Norway Sweden Sverige EDNANNIA ASKOLD AND DIR Razumkov centre

UKRAINE: FROM WAR TO PEACE AND RECOVERY

Analytical Assessments

April 2026

This publication was prepared by the Razumkov Centre with the support of the Norwegian-Swedish Askold and Dir Fund, administered by ISAR Ednannia under the Strong Civil Society of Ukraine — a Driver Towards Reforms and Democracy Project, funded by Norway and Sweden. The contents of this publication are the sole responsibility of the Razumkov Centre and do not necessarily reflect the views of the governments of Norway, Sweden or ISAR Ednannia.

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

In April 2026, the russia-Ukraine war continued to see intense fighting across the theatre of operations. At the same time, the pace of russian advances continued to slow, while tactical changes along the front line had little impact on the overall strategic situation.

The russian-US-Ukrainian negotiation track remained effectively deadlocked due to the continued incomapatibility of the parties' positions and Donald Trump's failure to propose any new approach to ending the war beyond accepting putin's ultimatums.

COMBAT ACTION

Despite continued heavy fighting, tactical changes along the front line, and ongoing long-range missile and drone attacks throughout April 2026, the broader strategic situation in the theatre of operations remained largely unchanged. According to Commander-in-Chief of the Armed Forces of Ukraine General Oleksandr Syrskyi, russian forces intensified offensive activity along almost the entire 1,200-km contact line. In the meantime, Ukraine's Defence Forces (SOU), while maintaining an active defence posture, sought to regain the strategic initiative and undermine russia's plans for a spring-summer offensive. These assessments apply not only to April, but also to the preceding several months, pointing to broader trends that are likely to persist in the short term. The average daily number of combat engagements in April (160) was slightly lower than in March (168), February (181), and January (171). According to the Institute for the Study of War (ISW), April 2026 ended with a negative territorial balance for russian forces (-116 km^2) despite continued offensive efforts — the first negative balance since the launch of the Kursk operation in August 2024. The Ukrainian General Staff reports that enemy losses between 1 January and 1 May 2026 totalled 122,740 personnel, exceeding the number of russian recruits over the same period (127,000) by 4,260. ISW analysts attribute the slowing pace of russian advances primarily to successful SOU counterattacks, medium-range strikes, disruptions to Starlink operations, and domestic russian restrictions on access to Telegram.

The progress achieved in developing a broad range of unmanned systems and tactics for their deployment has been one of the key factors behind the effectiveness of Ukrainian forces. April saw expanded use of short-, medium-, and long-range drones by the SOU. In particular, more than 20 attacks were carried out against russian oil infrastructure, including at least nine strikes on oil refineries — the highest monthly figure since December 2025. International analysts note that these attacks reduced russian oil-processing volumes to their lowest level since December 2009.

The monthly growth rate in verified drone strikes, as well as in the deployment of ground-based robotic systems, currently stands at 30-50%. Analysts also point to the growing effectiveness of so-called Middle Strike capabilities targeting russian military's logistics and command centres located at an operational depth of 30-120 km. In turn, russia continues to expand its own unmanned warfare capabilities. According to Ukrainian intelligence, the personnel strength of the russian army's unmanned systems forces had reached 101,000 by early April, with plans to increase the figure to 165,500 by the end of 2026.

PEACE PROCESS

The US-led peace process remained effectively deadlocked for a second consecutive month.

The visit to Ukraine by the leading US negotiators, announced earlier for April, never materialised. According to the Kyiv

Independent, «Washington believes that renewed participation in the peace talks is unlikely to produce meaningful results», while President Donald Trump's envoys — Steve Witkoff and Jared Kushner — postponed the trip as their attention remained focused on the war with Iran. Washington's concern regarding the lack of progress in negotiations also appears to have played a role. As one Ukrainian official told the publication, «The Russians are insisting that they want the entire Donbas; our position is: let's come up with a decent solution», making it unclear why the envoys should travel to Kyiv «just to hear the same thing again». This lends further credibility to Volodymyr Zelenskyy's statement of 25 March that the United States had proposed the withdrawal of Ukrainian forces from Donbas in exchange for US security guarantees.

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

Ukraine has established the Allied Reform and Expert Support (ARES) Military Expert Council — an advisory body under the Commander-in-Chief of the Armed Forces of Ukraine tasked with facilitating the exchange of advanced Ukrainian and international military experience, supporting institutional reforms in command and control, military science and education, and improving the effectiveness of force development and military capability planning within the Armed Forces of Ukraine. The Council is headed by British General Sir Richard Shirreff, Deputy Supreme Allied Commander Europe in 2011-2014, and includes prominent military leaders and experts from partner countries with extensive combat and command experience.

The Commander-in-Chief also signed an order introducing mandatory rotation for troops serving on frontline positions. The order limits continuous frontline deployment to two months, after which personnel must be rotated out, undergo medical examinations, and receive rest and recovery time. The move was likely influenced by widely publicised reports of Ukrainian soldiers remaining on frontline positions for several consecutive months without rotation or adequate logistical support.

President Volodymyr Zelenskyy announced that Ukrainian state institutions had approved decisions allowing the export of domestically produced weapons during wartime. According to Zelenskyy, the Drone Deals format envisages special intergovernmental agreements with partner countries covering the production and supply of Ukrainian drones, missiles, ammunition, and other in-demand weapons systems, as well as software, integration with partners' defence systems and broader technological cooperation. «I have today approved the directions for this intergovernmental work and the development of automatic export permits for businesses involved in weapons exports,» Zelenskyy stated. Ukrainian defence companies will be allowed to export military goods provided that «the Armed Forces of Ukraine receive the required volumes first». According to the President, excess production capacity in certain categories of weapons currently reaches 50%.

Defence Minister Mykhailo Fedorov summarised the main outcomes of his first 100 days in office, presenting 24 reported achievements linked to the strategic goals he outlined three months earlier: «closing the skies, stopping russian advances across all domains, and depriving russia of the economic resources needed to wage war». Some measures have already produced visible results — particularly the disruption of russian access to Starlink, which reportedly affected the use of guided Shahed drones and influenced the battlefield situation more broadly. Other initiatives remain in progress, with their practical impact either still limited or not yet apparent publicly. However, one of the most important and socially sensitive challenges for Ukraine's defence capability — reform of the SOU mobilisation and recruitment system — remains unresolved.

President Zelenskyy also signed the Law «On Amendments to Certain Laws of Ukraine Regarding Selected Issues of Preparing Citizens for National Resistance», introducing a new national resistance training model integrated into the education system from secondary school to university level. The programme will apply to both male and female students. Individuals whose religious beliefs prohibit the use of weapons will be allowed to replace weapons-related modules with alternative forms of training. The law additionally creates the post of deputy head for defence within local administrations in both wartime and peacetime, with the positions to be filled by military personnel seconded by the Ministry of Defence.

FOREIGN EVENTS (EXTERNAL FACTORS)

April marked four years since the launch of the Ramstein format. During that time, the coalition of more than 50 countries has provided Ukraine with over $150 billion in military assistance. The 34th Ramstein-format meeting at defence minister level took place in Berlin on 15 April. The meeting resulted in three agreements with Germany, including financing for several hundred Patriot missiles, the delivery of 36 IRIS-T launchers, and €300 million in investment into Ukraine's long-range strike capabilities. The parties also launched joint production of AI-enabled Middle Strike drones under the Build with Ukraine initiative, with an initial production target of 5,000 units. Additional agreements were reached on joint drone production in Norway for transfer to the SOU.

On 23 April, the Council of the European Union approved a €90 billion loan package for Ukraine's budgetary and defence needs for 2026–2027 and adopted the 20th package of sanctions against russia.

Europe has stepped up preparations for scenarios in which existing NATO military structures would be used for European security in the event of a US withdrawal from the Alliance. Against this backdrop, proposals to involve Ukraine in Europe's future security architecture are gaining increasing attention. European Commissioner for Defence and Space Andrius Kubilius, for example, argued that given the increasingly uncertain prospects of Ukraine joining NATO, the most effective framework for Ukraine in the coming years may be neither NATO nor the EU, but a European Defence Union — a structure integrating the defence capabilities of EU member states together with Ukraine, the United Kingdom, and Norway without the lengthy accession procedures required by either the EU or NATO.

As the war in the Middle East drags on, reports have emerged of possible delays in US weapons deliveries under previously signed contracts with several European countries. Media reports claim that these actions have caused frustration in European capitals and are encouraging increased procurement from alternative suppliers, primarily European manufacturers, despite pressure from Donald Trump to purchase more American weapons.

The Pentagon also released $400 million in military assistance to Ukraine after Republican Senator Mitch McConnell publicly criticised Pentagon leadership over delays in disbursing the funds.

RUSSIA

According to the russian state polling agency VTSIOM, public trust ratings for putin have been declining for seven consecutive weeks and have fallen to their lowest level since February 2022, reaching 65.5%. At the same time, russian sociologists argue that growing «dissatisfaction» is linked not to the war itself, but primarily to the blocking of Telegram and broader internet access restrictions.

During the month, several developments pointed to possible kremlin attempts to draw belarus more directly into the war against Ukraine. Belarusian leader alexander lukashenko also made another series of statements about preparing for war, arguing that «there is little point in hoping for peaceful times now».

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

✓ The situation in the theatre of operations remains tense and highly dynamic, although the pace of russian advances has slowed and tactical shifts along the front line are no longer affecting the broader strategic situation.

✓ The EU loan package for Ukraine will cover a substantial share of the country's budgetary and defence expenditure in 2026–2027.

✓ The US-mediated peace process appears to have exhausted its potential, partly due to the so-called «Iranian crisis», which is not only diverting the attention of key negotiators but also weakening Washington's potential leverage over the kremlin.

II. FOREIGN POLICY

The foreign policy landscape in April 2026 was shaped by a series of contradictory developments and trends. On the one hand, the change of government in Hungary removed obstacles to the approval of a key EU loan package for Ukraine and facilitated the adoption of another round of sanctions against the aggressor. Brussels continues to demonstrate firm solidarity with Kyiv and support in resisting russian aggression. On the other hand, the global fallout from the war in the Middle East has effectively stalled the peace process, while the war in Ukraine continues to escalate. The inconsistent and increasingly confrontational policies pursued by the United States are fuelling centrifugal tendencies within NATO and straining relations between Washington and Brussels. More broadly, the international environment is marked by growing geopolitical turbulence and mounting economic pressures across multiple regions.

INTERNATIONAL PROCESSES AND EVENTS

Negotiations on ending the war in Ukraine. The peace process has remained effectively stalled since February 2026. April brought only sporadic and largely inconclusive bilateral contacts. Ukrainian representatives held talks with US presidential envoys Steve Witkoff and Jared Kushner, while a russian delegation visited the United States on 9 April. Donald Trump subsequently described his conversation with putin as «very good». Washington, however, did not respond to Kyiv's proposal for a visit by the US negotiating team. The only tangible outcomes of the diplomatic process were prisoner-of-war exchanges conducted on 11 and 24 April.

The lack of progress reflects both Washington's growing preoccupation with the Middle East and the apparent loss of interest by the US President in negotiations that remain deadlocked.

Public statements by the parties further underscore the absence of common ground. Donald Trump has continued to frame relations between putin and Zelenskyy in terms of personal «hatred», while Vice President J.D. Vance has downplayed the significance of disputes between Ukraine and russia «over a few square kilometres of territory». Russian Foreign Minister sergey lavrov, for his part, has signalled that negotiations with Ukraine are not a priority for Moscow. Russia continues both its war against Ukraine and its efforts to intensify hybrid pressure on EU member states. Against this backdrop, putin's proposal for a ceasefire on 9 May amounts to a cynical mockery of the negotiation process.

Despite the lack of progress, Ukraine has continued to demonstrate its readiness to engage in negotiations in a variety of formats — a strategically sound approach under the current circumstances. Kyiv has, in particular, proposed a high-level Ukrainian-russian meeting in Türkiye with the participation of the Turkish President.

The March monitoring report pointed to the possibility of a gradual US disengagement from the peace process and the need to explore alternative mechanisms of political and diplomatic pressure on the aggressor state, a concern repeatedly raised by both Ukrainian and EU leaders. Developments in April have lent further weight to that assessment.

The war in the Middle East: impact and implications. The US-Israeli military campaign in the Middle East, whose end remains uncertain, has generated a range of geopolitical and economic shocks with global repercussions.

The war against Iran has become another illustration of the unpredictable and highly personalised nature of US foreign policy. The campaign, which has fallen short of Washington's expectations, has been accompanied by a stream of contradictory statements, ultimatums and threats from President Trump. On 5 April, he warned Iran: «Open the f**kin' Strait, you crazy bastards, or you'll be living in Hell — JUST WATCH!» Two days later, he declared that «A whole civilization will die tonight, never to be brought back again.» Such rhetoric suggests the absence of a coherent strategy and an unclear vision of the conflict's broader regional implications. By late April, Trump was claiming a «complete and total» victory and the end of hostilities. However, developments on the ground provided little evidence that the conflict had in fact been resolved.

The war has created significant risks for global energy supplies and imposed additional economic costs across multiple regions. Preliminary estimates suggest that disruptions caused by the fighting have resulted in more than $50 billion in lost crude oil production worldwide. According to European Commissioner for Energy Dan Jørgensen, a single month of conflict increased the EU's fossil fuel import bill by €14 billion. The United States has already spent an estimated $25 billion on the campaign, while its naval blockade of Iranian ports has disrupted shipping through the Strait of Hormuz.

As noted in the previous monitoring report, developments in the Middle East have exacerbated tensions between the United States and its European allies. This trend intensified in April, as Donald Trump made a series of highly critical remarks about European countries and NATO, further undermining trust and cohesion within the Euro-Atlantic community.

The military campaign against Iran, while contributing to growing international instability, has created favourable conditions for russia. Between 8 March and 5 April, russian oil exports averaged 3.3 million barrels per day, the highest level since June 2022. In April, the United States suspended for 30 days sanctions restrictions on purchases of russian oil and petroleum products transported by sea. According to President Zelenskyy, this could provide the aggressor with approximately $10 billion in additional revenue to finance its war against Ukraine.

The war in the Middle East is affecting Ukraine both directly and indirectly. International attention has increasingly shifted towards the region, reducing the prominence of the war in Ukraine on the global agenda. The diversion of political, military and financial resources to the Middle East may limit future arms deliveries to Kyiv. The conflict has already consumed a substantial share of US military stockpiles, including an estimated 50% of Patriot interceptor missile inventories.

The US factor in global affairs. Washington's increasingly impulsive and unpredictable policies, coupled with a growing disregard for allies' interests and an overtly America-first approach, are exacerbating tensions within the Euro-Atlantic community and undermining trust among NATO allies. In April, Donald Trump intensified his criticism of the Alliance, describing it as ineffective and even referring to it as a «paper tiger». He also reiterated that the United States was considering withdrawing from NATO. Trump further raised the prospect of punitive measures against individual member states, including the possible expulsion of Spain from the Alliance. He later suggested that US forces could be withdrawn from Italy, Spain and Germany; in early May, a corresponding decision regarding Germany was announced. Against this backdrop, Czech President Petr Pavel remarked: «Over the past few weeks, Trump has done more to reduce NATO's credibility than v. putin has managed over many years.»

Another troubling development was the deterioration of Donald Trump's relations with a number of European leaders during April, a trend that could hardly fail to affect both political attitudes in European capitals and broader public perceptions of the United States. Trump's disparaging remarks about French President Emmanuel Macron provoked a strong reaction in France. His sharply critical statements about Pope Leo XIV likewise generated backlash in Italy and contributed to tensions with Prime Minister Giorgia Meloni, whose behaviour allegedly «shocked» Trump. Negative reactions also followed Trump's remarks about British Prime Minister Keir Starmer and German Chancellor Friedrich Merz. Referring to the latter, Trump argued that Merz had been ineffective both in addressing the war in Ukraine and in dealing with problems in his own «broken country». Another controversy followed Trump's description of Greenland as a «badly governed piece of ice», a remark that prompted a sharp response from political leaders in Greenland and Denmark.

Senior US officials also publicly expressed support for Viktor Orbán ahead of Hungary's parliamentary elections, a move widely viewed as interference in the country's domestic affairs. Donald Trump repeatedly voiced support for the Hungarian Prime Minister, while Vice President J.D. Vance even travelled to Budapest on 7 April in a show of support for Orbán. During the visit, he accused Ukraine and «Brussels bureaucrats» of attempting to influence the election.

More broadly, such policies risk damaging the international standing of the United States, aggravating domestic political tensions ahead of the congressional elections, and complicating relations with partner countries. They also contribute to tensions within the Euro-Atlantic community, weaken confidence in NATO and encourage the expansionist policies of authoritarian states. Such policies risk deepening public scepticism towards the United States across the EU while reinforcing calls among European political elites for greater strategic autonomy from Washington.

Developments and trends within the EU. Developments across the European Union in April pointed to a number of competing trends. On the one hand, the decisive victory of the opposition Tisza movement in Hungary's parliamentary elections brought an end to the destructive influence of Orbán's pro-russian government on EU decision-making. The result, however, does not resolve the Union's longstanding difficulties associated with consensus-based decision-making and the use of national vetoes. More broadly, persistent socio-economic pressures continue to fuel support for right-wing populist forces and erode confidence in traditional democratic institutions across Europe.

In Bulgaria, snap parliamentary elections resulted in victory for the populist coalition Progressive Bulgaria, led by former President Rumen Radev, who has previously distanced himself from support for Ukraine and advocated restoring contacts with russia. The foreign policy orientation of the new government therefore remains a source of uncertainty. In Slovenia, parliament elected Zoran Stevanović, leader of the pro-russian anti-establishment party Resni.ca, as Speaker, a development likely to weaken the position of pro-European forces in the country. Romania, for its part, continues to face a government crisis that threatens the stability of the ruling pro-European coalition.

Support for right-wing parties also increased in Germany amid continuing socio-economic concerns. According to April polling, the far-right Alternative for Germany (AfD) has overtaken the CDU/CSU bloc, polling at 27% compared with 23%. A similar trend is evident in the United Kingdom, where recent polls suggest that both the Conservatives and Labour now trail the populist Reform UK party.

FOREIGN POLICY ACTIVITIES OF UKRAINIAN GOVERNMENT

In broad terms, Ukraine's foreign policy efforts in April focused on three priorities: securing military assistance and allied support amid the fallout from the war in the Middle East; advancing Ukrainian interests in Europe; and maintaining the negotiation process, or at a minimum preserving a constructive dialogue with the United States. While not encompassing the full scope of Ukraine's diplomatic activity, these priorities remained central to relations with partners throughout the month.

Political dialogue with foreign partners. Ukraine maintained an intensive dialogue with foreign partners in April through bilateral contacts and multilateral forums, complemented by a range of public diplomacy initiatives. The most significant developments included the following.

Consultations continued with the leadership of the EU and NATO, as well as with leaders of European countries. Discussions were held with the prime ministers of the United Kingdom, Norway, the Netherlands and Italy, among others, as well as with the German Chancellor. Ukraine's diplomatic outreach also included talks with the presidents of Egypt, Chile and Honduras. High-level visits to Türkiye, Saudi Arabia and Azerbaijan were of particular importance. During the meeting, Volodymyr Zelenskyy and Ilham Aliyev signed six bilateral agreements in a range of areas, including defence cooperation. The first official visit by the Ukrainian president to Syria was another notable development.

Other significant diplomatic engagements included the productive European tour by the Ukrainian leadership to Germany, Italy and the Netherlands (14–16 April). In Berlin, intergovernmental consultations were held for the first time in more than twenty years. The two sides signed a Declaration on Strategic Partnership between Ukraine and Germany, along with ten agreements on cooperation and partnership across a range of sectors. In Oslo, the President of Ukraine and the Prime Minister of Norway signed a Joint Declaration on enhanced defence and security cooperation.

Ukraine's participation in the EU Summit in Cyprus on 23 April was of particular importance. The summit launched a major financial assistance package for Ukraine, approved the implementation of the 20th sanctions package against the aggressor, and opened the door for the formal launch of EU accession negotiations. These decisions were reflected in a joint statement by the EU leadership and the President of Ukraine. The summit also enabled a series of consultations and meetings with European leaders.

Other notable diplomatic developments included visits to Ukraine by King Carl XVI Gustaf of Sweden (17 April) and Moldovan President Maia Sandu (26 April), as well as talks with Mattias Guyomar, President of the European Court of Human Rights, Odile Renaud-Basso, President of the European Bank for Reconstruction and Development, and Rafael Grossi, Director General of the IAEA.

April also saw a number of routine diplomatic procedures. The President of Ukraine received the credentials of newly appointed ambassadors from Algeria, the Philippines, Australia and Moldova.

Promotion of Ukrainian interests and initiatives globally. Throughout the month, Ukrainian diplomacy continued to advance the country's interests through the negotiations and contacts outlined above. Particularly notable was Kyiv's activity in several key areas.

First, cooperation and integration within European and global defence-industrial networks. Several important developments took place in this area during April, including: a) signing in Kyiv of a Memorandum on establishing the multinational defence procurement coalition CORPUS, bringing together Ukraine's Defence Procurement Agency and procurement agencies from Finland, Italy, Norway, Sweden and the

United Kingdom; b) launching cooperation between the European Commission and the Ministry of Defence of Ukraine aimed at investing €161 million in innovative and breakthrough technologies; c) initiating the first joint Ukrainian-Norwegian drone production programme, with plans to manufacture several thousand Middle Strike UAVs for the Armed Forces of Ukraine; and d) launching cooperation with the Netherlands under the Drone Deal programme.

Second, establishment of a Special Tribunal for the crime of aggression against Ukraine. In April, additional European countries confirmed their intention to join the agreement establishing a Special Tribunal for the crime of aggression against Ukraine. With 24 countries now participating, the conditions are in place for adoption of the agreement and the launch of the Tribunal at the Council of Europe Summit in Chișinău (14–15 May). The initiative represents an important step towards holding russian political and military leaders accountable for crimes committed against Ukraine. Further support came from the European Parliament resolution Ensuring accountability and justice in response to Russia's continued attacks against the civilian population in Ukraine, in which MEPs called on the EU to expedite the establishment of the Tribunal.

Third, international efforts to secure the return of Ukrainian children abducted by the aggressor. International efforts to return Ukrainian children unlawfully deported or forcibly transferred by the aggressor state remained active throughout April. To date, 2,100 children have been returned under the Bring Kids Back UA initiative. The United Nations has classified the deportation and forced transfer of Ukrainian children as a crime against humanity.

International solidarity and assistance to Ukraine in countering russian aggression. Throughout April, Ukraine continued to receive financial, military and humanitarian assistance from its partners. Following the latest Ramstein meeting, participating countries pledged to provide military support worth $60 billion during 2026. The EU transferred €1.4 billion in proceeds from frozen russian assets, while Japan contributed $1.3 billion through the World Bank's PEACE in Ukraine project. The United Kingdom also disbursed a $1 billion tranche under the G7 Extraordinary Revenue Acceleration (ERA) initiative to strengthen Ukraine's defence capabilities. Particularly important was support from the Netherlands, Norway, the United Kingdom and the Baltic states for the procurement of drones for the SOU.

Humanitarian and recovery assistance from the EU and partner countries also continued. The European Commission and the European Investment Bank announced a new €600 million package for recovery projects in Ukraine. Additional humanitarian assistance was provided by Canada, Sweden and other partner countries throughout the month.

UKRAINE'S STEPS TOWARDS THE EU

One of the most significant developments in Europe in April 2026 was Hungary's parliamentary election, in which the Tisza movement led by Péter Magyar secured a two-thirds majority and 141 seats in parliament. As noted above, Viktor Orbán's defeat has important implications for: a) the launch, expected in May, of large-scale EU financial assistance to Ukraine for 2026–2027, which remains critically important for the country; b) implementation of the 20th sanctions package, which includes measures targeting russia's shadow fleet and defence industry and lays the groundwork for further restrictions on maritime services supporting russian oil exports; and c) the formal launch of Ukraine's EU accession negotiations. EU leaders reiterated their commitment to opening the first negotiating clusters at the EU Summit on 23 April. As President of the European Council António Costa stated, «It is time … to prepare the next step — the formal opening of the first clusters of negotiations on Ukraine's accession to the European Union.»

Ukraine also adopted a number of important pro-European legislative and regulatory measures during April. On 1 April 2026, the Cabinet of Ministers approved the National Programme for the Adaptation of Ukrainian Legislation to European Union Law (EU acquis), which envisages nearly 1,850 measures to harmonise Ukrainian legislation with more than 1,600 EU legal acts. The Verkhovna Rada subsequently adopted an important law harmonising Ukraine's accreditation and technical regulation system with EU requirements and introducing an «industrial visa-free regime» for Ukrainian goods. Additional pro-European legislation adopted during the month included measures on integrating the energy markets of Ukraine and the EU; digitalising procedures for the enforcement of court decisions; delineating and distributing powers among different levels of public governance; taxation of digital platforms; and improving the state market surveillance system.

Despite the generally positive developments and trends for Ukraine's European integration in April, several challenges remain on the Ukraine-EU agenda. *First*, Kyiv continues to advocate setting a clear target date for membership, including the possibility of accession in 2027. EU leaders have distanced themselves from this proposal, while a number of member states remain sceptical about the feasibility of Ukraine's accelerated accession. At the same time, Kyiv has rejected the Franco-British proposal for an interim and limited form of integration that would exclude both access to the EU budget and voting rights. It is important that these differences do not evolve into a source of tension between Kyiv and Brussels. *Second*, Viktor Orbán's defeat does not eliminate the risk of member states obstructing common EU decisions through the use of veto powers. This challenge is likely to remain relevant given the growing influence of right-wing political forces across Europe and the possibility of their coming to power in a number of countries in the near future. *Third*, while the change of government in Hungary is likely to improve the overall atmosphere of bilateral relations, expectations of a trouble-free partnership would be premature. Hungary's new leadership has so far avoided direct contacts with the Ukrainian side, maintains a firm position on protecting the interests of ethnic Hungarians in Zakarpattia, and remains sceptical of Ukraine's accelerated accession to the EU. Building a pragmatic dialogue and mutually beneficial partnership will therefore require sustained efforts from both sides.

Overall, foreign policy developments in April 2026 largely confirmed the assessments and trends identified in previous monitoring reports. Against a backdrop of growing geopolitical turbulence and deteriorating economic conditions resulting from the war in Ukraine and the conflict in the Middle East, securing stable and consolidated EU support has become increasingly important for Kyiv. The change of government in Hungary opened the way for the formal launch of Ukraine's EU accession negotiations and the provision of critically important EU financial assistance.

In these circumstances, the pace and quality of key domestic reforms will be critical to strengthening Kyiv's negotiating position and advancing the ambitious European integration objectives articulated by the Ukrainian leadership.

Alongside these domestic priorities, Ukrainian diplomacy must focus on avoiding tensions and maintaining a constructive dialogue with the United States, including within the peace process, advancing Ukraine's interests in international forums, and mitigating the impact of developments in the Middle East.

III. ECONOMY

The most significant economic development in April, with important implications for Ukraine's broader socio-economic outlook, was the European Council's approval of the final decision required to launch the €90 billion Ukraine Support Loan for 2026–2027. The funding will be raised through EU borrowing on international capital markets, with the associated obligations backed by the European Union's budgetary reserve.

To facilitate the loan, amendments were introduced to the EU's 2021–2027 Multiannual Financial Framework, creating the legal basis for borrowing and the subsequent allocation of funds to Ukraine.

The funding will primarily support domestic weapons production, procurement of defence equipment not yet manufactured in Ukraine, and preparations for the next winter season, including support for the energy sector and critical infrastructure.

The spring months also brought positive developments in Ukraine's cooperation with international financial institutions, particularly the IMF. Following consultations between the Ukrainian delegation, the IMF and European partners during the Spring Meetings in Washington, the Fund indicated that it would not insist on introducing VAT for individual entrepreneurs (FOPs) in 2027, a highly sensitive measure for both the Ukrainian economy and society more broadly. The decision reflects a growing recognition among Ukraine's partners that introducing such a tax while the country remains at war would be inappropriate.

Instead, the government and its international partners will continue working on alternative measures to secure budget revenues, including for 2027. As a result, earlier expectations that a new $8.1 billion IMF programme would require VAT for FOPs, duties on international parcels, taxation of digital platforms and an extension of the military tax have been revised.

The decision, achieved through close cooperation between Ukraine and the IMF, is likely to have broader implications for Ukraine's engagement with other international partners amid the challenges of resisting russian aggression.

For Ukraine, the treatment of individual entrepreneurs is closely linked to economic resilience during wartime, when many traditional policy instruments for stimulating economic activity are unavailable. Data for Q1 2026 point to a positive trend. Overall, 63,920 entrepreneurs registered new businesses between January and March, while 52,623 FOPs ceased operations, resulting in a net increase of more than 11,300 businesses. By comparison, in Q1 2025 the number of FOP closures was almost twice as high as the number of new registrations.

The strongest growth was recorded in retail trade conducted outside traditional stores, including online sales through social media, digital platforms and messaging applications (+2,527 entrepreneurs). Positive net growth was also observed in education (+1,899), consulting (+1,230), other information services (+1,033), and real-estate rental and leasing activities (+862).

These figures suggest that Ukraine's service sector continues to function and expand despite external shocks, while also supporting employment.

According to the NBU, consumer inflation accelerated to 7.9% year-on-year in March 2026, while prices increased by 1.7% month-on-month. The National Bank attributes the acceleration primarily to higher fuel prices driven by the war in the Middle East and rising global oil prices. As a result, inflationary pressures were largely transmitted through higher business energy costs, affecting prices in transport, services and manufacturing. Despite the acceleration, consumer inflation remains moderate, although it is running above the projected path.

However, this does not capture the full inflation picture. Data from the State Statistics Service show that price growth in Ukraine's industrial sector continues to accelerate. In March 2026, producer price inflation reached 36.6% year-on-year, while producer prices increased by 2.3% compared with February.

The strongest pressure on inflation indicators continues to come from the energy sector. Prices for electricity, gas and steam supply rose by an exceptional 75.8% compared with March 2025.

This points to a significant «inflationary overhang» that is likely to feed into consumer prices in the coming months, complicating efforts to stabilise inflation and reinforcing negative inflation expectations. In turn, these developments are expected to further weaken households' purchasing power.

According to the NBU's April Macroeconomic and Monetary Review, the average monthly wage in Ukraine reached UAH 28,300 in February. The main driver of wage growth was not the private sector but state-owned entities and defence-industrial enterprises, which significantly increased spending on personnel.

Based on State Statistics Service data cited by the NBU, nominal wages rose by 22.4% year-on-year. After adjusting for inflation, however, real wage growth was considerably more modest, with purchasing power increasing by 13.8% year-on-year.

Despite a recent substantial increase, the education sector continues to record the lowest wages in the economy, with average earnings remaining roughly one-third below the national average.

Manufacturing presented a particularly notable trend. The strongest wage growth was recorded in transport equipment manufacturing, a sector now closely linked to the production of military equipment and drones for the Armed Forces of Ukraine. Wages in the sector increased by 39.3%, while the total wage bill has grown 2.6-fold over the past two years. This increase reflects not only higher pay rates but also substantial workforce expansion at specialised enterprises.

Monetary indicators suggest that rising wages may provide only limited protection against mounting economic pressures. In March 2026, the volume of cash held by households declined by 0.6% to UAH 864.4 billion, down from UAH 926 billion at the beginning of the year. Available statistics suggest that this was the sharpest monthly decline recorded for March and the largest withdrawal of cash from household holdings in the past fifteen months.

Commenting on the rapid decline in cash circulation, financial analysts point to shifting spending patterns. In particular, two destinations appear to have absorbed a significant share of households' available funds at the beginning of spring: purchases of foreign currency and spending on fuel and lubricants.

This contrasts sharply with the trend observed throughout 2025, when the National Bank recorded a steady increase in cash holdings. That accumulation was largely driven by security and infrastructure concerns, as households built up cash reserves in anticipation of possible prolonged power outages caused by russian strikes. The decline recorded in March suggests that this trend has reversed. Rather than accumulating hryvnia savings, households appear to be drawing down previously accumulated reserves, including in response to elevated inflation expectations discussed above.

Further evidence of this shift can be seen in developments in the foreign-exchange market. In March 2026, Ukrainian financial institutions significantly increased imports of foreign currency banknotes. The most notable feature of this trend was the composition of imported cash: euro banknotes accounted for exactly half of the total volume, while US dollars represented 49.5%.

The euro's 50% share was the second-highest level on record, surpassed only in July 2025, when it reached 54%. In absolute terms, imports of euro banknotes rose to their highest level since October 2025.

The increase in euro imports appears to be directly linked to households' efforts to diversify their foreign-currency savings amid growing risks associated with the US dollar in global markets. To meet this shift in demand, banks adjusted the composition of imported foreign-currency cash accordingly.

One important caveat should be noted. Growing demand for the euro in Ukraine is a natural consequence of the country's European aspirations. However, the NBU should not seek to encourage this trend and should refrain from comments that could be interpreted as signalling a move away from the US dollar in areas such as international settlements and reserve management.

As Ukraine becomes more deeply integrated into the global economy and political system, international attention to its economic performance is increasing. According to the World Bank's latest forecast, Ukraine's economic growth is expected to slow from 1.8% in 2025 to 1.2% in 2026 before accelerating to 4% in 2027, provided hostilities come to an end.

Fitch Ratings has likewise revised its outlook, lowering its forecast for Ukraine's economic growth in 2026 from 2.4% to 1.6%.

The World Bank notes that Ukraine's economic prospects remain heavily dependent on the duration of the war and continued external support. Should hostilities end within the anticipated timeframe, growth could accelerate to 4% in 2027, driven by large-scale reconstruction and recovering consumer demand. Even under that scenario, however, growth is expected to remain below earlier projections due to extensive damage to energy and industrial infrastructure, labour shortages and continued uncertainty.

At the same time, the government will need to devote greater attention to integration-related measures. The restoration of the previous trade regime with the EU and the forthcoming revision of the Deep and Comprehensive Free Trade Area (DCFTA) are likely to reduce export opportunities, particularly for agricultural and food products. This is likely to place additional pressure on the balance of payments and weigh on broader macroeconomic performance.

IV.
ENERGY SECTOR

ENERGY BALANCE

During the first half of the reporting period, Ukraine's Integrated Power System (IPS) experienced a persistent power deficit (up to 1 GW during the morning and, less frequently, evening demand peaks). As a result, capacity restrictions for industrial consumers remained in place across most regions, while hourly outages for households were introduced on 3 and 8–11 April. Emergency outages were imposed on three occasions — in response to large-scale russian attacks (3 and 16 April) and following equipment failures (6 April) — affecting several oblasts. Adverse weather conditions, particularly strong winds, disrupted electricity supply five times during the month. On 27 April alone, nearly 700 settlements lost power, with more than 100 remaining without electricity for almost two days.

From mid-April, the system operator was able to restore the balance between generation and consumption, thanks to the postponement of scheduled maintenance of the third NPP unit and increased output from hydropower plants and renewable energy facilities.

Ukrenergo explained the «forced introduction of restriction measures» by six factors: extensive use of electric heaters; reduced available capacity due to scheduled maintenance at NPPs; a «noticeable decline» in generation at CHPPs, only a small proportion of which are «capable of generating electricity … independently of district-heating operations»; «significantly lower» electricity imports during the spring period; an increase in non-guaranteed capacity from SPPs; and continued russian attacks causing damage to generation, transmission and distribution facilities.

However, the operator's explanation omitted what were arguably the principal causes of the deficit: the collapse of imports following the NEURC's reinstatement of maximum price caps and the withdrawal of preferential gas pricing for owners of TPPs, CHPPs, gas-turbine and gas-piston generating units. As a result, the April supply balance lost around 1.5 GW of available capacity, forcing Ukrenergo to impose consumption restrictions.

In April, the base capacity of Ukraine's IPS was provided by seven nuclear units, generating up to 5.5 GW. Two reactors remained under maintenance. A third unit had been scheduled to enter maintenance on 19 April, but the start of repair works was postponed due to a shortage of available generation in the market. From 1 May, six of the nine NPP units will remain in operation, later reducing to five. The schedule for maintenance outages between May and August will be aligned with the seasonal demand curve.

Manoeuvrable capacity was provided by up to 10 units at TPPs and CHPPs, as well as HPPs and PSPPs, with a combined output of up to 3.5 GW. Renewable energy facilities produced 1.8–2.0 GW. Seasonal factors increased output from renewable energy facilities to almost 3.5 GW, creating a need for curtailment during daylight hours.

Spring runoff increased generation at Ukrhydroenergo facilities to 2.0 GW in April. However, no further increase in output is expected, as water inflows have begun to decline. Hydropower generation continued to be dispatched primarily during peak-demand hours. Water levels in the Dnipro and Dniester reservoirs remained in line with operating regimes approved by the inter-agency commission under the State Water Resources Agency of Ukraine.

NPPs accounted for approximately 47–49% of total generation. The share of TPPs and CHPPs did not exceed 15–17%, while renewable energy facilities contributed up to 22% and HPPs accounted for 14–16% of generation. Overall, electricity production in Ukraine reached 12 GW, compared with 11 GW a year earlier — when air temperatures were higher — and up to 15 GW during the corresponding period in 2021.

The reinstatement of maximum price caps by NEURC reduced imports from 0.9 million MWh to 0.6 million MWh (up to 1.7 GW during peak hours and averaging 19 GWh). Hungary remained the largest source of imported electricity. Imports accounted for 6–7% of consumption, compared with up to 12% at the beginning of March.

Ukrenergo drew on emergency assistance from the Polish system operator on six occasions (1, 2, 8, 11, 12 and 21 April).

During the reporting period, commercial electricity exports resumed for the first time since 11 November 2025. However, volumes exported to Hungary and Moldova remained modest, totalling 37 MWh in April. Exports were concentrated primarily during daylight hours.

At the initiative of the Slovak side, reciprocal emergency assistance between SESP and NEC Ukrenergo will be discontinued from 1 May 2026 (the last such operation took place on 23 January). Commercial operations will remain unaffected.

Thermal coal reserves stayed at around 2 million tonnes. As damaged units at TPP and CHPPs remained largely unavailable, existing reserves are sufficient for the off-season period.

Gas consumption in Ukraine declined from 60–65 mcm/day to 35 mcm/day. No supply shortages were observed, owing to the recovery in domestic production, which reached 44–46 mcm/day. Imports virtually ceased, totalling just 16 mcm during the month.

The surplus natural gas began flowing into underground gas storage facilities. On certain days in April, injections reached 24–29 mcm. As a result, gas inventories increased to 5.5 bcm (+14% compared with 31 March, excluding 4.1 bcm of long-term storage gas, 0.6 bcm formally reclassified as buffer gas, and 0.1 bcm owned by non-residents). This level exceeds last year's figure by 4.8 bcm, although it remains 15% below the levels recorded in 2015–2018.

Under the baseline scenario, gas stocks in underground storage facilities are expected to reach 14.6 bcm by the start of the heating season. According to the forecast, this target may be adjusted depending on the security situation. The minimum volume considered critically necessary is 13.2 bcm.

Despite the difficult situation on global markets following the blockade of the Strait of Hormuz, no shortages of petroleum products have been observed on the domestic market, nor are any expected. According to the Energy Minister, «supplies are sourced from more than ten countries, and the availability of fuel remains under control».

PROBLEMS AND SOLUTIONS

The priorities for preparing the energy sector for the 2026–2027 heating season were identified as protecting energy infrastructure, accelerating the procurement of equipment and materials for repair works, expanding distributed generation, carrying out a large-scale repair campaign, and building up gas reserves.

The government has already reported the restoration of 3.5 GW of thermal and hydropower generation since the beginning of the year (including 1 GW in April), the commissioning of 1 GW of new generating capacity (including 102 MW in March), and the installation of second-level protection at 84 substations and 134 critical facilities to protect against UAV strikes, missile debris and the blast effects of cruise and ballistic missiles.

A further 6 GW of capacity is expected to come online during the off-season, allowing maintenance of NPP units to proceed in accordance with the approved schedule.

The government's objective is to commission 1.5 GW of distributed generation by the end of the year (including 392 MW by Naftogaz Group companies and 92 MW by Gas TSO of Ukraine LLC) and to establish a threefold strategic reserve of energy equipment, supported by a budget of €197 million.

The Affordable Loans 5-7-9 programme has already been used by 145 businesses to develop new generating capacity. Together, they have received UAH 2.5 billion in financing. Banks have also issued 341 zero-interest loans worth UAH 531 million for the purchase of energy equipment. Under the SvitloDIM programme, co-owners of 1,533 apartment buildings received UAH 389 million in support. Twenty domestic financial institutions have financed the restoration of 1.52 GW of generation capacity, as well as the construction of 0.63 GW of energy storage and heat-generation facilities. Overall, since June 2024, energy infrastructure projects in 21 regions of Ukraine have received UAH 41.5 billion in financing.

Measures adopted in April to achieve the government's stated objectives included:

✓ adoption of legislation implementing EU energy-market rules aimed at integrating energy markets and enhancing security of supply and competitiveness in the energy sector (Indicator 10.5 of the Ukraine Plan). The law introduced new concepts into Ukrainian legislation, including aggregation, flexibility, citizen energy communities, matching algorithms and nominated electricity market operators (NEMOs); aligned market-operator functions with the EU acquis; established conditions for participation in day-ahead and intraday markets; defined procedures for the certification, operation and market oversight of NEMOs; introduced mechanisms for cooperation with ACER, ENTSO-E and EU regulatory authorities; and clarified provisions governing cross-zonal capacity allocation and the calculation of congestion revenues;

✓ extension until 31 October 2026 of the public service obligations (PSOs) imposed on Energoatom and Ukrhydroenergo to safeguard public interests in the electricity market. Under the PSO mechanism, the retail electricity tariff for households remains unchanged at UAH 4.32/kWh (including VAT). At the same time, following the end of the heating season, the preferential tariff of UAH 2.64/kWh (including VAT) for the first 2,000 kWh/month was suspended for households using electric heating systems, households not connected to the gas network, and households without access to district heating;

✓ increase, effective from 1 May 2026, of maximum price caps in the day-ahead, intraday and balancing markets to UAH 15,000/MWh and UAH 17,000/MWh, respectively;

✓ extension to Kharkiv Oblast of the first phase of a two-year pilot project providing state assistance for the purchase of independent electricity sources for apartment-building co-owners. In 2026, such assistance may be provided on a non-repayable basis from the state budget reserve fund. Eligible equipment includes petrol, diesel and gas generators, inverters, high-voltage battery management units, batteries, solar photovoltaic modules (panels) and other equipment listed on the official website of the Ministry for Development. Grants ranging from UAH 100,000 to UAH 300,000 (depending on the number of storeys and entrances in a building), with a total allocation of UAH 800 million, will be available until 20 December 2026. Financing will be administered through Oschadbank;

✓ allocation of UAH 732.5 million from the state budget reserve fund for the implementation of comprehensive regional and municipal resilience plans, including the construction, reconstruction, major repair and installation of modular boiler houses and cogeneration units already available within local communities (the distribution of funds has not been disclosed);

✓ creation of conditions for accelerated grid connection of generating facilities developed under comprehensive regional and municipal resilience plans. The deadline for submitting applications for temporary connection was extended until 1 May 2027, while the provision of the relevant service and the validity of associated agreements were extended until 1 October 2027. Until the same date, temporary derogations from certain requirements of the Transmission System Code and the Commercial Metering Code remain in force, including provisions relating to meter accuracy, metering infrastructure and the preparation of technical documentation;

✓ extension until 1 October 2026 of the period during which goods and services required for the construction, repair and engineering protection of critical infrastructure and essential-service systems under comprehensive regional and municipal resilience plans may be procured without open tenders or the use of the electronic procurement catalogue;

✓ expansion of procurement mechanisms available to the centralised procurement organisation under the State Agency for Restoration and Infrastructure Development of Ukraine through framework agreements for the procurement of goods and services valued at UAH 100,000 or more, current repair services valued at UAH 200,000 or more, and works valued at UAH 1.5 million or more. Under the pilot project, framework agreements will be concluded following a qualification-based selection process condu cted through the electronic procurement system, involving at least three candidates;

✓ increase in the authorised capital of the Energy Efficiency Fund by UAH 629.7 million using funds allocated under the 2026 State Budget of Ukraine.

In April, most issues discussed by the coordination headquarters focused on resilience plans designed to ensure the operation of energy networks and systems under both interconnected and island-mode conditions. Achieving this objective will require the rapid deployment of a large number of small-scale generating units (from 1 MW), primarily cogeneration facilities, including gas-piston and gas-turbine units. These installations will generate electricity close to consumption centres, operate as part of smart networks, and remain connected to Ukraine's IPS.

One of the most important components of these plans is the seamless integration of renewable energy capacity into existing systems. According to the plans, all hub hospitals and water-supply facilities will be equipped with autonomous power sources and battery energy storage systems (BESS), ensuring that their connection does not undermine overall network and system resilience.

Another key objective of the resilience plans adopted in March is the construction of engineering protection structures. In Kharkiv, Poltava and Donetsk oblasts alone, 660 facilities require protection against russian attacks. The first-level protection to be installed at all energy facilities is designed to protect against debris, submunitions and blast effects. The second level, intended for key infrastructure elements, provides protection against direct UAV strikes, as well as debris and blast effects from cruise and ballistic missiles. The third level — the costliest and least widespread — protects critical infrastructure nodes against missile attacks. According to the government, «most regions have already begun constructing protective structures».

However, despite broad political consensus around the need to strengthen the energy resilience of local communities, implementation faces a number of serious challenges.

1. Financial and fiscal risks. The estimated cost of implementing the resilience plans exceeds UAH 278 billion. Even Kyiv — the objectively wealthiest municipality in Ukraine — faces a critical imbalance: while the city's resilience plan is valued at UAH 61.6 billion, the local budget can provide only UAH 10.6 billion. As government officials have noted, Ukraine requires «at least €5.4 billion» to prepare for the heating season.

Budgetary pressures also vary considerably across the country. Large cities have better access to international grants and financing programmes, while smaller communities remain almost entirely dependent on state budget support. As a result, despite generally positive progress in implementing resilience plans, «the pace remains uneven» across regions. In the absence of a clear long-term financing mechanism, local authorities will likely be forced to divert resources from other sectors, including education and healthcare, increasing social tensions.

2. Technological and logistical constraints. The global market for energy equipment is showing signs of overheating. Owing to both the worldwide decarbonisation drive and conflicts elsewhere, delivery times for cogeneration units, transformers and energy storage systems have increased to 9–14 months. Equipment ordered in April may therefore not arrive before the start of the heating season — or even before the end of the year. Communities are estimated to require «228 modular boiler houses with a combined capacity of 999 MW». Compatibility between new generating facilities and existing transmission and distribution networks also remains a challenge, requiring additional investment in grid connections.

3. Regulatory and bureaucratic constraints. Current urban-planning and land-use legislation

was not designed to accommodate the accelerated construction of a large number of energy facilities. Local communities face lengthy procedures for allocating land, obtaining technical specifications, securing approvals, connecting facilities to networks and systems, and completing other regulatory requirements. Even under the special arrangements introduced through pilots, coordination among the Ministry of Energy, the Ministry for Development, NEURC, DIAM, transmission and distribution system operators, and local authorities remains insufficient, causing delays, particularly at the design stage.

4. Skilled labour shortages. The large-scale transition to protected distributed generation requires qualified designers, engineers, electricians, and specialists capable of operating and maintaining gas-fired peaking and photovoltaic facilities. Against the backdrop of mobilisation and significant migration flows, contractors report an acute shortage of field personnel. This increases project costs and implementation timelines while reducing quality standards, potentially contributing to equipment failures and accidents in the future.

Ultimately, the security factor remains decisive. Any facility under construction becomes a potential target for enemy attacks. The need to build energy infrastructure while simultaneously providing engineering protection increases project costs by 30–45% and requires a degree of secrecy that may conflict with donor requirements regarding transparency and oversight of fund utilisation.

CONCLUSIONS AND RECOMMENDATIONS

Rapid transformation of Ukraine's energy architecture is the only way to ensure the normal functioning of the national economy and preserve social stability under prolonged martial law. However, the success of this transition will depend on the ability of public authorities to reduce the likelihood of the identified risks materialising and/or mitigate their adverse effects.

To this end, it is necessary to:

✓ introduce rapid-financing mechanisms and expand public-private partnerships. Local authorities should engage businesses more actively through the Energy as a Service (EaaS) model. This would enable private companies to install generation facilities at municipal sites, with communities acting as guaranteed buyers of the electricity produced. Such an approach would reduce budgetary pressure associated with capital investment. Consideration should also be given to establishing a dedicated revolving energy-resilience fund to provide interest-free loans to smaller communities;

✓ promote clustering and joint procurement of equipment. To overcome logistical constraints, communities should be encouraged to form energy clusters and conduct joint tenders. This would improve their position with equipment suppliers and reduce unit costs. Wider use of standardised modular-station designs could also reduce design and approval timelines by 40–50%;

✓ simplify permitting procedures through the introduction of a «green corridor» regime. This would allow permits to be issued on a declaratory basis, while land allocation and grid-connection procedures could be handled through accelerated processes;

✓ establish regional centres of technical expertise. Mobile engineering teams should be created under oblast military administrations to provide technical support to communities that lack in-house specialists. Educational institutions should also be engaged in delivering short-term certification programmes for specialists responsible for operating and maintaining new equipment;

✓ strengthen information security and promote the physical decentralisation of energy infrastructure. Excessive concentration of generating capacity should be avoided, and facilities should be distributed as widely as possible. Access to information on the precise location of new installations should be restricted, while operational monitoring should be conducted through secure communication channels to reduce vulnerability to cyberattacks;

✓ digitalise energy-consumption management. Communities should integrate energy-management systems and automated commercial metering systems (ASKOE). This would enable real-time balancing of electricity supply and demand, which is particularly important when operating in island mode.

However, compliance with the recommendations outlined above will not, in itself, guarantee the resilience of the energy system unless central and local authorities succeed in:

✓ preserving system integrity, whereby all elements operate within a single technological framework, maintaining a continuous balance between generation and consumption while meeting reliability and flexibility requirements;

✓ incorporating at the design stage and maintaining during operation: the N-1 criterion for high- and medium-voltage systems; the N-2 criterion for power evacuation from large generating sources, as well as for first-category reliability consumers and critical infrastructure facilities, ensuring reliable supply through network redundancy, autonomous power sources and distributed-generation systems;

✓ making decisions on the development of networks and systems, including under comprehensive regional and municipal resilience plans, solely on the basis of ensuring: guaranteed availability of generation capacity in base-load (45-50%), flexible (30-35%) and peak-load (20-25%) modes; primary frequency-control reserves (65-75% rotating (inertial) generation and 35-25% inverter-based generation); and the ability of non-guaranteed generation to comply with declared output volumes and supply profiles;

✓ transferring to distribution system operators the functions and responsibilities for ensuring the reliability, flexibility and balancing of distribution networks, while introducing interaction protocols between DSOs and the transmission system operator for the dispatch of distributed-energy systems;

✓ encouraging end-users and generators using non-guaranteed energy sources to participate in frequency-regulation mechanisms, with the balancing of supply and demand relying exclusively on market-based instruments.

V.
SOCIAL POLICY

ON THE INTRODUCTION OF LABOUR SERVICE

On 6 April 2026, Nadia Zadorozhna, the Acting Head of the Odesa City Military Administration, signed an order introducing labour service in Odesa under martial law. The measure applies to citizens aged 18 to 65 who are medically fit to perform physical work. It covers unemployed persons, internally displaced persons, veterans and other residents of Odesa who are not currently employed. If necessary, employed citizens may also be assigned to such work, provided this does not interfere with the core activities of their enterprises.

Labour service is being introduced as a mechanism for mobilising labour resources under martial law to support socially important and defence-related tasks, including debris clearance, restoration of critical infrastructure, construction of protective structures and support for humanitarian logistics. Assessing its impact requires a clear distinction between short-term crisis-response benefits and longer-term institutional consequences, as the balance between potential advantages and risks depends largely on the time horizon considered.

The social impact of the initiative is inherently mixed, reflecting both its mobilisation potential and its capacity to generate social tensions. On the one hand, the mechanism may strengthen community resilience by enabling the rapid mobilisation of residents for socially useful activities, accelerating recovery efforts and fostering an additional layer of social solidarity. An important aspect is the integration of vulnerable groups – including the unemployed, IDPs and veterans – into economic and social life, which is consistent with the principles of active social policy. In addition, the initiative contributes to the partial institutionalisation of volunteer activity. Spontaneous participation is transformed into more structured mechanisms involving coordination and remuneration, reducing transaction costs and improving overall manageability.

On the other hand, the presence of quasi-compulsory elements creates a risk of blurring the boundaries of voluntariness. Even where such measures are formally legitimate under martial law, participation may come to be perceived as mandatory, particularly among socially vulnerable groups. This may create perceptions of unfairness and an unequal distribution of burdens across different segments of the population.

The economic impact is similarly mixed. In the short term, the initiative may reduce the cost of recovery works by relying on administratively mobilised labour. Faster clearance of damage and restoration activities can accelerate the recovery of local economic activity. An additional benefit lies in engaging economically inactive or informally employed individuals in organised activities, thereby partially bringing labour out of the shadow economy and increasing overall labour-market participation. Where remuneration is guaranteed, the initiative may also help sustain local consumer demand, particularly among vulnerable groups.

However, structural constraints become more apparent over the medium and long term. The emergence of a non-market segment of employment is problematic because it may distort labour-market incentives, reduce motivation for productive work in the private sector, and crowd out business activity, thereby undermining competition and the efficient allocation of resources. In addition, weaker incentive structures may result in lower productivity than that achieved by professional workers. Overall, this increases the risk of inefficient resource allocation and places additional pressure on public finances, even where donor funding is available.

The institutional and long-term impact is determined primarily by the extent to which it remains time-limited. Within the logic of a wartime economy, labour service represents a rational mechanism for expanding the state's regulatory mandate, allowing it to compensate for shortages of market-based and organisational resources. However, if prolonged or insufficiently defined in legal terms, the measure risks generating institutional inertia:[1] the entrenchment of administratively allocated labour practices, the blurring of boundaries between voluntary and compulsory employment, and the weakening of market-based coordination mechanisms. This, in turn, may undermine the investment climate, reduce trust among economic actors and contribute to persistent distortions in the labour market.

Overall, the initiative can be assessed as *conditionally positive*, with its ultimate effectiveness depending on how it is implemented. In the short term, it appears to be an effective crisis-management tool, accelerating infrastructure recovery, strengthening regional resilience and contributing to the stabilisation of the socio-economic situation through expanded employment opportunities. At the same time, its long-term effects remain mixed and include risks of labour-market distortions, increased administrative intervention and declining institutional trust.

Minimising these risks requires clear safeguards, including transparent recruitment procedures, a fair compensation system, the non-discriminatory distribution of burdens and, most importantly, a strict linkage between the measure and the period of martial law. If these conditions are met, labour service may serve as an effective temporary stabilisation mechanism. Otherwise, it risks evolving into a source of long-term institutional imbalances and a deterioration in the quality of the economic environment.

ON THE REGULATION OF THE RENTAL HOUSING MARKET

Draft Law No. 15031, submitted to the Verkhovna Rada on 13 February 2026, has been presented as a tool for the institutional formalisation of the rental market through changes in economic incentives. The initiative seeks to formalise a substantial segment of the shadow rental economy and broaden the tax base.

Although the rental housing market represents a significant segment of Ukraine's housing economy, its institutional development has lagged far behind the scale of actual market activity. World Bank estimates that between 90% and 99% of rental transactions take place outside the formal legal framework, without written contracts or declared income (only 900 individuals officially declared income from residential property rentals, amounting to approximately UAH 3 million). This creates a paradox: despite the market's substantial size, its fiscal and statistical visibility remains extremely limited.

The structural characteristics of the market reflect the consequences of the war and internal displacement. According to international organisations, more than half of all IDPs live in rented accommodation, while the total number of displaced persons amounts to several million. Also, despite Ukraine's traditionally high rate of home ownership, a significant share of the population effectively relies on rental arrangements. Additional pressure stems from the destruction of housing stock: millions of citizens have lost their homes, while a substantial share of residential properties has been damaged. This has increased households' dependence on rental housing while simultaneously placing additional pressure on a limited supply of available accommodation.

The fiscal dimension reflects a systemic dysfunction. Rental income is officially declared by only a very small number of individuals, while tax revenues remain disproportionate to the actual scale of the market. Even when the activities of individual entrepreneurs are taken into account, many transactions remain informal. The principal reason is the high tax burden, which creates persistent incentives for tax avoidance and sustains informal market practices.

[1] The military tax is an example of a temporary measure evolving into a long-term policy instrument. Under recently adopted legislation (Draft Law No. 15110), the military tax will remain in effect not only during martial law but also for three years after its termination. - Verkhovna Rada of Ukraine, *https://itd.rada.gov.ua/billinfo/Bills/Card/69775*.

Price dynamics and market conditions in 2025–2026 have been characterised by high volatility and pronounced regional disparities. In safer regions and large cities, market liquidity remains high, with rental properties often leased within days, indicating a structural supply shortage. Rental rates continue to rise, particularly in western and central oblasts that are absorbing migration flows. Differences between regions can be several-fold, reflecting variations in security conditions and economic activity. Under these circumstances, rental prices are determined less by household incomes than by housing availability and perceived risk.

The market's key challenges are institutional in nature. First, a chronic shortage of supply persists in relatively safe locations, where competition among tenants has reached extreme levels. Second, the high prevalence of informal arrangements reduces legal protection and limits opportunities for dispute resolution. Third, internal displacement continues to exacerbate supply-demand imbalances, driving up prices and contributing to market segmentation. Additional pressure stems from infrastructure-related risks, particularly energy instability, which increases the premium attached to «safe» housing.

Against this backdrop, the central premise of Draft Law No. 15031 is to reduce the tax burden on rental income to a level at which formalisation becomes economically attractive. At the same time, the draft proposes mandatory registration of rental agreements and stronger penalties for informal practices. The proposed regulatory model therefore shifts from a predominantly punitive approach to an incentive-based one, on the assumption that simpler administration and lower tax rates will broaden the tax base.

The likely effects of the policy are mixed. On the one hand, formalising the market could strengthen the protection of the parties' rights, reduce transaction costs and facilitate the development of financial instruments, including rental-backed lending. For landlords, legalisation may improve income transparency and simplify interactions with the banking system. On the other hand, the effectiveness of these measures will depend on the quality of enforcement. Weak institutions create a risk of selective enforcement and corruption, which could undermine confidence in the reform.

A key point of contention concerns the extent of regulation, including potential penalties and the standardisation of rental terms. Excessive pressure could produce the opposite effect by reducing supply and driving some transactions back into the shadow economy. Similar risks arise from attempts to limit market flexibility, for example through the introduction of lengthy minimum lease terms, which would be at odds with the high level of population mobility during a period of crisis.

Ultimately, the reform's success will depend on striking the right balance between incentives and restrictions. A model of gradual formalisation based on moderate taxation, simple digital registration tools and guarantees of market participants' rights appears to be the most effective approach. Otherwise, the combination of stringent requirements and weak enforcement may not only fail to reduce the shadow sector but could also exacerbate existing structural imbalances, including rising prices and further market segmentation.

ON THE INTRODUCTION OF VAT FOR INDIVIDUAL ENTREPRENEURS

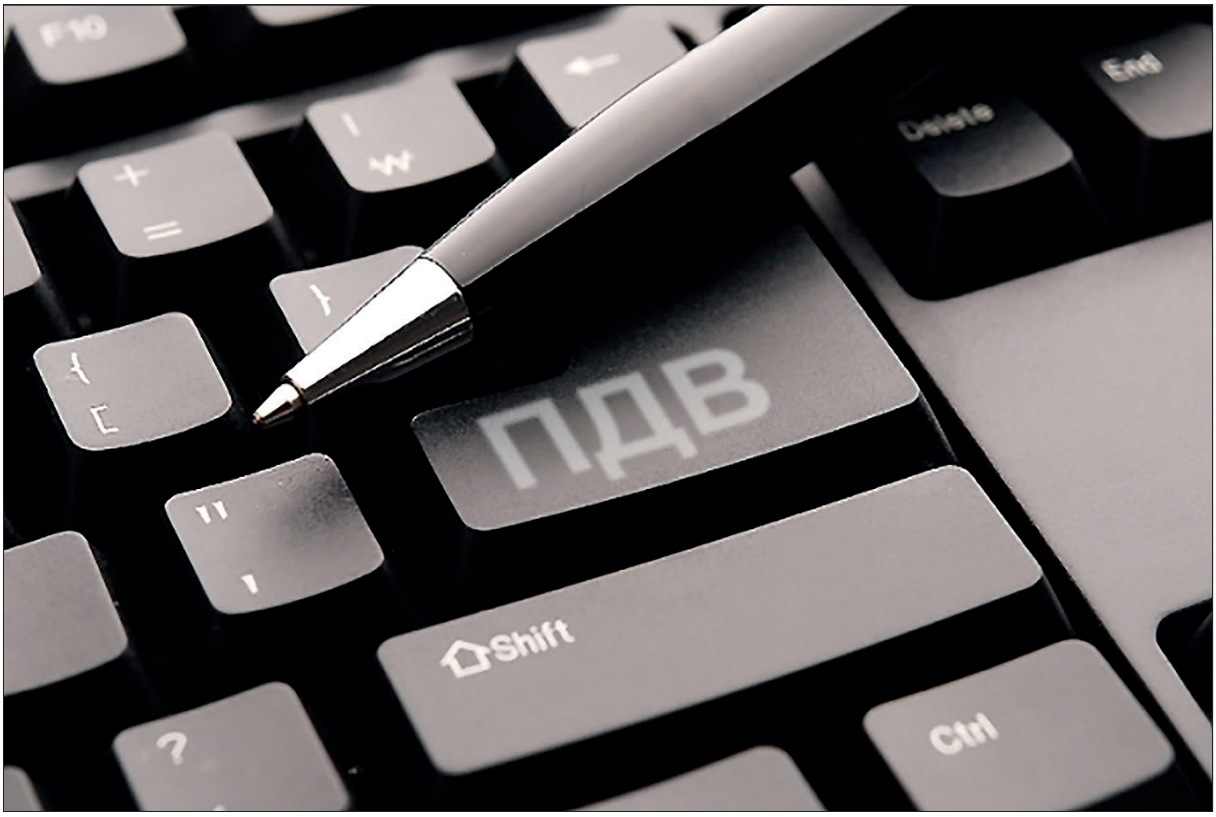
The European Union is reportedly considering stricter requirements for Ukraine as a condition for a large-scale financial assistance package worth €90 billion.

According to Bloomberg sources, Ukraine's access to part of these funds may be directly linked to radical tax reforms affecting thousands of Ukrainian entrepreneurs. The simplified taxation system, which currently allows small and medium-sized businesses to pay a flat tax of 5% of income, has become a key point of contention. The introduction of VAT for FOPs has previously been advocated by the IMF.

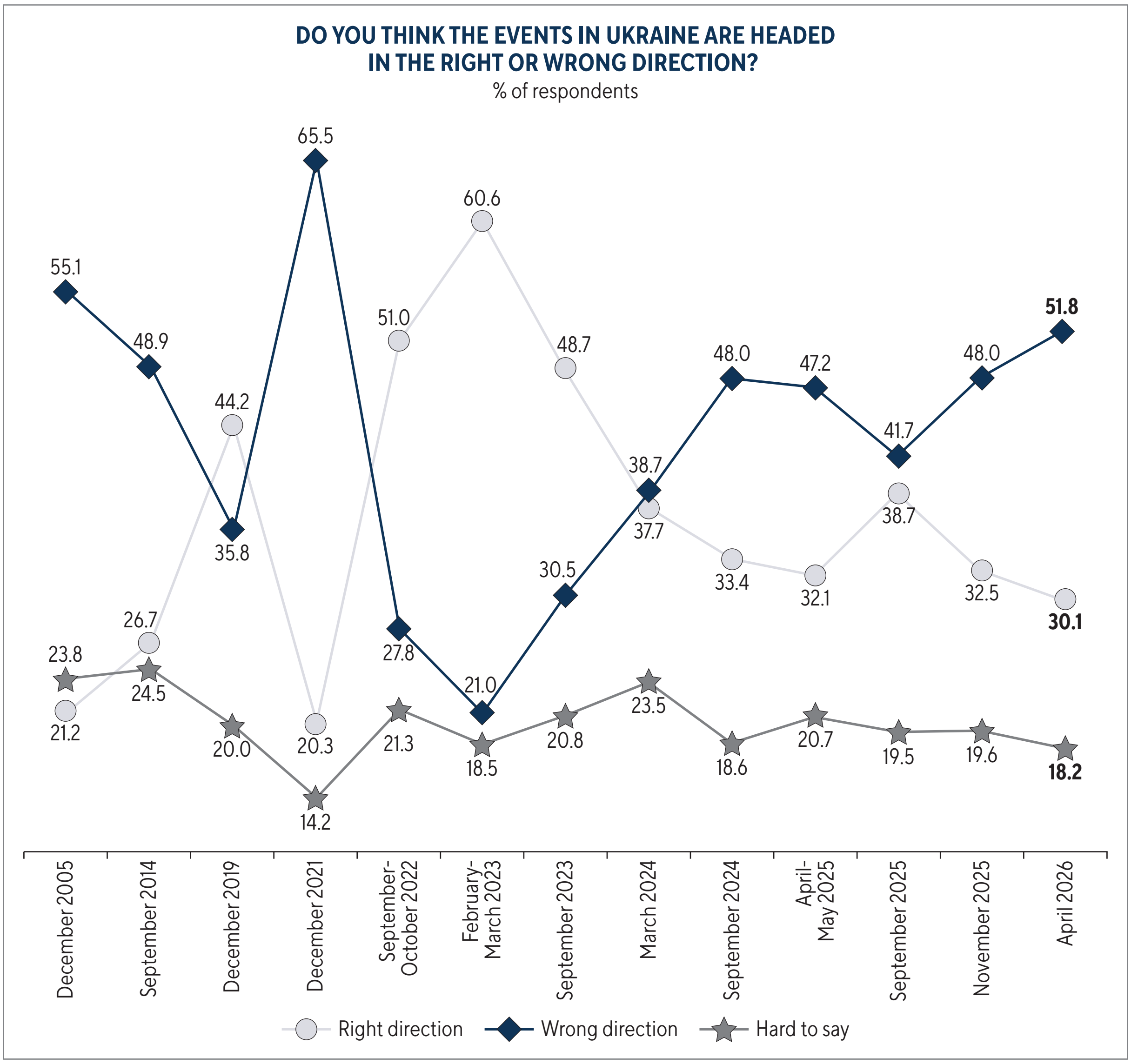
The European Commission's proposal to introduce VAT for individual entrepreneurs with annual turnover exceeding UAH 4 million reflects a broader effort to expand the tax base and align Ukraine's fiscal system more closely with European standards. From the perspective of macro-financial stability, the proposal appears economically rational. VAT remains one of the most reliable sources of budget revenue, while extending its application to part of the simplified-taxation sector could help narrow the gap between the formal and the actual economy. The measure is also intended to reduce tax arbitrage between FOPs and legal entities, the latter of which currently face a significantly heavier tax burden. This distorts competition and encourages the artificial fragmentation of businesses.

The short-term effects are likely to be mixed. On the one hand, the budget could benefit from higher revenues and improved tax administration, as VAT is more easily tracked through supply chains. On the other hand, the burden on small and medium-sized businesses would increase substantially. The introduction of a 20% tax rate at a relatively low turnover threshold could reduce profitability, particularly in trade and services, where price competition is intense. This may encourage businesses to move into the shadow economy, split operations artificially or underreport revenue. Part of the additional tax burden is also likely to be passed on to consumers through higher prices, adding to inflationary pressures at a time when the wartime economy continues to weigh on household incomes.

In the longer term, the outcome will depend largely on the design of the reform. If the introduction of VAT for FOPs is accompanied by simplified administration, including digital services, reduced reporting requirements and transitional arrangements, while maintaining reasonable turnover thresholds, it could support the gradual formalisation of the economy and improve market transparency. Conversely, a rapid and rigid rollout could lead to a contraction of small business activity, weaker economic dynamism and deeper informality. Ultimately, the proposal is economically justified in principle, but its success will depend on striking the right balance between fiscal objectives and the long-term viability of the entrepreneurial sector.



VI.
CITIZENS' OPINIONS ABOUT CURRENT ISSUES[1]



[1] Results of a sociological survey conducted by the Razumkov Centre's sociological service in cooperation with the Kyiv Security Forum on 2-8 April 2026.

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 1,200 respondents aged 18+ were interviewed. The theoretical sampling error does not exceed 2.9%. Additional systematic sampling deviations may be caused by the effects of russian aggression, in particular, the forced evacuation of millions of citizens.

HOW DO YOU TRUST THE FOLLOWING SOCIAL INSTITUTIONS?
% of respondents

	November 2025				April 2026			
	Trust*	Distrust**	Hard to say	*Trust-distrust balance*	Trust*	Distrust**	Hard to say	*Trust-distrust balance*
Armed Forces of Ukraine	92.1	5.9	2.0	*86.2*	91.2	6.9	1.8	*84.3*
State Emergency Service	85.6	9.8	4.5	*75.8*	80.5	14.5	5.0	*66.0*
Volunteer units	77.8	14.7	7.5	*63.1*	75.6	18.6	5.7	*57.0*
Volunteer organisations	81.1	14.3	4.6	*66.8*	74.8	19.8	5.4	*55.0*
National Guard of Ukraine	72.4	21.3	6.4	*51.1*	68.9	24.6	6.4	*44.3*
Church	64.6	24.0	11.4	*40.6*	63.0	27.1	10.0	*35.9*
Main Directorate of Intelligence (GUR)	71.0	18.0	11.1	*53.0*	66.9	23.1	10.1	*43.8*
Security Service of Ukraine (SBU)	65.0	25.9	9.1	*39.1*	63.8	29.1	7.0	*34.7*
State Border Guard Service	70.5	23.2	6.3	*47.3*	63.6	29.6	6.8	*34.0*
Civil society organisations	64.0	24.6	11.4	*39.4*	56.2	31.5	12.3	*24.7*
Ministry of Defence of Ukraine	63.4	28.4	8.2	*35.0*	59.0	34.5	6.5	*24.5*
Ukrainian Parliament Commissioner for Human Rights (Ombudsperson)	47.9	33.8	18.3	*14.1*	45.8	34.7	19.4	*11.1*
Mayor of your city/town/village	50.2	42.1	7.7	*8.1*	51.0	42.9	6.2	*8.1*
National Bank of Ukraine	53.9	36.8	9.3	*17.1*	47.9	42.7	9.4	*5.2*
President of Ukraine	47.8	45.3	6.9	*2.5*	48.8	43.6	7.6	*5.2*
Local council of your city/town/village	49.5	41.0	9.6	*8.5*	47.8	43.8	8.3	*4.0*
National Anti-Corruption Bureau of Ukraine (NABU)	41.4	44.9	13.6	*-3.5*	35.9	47.3	16.8	*-11.4*
State Bureau of Investigations (DBR)	39.7	42.1	18.3	*-2.4*	33.9	46.0	20.1	*-12.1*
Ukrainian media	48.0	45.3	6.8	*2.7*	36.9	56.0	7.1	*-19.1*
Specialised Anti-Corruption Prosecutor's Office	37.0	46.9	16.0	*-9.9*	29.9	49.9	20.4	*-20.0*
National Police of Ukraine	45.5	48.7	5.8	*-3.2*	36.5	58.3	5.2	*-21.8*
Commercial banks	35.1	49.9	15.0	*-14.8*	31.6	54.9	13.5	*-23.3*
National Agency on Corruption Prevention (NAZK)	31.9	50.3	17.9	*-18.4*	27.8	51.5	20.7	*-23.7*
Trade Unions	29.6	42.1	28.3	*-12.5*	25.9	50.8	23.4	*-24.9*
Ukrainian authorities as a whole	33.2	57.3	9.5	*-24.1*	31.0	59.5	9.5	*-28.5*
Ukrainian opposition	21.3	59.1	19.6	*-37.8*	22.2	60.6	17.2	*-38.4*
Prosecutor's Office of Ukraine	28.4	59.8	11.8	*-31.4*	21.5	66.9	11.6	*-45.4*
Cabinet of Ministers of Ukraine	21.4	72.8	5.8	*-51.4*	23.5	70.6	5.9	*-47.1*
State apparatus (officials)	18.2	75.1	6.6	*-56.9*	18.8	76.2	5.0	*-57.4*
Courts (judicial system as a whole)	22.5	66.3	11.2	*-43.8*	15.5	73.9	10.5	*-58.4*
Political parties	17.1	71.5	11.4	*-54.4*	13.4	77.0	9.6	*-63.6*
Verkhovna Rada of Ukraine	18.5	76.0	5.4	*-57.5*	15.4	80.4	4.2	*-65.0*

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

The team of contributors: Y. Yakymenko (project manager), A.Bychenko, O.Melnyk, M.Mischenko, M.Pashkov, O.Pyshchulina, V.Omelchenko, H.Riabtsev, P.Stetsiuk, M.Sunhurovskyi, V.Yurchyshyn.
Editorial and publishing department: Z.Mischenia, O.Shapoval, T.Ovsianyk.

Cover Photo: TCH, https://img.tsn.ua/cached/712/tsn-0b4bc102/thumbs/608xX/58/8c/93bc1a7fba49bef82bfaca407ae48c58.jpeg
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Our address:
01032, Kyiv, 33b Taras Shevchenko Blvd, 7th floor
Telephone: (38 044) 201-11-98
Fax: (38 044) 201-11-99
e-mail: *info@razumkov.org.ua*
Website: *www.razumkov.org.ua*