

UKRAINE: FROM WAR TO PEACE AND RECOVERY

Analytical Assessments
January 2026



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I.

NATIONAL SECURITY AND DEFENCE: KEY DEVELOPMENTS, PROCESSES, TRENDS

The main developments reported in international media in January 2026 were the first meeting since the start of the war between the Ukrainian, US and Russian delegations, as well as the energy collapse in Ukrainian cities caused by Russian strikes. Reports from the theatre of war had become almost routine, given the largely tactical scale of changes along the contact line, despite the still considerable intensity of hostilities.

US President Donald Trump continued to shock the world with his decisions and statements throughout January 2026 (Venezuela, Greenland, Iran), diverting international attention away from the Russia-Ukraine war and exerting an ambiguous impact on its course and prospects for resolution.

COMBAT ACTION

Throughout January, the intensity of hostilities remained high, despite a certain decline in overall and average daily indicators compared with the previous months. According to the General Staff of the Armed Forces of Ukraine, 5,316 combat engagements were recorded along the front line during the month (171 per day on average), which is 4% fewer than in December and almost 15% fewer than in November 2025. The pace of Russian occupation slowed by nearly half compared with previous months (245 km², compared with 445 km² in December and 505 km² in November).

It is too early to draw conclusions either about the sustainability of this trend or about the key factors shaping it, although the Kremlin's political objectives clearly push the Russian military command not only to maintain high combat activity at any cost, but also to report «great victories» ahead of time. A recent example of such falsifications is the story of the alleged «capture» of Kupiansk, which Russian generals reported to Putin back in November, but had failed even to approach by

the end of January. Paradoxically, this practice of reporting advances «on credit» can provide some value, as it helps identify the sectors of the front that the enemy is likely to prioritise in order to avoid responsibility for false reports along the entire military-political chain of command.

At the same time, the results of January 2026 confirm the persistence of several trends observed throughout the past year that have shaped the current nature of the war of attrition. Hostilities remain largely positional, producing only tactical outcomes while effectively excluding the possibility of a decisive military victory. Temporary advantages and additional difficulties caused by winter affect the tactics of both sides but do not alter the overall strategic situation in the theatre of war.

Against the backdrop of a de facto stalemate in the land theatre and a series of reputational setbacks for the Kremlin on the international stage (such as the loss of Venezuela as an ally or the inability to protect tankers sailing under the Russian flag), Russia has stepped up missile and drone attacks on Ukraine's critical infrastructure as part of its campaign of terror against civilian population. The primary goal of these acts is to undermine Ukraine's material and psychological capacity to continue resisting. During January, Russian forces carried out four massive attacks on 9, 13, 20 and 24 January. In total, Russia launched 148 missiles during the month, of which 69 (46%) were intercepted, as well as 4,438 drones, with 3,716 (83%) intercepted. January saw a record number of ballistic missiles used (91) – the most dangerous means of attack. These can only be countered by the Patriot and SAMP/T air defence systems, which remain insufficient even to protect the capital and other large cities. On 9 January, Russia used the Oreshnik hypersonic ballistic missile for the second time during the war.

Ukrainian long-range strikes aimed at undermining Russia's military-technical and

economic capabilities to wage war are quite painful for the Russian oil and gas sector and the military-industrial complex. However, they remain insufficient to produce an effect comparable to the functional neutralisation of the Russian Black Sea Fleet.

PEACE PROCESS

The diplomatic efforts by the United States administration, European leaders and official Kyiv resulted in largely aligned positions on a possible format for ending hostilities. At the end of December 2025, an updated draft peace plan had been submitted to the Russian side. Predictably, it could not be accepted by the Kremlin, given Putin's lack of interest in ending the war. A «telling» Russian response to these peace proposals – addressed primarily to Kyiv and European capitals – was the strike with the [Oreshnik missile against Lviv oblast](#) on 9 January, allegedly in retaliation for a [fabricated claim](#) about a Ukrainian attempt to attack one of [Putin's](#) residences. Both the accusations against Ukraine and the retaliatory strike pursued the same objective: to derail or delay the negotiation process, shift responsibility onto Kyiv, and avoid provoking Trump's anger.

Despite the Kremlin's clearly destructive position, the first round of negotiations between Ukraine, the United States and Russia since the start of the full-scale invasion took place in Abu Dhabi on 23–24 January. The first meeting apparently did not produce any concrete results. It was reported that one possible understanding concerned of a so-called «energy ceasefire», which Trump later described as a goodwill gesture by Putin in response to his request. However, Russian air strikes on critical infrastructure did not stop for a single day, and less than a week later, Russia launched one of the [most devastating attacks](#) on Ukraine's energy sector, leaving thousands of homes without heating during the coldest days of winter.

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

President Zelenskyy carried out what was arguably the most extensive reshuffle in the security sector since the start of the full-scale war.

On 14 January 2026, the Verkhovna Rada unanimously (277 votes for) supported the appointment of Mykhailo Fedorov as Minister of Defence. Previously serving as Minister of Digital Transformation, he used the appointment procedure in parliament to [summarise key achievements](#) in the defence sphere during his previous tenure and presented a fairly substantive programme of future activities. In outlining his [priorities](#), he promised, among other things, to address the «problems accumulated over the years (in territorial recruitment centres, TRCs) while preserving the country's defence capability». The appointment of Mr Fedorov appears to reflect the President's choice of one of the strongest candidates to replace Denys Shmyhal, although there had been no major complaints about his performance as head of the defence ministry.

The head of the Main Directorate of Intelligence (GUR), Kyrylo Budanov, was appointed Head of the Office of the President. Oleksandr Ivashchenko, who had headed the Foreign Intelligence Service and previously served as deputy head of the GUR, was appointed to replace Budanov. Reports about possible dismissal of Vasyl Maliuk from his position as head of the Security Service of Ukraine (SBU) – unexpected for the broader public – triggered a [negative reaction](#) within the security community but ultimately did not prevent the President from confirming his decision.

FOREIGN EVENTS (EXTERNAL FACTORS)

On 6 January, the [Summit of the Coalition of the Willing](#) was held in Paris, concluding with the adoption of a communiqué in support of Ukraine. The published [statement](#) emphasised, in particular, that «Ukraine's ability to defend itself is critically important for ensuring the future of Ukraine's and Euro-Atlantic collective security», and that «ensuring the **sovereignty and lasting security of Ukraine shall be an integral part of a peace agreement**». Participants in the Coalition declared their readiness «to commit to a system of politically and legally binding guarantees that will be activated once a ceasefire enters into force» and agreed to establish a United States-Ukraine-Coalition coordination cell at the Coalition Operational Headquarters in Paris. The original communiqué also envisaged

active United States involvement as a key element of the future system of security guarantees, but representatives of the Trump administration [did not sign](#) the statement, and provisions concerning US support for Coalition forces were removed from the earlier draft.

According to the [Financial Times](#), over the course of the year following the radical shift in United States policy on support for Ukraine, European countries managed to significantly mitigate the negative consequences of the Trump administration's decisions. In particular, France currently provides roughly two-thirds of the intelligence previously supplied to Ukraine exclusively through US resources.

On 23 January, the Pentagon published the [National Defence Strategy](#), which formalises a shift in priorities, including a stronger focus on domestic security and reduced support for allies in Europe and other regions. Against the backdrop of the Trump administration's challenges to the sovereignty of Canada and Denmark ([Greenland](#)), as well as announcements about [reducing the United States military presence](#) in Europe and its representation in NATO structures, the updated strategy has heightened concerns among the Alliance members about the reliability of the United States as a key ally and, consequently, about the [future of NATO itself](#).

On 3 January, the United States carried out Operation «Absolute Resolve», which led to the capture of Venezuelan President Nicolás Maduro. From a military standpoint, this rapid operation was impressive, although its legality under international law has been widely questioned. US actions in Venezuela drew [mixed reactions](#) from leaders of major states, ranging from restrained support (British Prime Minister Keir Starmer) to condemnation of the intervention (Spanish Prime Minister Pedro Sánchez).

RUSSIA

The US [operation in Venezuela](#) and a series of seizures of [sanctioned tankers](#) delivered a serious blow to Russia's ambitions as a global military power. Venezuela's inability to demonstrate military resistance to the United States actions also raised questions about the «effectiveness» of Russian weapons and

the military-technical assistance that Moscow had provided to the regime in Caracas for many years.

The Russian Z-community, despite censorship and self-censorship, commented with undisguised envy on the «American SVO», portraying it as the kind of operation they had imagined in February 2022. The violation of sovereignty and the forcible change of regime have been interpreted by Russian military bloggers as Washington's signal to Moscow about a new «normal» in international relations.

On 11 January 2026, [1,418 days had passed since the start of Russia's full-scale invasion](#), or the so-called SVO. This is the same number of days that the «Great Patriotic War» (1941–1945) lasted, a historical parallel frequently invoked by Russian propaganda to legitimise its aggression against Ukraine. The manipulation of such historical parallels appears to have backfired on Putin's propaganda: despite official media ignoring this symbolic milestone, even some of the most active pro-Kremlin propagandists began openly asking questions such as: [«After four years Stalin was already in Berlin. And where are we?»](#)

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

✓ The first meeting of the Ukraine–United States–Russia delegations since the start of the war marked a new stage in international efforts to achieve a diplomatic settlement of the Russian–Ukrainian conflict, but produced no tangible results and once again demonstrated the Kremlin's determination to continue the war.

✓ Despite controversial statements by US President Donald Trump and radical moves on the international stage, the Russia–Ukraine war remains firmly on the international agenda.

✓ The Kremlin's determination to block the peace process – while avoiding pressure from the Trump administration – and to prolong the war remains unchanged, despite questionable gains and disproportionately heavy losses after nearly four years of full-scale hostilities.

II. FOREIGN POLICY

During January 2026, a number of high-profile developments and actions contributed to growing geopolitical instability and the intensification of both global and local conflicts and threats. Against the backdrop of uncertainty surrounding the prospects for a peace negotiation process, the escalation of Russian aggression continues. Its character increasingly resembles genocide and, under extreme winter conditions, poses the risk of a large-scale humanitarian catastrophe in the centre of Europe. At the same time, the US foreign policy, accompanied by the use of force, economic sanctions and political pressure, has added further turbulence to the international arena, undermining the foundations of international relations and, more broadly, the global political and legal order. This situation was characterised by Canadian Prime Minister Mark Carney in his address at the World Economic Forum in Davos on 20 January 2026. In his words, the world is experiencing «a rupture in the world order», where «great-power geopolitics is submitted to no limits».

INTERNATIONAL PROCESSES AND EVENTS

Negotiations on ending the war in Ukraine. The next stage of peace talks in January 2026 featured active contacts in various formats. In particular, the Ukrainian delegation held consultations in the United States on 17 January to coordinate a package of documents within the framework of the peace plan. On 22 January, the Presidents of Ukraine and the United States **met** on the sidelines of the Davos Forum, followed later that month by negotiations between delegations of Ukraine, the United States and Russia in Abu Dhabi. The American side also held several meetings with representatives of the aggressor state. Overall, the January talks differed in several respects from earlier stages of the negotiation process.

First, the format shifted from US «shuttle diplomacy» to direct negotiations in trilateral and bilateral formats.

Second, a package of security guarantees and a ten-year **recovery plan** for Ukraine

was agreed with the United States. The plan envisages \$800 billion in investment and an accelerated path to EU membership.

Third, the composition of the delegations changed. In particular, Russia was represented by high-ranking military officials. Members of the US President's team also played an active role.

However, US moderation of the process has generally been contradictory and one-sided, characterised by demands for concessions from Ukraine and unfounded accusations of Kyiv's unwillingness to end the war. In practice, such a position has been perceived by the aggressor as a *carte blanche* to continue the war of attrition. More broadly, the negotiations reflect an ongoing struggle between Ukraine and its European allies on the one hand, and Russia on the other, to influence the position of the US President.

At the same time, the consolidated support for Ukraine from its European allies has been an important factor in the negotiations. In early January, the Coalition of the Willing adopted the **Paris Declaration** «Robust Security Guarantees for a Solid and Lasting Peace in Ukraine», outlining a set of commitments by European partners to ensure peace. In parallel, the leaders of Ukraine, France and the United Kingdom signed a **declaration** of intent to deploy troops in Ukraine in the event of a peace agreement.

The January talks represent another stage in a prolonged negotiation process that has yet to produce a cessation of hostilities. They also highlight the uncertainty surrounding prospects for a peaceful settlement. Due to Russia's ultimatum-based position, key issues remain unresolved, including territorial questions (Donbas) and control over the Zaporizhzhia Nuclear Power Plant. At the same time, Russia intensified its genocidal war against Ukraine's civilian population during the negotiations. Regular and deliberate attacks on the energy system, critical infrastructure and residential areas during the winter have caused a severe humanitarian situation. In January alone, the aggressor **launched** more than 6,000 attack drones,

around 5,500 guided aerial bombs and 158 missiles of various types against Ukraine. The so-called «energy ceasefire» proved to be a fiction and instead confirmed Russia's intention to continue the war. The massive strike on Ukraine's energy networks on 3 February became another cynical demonstration of the aggressor's disregard for the peace process.

The US factor in global affairs. In January, Washington's aggressive rhetoric on defending and advancing American interests globally intensified. In one [interview](#), Donald Trump stated that international law would not prevent him from using military force against other countries. The United States used coercive measures and exerted strong political and economic pressure across several foreign policy fronts. It carried out the forceful seizure of the President of Venezuela and issued a tough ultimatum to Iran. Cuba was declared a «threat to US national security», and sanctions were imposed blocking oil supplies to the country. Trump also [threatened](#) Canada, proposing a 50% tariff on Canadian-made aircraft and suspending their certification in the United States. Washington also instigated a large-scale «Greenland conflict» (see below).

In January, the United States published its 2026 [National Defence Strategy](#). The document (as in the new National Security Strategy of December 2025) emphasises the transformation of US geopolitical priorities. In particular, the main objectives include securing US borders and countering migration-related threats, as well as restoring US military dominance in the Western Hemisphere. The approach towards China and Russia appears more restrained, with the latter assessed as a «persistent but manageable» threat. The Strategy also reflects a certain distancing from the war in Ukraine. In particular, the document states that this is Europe's responsibility and emphasises that «our NATO allies are well-positioned to assume primary responsibility for the conventional defence of Europe, with critical but more limited support from the United States». In this context, according to [unofficial sources](#), the Pentagon plans to reduce US participation in 30 NATO structural units, including those responsible for oversight, planning and intelligence.

When assessing US foreign policy, internal factors must also be taken into account.

First, American public opinion is critical of the country's leadership in global affairs. In particular, 47% of respondents [disapprove](#) of Trump's intention to take control of Greenland, while only 17% support it. 49% of citizens [do not support](#) Trump's position on the Ukraine war, while 30% of respondents approve. The overall approval [rating](#) of the US President has shown a downward trend and in January 2026 fell to 38%.

Second, against the backdrop of the authorities' triumphant reports about successes in combating illegal migration, cases of killings by agents of Immigration and Customs Enforcement (ICE) caused a wide public outcry. These incidents triggered mass protests in many states and provoked a sharp conflict in the Senate between Democrats and Republicans. In general, public protests against ICE's aggressive actions pose risks for the Trump administration, including in view of this year's midterm elections to Congress. Additional tension was caused by the release by the US Department of Justice of another set of documents related to the Jeffrey Epstein case. The social situation in the country was further complicated by the [winter storm Fern](#), which led to a state of emergency being declared in 18 states.

Global destabilisation, rising conflict and militarisation. The January developments pointed to growing geopolitical turbulence, the transformation of the system of international relations and institutions, and the escalation of rivalry among major global actors.

First. As noted, evidence of the emerging force-based, American-centric policy on the global stage was the operation to capture and transfer Venezuelan President Nicolás Maduro to the US, whom Washington accuses of «narco-terrorism». [International reactions](#) to this step were mixed, and its domestic political consequences for Venezuela remain difficult to predict.

Meanwhile, a major conflict unfolded over US intentions to annex Greenland. These plans appeared as a dangerous attempt at territorial expansion in violation of international norms and had a destructive effect on the unity and solidarity of the Euro-Atlantic community, and, more broadly, the so-called collective West. The «Greenland conflict» brought relations

between Washington and Brussels to the brink of [economic war](#) and weakened trust and partnership between the US and the EU.

US threats and pressure, on the one hand, triggered a wave of protest in Europe and a rise in anti-American sentiment. According to several opinion surveys, negative attitudes towards Donald Trump's policies now prevail in a number of EU countries. On the other hand, tendencies within the European political establishment towards reducing military and economic dependence on the United States and ensuring Europe's defence autonomy have become noticeably more pronounced. In this context, it is worth noting that in January 2026, in response to US tariff pressure and aggressive protectionism, the European Union concluded two major trade agreements – with the South American bloc MERCOSUR and with India.

The compromise solution on Greenland adopted on 21 January in Davos during a meeting between the US President and the NATO Secretary General – in the form of a framework agreement on Arctic security – appears rather a temporary arrangement with uncertain prospects. While the confrontation temporarily pushing the war in Ukraine down on the global agenda, it is also forcing European countries to direct financial and military resources towards the Arctic, which may affect the scale of support for Ukraine.

Second. A dangerous trend is emerging in the erosion of the traditional system of international organisations. Previous monitoring reports described how throughout 2025 Washington limited its participation in international institutions and reduced their funding. In January 2026, the United States officially withdrew from the World Health Organisation (without paying an outstanding contribution of approximately \$260 million) and terminated its participation in the Paris Climate Agreement. At the same time, Trump signed an [executive order](#) on the US withdrawal from 66 international organisations, including 31 operating under the auspices of the United Nations. In parallel, the US Department of State [initiated](#) the termination of funding for organisations in various countries working on gender issues, diversity, equality and related topics.

On 22 January, on the margins of the Davos summit, a new international organisation – the

«[Board of Peace](#)» – was created at Trump's initiative. As of the end of January, about twenty countries from the Middle East, South America, Eastern Europe and Asia had joined the Board out of 60 invited states. However, major global actors (China and India), as well as leading European states (France, Germany, the UK and Italy) and the Nordic countries refrained from joining the Board.

According to its [charter](#), authority within the organisation is concentrated in the hands of its chairman – Donald Trump – and his associates. The Board of Peace, established on the basis of a UN Security Council resolution adopted in November 2025 to resolve the situation in the Gaza Strip, envisages peacekeeping activities in various regions of the world. According to [observers](#), the Board duplicates the functions of the UN and effectively represents an alternative to it. More broadly, this initiative disintegrates the system of international organisations, primarily the UN, which is currently experiencing a systemic crisis. On 28 January, UN Secretary-General António Guterres warned in a [letter](#) to member state ambassadors of the organisation's «imminent financial collapse» due to unpaid contributions, including from the United States, which provides 22% of the UN budget.

Thus, the Trump team's consistent challenge to traditional global multilateralism (the organisation of multilateral and equal international relations) is accompanied by attempts to establish an alternative international institution subordinated to the United States. There are grounds to expect that Washington will soon launch an active campaign to pressure countries that depend on the US to join the Board. The European Union's reluctance to join this organisation is likely to further increase tensions and difficulties in relations between Washington and Brussels.

Third. Throughout January, there were signs of intensifying economic and military tension between countries in various parts of the world. Against the backdrop of the «Greenland conflict» mentioned above, tensions increased in US relations with Canada and along the European track. Meanwhile, Russia's hybrid intervention in Europe continued. Numerous cases of unidentified UAVs violating the airspace of several EU countries were recorded. Another incident involving damage to communication networks occurred in the Baltic Sea, while hybrid and physical [attacks](#)

targeted energy facilities and critical infrastructure in EU countries, including Poland and Germany. In several European states, individuals suspected of espionage on behalf of Russia were detained.

The situation in the Middle East also remains difficult. A Saudi Arabia-led coalition carried out air strikes against separatist groups in south-eastern Yemen. Israeli Air Force attacked Hezbollah militants in Lebanon. Aircraft of the Western coalition attacked ISIS positions in Syria. Tensions around Iran escalated amid the deterioration of relations between Washington and Tehran and the harsh suppression of mass public protests by the Iranian authorities. At the end of January, Donald Trump issued an ultimatum to Iran demanding to stop its nuclear programme, while the Pentagon increased its [military presence](#) in the region by deploying a carrier strike group to the Middle East.

Amid continuing geopolitical instability, the trend outlined in previous monitoring reports towards expanding military arsenals and testing new types of weapons has persisted. In particular, the US President announced plans to increase the defence budget for 2027 from \$1 trillion to \$1.5 trillion. China is implementing a programme to strengthen its armed forces, including modernising its navy to expand its presence in the Pacific Ocean. The EU, in view of Russian aggression, is implementing a package of long-term defence projects. In response to North Korean provocations, South Korea has begun deploying ballistic missile systems along its forward defence lines.

A symbolic illustration of the growing global crisis trends is that nuclear scientists at the University of Chicago have moved the hands of the Doomsday Clock, which symbolises the proximity of global catastrophe, four seconds closer to «midnight», which is now 85 seconds away – the closest it has been since its creation in 1947.

FOREIGN POLICY ACTIVITIES OF UKRAINIAN GOVERNMENT

In January, Ukraine's national diplomacy focused on consolidating international assistance to restore the country's energy system destroyed by the aggressor – a task of critical importance in the face of extreme weather conditions; on securing military and

financial support (in particular strengthening air defence); and on defending and promoting national interests in international forums and within the framework of the peace negotiation process.

Political dialogue with foreign partners.

Throughout the month, Ukraine maintained a traditionally high intensity of international contacts in various formats, including high-level meetings, inter-parliamentary and intergovernmental consultations, and public diplomacy initiatives. The most important international contacts included the following. Ukraine participated in the [meeting of the Coalition of the Willing](#) on 6 January in Paris, attended by the leaders of the EU, NATO and 27 states, as well as representatives of the United States, Turkey, Japan, Australia, and New Zealand. Subsequently, on 7 January, the Ukrainian delegation visited Nicosia to attend the ceremony marking the start of Cyprus's presidency of the EU Council. Discussions during the event focused on Ukraine's prospects for EU accession and the opening of negotiation clusters simultaneously with Moldova. Ukraine's participation in the World Economic Forum in Davos on 22 January was also important, particularly the [talks between the Presidents of Ukraine and the United States](#) and contacts with leaders of the global business community. On 25 January, in Vilnius, a meeting of the Presidents of Ukraine, Lithuania and Poland took place during commemorations marking the anniversary of the January Uprising (1863–1864).

Among the notable developments in Ukrainian diplomacy in January were also visits to Kyiv by the President of the Czech Republic Petr Pavel, International Monetary Fund Managing Director Kristalina Georgieva, the United Kingdom's Secretary of State for Defence, the Speaker of the Latvian Saeima, the Ministers of Foreign Affairs of Norway and Albania, as well as a group of national security advisers from the states participating in the Coalition of the Willing. In parallel, online consultations were held with the leadership of the EU and NATO, as well as with the leaders of Germany, France, the United Kingdom, the Netherlands, Norway and Australia, and with US senators.

Overall, Ukraine's dialogue with foreign partners – primarily with the EU and the United States – focused on advancing the peace

negotiation process and securing external support to address the energy and humanitarian crisis resulting from the escalation of russian aggression.

Promotion of Ukrainian interests and initiatives globally. During the month, Ukraine intensified its activities in bilateral relations and on international platforms with the aim of a) drawing international attention to the crimes against humanity committed by the occupying state and the genocidal nature of russian aggression; b) securing international military and financial support; and c) strengthening sanctions against russia.

On 12 January, at Ukraine's initiative and with the support of its allies, an [emergency meeting](#) of the UN Security Council was convened following massive russian attacks on the Ukrainian power grid and a strike on Lviv with an Oreshnik missile. **Unfortunately, the outcome was limited to public political condemnation of russian actions by several states and renewed calls for a peaceful settlement.** On the same day, at Ukraine's request, an extraordinary [meeting of the NATO-Ukraine Council](#) was held, where plans to strengthen air defence and improve the protection of civilians and critical infrastructure were coordinated.

The crisis situation in Ukraine was also discussed during the meeting of the Committee of Ministers of the Council of Europe on 14 January. In his [address](#), Secretary General Alain Berset condemned russia's aggression, which has led to «the catastrophic situation of the civilian population of Ukraine», and called for continued assistance to Ukraine and support for its European integration path.

On 18 January, a [meeting](#) of the commanders-in-chief of the armed forces of the states participating in the Coalition of the Willing was held. Participants discussed possible formats for partner countries' involvement in implementing international security guarantees for Ukraine and further strengthening of sanctions pressure on russia.

Ukraine's participation in the World Economic Forum in Davos was also significant. On 22 January, during a special session of the Forum, President Zelenskyy delivered a [speech](#) calling on Europe to transform itself into a global power, ensure strategic autonomy and

defence self-sufficiency, and work towards the creation of European armed forces.

On 27 January, during its winter session, PACE adopted almost unanimously (104 votes in favour, 6 against and 3 abstentions) a [resolution](#) on a just and lasting peace in Ukraine. The resolution condemns the escalation of russian strikes against civilian infrastructure and energy facilities, calls for a «comprehensive, just and sustainable peace in Ukraine», and supports the creation of a special tribunal and a compensation mechanism for damages caused by russian aggression. Another important resolution adopted by the PACE, «[Elections in times of crisis](#)», emphasises that «in accordance with international democratic standards, elections cannot be held under conditions of martial law».

Subsequently, on 29 January, at a meeting of the [EU Foreign Affairs Council](#), Ukraine's Andrii Sybiha outlined key mechanisms for increasing pressure on Russia, including blocking the «russia's shadow fleet» and adopting a strong 20th sanctions package that would include restrictions targeting russian defence industry and oil and gas sector. On the same day, during a meeting of the [OSCE Forum for Security Cooperation](#), the Ukrainian side informed representatives of the European community about the escalation of russian aggression and crimes of «energy terror» committed against Ukraine, calling for stronger support for Ukraine and enhanced protection of civilians.

At Ukraine's initiative, an [extraordinary meeting](#) of the IAEA Board of Governors was convened on 30 January. During the meeting, the Ukrainian side called on member states to introduce comprehensive sanctions against Rosatom, suspend russia's membership in the IAEA Board of Governors, and amend the Agency's statute in order to limit the rights of the aggressor.

International solidarity and assistance to Ukraine in countering russian aggression. In January, allied countries announced further military, financial and humanitarian aid packages for Ukraine. Support for air defence system and the energy sector remains critically important. Following the [Coordination Meeting](#) of the G7+ Group on Energy Support for Ukraine, partner countries launched new support packages that include more than

6,000 units of large energy equipment. In particular, the EU will send 447 generators. Energy equipment will also be supplied by Japan, Croatia, Italy and other partners.

Germany, the United Kingdom, Norway, the United States and several other countries also made contributions to the Energy Support Fund for Ukraine. The EBRD provided a €75 million loan to Ukrhydroenergo for the restoration of hydropower plants. At the end of January, Ukraine received six humanitarian shipments from the Netherlands, Germany, Switzerland, Finland, Spain and Norway. It is also noteworthy that public fundraising initiatives to support the purchase of energy equipment for Ukraine have been launched in several European countries. In particular, a large-scale campaign «**Heat from Poland for Kyiv**» is currently underway.

UKRAINE'S STEPS TOWARDS THE EU

During the difficult winter for Ukraine, the above-mentioned EU assistance in restoring the energy system destroyed by the aggressor became crucial. Alongside deliveries of technical equipment, the European Commission [announced](#) €145 million in emergency aid for Ukraine's energy infrastructure. On 20 January, the European Parliament approved a legislative package proposed by the European Commission to provide Ukraine with a €90 billion loan to cover its financial and military needs in 2026–2027. Part of this loan, intended to support the state budget, is expected to be disbursed [conditional](#) on the implementation of reforms aimed at strengthening democratic governance, the rule of law and anti-corruption efforts.

It should be noted that from 1 January 2026, Ukraine officially [joined](#) the EU common roaming area.

In turn, to support Ukraine and increase pressure on the aggressor, the EU has taken a number of the following steps: a) a [decision](#) entered into force to include Russia on the list of countries with a high risk of money laundering and terrorist financing, which entails strengthened financial restrictions within the EU; b) the EU decided to lower the price cap on Russian oil starting from 1 February;

c) several Russian propagandists were added to the sanctions list; d) the **European Union and the Council of Europe** signed an agreement establishing a group tasked with preparing a special tribunal to investigate the crime of Russian aggression; the EU also allocated the first tranche to support the establishment of this institution; e) despite opposition from some member states, the EU finally approved a plan to ban imports of Russian gas by the end of 2027; f) the **European Commission** is preparing a 20th sanctions package against Russia, which is scheduled to be approved on 24 February.

Assessing developments of January 2026, it should be noted that dangerous geopolitical trends intensified, undermining the global order and destabilising the system of interstate relations and international institutions. Against the backdrop of escalating Russian aggression in Ukraine, Washington's active pursuit of an assertive, force-based policy has become a factor in increasing global turbulence. As a result, tensions and mistrust are growing within the Euro-Atlantic partnership, while relations between the United States and the EU have become more complicated.

Under these conditions, Ukraine's priority is to consolidate external military, financial, technical and humanitarian assistance from allied countries in order to prevent an energy and humanitarian crisis. In turn, Ukrainian diplomacy, together with partner countries, should continue efforts to keep the United States engaged in the negotiation process and to strengthen the «force component» of the talks – in particular by maximising sanctions pressure on the aggressor state.

At the same time, a key task is to accelerate Ukraine's integration into EU defence industries, strengthen the national defence-industrial complex, and expand the country's participation in EU defence projects and programmes. In a broader sense, this means gradually reducing Europe's military and economic dependence on the United States and transforming Europe into a self-sufficient, authoritative and influential global actor.

DECISIONS AND PROJECTS

Traditionally, January is the time for summarising preliminary results of the previous year and presenting forecasts for the year ahead.

The National Bank of Ukraine (NBU) [revised](#) its outlook for economic recovery in 2026 downward. The main factor behind this adjustment was the prolonged negative impact on the energy sector and logistics, which also affected last year's performance. Real GDP in 2025 increased by 1.8% year-on-year, well below the initial growth forecast of 3–4%.

The central revision concerned expectations for real gross domestic product:

✓ Forecast for 2026: reduced from 2% to 1.8%.

✓ Estimate for 2025: also revised to 1.8% due to electricity shortages in the final months of the year, which proved more severe than previously expected.

Despite the difficult situation, the economy continues to [demonstrate resilience](#). The NBU considers the current slowdown to reflect the protracted nature of the war. Investments in infrastructure reconstruction, the development of the defence sector, and the gradual stabilisation of the energy system are expected to support a return to higher growth rates in the future.

The inflation forecast for the end of 2026 has also been significantly revised. Whereas the NBU had previously expected moderate price growth of around 6.6%, the updated estimates suggest that inflation will accelerate to 7.5%. In 2025, both headline and core inflation slowed to 8% year-on-year, although remaining above target levels. This slowdown was largely [driven by](#) higher agricultural harvests, some easing of labour market pressures and by

continued stability in the foreign exchange (FX) market.

The energy deficit remains the main driver of rising prices for goods and services. The destruction of generation capacity is forcing businesses to rely on more expensive alternative power sources, which directly feeds into higher production costs.

Meanwhile, the government is seeking to mitigate the situation. The Cabinet of Ministers has [decided](#) to provide additional support to small and medium-sized businesses amid the energy emergency. The programme offers **one-off financial assistance to individual entrepreneurs (FOPs) in tax groups II-III operating in essential service sectors. Food service** establishments, pharmacies, cafés, grocery stores, bakeries, and other providers of essential goods and services will be eligible to receive between UAH 7,500 and UAH 15,000.

An unprecedented decision was adopted regarding support for research and development. At the end of January, the President of Ukraine issued a [decree](#) enacting an updated procedure for awarding the annual Presidential grants for young scientists and doctors of science.

The reform provides for a comprehensive modernisation of the presidential grant support system: the level of funding has been increased on average by nearly **500%**, competitive selection procedures have been modernised, and outdated regulatory acts dating from 2002–2009 have been repealed.

The updated rules will apply from 2026 and cover researchers who are citizens of Ukraine and conduct scientific activity in the country on a permanent basis. The revised procedure [clearly defines priorities](#): grants will be awarded for research and development projects whose results contribute to strengthening national defence and security, promoting economic development and competitiveness, addressing

societal challenges, and developing new technologies and innovations for the real sector of the economy.

Beyond providing direct support for researchers, these measures are also expected to help retain human capital.

DEVELOPMENTS, PROCESSES, TRENDS

For the fourth year, Ukraine has continued to resist Russian aggression, losing thousands of lives and billions in financial resources. Despite this, the country continues to maintain relative macroeconomic stability.

The Ministry of Finance presented preliminary data on the execution of the 2025 budget. State budget revenues amounted to UAH 3.8 trillion, expenditures to UAH 5.5 trillion, and the deficit to UAH 1.6 trillion. Although the deficit remains large, as noted repeatedly in previous issues, it was financed in a timely manner through financial assistance from partner countries.

In the real sector, particular attention should be paid to one of the most important sectors of the national economy – agriculture, which currently remains the country's leading export sector. In 2025, Ukraine exported agricultural products worth \$22.5 billion, which is 8.8% (or \$2.15 billion) less than in the previous year. Despite the decline in foreign exchange revenues, the agri-food sector accounted for 56.1% of Ukraine's total merchandise exports in 2025, meaning the sector continues to generate more than half of the country's export earnings.

The most notable trend was a decline in agricultural exports to the European Union. Whereas in 2022-2024 the EU's share in Ukraine's agricultural export structure consistently exceeded 50%, in 2025 it decreased to 47.5% (\$10.7 billion). Contributing factors include changes in logistics routes and tighter regulatory restrictions in the European market. Overall trade dynamics have also weakened: the trade surplus with the EU decreased to \$6.06 billion, compared with \$8.87 billion in 2024.

However, against the backdrop of declining export revenues, the opposite trend has been observed in imports. In 2025, imports of foreign

agricultural products rose to a five-year high of \$8.75 billion. Moreover, more than 53% of total agricultural imports in 2025 (\$4.64 billion) originated from EU countries, underscoring the deep integration of Ukraine's consumer market with the European Union.

With regard to domestic agricultural exports, it should be noted that diversifying export markets for Ukrainian products remains one of the key priorities of state policy. During 2025, Ukraine opened 19 new export markets for products of animal and plant origin. The significance of such progress during the war should not be underestimated, as even in difficult conditions Ukrainian producers gain new opportunities for development, while the state strengthens its export potential and integration capacity.

Macroeconomic stability is also supported by monetary strengthening. Last year proved relatively successful for Ukraine in terms of building up international reserves. According to the NBU, Ukraine's gross international reserves stood at \$57.3 billion as of 1 January 2026 (preliminary data), the highest level since independence.

In December 2025, reserves increased by 4.6% compared with November, with substantial inflows from international partners offsetting both the NBU's net currency sales on the market and the government's external debt payments in foreign currency. A total of \$6.9 billion was credited to the government's foreign currency accounts with the NBU, including:

- ✓ \$3.9 billion through World Bank channels;
- ✓ \$2.7 billion from the EU under the Ukraine Facility programme;
- ✓ \$0.3 billion from the placement of foreign currency domestic government bonds (OVDPs).

At the same time, the government directed \$668.4 million towards servicing and repaying external debt, while an additional \$171.4 million was paid to the IMF.

A significant share of the reserves is used by the NBU to meet demand in the domestic foreign exchange market. In December, the NBU sold \$4.7 billion on the FX market, which

was 1.7 times higher than in November. The increase in interventions was largely driven by seasonal factors, namely the intensification of budget expenditures and business operations at the end of the year. Nevertheless, this amount remained 13% lower than in December 2024

Overall, in 2025 Ukraine's international reserves increased by 30.8%. During this period, the country received \$52.4 billion in international financial assistance – the largest amount since the start of the full-scale war. The largest contributors were:

- ✓ European Union – \$32.7 billion;
- ✓ World Bank – \$13.2 billion;
- ✓ Canada – \$3.4 billion;
- ✓ IMF – \$0.9 billion.

In addition, Ukraine raised more than \$3.3 billion through foreign-currency OVDPs.

It is also important that the current level of international reserves **covers** approximately 5.9 months of future imports, which the NBU considers sufficient to maintain exchange rate and financial stability.

However, the situation on the domestic FX market has not improved. During the final week of January, the NBU sold \$860 million on the interbank market. Overall monthly data indicate a **significant currency shortage** on the market, which the NBU has had to offset using its reserves. Throughout January, the regulator did not purchase any foreign currency for reserves, while **spending** more than \$3 billion (in equivalent) on currency sales.

It should also be emphasised that, despite the challenges, Ukraine continues to demonstrate its ability to **implement strategic agreements** with partner countries. A telling example of this is the victory of a consortium

led by the Irish company TechMet in a tender for a production sharing agreement covering a lithium deposit in Kirovohrad oblast. The project concerns the Dobra lithium deposit, one of the largest in Ukraine. Lithium, as is well known, is a key component in technologies such as electric batteries.

The decision still **requires** formal approval by the Cabinet of Ministers, although the agreement appears to have effectively been concluded. It should be noted that the winning consortium is closely linked to the administration of the US president, while the largest shareholder in TechMet is the US development finance agency DFC.

Even the potential entry of investors sends a positive signal to domestic businesses that continue to operate despite the war. According to an NBU survey, in Q4 2025, businesses **maintained positive assessments** of economic activity over the next 12 months. Respondents were cautious about future production volumes of goods and services in Ukraine, improved their inflation expectations and slightly strengthened FX expectations. The Business Expectations Index (BEI) stood at 102.1%, compared with 102.5% in Q3.

Military operations and their consequences remain the dominant factor affecting enterprises' ability to increase production volumes. Among other factors, respondents expected stronger negative impacts from excessively high energy prices, limited production capacity and shortages of qualified workers

Inflation expectations improved: in Q4, expected annual inflation over the next 12 months stood at 11.1%, compared with 11.4% in the previous quarter. The share of respondents who believed inflation would exceed 15.0% decreased by 4.8 percentage points over the quarter, to 17.9%.

In short, positive expectations themselves contribute to sustaining economic activity.

IV.

ENERGY SECTOR

ENERGY BALANCE

During the reporting period, Ukraine's **integrated power system (IPS)** experienced a persistent deficit caused by continuous Russian attacks. Over the month, the enemy **deployed** more than 6,000 strike drones, about 5,500 guided aerial bombs and 158 missiles of various types, attempting to split the country into isolated energy «islands» and using for this purpose the geographic distribution of key energy facilities and the limited capacity for transmitting electricity from west to east and from north to south.

After the average air temperature dropped to -20 – -25°C , the aggressor additionally targeted infrastructure providing district heating and hot water supply in major cities, primarily Kyiv, Kharkiv and Dnipro. The most intense strikes occurred on 9, 20 and 24 January. The use of a record number of strike assets on those days and insufficient density of active air defence (on 9 January only 2 out of 18 ballistic missiles were intercepted), has caused significant damage of targeted facilities. This resulted in temporary disruptions to water, heating and electricity supply for tens of thousands of households, enterprises, institutions and social facilities.

Power supply was also interrupted by severe weather conditions, particularly heavy snowfall, strong winds, icing and wet snow accumulation. On 9 January, outages affected more than 1,000 settlements across most oblasts; on 27 January, nearly 500 settlements in 7 oblasts; and on 28 January, 730 settlements in 11 oblasts. In addition, a **cascading failure** on 31 January when the simultaneous disconnection of the 400 kV transmission line between Romania and Moldova and the 750 kV line linking western and central Ukraine forced nuclear power plant units to reduce output. Emergency outage schedules were subsequently introduced in Kyiv, Zhytomyr and Kharkiv oblasts.

Nevertheless, thanks to the round-the-clock heroic efforts of hundreds of repair

and restoration crews from all over Ukraine, the country's IPS maintained its integrity and continues to operate in sync with the **continental European power system**. By the end of January, power had been restored to critical infrastructure in the affected regions, and heating and electricity supply had been returned to most households.

The base capacity of Ukraine's IPS was provided by nine NPP units, generating up to 7.5 GW. Following each large-scale attack and the failure on 31 January, the output of most units was artificially limited during restoration works. Manoeuvrable capacity was supplied by TPPs, CHPPs, as well as hydroelectric and pumped-storage facilities, which together produced between 2.4 and 2.8 GW. Due to predominantly heavy snow and cloudy weather, renewable energy generation did not exceed 0.8 GW.

Generation at Ukrhydroenergo facilities in January was significantly limited by water availability and ice formation and therefore did not exceed 0.6 GW. Hydroelectric power was supplied mainly during peak consumption hours.

More than two-thirds of generation in January was provided by nuclear power plants. Due to damage inflicted by the enemy, the share of TPPs in the generation mix declined to 12–16%, while CHPPs accounted for 4–6%. Meanwhile, HPPs and renewables each contributed 6–8% of total generation. Overall, after 9 January, electricity production in Ukraine amounted to only 11–12 GW (with demand at 17–18 GW). In the corresponding period of 2021, generation reached up to 21 GW.

The **increase** in price caps on the electricity market to the level of the evening peak period, along with the **obligation** for several state-owned enterprises to purchase half of their electricity consumption abroad, pushed **imports** in January to 894 GWh, the highest level in six years (24 January – nearly 42 GWh; +40% compared with the already record-high

December). As usual, the largest volumes were supplied from Hungary and Slovakia. However, despite ENTSO-E's agreement to [increase](#) the total cross-border import capacity in January from 2.15 to 2.45 GW, only about half of this capacity was used. This was due in part to organisational and physical bottlenecks in the system and a shortage of market bids. As a result, although imports accounted for 14–15% of consumption on weekdays (compared with 9–10% in December), they reduced Ukraine's electricity deficit by only about one quarter.

For obvious reasons, no electricity was exported in January. Cross-border supply has been [fully suspended](#) since 11 November 2025.

Coal reserves at the end of January stood at 2.2 million tonnes (-4% compared with the previous month). As damaged units at TPPs and CHPPs cannot operate at full capacity, these volumes may prove sufficient to get through the entire autumn–winter period of 2025–2026.

After a sharp drop in air temperatures, daily gas consumption in Ukraine increased. On several days in January it reached 140 mcm, the highest level in four years. Despite this, no gas shortages were observed. This was facilitated by almost fully restored domestic production (42–44 mcm/day), withdrawals from underground gas storage facilities (averaging about 52 mcm/day in January), and imports from Poland, Hungary and Slovakia (19–21 mcm/day; 608 mcm in total over the [month](#)).

Gas [reserves](#) in Ukraine declined to 6.0 bcm (-20% compared with the previous month), excluding 4.1 bcm classified as «long-term storage» gas; 0.6 bcm formally designated as «buffer gas»; and 0.3 bcm belonging to non-residents. Although this level exceeds last year's by 28%, it remains 15% lower than in 2015–2018.

It should also be noted that an error by AGSI personnel led to an incorrect reporting of gas volumes in Ukrainian storage facilities: at the end of 2025 reserves amounted not to 6.3 bcm (as indicated in the December report) but to 7.6 bcm.

In order to procure strategic reserves in view of the high probability of continued low

temperatures, Naftogaz of Ukraine [secured](#) an additional €50 million in long-term financing from the European Investment Bank. In February, the company also expects the delivery of 100 mcm of US liquefied natural gas purchased at the Polish terminal in Świnoujście.

[PROBLEMS AND SOLUTIONS](#)

Following the enemy attack on 9 January, Ukraine [established](#) a Headquarters for Eliminating the Consequences of a State-Level Military and Technogenic Emergency in the Electric Power System (hereinafter – the Headquarters), headed by the First Deputy Prime Minister of Ukraine – Minister of Energy Denys Shmyhal. The new body assumed most of the tasks and powers previously assigned to six other headquarters and effectively removed the head of government from operational work, after she had demonstrated her lack of competence in responding effectively to previous Russian attacks.

Instead of demanding the «urgent» injection of electricity into the grid by distributed generation facilities not connected to it, and calling for the installation of photovoltaic panels on rooftops – largely useless in winter – the Headquarters promptly allocated UAH 2.56 billion for [purchasing](#) generator equipment for local communities and UAH 800 million for [acquiring](#) autonomous energy sources for co-owners of apartment buildings.

Instead of issuing «valuable guidelines» on organising response efforts, the Headquarters [provided](#) financial assistance to members of emergency and restoration crews in the amount of UAH 20,000 for each month worked.

Instead of merely «agreeing» with the Ministry of Economy's proposal «on the possibility of purchasing» imported electricity, the Headquarters obligated legal entities such as of [Ukrainska Oboronna Promyslovist](#), [Naftogaz of Ukraine](#), and [Ukrzaliznytsia](#) to do so in volumes of no less than 50% of consumption. To stimulate purchases, it also [recommended](#) that the NEURC set maximum price caps until the end of the season at the level established for the evening peak period, which was [done](#) on 17 January.

Instead of «limiting the use» of street lighting – a measure whose effect (unlike its negative consequences) was minimal, at up to 3% of total consumption – the Headquarters temporarily **suspended** in-person education in all educational institutions.

Finally, the Headquarters **responded** calmly and professionally, within an hour, to panic reports about another «blackout» on 31 January.

Of course, no miracle happened. Neither the government nor the Headquarters has yet resolved the problem of inaccurately set priorities, as evidenced, for example, by changes in the management of key energy companies in the midst of the heating season and under continuous enemy attacks. The following questions also remain unanswered:

✓ Why does the government continue merely redistributing existing capacity instead of stimulating investment, primarily private, in the rapid development of distributed generation in large cities, local communities and industrial areas?

✓ Why has 80% of newly commissioned **generation capacity** been launched by private companies only to meet their own needs rather than operating within the IPS?

✓ Why has the **simplification** of procedures for installing energy facilities failed to stimulate the commissioning of two-thirds of the equipment **transferred** to Ukraine by its international partners?

✓ Why, despite numerous **announcements** about the resumption of tenders for the construction of new generating capacity, have these competitions still not been conducted?

✓ Why do debts in energy markets **continue to grow**, given that ensuring the solvency of all participants in the energy value chain is essential for the normal functioning of transmission and distribution system operators?

✓ Why, instead of **obliging** the Ministry of Energy' to «define the mechanism and criteria for forming» lists of protected consumers, two-thirds of whom do not qualify as critical infrastructure enterprises, does the government continue to «disconnect non-household sub-consumers located on the same supply line

in order to redistribute the released volumes of electricity to household consumers»?

✓ Why does Ukrtransnafta continue facilitating the transit of russian crude oil, effectively generating revenue for the aggressor?

✓ Why does the government ignore the existence of unreasonably inflated retail fuel prices and anti-competitive concerted **behaviour** by certain participants in the petroleum products market?

Only clear answers to these questions will indicate that the government and the new leadership of the Ministry of Energy have abandoned the practice of issuing numerous and poorly prepared instructions and have shifted to developing an effective policy aimed at addressing the problems facing Ukraine's energy sector.

The first signs of such a policy include:

✓ **allowing** public procurement of critically important energy equipment without applying **localisation requirements** (until 1 May 2026) and without open tenders, while requiring disclosure of suppliers' ultimate beneficial owners (until 31 December 2026);

✓ **designating** the purchase, construction and/or installation of gas turbine, gas piston and biogas generation and **cogeneration** units, as well as diesel, petrol and gas generators, as a priority area eligible for state-supported lending to businesses;

✓ **abolishing** licensing requirements for the import of lithium-ion batteries intended for electricity storage systems;

✓ **allocating** part of the budget **funds** remaining after the State Decarbonisation and Energy Efficiency Transformation Fund fulfils its obligations from previous years to finance, in 2026, the procurement and delivery of portable charging stations with an approximate capacity of 2 kWh for children with disabilities in subgroup A;

✓ **permitting** repair works and other engineering and technical **measures** to protect critical infrastructure facilities without the need to develop full project documentation;

✓ **setting** maximum price caps from 17 January to 31 March 2026 at UAH 15,000/MWh on the day-ahead and intraday markets, and at UAH 16,000/MWh on the balancing market, with a return to the price levels **established** on 1 August 2025 planned after 31 March 2026;

✓ **introducing** a simplified procedure for **obtaining** market participant status for electricity producers intending to operate distributed generation facilities (with installed capacity of up to 20 MW inclusive) by reducing the number of steps required to bring generating units into operation.

CONCLUSIONS AND RECOMMENDATIONS

Every ten days or so, Ukraine appears to relive the same «Groundhog Day» scenario. Since October 2025, Russia has disabled energy facilities on 12 occasions, triggering special emergency shutdown schedules. After each strike, most generation capacity is gradually restored thanks to the efforts of Ukrainian energy workers. Household consumers yet again receive stabilisation outage schedules, while industry faces capacity limitation schedules. In about ten days, the cycle repeats – but each time less capacity can be restored.

Breaking out of this downward spiral requires meeting two necessary and sufficient conditions as quickly as possible.

The first is protecting the sky. Ukraine needs multilayered protection of key energy infrastructure facilities – including those where restoration work is under way or planned – using air and missile defence systems, particularly automated systems for detecting, identifying and engaging aerial targets, especially ballistic ones. The absence or shortage of interceptor missiles (as occurred on 9 January) can instantly negate all efforts to restore previously damaged facilities.

The second is saturating the system with new installations providing firm capacity of more than 1–10 (100) MW, operating on locally available fuel or energy sources, integrated into microgrid distribution systems based on «smart grid» technologies and connected to the IPS as elements of the ancillary services market. Rather than redistributing capacity that is steadily shrinking under enemy strikes, it is necessary to unlock investment – primarily private investment – for the rapid expansion of distributed generation in large cities, local communities and industrial areas, ensure genuine rather than **fictitious** simplification of commissioning procedures for gas-piston and gas-turbine units, including cogeneration plants, and reduce the cost of their connection to electricity, gas and heat networks.

If these conditions are not met, the shortage of capacity in Ukraine's power system will become critical.

V.

SOCIAL POLICY

NEW BASIC SOCIAL ASSISTANCE MECHANISM IN UKRAINE

A universal basic social assistance (BSA) mechanism was introduced in Ukraine on 1 January 2026, replacing a number of separate social benefits for low-income families and other population groups. The main objective is to **provide targeted support** to low-income households through a single mechanism, simplifying the allocation procedure and increasing the effectiveness of social support. The experimental BSA project was launched on **1 July 2025** and has already been applied to certain categories of recipients. Currently, within the framework of this pilot project, designated categories of beneficiaries are eligible to apply for it.

Basic social assistance is a new form of support based on a comprehensive approach designed for low-income families. It is a single type of social benefit (monthly payment) that consolidates several forms of state assistance for families in difficult life circumstances, including support for low-income families, benefits for single parents, large families and other vulnerable groups. In other words, instead of several separate payments, a household receives one basic payment calculated for the entire family. The benefit is granted for six months and may subsequently be automatically extended for the duration of the pilot (two years).

The baseline amount of BSA is **determined annually by the Cabinet of Ministers** and serves as the reference value for calculating the benefit. Applications can be submitted via the Diia platform or through the Pension Fund or Centre for Administrative Services (CNAPs), reducing bureaucratic procedures. The amount of BSA is **calculated based on household income and the baseline value** set annually by the government, which cannot be lower than the subsistence minimum. The mechanism is designed so that the **household receives the difference between the total baseline value calculated for each family member and the household's actual income**. The service is not

available if the applicant is located abroad, in temporarily occupied territories, or resides in areas of active hostilities.

The main advantages of BSA lie in the fact that the introduction of this mechanism represents a systemic reform aimed at modernising Ukraine's social policy and aligning it more closely with European approaches to supporting low-income populations. The key advantages include the following:

Transition from a fragmented system to a single support instrument. One of the key advantages of the BSA is the unification of social payments that previously existed as numerous separate programmes with different eligibility criteria and calculation rules. Consolidating several types of assistance into a single basic mechanism simplifies the social protection system for beneficiaries, reduces the administrative burden on social protection authorities and increases the transparency of state social policy. Such an approach reduces the risks of duplicate payments and errors in benefit allocation, which is particularly important under conditions of limited budget resources.

Improved targeting and fairness of funds allocation. BSA is calculated at the household level, taking into account the actual income of all family members rather than formal affiliation with a particular social category. This allows for more accurate identification of households living below the poverty line and directs resources to those who genuinely need them. Compared with the previous model, BSA focuses not on status but on the actual level of material well-being, which is in line with the principles of social justice.

The principle of a guaranteed minimum income. The BSA mechanism effectively introduces an element of guaranteed minimum income widely used in EU countries. The state guarantees households a minimum baseline level of income by covering the difference between this level and the household's actual earnings. As a result, social assistance

becomes more predictable and stable, thereby reducing the risk of extreme poverty, particularly among families with children and the elderly.

Simplification of procedures and digitalisation of access. The introduction of BSA is accompanied by active use of digital tools, including submitting applications via the Diia platform, the Pension Fund or CNAPs. This reduces the number of required documents, minimises direct contact with social protection authorities and improves access to assistance for internally displaced persons and citizens who have changed their place of residence. In the longer term, digitalisation also creates conditions for automating the allocation of benefits.

More efficient use of budgetary resources. BSA is viewed by the government as a tool for optimising social expenditures without reducing the level of protection for the most vulnerable groups. By reducing administrative costs, limiting non-targeted and duplicate payments, and improving the verification of beneficiaries, the state gains the opportunity to direct limited resources towards effectively combating poverty, even under conditions of war and a high budget deficit.

Bringing Ukraine's social policy closer to EU standards. The BSA mechanism corresponds to the European logic of minimum income schemes,¹ which is important in the context of Ukraine's European integration commitments and the harmonisation of social policy with EU practices. This increases institutional confidence in Ukraine's social policy and creates a foundation for further reforms.

Thus, basic social assistance has the potential to become a key instrument for combating poverty in Ukraine, combining targeting, social justice and fiscal responsibility. Its success will depend on the quality of administration, the adequacy of financing and the state's ability to adapt the mechanism to the needs of the most vulnerable groups.

Nevertheless, despite the clear advantages of introducing the BSA mechanism, certain

challenges in its implementation should also be outlined. Despite its significant reform potential, the BSA mechanism faces a number of institutional, social and fiscal challenges that may significantly affect both its effectiveness and its public perception, including:

Risk of non-inclusion of vulnerable groups. One of the key challenges of BSA is the high risk of inadvertently excluding some genuinely poor households due to formalised criteria for assessing income and property status. The problem is that a significant part of the population has irregular, seasonal or informal incomes, while the actual expenditures of households (particularly on medical treatment, care and housing rent) are not always properly taken into account. Certain vulnerable groups (the elderly, persons with disabilities, and households in frontline areas) may fail to meet formal eligibility criteria despite having an objective need for assistance. As a result, BSA may fail to reach part of its intended target group, which contradicts its stated objective of combating poverty.

Institutional unpreparedness of social protection authorities. The transition to a single mechanism requires a high level of administrative capacity at both the central and local levels. In practice, several problems are already evident: staff shortages and excessive workloads among social protection personnel, uneven readiness of communities to work with the new mechanism, and insufficient training on new procedures and digital tools. Under conditions of martial law and frequent regulatory changes, this creates risks of delays in the allocation of benefits and inconsistent implementation of BSA across different regions.

Limited and unstable budget financing. BSA is being introduced amidst chronic budget deficits and high dependence of social expenditures on external financial support. The main risks include an insufficient baseline level of the benefit to effectively reduce poverty and the absence of a clearly established mechanism for regular indexation of BSA in line with inflation and the rising cost of living. Under such circumstances, BSA may turn into

¹ Minimum income schemes are forms of social protection providing state-guaranteed benefits of last resort aimed at preventing poverty and social exclusion. They ensure a minimum standard of living for individuals who lack sufficient means of subsistence, including people unable to work, unable to obtain adequate employment, or whose income is insufficient. Such schemes constitute an important component of social protection systems in EU countries. See: *What Minimum Income Schemes Are*, European Anti-Poverty Network, <https://www.eapn.eu/wp-content/uploads/2021/02/EAPN-Minimum-income-schemes-campaign-explainer-2021-4951.pdf>

an instrument of fiscal optimisation rather than a genuine tool of social protection.

Digital divide and limited access to services. Although digitalisation is one of the advantages of BSA, it simultaneously creates barriers for certain population groups, such as older persons with low digital literacy, individuals without stable internet access, and citizens living in temporarily occupied or frontline territories. Without adequate alternative access channels (offline services, mobile social services), digitalisation may deepen social inequality rather than reduce it.

Problems with verifying income and property status. The effectiveness of BSA largely depends on the quality of state registries and interagency data exchange. At present, problems remain related to incomplete or outdated data in registries and the difficulty of verifying the income of individuals working abroad or in the informal sector. This creates both risks of abuse and risks of unjustified refusal of assistance.

Social tensions and distrust of reform. The abolition or transformation of familiar forms of assistance is often perceived by the public as a restriction of social rights, even when the new mechanism is formally more advantageous. In the short term, this may increase the number of complaints and legal disputes or even lead to the politicisation of the social reform. Insufficient communication on the part of the state further exacerbates these risks.

Absence of clear performance indicators. At the current stage, the issue of monitoring the effectiveness of BSA remains open. It is not always clear which indicators (poverty reduction, coverage, depth of support) should be considered key. Public reporting on the social impact of the reform is also limited. Participation of independent think tanks in assessing the reform's impact remains insufficient. Without systematic evaluation, BSA risks remaining an administrative change with no proven social outcome.

Overall, basic social assistance has considerable potential, but its success will depend on the state's ability to balance fiscal constraints with real social needs, ensure institutional capacity and prevent the non-inclusion of the most vulnerable groups. In the

short term, BSA requires particularly careful monitoring both by the state and by the expert community.

PROBLEMS WITH SOCIAL AND PENSION PAYMENTS IN JANUARY 2026

According to the Minister of Social Policy, in January 2026 the government suspended pension payments to pensioners who had not completed physical identification by 31 December 2025 and who receive pensions from Russia without notifying the Ukrainian authorities. According to official reports, [payments were suspended for 337,000 individuals](#) falling under these criteria. This development attracted considerable public and media attention.

Some media reports about the mass suspension of payments were [refuted](#) by official sources, in particular the Pension Fund of Ukraine and the Ministry of Social Policy. The Pension Fund officially stated that reports claiming that payments had allegedly been stopped for as many as 1.3 million pensioners are inaccurate.

The government and the Pension Fund emphasise that pension and other social payments to all other beneficiaries continue to be made on time. Officials stress that the identification requirement is not intended to cancel pensions but is a legal verification procedure required under current legislation. The Pension Fund has also [called on individuals](#) whose payments have been suspended to complete the identification process and submit the necessary documentation.

Undoubtedly, the situation surrounding pension payments at the beginning of the year has considerable social implications, as it directly affects one of the largest and most vulnerable social groups – pensioners. For most of them, pensions remain the main or only source of income, and any interruptions or uncertainty regarding pensions therefore have not only financial but also broader social consequences. These include:

Impact on the standard of living and basic security of older persons. For many pensioners, pensions serve as a minimal means of subsistence, covering essential expenditures such as food, medicines and utility services. Even

short-term delays or suspensions of payments may lead to an inability to purchase necessary medication, the accumulation of utility debt, increased risks of deteriorating health and growing social isolation.

Increased vulnerability of certain groups of pensioners. The situation with pension payments has uneven social effects, leaving some groups particularly exposed, including internally displaced persons of pension age, pensioners residing abroad, individuals living in temporarily occupied or frontline territories, and older persons living alone without family support. For these groups, additional administrative requirements (physical or digital identification, confirmation of status) are often difficult or effectively inaccessible, increasing the risk of social exclusion.

Trust in the state and social protection institutions. The regularity and predictability of pension payments are among the key indicators of the reliability of social contract between the state and its citizens. In such circumstances, any problems with payments undermine trust in the Pension Fund and social protection institutions, creating a sense of legal uncertainty and perceptions of instability in state guarantees. In times of war, trust in state institutions is particularly important for maintaining social resilience.

Political and social sensitivity. The pension system has traditionally been a politically sensitive area, and any problems with payments quickly become the subject of public debate and political manipulation. The accumulation of negative experiences may be exploited in information campaigns against the state, intensify social tensions and create additional risks for social cohesion.

An indicator of the state's institutional capacity. The situation surrounding pension payments also serves as an indicator of the quality of public governance in the sphere of social policy. In particular, it demonstrates the state's capacity to administer large-scale social programmes in crisis conditions, the effectiveness of communication with citizens, and the balance between controlling public resources and safeguarding social rights.

The social significance of the situation with pension payments extends far beyond technical or administrative issues. At stake are fundamental social guarantees, trust in the state and the protection of the dignity of the elderly. In the context of war and economic uncertainty, reliable pension payments are critically important for maintaining social resilience and preventing a rise in poverty.

VI.

CITIZENS' OPINIONS ABOUT CURRENT ISSUES¹

WHICH OF THE COUNTRY'S PROBLEMS DO YOU CONSIDER TO BE THE MOST IMPORTANT?*	
	% of respondents
Ongoing hostilities in the war against russia	68.2
Bribery and corruption within public authorities	44.7
Destruction of housing caused by missile and drone strikes	39.6
Damage to infrastructure	37.9
Disruptions in communications and the supply of electricity, water and gas	29.7
Low wages and pensions	28.7
Rising prices for essential goods and inflation	26.7
High utility tariffs	25.2
Social stratification and the widening gap between the poor and the wealthy	19.0
Mobilisation	17.3
Bribery and corruption in the judicial system	16.7
Inadequate or inaccessible healthcare	13.5
Bribery and corruption in other sectors	12.8
Mass exodus of citizens abroad	12.1
Insufficient social protection	11.6
Rising crime and insufficient public safety	6.5
Labour shortages	6.3
Lack of jobs and unemployment	6.0
Inadequate or inaccessible education	5.5
Drug addiction, alcoholism	4.3
Lack of freedom and democracy	4.3
Unfavourable conditions for the development of small and medium-sized enterprises	3.9
Poor environmental situation	2.8
Insufficient protection of the Ukrainian language	2.6
Poor state of roads	2.5
Freedom of religion, problems in inter-church relations	2.3
Discrimination against languages of national minorities	1.4
Inter-ethnic tensions	1.1
Other problems	0.1
None of the above	0.1
Hard to say	0.2

* Respondents were asked to select no more than five suitable options.

¹ Results of a sociological survey conducted by the Razumkov Centre's sociological service on 11-18 November 2025, supported by the Konrad Adenauer Foundation Office in Ukraine.

Face-to-face interviews were conducted in Vinnytsia, Volyn, Dnipropetrovsk, Donetsk, 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 was only carried out in government-controlled areas not subject to hostilities).

The survey was based on a stratified multi-stage sampling with random selection at the initial sampling stages and quota selection of respondents at the final stage (when respondents were selected based on gender and age quotas). The sample structure reproduces 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 2,008 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 effects of russian aggression, in particular, the forced evacuation of millions of citizens.

WHICH PROBLEMS ARE OR WILL BE MOST RELEVANT FOR YOUR FAMILY IN THE NEAR FUTURE?*	
% of respondents	
Russian shelling	59.7
Decline or loss of primary income	44.4
Threat of losing housing, including as a result of shelling	27.0
Corruption among officials and civil servants	23.2
Lack of access to quality and adequate medical treatment or healthcare	22.0
Illness	19.9
Loss of work or business	14.4
Need to leave the country	8.6
Inability to find employment	8.3
Deterioration of working conditions	8.3
Need to find housing	7.3
Rising crime	7.0
Poor environmental conditions (polluted air and water in the place of residence)	5.9
Hunger	5.2
Other	0.3
None of the above	3.1
Hard to say/Refusal to answer	3.0

* Respondents could select several options.

APART FROM EXPENDITURES ON STRENGTHENING SECURITY AND DEFENCE, WHAT SHOULD UKRAINE'S STATE BUDGET BE SPENT ON FIRST AND FOREMOST FOR RECOVERY IN WARTIME?*	
% of respondents	
Veterans' programmes (including treatment, rehabilitation, social reintegration), and support for war veterans	53.4
Strengthening civilian protection of the population (construction and equipping of shelters, provision of backup energy sources, special equipment for health facilities, etc.)	46.4
Construction and repair of social infrastructure facilities (schools, hospitals, etc.)	32.3
Increases in salaries and bonuses for public sector employees (teachers, doctors, etc.), as well as increases in pensions	30.6
Job creation	28.8
Construction and repair of nationally significant production infrastructure (roads, bridges, ports)	26.4
Construction of social housing	24.0
Support for business and enterprises	13.1
Support for culture and Ukrainian cultural production	9.5
Other	0.8
Hard to say	1.2

* Respondents could select up to three options.

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