



UKRAINE: FROM WAR TO PEACE AND RECOVERY

Analytical Assessments
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I.

NATIONAL SECURITY AND DEFENCE: KEY DEVELOPMENTS, PROCESSES, TRENDS

In February 2026, four years have passed since the start of Russia's full-scale aggression against Ukraine, and twelve years since the beginning of its invasion. Back in February–March 2022, even leading international policy-makers, military leaders and experts – not to mention Russian «strategists» – could scarcely have anticipated a war lasting years, now entering its [fifth year with no clear end date or settlement framework](#).

The United States–Israel military operation against Iran, launched on the last day of February 2026, is likely to have a significant – and potentially mixed – impact on the course of the Russia–Ukraine war, depending on its duration and outcome. The central strategic question is how serious the consequences for Kyiv will be, and to what extent Russia can minimise its risks while capitalising on the global security and energy crisis.

COMBAT ACTION

In an interview with the Italian newspaper *Corriere della Sera* on 3 March, President of Ukraine Volodymyr Zelenskyy stated that Ukraine's Defence Forces had recaptured 460 km² since the beginning of the year, adding that «Putin has lost his winter offensive...». Earlier, on 20 February, Zelenskyy also reported successful counterattacks in the south, where 300 km² had been liberated. [According to](#) the Commander-in-Chief of the Armed Forces of Ukraine, General Oleksandr Syrskyi, «in February 2026, for the first time since the Kursk offensive operation, Ukraine's Defence Forces regained control of more territory than the enemy was able to seize».

The advances form part of active defence, aimed at improving tactical positions rather than conducting operational-level offensives. With no clearly defined contact line, and with a grey zone and a so-called «kill zone» exceeding 10 km in width, the exact number of square

kilometres captured or liberated is less important than the broader trend of depriving the enemy of the tactical initiative in certain directions during the first months of 2026.

At the same time, the enemy [occupied](#) approximately 116 km² of Ukrainian territory over the month – half the January figure (245 km²) and four times less than in November–December 2025 – despite a higher average daily number of combat engagements (181 versus 171).

Amid limited progress on the front line, Russia continues to expand the scale of its campaign while shifting the [targets and methods of terror](#) in Ukraine's rear regions. Having failed to achieve the desired results through mass strikes on the energy sector, Russian forces in late winter refocused on water supply and railway infrastructure, as well as sabotage – or, more accurately, terrorist attacks – against law enforcement and civilians. The escalation of this terrorist campaign aimed at destabilising Ukrainian society was reflected, inter alia, in the 22 February [attack in Lviv](#), which killed a 23-year-old police officer and injured more than 20 people, as well as in Operation [Enigma 2.0](#) – the exposure of an organised group preparing contract killings of prominent Ukrainians.

Throughout February, attacks on [railway infrastructure](#) intensified, targeting a key component of Ukraine's transport system and a critical element of national resistance. Russian strikes hit not only infrastructure facilities but also passenger trains, underscoring the terrorist nature of the broader campaign against civilians. In 2025, attacks on railway infrastructure reached 1,195 incidents, exceeding the combined total for the previous two years.

PEACE PROCESS

The [third round of negotiations](#) between the delegations of Ukraine, the United States

and Russia on ending the war, held in Geneva on 17–18 February, predictably produced no substantive results. This reflected deep differences between the parties over an unconditional ceasefire and territorial issues, as well as the unwillingness or inability of the main mediator, the United States, to press the aggressor towards compromise.

Alongside the trilateral talks, bilateral US–Russia contacts have continued, with the Russian side seeking to win Donald Trump over by offering exceptionally favourable economic projects. On 8 February, President Zelenskyy [told](#) journalists about a Russian «Dmitriev package» for the United States worth approximately \$12 trillion. This may explain the presence of the Commissioner of the United States Federal Procurement Service, James Gruenbaum, at a [meeting](#) between Steve Witkoff and Jared Kushner with Putin in Moscow on 22 January 2026.

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

On 18 February, President Zelenskyy announced [sanctions](#) against his Belarusian counterpart, Alexander Lukashenko. Among the stated reasons was the deployment in Belarus of relay systems used to control Russian UAVs for strikes on Ukraine's northern oblasts. Reports also emerged of a prolonged [cyber operation](#) to identify these relays, followed by their [neutralisation](#), without further details disclosed. Two aspects stand out. First, this may signal a shift in Kyiv's policy towards Belarus, particularly if the relays were neutralised using kinetic means. Second, the case has highlighted the need for a legal framework governing cyber operations. The [draft law](#) «On the Cyber Forces of the Armed Forces of Ukraine» has been awaiting consideration by the Verkhovna Rada since December 2024. [Mykhailo Makaruk](#), spokesperson for the international intelligence community InformNapalm, noted that «Ukrainian cyber specialists conducting offensive operations against the enemy remain in a 'grey zone' in terms of legal status».

On the fourth anniversary of the full-scale invasion, Ukraine's Minister of Defence, Mykhailo Fedorov, [outlined](#) three priority objectives of the war plan:

1. Closing the sky – ensuring real-time detection of 100% of aerial threats and intercepting at least 95% of missiles and drones.

2. Stopping the enemy across land, sea and cyberspace – inflicting losses at a level that makes further advance impossible.

3. Depriving Russia of the economic resources to wage war – cutting off the main revenue stream to the Russian budget from oil exports.

FOREIGN EVENTS (EXTERNAL FACTORS)

Successful negotiations between Ukraine's defence minister and Elon Musk led to the [blocking](#) of several thousand smuggled Starlink devices used by Russians both in the combat zone and in aerial attacks across Ukraine. The disruption significantly impaired coordination of Russian operations and reduced the effectiveness of aerial strikes, while exposing the absence of viable alternatives for communication and navigation in terms of speed, coverage and mobility. [Reports](#) of Russian use of Shahed-136 drones equipped with Starlink satellite communication from SpaceX date back to 2024; however, it took around 18 months to implement what appears to have been a straightforward and obvious decision to neutralise this threat.

The European Union is close to finalising €90 billion in [credit support](#) for Ukraine for 2026–2027, including €60 billion earmarked for defence. However, [Hungary had blocked](#) the required amendments to the EU budget as of end-February, risking a significant funding gap for Ukraine as early as April 2026.

It is too early to [assess](#) how the military operation in Iran will affect the Russia–Ukraine war. The most immediate risk is the diversion of US military and diplomatic resources to a higher-priority operation for Donald Trump, likely reducing arms supplies to Ukraine. This applies in particular to missiles for Patriot systems, shortages of which would further increase Ukraine's vulnerability to Russian ballistic attacks.

How the war in Iran will affect Russia's position remains uncertain. The loss or

weakening of a key ally could undermine the kremlin's international standing and military potential; conversely, putin may seek to turn another global crisis to his advantage by offering mediation to the United States and Europe alongside proposals involving oil and gas. However, any potential gains or losses stemming from the war in Iran are unlikely to fundamentally alter the situation on the russia-Ukraine front in the coming weeks and months.

RUSSIA

In the fifth year of the full-scale war, now firmly a war of attrition, the key question is whether the aggressor can sustain the current intensity of combat over the long term. Claims by some foreign analysts that «putin's war economy is on the verge of collapse» may be overly optimistic; however, available indicators point to a gradual depletion of military potential, with strong growth in 2024 (4.9%) slowing to 1% in 2025 and giving way to increasingly pessimistic forecasts of stagnation or recession in 2026.

Alongside the growing budget deficit for financing the war, the kremlin faces mounting challenges in sustaining manpower levels amid rising losses. Russia has largely exhausted the potential of «non-mobilisation» recruitment schemes, which had been generating around 35,000 personnel per month – including ideological volunteers, coerced conscripts, foreign recruits, large enlistment bonuses, and offers of amnesty from criminal punishment.

In recent months, the russian authorities have introduced a series of measures aimed at maintaining troop levels without declaring general mobilisation. These include calling up reservists for mandatory service and

training, deploying them outside russia without formally declaring mobilisation or martial law, extending conscription throughout the year, and tightening preventive measures against «evasion of the duty to defend the fatherland». Beyond numbers, the russian army is also facing declining quality of recruits, particularly beyond so-called «one-use» assault troops. As a result, recent efforts have focused on students at universities and technical colleges, with a broad «carrot and stick» campaign to attract young, educated contract soldiers needed for newly established unmanned systems forces.

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

✓ Twelve years after the start of russia's invasion of Ukraine and four years into the full-scale aggression, the russia-Ukraine war remains an active armed conflict, with no clear timeline for its end or a defined settlement framework.

✓ In the fifth year of the war, the central issue is the economic and military capacity of the parties to sustain combat operations over the long term. Both sides are increasingly constrained by resources while attempting to meet rising wartime expenditures alongside essential non-military spending.

✓ The emergence of another major external factor – the war in Iran – is likely to affect both the trajectory of the russia-Ukraine war and the prospects for a political and diplomatic settlement. The scale and nature of this impact will depend on the ability of the parties to minimise risks and exploit opportunities arising from the Middle East conflict.

II. FOREIGN POLICY

In February 2026, the destabilising geopolitical trends identified in previous monitoring persisted, marked by rising global and regional tensions. Rivalry among major powers – notably between the United States and China, and between the European Union and the United States – unfolded against the backdrop of the escalating war in the Middle East, which is likely to have far-reaching political and economic consequences. These dynamics were reflected in, and further examined at, the Munich Security Conference.

Global turbulence was further intensified by uncertainty surrounding prospects for negotiations to end the war in Ukraine, driven both by the Putin regime's continued commitment to aggression and by Washington's «pro-Russian neutrality». The fourth anniversary of the full-scale war, however, underscored sustained political solidarity and consolidated military and financial support for Ukraine from its allies in Europe and beyond.

INTERNATIONAL PROCESSES AND EVENTS

Negotiations on ending the war in Ukraine.

In February, the negotiation marathon entered a new phase. Two rounds of talks were held in trilateral and bilateral formats – in Abu Dhabi on 4–5 February and in Geneva on 17–18 February. Kyiv and Washington subsequently held consultations at the highest and other levels, including an online meeting between the presidents on 25 February, followed by a meeting of the two countries' delegations in Geneva the next day.

The negotiation process in February 2026 displayed several distinct features. **First**, the aggressor sought to establish **parallel tracks** with the United States on the «normalisation» of political and diplomatic relations, arms control, and economic cooperation. The aim was to sideline the peace process and increase pressure on Ukraine, portrayed as an obstacle to closer Washington–Moscow ties. **Second**, European leaders advanced consistent and well-founded demands for full participation in the peace process. National security advisers from the United Kingdom, France, Germany and Italy attended the Geneva talks,

while European governments continued coordinating a common negotiating position and demands towards the aggressor. Informal discussions also addressed potential candidates to represent Europe in the talks. **Third**, international organisations issued statements, resolutions and peace initiatives in connection with the anniversary of the full-scale aggression. In early February, the leadership of the Organization for Security and Co-operation in Europe – Chairperson-in-Office Ignazio Cassis and Secretary General Feridun Sinirlioğlu – visited Kyiv and Moscow with a **peace plan** envisaging: (a) discussions on the future European security architecture; (b) defining the OSCE's role in the post-war period; and (c) reform of the organisation.

The February phase of negotiations indicates that, despite optimistic statements from the United States about «progress» and a «significant reduction» in outstanding issues, the aggressor continues to keep the peace process at an impasse. Limited progress on military matters is offset by the absence of compromise on political issues. Meanwhile, the Putin regime continues to **signal** its intent to pursue a genocidal war against Ukraine, escalating militaristic rhetoric and advancing unacceptable, ultimatum-style demands. In parallel, Russia has **circulated** disinformation claiming that the United Kingdom and France are preparing to provide Ukraine with nuclear weapons. The aggressor has continued large-scale strikes against residential areas, energy infrastructure and civilian communications, including attacks carried out on the eve of negotiations. In the final week of February alone, Russia **launched** more than 1,720 attack drones, nearly 1,300 glide bombs, and over 100 missiles of various types against Ukraine. Overall, from December 2025 to February 2026, the aggressor used more than 14,670 guided aerial bombs, 738 missiles, and nearly 19,000 drones.

Against this backdrop, the United States' position appears largely favourable to the aggressor and aimed at pressuring Ukraine to make concessions, as reflected in recent statements and actions by Washington.

✓ Donald Trump repeatedly **urged** Ukraine to «move forward» and quickly enter negotiations,

while asserting that Russia is the side seeking a peace agreement.

✓ The United States abstained during the adoption of the UN General Assembly [resolution](#) on a comprehensive, just and lasting peace in Ukraine marking the fourth anniversary of the full-scale invasion.

✓ Following the strike on the Novorossiysk oil terminal, the US Department of State reportedly issued a formal [démarche](#) to Ukraine on 24 February, citing potential impacts on American economic interests.

✓ According to unofficial [reports](#), the United States has been pressing NATO allies to limit Ukraine's formal participation – along with that of other partner countries – at the NATO summit in Ankara in July 2026.

Speaking at the Munich Security Conference, former US Secretary of State Hillary Clinton [described](#) attempts to pressure Ukraine into a deal with Putin as «shameful» and characterised US policy towards Ukraine as a historic mistake.

Overall, years of negotiations with Russia suggest that attempts at political and diplomatic appeasement of the aggressor are ineffective without coercive pressure. Against this backdrop, given the United States' ambiguous position and the pro-Russian bias in its mediation, prospects for a settlement remain uncertain. According to unofficial [sources](#), several European intelligence chiefs assess the chances of ending the war in Ukraine this year as low, citing Russia's lack of interest.

The US factor in global affairs. Washington's assertive and at times contradictory policies are adding to geopolitical tensions and economic instability. In late February, the United States again demonstrated a force-based approach by launching, together with Israel, a [military operation](#) against Iran, raising the risk of escalation in the Middle East (see below). Given the ongoing energy blockade of Cuba and growing border tensions, the US President also [suggested](#) the possibility of a «friendly takeover» of Cuba.

Domestic developments in the United States also drew international attention. On

20 February, the Supreme Court [struck down](#) global tariffs imposed by Donald Trump, ruling that he had exceeded his authority – a legal setback and a blow to the administration's economic policy. Shortly thereafter, under existing trade legislation, Trump signed an order introducing a temporary global tariff of 10%, with plans to increase it to 15%. Several state governors launched [campaigns](#) demanding compensation for losses caused by what they described as «absurd and unlawful tariffs». The resulting tariff turbulence triggered responses from US partners: the European Parliament suspended ratification of a comprehensive trade agreement, while India postponed trade negotiations with the United States amid continued uncertainty over tariff policy.

On 19 February 2026, Washington hosted the inaugural meeting of the [Board of Peace](#), focused on stabilising the situation in the Gaza Strip. Trump presented a \$7 billion financial assistance package and a plan to deploy US-led stabilisation forces in Gaza, and announced intentions to establish a major military base in the enclave. These plans are likely to be revised in light of the escalating conflict in the Middle East.

The domestic situation appears more complex and challenging for the Republican Party than suggested in the President's 25 February State of the Union address. As noted in previous monitoring, support for the current administration and the Trump's approval ratings have been declining – a concerning trend for Republicans ahead of the upcoming midterm elections. This was underscored by the February Senate election in the traditionally Republican state of Texas, where Democrat Tom Remet [secured victory](#).

Washington's US-centric and assertive policies have weakened cohesion within NATO and fuelled growing distrust and criticism in Europe. Recent [polls](#) across the EU indicate a clear decline in positive views of the United States as a partner and ally. In several EU [countries](#), Donald Trump is increasingly perceived as an adversary, with widespread doubts among Europeans about his commitment to democratic principles

Global destabilisation and rising conflict. In February, dangerous escalation trends

emerged across multiple regions. The situation in the Middle East deteriorated sharply following the large-scale US–Israeli military operation «Epic Fury» against Iran. On 28 February, coordinated air strikes targeted sites across the country. Tehran responded with missile and drone attacks on Israel and military facilities in the UAE, Qatar, Bahrain and Kuwait. The US–Israeli strikes killed Supreme Leader Ali Khamenei and senior military leadership. Iran announced retaliatory strikes and blocked the Strait of Hormuz – a critical route for energy exports from the Persian Gulf. International reactions were mixed but largely centred on calls for de-escalation and a peaceful resolution, as reflected in discussions at the emergency session of the UN Security Council on 1 March. Russia and China condemned what they described as «unprovoked US–Israeli aggression» against Iran.

From Ukraine’s perspective, the war in the Middle East has mixed implications. On the one hand, it weakens the Iranian regime, constrains its military cooperation with Russia, and exposes the largely nominal nature of their strategic partnership. On the other hand, it risks pushing the Russia–Ukraine war down the global agenda and limiting Western – particularly US – arms supplies, especially air defence systems.

In late February, an armed conflict broke out between Pakistan and Afghanistan. In response to what it described as an «unprovoked» attack by Taliban forces, Pakistan carried out air strikes on Kabul and Kandahar province. Islamabad characterised the confrontation as an «open war».

Russia’s hybrid intervention across Europe continued. Incidents involving unidentified UAVs violating the airspace of EU countries were reported. In early February, Russian spacecraft attempted to intercept communications of ten European satellites. Swedish armed forces neutralised a Russian drone near a French nuclear-powered aircraft carrier in Malmö. Danish intelligence warned of possible Russian interference in the snap parliamentary elections scheduled for 24 March.

Over the four years of the full-scale war in Ukraine, Russia has carried out more than 150 hybrid attacks across Europe, including

assassination attempts against opposition figures, explosions, arson, sabotage, vandalism and information provocations.

FOREIGN POLICY ACTIVITIES OF UKRAINIAN GOVERNMENT

In February, Ukraine’s foreign policy focused primarily on securing international military and financial assistance and advancing national interests in international fora and within the peace negotiations.

Political dialogue with foreign partners. In February, Ukraine maintained intensive contacts with international partners in bilateral and multilateral formats, including at international fora and through interparliamentary and intergovernmental channels. Key engagements included the following. The Ukrainian delegation took part in the 62nd Munich Security Conference (13–15 February 2026), where the war in Ukraine and Europe’s collective response to Russian aggression were among the central themes. On the margins of the conference, Ukraine’s leadership held a series of meetings with leaders of Germany, the Netherlands, Finland, Denmark, Norway, North Macedonia, Czechia and Azerbaijan, as well as talks with US Secretary of State Marco Rubio. A meeting in the «Berlin format», bringing together EU and NATO leaders alongside heads of state and government from several European countries, proved productive. The Ukrainian side also met with a delegation of US senators, held talks with executives of international investment companies, and engaged with representatives of the first joint Ukrainian–German enterprise producing drones for the Ukrainian Armed Forces. Notable developments included the awarding of the Ewald von Kleist Award to the Ukrainian people and the opening of the «Ukrainian House» on the sidelines of the conference.

Another key event was a visit to Ukraine on 24 February by a group of European leaders marking the anniversary of the full-scale war. Kyiv welcomed EU leaders, as well as presidents and prime ministers of Denmark, Iceland, Estonia, Finland, Latvia, Norway, Croatia and Sweden, alongside senior officials from the United Kingdom, Poland, Lithuania and Spain. The visit included a meeting of the Coalition of the Willing, with representatives from 36 countries participating both in person

and remotely, including Japan, New Zealand and Australia. On the same day, Kyiv hosted the Ukraine–Nordic–Baltic (NB8) summit, which adopted a [joint statement](#) reaffirming «strategic, long-term and unwavering» support for Ukraine. The document outlines specific military contributions under joint and bilateral arrangements, including the PURL mechanism, and reiterates support for Ukraine’s path towards full European and Euro-Atlantic integration, including the EU and NATO membership.

Other notable international engagements included visits to Kyiv by the OSCE Chairperson-in-Office and senior OSCE representatives, the NATO Secretary General, the Prime Ministers of Poland and Moldova, the Secretary General of the Council of Europe, the UN High Commissioner for Refugees, and the OSCE High Commissioner on National Minorities. In parallel, regular contacts continued with EU and NATO leadership, alongside online talks with several European leaders, as well as the President of Israel and the President of the Senate of Cambodia. This was complemented by meetings and consultations at both parliamentary and governmental levels.

Promotion of Ukrainian interests and initiatives globally. In this area, Ukraine’s diplomacy achieved several notable outcomes. **First**, marking the anniversary of the full-scale war, international organisations, states and the broader international community demonstrated solidarity with Ukraine. Mass public events, cultural initiatives and demonstrations in support of Ukraine took place across multiple regions. On 24 February, the UN General Assembly adopted the [resolution](#) «Support for lasting peace in Ukraine», with 107 votes in favour. The resolution calls for an immediate ceasefire and respect for Ukraine’s sovereignty and territorial integrity within its internationally recognised borders. The G7 Leaders’ [statement](#) on the war in Ukraine reaffirmed unwavering support for Ukraine in defending its freedom, sovereignty, territorial integrity and right to exist. On the same day, the European Parliament held a solemn extraordinary session and adopted the European Parliament [resolution](#) of 24 February 2026 on four years of russia’s war of aggression

against Ukraine and European contributions to a just peace and sustained security for Ukraine. The document emphasises solidarity with Ukraine, underscores the need to hold russia and its allies accountable for crimes committed, and states that Ukraine’s European integration is a strategic priority for the European Union. Parliaments in several European countries, including Germany, Poland and Latvia, also [adopted](#) resolutions in support of Ukraine. The Munich Security Conference likewise demonstrated strong international political solidarity with Ukraine.

Second, continued support from allied countries in reforming Ukraine’s defence sector, advancing security cooperation, and integrating the national defence industry into European and global markets remains strategically important. In this context, the launch of a [network](#) of ten export hubs for Ukrainian defence technologies across Europe is particularly notable. Furthermore, European defence companies, including those specialising in unmanned systems, are establishing R&D centres in Ukraine. In February, four Ukrainian defence manufacturers [signed](#) cooperation agreements with companies from Denmark, Finland and Latvia worth approximately €800 million. The first Ukrainian production facility for strike UAVs has also begun operations in the United Kingdom.

International solidarity and assistance to Ukraine in countering russian aggression. In February, allied countries announced additional packages of military, financial and humanitarian assistance for Ukraine. Following the 12 February meeting of the Ukraine Defence Contact Group («Ramstein»), partners agreed one of the largest support packages to date – \$38 billion for 2026, including over \$2 billion for air defence and \$2.5 billion for drone production. Germany committed more than \$11.5 billion, Norway \$7 billion, Sweden around \$4 billion, Denmark \$2 billion, Spain \$1.2 billion and Belgium over \$1 billion. Significant military and financial assistance was also provided by the United Kingdom, the Baltic states, Slovenia and the Netherlands. Additional contributors included Canada, Australia and Türkiye, while Japan decided to join NATO’s PURL programme.



Given seasonal conditions, large-scale support for Ukraine’s energy sector was critical. Ukraine received generators, electrical modules, transformers, cogeneration units and other energy equipment from the European Union, Lithuania, Austria, Poland, Finland, Switzerland, Germany, Denmark, France, Azerbaijan, the Netherlands, the Vatican and relevant international organisations. In particular, Ukraine received 300 generators under the South-East European Cooperation Initiative (SECI). During the final two weeks of February, the Ministry of Energy distributed more than **1,152 tonnes of humanitarian aid** to support hospitals, social institutions, critical infrastructure and the State Emergency Service. A significant share of this assistance was channelled through partner contributions to the Ukraine Energy Support Fund and the Critical Infrastructure Support Fund.

In February, Ukraine’s partners – including the United Kingdom, Australia, Canada and New Zealand – also introduced new **sanctions packages** against the aggressor. In particular, London announced its largest package since 2022, targeting russia’s oil and gas revenues and shadow fleet. Overall, the measures applied to individuals, companies and vessels linked to russian aggression.

UKRAINE’S STEPS TOWARDS THE EU

In February, Ukraine’s European integration track showed both positive and negative trends. On the one hand, the European Union demonstrated readiness to provide comprehensive political solidarity and military and financial support to Ukraine. This was reflected in the decisions and measures by the EU and its member states outlined above. EU countries announced additional support packages for Kyiv and made substantial contributions to the restoration of Ukraine’s energy sector and transport infrastructure.

On the other hand, relations with neighbouring Hungary and Slovakia deteriorated further. Following damage to the Druzhba oil pipeline from russian attacks and the resulting disruption of oil supplies, Budapest and Bratislava resorted to pressure tactics, including threats to halt electricity exports to Ukraine. Hungary and Slovakia also blocked the European Commission’s proposed 20th sanctions package against russia. Slovak Prime Minister Robert Fico threatened to reconsider his position on Ukraine’s EU membership. In parallel, the Viktor Orbán government **delayed** the approval of a €90 billion loan to Ukraine for 2026–2027, citing the suspension of oil

transit. Responding to this, Ursula von der Leyen [stated](#) that «we will deliver on the loan one way or the other... we have different options and we will use them».

Overall, Hungary's and Slovakia's positions can be seen as aligning with the interests of the Russian aggressor. Anti-Ukrainian rhetoric also remains a central element of Orbán's electoral strategy ahead of the April parliamentary elections. More broadly, the repeated blocking of key EU decisions highlights a structural vulnerability of the Union linked to the consensus-based decision-making mechanism, which is becoming increasingly problematic.

Another challenge in relations between Kyiv and Brussels concerns the timeline for Ukraine's EU accession. Despite Kyiv's calls to set 2027 as the year of formal accession, there is no consensus among EU leaders. This reflects both the constraints of the unanimity principle and the formal procedural framework governing enlargement.

The pattern of international developments in February 2026 points to a gradual increase in geopolitical turbulence,

accompanied by growing economic instability amid persistent rivalry among major powers, uncertainty surrounding negotiations to end the war in Ukraine, and the escalation of a large-scale armed conflict in the Middle East. The US-Israeli military operation against Iran risks shifting global attention towards the region and diverting Western political and military resources, potentially affecting arms supplies to Ukraine, particularly air defence systems.

In these circumstances, a clear priority for Ukrainian diplomacy is to consolidate military, political, financial and humanitarian support from European partners. This includes ensuring the regular delivery of weapons packages, including under NATO's PURL mechanism, and overcoming the «Hungarian factor» to secure large-scale EU financing for Ukraine's defence and budgetary needs in the context of a prolonged war.

Another increasingly important priority is the rapid buildup of Ukraine's defence capabilities, deeper integration of the national defence industry into global defence markets, and expanded participation in EU defence programmes and projects.

III. ECONOMY

In February, Ukraine completed the fourth year of resistance to Russian aggression, and, despite worst-case projections, its economy is gradually stabilising, supported by continued international assistance.

A key development was the International Monetary Fund [announcement](#) that its Executive Board would soon consider a staff-level agreement on a new four-year programme for Ukraine under the Extended Fund Facility (EFF). The \$8.1 billion package is intended to replace the previous \$15.5 billion programme and serve as an anchor for attracting additional external financing. This follows Ukraine's completion of all prior actions, including the adoption of the 2026 budget and submission of a draft Labour Code.

The IMF has also signalled some flexibility on programme conditions. In particular, the threshold for mandatory VAT registration is expected to increase from UAH 1 million to UAH 4 million, easing the tax burden for more than 350,000 small entrepreneurs.

The Fund's [baseline scenario](#) assumes that active hostilities end this year, but it has also developed a downside scenario in which the war continues until 2028, which appears increasingly realistic. Even under this scenario, IMF support is expected to continue.

At this stage, the economy is still undergoing stabilisation. According to preliminary [data](#) from the State Statistics Service, real GDP grew by 3% in Q4 2025, bringing full-year growth to around 1.8%. On the demand side, growth was driven by stronger household consumption, supported by rising incomes, while higher government spending and increased investment – compared to 2024 – were largely linked to defence needs. Logistical constraints, limited access to electricity and continued attacks on industrial facilities weighed on exports.

Unfortunately, industrial sector challenges have deepened. In 2025, industrial output

declined by 2.4%, and pressures are likely to persist into 2026. The situation deteriorated further in January 2026 following renewed Russian attacks on thermal power generation, as well as on generation facilities and electricity transmission infrastructure. Several cities were particularly affected, including Kyiv, where many households and businesses faced disruptions to electricity and heating supply. Micro and small businesses were hit harder than large companies.

Investment inflows have yet to materialise at the expected scale, which would be critical for industrial recovery. In 2025, foreign direct investment (FDI), largely in the form of mergers and acquisitions (M&A), amounted to just \$2.3 billion, down 43% from \$4.0 billion in 2024. A stable and lasting peace remains the key condition for a meaningful increase in M&A activity. To ensure stronger investment growth in the future, Ukraine needs to improve its investment climate already now. Priority areas [include](#) infrastructure recovery and reconstruction, housing construction, and scaling up affordable financing programmes for businesses, particularly in frontline regions.

Meanwhile, security and defence remain the top budget priority, absorbing the largest share of public spending. [According](#) to the Ministry of Finance, the execution of the 2025 State Budget was marked by an unprecedented allocation of resources to defence and military needs. Over the year, state budget revenues totalled UAH 3.82 trillion (general fund: UAH 2.66 trillion), up 22.3% year-on-year. Expenditures reached UAH 5.47 trillion, resulting in a deficit exceeding UAH 1.6 trillion. Key spending priorities included defence and security (64% of total expenditure), social payments – notably social protection and pension indexation – and support for veterans.

The planned budget deficit is financed through external borrowing and domestic debt issuance. External assistance and grants (UAH 530.4 billion) remain critical for covering social and humanitarian spending. [According](#)

to preliminary estimates, public debt reached UAH 8.2 trillion in 2025 (around 97% of GDP).

The 2025 budget was adopted with continued defence financing as a central priority despite the high deficit. The 2026 budget follows the same approach. According to preliminary data, state budget [revenues](#) in January 2026 amounted to UAH 296 billion, including UAH 101.4 billion in grants provided under the ERA mechanism. As of end-January, Ukraine had already received \$41.3 billion out of the expected \$50 billion under the ERA credit mechanism. Revenues in January 2026 were only 4.5% higher than in January 2025, when no grants were recorded, but inflows to the special fund were elevated, likely reflecting military assistance.

Meanwhile, the National Bank of Ukraine (NBU) released [preliminary balance of payments data](#) for 2025. The current account deficit widened to \$31.9 billion (14.9% of GDP), compared to \$15.2 billion (8% of GDP) in 2024. The deterioration was driven primarily by a larger goods trade deficit – reflecting a sharp increase in imports alongside a moderate decline in exports – and a higher primary income deficit, due to lower labour income inflows and rising investment income payments. At the same time, grant inflows from international partners increased.

Exports of goods and services declined by 4.2% (after growing by 9.7% in 2024), while imports rose by 16.4% (compared to 6.9% in 2024). Goods exports fell by 2.7%, or \$1 billion, to \$38.3 billion. The decline was driven almost entirely by lower food exports, down 8.7%, including a significant drop in grain exports (-22.8%).

Exports to the European Union saw the largest decline, falling by \$1.5 billion (-6.6%), with the EU's share in total goods exports decreasing from 56.4% in 2024 to 54.1%.

The services trade deficit remained broadly unchanged at \$5.8 billion, as both exports and imports of services declined at similar rates – 7.7% and 5.9%, respectively.

Although compensation of employees (primary income inflows) declined by 19.6%,

and private remittances (secondary income) fell by 14.7% to \$8 billion, the overall surplus in the secondary income account increased to \$26.5 billion (from \$23.1 billion in 2024). This was driven by higher grant inflows, which rose to \$12.7 billion (from \$11.2 billion in 2024), as well as other international assistance.

FDI net inflows in 2025 are estimated at \$2.4 billion, including \$1 billion in reinvested earnings. In 2024, net inflows totalled \$3.7 billion, of which \$2.6 billion was reinvested earnings.

As of 1 January 2026, Ukraine's international reserves stood at \$57.3 billion, covering 5.8 months of prospective imports. However, reserves are not only used to finance external imbalances.

The persistently large trade deficit necessitates continued [active foreign exchange interventions](#) by the NBU, which has been drawing on reserves to contain depreciation pressures. Since the start of the year, the NBU has operated in the interbank market exclusively as a net seller, fully refraining from foreign currency purchases. By the end of February, the regulator had sold more than \$6 billion (in equivalent terms).

Despite these interventions, the hryvnia has continued to weaken gradually, though noticeably, against major currencies. The exchange rate moved from UAH 42.0 [per US dollar](#) at the beginning of the year to nearly UAH 43.3 by the end of February.

Since autumn 2023, the NBU has operated under a managed flexibility exchange rate regime. The exchange rate is not fixed but allowed to adjust to market supply and demand. At the same time, the central bank smooths excessive volatility by covering foreign currency shortages through interventions, supported by reserves that are regularly replenished through financial assistance from Western partners.

Meanwhile, risks to international reserves are emerging from a somewhat unexpected source. The NBU has [expanded](#) its open data on the FX market, adding detailed information on transactions in banking metals and revealing an unexpected trend: bank clients

have been actively purchasing gold in significant volumes, while reverse sales – as with foreign currency – remain minimal.

Demand for gold surged at the end of last year, reaching a record in December 2025, when banks sold 3,536.5 troy ounces worth over \$15 million. Strong demand has continued since the beginning of this year.

It is too early to draw conclusions about the persistence of this trend in Ukraine. The increased interest in gold is likely driven by exchange rate volatility and uncertainty surrounding US economic policy. Traditionally, however, Ukrainian households have preferred highly liquid assets such as the US dollar, euro, pound sterling and Swiss franc. The current rise in gold demand does not yet indicate a shift away from these preferences. This is also reflected in a decline in household deposits. **According** to the Deposit Guarantee Fund,

as of 1 February total household deposits stood at UAH 1,612.9 billion, down UAH 4.8 billion month-on-month. This typically reflects a shift of savings into cash foreign currency.

An alternative channel for household savings is also emerging. Alongside the decline in bank deposits, household investment in domestic government bonds (OVDPs) increased by UAH 5 billion – broadly in line with deposit outflows. Retail investors are **increasingly attracted** to government securities due to tax exemptions and higher real returns, supported by the NBU's policy rate cuts. Although nominal rates on one-year **deposits** may be higher, they are subject to personal income tax and the military tax. Income from OVDPs is tax-exempt, which enhances their attractiveness. As a result, savings may gradually continue to shift into government bonds, although this trend remains to be tested over time.

IV.

ENERGY SECTOR

ENERGY BALANCE

Since the start of the full-scale invasion, the kremlin has carried out 64 large-scale attacks on Ukraine's energy infrastructure, using 2,900 ballistic and cruise missiles and 12,700 strike drones. Following the launch of peace negotiations, the number of coordinated strikes tripled. Since October 2025, energy facilities have been targeted almost daily.

These attacks have severely **degraded** the system, damaging around two-thirds of pre-war capacity, **destroying** up to 90% of thermal generation and over 40% of hydropower capacity. Strikes on transmission and distribution infrastructure have disrupted interregional power flows and constrained import capacity. In January, when electricity demand reached 18 GW, available **generation** stood at just 11 GW. In February, peak demand of 16.4 GW was met with only 12.3 GW of **available generation** and imports.

Through sustained long-range strikes of unprecedented scale, moscow has placed millions at risk by disrupting access to essential services, including electricity, heating, water supply and sanitation, healthcare, emergency alert systems, transport, and communications.

A defining feature of the winter campaign has been sustained pressure on Kyiv. Targets included CHPPs 4, 5 and 6, the Trypilska TPP, and the Pivnichna, Kyivska, Novokyivska, Bilotserkivska and Brovarska substations, indicating an intent to fully de-energise the Kyiv region during one of the coldest winters in the past decade.

This objective was not achieved. Despite sustained attacks, Ukraine's Integrated Power System (IPS) has remained operational and stays in sync with the continental European grid. Thanks to the round-the-clock efforts of energy workers, international support, and

increased imports, the overall deficit was reduced threefold, allowing most regions to phase out individual outage schedules.

Adverse weather conditions – including ice, strong winds and wet snow accumulation – disrupted power supply roughly every third day of the month. On 19 February alone, outages affected 458 settlements, with 40 remaining without power for more than two days.

In February, the base capacity of Ukraine's IPS was provided by nine nuclear units, generating up to 7.7 GW. Following each large-scale russian attack, the output of most units was temporarily limited while transmission lines were being restored. Manoeuvrable capacity was provided by 5–7 units at TPPs and CHPPs, as well as HPPs and PSPPs, with a combined output of up to 2 GW. Output from renewable energy sources increased gradually from 1.0–1.2 GW to 1.6–1.7 GW.

Due to snowmelt north of Kyiv, generation at Ukrhydroenergo facilities rose to 0.8–1.0 GW in February, with hydropower primarily supplied during peak demand hours. This upward trend is expected to continue in March, as average temperatures are projected to exceed the long-term norm by 2–3°C.

Nuclear power plants traditionally accounted for more than two-thirds of total generation in February. Due to damage inflicted by the enemy, the share of TPPs and CHPPs declined to 7–10%. Renewable energy sources contributed 11–15%, while HPPs accounted for 8–9% of total output. Overall, electricity generation averaged 10–11 GW per hour, against demand of 16–17 GW (compared to up to 21 GW in the same period of 2021).

The **increase** in price caps on the electricity market to the evening peak levels, along with the **obligation** for several state-owned enterprises to purchase half of their electricity

consumption abroad drove **imports** in February to a six-year high 1.2 TWh (+34% compared to the already elevated January level). The largest volumes were supplied from Hungary and Slovakia. As a result, 85% of the total import capacity allocated by ENTSO-E – 2.1 GW (2.45 GW including Moldova) – was utilised. Imported electricity accounted for 14–15% of consumption on working days, broadly in line with January (compared to 9–10% in December).

For obvious reasons, no electricity was exported in February. Cross-border supply has been **fully suspended** since 11 November 2025.

Coal reserves declined to 2 million tonnes in February (–9% month-on-month). As damaged units at TPPs and CHPPs remained largely unavailable, existing reserves are sufficient to cover the remainder of the heating season.

As temperatures gradually increased, daily gas consumption declined from a four-year high of 140 mcm to 100–110 mcm. No supply shortages were observed, supported by domestic production (42–44 mcm/day), withdrawals from storage (averaging 41 mcm/day in February), and imports from Poland, Hungary and Slovakia (19–21 mcm/day; 585 mcm for the **month**).

Gas **reserves** in Ukraine fell to 4.9 bcm (–18% month-on-month), excluding 4.1 bcm classified as «long-term storage» gas; 0.6 bcm formally designated as «buffer gas»; and 0.2 bcm belonging to non-residents. This level is around 25% higher than a year earlier but remains 17% below 2015–2018 levels.

To secure additional gas supplies in March, Naftogaz of Ukraine **raised** €85 million in financing from the European Bank for Reconstruction and Development, backed by a grant provided by the Government of Norway at the end of last year.

No shortages of petroleum products were observed on the domestic market, and none are expected.

PROBLEMS AND SOLUTIONS

In February, the International Energy Agency (IEA) published a **report** examining the lessons

Ukraine has learned in strengthening the resilience of its energy system, and identifying a set of measures that, following costs and risk assessments, can be implemented by national governments and regulators.

Since October 2025, Russian armed forces have carried out regular strikes on Ukraine's energy infrastructure at intervals of 7–10 days, using a wide range of weapons – from rocket artillery to ballistic missiles. Following a drop in average temperatures to –20°C, the aggressor also targeted district heating infrastructure in major cities, particularly Kyiv, Kharkiv and Dnipro. The scale and intensity of these strikes, combined with limited air defence coverage (on 9 January, only 2 of 18 ballistic missiles were intercepted) and detailed knowledge of Ukraine's energy system inherited from the Soviet period, resulted in significant damage to key facilities. This led to disruptions in water, heating and electricity supply for hundreds of thousands of households, businesses and social institutions.

As noted in the report, «the measures Ukraine has taken to enhance energy system resilience under these extreme conditions – in many cases improvised, rather than the result of long-term planning». Nevertheless, they were able to ensure that «critical services remain functional and daily life can continue should disruptions».

The IEA identifies the following **lessons** as particularly relevant globally:

1. Power systems designed for resilience return to normal operation far faster during extreme events and can avoid catastrophic societal impacts and costs. Integrating resilience at the planning phase – through holistic risk assessments involving operators, regulators and energy ministries – reduces overall costs compared with retrofitting and it should not slow planning processes if incorporated systematically.

2. Physical hardening protects infrastructure from both intentional threats and natural hazards, with many techniques providing cross-cutting protection regardless of the threat faced. Effective hardening combines infrastructure that is designed for protection with the ability to rapidly deploy

equipment to shield priority assets during emergencies.

3. Effective emergency response requires trained teams, technical expertise, specialised equipment, and coordination mechanisms to respond rapidly under extreme conditions. Pre-established legal frameworks, decision protocols, and in-house technical capacity enable faster action than improvisation during crises.

4. No single communication channel is perfectly reliable during extreme crises. Multi-layered systems where backup channels function independently – from battery-powered repeaters and radios to sirens and community networks – ensure critical information can reach populations when digital infrastructure fails.

5. Distributed assets are inherently harder to target and easier to restore when damaged. They also allow for the maintenance of some essential services when interconnected systems are damaged and can help restart them in the event of disruptions. Enabling regulatory frameworks and intelligent grid platforms are essential to coordinate these resources as decentralisation grows.

6. Emergency reserves provide critical buffers when fuel disruptions threaten essential services, supporting critical mobility and enabling backup generators to sustain hospitals, water utilities, telecommunications and emergency services during prolonged outages. Legal frameworks must mandate minimum reserves with clear ownership, custody arrangements, and release protocols that are established before crises occur.

7. Equipment standardisation dramatically accelerates repair timelines by enabling the rapid deployment of compatible components, while strategic and tracked stockpiles ensure availability during emergencies. Long-term manufacturer agreements with emergency priority access enhance the security of supplies for critical infrastructure.

8. Crises disrupt data collection precisely when information becomes most critical for

assessing damage, prioritising restoration, evaluating response effectiveness, and conveying both short- and medium-term needs to partners. Emergency legislation must ensure continuation of critical data flows through both technical measures and clear reporting responsibilities.

9. As distributed architectures create thousands of potential entry points, layered security with strict network segmentation, continuous monitoring, and international threat intelligence sharing becomes essential. Ukraine's successful prevention of attacks targeting millions demonstrates the value of combining secure-by-design principles, prompt cyber incident response and rapid coordination among stakeholders.

10. Countries often cannot respond to high-impact events alone. International cooperation enables the necessary distribution of equipment, expertise and resources. Mutual assistance agreements with clear obligations and cost-sharing, established in advance rather than during crises, enable rapid deployment under established protocols and prevent months-long delays.

February measures confirm that Ukraine has drawn key lessons from the 2025–2026 heating season, including:

- ✓ **setting up** a Coordination Centre for the development of distributed generation;

- ✓ **introducing** personal accountability of managers for connecting distributed generation facilities and bringing them into electricity and heat production;

- ✓ **extending** priority state support to businesses and households for the purchase and installation of diesel, petrol, gas and dual-fuel generators, as well as autonomous and backup power supply systems;

- ✓ **extending** state support for homeowners' associations and housing cooperatives until 31 December 2026;

- ✓ **introducing** state support for households through interest rate compensation on loans

(0%, 5% and 7% in years one to three, respectively), and/or partial loan principal compensation: 20% for generator installation; 25% for generators combined with energy storage systems and inverters; 30% for generators combined with photovoltaic modules and/or wind installations, hybrid inverters and energy storage systems;

✓ **requiring** distribution system operators to issue written decisions and adhere to defined timelines for processing connection applications: up to 5 MW – no more than 5 and 2 working days for initial and repeat review; above 5 MW – no more than 10 and 5 working days;

✓ **allowing**, on a temporary basis until 1 October 2026, connection **charges** for non-household consumers installing cogeneration, gas engine or gas turbine units to be determined based on the cost of equipment and works required to ensure the corresponding output capacity.

CONCLUSIONS AND RECOMMENDATIONS

As a result of war-related destruction, Ukraine's centralised energy architecture – developed in the last century and based on several dozen large generation units interconnected by transmission lines – is gradually ceasing to exist. Around two-thirds of capacity has been severely **damaged**, with up to 90% of thermal and 40% of hydropower units **destroyed**. Networks are operating under non-design conditions, largely relying on temporary and backup configurations. Emergency demand-side restrictions have effectively become standard operating tools. At the same time, new centres of economic activity and population displacement have reshaped regional patterns of energy consumption.

While the energy system must continue to operate under any conditions to sustain essential services, Ukraine now faces the need to **define** the foundational principles for rebuilding its post-war energy system.

Based on an expert discussion initiated by the National Institute for Strategic Studies, the **following** have been identified as key:

1. Preserving the integrity of the energy system, ensuring that all components operate within a unified technological process, with real-time balancing of generation and consumption, and compliance with reliability and flexibility criteria.

2. Applying at the design stage and maintaining during operation the N-1 criterion for high- and medium-voltage power systems, and the N-2 criterion for large generation units and Category I consumers; ensuring reliable supply to critical infrastructure through network redundancy, autonomous sources and distributed generation.

3. Developing distributed generation to support the functioning of communities, while ensuring its ability to operate both connected to distribution systems and in island mode during emergencies; allowing grid connection based on application procedures.

4. Opening the domestic market to foreign investment and electricity trade; ensuring the technical capability of the system for cross-border flows of at least 30% of domestic consumption; implementing market coupling; enabling full participation in regional groupings, including ENTSO-E, and joint crisis response mechanisms.

5. Guiding system development decisions by ensuring: adequate capacity availability across base-load (45–50%), manoeuvrable (30–35%) and peak (20–25%) segments; sufficient primary frequency control reserves (65–75% rotating (inertial) generation and 35–25% inverter-based generation); and the ability of non-dispatchable generation to meet declared output levels and supply profiles.

6. Assigning to distribution system operators responsibility for ensuring reliability, flexibility and balancing at the distribution level, while establishing interaction protocols

with the transmission system operator for dispatching distributed resources.

7. Incentivising end consumers and producers from non-dispatchable sources to participate in frequency regulation mechanisms.

8. Balancing supply and demand exclusively through market-based mechanisms.

9. Phasing out cross-subsidisation and the use of public service obligations (PSOs) to support specific consumer groups; ensuring fully monetary settlement arrangements between consumers and suppliers.

10. Deploying digital regulation tools – including smart grids and metering, demand-side management and storage dispatch – to support system balancing.

11. Conducting scenario-based modelling of network and system development, enabling real-time forecasting of generation and consumption, and strengthening risk management.

12. Establishing an institutional framework for sectoral professional education aligned with the needs of the future energy system; ensuring state-funded training of engineers for key energy sectors.



V.

SOCIAL POLICY

On 12 February 2026, the President signed the Law «On the Basic Principles of Housing Policy» (No. 4751-IX of 13 January 2026), repealing the 1983 Housing Code and establishing a new framework for the housing sector (the corresponding draft law No. 12377 was recently adopted by parliament).¹ The law lays the foundation for comprehensive housing reform, introducing systemic implementation instruments and addressing longstanding management challenges. In particular, it provides for the development of social and affordable rental housing, the introduction of social and affordable housing operators, and mechanisms to attract investment and expand public-private partnerships.

As part of the reform, the Ministry for Communities and Territories Development of Ukraine (the Ministry) has presented proposals for the draft Law «On the Management of the Housing Stock». The document is a central element of the reform and aims to address both current challenges and structural deficiencies in housing management. A key innovation is the requirement for each multi-apartment building (except those with an established homeowners' association (OSBB)) to have a legal entity – a simple partnership of co-owners – to represent residents' interests and facilitate building management. The draft provides for a comprehensive overhaul of housing management rules in Ukraine.

Key changes proposed by the draft law include:

- ✓ introducing clear rules for the management of all housing, regardless of legal status;

- ✓ establishing a legal entity for each multi-apartment building (where no OSBB exists) to represent co-owners' interests;

- ✓ creating a unified register of multi-apartment building management and an integrated management system as part of the Unified Information and Analytical Housing System;

- ✓ developing a comprehensive housing stock database for each community, covering all residential buildings;

- ✓ clarifying the status of OSBBs and property managers as consumers of utility services for building needs;

- ✓ setting clear professional requirements for property managers;

- ✓ clearly delineating responsibilities among co-owners, OSBBs and property managers.

The Ministry presents these proposals for the draft Law «On the Management of the Housing Stock» as a structural step towards institutionalising housing policy, which has long operated in a fragmented and normatively dispersed manner. In particular, the draft law:

- ✓ clearly delineates the roles of owners, property managers and local self-government authorities;

- ✓ establishes management standards for multi-apartment buildings and introduces enforcement mechanisms (oversight, sanctions and financial liability);

- ✓ introduces transparent procedures for the competitive selection of property managers;

- ✓ provides for mandatory technical inventory and condition audits of the housing stock, marking a shift from an administrative,

¹ The draft law was developed by the Ministry for Communities and Territories Development of Ukraine in cooperation with international partners under the Ukraine Facility Plan (Reform 7: «Ensuring access to housing for people in need»). Its preparation involved the European Commission, the World Bank, the European Investment Bank, the United Nations Economic Commission for Europe (UNECE), the Office of the United Nations High Commissioner for Refugees (UNHCR), the International Organization for Migration (IOM), Habitat for Humanity, the Norwegian Refugee Council (NRC), and the Council of Europe Office in Ukraine.

nominal model to a contract-based and accountable one.

The initiative presented by the Ministry is positioned as a structural reform. However, its actual effectiveness will depend on whether it delivers genuine institutional transformation or merely redistributes financial responsibility from the state to co-owners.

The law is intended, first and foremost, to address a number of structural problems characterising Ukraine's housing stock:

- ✓ the scale of physical and engineering deterioration – nearly 90% of the housing stock was built before the 1990s, with the average age of buildings exceeding 50 years;

- ✓ a lack of accumulated capital reserves and low levels of capital investment, with major modernisation carried out only on a fragmented basis;

- ✓ institutional weakness of OSBBs;

- ✓ the absence of a fully developed market for professional property managers;

- ✓ overlapping responsibilities between co-owners and local self-government authorities.

The full-scale war has further exacerbated these challenges, including energy vulnerability, the limited financial capacity of co-owners, weak professionalisation of housing management, and the absence of a comprehensive digital overview of the national housing stock.

Among other objectives, the draft law is also expected to address one of the most pressing issues for OSBBs and property managers – their interaction with large utility providers. The proposal seeks to establish that OSBBs and the newly introduced co-owners' partnerships will be treated as residential consumers, meaning they will pay tariffs applicable to households rather than business entities. This applies primarily to electricity and natural gas, including for rooftop boiler systems.

The authors of the draft law also propose addressing a widespread issue of non-compliance with technical specifications in new residential developments, encountered by residents in many Ukrainian cities. This refers to cases of commissioning buildings without full connection to the required utility infrastructure. The proposal introduces clear timelines for the transfer of newly commissioned buildings, with mandatory connection to all utilities.

From a political and economic perspective, the reform effectively pursues three objectives:

1. removing quasi-fiscal liabilities for the deteriorating housing stock from the state and municipalities;

2. formalising full financial responsibility of co-owners for the technical condition of buildings;

3. legalising the market for professional property managers as a distinct economic segment.

In this sense, the reform extends beyond housing management to encompass the **financial decentralisation of costs** related to housing maintenance and modernisation. Under such conditions, the introduction of a «market-based management model» implies:

- ✓ a sharp increase in maintenance contributions;

- ✓ the need to establish capital repair funds;

- ✓ a higher tariff burden on households.

In the absence of a parallel state-led modernisation programme, the reform risks becoming a mechanism for shifting the accumulated infrastructure deficit onto households.

From a public finance perspective, this primarily translates into a reduction in potential future budget expenditures, a decline in emergency transfers, and less pressure on local budgets. At the macro level, however, it

implies an increase in the quasi-tax burden on households, a decline in their consumption capacity, and a growing need for subsidies.

As a result, a potential paradox emerges: savings in municipal spending may be offset by higher expenditures on targeted social support. In addition, the reform may create several areas of tension:

Co-owners vs low-income residents	Higher contributions increase the risk of non-payment and social tension
OSBBs vs municipal utilities	Demonopolisation of management may dismantle local quasi-monopolies
Central government vs communities	Transfer of responsibilities without adequate funding creates institutional imbalance
Professional property managers vs co-owners	Risk of local oligopolies emerging in housing management

The law also creates institutional risks if it fails to establish clear standards for expenditure transparency, provide for mandatory audits, and ensure open registers of contracts. It may also open new avenues for financial misconduct, non-transparent procurement, and artificial cost inflation. **The key strategic risk, however, lies in a growing asymmetry between the formal expansion of co-owners' responsibilities and their actual ability to pay.** If the reform is not aligned with income policy, modernisation programmes and long-term financing mechanisms, it may increase social tensions, incentivise non-payment and, as a result, accelerate the deterioration of parts of the housing stock. If the law remains a framework without effective implementation mechanisms, it will merely redistribute responsibilities without addressing the underlying problem of structural deterioration. If, however, an economically grounded management model is implemented, it could provide the foundation for long-term housing modernisation.



VI. CITIZENS' OPINIONS ABOUT CURRENT ISSUES¹

HOW DO YOU TRUST THE FOLLOWING STATE INSTITUTIONS? % of respondents												
	September 2025				November 2025				February 2026			
	Trust*	Distrust**	Hard to say	Trust-distrust balance	Trust*	Distrust**	Hard to say	Trust-distrust balance	Trust*	Distrust**	Hard to say	Trust-distrust balance
Armed Forces of Ukraine	92.6	5.6	1.7	87.0	92.1	5.9	2.0	86.2	94.3	5.8	0.0	88.5
Main Directorate of Intelligence (GUR)	73.3	16.9	9.9	56.4	71.0	18.0	11.1	53.0	78.4	15.0	6.6	63.4
National Guard of Ukraine	76.6	18.4	5.0	58.2	72.4	21.3	6.4	51.1	77.3	17.9	4.8	59.4
Security Service of Ukraine (SBU)	66.4	24.6	9.0	41.8	65.0	25.9	9.1	39.1	72.8	21.4	5.7	51.4
State Border Guard Service	75.2	20.1	4.6	55.1	70.5	23.2	6.3	47.3	70.2	20.1	9.6	50.1
President of Ukraine	52.4	40.4	7.2	12.0	47.8	45.3	6.9	2.5	51.7	42.4	5.8	9.3
National Anti-Corruption Bureau of Ukraine (NABU)	30.6	55.8	13.6	-25.2	41.4	44.9	13.6	-3.5	38.3	41.9	20.0	-3.6
National Police of Ukraine	46.1	47.3	6.5	-1.2	45.5	48.7	5.8	-3.2	37.0	54.7	8.3	-17.7
Prosecutor's Office of Ukraine	26.2	62.3	11.5	-36.1	28.4	59.8	11.8	-31.4	25.0	57.2	17.7	-32.2
Courts (judicial system as a whole)	19.7	71.1	9.1	-51.4	22.5	66.3	11.2	-43.8	23.1	58.3	18.7	-35.2
Cabinet of Ministers of Ukraine	22.5	70.2	7.4	-47.7	21.4	72.8	5.8	-51.4	21.0	75.0	4.0	-54.0
Verkhovna Rada of Ukraine	17.2	76.7	6.0	-59.5	18.5	76.0	5.4	-57.5	9.8	87.2	3.0	-77.4

* The total of answers «fully trust» and «rather trust».

** The total of answers «fully distrust» and «rather distrust».

¹ Results of a sociological survey conducted by the Razumkov Centre's sociological service in cooperation with the Kyiv Security Forum from 31 January to 4 February 2026 using telephone interviews. A total of 1,003 respondents aged 18+ were surveyed across all regions of Ukraine (excluding the Autonomous Republic of Crimea). Interviews were conducted with respondents residing in government-controlled areas of Ukraine covered by Ukrainian mobile network operators.

The sample structure reproduces the demographic structure of the adult population in the surveyed areas as of the beginning of 2022 (by macro-region, age, gender and type of settlement).

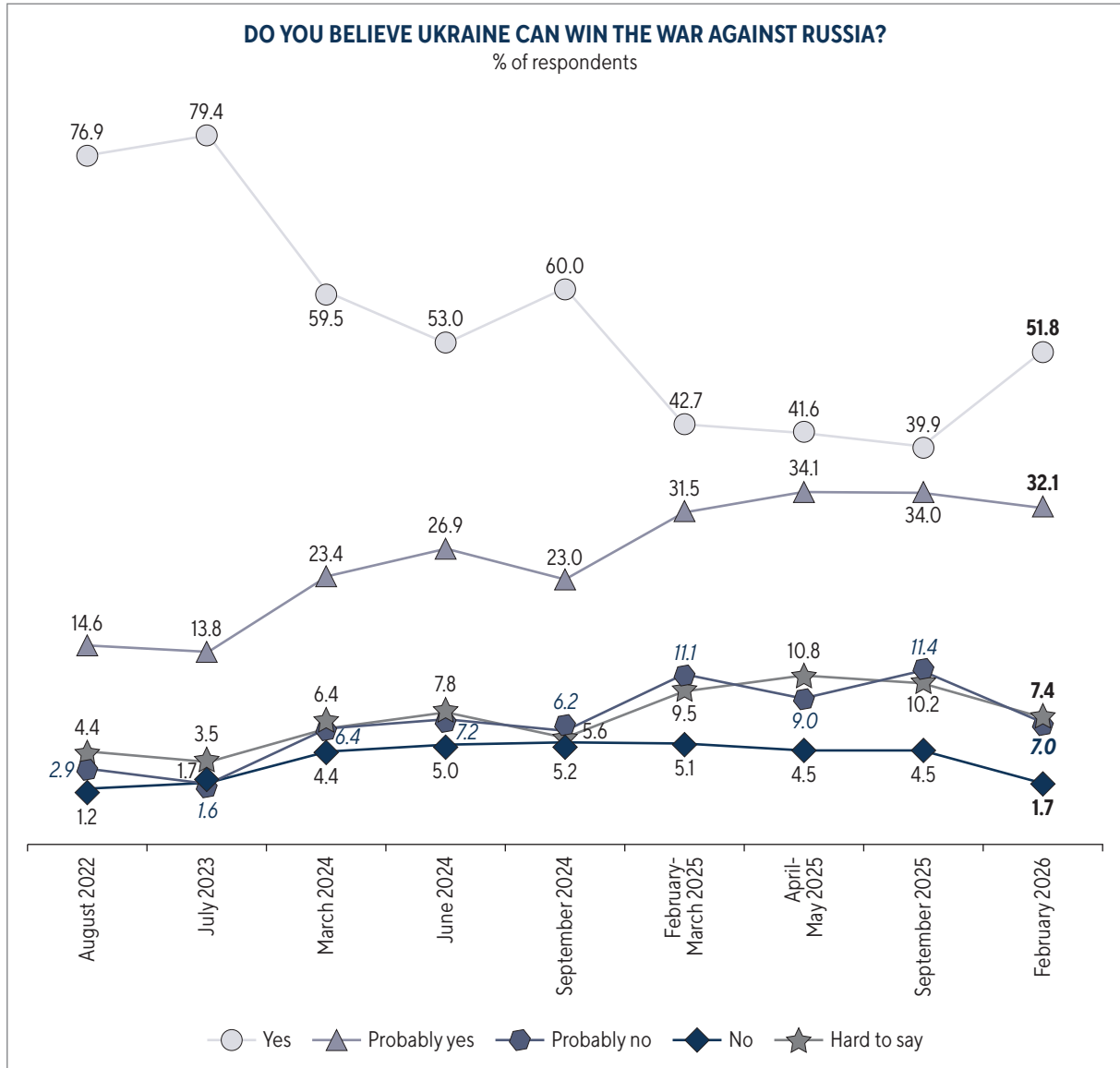
The theoretical sampling error does not exceed 3.2%. Additional systematic sampling deviations may arise due to the consequences of Russian aggression, in particular, the forced evacuation of millions of citizens.

The results of this survey are compared with findings from other surveys conducted by the Razumkov Centre's Sociological Service.

WHICH OF THE FOLLOWING CONDITIONS DO YOU CONSIDER MINIMALLY NECESSARY FOR CONCLUDING A PEACE AGREEMENT WITH RUSSIA?				
% of respondents				
	June 2024	April-May 2025	September 2025	February 2026
Withdrawal of russian forces from Ukraine within its 1991 borders	51.5	39.5	28.2	33.2
Withdrawal of russian forces from Ukraine to the line of contact as of early 2022	25.8	29.8	31.8	25.5
Borders established along the front line at the time of the agreement	9.4	10.8	20.7	23.5
Full withdrawal of Ukrainian forces from Donbas, including territories currently under Ukrainian control	—*	—	—	3.7
Full withdrawal of Ukrainian forces from Donetsk, Luhansk, Kherson and Zaporizhzhia oblasts, across their entire administrative boundaries	—	—	6.2	3.7
Hard to say	13.3	19.9	13.1	10.3

* No such option in the 2024 questionnaires

WHICH OF THE FOLLOWING STATEMENTS WOULD YOU AGREE THE MOST?			
% of respondents			
	April-May 2025	Вересень 2025 р.	Лютий 2026 р.
In the event of a peace agreement between Ukraine and russia, russia will violate the agreement and attack Ukraine as soon as it is convenient for it	66.5	64.2	75.2
In the event of a peace agreement between Ukraine and russia, both sides will seek to comply with the agreement	10.8	13.1	9.9
In the event of a peace agreement between Ukraine and russia, both sides will seek to violate the agreement as soon as it is convenient for them	5.6	5.8	3.0
In the event of a peace agreement between Ukraine and russia, Ukraine will violate the agreement and attack russia as soon as it is convenient for it	2.6	1.8	1.4
Hard to say	14.4	15.1	10.5



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