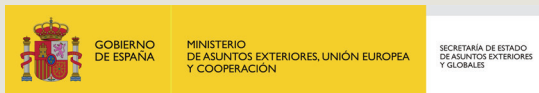


This working paper examines the social and economic reconstruction of Ukraine from a Social Europe perspective. It addresses the critical needs arising from the ongoing war and Ukraine's aspirations for EU integration. The document analyzes Ukrainian legislation, economic challenges, and the impact of war on social structures. It highlights the potential for Ukraine to align with EU standards, emphasizing labor rights, social welfare, and economic modernization. The paper explores the role of corruption, neoliberalism, and the window of opportunity created by the war for transformative change. It discusses Ukraine's economic needs, international aid, and Spain's commitment to post-war support. Key areas such as judicial reform, labor market standards, education, healthcare, and social protection systems are analyzed. The document aims to map Ukraine's needs and facilitate its path to EU membership, stressing the importance of a social component in the reconstruction process.



THE SOCIAL AND ECONOMIC RECONSTRUCTION OF UKRAINE FROM A SOCIAL EUROPE PERSPECTIVE

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FUNDACIÓN ALTERNATIVAS

Working Paper

No. 239 / 2025

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TABLE OF CONTENTS

Introduction	
Mapping Ukraine’s needs for reconstruction: the contribution of the EU and Spain	10
<i>by</i> Vicente Palacio	
Social and Political Actors in Ukraine: Pending Reforms	16
<i>by</i> Zakhar Popovych	
Chapter 1	
Prospects of Economic Modernization	22
<i>by</i> Zakhar Popovych	
Chapter 2	
Social Protection Systems and Welfare	50
<i>by</i> Zakhar Popovych	
Chapter 3	
Labor Market and Employment Standards	62
<i>by</i> Mykhailo Samsonenko <i>and</i> Oleksandr Skyba	
Chapter 4	
Judicial Reform, Anti-Corruption Policies, and the Challenges of Transparency in Ukraine	78
<i>by</i> Mariia Sokolova <i>and</i> Oleksandr Kovalenko	
Chapter 5	
Education Reform and Skills Development	88
<i>by</i> Artem Remizovskyi	

Chapter 6	
Healthcare and Basic Medical Services	98
<i>by Olena Slobodian and Maksym Romanenko</i>	
Chapter 7	
Conclusive Remarks	106
<i>by Artem Remisovskyi</i>	
Notes	110
Bibliographies	116
Biographies	120

ABSTRACT

This working paper examines the social and economic reconstruction of Ukraine from a Social Europe perspective. It addresses the critical needs arising from the ongoing war and Ukraine's aspirations for EU integration. The document analyzes Ukrainian legislation, economic challenges, and the impact of war on social structures. It highlights the potential for Ukraine to align with EU standards, emphasizing labor rights, social welfare, and economic modernization. The paper explores the role of corruption, neoliberalism, and the window of opportunity created by the war for transformative change. It discusses Ukraine's economic needs, international aid, and Spain's commitment to post-war support. Key areas such as judicial reform, labor market standards, education, healthcare, and social protection systems are analyzed. Policy recommendations are provided to guide Ukraine's integration into the EU, focusing on social justice, solidarity, and sustainable development. The document aims to map Ukraine's needs and facilitate its path to EU membership, stressing the importance of a social component in the reconstruction process.

INTRODUCTION

Mapping Ukraine's needs for reconstruction: the contribution of the EU and Spain

by Vicente Palacio

This document has been prepared by a group of prominent Ukrainian experts in collaboration with the Alternatives Foundation. Its main objective is to produce a mapping of the critical social and economic needs of Ukraine and the European and Spanish contribution to the reconstruction of the country from a comprehensive socioeconomic perspective. Our purpose is to highlight Ukraine's current social and economic needs in the public sphere, and facilitate its path to EU membership. Additionally, this work aims to gain sufficient support from citizens and policy makers for this task.

These two fundamental dimensions, social and economic, must be understood within the current framework. On the one hand, the negotiations to end the war sponsored by the Trump 2.0 Administration. At the time of the conclusion of the first version of this document (end of March 2025), a negotiation process imposed by the Trump Administration was underway, with the participation of several actors including Moscow, Kyiv, Brussels and several European member states, among others. On the other hand, the current process of negotiations for Ukraine's future accession to the EU. Ukraine's gradual incorporation into the club of twenty-seven is inseparable from the country's post-war reconstruction: accession process and economic resilience go hand in hand.

This document takes as its point of reference the European Political Community Summit in Granada in October 2023 under the Spanish EU Presidency, when the leaders of fifty countries expressed their support for Ukraine. From there, the European and Spanish perspectives on Ukraine should be anchored in the frame of Social Europe. This frame includes labor and environmental standards, improved working conditions, union activity, healthcare, pensions, and other essential services such as education. All of these aspects, along with the country's own demographics and human capital, have been severely damaged after three years of war with Russia. This must be complemented with a medium- to long-term vision

of the type of society and country to be built. Ukraine's reconstruction does not strictly concern infrastructure or industry, but will necessarily have a social component from the perspective of its future EU membership, as an essential requirement of the entire negotiation process.

In the current context of negotiations for a cease-fire and/or a peace deal, we should urgently incorporate the perspective of Social Europe in the roadmap toward a negotiated and just peace, respectful of international law. Only in this way can the EU have a clear map of the needs to be covered.

In this regard, in this document, we address two main cross-cutting issues. First, the current needs of Ukraine in terms of social policies and standards (labor market, labor and environmental standards, minimum wage, pensions) and institutions (trade unions). Second, the economic needs of Ukraine for its reconstruction (financial instruments, programs). Additionally, we will set out some general considerations on EU/ Spain contribution to social welfare building and the economic reconstruction of the country (finance, institutional support, etc).

Ukraine's economic needs and the international Recovery Conferences

Ukraine's accession will require a massive, unprecedented EU investment and financial effort. In the spring of 2023, the World Bank estimated the financing needs to rebuild Ukraine at €383 billion. More recently, the fourth Rapid Damage and Needs Assessment, - jointly developed by the World Bank, the government of Ukraine, the European Commission (EC), and the UN - estimated the total cost of reconstruction and recovery at \$524 billion over the next decade, and a direct damage of \$176 billion by the end of December 2024.

The European Commission has reaffirmed support to Kyiv through the € 50 billion Ukraine Facility, which

funds economic recovery and social protection. The Facility instrument will allow the EU to provide Ukraine stable and predictable financial support. According to Commission officials, the implementation of the Ukraine plan is progressing quickly, having already been delivered €16 billion to date. Other projections suggest that the amount for reconstruction could reach \$1 trillion in the long term.

We should not forget that the EU budget will be severely strained by the major eastern enlargement, and new funds will be needed to offset net gainers and losers and changes in redistributive policies. Meeting EU accession criteria could require sustained annual investments equivalent to 3-5% of Ukraine's GDP over the next decade. This raises crucial questions for the EU on financial sustainability: mechanisms, strategies, possible sources—EU budgets, bilateral aid, private sector investments, debt restructuring, or new financial instruments.

The short and medium term impact of the injection of European funds on Ukraine's defence industry and the economy remains to be seen. For example, only in March 2025, €1.9 billion were provided to support Ukraine's defence and innovation. In October 2024, the EU agreed to advance the G7 pledge to support Ukraine's economy with €45 billion from Russia's immobilised assets.

The future is here, and is open. There is a lot of work underway as it requires close monitoring and improvements. High-level political events dedicated to the swift recovery and long-term reconstruction. Previously, several preparatory Recovery Conferences on Ukraine URC's) took place in Lugano (July 2022), London (June 2023), Berlin (June 2024, which focused on monitoring private investment), the Swiss Peace Conference (June 2024) or the URC2025 which will take place in Rome on July 10 and 11 July 2025. From Lugano to Rome, the participants should include a broad range of stakeholders: governments, international organizations, financial institutions, businesses, regions, or municipalities. In particular, the

role of civil society and local communities must be emphasized. Their participation is crucial to ensure that reconstruction efforts are responsive to the real needs on the ground and foster genuine, sustainable development. Including their perspectives will lead to more effective and inclusive policies that reflect the aspirations of the Ukrainian people.

In addition to post-war rebuilding, full EU integration will demand fundamental transformations in governance, public services, or environmental protections. Accordingly, his document addresses URC2025 cross cutting issues such as governance and rule of law, social services and labor standards, infrastructure, energy, environment, healthcare, or education.

Spain's commitment to post-war Ukraine

In this context, the EU and Spain must maintain its commitment to medium- and long-term support for Ukraine's prosperity and its progressive integration into the European economic framework. Special mention should be made of Spain's contribution to humanitarian aid and cooperation. The aid directed to Ukraine so far in humanitarian aid amounts has been "selfless." So far, it has been channeled through two channels. First, humanitarian aid itself. Second, urgent aid, aimed at the 3.6 million internally displaced persons, covering tasks such as electricity supply and basic infrastructure repairs.

According to data from the Spanish government, Spanish Cooperation allocated more than €100 million to humanitarian action in Ukraine between February 2022 and the end of 2024, and an additional €10 million has been announced. In addition, €400 million has been allocated in financial aid for reconstruction. This is in addition to military equipment and training for 7,000 Ukrainian soldiers within the framework of the EUAM mission.

Last February, Spanish President Pedro Sánchez announced a new military assistance package for Ukraine worth €1 billion in 2025. This financial allocation falls under the Bilateral Security and Defense Agreement and is in addition to the more than €1 billion granted last year. This agreement, signed in May 2024 and lasting for 10 years, covers areas such as humanitarian assistance, the reconstruction of the country, and the search for a just and lasting peace based on international law.

Spain should further develop the Social Road map for Ukraine within the framework of its future EU membership. Beyond the security component, Spain's significant added value could be its contribution to Social Europe. This would mean, first, putting more resources on the ground (humanitarian, social, economic); second increasing the presence of social actors and institutions; and third, further involvement in international peace conferences.

At the Berlin Conference, the EU joint reconstruction offer gave the Member States the green light to move forward. One of the main tasks now will be to fill the humanitarian and social gaps caused by the Trump Administration's dismantling of the US Development Agency 2.0. As a consequence, EU Member States will have to increase budget lines. Also, a specific objective for the Rome Conference in June 2025 should be to improve the coherence of the Ukraine Donor Platform's actions on the ground. Particularly in the social area, Spanish stakeholders (governments and unions) will need to better leverage synergies with other actors such as the European Commission (DG EMPL and DG ENEST) or the International Labour Organization (ILO).

INTRODUCTION

Social and Political Actors in Ukraine: Pending Reforms

by Zakhar Popovych

Ukraine stands at a historic crossroads as it rebuilds its social and economic systems amid the devastation of a full-scale war and pursues its long-term goal of integration into the European Union (EU). The challenges and opportunities of this process are complex, rooted in Ukraine's unique history, its neoliberal economic structure, and the transformational impact of war. This working paper highlights key points about Ukraine's legal, economic, and social systems, emphasizing the potential for integration from a Social Europe perspective.

The ongoing war has not only caused immense human suffering and economic damage but has also profoundly reshaped Ukraine's social and political landscape. The conflict has strengthened national unity and solidarity, while also accelerating the process of de-oligarchization and industrialization. These developments have created a window of opportunity for Ukraine to pursue a more just and equitable path to reconstruction and EU integration.

Ukrainian Legislation: Strengths and Alignment with EU Standards

Contrary to common narratives, Ukrainian labor and social legislation mostly aligned with EU standards and often surpasses them. In most areas, Ukrainian law at least formally fulfills or exceeds the minimum requirements set by the EU, offering robust protections for workers, employees' rights, and union activities. For instance, Ukraine's Labor Code includes provisions that are more worker-friendly than the minimal standards outlined in EU directives. This reflects a foundation that, with proper implementation and enforcement, could support rapid and meaningful integration into the European legal framework.

However, the challenge lies not in legislation but in enforcement. Limited resources, weak institutional capacity, and systemic inequalities hinder the effective application

of these laws. Addressing this gap is a critical priority for ensuring that Ukraine's legal framework translates into tangible benefits for its population.

The Role of "Corruption": Myths and Realities

The discourse around corruption in Ukraine often reflects a double standard that fuels colonial thinking. While corruption undeniably exists in Ukraine, it is not unique to the country. The EU itself grapples with corruption within its member states, from scandals involving public procurement to tax evasion by multinational corporations.

Yet, corruption in Ukraine is frequently weaponized as a rhetorical device to justify unequal power dynamics between "richer" EU members and their "poorer" neighbors. This blame game obscures systemic issues and ignores the structural role of global financial systems in perpetuating inequality. Instead of treating corruption as a uniquely Ukrainian issue, it should be viewed as part of a broader, shared challenge that requires cooperation and reform on both sides.

Neoliberalism: The Structural Challenge to EU Integration

The primary obstacle to Ukraine's integration into the EU lies not in its laws or corruption but in its deeply entrenched neoliberal economic model. For decades, Ukrainian oligarchs—a powerful class of big business owners—have shaped tax policies to their advantage. Through legal mechanisms, they have secured extremely low tax rates for themselves while shifting the tax burden onto employees through income taxes, VAT, and excise duties. This creates a "neoliberal paradise" where deregulation and low taxation for indigenous big businesses dominate but exacerbate economic inequality and poverty.

Notably, this model is exclusive. While it benefits local Ukrainian businesses, it only partially extends to European and North American investors, who often frame their exclusion from these privileges as "corruption." This system has not only polarized Ukrainian society but also hindered industrial development and deepened structural imbalances in the economy, moving Ukraine further from EU standards.

The War and the Window of Opportunity

The full-scale war has dramatically shifted Ukraine's economic trajectory, opening a window of opportunity for transformation. Over the past two years, emergency measures have accelerated industrialization and introduced unprecedented levels of taxation on oligarchs. For the first time, Ukraine's business elite has recognized the necessity of contributing to state stability by investing in local industries and supporting education, technology, and social infrastructure. This shift reflects a newfound understanding that their long-term survival depends on the survival and prosperity of the Ukrainian state.

At the same time, the Ukrainian government is more willing than ever to adopt EU-demanded reforms to secure financial and military support. These dynamics create a unique alignment of interests that could enable Ukraine to rapidly integrate into the EU, provided the right policies are implemented.

Working alongside the EU institutions: the Commission, EEAS, European Parliament

In the current context of Ukraine's integration into the EU, strengthening coordination on the ground is essential. This collaboration can have two positive effects: on the one hand, greater efficiency and better results, and on

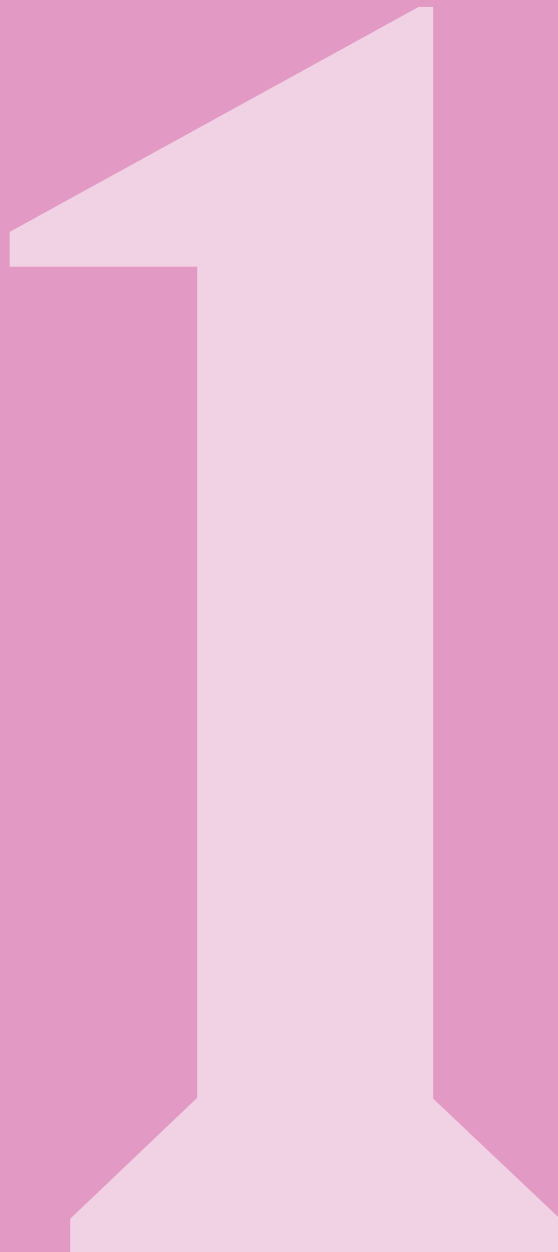
the other, the progressive adaptation of Ukrainian state and local governments to EU standards and procedures.

The European External Action Service (EEAS) coordinates with the Commission and the national delegations deployed in Kyiv. The EU Delegation, with more than 50 people, and the EU advisory mission within the framework of the ESDP (security/defense) provide expertise and oversight. The EEAS also operates in the social sphere: humanitarian assistance, social security, and digitalization. However, results could be improved, for example, in the areas of internally displaced persons and the reintegration of veterans (the million people returning from war); or in education and training programs. Currently, there is room for improvement in rapid response and short-term action.

A Path to Integration

Ukraine's integration into the EU is not only possible but also increasingly feasible due to the shifting political and economic landscape. The war has created a unique opportunity for Ukraine to redefine its social contract and pursue a more just and equitable path to development. By embracing the principles of Social Europe—an approach that prioritizes social justice, solidarity, and sustainable development—Ukraine can build a more inclusive and prosperous society for all its citizens.

This working paper has highlighted the strengths and weaknesses of Ukraine's legal, economic, and social systems, emphasizing the potential for integration from a Social Europe perspective. While challenges remain, the war has also created a momentum for change that should not be missed. By working together with its European partners, Ukraine can leverage this opportunity to build a better future for itself and contribute to the vision of a Social Europe that benefits all its members.



PROSPECTS OF ECONOMIC MODERNIZATION

by Zakhar Popovych

NATURAL RESOURCES

Ukraine, approximately 1.2 times the size of Spain, lies at the eastern edge of Europe and has a generally moderate continental climate. Although much of the country is significantly colder than the Iberian Peninsula, summer temperatures in Yalta closely resemble those in Barcelona, typically being just 1-2 degrees cooler.

The country boasts exceptionally fertile chernozem or “black earth” soils, covering about two-thirds of its territory, ideal for cereals and oilseeds. Ukraine is the number one exporter of sunflower seeds and oil, as well as one of the major exporters of cereals, poultry meat etc. Spain is now the second largest importer of Ukrainian goods after Poland.

Ukraine also possesses substantial mineral resources, including iron ore, coal, manganese, titanium, and uranium, which have histori-

cally supported robust industrial sectors such as machine-building, metallurgy, and chemicals. Currently, Ukraine’s primary non-agricultural exports are iron ore, as well as iron and steel products. While Ukraine holds significant rare-earth mineral deposits, their development is hindered by outdated geological data—since these deposits have not been exploited or adequately assessed in recent years—as well as considerable technological, environmental, and infrastructure challenges¹.

DEINDUSTRIALIZATION AND DEPOPULATION OF UKRAINE IN COMPARATIVE PERSPECTIVE

At the time of gaining independence in 1991, Ukraine was not merely an agricultural country but was considered a highly developed industrial state, with strong machine-building, met-

allurgy, and chemical industries contributing significantly to its economy.

Despite these natural advantages, Ukraine has faced significant economic and demographic challenges since gaining independence. The country has undergone severe de-industrialization, with manufacturing shrinking from 45% of GDP in 1992 to just 8% in 2022. The once-thriving machine-building and heavy industries have largely declined, replaced by an economy increasingly dependent on agriculture and raw material exports. Additionally, Ukraine has suffered from sustained population decline due to low birth rates, high mortality, and emigration, exacerbated by geopolitical instability and war.

The ongoing war has spurred a partial industrial revival, particularly in arms production and other sectors supporting the war effort. However, the long-term sustainability of this military-driven growth remains uncertain.

While Ukraine remains a strategically important country with vast economic potential, unlocking sustainable growth will require substantial investment in industrial revitalization, infrastructure development, and social policies aimed at reversing depopulation trends.

In 1991, when Ukraine gained independence, it had a population of 51.6 million, surpassing Spain's

39.1 million at the time. However, due to migration, and demographic decline, Ukraine's population today is estimated at 37 million², which is about 76% of Spain's current 48.9 million — a figure close to Spain's population in 1991.

Before gaining independence in 1991, Ukraine's economic performance was more comparable to that of major EU countries and significantly exceeded that of Eastern European nations like Poland and Romania, which later joined the EU.

In 1991, Ukraine's Gross Domestic Product (GDP) per capita, adjusted for Purchasing Power Parity (PPP), was approximately \$20,172³. In comparison, Poland's PPP GDP per capita was \$12,110, and Romania's stood at \$14,677. Among EU countries at that time, Spain had a PPP GDP per capita of \$31,726, while Portugal's was \$27,856. This means that Ukraine's PPP GDP per capita was about 64% of Spain's in 1991.

However, following the collapse of the Soviet Union, Ukraine's economy suffered severe shocks, including hyperinflation, de-industrialization, and political instability. Since then, Ukraine's PPP GDP per capita has never exceeded \$19,000, with its 2024 estimate standing at \$17,250, which is only 35% of Spain's current level.

In terms of overall economic size, Ukraine's GDP (PPP) in 1992 was estimated at \$416 billion, surpassing the Netherlands and reaching approximately 60% of Spain's GDP at the time. Over the years, Ukraine's GDP (PPP) has never exceeded \$750 billion. As of 2024, it is estimated at \$655 billion, which represents about 24% of Spain's GDP and 45% of the Netherlands' GDP.

Before gaining independence Ukraine was a major industrial powerhouse of the Soviet Union with strong machine-building and high tech industries. According to Deutsche Bank's 1990 evaluations⁴, Ukraine was one of the most economically potent Soviet republics. Beyond its agricultural strength, which accounted for 46% of Soviet agricultural output, Ukraine also possessed a diverse industrial base and vast mineral deposits. Notably, Ukraine had a higher degree of industrialization than Russia, with a strong machine-building sector, metallurgy, and chemical industries playing a crucial role in its economy. Additionally, Ukraine boasted better infrastructure, including a more developed transportation network, higher-density railway systems, and modern industrial facilities. While Ukraine had a slightly lower degree of self-sufficiency in industrial goods compared to Russia, it still surpassed all other Soviet republics in this regard.

Ukraine also played a key role in Soviet heavy industry and materials production. The country accounted for approximately one-third of total Soviet steel production and was a major center for ferrous and non-ferrous metal manufacturing. Its heavy industry included locomotive construction and other advanced industrial products. In the chemical sector, Ukraine contributed about 20% of the Soviet Union's total coal and basic chemical production, including fertilizers and synthetic fibers. Additionally, Ukraine's mechanical engineering sector produced around 20% of the USSR's total industrial output, further solidifying its status as a critical hub for Soviet industrial development.

In addition to its strong heavy industry, Ukraine was also a key producer of consumer goods within the Soviet Union. Its light industry played a significant role in supplying household appliances and electronics, accounting for approximately 12% of the Soviet Union's refrigerator production and 34% of its TV sets. Ukraine's automotive industry was also an important contributor, particularly in the production of motorcycles and small cars, which were widely used across the USSR. These sectors underscored Ukraine's role not only as an industrial powerhouse but also as a major supplier of

consumer durables within the Soviet economy.

However, in 1990s extractivist policies pursued by local Ukrainian oligarchs and multinational corporations pushed Ukraine to abandon its machine-building industries and integrate into the world market primarily as a supplier of raw materials—mainly grains and agricultural products, iron ore and iron, as well as ammonia and other basic chemical products. The latter sector suffered a major setback when rising gas prices virtually halted ammonia production. These policies, combined with economic instability and external shocks, prevented sustained growth.

This shift in the economic priorities of Ukraine's governing elites led to a profound structural transformation in the country's industry. In the early 1990s, machine-building was the dominant industrial sector, accounting for approximately 31% of industrial output, while metallurgy contributed around 10%. However, by the 2000s, metallurgy had overtaken machine-building as the leading industry, contributing over 38% of industrial output due to global demand for raw materials and a decline in domestic industrial production. Meanwhile, the share of machine-building in industrial output dropped below 10%, reflect-

ing the sector's long-term decline and the broader de-industrialization trend in Ukraine.

By the 2010-2020s, agriculture emerged as the dominant sector, with agricultural exports accounting for 41% of total exports⁵ and agriculture contributing 8.2% of GDP in 2022⁶ (in some years it even exceeds 12%).

Furthermore, manufacturing value added in Ukraine has declined dramatically, from 45% of GDP in 1992 to just 8% in 2022⁷, illustrating the severe contraction of the industrial sector and the shift towards an extractive economic model. So if in the mid-1990s Ukraine was twice as industrialized as Spain by this indicator, it is now significantly behind Spain. This transition marked a significant shift from an industrialized economy towards a more extractive, export-driven model.

BEYOND ECONOMIC METRICS: SOCIAL AND LIVING STANDARDS

While GDP per capita and other economic indicators are essential measures of well-being, they do not fully capture the differences in quality of life. In 1990, Ukraine had universal healthcare coverage, nearly full employment, and extensive social services that provided citizens with a baseline level of security. Educa-

tion and literacy rates were high, and housing was largely affordable, though often in deteriorating condition. Public transportation was widely available and inexpensive.

In terms of human development, in 1990, Ukraine's Human Development Index (HDI) was 0.725, placing it above Portugal (0.703) but slightly below Spain (0.762). By 2021, Ukraine's HDI had risen to 0.773, but Spain (0.904) and Portugal (0.866) had widened the gap, reflecting differences in long-term economic stability, healthcare quality, and social protections.⁸

Life expectancy has also seen a significant divergence. In 1990, life expectancy at birth in Ukraine was 70 years, compared to 77 years in Spain and 75 years in Portugal. By 2021, Ukraine's life expectancy was 73.4 years (68.4 for males and 78.3 for females), while Spain reached 84.0 years (81.2 for males and 86.7 for females), and Portugal 82.4 years (79.5 for males and 85.2 for females)⁹. These figures highlight how disparities in healthcare systems, socio-economic stability, and living conditions have grown over time.

Unlike Spain and Portugal, Poland and Romania share a more comparable post-socialist transformation with Ukraine. In 1990, Poland's HDI was 0.726, nearly identical to Ukraine's 0.725, while Romania was slightly lower at 0.708.

However, by 2021, Poland's HDI had surged to 0.881, and Romania's had climbed to 0.821, leaving Ukraine behind at 0.773.

A similar trend is evident in life expectancy. In 1990, Poland's life expectancy was 71 years, and Romania's 69 years, close to Ukraine's 70 years. By 2021, Poland had increased to 78.3 years (74.4 for males, 82.3 for females), and Romania to 76.6 years (72.8 for males, 80.7 for females), whereas Ukraine remained at 73.4 years.

Poland and Romania both faced economic hardships in the 1990s but benefited from EU accession in the 2000s, leading to foreign investment, infrastructure development, and institutional reforms. By contrast, Ukraine's economic and political instability, lack of decisive reforms, and prolonged oligarchic dominance hindered progress. While Poland and Romania significantly improved their public services and social protections through EU-driven reforms, Ukraine struggled.

Education remains one of Ukraine's strengths. In 2021, its gross enrollment ratio in tertiary education was 83.4%, reflecting a strong commitment to higher education. Poland and Romania had similar levels—75.1% in Poland and 73.4% in Romania—but their ed-

educational institutions have better international recognition and offer more mobility and employment opportunities within the EU.

These indicators illustrate that while Ukraine was once comparable to or even ahead of Portugal and on par with Poland and Romania in human development, it has since fallen behind due to economic instability, deindustrialization, and systemic governance challenges. Meanwhile, Poland and Romania, benefiting from EU integration, rapid economic growth, and institutional reforms, have improved their living standards considerably.

UKRAINE'S EUROPEAN ASPIRATIONS AND THE REALITY OF INTEGRATION

Ukraine entered independence in 1991 with an industrial base comparable to many EU countries—potentially exceeding Spain's in terms of heavy industry—yet with a much lower level of consumer goods availability and overall living standards. This disparity fueled widespread public support for breaking away from the Soviet Union and seeking integration with the European Union, which was seen as the pathway to economic modernization and improved quality of life.

The goal of EU integration was central to Ukraine's post-Soviet identity. It served as the primary justification for market reforms and a key source of legitimacy for the country's ruling elites. However, while the public overwhelmingly supported European integration, neither Ukrainian nor EU leaders ever pursued it with full commitment—except perhaps in moments of euphoria in the early 1990s and following the start of Russia's full-scale invasion in 2022, which significantly reshaped geopolitical priorities.

Any perceived deviation from the European promise was met with public frustration, culminating in the Euromaidan Revolution of 2014. However, in practice, Ukraine's path to EU integration was slow, and lacked clear strategic commitment. Only in the wake of the ongoing war with Russia has the political will for real integration into the European project intensified—though many structural challenges remain.

OLIGARCHIC PRIMARY ACCUMULATION POLICIES

Before gaining independence Ukraine was a part of the Soviet Union where all industrial enterprises were owned by the state and there were no owners of significant capital

except some criminal “underground millionaires”, but even their fortunes were relatively small compared to the size of the economy.

The primary accumulation of capital by Ukrainian big business, commonly referred to as oligarchs, was largely achieved through the privatization of state assets under highly non-transparent and exploitative conditions. Before this, future oligarchs also gained access to large state bank credits at almost no interest rates during hyperinflation, which allowed them to accumulate capital rapidly while the real value of repayment diminished. One of the most significant mechanisms in this process was voucher privatization, introduced in the early 1990s. In theory, this system was meant to ensure that every Ukrainian citizen received a share of the national wealth by distributing privatization vouchers that could be exchanged for stock in state-owned enterprises. However, in practice, it became a tool for the massive and rapid transfer of wealth into the hands of a small elite.

Most ordinary citizens were left in an impossible position: lacking financial literacy, experience with markets, or immediate sources of income, they were unable to make informed investment decisions. The most financially literate and fortunate among them managed to sell

their vouchers—often at a fraction of their actual value—to speculators, at least getting some compensation. However, many others either held onto their vouchers and received nothing—as the enterprises they invested in were bankrupted, privatized by insiders, or manipulated to show no profits—or simply lost their assets due to fraudulent schemes.

The legal framework of privatization was systematically exploited by oligarchic groups, who leveraged political connections to acquire vast industrial assets for far below their real market value. In many cases, state enterprises were transferred for free or through rigged auctions where only pre-selected bidders could participate. Another common tactic involved artificial bankruptcies, where a state-owned enterprise would be saddled with debt—often to entities controlled by the same oligarchs—before being privatized at a nominal price.

Once the oligarchs secured control over key industries, they shaped a tax and regulatory system that protected their wealth while shifting the fiscal burden onto workers and small businesses. Using offshore accounts and legal loopholes, large businesses evaded taxation almost entirely, while public services and infrastructure remained chronically underfunded. Meanwhile, the political influence of oligarchs ensured that

competition was stifled, preventing the rise of independent businesses or innovative industries.

However, the oligarchic accumulation process was not solely a product of domestic economic mismanagement and corruption. The economic policies of major industrialized nations, particularly the European Union and G7 countries, played a decisive role in shaping Ukraine's economic trajectory. While Western governments pushed for the liberalization of Ukraine's markets to allow their consumer goods to flood in, they actively blocked Ukrainian industrial products from entering their own markets through tariffs and non-tariff barriers.

For example, the EU maintained high tariffs on Ukrainian metallurgical and chemical products, making it difficult for Ukrainian manufacturers to compete. In 1994, the EU imposed definitive anti-dumping measures on imports of hematite pig iron from Ukraine, alongside similar restrictions on Russia, Poland, and Brazil. These duties were calculated as a variable levy, ensuring that Ukrainian exporters could not compete effectively in European markets.¹⁰

Beyond metallurgy, Ukraine's chemical industry was also subject to numerous anti-dumping investigations throughout the 1990s and ear-

ly 2000s, further limiting access to the European market. Ukraine's lack of Market Economy Status (MES) at the time led the EU to use alternative methodologies in determining dumping margins, often leading to excessively high duties that restricted Ukrainian exports¹¹.

Additionally, Ukrainian electrical equipment and machinery faced substantial trade restrictions in EU markets. While specific tariff rates varied, the EU imposed high import duties and technical certification barriers that made it difficult for Ukrainian manufacturers to enter the European market, even as European consumer goods—such as automobiles (which, at the same time, were subject to Ukrainian tariffs, restricting imports and protecting local car manufacturers), electronics, and household appliances—faced minimal barriers entering Ukraine. This led to a rapid deindustrialization of Ukraine's domestic production base and increased dependence on foreign imports¹².

Beyond trade policy, international financial institutions such as the International Monetary Fund (IMF) and the World Bank (WB) leveraged Ukraine's difficult economic situation to push policies that undermined the country's industrial and technological potential. IMF loan conditions often included pri-

vatization of remaining state-owned enterprises, deregulation, austerity measures, and restrictions on state subsidies for industrial production. The World Bank's structural adjustment programs further encouraged Ukraine to abandon high-tech industries and engineering in favor of integrating into the global economy as a supplier of raw materials¹³.

While Ukrainian oligarchs outwardly supported foreign direct investment (FDI), in practice, they ensured that such investment was only possible in partnership with an established Ukrainian oligarch. Although foreign capital was not legally restricted, an intentionally complex bureaucratic system—similar to the Licence Raj¹⁴ system in post-independence India—effectively blocked independent foreign investors from operating in Ukraine. The licensing system involved numerous permits, unclear regulations, and bureaucratic delays, making it nearly impossible for foreign businesses to establish themselves without a local partner who could navigate the system through political and administrative influence. When Western experts talk about 'corruption in Ukraine,' they are most often referring to this intentionally complex bureaucratic environment, which functioned similarly to the 'Licence Raj' system in India after independence. Rather

than being a series of isolated bribes, this system was a structured means of restricting competition and maintaining oligarchic control over key industries by forcing external investors to rely on established political and economic elites. This arrangement ensured that foreign investment did not threaten oligarchic dominance but instead reinforced their control over key sectors of the economy. Some oligarchs reportedly told foreign investors with a smirk that they were not welcome, saying, 'We will loot this country ourselves'.

These policies ensured that Ukraine remained trapped in a raw material export-based economic model, primarily supplying metals, agricultural products, and other commodities to the world market, while being prevented from developing its own competitive industries. The result was the systematic elimination of Ukraine's potential as an industrial competitor. Instead of becoming an independent producer of high-value goods, Ukraine was gradually pushed into the role of a peripheral economy dependent on raw material exports and foreign-manufactured imports.

While domestic oligarchs played a key role in consolidating economic power, their actions were greatly facilitated by the economic policies imposed by Western institutions and

governments, which systematically favored foreign capital and consumer goods over Ukraine's industrial development. This external economic pressure, combined with the self-serving interests of Ukraine's political and business elite, ensured that the country's industrial modernization was delayed or entirely abandoned, leaving Ukraine vulnerable to economic crises and external dependency.

RUSSIAN IMPERIALISM AND THE POLITICAL CONSCIOUSNESS OF UKRAINIAN OLIGARCHS

In the 1990s, the majority of Ukrainian elites and emerging capitalist classes were primarily focused on self-enrichment through the looting of state property. However, by the end of the decade, segments of the elite recognized the necessity of building state institutions to provide a degree of security, especially given the potential resurgence of Russian imperial ambitions. Despite these concerns, many Ukrainian elites still hoped that NATO and the EU would integrate Ukraine as an equal partner, a prospect that ultimately did not materialize. Consequently, Ukraine remained vulnerable.

One of the most significant decisions affecting Ukraine's long-

term security was its agreement to relinquish the world's third-largest nuclear arsenal, following the dissolution of the Soviet Union. In return, Ukraine signed the Budapest Memorandum (1994)¹⁵, under which Russia, the United States, and the United Kingdom assured Ukraine of its territorial integrity and security. However, these assurances proved symbolic rather than enforceable.

Until 2014, this precarious balance held as Russia lacked the military capability for a direct invasion, while Ukraine pursued a multi-vector foreign policy, attempting to balance its relations with both Russia and the European Union. However, as Ukraine's financial situation worsened, external pressures from both the EU and Russia increased. Both sides sought Ukraine's unilateral economic alignment, either through an EU Association Agreement or membership in the Russian-led Customs Union. When Chancellor Angela Merkel and other EU leaders refused to offer substantial financial assistance, Ukraine faced an imminent economic crisis. As a result, President Viktor Yanukovich's government postponed signing the EU Association Agreement and instead secured a loan from Russia. This decision, perceived as a symbolic shift away from European integration, provoked the Euromaidan Revolu-

tion, which ultimately led to Yanukovich's removal from office.

Russia exploited the subsequent instability by launching a military intervention, leading to the annexation of Crimea¹⁶ and the outbreak of war in the Donetsk and Luhansk regions. This development shocked both the Ukrainian public and its political elite. The experience of Russian occupation demonstrated to Ukraine's oligarchs the precariousness of their economic assets under Russian control. The property rights of businesses in occupied territories were systematically violated, prompting even oligarchs who had previously maintained close ties with Russia to recognize the necessity of an independent Ukrainian state. Owners of major enterprises—including industrial and agricultural firms, banks, retail networks, online platforms, and logistics companies—realized that their business operations depended on the protection provided by Ukraine's state institutions. This was particularly evident in companies such as Nova Poshta ("Ukraine's UPS") and Rozetka ("Ukraine's Amazon"), which became increasingly patriotic in their stance.

Despite growing recognition of the need for a strong state and armed forces, Ukrainian oligarchs resisted paying the necessary taxes to support these institutions. Prof-

it-shifting practices in the iron ore and agricultural export sectors persisted, with only minimal progress toward fair taxation of big businesses. Russia, observing the slow pace of Ukrainian state-building, assumed that time was on its side. Moscow believed that Ukraine would eventually collapse under the economic strain of the war in Donbas and continued oligarchic corruption.

When Volodymyr Zelensky was elected president in 2019, the Kremlin interpreted it as a sign of Ukrainian political collapse, anticipating a weakened government that might negotiate a settlement. However, Zelensky's refusal to recognize Russian-appointed "representatives" of Donbas in Ukraine's political system shattered these expectations. Instead, his administration pursued policies aimed at enhancing transparency, reducing corruption, and imposing fair taxation on oligarchs, alongside a renewed emphasis on strengthening the armed forces. These actions signaled to Putin that Ukraine was not on the verge of implosion, prompting him to escalate toward a full-scale invasion in 2022.

Russia's full-scale invasion in 2022 had a catastrophic impact on Ukraine's industrial sector. Targeted strikes on power plants, transportation networks, and industrial facilities led to a sharp decline in

production capacity. Many factories were forced to halt operations due to power outages, lack of raw materials, and logistical challenges associated with disrupted supply chains. The blockade of Ukraine's Black Sea ports further restricted exports, leading to severe financial losses across industries reliant on foreign markets.

The war also exacerbated labor shortages as millions of Ukrainians fled to neighboring countries, and many skilled workers enlisted in the armed forces. Consequently, many industries struggled to maintain even minimal production levels. Entire industrial hubs in regions like Donetsk, Luhansk, and Zaporizhzhia suffered irreversible damage, with some facilities reduced to rubble.

IT SERVICES AND DIGITALIZATION POLICIES

In the early 2000s, Ukraine experienced a significant digital gap compared to European standards, particularly regarding broadband internet access. However, the country swiftly improved its internet infrastructure, achieving extensive coverage through affordable broadband—substantially cheaper than the European average—and reliable, inexpensive mobile data networks. These advancements, coupled with

lax copyright enforcement, enabled Ukrainians near-unrestricted access to research materials and cultural products at minimal cost.

This infrastructure development laid the groundwork for the rapid growth of Ukraine's IT industry, which emerged as a remarkable exception within an otherwise vulnerable industrial sector, particularly amid ongoing Russian aggression. By 2021, Ukraine had firmly established itself as a significant global hub for outsourced IT services, benefiting from a highly educated workforce and competitive labor costs. The sector generated more than \$7 billion in export revenues annually, employing approximately 300,000 IT professionals.

The 2022 invasion inevitably impacted this growth, causing the first notable decline in Ukrainian IT service exports, with revenues decreasing by around 5% in 2023.¹⁷ Nevertheless, the sector displayed exceptional adaptability by transitioning swiftly to remote work and leveraging international support networks to maintain operational continuity.

A key element in bolstering Ukraine's digital resilience has been governmental digitalization initiatives, particularly those led by the Ministry of Digital Transformation. The introduction of the Diia platform—a unified portal and app

providing over 130 public services, including digital identification, business registration, and document management—marked a significant leap forward in state digital services. Compared to European counterparts like Spain's Cl@ve and Administración Electrónica, Ukraine's centralized Diia stands out due to its integrated and user-centric design.

In recent years, internet usage in Ukraine has notably increased, with 80% of Ukrainians reporting daily internet use in 2023, up from 72% in the previous year. This progress indicates Ukraine's commitment to enhancing digital accessibility, bringing it closer to EU averages, where 94% of households had internet access and 80% of individuals used the internet daily as of 2024.¹⁸

Despite these advances, considerable challenges remain. Although Ukraine boasts extensive mobile network coverage, fixed broadband subscriptions remain among the lowest in Europe, likely exacerbated by wartime disruption and ongoing economic difficulties. Nonetheless, Ukraine's fixed broadband subscription rate surpasses the global average and significantly exceeds rates in countries like Tunisia, Algeria, and Morocco, and closely aligns with Turkey's level.

Furthermore, digital literacy remains unevenly distributed across the population, limiting the full

societal impact of these digital initiatives. While Ukraine maintains a high per capita number of IT specialists relative to its population, sustained investment in digital education and infrastructure is crucial to ensure long-term competitiveness and economic recovery.

Thus, while Ukraine's digitalization and IT sector policies have effectively mitigated some wartime disruptions, continuous strategic efforts and investments remain essential to fully capitalize on their economic and social potential, aligning closely with Ukraine's evolving industrial and defense policy priorities.

UKRAINE'S SHIFT TOWARD INDUSTRIAL POLICY AND DEFENSE PRODUCTION

Prior to the full-scale invasion, the Ukrainian government largely viewed military modernization as a matter of increasing defense spending and purchasing Western weapons. Ukraine's once-potent military-industrial complex, which had been substantial in the late Soviet era, was seen as technologically outdated. As a result, economic policy prioritized developing Ukraine as an "agricultural superpower", with the goal of using agricultural exports to finance weapons procurement.

However, following the full-scale Russian invasion in 2022, Ukraine's ability to effectively resist and utilize high-tech weaponry shocked both Russian military planners and Western allies. Nevertheless, the cautious and limited supply of advanced weapons from the West forced Ukrainian leadership to reconsider its long-term defense capabilities. The realization grew that indigenous military production, research, and development were essential for survival. While Ukraine's defense sector remained somewhat outdated, it became clear that even a moderate domestic arms industry would be crucial for sustaining resistance in a protracted war.

For the first time in Ukraine's post-Soviet history, genuine efforts were made to invest in domestic industrial development, primarily within the defense sector. This growing recognition of industrial self-sufficiency gradually pushed Ukrainian leadership toward adopting a consistent industrial policy and, eventually, considering a more structured approach to science, technology, and innovation policy. While this process remains slow and fraught with challenges, the necessity of a sustainable, technology-driven industrial base has become increasingly evident for Ukraine's survival and future economic development.

Now the Ukrainian government has shifted away from its historically laissez-faire economic approach, recognizing the need for direct intervention to sustain key industries and prevent further economic collapse. This shift marked a significant departure from pre-war economic policies, which prioritized deregulation and foreign investment without strong state involvement in industrial planning.

Key policies implemented include¹⁹:

- State support for defense production: The war underscored Ukraine's urgent need for self-sufficiency in arms production. The government expanded domestic manufacturing of drones, artillery, and munitions to reduce dependency on Western supplies. Investments in private defense startups were also encouraged, fostering an innovative and adaptive military-industrial sector.
- Subsidies for relocated enterprises: To prevent industrial collapse in frontline areas, the government provided financial assistance to companies willing to relocate operations to safer regions in western Ukraine. Special economic zones were established to facilitate this transition, offering tax breaks

and logistical support to displaced businesses.

- Trade protections and localization laws: In an effort to stimulate local production, the government imposed procurement regulations that prioritized Ukrainian manufacturers. These laws aimed to ensure that a greater share of government contracts, particularly in defense and infrastructure, benefited domestic firms. However, concerns remain about compliance with international trade agreements.
- Strategic partnerships with Western countries: Ukraine actively sought co-investment agreements with its Western allies to modernize key industries. The European Commission and international financial institutions pledged funds to support industrial recovery, with a focus on defense production, energy security, and transportation infrastructure²⁰.

While these policies represent progress, they also highlight persistent challenges:

1. Financing Gaps: Despite government subsidies, many businesses struggle to access affordable credit. High-interest rates and limit-

ed access to long-term financing remain barriers to industrial expansion.

2. Technological Modernization: Ukrainian industries lag behind Western counterparts in terms of automation and efficiency. Outdated machinery and production methods hamper competitiveness in international markets.
3. Market Access and Trade Restrictions: Ukraine faces significant hurdles in exporting industrial goods due to logistical disruptions and regulatory barriers imposed by trading partners. The European Union's Carbon Border Adjustment Mechanism (CBAM) poses an additional challenge for high-emission sectors like metallurgy.
4. Energy Security: Ongoing Russian attacks on Ukraine's energy infrastructure threaten industrial stability. While investments in renewable energy are underway, reliance on fossil fuels and centralized power grids remains a vulnerability.

Addressing these issues requires a long-term, multi-faceted approach that integrates financial support, technological investment, and structural reforms.

FROM INDUSTRIAL TO THE
INNOVATION, TECHNOLOGY AND
SCIENCE POLICY

The need for technological modernization and a coherent science and technology policy is critical for Ukraine’s survival. However, these areas remain underdeveloped. While some technological programs exist—particularly in the defense sector, such as long-range missile development, drone warfare, and electronic warfare—the state primarily relies on fragmented, proprietary, and redundant private-sector research without a clear national strategy.

Currently, Ukraine allocates substantial financial resources to defense. The volume of state defense orders reaches billions of dollars. In the 2025 budget, approximately \$17.5 billion²¹ has been earmarked for weapons production and procurement, with at least \$1 billion dedicated to establishing new production facilities and developing new types of weaponry. In contrast, total state budget expenditures on science amount to a mere \$0.08 billion²² this year.

This stark imbalance raises serious concerns. It suggests that government leadership either underestimates the critical role of fundamental scientific research in national defense or avoids responsibility for technological policy, expecting weapons manufacturers

to independently develop and fund necessary innovations. Regardless of the reason, such an approach will inevitably lead to wasted resources and, more importantly, lost time due to parallel, proprietary research efforts. This fragmented strategy narrows the scope of technological exploration—an approach that could have dire consequences in Ukraine’s ongoing technological competition with its aggressor.

The exchange and utilization of intellectual property and know-how in the defense sector must be properly regulated and coordinated by the state—at a minimum, following models like those in the United States, but possibly in a more radical manner given Ukraine’s urgent national security needs.

Ukraine’s science, technology, and innovation (STI) policy remains a critical yet underdeveloped element of its national strategy, facing systemic challenges exacerbated by the ongoing war. Despite possessing significant scientific potential, a strong institutional legacy, and a highly skilled workforce, structural weaknesses continue to hinder the country’s ability to translate research into tangible economic and defense capabilities.

The European Commission’s latest report on Ukraine underscores this issue, noting that despite some

progress—such as integration into Horizon Europe and advancements in smart specialization strategies—Ukraine remains only moderately prepared in the field of science and research. Addressing this gap is essential for ensuring Ukraine’s long-term resilience and technological sovereignty²³.

EXTENT OF WAR DAMAGE,
RECONSTRUCTION NEEDS,
AND DEBT BURDEN

The Russian full-scale invasion that began in February 2022 has inflicted devastating damage on Ukraine. Reports from the World Bank and the IMF estimate that Ukraine’s reconstruction will require at least \$411 billion as of 2023, with long-term projections reaching \$1 trillion²⁴.



Gráfico 1: Monthly estimate war damage to the Ukrainian economy.
Source: Kyiv School of Economics.

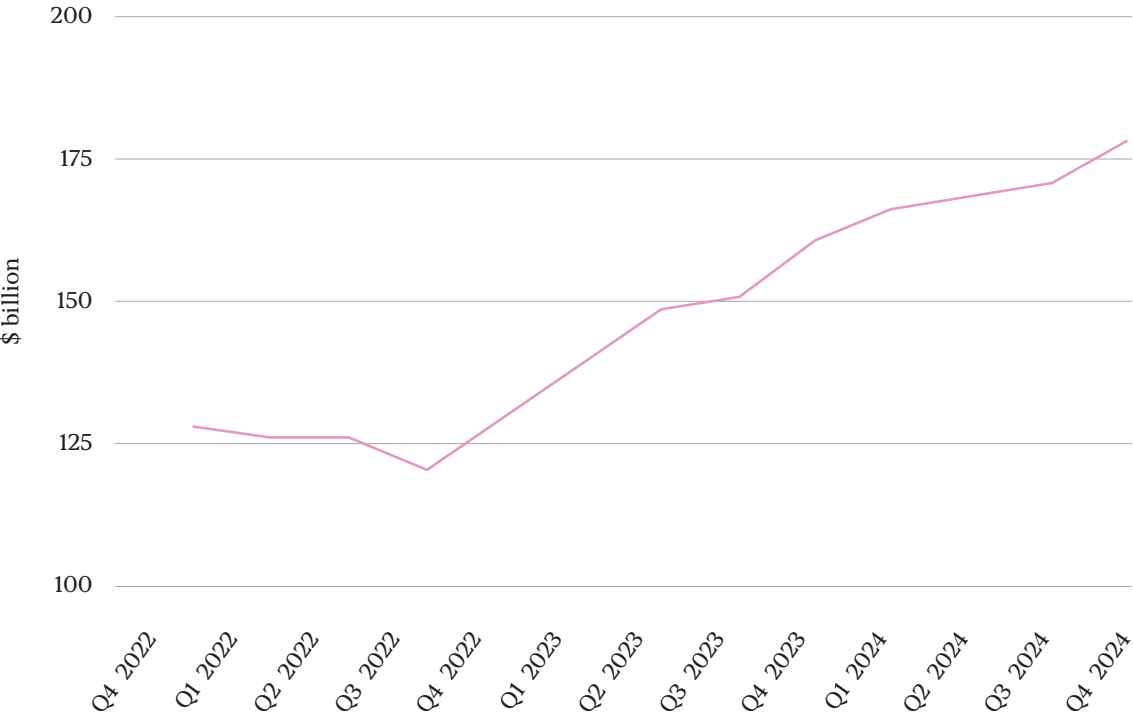


Gráfico 2: Ukranian External Debt.
Source: National Bank of Ukraine.

These figures underscore the magnitude of investment needed to rebuild critical infrastructure, support displaced populations, and modernize key sectors.

Simultaneously war has precipitated a sharp increase in Ukraine’s public debt, which surged by 60% between early 2022 and November 2024, reaching nearly \$100 billion. This escalation is attributed to heightened military expenditures,

economic contraction, and reliance on external financial assistance. Servicing this debt diverts critical resources from reconstruction and social services, posing a significant obstacle to economic revitalization²⁵.

In response to the mounting debt crisis, Ukraine has engaged in negotiations with international creditors to restructure its obligations. Notably, in September 2024, Ukraine successfully restructured over \$20

billion in international bonds, achieving a 37% principal reduction and significant coupon adjustments. This agreement is projected to save Ukraine approximately \$11.4 billion over the next three years, providing essential fiscal relief during the ongoing conflict.

However, challenges persist, particularly concerning GDP-linked warrants issued during a 2015 debt restructuring. These instruments obligate Ukraine to substantial payments as its economy grows, potentially leading to significant financial outflows in the coming years. Addressing the terms of these warrants remains a critical component of Ukraine’s debt management strategy.

Recognizing the enormity of Ukraine’s reconstruction needs, the international community has convened multiple conferences to coordinate aid and support. The upcoming Ukraine Recovery Conference (URC2025), scheduled for July 10-11, 2025, in Rome, aims to unite governments, international organizations, financial institutions, businesses, and civil society. The conference will focus on fostering resilience and facilitating long-term reconstruction, adhering to the principles established in previous forums²⁶.

A significant development in international support is the \$50 billion loan package finalized by the G7

nations in October 2024. This loan, backed by interest generated from frozen Russian assets, includes a \$20 billion contribution from the United States²⁷. The innovative use of these assets aims to provide Ukraine with necessary funds without further exacerbating its debt burden.

Despite ambitious commitments, the gap between pledges and disbursements remains significant, as highlighted in reports by the European Council on Foreign Relations²⁸. Full EU integration entails not just rebuilding but fundamentally transforming Ukraine’s governance, economy, and society. The European Commission’s accession criteria require alignment with EU standards in areas such as labor laws, environmental protections, and public services. To achieve this, experts suggest sustained annual investments equivalent to 3-5% of Ukraine’s GDP over at least a decade.

Moreover, integration will demand coordinated support from international financial institutions, such as the European Bank for Reconstruction and Development (EBRD), which has outlined Ukraine’s potential as a hub for innovation and growth post-recovery.

Recent developments have introduced additional complexities to Ukraine’s reconstruction efforts. On February 17, 2025, reports

emerged that U.S. President Donald Trump proposed a deal requiring Ukraine to transfer 50% of its revenues from critical minerals, oil and gas, ports, and infrastructure to the United States as compensation for military aid provided during the ongoing conflict. This demand, amounting to \$500 billion, has been met with significant concern from Ukrainian officials and international observers. Critics argue that such an agreement could severely undermine Ukraine's economic sovereignty and long-term development prospects, effectively transforming the nation into an economic dependent of the U.S. Ukrainian President Volodymyr Zelensky has reportedly rejected the proposal, citing the lack of adequate security guarantees and the disproportionate nature of the demands. This situation underscores the delicate balance Ukraine must navigate between securing immediate support for reconstruction and preserving its economic autonomy.

These challenges are further compounded by ongoing peace negotiations between the U.S. and Russia, from which Ukraine has been notably excluded. The absence of Ukrainian representation in discussions directly impacting its sovereignty raises concerns about the legitimacy and sustainability of any agreements

reached. European allies have also expressed unease over being sidelined, emphasizing the necessity of including all stakeholders in the peace process to ensure a comprehensive and enduring resolution.

As the U.S. signals a potential reduction in its commitment to Ukraine, the European Union has stepped up its support, emphasizing its dedication to Ukraine's war effort and long-term stability. The EU recently announced an enhanced commitment to financial and military aid, underscoring its strategic interest in ensuring Ukraine's resilience and alignment with European values. This shift highlights Europe's increasing role in Ukraine's war and reconstruction efforts as U.S. priorities evolve.

President Ursula von der Leyen²⁹ emphasized the EU's critical role in ensuring Ukraine's financial stability and defense. She highlighted that the EU has committed €135 billion (approximately \$145 billion) in support—more than any other ally—including \$52 billion in military assistance, matching U.S. contributions. She further outlined Europe's plans to scale up defense production and spending, reinforcing both European and Ukrainian military capabilities. The EU is carrying its full share of military assistance and stands ready to do even more.

China has also expressed readiness to participate in Ukraine's rebuilding efforts, claiming that it has the resources to execute reconstruction quickly and cost-effectively³⁰. However, China's involvement is closely tied to broader geopolitical negotiations, including so-called 'peace negotiations' from which Ukraine and the EU have been excluded. These negotiations, dominated by the U.S. and Russia, have raised concerns about the sustainability and fairness of any proposed resolutions. Given this exclusion, the war is likely to persist for an extended period, leading to further destruction and a growing debt burden for Ukraine.

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In summary, while international support is crucial for Ukraine's recovery, it is imperative that such

assistance does not compromise the nation's sovereignty or long-term development. A balanced approach, involving transparent negotiations and equitable partnerships, is essential to rebuilding a resilient and self-sufficient Ukraine.

CURRENT PERFORMANCE OF UKRAINIAN ECONOMY

Ukraine's economy has faced significant challenges since Russia's invasion in 2022. That year, the country's gross domestic product (GDP) contracted by approximately 30%, with total estimated damage to infrastructure, businesses, and housing exceeding \$135 billion. The most heavily impacted sectors included energy, transportation, and industry. However, despite these setbacks, the economy showed a modest recovery in 2023, growing by 5.3%.

The Ukrainian economy has demonstrated remarkable resilience in the face of persistent war-related disruptions, supply chain fragmentation, and external financial dependencies. In 2024, the country achieved moderate economic recovery, though significant uncertainty remains regarding long-term growth prospects. Various international organizations provide differing forecasts for 2025, reflecting the

complexity of the ongoing crisis. This chapter presents an overview of Ukraine's economic performance in 2024, examines key structural constraints, and analyzes the outlook for 2025 in the broader context of social and economic reconstruction from a Social Europe perspective.

According to preliminary estimates from the Ministry of Economy of Ukraine, GDP grew by 3.6% in 2024, while the Institute for Economic Research and Policy Consulting provided a slightly higher estimate of 3.8%. These figures align closely with earlier projections from international financial institutions. The World Bank had forecasted a 3.2% increase in GDP, while the European Bank for Reconstruction and Development (EBRD) expected growth to reach 3.0%.

Despite a positive growth rate, the Ukrainian economy remains fragile, with structural weaknesses constraining its full recovery. Growth in 2024 primarily reflects economic adaptation to wartime conditions, including the resilience of key industries and external financial support, but it remains well below pre-war potential.

Major Structural Challenges and Constraints include:

1. **Workforce Loss Due to Emigration and Conscription.** The ongoing conflict has led to significant workforce depletion due to both emigration and military conscription. Since 2022, an estimated 6.5 million people have left Ukraine, many of whom were of working age, leading to severe labor shortages in key sectors. Additionally, over 1 million individuals have been mobilized into the armed forces, further straining the civilian labor market. These trends have disproportionately impacted industries such as construction, manufacturing, and services, leading to reduced productivity and increased labor costs. The long-term effects of workforce depletion remain a major concern for economic recovery and demographic sustainability.
2. **Infrastructure Damage and Energy Sector Crisis.** The war has severely damaged critical infrastructure, particularly in the energy sector. Russian attacks on power plants and transmission lines caused widespread blackouts and heating shortages throughout 2024. Estimates sug-

gest that damage to the electric power sector alone exceeded \$11.4 billion, while total restoration costs could reach \$30 billion. These disruptions have directly affected industrial output, business operations, and household welfare.

3. **Rising Poverty and Social Vulnerability.** The prolonged conflict has led to severe social consequences. Since 2022, an additional 1.8 million people have fallen below the poverty line, bringing the total number of people living in poverty to 9 million. Inflation, wage stagnation, and employment instability have further deteriorated living standards. Although external financial assistance has helped mitigate some of these effects, social vulnerabilities continue to pose risks to long-term economic stability.

Despite the war, Ukraine's private sector has demonstrated remarkable adaptability. Certain industries, such as agriculture, IT services, and manufacturing, have partially recovered, supported by improved logistics and external demand. However, many small and medium-sized enterprises (SMEs) remain financially fragile, struggling with liquidity constraints, reduced investment inflows, and

persistent uncertainty about future operations.

QUIETLY ABANDONING
NEOLIBERALISM

Initially, the Ukrainian government pursued an economic strategy emphasizing liberalization and deregulation as a means to sustain economic activity during wartime. However, as highlighted by Dr. Luke Cooper in his research on Ukraine's economic resilience, this approach posed risks to national defense and economic stability. Excessive privatization and labor market flexibility mirrored some of the missteps made in the post-Soviet transition period, creating vulnerabilities rather than strengthening economic recovery.

Recognizing these challenges, policymakers gradually shifted towards greater state intervention in key economic sectors. By 2024, Ukraine had started to abandon neoliberal economic policies, increasing direct state involvement in infrastructure projects, financial stabilization, and industrial policy. This shift, documented by Luke Cooper in his article 'Ukraine is Quietly Abandoning Neoliberalism³¹', reflects a broader realization that sustained national resilience requires a coordinated economic strategy that

balances market mechanisms with strong state support.

Further reinforcing this shift, a study by Brian Milakovsky and Volodymyr Vlasjuk in their Friedrich-Ebert-Stiftung (FES) report³² emphasizes the necessity of reversing decades of deindustrialization. The authors argue that Ukraine's survival and long-term resilience depend on reviving domestic industries, strengthening state-led investment in strategic sectors, and ensuring that reconstruction efforts support economic sovereignty rather than deepening dependency on external markets. The Ukrainian government has increasingly prioritized industrial policy, recognizing that wartime market failures require proactive state-led interventions to sustain essential production and infrastructure.

The state's expanding role in economic governance has been particularly evident in the management of reconstruction funds, industrial revitalization efforts, and labor policies aimed at preventing further workforce depletion. This approach aligns with broader European economic models that emphasize social protection, strategic investments, and public-private partnerships to foster sustainable growth in post-crisis economies.

POLICY RECOMMENDATIONS

1. Increase Taxation on Extractivist Industries: Implement higher tax rates on corporations engaged in raw material extraction (e.g., mining, metallurgy, and large-scale agricultural exports) to ensure they contribute fairly to state revenues.
2. Tax Incentives for Manufacturing & Engineering: Provide tax benefits and subsidies for high-value manufacturing, machine-building, and industrial R&D to encourage technological advancement and industrialization.
3. Close Loopholes for Fake Individual Entrepreneurs (FOPs): Reform the tax system to prevent large companies from exploiting tax benefits meant for small entrepreneurs, ensuring fair tax contributions.
4. Strengthen Transfer Pricing Regulations: Enhance oversight on multinational corporations to prevent profit shifting and tax avoidance, ensuring fair corporate taxation within Ukraine.
5. Debt Restructuring & Cancellation: Advocate for cancellation

and restructuring of Ukraine's external debt to free up resources for reconstruction, investment, and social development.

6. Strategic State Investments in Industrial Revitalization: Expand public investment in high-tech industries, including machine-building, defense, and advanced manufacturing, to modernize Ukraine's industrial base.
7. Localization & Public Procurement Laws: Implement policies requiring government contracts to prioritize domestic production, particularly in defense, infrastructure, and transport industries.
8. Establish Special Economic Zones for Industrial Growth: Create designated industrial hubs with tax incentives and infrastructure support for high-value production while avoiding artificial support for unproductive sectors.
9. Public-Private Partnerships for Industrial Development: Foster collaboration between the state and businesses to drive industrial modernization, reduce dependency on raw material exports, and develop domestic production.

10. Export Market Diversification: Reduce reliance on raw material exports by expanding Ukraine's global market presence in manufactured goods and high-tech industries.

11. Increase R&D Funding & Coordination: Expand government funding for scientific research, particularly in applied sciences, defense technologies, and industrial innovation, to support long-term economic growth.
12. Integrated Defense-Technology Strategy: Ensure that investments in military R&D also contribute to the development of civilian industries, fostering technological spillovers and dual-use innovations.
13. Talent Retention & Brain Circulation: Offer competitive salaries, research grants, and international collaboration opportunities to retain top Ukrainian scientists and engineers, preventing brain drain.

14. Strengthen International STI Collaboration: Deepen engagement with EU Horizon programs and global research networks to secure funding, technology transfers, and access to advanced scientific developments.

15. Develop State-Led Innovation Clusters: Establish research and industrial clusters focusing on critical fields such as energy, electronics, AI, aerospace engineering, and advanced materials to drive technological advancement.

This integrated policy agenda aims to transition Ukraine from an extractivist economic model to an advanced industrial and knowledge-based economy, ensuring long-term growth, technological sovereignty, and economic resilience.

SOCIAL PROTECTION SYSTEMS AND WELFARE

by Zakhar Popovych

The ongoing war in Ukraine has had a devastating impact on the country's social fabric, exacerbating existing vulnerabilities and highlighting the critical need for robust social protection systems. This chapter delves into the intricate challenges faced by Ukraine's social protection systems in the wake of the conflict, drawing upon the insights presented in the Friedrich-Ebert-Stiftung (FES) report, "In Search of the Progressive Paths to Rebuild Ukraine."³³

THE SOCIAL IMPACT OF THE WAR

The ongoing war has inflicted a devastating toll on Ukraine's population, resulting in a substantial loss of life, widespread displacement, and severe economic hardship. The OHCHR has verified a total of 35,160 civilian casualties during Russia's invasion of Ukraine as of 31 July 2024. Of them,

23,640 people were reported to have been injured. However, OHCHR specified that the real numbers could be higher. According to data from the National Police, more than 55,000 people are missing in Ukraine. As a result of the hostilities, as of March 2024, more than 13,000 children were left without parental care, and 1,759 of them were orphaned.

As of April 2024, the International Organization for Migration (IMO) estimated that approximately 3.5 million persons were internally displaced within Ukraine. Protracted displacement is becoming more prevalent, as 82% of all internally displaced persons (IDPs) have been displaced for longer than one year. As of the end of 2023, 39% of all IDPs have been displaced more than once. The estimated number of Ukrainians living abroad because of the war, as of the end of January

2024, was 4.9 million. Most (almost 80%) are women, with the largest share of women aged 35-44 (13%) and children. According to UNHCR, by the end of 2023, 1.2 million Ukrainians had been forcibly displaced (less often left on their own) to Russia.

EXACERBATION OF EXISTING VULNERABILITIES

The war has disproportionately impacted vulnerable groups, including internally displaced persons (IDPs), older persons, people with disabilities, and women. IDPs face immense challenges in accessing adequate housing, securing employment opportunities, and obtaining essential services. Older persons and individuals with disabilities often encounter difficulties evacuating from conflict zones and finding accessible accommodation. Women, in particular, have been disproportionately affected by the war, facing a heightened risk of gender-based violence and an increased care burden due to the breakdown of social support networks.

HOUSING INSECURITY

As of 2024, the key unresolved issue of the overall integration process of IDPs in Ukraine is equitable access to

housing. The state housing programs that existed before the war, such as housing programs for young families, have been very limited in their coverage and were relatively ineffective, as they were primarily focused on supporting property purchases, thus remaining unavailable for the low-income population. Since the armed conflict between Russia and Ukraine began in 2014, the housing problems of IDPs have never been comprehensively addressed, especially in terms of long-term solutions.

Due to the mass household privatization of previously state-owned housing stock in the 90s, for the cost of administrative fees, most Ukrainians still live in the flats and houses they own. As social housing options, including social housing stock itself and rent subsidies, are scarce due to underinvestment and a non-profit rental market remains underdeveloped, displacement (and/or losing one's home due to bombing) in Ukraine usually means moving from accommodation people owned to rented accommodation. The need to pay rent (and to spend money on furnishing a new apartment and buying necessities, as many IDPs fled the war and lost all their belongings) significantly affects the livelihood of IDPs, as before displacement, this was not a part of their expenses and many cannot afford to furnish these

new and often very temporary or uncertainty temporary (i.e., the length of stay is unclear due to renters and lenders' circumstances and the lack of protection of rights) homes. The situation of those who rent is complicated by the lack of regulations in the private rental market (e.g., there are no rent caps or similar mechanisms to stop rental prices rising), including tenant's rights protection, such as anti-eviction mechanisms.

CHALLENGES FOR OLDER PERSONS

The dominant social category among those remaining in conflict zones is older persons. The consequences of the war highlighted the value of reciprocal support between the generations in a family and community, especially the strong dependence of older adults on their informal networks and difficulties in maintaining adequate living conditions without it, especially in situations of forced internal displacement.

Before the full-scale invasion, many older adults in Ukraine found themselves at the intersection of factors contributing to their vulnerability and multiplying it. Older persons are the most economically disadvantaged group of the population, with the highest level of material deprivation and poverty. Around

80% of single elderly Ukrainians, mostly women, live below the official poverty line, with 90% of pensioners unable to pay for even basic medical needs, despite having about five chronic diseases, on average.

Although the solidarity pension system (PAYG) guarantees a pension to all, the level of pension provision is low. The average pension in Ukraine as of 1 October 2024 is 5,851 Ukrainian hryvnia (UAH) (equivalent to €131). Most pensioners (62%) receive pensions below UAH 5,000 (€112), and 26% below UAH 3,000 (€67). The replacement rate of the retirement income in Ukraine equalled 30% in 2021, which means a high risk of poverty after retirement.

As pensions often fail to ensure decent living standards, many who reach pension age keep participating in the labor market. Nevertheless, they are often excluded from the formal labor market due to widespread age discrimination and other structural barriers. Therefore, older people frequently take low-skilled jobs, regardless of their qualifications, and are likely to work informally. As of 1 January 2021, only 8% of those aged 60 and older participated in the labor force. At the same time, older adults made up 7.3% of the informally employed (and almost 10% of the informally employed in rural areas). Since the full-scale

aggression, the State Statistics Service of Ukraine has stopped publishing data from labor force observations. Thus, recent data is unavailable, but these numbers may have risen with growing inflation.

**VULNERABILITY OF PEOPLE
WITH DISABILITIES**

The lack of even temporary accommodation that meets the needs of IDPs with disabilities and/or reduced mobility, including older adults (but not exclusively), exacerbates their vulnerability and exposes them to danger if they choose to stay at home (as their homes are usually better adapted to their needs) and may lead to their institutionalization if they opt for evacuation. The flaws in the provision of community-based social services for PWDs and older adults, such as assisted living and sheltered accommodation, often additionally complicate the lack of housing. As a result, since the beginning of the full-scale war, despite strong aspirations towards designing and implementing deinstitutionalization reform for adults expressed by the government, many PWDs and older adults who are displaced and/or have their houses damaged are being placed into residential care facilities, although they

do not need residential care. This may constrain their independence and may lead to social exclusion. It contradicts the UN Convention on the Rights of Persons with Disabilities, adopted by Ukraine, and the right of PWDs to exercise their right of independent living that cannot be suspended in emergencies, according to the guidelines on deinstitutionalization, including in emergencies. Yet, it must be recognized that the lack of infrastructure, funds and labor force makes it extremely hard to guarantee those rights for vulnerable older persons.

**INCREASED CARE BURDEN
ON WOMEN**

The war has also increased the care burden for women and the time they spend in underpaid reproductive work. Prior to the war, the network of childcare facilities in Ukraine was insufficient to cover the demand because, since Ukraine gained independence in 1991, a significant number of public kindergartens and especially nurseries were shut down, their buildings were privatized and used for commercial purposes, and private ones are not available for low-income families and single mothers. During the war, the functioning of kindergartens is impos-

sible due to the destroyed social infrastructure and safety reasons. This may further limit the options for women in the labor market, which may be especially difficult for those who have lost their jobs due to the war.

**FISCAL CONSTRAINTS AND THE
GOVERNMENT RESPONSE**

The Ukrainian government has been grappling with significant fiscal constraints in its efforts to address the escalating social needs arising from the war. The economic downturn and the imperative for increased military expenditure have severely limited the financial resources available for social protection programs. Despite these constraints, the government has taken various measures to mitigate the social impact of the war, including the implementation of cash assistance programs, the provision of housing support, and the launch of employment initiatives.

The growing pressure on the system of social provision caused by the detrimental impact of the war on the population's economic wellbeing, housing, and social infrastructure destruction and damage has to be addressed amid the economic downfall, decreasing budget revenues and increased spending on warfare; the

hardest time was the first year of the war. In 2022, the real gross domestic product (GDP) fell by 29%. The economic recovery only began in 2023, with GDP growth of at least 5.3%. Although the GDP growth forecast for 2024 is positive, at 4.5-4.6%, Ukraine's economy is having difficult times and will take a long time to recover to pre-war levels.

**SHRINKING BUDGET REVENUES
AND INCREASED EXPENDITURES**

Compared to the first half of 2021, total budget revenues in the same period of 2022 decreased by 16.7% in real terms and increased by 18.2% in 2023. If calculated excluding foreign grants and budgetary institutions' own revenues, budget revenues decreased by 25.4% and 25.5%, respectively, in real terms.

In addition, the revenues from the unified social tax were also reduced, especially in the first year of the war, due to massive job losses and informal employment, which might have also increased in 2022. Most of all, it hit the revenues of the Pension Fund, which, in turn, had to be co-financed from the state budget to ensure the payment of PAYG pensions.

Although, unlike in 2022, state budget revenues in 2023 are more planned relative to expenditures, the

budget deficit remains high. Thus, in the first ten months of 2022, the state budget was executed with a deficit of UAH 638.7 billion, UAH 1.3 trillion in 2023, and in 2024 the state budget deficit amounted to 1.571 trillion. In all three years, the deficit has been covered by the sale of domestic government bonds and international aid in the form of grants and loans.

PRIORITIZATION OF DEFENSE
SPENDING

Most of the funds from state and local budgets are spent on national defence, which, according to the budget legislation, is financed exclusively from the state budget. In 2022, defence spending accounted for 42.2% of Ukraine's consolidated budget expenditures; in 2023 and the first half of 2024, it was slightly more than half. Almost 100% of the budget revenues in 2024 will be allocated to the country's defence and security.

SOCIAL SPENDING AMIDST
CONSTRAINTS

At the same time, the government has identified timely financing of the most critical social expenditures as one of the priorities of budget fi-

nanicing. In 2024, UAH 470 billion was allocated from the state budget for social protection, which is UAH 9 billion more than in 2023, accounting for about 14% of the total central fiscal expenditures. These are expenditures on cash benefits to low-income families and IDPs; housing and utility subsidies (HUS); some other cash transfers; pension indexation; and certain social services to be financed from the national budget, such as social support for military personnel.

Additionally, almost UAH 15 billion was allocated to veterans. Most of the sum was planned to be spent on housing for veterans and their families; it also includes UAH 3.8 billion for the new service of veteran assistants established by the government in 2023 and another UAH 1 billion for prosthetics.

RELIANCE ON INTERNATIONAL AID

While significant, these expenditures have not been sufficient to meet the demand for welfare and social services and cover the expenses for reconstruction and repair of the damaged and destroyed infrastructure. As of December 2023, the World Bank estimated the overall recovery and reconstruction needs that cover the

period 2024-2033 at \$486 billion (€440 billion), which is approximately 2.8 times the estimated nominal GDP of Ukraine for 2023. Social protection and livelihoods comprise 9% of the total (\$44 billion).

Considering the limitations of the state budget, a substantial part of state expenditures, including those on social policy, have been covered by international aid as grants and loans have been forming a significant part of budget revenues during 2022-2024. In early spring 2022, the IMF provided Ukraine with \$1.4 billion, and the EU provided a concessional loan of €1.2 billion. In 2023, the budget revenues from international aid accounted for UAH 1.13 trillion (or \$30.9 billion), with the most significant sum (UAH 400.5 billion) coming from the USA. Ukraine also received non-repayable funding from Japan, Norway, Germany, Spain, Finland, Ireland, Switzerland, Belgium and Iceland, totalling up to UAH 25 billion. The funds were allocated to the state budget through the World Bank's Trust Fund as part of the PEACE in Ukraine project.

POLICY RECOMMENDATIONS

Ukraine's reconstruction presents an opportunity to redefine its wel-

fare model along progressive lines, ensuring that social protection is not merely a crisis response but a central pillar of sustainable development. Drawing from the lessons of European welfare states, several key policy directions should be prioritized. The FES report highlights the need for a comprehensive and progressive approach to social protection in postwar Ukraine. The following policy recommendations are derived from the report's findings:

1. *Universal and Rights-Based
Social Protection: Strengthen
Social Assistance Programs*

- Increase the coverage and adequacy of social assistance programs to ensure that they reach all those in need, particularly vulnerable groups such as IDPs, older persons, people with disabilities, and women.
- Simplify the application process for social assistance programs and ensure that information about these programs is readily available to all.
- Consider implementing a universal basic income (UBI) as a way to provide a basic level of income security for all Ukrainians.

- Establish an adequate pension system that ensures a dignified standard of living for older persons, especially given Ukraine’s aging population.

*2. Housing as a Social Right:
Invest in Social Infrastructure*

- Develop social housing programs to provide affordable rental housing for IDPs, low-income families, and vulnerable groups.
- Regulate the rental market with tenant protection laws, rent control mechanisms, and stronger anti-eviction policies.
- Invest in the reconstruction and development of social infrastructure, including housing, healthcare facilities, schools, and kindergartens.
- Ensure that all new and reconstructed social infrastructure is accessible to people with disabilities.
- Promote community-based social services to ensure that people have access to support within their own communities.

*3. Labour Market and Inclusive
Employment Policies: Strengthen
Labor Rights and Social
Guarantees*

- Strengthen labor rights and social guarantees to protect workers and ensure decent working conditions.
 - Increase the minimum wage to a living wage and ensure that all workers have access to social security benefits.
 - Promote collective bargaining and social dialogue to ensure that workers have a voice in their workplaces.
 - Strengthen public employment programs that provide stable, well-paid jobs, particularly for displaced workers and war veterans.
 - Improve labour protections and enforce fair wages to prevent the expansion of precarious and informal employment.
- 4. Promote Gender Equality and
Expansion of Public Care Services*
- Address the specific needs of women and girls in the recovery process and ensure that they have equal access to opportunities.

- Combat gender-based violence and provide support to survivors.
- Promote women’s economic empowerment and ensure their equal participation in the labor market.
- Invest in childcare infrastructure, including reopening and reconstructing kindergartens to reduce the unpaid care burden on women.
- Expand community-based care for older persons and persons with disabilities to prevent unnecessary institutionalization.
- Implement fair taxation policies, including corporate and wealth taxes, to finance welfare expansion and ensure equitable economic recovery.
- Reform the taxation system to ensure that it is progressive and effectively captures revenue for social spending and infrastructure development.
- Explore innovative financing mechanisms, such as a tax on windfall profits, to generate additional resources for social protection.
- Ensure transparency and accountability in the use of international aid.

5. Veteran and Disability Support

- Simplify bureaucratic procedures for veterans and PWDs to access rehabilitation, prosthetics, and employment reintegration services.
- Guarantee comprehensive mental health support, recognizing the long-term psychological impact of war.

6. Ensure Sustainable Financing

- Shift away from excessive reliance on international aid by progressively increasing domestic social spending.

CONCLUSION

The war in Ukraine has had a devastating social impact, but it has also created an opportunity for a fundamental rethinking of social protection systems. By implementing the policy recommendations outlined in this chapter, Ukraine can build a more just and equitable society that prioritizes the well-being of all its citizens.

Ukraine’s social protection system must evolve beyond wartime emergency responses to embrace a progressive, rights-based welfare model that ensures economic secu-

rity, social inclusion, and dignity for all. The country's post-war reconstruction should align with European social standards, emphasizing universal social rights, strong public services, and equitable redistribution mechanisms.

By prioritizing social justice in its recovery efforts, Ukraine can build a resilient, democratic, and socially inclusive state, paving the way for its deeper integration into a Social Europe.

LABOR MARKET AND EMPLOYMENT STANDARDS

by Mykhailo Samsonenko and Oleksandr Skyba

ADEQUATE MINIMUM WAGES

Social reconstruction of the Ukrainian labor market requires the government to take measures to ensure that the workers receive fair wages, with adequate standards set at the legislative level and proper administrative measures to ensure the observance of those standards.

Under Article 153 of the Treaty on the Functioning of the European Union (TFEU), the EU supports and complements the activities of Member States in the field of working conditions³⁴, however, the Article does not apply to pay³⁵, therefore Member States possess full competence in setting the level of minimum wages and choosing whether or not to set statutory minimum wages at all.

Nevertheless, secondary European Union legislation provides for some standards in regards to the adequacy of minimum wages and to the procedure of setting and updating statutory minimum wages. In particular, the Directive 2022/2041

of the European Parliament (Directive 2022/2041) and of the Council of 19 October 2022 on adequate minimum wages in the European Union is set to establish a framework for adequacy of statutory minimum wages with the aim of achieving decent living and working conditions; promoting collective bargaining on wage-setting and enhancing effective access of workers to rights to minimum wage protection where provided for in national law and/or collective agreements³⁶. It applies to those workers who are employed officially under an employment contract or in any case have “employment relationship as defined by law”, as well as to collective agreements or practice in force in each Member State³⁷.

Under Article 5.5 of the Directive 2022/2041, Member States ensure that statutory minimum wages are updated at least every two years or at least every four years provided the Member State concerned uses an automatic indexation mechanism. Para. 6 provides for the establishment or

designation of consultative bodies to advise competent authorities on issues related to statutory minimum wages, and Member States are to enable the operational functioning of those bodies³⁸. Under Article 7, the social partners shall be involved in such bodies.

According to Article 10 of the Ukrainian Law on Labour Remuneration, statutory minimum wage shall be updated at least once a year. Relevant provisions on minimum wage are included in the Law on the State Budget for a given year, which is drawn up by the Cabinet of Ministers and adopted by the Verkhovna Rada. This same paragraph of Article 10 provides for negotiations between the joint representative body of trade unions and the joint representative body of employers' organisations at the national level. When setting the minimum wage standart, the government has to take into account the proposals formed as a result of such consultations³⁹. As can be seen, the role of a consultative body that advises authorities of Ukraine on the issues related to statutory minimum wage is performed by the two main representative bodies of the social partners.

Formally most of the provisions of Article 5 of the Directive 2022/2041 are already implemented in the Ukrainian legislation. How-

ever, the practice of statutory minimum wages updates differs from year to year: for instance, the Law on the State Budget for 2025 doesn't provide for any increase in the statutory minimum wage, even though the Joint Representative Body of Trade Unions (JRBTU) recommended setting it at a considerably higher level: the current statutory minimum wage in Ukraine is UAH 8 000 (EUR 183.5), yet the JRBTU recommended increasing it to at least UAH 10 905 (EUR 250.13)⁴⁰. There is even more striking difference between the current subsistence level for able-bodied persons (According to Article 9 of the Law on Labor Remuneration, the statutory minimum wage shall not be lower than subsistence level), which is UAH 3028 (EUR 70.62) in 2025, and the one deemed adequate by the JRBTU - UAH 9639 (EUR 221.10). Moreover, the latter is considered to be the actual (de facto) amount of the subsistence minimum for able-bodied persons, according to the Ministry of Social Policy of Ukraine⁴¹.

Recommendations provided by the Joint Representative Body of Employers are not publicly available, however it definitely follows from the relevant provisions of the Law on the State Budget of Ukraine for 2025 that the recommendations by the JRBTU had no impact on the de-

cision to update the statutory minimum wage.

Article 5.4 of the Directive 2022/2041 provides that Member States shall use indicative reference values to guide their assessment of adequacy of statutory minimum wages. Furthermore, it sets a recommendation to use indicative reference values commonly used at international level such as 60 % of the gross median wage and 50 % of the gross average wage, and/or indicative reference values used at national level. This is one of the arguments provided by the JRBTU to validate its recommendation to set the statutory minimum wage at UAH 10 905 which equates to 50% of the gross average wage in Ukraine - in 2024 it was UAH 21 809 (EUR 500.25), according to the Cabinet of Ministers of Ukraine Resolution N° 1315⁴². The absence of a provision in Ukrainian legislation that would comply with Article 5.4 of said Directive by providing the use of indicative reference values is one of the reasons why the statutory minimum wage is inadequately low in Ukraine.

Lastly, it is worth mentioning that according to Article 8 of the Directive 2022/2041 Member States are to establish an effective statutory minimum wage protection mechanism and to strengthen its enforcement. In particular, they have to

“provide for effective, proportionate and non-discriminatory controls and field inspections conducted by labour inspectorates or the bodies responsible for the enforcement of statutory minimum wages”; and “develop the capability of enforcement authorities, in particular through training and guidance, to proactively target and pursue non-compliant employers”.

According to para. 4.54-5 of the Regulation on the State Labour Service of Ukraine, the State Labour Service of Ukraine conducts monitoring in the area of remuneration in terms of timely and not lower than the statutory minimum wage⁴³. Normally, it is allowed to do so by conducting regular and extraordinary inspections of businesses without any prior notice, through which it examines the observation of labor law norms by employers. Furthermore, the Labor Service is empowered to issue fines in the amount of twice the statutory minimum wage at the time the violation is detected, for each employee affected by the violation, in case the employer fails to comply with the statutory minimum wage guarantees⁴⁴.

However, as it usually is the case with Ukrainian labor law, there is a significant difference between a written rule and its enforcement in

practice. The phenomena of undocumented employment and of employment concealed under the legal status of sole proprietor or civil contractor are extremely widespread, which leads to violations of statutory minimum wage guarantees. However, the most striking problem as of now is that the regular and extraordinary labor inspections by the Labor Service have been suspended for the period of martial law under Decree N°303 of the Cabinet of Ministers of Ukraine⁴⁵. Generally speaking, the inspections are conducted now only if an employee or a trade union files a complaint to the Labor Service, if certain governmental bodies or a court assign the Labor Service to do so or if a fire or an accident leading to death/industrial injury take place.

Proposals

Even though the setting of the level of minimum wages and choosing whether or not to set statutory minimum wages at all is in the competence of Member States of the EU, there are certain requirements provided by the Directive 2022/2041 which could improve Ukrainian legislation on statutory minimum wages. To this end, it is recommended that:

- recommendations of the Joint Representative Body of Trade Unions as to the setting and updating the statutory minimum wage should be taken into greater account in order to actually impact the decisions of the Parliament and the Cabinet of Ministers on the matter;
- the usage of indicative reference values, such as 60 % of the gross median wage and 50 % of the gross average wage, in order to assess the adequacy of statutory minimum wages, is incorporated into Ukrainian legislation;
- the moratorium on regular and extraordinary inspections by the State Labour Service of Ukraine should be removed and businesses are examined more thoroughly on the matter of observing the statutory minimum wage requirements, in compliance with Article 8 of the Directive 2022/2041.

ANTI-DISCRIMINATION
FRAMEWORK

According to Article 153.1(i) TFEU, the Union shall support and complement the activities of the Member States in the field of equality between men and women with regard to labour market opportunities and treatment at work.

Paragraph 1 of Article 157 TFEU establishes the obligation of Member States to ensure the application of the principle of equal pay for male and female workers for work of equal value or for work of equal work. Paragraph 2 of the same article defines the term “pay”: “regular remuneration or regular salary of a basic or minimum nature, and any other remuneration paid directly or indirectly, in cash or in kind, by an employer to an employee in connection with the latter’s employment”. It further explains what equal pay without discrimination on the basis of sex means, namely: “a) that remuneration for the same work paid on a piece-rate basis is set on the basis of the same unit of measurement; b) that remuneration for work paid by the hour is the same for the same work.”

The peculiarity of the personal scope of Article 157 TFEU is that despite the use of the identical concept of “employee” used in Article 45 TFEU on the movement of workers, the provision on equal pay for men and women applies to all workers, regardless of citizenship, including third-country nationals employed in EU Member States.

Another important factor in determining the scope of Art. 157 TFEU is the concept of male and female sex, and, as a result, the application of the provisions of the article to

transgender persons. In this regard, the judgment of the EU Court of Justice in P v S and Cornwall County Council of 30.04.1996 is important, where it was recognized that the prohibition of discrimination cannot refer only to discrimination based on the fact that a person belongs to one or another sex, and therefore it also applies in the case of discrimination due to a change in sex (gender) of the person concerned [4].

The case law of the EU Court of Justice also played a key role in interpreting the concept of “equal work or work of equal value”: in its judgment of 26.06.2001 in Susanna Brunnhofer v Bank der österreichischen Postsparkasse AG, the Court noted that in order to determine the equal value of work, “it is necessary to ascertain whether, taking into account a number of factors, such as the nature of the work, the requirements for professional training and working conditions, these persons can be considered to be in a comparable situation”⁴⁶.

At the same time, it is necessary to distinguish the concept of remuneration from those financial aspects of social security that are not covered by Article 157, in particular, pensions, child benefits, working conditions, social benefits⁴⁷. Instead, the prohibition of discrimination in these areas is regulated by EU secondary legislation.

In addition to Article 157 TFEU, Council Directive 75/117/EEC “on the approximation of the laws of the Member States relating to the application of the principle of equal pay for men and women” was directly related to the first group, but it expired in 2009 pursuant to the provisions of Article 34 of Directive 2006/54/EC. The latter still remains the basis of secondary EU legislation on gender equality in labor and social relations. It concerns the implementation of the principle of equal opportunities and equal treatment of men and women in the areas of access to work (employment, promotion and vocational training), working conditions, including remuneration, and occupational social security programs (Article 1 of the Directive).

The correlation between the scope of Directive 2006/54/EC and Article 157 TFEU is interesting. In particular, as noted in the scientific and practical commentary to Art. 157 TFEU, the Court’s case law places working conditions within the exclusive scope of the Directive, despite the fact that they may have material consequences for employees. In addition, compensation for unlawful dismissal is remuneration and falls within the scope of Article 157, but the conditions of reinstatement established by national law fall within the scope of the Directive⁴⁸.

An important distinction in Directive 2006/54/EC is between direct and indirect discrimination. According to Art. 2 of this Directive, the term “direct discrimination” applies when one person is treated less favorably on the grounds of sex than another person is, would be or would have been treated in a comparable situation. Direct discrimination is absolutely prohibited and cannot be justified even for reasons of protecting public order. Indirect discrimination within the meaning of Article 2 of Directive 2006/54/EC occurs “when an apparently neutral provision, criterion or practice places persons of one sex at a particular disadvantage compared with persons of the other sex, unless that provision, criterion or practice is objectively justified by a legitimate aim and the means of achieving that aim are appropriate and necessary”.

The criterion of equal social security is regulated by Directive 79/7/EEC “on the progressive implementation of the principle of equal treatment of men and women in matters of social security”. This Directive applies to social security programs or social assistance in cases of sickness, disability, old age, occupational injuries and diseases, and unemployment. At the same time, it does not apply to the provisions of the national legislation of the Member States

on survivors’ benefits and family benefits (Article 3 of the Directive).

The recently adopted Pay Transparency Directive 2023/970 is also worthy of attention. Its purpose is to strengthen the application of the principle of equal pay for equal work or work of equal value for men and women through pay transparency and strengthening of enforcement mechanisms. In particular, the new act stipulates that in case of a pay gap between men and women of 5% or more, employers will have to conduct a joint pay evaluation together with employee representatives. Member States will be required to introduce effective and proportionate penalties, such as fines, for employers who violate these rules. Any employee who suffers damage as a result of a violation will have the right to claim compensation⁴⁹. According to Art. 34 of the Directive, Member States must bring their national legislation into line with its provisions by July 7, 2026.

Ukrainian legislation and practice on the matter of countering gender-based discrimination in the labor market are not advanced enough to fit the European standards. There are rather declarative provisions of the Constitution (article 24) and of the Code of Laws on Labor of Ukraine (articles 21 and 22.2) that prohibit discrimination,

but there is a lack of real mechanisms to combat discrimination of employees⁵⁰.

In order to align with EU labor standards, it is necessary to conduct a detailed assessment of wage disparities based on gender, employment type, and industry. The last report on the matter of gender-based pay gaps was presented by the State Statistics Service of Ukraine in 2021⁵¹, and, in accordance with data that it provides, the average disparity between wages of male and female workers in Ukraine is about 18,6%. In 2023 the National Strategy for Overcoming the Gender Pay Gap until 2030 was approved by the Cabinet of Ministers of Ukraine. The positive aspect of the document is that it positions a task to update labor legislation on equal pay for equal work for men and women and encourages to accelerate labor inspection in order to effectively detect and combat discriminatory practices⁵². However, none of these tasks are of much relevance right now, as there were no major changes in labor legislation on the matter, and labor inspections are largely inactive during the period of martial law, as explained in the previous subchapter.

Proposals

- The State Statistics Service of Ukraine should be mandated to publish annual reports on gender pay gaps, providing detailed breakdowns by sector, age group, and employment type.
- Ukraine should implement the principles of the EU Pay Transparency Directive (2023/970) ahead of its 2026 deadline, requiring companies to conduct gender pay audits and disclose salaries.
- Workers and trade unions should be given access to wage transparency reports to help identify discrimination and advocate for fair pay.

COMPARATIVE ANALYSIS OF
DIRECTIVE 89/391/EEC AND
UKRAINIAN OCCUPATIONAL
SAFETY LEGISLATION

Occupational safety and hygiene are key aspects of labor relations that impact workers' health and production efficiency. In the European Union, the fundamental document in this field is Council Directive 89/391/EEC (hereinafter – the Directive), which establishes general principles for preventing occupational risks, ensuring health and safety at the workplace. In

Ukraine, occupational safety is regulated by the Code of Laws on Labor of Ukraine (KZpP), the Law of Ukraine “On Occupational Safety,” and subordinate regulations.

This article critically examines the compliance of Ukrainian legislation with the provisions of Directive 89/391/EEC, identifying key discrepancies and problematic aspects.

*Key Principles of
Directive 89/391/EEC*

The Directive is based on the following key principles:

- Preventive approach – employers are required to prevent risks rather than merely eliminate their consequences.
- Risk assessment – a systematic analysis of workplace risks.
- Hierarchy of safety measures – risks must first be eliminated, then reduced, and only as a last resort, personal protective equipment (PPE) should be used.
- Training and informing employees – regular training on workplace safety.

- Consultation and participation of employees – a mandatory mechanism for involving employees in safety decision-making.
- Employer’s duty – ensuring safe working conditions is a direct responsibility.
- Employee responsibilities – cooperation in complying with safety standards.

*Ukrainian Legislation:
Key Provisions*

The main regulatory act is the Law of Ukraine “On Occupational Safety,” which establishes:

- Employer responsibility for ensuring safe working conditions.
- The need for training and informing employees about risks.
- Workplace certification procedures.
- Oversight by state bodies, such as the State Labor Service of Ukraine.

*Critical Analysis of Compliance
with Directive 89/391/EEC*

1. Preventive Approach

Ukrainian legislation provides for several preventive measures (e.g., workplace certification and regular medical examinations). However, in practice, these are often formal procedures: employers may conduct them “for reporting purposes” rather than genuinely reducing risks.

Unlike the EU, Ukraine lacks clear mechanisms for implementing proactive safety measures (e.g., systematic risk analysis, internal safety audits, etc.).

2. Risk Assessment

In Ukraine, risk assessment is primarily limited to workplace certification, conducted once every five years. In the EU, the approach is more flexible – assessments are carried out regularly, especially when production changes occur.

Additionally, the Ukrainian system focuses more on compliance with regulations rather than assessing actual threats. The Directive, in contrast, emphasizes continuous improvement in safety measures.

3. Hierarchy of Safety Measures

In Ukraine, PPE is often the primary means of protection, contradicting the European approach. For example, in mines or construction sites, workers are given helmets and respirators, but the root causes of danger (such as faulty ventilation systems) are not eliminated.

4. Training and Informing Employees

In Ukraine, training is often a mere formality – reduced to signing a logbook. In the EU, employees participate in training sessions, hazard simulation exercises, etc.

5. Consultation and Employee Participation

Ukraine has “occupational safety committees,” but they lack sufficient influence. Employers often make decisions unilaterally.

6. Control and Responsibility

The EU enforces strict penalties for safety violations. In Ukraine, although legislation provides for liability, fines are often minimal or not enforced at all.

7. Lack of Real Inspections and Control

Although Ukrainian legislation outlines a state control mechanism, actual labor law inspections are rarely conducted.

In particular, there is no effective oversight of:

- Fire safety compliance – most businesses avoid inspections, and regulatory agencies may be corrupt.
- Vibration and noise control – while standards exist, they are often not enforced. This is especially true in manufacturing, where noise levels exceed permissible limits, yet workers are not provided with adequate protective equipment.
- Electrical safety – most enterprises do not conduct regular electrical equipment inspections, leading to hazardous situations.

8. The lack of inspections

The lack of inspections allows employers to cut costs on occupational safety, directly endangering workers’ health and lives

CONCLUSIONS AND RECOMMENDATIONS

- Formalization vs. Real Safety – In Ukraine, occupational safety often focuses on “compliance with norms” rather than genuinely reducing risks.
- Need for Risk Assessment Reform – Risk assessments should be conducted more frequently, especially when technological processes change.
- Strengthening Control and Accountability – There is no real oversight of labor law compliance in Ukraine. Employers should face stricter penalties and independent supervision.
- Restoring Effective Inspections – The State Labor Service of Ukraine should be granted more authority to conduct unannounced inspections, as is practiced in the EU.

Ukrainian legislation has the potential to align with EU standards, but without effective enforcement, it remains largely declarative.

RIGHT TO STRIKE

Since the beginning of Russia’s full-scale invasion of Ukraine on February 24, 2022, the country has been under martial law, which has been repeatedly extended in response to the prevailing circumstances. Under martial law, according to Article 8 of the Law of Ukraine “On the Legal Regime of Martial Law,” military command, along with military administrations, may temporarily restrict constitutional rights, including the right to peaceful assembly.

However, the issue of the right to strike is becoming increasingly relevant, given the need to restore democratic mechanisms for expressing citizens’ positions after the end of martial law, as well as changes in labor legislation.

The right to strike is one of the fundamental second-generation rights that ensures the protection of workers’ socio-economic interests. This issue is particularly significant given the increased restrictions on labor rights due to military circumstances.

Analysis of Research and Publications

The right to strike has been studied by many scholars, including M.V.

Baglai, N.B. Bolotina, V.M. Rudenko, O.I. Protsivskyi, and others. However, in light of modern socio-labor challenges, there is a need for further analysis of the legal regulation of strikes, particularly in the context of Ukraine’s post-war economic recovery.

Research Objectives and Tasks

The aim of this study is to conduct a comprehensive analysis of the theoretical and practical aspects of exercising the right to strike in Ukraine under current conditions. The tasks include:

- 1. Examining challenges related to the restriction of the right to strike.
- 2. Comparing Ukrainian legislation with international norms, particularly the decisions of the ILO Committee on Freedom of Association.
- 3. Developing recommendations for improving the legal regulation of strikes.

The Right to Strike in Ukrainian and International Law

According to Article 44 of the Constitution of Ukraine, workers have the right to strike to protect their economic and social interests. However, this right is restricted in cases where a strike may threaten national security or the health of other citizens.

At the international level, the right to strike is recognized by:

- 1. The International Covenant on Economic, Social, and Cultural Rights.
- 2. ILO Conventions No. 87, 98, and 154, as well as recommendations on the protection of freedom of association.
- 3. The Charter of Fundamental Rights of the European Union (Article 28).
- 4. Case law of the European Court of Human Rights (e.g., “Veniamin Tymoshenko and Others v. Ukraine”) and the European Court of Justice (e.g., Viking and Laval cases).

ILO Committee Conclusions on the Right to Strike

Key principles established by the ILO Committee include:

- 1. The right to strike is a legitimate means of protecting workers’ economic and social interests.
- 2. Strike bans can only be justified in cases of severe national crises.
- 3. Protest strikes and solidarity actions are legal if they aim to protect workers’ rights.
- 4. Strike declaration procedures should be simple and not burdened with excessive requirements.

Challenges to Exercising the Right to Strike in Ukraine

Under martial law, citizens’ labor rights are significantly restricted, necessitating the creation of legal mechanisms to protect workers after the cessation of hostilities. National legislation, particularly Articles 17–28 of the Law of Ukraine “On the Procedure for Resolving Collective Labor Disputes (Conflicts),” regulates strike organization, but the absence of a specialized law complicates their implementation.

RECOMMENDATIONS

- 1. Adopt a specialized law regulating the procedure for strikes in both peacetime and wartime.
- 2. Introduce independent arbitration procedures for resolving labor disputes.
- 3. Align national legislation with the practices of the European Union and the ILO.

The right to strike remains an essential mechanism for protecting workers’ labor rights, even under martial law. It is crucial to ensure its implementation in accordance with international standards, which will contribute to the restoration of democracy and Ukraine’s economy after the war.

CONCLUSIONS

As discussed above, workers’ rights and labor standards in Ukraine are an important issue that has significant impact on the livelihood of Ukrainian people in the time of war, and will play a crucial role in social reconstruction of Ukraine in the postwar period. The current labor legislation (the Code of Laws on Labor of Ukraine) can, in many

instances, provide for an effective protection of workers' rights. Attempts to deregulate employment relations by adopting a new Labor Code or another act that would significantly diminish the protections that the current Code provides.

Although there are some domains in which Ukraine's labor legislation fails to provide as much protection to the worker as compared to European standards (for instance, anti-discrimination framework), all in all the written law is not the main issue here. What is more significant is practical observation of labor law rules by employers, the government and trade unions in Ukraine. In many cases workers find themselves unable to enjoy their rights enshrined in legislative acts, as their practical realization is often far from what is written on paper. Undocumented employment and employment that is concealed under the legal status of sole proprietor or civil contractor are common examples of such detachment of the real experience of labor from what the law says. Another example is the de facto inability of workers to organize a strike, as explained in the previous subchapter.

What Ukrainian labor market needs are stronger unions that would effectively protect their members' interests. It also needs independ-

ent labor inspections to be reactivated as soon as possible in order to detect and combat severe workers' rights violations that many employers commit. Lastly, it needs for those standards of the EU labor law that would further improve workers' position on the labor market to be implemented, while at the same time maintaining what is left of social standards that Ukraine inherited from the Soviet legislation on labor, as many of those provisions actually benefit the workers and are still relevant today, contrary to what some neoliberal politicians may say.

JUDICIAL REFORM, ANTI-CORRUPTION POLICIES, AND THE CHALLENGES OF TRANSPARENCY IN UKRAINE

by Mariia Sokolova and Oleksandr Kovalenko

Gradually the problem of corruption began to occupy a dominant place in the public imagination. The anti-corruption policy introduced, in particular, aimed to bring corrupt officials to justice (in this sense, judicial reform is closely linked to anti-corruption policy). The second task of anti-corruption policy is to build stable state institutions, but only two mechanisms are used to achieve this: the mechanism of cleansing the government of corruption and the selection of 'integrity' people. At the same time, all these tasks are achieved by what can be called the principle of radical transparency, as it is postulated that maximum transparency (for control) at all levels of work ensures a higher level of trust in the state. At present, anti-corruption policy measures exist in the midst of a specific anti-corruption discourse that puts any civil servant or public sec-

tor employee under suspicion of corruption (the imaginary dimension of this suspicion does not reduce the impact of its consequences). Thus, the picture in which an employee sees himself or herself as being accused of corruption forces them to refuse to perform some socially important functions that are part of the responsibilities of a particular position - this has narrowed the ability to tolerate discretion both at the level of public admissibility and at the level of subjective discretion (self-censorship). Ultimately, this state of affairs is becoming a significant obstacle to starting work in the public sector, which without people may literally collapse in the coming years (especially when it comes to work in social infrastructure). 'Anti-corruption', assembled on such foundations, causes destruction where it does not notice it, and surprisingly organically

coincides with neoliberal discourse in Ukraine today.

It seems that these points are lacking when external observers analyse the information about corruption that they receive from Ukraine, as well as when planning statements about corruption in Ukraine.

CORRUPTION OFFENSES

Since 2014, Ukraine has begun to develop its anti-corruption infrastructure, including specialized law enforcement and judicial infrastructure. As of 2025, Ukraine has the National Anti-Corruption Bureau of Ukraine, which is responsible for pre-trial investigation of corruption offenses, the Specialized Anti-Corruption Prosecutor's Office, which provides procedural guidance to pre-trial investigations, and the High Anti-Corruption Court, which receives all criminal proceedings. These bodies deal with all corruption offenses, but not with all the perpetrators of these crimes. These are primarily high-level officials of state and law enforcement agencies, and representatives of elected bodies (deputies of various levels)⁵³. When the subject of a crime crosses a certain threshold (1.5 million or 5.8 million depending on the crime), it also falls into this specialized anti-cor-

ruption vertical. In all other cases, anti-corruption crimes are investigated by the regular law enforcement vertical: National Police - relevant prosecutor's office - court of general jurisdiction.

The High Anti-Corruption Court became operational in 2019. Its creation was a requirement of the International Monetary Fund, as well as the public, as it was stated that the regular law enforcement vertical did not have a sufficient level of trust to lead the anti-corruption fight. On the other hand, the creation of a special vertical can also be seen from a class perspective. Significant resources have been invested in the creation of the anti-corruption vertical. The working conditions in these bodies and their material resources are on average better than in any other judicial bodies, and the workload is lower compared to the regular vertical. Therefore, it is natural that stronger candidates were selected for these bodies on average. At the same time, the 'users' of this vertical - the suspects - are in the vast majority of cases representatives of higher social strata, as they have significant financial resources (albeit acquired through criminal means). Therefore, to a certain extent, the High Anti-Corruption Court is a specialised court not only for senior officials, but also a court for the up-

per social strata, where they receive "better justice" than in the regular justice system (this is evidenced, in particular, by the number of acquittals, which reaches 10%, while in the regular vertical this figure barely reaches 1%; we caution that this figure cannot be compared with the similar figure in the EU and the US, which is 25-30%, as the way they are calculated is very different).

The study of prosecution of judges for corruption offences shows that the level of prosecution of judges by the regular vertical after 2014 and before the start of the anti-corruption vertical was only slightly lower than today, so we can say that the anti-corruption vertical did not start the trend of anti-corruption prosecution, but picked it up.

The High Anti-Corruption Court's judges use modern legal approaches to ensure the rights of suspects⁵⁴. However, this has led to criticism from some parts of civil society, as humane approaches in criminal proceedings (e.g., the use of bail as a Measures of Restraint instead of custody wherever possible) run counter to expectations of immediate punishment for corrupt officials, as custody is often seen in the media as part of the punishment.

One of the practices of the Specialized Anti-Corruption Prosecutor's Office during martial law is to enter into plea agreements with

suspects, where the amount of the fine paid is used for the needs of the army. On the one hand, this approach is pragmatic, but on the other hand, it goes somewhat against the public demand for fair punishment of senior officials, and most importantly, it creates conditions when the judicial system is tasked with replenishing the state treasury rather than upholding justice. However, the use of plea bargains is natural in the sense that the anti-corruption vertical in Ukraine was largely inspired by experts from the United States, where plea bargains are the most commonly used tool. In this regard, the expertise of European colleagues could be useful.

Probably in response to this trend, the legal mechanism of civil forfeiture became more intensive in 2024 (the mechanism itself was introduced in 2021)⁵⁵. It is about the recovery of unjustified assets of public officials and individuals in favour of the state, if such assets amount to between UAH 1 million and UAH 9 million. So far, the expert community has not had any complaints about this procedure. To prevent abuse, civil forfeiture applies only to assets acquired after 2019 and is conducted by the aforementioned the High Anti-Corruption Court.

ANTI-CORRUPTION DISCOURSE, RADICAL TRANSPARENCY PRINCIPLE AND COMMODIFICA- TION OF PUBLIC GOODS

In addition to the criminal justice system aimed at prosecuting corruption offenses and the civil forfeiture mechanism, Ukraine also has a system of asset declarations by officials authorized to perform state functions. In fact, this includes all civil servants, as well as a number of other entities (e.g., heads of higher education institutions). Access to the declarations of income and assets is publicly available through the website of the National Agency on Corruption Prevention. Due to the openness of this data (but not only), anti-corruption journalistic investigations have developed significantly, and in some cases, criminal proceedings have been opened against the subjects of these journalistic materials.

The National Agency on Corruption Prevention is responsible for verifying declarations. In 2023, 664,000 declarations were submitted. Based on the results of the risk assessment, the declarations are either subject to automated verification (checking with state registers, about a third of declarations are subject to this) or full verification (if the risks are high or there are reports from law enforcement agencies, in-

vestigative journalists, etc.; as of February 2025, 303 declarations are under full verification)⁵⁶.

The anti-corruption discourse is based on what can be called the principle of radical transparency, where the demand for transparency is not always commensurate with the possible risks and, most importantly, the goals. E-declaration and access to information to the public aims to increase the level of trust in the public service and build integrity in the public service. At the same time, open access to data reduces the attractiveness of the public service as a place to work, because the specific anti-corruption discourse has made the desire to be a civil servant strongly associated with the desire for corrupt gain. While open access to data can be justified by public importance in the case of top-level officials, open declarations for lower-level officials border on invasion of privacy.

The principle of radical transparency has a significant impact not only on the civil service, but also on social spheres, such as education, healthcare, social security, etc. In these spheres, the policy of radical transparency is combined with the process of commodification of public goods - the transition from the paradigm of public goods to the paradigm of services (medical, educational, etc.). All this is described by

the formula 'money follows the patient/student/etc.' In this way, there is a gradual abandonment of institutional funding and a transition to funding based on the principle of profitability - the more services are provided, the more funds are allocated, thus the state encourages market relations in socially important areas. This also means that the distribution of resources between public sector institutions is based on purely formal criteria and market logic, and does not take into account or poorly takes into account the specifics of these institutions and the communities in which they operate.

Commodification, combined with the principle of radical transparency, has as one of its consequences excessive bureaucratization of processes, which is explained by the need for efficient spending. In practice, this is perceived as excessive control, which could cultivate fear in local decision-making. In some areas, the situation is critical, as paperwork can take up to 40% of the working time of a public sector employee, such as a medical practitioner. For many employees, this is a significant deterioration in working conditions.

The anti-corruption discourse at the grassroots level without a simultaneous increase in wages in this sector makes it impossible to talk about reformatting the public sector and

discussions about the commons, so that private services become the only option. Ironically, given the extremely low salaries in the public sector, grassroots corruption has provided a certain leveling of incomes compared to the private sector. The level of grassroots corruption has fallen from 61% to 15% over 15 years. At the same time, salaries in the public and municipal sectors do not allow covering household expenses, especially now that inflation rates are high due to the war. This leads to the fact that the public sector is dominated by pensioners who use it as a way of additional income, people of pre-retirement age who have no other employment opportunities, and those whose partner or family can provide support. The anti-corruption discourse as it exists today is a continuation of the neoliberal discourse, with its ideas of individualism and the displacement of the commons.

THE COURT AS THE BASIS OF THE RULE OF LAW AND SUCCESS- FUL EUROPEAN INTEGRATION

Judicial reform in Ukraine has been going on for more than 30 years with varying intensity. However, it makes sense to talk not about one judicial reform, but rather about reforms, as the directions of work have differed

significantly, and there is no continuity in the implementation of these reforms. Since 2014, we have seen a more or less consistent policy in reforming the judiciary. We should also note that the Ukrainian judiciary has made tremendous progress since the early 2000s in terms of improving human rights standards, a fact that is often forgotten today.

The central leitmotif of the judicial reform today is the ideas of 'cleansing' and 'integrity'⁵, and the reform is therefore aimed at dismissing all unworthy judges and recruiting new and honest candidates. Since 2010, Ukraine has had a competitive system for selecting judges, which, according to experts, has functioned well and ensured a gradual renewal of the judiciary. However, after the Revolution of Dignity, the issue of cleansing the judiciary became one of the public's demands. This is due to the fact that society felt that judges seemed to have sided with the authoritative regime of Yanukovich, as they widely used custody as a measure of restraint for protesters. According to the HUDOC such actions by the court did violate the rights of citizens. However, the reasons for such unjust decisions were not always related to the dishonesty or political dependence of judges - in many cases, there was an overly formal application of the law, which is inherent in Ukrainian

law enforcement paradigm. Today, for example, a similar situation occurs with collaboration crimes, when courts recognise people as collaborators based on purely formal criteria.

The issue of excessive formalism in the judicial system has a significant impact on the ability to carry out judicial reform as such. Today, this issue is extremely marginalised. There is an opinion that judges should be limited in their activities as much as possible (to radicalise this thesis, it is said that artificial intelligence can easily replace a judge). In recent years, there have been more cases of legislative restrictions on the discretion of judges in sentencing, meaning that a judge cannot always take into account all the circumstances to impose a fair and necessary punishment in a particular case. On the other hand, it should be noted that Ukrainian judges have learnt to apply the formal criteria in a very creative way, which allows them to maintain a balance between legality and justice.

Speaking about the legal system and civil society in general, it is important to know that the main hopes are not placed on the courts or the law enforcement system in a broader sense, but on fair laws. This approach may somewhat slow down the European integration process, since along with the adaptation of legisla-

tion, the judiciary plays a major role in the European integration process.

Changing the law enforcement paradigm from a formalist to a more discretionary/nuanced one is a complex process that takes a long time. In this process, special attention should be paid to legal education. The concept of higher legal education focuses primarily on complicating access to the legal profession through the introduction of external assessments and the creation of a 6-year end-to-end education system. Absolutely insufficient attention is paid to the issue of acquiring critical analysis skills in relation to social processes taking place in society.

The dominance of formalism in Ukrainian courts is also related to the working conditions of judges. First and foremost, it is an excessive workload: statistically, one judge in Ukraine has 1,000 cases per year, but specific values can vary from 200 cases to 10,000. This workload is also associated with a staff shortage of about 40%.⁵⁷

Judges are relatively well remunerated for their work, but not comparable to the private legal sector. The problem of remuneration also exists for other court employees, assistants, secretaries, etc. Their remuneration is low, which results in a rapid turnover of personnel in the courts; there are informal practices

of judges paying extra money to their assistants. In general, financial support for the courts is centralized and channeled through the State Judicial Administration, which sometimes leads to problems with distribution of resources. Due to the war, budget expenditures on the judiciary cover no more than 70% of the actual needs of the judiciary.

Judges, especially young judges, do not feel protected. This is primarily due to weak judicial self-government bodies. Although the judicial reform envisages strengthening judicial self-government, in practice, independent expert bodies (Ethics Council, Public Integrity Council, etc.) have been given preference in reforming issues, and judicial self-government bodies are losing their powers with each round of reforms. This is also related to the anti-corruption discourse, which favors expert knowledge over the principle of association. In such an environment, it is increasingly difficult for judges to build judicial self-organization and create new professional standards from below. This also contributes to less horizontal interaction between judges, which is an integral part of the legal paradigm shift. In addition, the lack of a voice in political processes, particularly in judicial reform, makes it impossible to create a sense of stability among judges.

The principle of radical transparency and the anti-corruption discourse somewhat distort the procedures for selecting both new judges and forming judicial self-government bodies. Potential candidates may be afraid to apply for competitions, as they may suffer significant reputational damage if they are unsuccessful, as there is no certainty as to which of the facts of their biography will be perceived as integrity or non-integrity. Competitions are held under the sign of identity, where the candidate's personality is assessed as such, rather than professionalism (which should by definition include integrity as consistency in beliefs, thoughts and actions). Anti-corruption discourse requires the right people, and often goes far beyond the requirement to 'be honest/integrity'. In its most radical manifestation, the anti-corruption discourse in its current state does not need judges as actors performing the socially important function of fairly applying the law through discretion, but rather needs 'right' decisions. Again, it is not about having 'our people' with concrete names in the judiciary, it is about having a certain type of people who would make the 'right' decisions. This way of renewing the judiciary is quite disturbing, as it does not ensure pluralism of opinions and thus independent development of the ju-

diciary (in other words, the judiciary will always require external experts for its development).



EDUCATION REFORM AND SKILLS DEVELOPMENT

by Artem Remizovskyi

RISKS OF OPTIMIZING EDUCATIONAL INFRASTRUCTURE

In 2023, during the negotiation process on Ukraine's accession to the European Union, the European Commission decided that Ukraine needed to optimize the infrastructure of higher educational institutions due to demographic changes⁵⁸. In 2024, the European Commission noted the positive progress in optimization, assessed it favorably and emphasized that the process needed to continue⁵⁹. The consolidation of higher educational institutions was identified as one of the tasks relative to the implementation of the strategic goal of enhancing the efficiency of management in the field of higher education development in Ukraine, as outlined in the Strategy for the Development of Higher Education in Ukraine for 2022–2032 (hereinafter referred to as the “Strategy”), which

was approved by the Cabinet of Ministers of Ukraine in 2023⁶⁰.

The need for consolidation was explained by two factors: the demographic crisis and the excessive duplication of educational training programs. There are too many universities, but the number of entrants is decreasing. It was stated in the Strategy that in Kyiv, 35 higher educational institutions offered bachelor's degree programs in law. In the report on the results of the audit of educational institutions reform in 2024 (hereinafter referred to as the Court of Auditors), the Court of Auditors of the Verkhovna Rada provided the following information⁶¹:

According to the data from the Ukrainian Education Ombudsman Service, as a result of Russia's full-scale invasion and hostilities on the territory of Ukraine since February 24, 2022, 2.1 million Ukrainian children, including those of school age,

have left the country. According to the State Statistics Service, in 2007, the number of children born 17 years earlier (in 1990) was 657.2 thousand; in 2023 (born in 2006), it was 460.4 thousand; and by 2038 (born in 2021), it is projected to be 272.0 thousand.

Therefore, the policy of higher educational institution consolidation is a key component of the European integration process and one of the requirements imposed by the European Commission for Ukraine's accession to the European Union. However, several factors raise doubts about whether this policy would have a positive impact on higher education in Ukraine and contribute to the realization of the vision of the European Higher Education Area, which was agreed upon by the ministers of education of EU countries in the Rome Communiqué of 2020⁶²:

A. The absence of reliable statistics.

The statistical data used by the Cabinet of Ministers of Ukraine to justify the necessity of consolidating the higher education system is incomplete and contradictory. Since 2001, no population census has been conducted. The statistics provided by the Ministry of Education and Science of Ukraine (hereinafter referred to as MES of Ukraine) regarding the number of higher educational institutions

contain inconsistencies, as evidenced by the report of the Court of Auditors:

“According to the data from the Ministry of Education and Science (MES) dated April 4, 2024, as of the beginning of 2024, there were 418 higher education institutions (HEIs) operating in Ukraine, of which 230 were state-owned (including 171 under the management of MES). At the same time, according to the summarized information from MES dated May 31, 2024, as of the beginning of 2024, the total number of HEIs in Ukraine was 656, of which 311 were state-owned (including 213 under MES management). Moreover, according to the State Statistics Service, at the beginning of the 2023/2024 academic year, 314 HEIs were preparing higher education students, 184 of which were state-owned.”

The European Commission also recognizes the issue with statistical data.

In other words, the Ukrainian government does not have enough information to claim that there are too many universities or what number is sufficient to meet educational needs, as it is unknown how many universities are functioning in Ukraine or how many people live

in Ukraine. The optimization of infrastructure poses significant social risks due to the lack of information, particularly for regions that are considered underpopulated.

- B. The disregard for the increase in the number of entrants who decide to pursue a second degree. Despite the fact that during the years of independence in Ukraine, the birth rate and the number of minors entering universities have indeed decreased (particularly since a significant number of these students join European universities), there is still a significant number of older applicants who need to change their jobs or acquire new skills, especially considering the fact that a significant part of manufacturing was destroyed as a result of the Russian-Ukrainian war. Supporting older students in earning their degrees is an important component of developing educational inclusivity. In particular, the recommendations in Draft 2 of the Rome Communiqué of 2020 state the following⁶³:

“The policy of the social dimension should support not only current students but also potential students in their preparation and transition to higher education. Participation in higher education

should be a lifelong possibility, including for adults who decide to enter or continue their higher education later in life.”

In practice, the optimization of the higher education system can lead to a reduction in opportunities for lifelong education for Ukrainian citizens, which is an important aspect of developing an inclusive educational environment.

- C. At the legislative level, Ukraine does not have legal guarantees regarding the right of workers and university students to participate in decision-making or discussions regarding the consolidation of universities. The consolidation of state-owned higher education institutions is regulated by Parts 1 and 2 of Article 31 of the Law of Ukraine “On Higher Education,” which stipulate that decisions regarding the establishment, reorganization, or liquidation of a higher education institution are made by the Cabinet of Ministers of Ukraine, and that the reorganization or liquidation of a higher education institution must not violate the rights of students enrolled there. Ukrainian legislation does not require the government to hold prior consultations with labor collectives, trade unions, or student self-governance bodies of

the higher education institutions it intends to reorganize. The necessity of such consultations may be specified in a collective agreement between a trade union and a higher education institution; however, the accountability for violating collective agreements is minimal.

This centralized approach contradicts the vision of the Rome Communiqué, which states that the European Higher Education Area should be built on respect for democracy and restricts the organizational autonomy of universities. The absence of legal guarantees ensuring that the voices of university collectives will be considered in decision-making creates a significant risk of government abuse, particularly the risk that the labor and educational rights of stakeholders will not be upheld in practice.

- D. The absence of restrictions on the privatization of property in institutions undergoing consolidation or reorganization. In December 2025, the Verkhovna Rada of Ukraine adopted the budget for 2025. In its resolution, the Rada suspended certain provisions of the Law of Ukraine “On Education” and “On Privatization”, which had prohibited

the sale of property belonging to higher education institutions. The amendments allowed privatization under the condition that the institution is in a state of reorganization, with 90% of the income from property sales allocated to the development of higher education institutions⁶⁴.

The heads and academic councils of universities are responsible for making decisions regarding the management of institutional property in accordance with Ukrainian law. In state-owned higher education institutions, the heads are elected by the labor collective in accordance with the Law of Ukraine “On Higher Education.” However, the bodies of public oversight in universities (academic councils, supervisory boards, and student self-governance bodies) do not have the authority to veto decisions made by the university head concerning economic matters and serve only as advisory bodies in this regard. Additionally, there are no legal provisions requiring that the privatization of university property be agreed upon with trade unions of higher education institutions.

Taking into account the fact that Ukraine’s higher education system suffers from a lack of funding, there are serious corruption risks. The privatization of property as part of the

optimization of higher education infrastructure may, in practice, lead to the liquidation and reduction of educational facilities, which, as a result, could negatively affect aspects such as the number of seats available in classrooms.

Finally, the practice of university consolidation in 2024 exposed several significant problems in the policies of the Ukrainian administration and the Cabinet of Education and Science. In particular, the Court of Auditors of the Verkhovna Rada reported that due to a lack of statistical data and the absence of approved criteria, decisions regarding the consolidation of universities were made on a case-by-case basis and without considering the stance of higher education institutions. This process led to protests from students and professors.

In some cases, the Cabinet of Education reorganized institutions immediately after issuing a positive assessment of the report from the head of the educational institution. This raises questions about the Cabinet’s actual commitment to improving the quality of higher education through its optimization policy.

None of the 11 consolidations that took place in 2024 was fully completed, primarily because the Cabinet of Education failed to carry out a comprehensive inventory of assets. All of this casts doubt on the

conclusions of the European Commission, which positively assessed the optimization of higher education infrastructure.

Recommendations

The policy of optimizing the higher education system in Ukraine, implemented at the request of the European Commission, should be significantly reconsidered, including the following recommendations:

1. The optimization of higher education institutions should be based on comprehensive statistical data that fully reflects the demographic situation, the state of educational infrastructure, the number of students, the distribution of programs, etc., at both the national and regional levels.
2. The policy of university optimization should consider not only the number of underage and young applicants pursuing their first degree but also the number of older applicants seeking a second degree. Opportunities for lifelong learning should be expanded by increasing the number of partially or fully state-funded places.

3. University staff and students should participate in discussions and decision-making regarding the reorganization of state-owned higher education institutions. Changes to Ukrainian legislation are necessary to provide clear legal guarantees ensuring the participation of university working collectives in the reorganization process.

4. The authority of public oversight bodies in supervising the privatization of property in reorganized universities should be strengthened.

“According to the Department of the Educational Ombudsman of Ukraine, as a consequence of the full-scale invasion by the Russian Federation and military actions on the territory of Ukraine, starting on February 24, 2022, 2.1 million Ukrainian children, including school-age children, have left Ukraine. According to the State Statistics Service (SSS), in 2007, the number of children born 17 years earlier (in 1990) was 657.2 thousand; in 2023 (born in 2006) — 460.4 thousand; and in 2038 (born in 2021), it is projected to be 272.0 thousand.”

The problems with ensuring students rights

The Rome Communiqué recognizes the importance of protecting student rights within the European Higher Education Area and the development of student-centered learning. According to Annex 3 of the Rome Communiqué⁶⁵, EHEA member states must:

“Make student-centered learning a reality by supporting higher education institutions in their efforts to initiate or sustain structured dialogue on innovation and the improvement of learning and teaching, involving students, faculty, and relevant stakeholders.”

The implementation of student-centered learning principles is defined as one of the operational objectives within Ukraine’s Higher Education Development Strategy for 2022-2032 (hereinafter referred to as the Strategy)⁶⁶, which was approved by the Cabinet of Ministers of Ukraine in 2023.

Ukraine has a well-developed legal framework for ensuring student rights. Article 62 of the Law of Ukraine “On Higher Education” guarantees students a broad spectrum of rights, including: the choice of the form of education, safe and

non-harmful working and living conditions, participation in shaping their individual learning plans, the right to submit proposals regarding tuition fees and payment conditions, access to dormitory housing, etc.

Student self-government in public universities, according to Article 40 of the Law of Ukraine “On Higher Education”, has the authority to: approve student expulsions and evictions from dormitories; participate in discussions and decisions on improving the educational process, scientific research, scholarship distribution, leisure activities, health programs, and student living conditions. Student representatives, though in limited numbers, participate in university rector elections, while representatives of student unions and self-governing bodies are members of the university’s highest collegial governing body, the Academic Council.

Student unions are also granted significant participation rights under the Law of Ukraine “On Trade Unions.”

In accordance with Article 73 of the Law of Ukraine “On Higher Education,” Ukraine has an Educational Ombudsman, who has extensive rights to: monitor compliance with education laws, initiate official investigations and notify law enforcement agencies of violations, provide

legal consultations and represent students in court.

Despite the strong legal framework, several factors negatively impact students’ rights in higher education:

A. Evasion of obligations regarding the protection of students’ rights by central executive authorities and the crisis of the judicial system. Executive authorities (ministries, the educational ombudsman) have significant powers to oversee university activities but rarely exercise them, citing the autonomy of higher education institutions in their policies. As a result, students are left to defend their rights by turning to the courts. However, the judicial system in Ukraine has a number of systemic issues, as noted in the European Commission’s reports on the state of negotiations regarding Ukraine’s accession to the European Union.

B. Ukrainian legislation does not grant extensive supervisory powers to student self-government bodies. These bodies primarily have advisory functions, and their approval is not required for decisions regarding dormitory accommodation fees, tuition fees

for contract-based education, class schedules, grading systems, and other similar matters.

It is also important to note that the aforementioned student self-governance rights are guaranteed by Ukrainian law only for state universities. In contrast, the powers of student self-government bodies in private universities are regulated exclusively by their respective charters.

C. Personnel decisions are made by bodies where students are either minimally represented or not represented at all. The Educational Ombudsman is appointed by the Cabinet of Ministers through a competition conducted by the Ministry of Education, with no student involvement in the selection process.

At university workforce meetings where rectors are elected, students are granted only a 15% quota. In the university's highest governing bodies, students are represented by the head of the student self-government and the heads of student trade unions, each having only one vote, while the majority of the Academic Council consists of heads of structural divisions.

As a result, practice shows that there are numerous cases where the broad guarantees provided by Ukrainian legislation are not upheld by university administrations. Independent student trade unions report various violations of students' rights, including breaches of housing standards in dormitories, excessive academic workload, eviction of students, delays in social payments, and illegal increases in dormitory fees⁶⁷.

University administrations may also fail to provide student self-government bodies with the funding guaranteed by law. These factors negatively impact students' rights and their ability to participate in decision-making processes.

Recommendations

Although Ukraine already has a strong legal framework, further legislative improvements are needed to ensure the practical implementation of the Rome Communiqué's principles of student-centered learning and student rights. The European Commission should pay special attention to the protection of student rights and consider the following recommendations:

1. The powers of student self-government bodies, as outlined in the Law of Ukraine "On Higher Education," should be extended to private universities.
2. Student representation quotas in university governing bodies that make staffing decisions should be increased. Additionally, the Educational Ombudsman selection process should be reformed to include student and civil society participation.
3. Legislative guarantees should be introduced to give student self-governance bodies and student unions the right to organize strikes.
4. Student self-government bodies should be financially independent from university administrations—possibly receiving funding directly from the state or municipal budget.

HEALTHCARE AND BASIC MEDICAL SERVICES

by Olena Slobodian *and* Maksym Romanenko

CONTEXT OF EUROPEAN INTEGRATION REGARDING HEALTHCARE

In general, the EU’s competence in the field of health is limited, as health is still largely organised at national level. Most cooperation takes place in the field of public health. Article 168 of the Treaty on the Functioning of the European Union⁶⁸ lists the objectives of preventing disease and illness by promoting healthy lifestyles, facilitating access to better and safer health care, promoting innovative, efficient and sustainable health systems, and countering cross-border threats.

Specifically in relation to health, Section 22 of the Association Agreement⁶⁹ (Articles 426-428) lists the following health-related issues:

1. The strategic objective of cooperation in the field of health shall be to increase the level of public health security and the protection of human health as a prerequisite for sustainable development and economic growth.

2. Co-operation with the EU should contribute to strengthening the health system and its potential in Ukraine, in particular through reforms, further development of primary health care and the fight against infectious and non-communicable diseases such as HIV/AIDS and tuberculosis (which are major problems in Ukraine and are likely to be exacerbated by the war).

The importance of health care for public health and security is also mentioned in various chapters, such as the chapter on environmental policy, cooperation in science and technology, information technology development, etc.

It may be necessary to look at other areas of Euro-integration that may be indirectly relevant to the health sector, such as labour market or labour and social rights provisions.

For example, the Association Agreement also sets out Ukraine’s commitments in the area of social justice policies, employment and equal

opportunities. The strategic objectives are to promote the decent work agenda, employment policy, health and safety at work, social dialogue, social protection, social inclusion, gender equality and non-discrimination. Article 422 also states that Ukraine should promote corporate social responsibility and accountability and encourage responsible business conduct. Finally, Ukraine is expected to ensure gradual approximation to the EU legal framework, standards and practices in the field of employment, social policy and equal opportunities.

It should also be noted that, notwithstanding the specific regulations on health care in the context of European integration, Ukrainian health care remains highly dependent on external funding. EU Member States play an important role in this. This may indirectly promote the harmonisation of Ukrainian health care with European standards and practices, but it also leads to a domestic power imbalance.

Policy recommendations

1. Increase healthcare funding to at least 5% of the annual budget of Ukraine and ensure financial adaptability.

One of the most important prerequisites for building an

effective health care system is ensuring adequate funding. European experience⁷⁰ shows that EU countries spend on average 8-12% of their annual budgets on health care. As Ukraine is heavily dependent on external funding and in a constant state of crisis, it will not be able to achieve such indicators. However, the long-term goal should be to attract more resources to the system, not to adapt needs to inadequate funding.

Another important priority should be to move away from external financing. External funding has a negative impact on the balance of power in the system. If citizens (including health professionals and patients) are not the main stakeholders in the system, they do not have enough influence on the system. Their needs are not prioritised⁷¹.

Research from middle- and low-income countries with problems similar to Ukraine's with the informal economy and fiscal challenges shows that adaptability of financing and a unified system are key factors in achieving universal health coverage (UHC) (Domapielle et al. 2022)⁷². Achieving UHC is also a goal for Ukraine, but there are no strategies to significantly increase funding. The main methods are still to close

hospitals and reduce staff. In a recent WHO study⁷³ on financing, the only proposal to attract resources to the system was to increase excise taxes on unhealthy goods. But this is not a sustainable long-term solution. Similarly, decentralisation and partial devolution of funding to local authorities is not an optimal way forward. This could lead to fragmentation of the system and make it impossible to fight for workers' rights in a coordinated way.

The following items are related to the lack of funding:

2. Strengthening the 'Affordable Medicines' programme.

Strengthening the Affordable Medicines Programme

The Affordable Medicines Programme⁷⁴ should be expanded to cover medicines not only for the most important diseases, but also for as many different diseases as possible, according to treatment protocols. This will allow patients to receive more affordable medicines, and the government reimbursement of 50-90% of the price will help reduce the financial burden on the population.

Today, the programme is one of the largest parts of the health budget

- 80% by 2025⁷⁵. However, many essential medicines are unavailable or only available intermittently. In addition, the mechanisms for transferring surplus medicines from one region to another are not transparent and slow.

Increasing funding for rare and other chronic diseases

Patients with rare diseases require expensive and specialised treatment, which is often not available due to high costs. In order to ensure access to the necessary treatment, it is important to increase funding for the treatment of rare and chronic diseases in general. This will ensure social justice and the ability to receive necessary medical care regardless of diagnosis.

This is particularly important as Ukraine still has a relatively high level of out-of-pocket payments⁷⁶. The treatment of chronic, incurable diseases often requires long-term treatment planning and the ability to adapt to patients' needs. This in turn requires the availability of appropriate medicines. The lack of affordable treatment will increase out-of-pocket payments and reduce patients' quality of life, including their ability to work. In addition, since the outbreak of full-scale war, EU countries have evacuation

programmes for seriously ill patients and generally provide access to medicines for most Ukrainian refugees. This will make it difficult for people to return to Ukraine.

3. Modernising the infrastructure of healthcare facilities.

Improving the infrastructure of healthcare facilities is an important element of the reform. The introduction of health districts will allow for the creation of multidisciplinary centres based on narrowly focused secondary care facilities. This will help to improve the quality of medical services, make more efficient use of resources and ensure a wider coverage of patients in the regions.

In cities, it is possible to merge outpatient services from separate polyclinics into one polyclinic department in a specialised or multidisciplinary hospital, because the treatment protocols offered require increasingly detailed instrumental and laboratory tests to diagnose and treat diseases. Such tests are not possible in a general practitioner's office during routine examinations.

At the same time, structural inequalities caused by the aus-

terity-driven reorganisation of the system - such as serious inequalities in access to healthcare between rural and urban areas⁷⁷ - need to be taken into account in future policy development.

4. Return of Ukrainian medical specialists.

Attracting qualified health workers who have fled or migrated is a strategic task. A number of measures should be taken, such as increasing salaries and expanding social benefits.

Research is needed into the specific needs of doctors and the conditions for their return to Ukraine. In most EU countries, the way to work in medicine is through recognition of a diploma and confirmation of qualifications. In Germany⁷⁸, for example, this is not only a very long process, but often involves a two-stage examination with theoretical and practical parts. In addition, a sufficient level of language skills is required (usually B2, which corresponds to 450 hours of study). For nurses, this scenario can take up to a year or more, and for doctors it can take years. Accordingly, often even socio-economic incentives will not be enough to encourage return.

Those who find it difficult to learn the language or who had better prospects in Ukraine will be more likely to return. They should therefore be a group of interest.

5. Establishing a Regulatory Body to Control Prices and Improve Access to High-Cost Medicines.

To reduce market prices for medicines and ensure access to high-cost drugs, Ukraine should establish a National Pharmaceutical Market Regulator. This body would oversee pricing, regulate the availability of medicines, and support the development of the domestic pharmaceutical industry.⁷⁹

A key measure would be the introduction of reference pricing, whereby medicine prices in Ukraine are compared to average prices in neighboring countries such as Poland, Hungary, and Slovakia. This approach would help identify and eliminate inflated market prices. Additionally, price caps should be set for essential medicines included in the national list or reimbursed by the state. Similar mechanisms are successfully implemented in Norway and Germany, where regulatory bodies ensure price fairness through ongoing monitoring and adjustments.

To improve access to high-cost drugs, the reimbursement system must be reformed to include medicines for rare and severe diseases. This can be achieved through cost-sharing programs involving the state, pharmaceutical companies, and patients. France provides a successful example, where its healthcare system covers the cost of expensive drugs through specialized bodies such as the Haute Autorité de Santé (HAS)⁸⁰.

Promoting domestic production of medicines is another crucial step in lowering prices. The government could provide subsidies for the development of generics—affordable equivalents of expensive drugs. India's success in becoming a global leader in affordable medicine production demonstrates the effectiveness of this strategy. Simultaneously, reducing VAT rates for manufacturers investing in advanced technologies would enhance the competitiveness of Ukraine's pharmaceutical industry.

A competitive environment should also be fostered by introducing an electronic procurement platform for medicines, allowing pharmaceutical companies to compete for state contracts by offering lower prices. New Zealand's PHARMAC effectively employs this approach, achieving significant budget savings.

Finally, a unified medicine price monitoring system must be implemented to ensure pricing transparency and prevent unjustified markups. In Germany, this role is fulfilled by the Gesundheitsfonds, which oversees the efficient use of funds in the pharmaceutical sector.

Implementing these measures would reduce market prices for medicines, expand access to high-cost drugs, and provide financial relief to the population. This would contribute to the development of an effective and accessible healthcare system that meets the needs of modern society.

CONCLUSIVE REMARKS

Navigating Ukraine's Social Future Amidst Profound Uncertainty

This document represents an attempt to highlight key challenges and opportunities facing workers and wage laborers in Ukraine, viewed through the lens of both “Social Europe” aspirations and the realities of “Social Ukraine” in the context of ongoing war. It is crucial to acknowledge that this analysis is not exhaustive. The complexities of Ukraine’s socio-economic landscape are immense, and a truly comprehensive examination would require far greater depth and breadth. Instead, we have focused on issues we deem particularly pertinent to the well-being and rights of the Ukrainian workforce, aiming to contribute to a broader conversation about the nation’s future.

Our findings reveal a stark dichotomy: on one hand, Ukraine possesses a robust legal framework in many areas, particularly regarding labor rights, education, and social protections. On the other hand, the practical implementation of these laws is often severely hampered by

a confluence of factors, including economic constraints, corruption, bureaucratic hurdles, and, most critically, the devastating impact of the ongoing war.

Several key sectoral areas emerge as requiring urgent attention and reform:

- **Labor Market and Employment Standards:** While the existing labor code provides a foundation, its enforcement is weak. Undocumented employment, informal work arrangements, and violations of minimum wage guarantees are widespread. Strengthening independent labor inspections, empowering trade unions, and aligning with EU directives on minimum wage adequacy and anti-discrimination are crucial. The right to strike, currently restricted under martial law, must be restored and protected post-conflict.

- **Social Protection Systems and Welfare:** The war has exacerbated existing vulnerabilities, particularly for IDPs, older persons, people with disabilities, and women. Housing insecurity, inadequate pensions, and increased care burdens are pressing concerns. While the government has made efforts to maintain social spending, reliance on international aid is significant. A shift towards a universal, rights-based social protection system with increased domestic funding, progressive taxation, and investment in social infrastructure is essential.
- **Education Reform and Skills Development:** The push for higher education infrastructure optimization, while driven by demographic concerns and EU recommendations, risks undermining access and inclusivity. There is a need for reliable statistics, consideration of lifelong learning, and meaningful participation of university staff and students in decision-making. Student rights, though legally guaranteed, are often not upheld in practice, necessitating stronger student self-governance and independent oversight.
- **Science and Research Policy:** Ukraine must radically transform its approach to science and research. As highlighted in the Ukraine Report 2024 (Chapter 25 – Science and Research), despite being recognized as an emerging innovator, performing at 32.5% of the EU average according to the European Innovation Scoreboard 2024, Ukraine’s performance is increasing at a slower rate than the EU. This is widening the gap between Ukraine and the EU, hindering its integration and long-term competitiveness. A fundamental shift in policy is needed to boost research and development funding, enhance collaboration with European research networks, and ensure talent retention to foster a knowledge-based economy.
- **Healthcare and Basic Medical Services:** Ukraine’s healthcare system faces severe funding shortages, infrastructure challenges, and a brain drain of medical professionals. Expanding the “Affordable Medicines” program, improving infrastructure, developing a rehabilitation system, and reforming medical education are vital. Deinstitutionalization of psychiatric care and establishing a regulatory body for medicine prices are also critical.

It is imperative to emphasize the extreme volatility of the current situation. The trajectory of Ukraine’s integration into European structures, and indeed its very socio-economic fabric, is inextricably linked to the dynamics of the war. The path to reform and recovery will be critically shaped by the potential outcomes of ceasefire negotiations, peace agreements, and the evolving security landscape.

Currently, Russia’s approach is unequivocally aimed at destroying Ukraine as an independent nation, as an economic entity, and as a social body. The systematic targeting of civilian infrastructure, the forced displacement of populations, and the ongoing atrocities underscore this devastating reality. However, the fundamental assumption underpinning this document is unwavering: Russia will not prevail in its attempt to destroy Ukraine. The resilience of the Ukrainian people, their unwavering commitment to sovereignty, and the support of the international community give us confidence in Ukraine’s ultimate survival and eventual triumph.

This document, therefore, is offered as a contribution to the ongoing effort to envision and build a better future for Ukraine’s workers and citizens. It is a call for sustained engagement, critical analysis, and unwavering solidarity with the

Ukrainian people as they navigate this extraordinarily challenging period in their history. The task ahead is immense, but with determination, creativity, and a commitment to social justice, Ukraine can emerge from this crisis stronger, more equitable, and more deeply integrated into the European family of nations.

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