 April 2024 is the **deadline** for registration of **wholesale energy market participants**. They now have to provide the NEURC with information on their ultimate beneficiaries by 1 August 2024.

The Kyiv District Administrative Court **ordered** the State Service of Geology and Mineral Resources to consider the application of private oil and gas production company Ukrnaftoburinnnya for a special permit for gas production at the Sakhalin field, which has not been operating since December 2023 due to the cancellation of the special permit.

## PROJECTS AND INTENTIONS

The Ministry of Energy **urged** the authorities, businesses and individuals not to disclose detailed information on the consequences of the strikes; not to name specific targets, including with reference to the location; not to specify the number and location of hits; not to provide information in exact figures and indicators.

The NEURC published:

- ✓ a **proposal** to set the price cap on the balancing market at UAH 8,250/MWh (110% of the price cap on the DAM). Consideration of this resolution scheduled on 27 March 2024 was postponed due to shelling;
- ✓ a **proposal** to set \$925 per 1 kW as the price cap for the purchase of services to ensure the development of generating capacity;
- ✓ draft **Gas Transmission System Development Plan** for 2024-2033;
- ✓ draft **amendments** to the Transmission System Development Plan for 2024-2033;
- ✓ **drafts** of updated reporting forms 1-NKREKP-Electricity Transmission (quarterly) «Report on Financial Results and Implementation of the Tariff Structure by Type of Activity» and 1-NKREKP-Revenue (quarterly) «Report on the Amount of Net Revenue», as well as instructions for their completion;
- ✓ draft **amendments** to the Procedure for the development and approval of distribution system development plans and investment programmes of distribution system operators (concerning their detail and better justification of the proposed measures);
- ✓ draft **amendments** to the Rules of the retail electricity market on regulating consumer activities in an aggregated group; ensuring the functioning of the common property of an apartment building; restructuring consumer debts to the supplier of last resort for a period exceeding 90 days; preventing the use of electricity by household consumers for non-household needs;

- ✓ draft **amendments** to the Methodology for the formation, calculation and setting of tariffs for electricity and (or) heat energy generated at thermal power plants, combined heat and power plants and cogeneration plants (in terms of consideration of prices of domestic and imported coal used at these facilities).

The Ministry of Finance **announced** that the government has approved a draft law on the gradual adjustment of excise tax rates in 2024-2028, in particular on fuel, to the levels set by **Directive 2003/96/EC** (Annex XXVIII, Article 353 of the EU-Ukraine Association Agreement) (for unleaded petrol, diesel fuel and liquefied petroleum gas - EUR 359 and 330 per 1,000 litres and EUR 125 per 1,000 kg). It is planned to set the rates for these petroleum products at EUR 242.60, EUR 177.60 and EUR 55.60 per 1,000 litres, respectively, starting from the second half of 2024 (+13.6, +27.3 and +6.9% compared to the current rates). Such an increase could lead to an increase in retail fuel prices by at least UAH 1.5-2.0 per litre.

The status of the **draft resolution** to restore the ban on the circulation of petroleum products that do not meet Euro 5 environmental standards, **allowed** from 17 March 2022« to supply the Armed Forces and other military formations», remains unknown. The relevant decision seems to have been **made**, but there is no confirmation of this yet.

## INTERNATIONAL COOPERATION

The **Additional Agreement** No. 1 (in the form of an exchange of letters) between the Government of Ukraine and the European Commission, acting on behalf of the European Union, to the Financing Agreement for the EU Support for Recovery and Reforms provides for an increase in the programme budget to EUR 374 million, with part of it being allocated to the restoration of energy infrastructure.

The **Agreement** on Security Cooperation between Ukraine and the Netherlands provides for enhanced cooperation to support the resilience of critical energy infrastructure and security of energy supply, as well as Ukraine's green energy transition.

The **Agreement** with the USAID Energy Security Project provides for the adaptation of the basic version of the IT solution for Ukrainian

electronic register of guarantees of origin of electricity developed for the Energy Community members by the Finnish company Grexel.

The IAEA Board of Governors approved the [resolution](#) «Nuclear safety, security and safeguards in Ukraine», in which it called for the fifth time on the Russian side to return Zaporizhzhia NPP to the full control of the competent authorities of Ukraine.

## **GENERAL CONCLUSIONS AND RECOMMENDATIONS**

The Cabinet of Ministers of Ukraine, the Ministry of Energy, and other central executive bodies' focus on preparing economically unjustified programme and forecast documents based on pre-war ideas about the needs, priorities, and capabilities of the Ukrainian state causes concern. At the same time, the urgent tasks set out in the NSDC decision «On additional measures to strengthen the resilience of the energy system and prepare the national economy for the autumn-winter period of 2023/24» are not being implemented.

The development of mechanisms to repay mutual debts of enterprises of critical infrastructure, budgetary institutions, participants in the electricity and natural gas markets, and to establish economically justified prices and tariffs, is consistently delayed, limiting the ability of business entities to carry out scheduled repairs and restore damaged facilities.

Furthermore, working group meetings do not result in the adoption of agreed decisions, while proposals from stakeholders are being ignored. The Ministry of Energy and other authorities are concealing information and avoiding public discussion using

security concerns, to hide existing problems from consumers.

This policy threatens not only to disrupt the 2024/25 heating season, but also to undermine the stability of energy networks and systems.

The consequences of Russian attacks on energy infrastructure have shown that its facilities are not sufficiently protected, while the capacity to distribute electricity is limited.

In view of this, it is recommended to increase funding for the critical infrastructure protection programme and prioritise second- and third-level protection for the most vulnerable facilities in Kharkiv, Dnipropetrovsk, Odesa, Kherson, and Zaporizhzhia oblasts. It is also advisable to increase the number of involved in the defence of energy infrastructure complex automated systems for searching, identifying and engaging air targets.

It seems wrong to focus resources on rebuilding large generation and distribution facilities, whose normal functioning and proper protection can hardly be ensured before and during the next heating season. Instead, it is advisable to create regulatory and legal prerequisites for the resumption of operation of low-capacity TPPs CHPPs, primarily in the eastern and central regions, small hydropower plants in the western regions, gas piston and gas turbine units at CHPs, thus forming the necessary power reserve. Also, it seems expedient to build cogeneration plants and small generation facilities with guaranteed capacity in the attacked regions during the off-season and integrate them into small distribution systems using local fuel and energy sources.

# VI.

## ECONOMIC AND SOCIAL CHALLENGES

Ukraine is facing a worsening demographic crisis, with its population rapidly declining. The ongoing military aggression has exacerbated the already worrying trends of increasing mortality, migration and falling birth rates.

The country's birth rate was already the lowest in Europe even before the invasion in February 2022, and it is predicted to become the lowest in the world. Over the past decade, Ukraine has seen a 40% decline in its birth rate. In 2023, the fertility rate, which stood at 1.2 in 2020, has dropped to one, by 11% compared to 2022 and by 33% compared to 2021.

NUMBER OF BIRTH RECORDS		
	Number of birth records of children	Including the number of mothers' firstborn children
2020	297.293	118.363
2021	272.555	24.989
2022	205.208	39.891
2023	184.985	13.368
1-31 January	12.801	395
<b>Total</b>	<b>972.842</b>	<b>197.006</b>

This sharp decline may be attributed to the fact that the statistics for 2022-2024 did not include children born to Ukrainian refugees abroad after the onset of Russia's full-scale Russian invasion.

War usually leads to a decrease in fertility rates due to uncertainty, and this results in a decline in the percentage of population under 18, from 25% in 1993 to current 12-15%. This means that as they enter their reproductive years, even fewer children will be born in the next generation.

One major factor contributing to this decline is the low level of maternity benefits. The current state aid for the birth or adoption of a child is set at UAH 41,280, regardless of the number of children born. This amount has not been revised since 1 July 2014, and has almost halved in US dollar terms since then.

In order to increase state support for families with children and improve the socio-demographic situation in Ukraine, a draft law was registered in the Verkhovna Rada on 11 March 2024 proposing to increase the amount of childbirth assistance to UAH 384,500. The authors of the draft law suggest linking the childbirth allowance to the subsistence minimum for children under 6, established on the child's birthday. The Cabinet of Ministers will need to consider the associated costs to increase the state aid for the birth (adoption) of a child when finalising the draft laws on the State Budget of Ukraine for 2024 and for subsequent years.

The National Bank of Ukraine reports that the volume of remittances to Ukraine, which used to be one of the main sources of foreign currency inflows, has been declining for the second year in a row. At the end of 2023, \$11.6 billion was sent to Ukraine. The NBU reports show a systematic decline in remittances from individuals since 2022: in 2023, their volume decreased by 7.8%, and in 2022 – by 10.5%.

In absolute terms, the dynamics are as follows:

- ✓ 2021 – \$14 billion;
- ✓ 2022 – \$12.5 billion;
- ✓ 2023 – \$11.6 billion.

There are several reasons for the decline in cash inflows from abroad:

1. Non-return of labour migrants who were abroad until 24 February 2024 and who are gradually bringing their families to them and, accordingly, no longer sending money to Ukraine;

2. Dwindling activity of the IT sector and reducing salaries to programmers from abroad;

3. Rising prices for goods and services in Europe, which reduce the cash balances of labour migrants and remittances home.

Experts predict a further decline in remittances to Ukraine, which is confirmed by the latest NBU figures – only \$898 million in

January 2024, which is far below the previous indicators:

- ✓ January 2024 – \$898 million;
- ✓ January 2023 – \$947 million;
- ✓ January 2022 – \$1.1 billion.

Preliminary estimates suggest that in 2024, Ukraine may receive only about \$10.5–10.8 billion.

Instead, much more money «leaks» out of Ukraine through Ukrainians' spending abroad. The constant outflow of household funds from Ukraine in the travel category amounted to \$20 billion in 2022 and \$18 billion in 2023. Every day Ukrainians spend \$35 million abroad using bank cards.

**This increases the urgency of finding additional sources of revenue to Ukraine.**

Since the beginning of 2024, Ukraine has been facing issues with its social payments due to delays and uncertainty in receiving international financial assistance. In January and February, the country received minimal funds from international partners, the lowest amount since the onset of the war, whereas the assistance from international partners in 2023 was rhythmic and predictable, removing any problems with budget payments. As a result, the government had to reduce spending, with budget expenditures being cut by nearly 13% compared to the previous year. In the first two months of 2024, the government spent one billion hryvnias less on social payments. To achieve these cuts, a certain percentage of planned expenses was frozen, but essential defence and social protection expenditures were fully financed. Despite the financial constraints, the Ukrainian government allocated UAH 42.5 for pensions since the start of the year, including UAH 21.5 billion in February. Additionally, UAH 17.09 billion, including UAH 8.6 billion in February, was allocated for supporting citizens in difficult life circumstances, and UAH 9.4 billion, including

UAH 4.8 billion in February, was set aside for providing benefits and housing subsidies to citizens.

Ukraine is currently able to finance social payments thanks to a record budgetary March allocation of over \$9 billion from its allies. However, some members of the parliamentary mono-majority are calling for a revision of the social assistance system, citing the lack of funds amidst the war and suggesting the reduction of the scope of social services by the state.

Although reducing social guarantees directly contradicts the Constitution of Ukraine, these legislators argue that the social orientation of the state, as enshrined in the Constitution, is a purely Soviet inheritance and should be dismantled.

Although no specific draft laws on these initiatives have been proposed yet, if this policy is implemented, Ukraine's social protection system would become the worst in Europe. Interestingly, studies show that Ukrainians living abroad are earning more than before the conflict, and Ukrainian refugees are gradually integrating into foreign labour markets.

**In this context, it should be borne in mind that reducing the state's social obligations will not only raise discontent in citizens and discourage the Ukrainian forced migrants to return home – this position openly contradicts Ukraine's constitutionally enshrined course towards European integration.**

**Failure of the state to fulfil its social obligations, even in relation to a particular category, violates the principles of a social, rule-of-law state, puts citizens in unequal conditions, and undermines individual trust in the state. Having received the status of the EU membership candidate, Ukraine has assumed the relevant obligations in the social sphere and must comply with the European social standards.**

# VII.

## CITIZENS' OPINIONS ABOUT CURRENT ISSUES<sup>1</sup>

WHAT IS YOUR ATTITUDE TO THE FOLLOWING FOREIGN STATES? % of respondents						
	Totally positive	Mostly positive	Mostly negative	Totally negative	Hard to say	Balance*
Lithuania	51.5	39.7	3.4	2.0	3.5	85.8
Latvia	50.7	39.8	3.6	2.1	3.8	84.8
United Kingdom	55.4	34.3	3.8	2.1	4.5	83.8
Estonia	46.1	42.6	3.2	3.1	4.9	82.4
Germany	39.6	49.6	5.1	1.7	4.1	82.4
Canada	49.7	38.7	4.4	1.9	5.3	82.1
Czech Republic	31.2	54.6	4.4	2.1	7.7	79.3
France	33.6	52.8	6.6	1.3	5.7	78.5
United States	44.8	42.0	6.2	2.4	4.6	78.2
The Netherlands	37.1	46.0	3.9	2.3	10.8	76.9
Poland	42.6	43.0	7.9	2.7	3.8	75.0
Moldova	28.7	52.0	8.0	2.5	8.8	70.2
Japan	29.0	44.7	8.0	3.7	14.5	62.0
Georgia	21.0	50.7	11.9	3.0	13.4	56.8
Israel	16.9	47.7	15.3	5.0	15.1	44.3
Azerbaijan	15.7	45.1	11.6	5.0	22.7	44.2
Romania	14.6	49.0	15.9	7.7	12.9	40.0
Armenia	13.4	44.1	19.0	5.7	17.8	32.8
Slovakia	13.6	42.6	21.2	9.3	13.3	25.7
Turkey	11.9	43.6	25.7	5.3	13.6	24.5
India	8.5	28.5	28.2	11.8	23.0	-3.0
Hungary	8.2	22.5	25.0	34.3	10.0	-28.6
China	4.5	13.8	31.9	40.6	9.1	-54.2
Iran	2.0	7.3	19.7	61.9	9.1	-72.3
Belarus	1.4	6.5	21.8	65.6	4.6	-79.5
Russia	0.8	1.9	8.0	87.3	2.1	-92.6

\* Difference between the shares of those with a positive and negative attitude.

<sup>1</sup> Results of a sociological survey conducted by the Razumkov Centre's sociological service on 19-25 January 2024 as part of the Pact's ENGAGE (Enhance Non-Governmental Actions and Grassroots Engagement) programme in Ukraine funded by the United States Agency for International Development (USAID). The contents of the survey are the sole responsibility of Pact and its partners and do not necessarily reflect the views of USAID or the United States Government.

The face-to-face survey was conducted in Vinnytsia, Volyn, Dnipropetrovsk, Zhytomyr, Zakarpattia, Zaporizhzhia, 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 Zaporizhzhia, 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 2022 (by age, gender, type of settlement).

A total of 2,000 respondents aged 18+ were interviewed. The theoretical sampling error does not exceed 2.3%. Additional systematic sampling deviations may be caused by the consequences of Russian aggression, in particular, the forced evacuation of millions of citizens.

### WHAT IS YOUR ATTITUDE TO SOME INTERNATIONAL ORGANISATIONS AND ASSOCIATIONS OF STATES?

% of respondents

	Totally positive	Mostly positive	Mostly negative	Totally negative	Hard to say	Balance*
European Union	44.0	42.6	4.9	2.0	6.4	79.7
NATO	37.3	39.3	10.0	4.4	8.9	62.2
Council of Europe	21.8	45.5	11.1	4.1	17.5	52.1
International Monetary Fund (IMF)	19.9	41.9	16.8	5.5	15.8	39.5
United Nations (UN)	13.6	43.0	20.5	9.1	13.8	27.0
International Committee of the Red Cross	18.6	35.3	21.3	11.6	13.1	21.0
OSCE	11.0	37.5	20.6	10.1	20.8	17.8
IAEA	11.0	34.5	19.6	8.8	26.2	17.1
CIS	4.3	13.0	17.3	47.5	18.0	-47.5

\* Difference between the shares of those with a positive and negative attitude.

### WHAT IS YOUR ATTITUDE TO THE FOLLOWING FOREIGN POLITICIANS?

% of respondents

	Totally positive	Mostly positive	Mostly negative	Totally negative	I don't know / Never heard of him (her)	Hard to say	Balance*
Joe Biden	30.7	47.6	8.5	3.9	0.6	8.6	65.9
Andrzej Duda	27.7	48.5	8.7	3.6	4.2	7.3	63.9
Rishi Sunak	24.3	31.8	5.0	4.0	25.0	10.0	47.1
Ursula von der Leyen	21.6	38.0	9.3	4.3	15.4	11.4	46.0
Emmanuel Macron	15.5	46.2	16.1	5.0	5.6	11.6	40.6
Justin Trudeau	19.1	31.1	6.6	4.2	25.2	13.7	39.4
Donald Tusk	14.8	32.3	6.8	4.6	26.1	15.3	35.7
Maia Sandu	12.5	36.2	7.7	5.7	26.2	11.7	35.3
Olaf Scholz	14.5	40.9	13.5	6.6	10.0	14.6	35.3
Giorgia Meloni	11.1	27.8	5.7	4.0	38.9	12.4	29.2
Recep Tayyip Erdogan	5.8	32.3	31.0	10.6	5.3	15.0	-3.5
Robert Fico	2.3	11.6	13.9	15.6	45.2	11.5	-15.6
Xi Jinping	1.4	8.2	21.7	42.6	15.0	11.1	-54.7
Viktor Orban	1.9	8.7	17.6	51.8	11.8	8.2	-58.8
Aliaksandr Lukashenka	0.7	3.0	12.1	80.2	0.7	3.4	-88.6
Vladimir Putin	0.5	1.3	5.7	90.4	0.6	1.5	-94.3

\* Difference between the shares of those with a positive and negative attitude.

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