

Transformation Ukraine

Ukraine must address three critical challenges to achieve development: EU integration, reconstruction efforts, and societal demands



1. Membership:

The history of Ukraine, located in Eastern Europe, dates back to antiquity. Its strategic location and cultural significance make it a key regional actor. Today, Ukraine faces significant political challenges and a war that has been ongoing for over three years, affecting its citizens and the stability of the surrounding region. Russia's invasion presents major obstacles that Ukraine must overcome to secure its future political stability and economic success. The current situation in Ukraine highlights the complex power dynamics and the pursuit of autonomy in Eastern Europe.

In February 2022, Ukraine took a significant step by submitting its application for EU membership. By June 2022, it had achieved candidate status. At the special European Council session in February 2023, EU heads of state and government recognized Ukraine's substantial progress in meeting the criteria for EU accession candidacy. They emphasized the importance of fulfilling the conditions outlined in the Commission's opinion, thereby advancing Ukraine's path toward eventual EU membership.

In June 2024, the first government-to-government conference between the EU and Ukraine took place. During this conference, both parties engaged in intensive dialogue on the measures Ukraine must take to meet EU accession criteria. They reiterated the necessity of strengthening democratic institutions and implementing key reforms. The EU reaffirmed its commitment to supporting Ukraine's European integration aspirations and highlighted the importance of a continuous partnership in achieving this goal. Ukraine must, however, maintain its commitment to combating corruption and reinforcing the rule of law.

Challenges:

One of the greatest challenges Ukraine faces on its path to EU membership is the ongoing war with Russia, which hinders progress in multiple areas. In addition, domestic political discord and economic volatility pose further obstacles to European

integration efforts. Despite these difficulties, Ukraine has made significant progress in implementing reforms and strengthening its institutions. Continued EU support will be crucial in overcoming these challenges and advancing European integration.

The European Union has repeatedly emphasized the strategic importance of Ukraine's accession. The official accession process is advancing amid a conflict that threatens not only Ukraine but also the political foundations of liberal democracies and Europe's security architecture. It is therefore essential to refine the strategy for European integration and security cooperation.

Strategies:

Potential political resistance to necessary EU membership reforms, along with external pressure from Russia, may pose significant challenges. While reform implementation is primarily Ukraine's responsibility, the EU can facilitate the process through technical assistance and financial support. Simultaneously, diplomatic engagement should aim to mitigate external pressures and strengthen Ukraine's sovereignty.

In January 2025, President Volodymyr Zelensky stated that Ukraine would establish five of the six negotiation clusters for EU accession negotiations by year-end. Ukraine applied for EU membership at the onset of Russia's large-scale invasion in 2022. The country then achieved rapid progress, obtaining candidate status within a few months, although formal negotiations only began in June 2024.

During his visit to Warsaw in early 2025, Zelensky outlined Ukraine's strategy to establish two or three EU negotiation clusters in the first half of 2025, aligned with the Polish Council Presidency's vision. Following Poland's six-month Council Presidency, Denmark will assume the EU Council Presidency in July 2025. Zelensky highlighted Ukraine's goal of establishing three additional negotiation clusters under Denmark's leadership in the second half of 2025.

The accession process encompasses six negotiation clusters, each consisting of multiple chapters. The negotiations serve to strategically align a candidate country with EU membership requirements. The EU Commissioner for Enlargement signaled that Ukraine could join the EU by 2029, provided that crucial reforms are effectively implemented. On 15 January 2025, Zelensky emphasized that EU membership, continued arms deliveries, and NATO accession constitute essential security guarantees for Ukraine in its fight against Russian aggression. Progress in Ukraine's EU accession efforts is viewed as a critical element for strengthening regional security and stability. The country's partnership with Western institutions is considered a calculated strategy to contain Russian influence. Moreover, Ukraine's EU alignment would bring substantial economic benefits and expansion opportunities. This anticipated membership acts as a decisive catalyst for Ukraine to continue its reform and modernization agenda.

2. Ukraine Vitalisation:

Promoting a stable, democratic, and economically prosperous Ukraine aligns closely with Germany's strategic objectives. The scale of losses and damage caused by the Russian war of aggression is considerable and requires a comprehensive approach beyond the provision of public funds.

The further east or southeast one goes in Ukraine, the more evident the devastation becomes. The far-reaching consequences of destruction are increasingly visible in frontline cities and villages. The systematic destruction of communities and industries in occupied areas requires particular attention.

Many people have fled these regions, leaving once-vibrant urban centers in severe decline. The landscape has been heavily damaged, along with flora and fauna. Reforestation and the reintroduction of native animal species will take decades. The same applies to the population. The scale of destruction reflects Russia's substantial disregard for the country and its people.

The international community must unite to advance reconstruction initiatives in these regions, as it is their duty to ensure the revival of these once-thriving societies. Immediate and decisive action is essential; otherwise, the consequences of this devastation will be felt for generations.

Public-private partnerships are crucial in this context. The German government has formally adopted a key document on Ukraine's reconstruction. Central areas of collaboration between the two countries include infrastructure development, energy security, and governance reforms.

Germany aims to support Ukraine in its pursuit of sustainable growth and stability through strategic cooperation with Ukraine and other global allies. Germany's key priorities include securing economic stability, as well as addressing social and

environmental issues. Supporting Ukraine's reconstruction reflects Germany's strong commitment to significant regional progress. Through strategic collaboration in various areas, Germany establishes itself as a central force in promoting sustainable development and prosperity in Ukraine.

Challenges:

Corruption, political instability, and the ongoing war in Eastern Ukraine pose significant obstacles to the country's progress. To ensure that German support is effective in the long term, these challenges must be addressed directly. Germany's engagement in Ukraine's reconstruction plays a central role.

By working closely with Ukrainian authorities and international partners, Germany can play a decisive role in helping Ukraine achieve a stable and prosperous future. Germany possesses the necessary expertise and resources to substantially support the country in overcoming these challenges and achieving sustainable development. Through robust bilateral collaboration, a more stable and prosperous future for Ukraine can be realized.

Germany's role in Ukraine's reconstruction may serve as a precedent for other countries facing similar challenges. By applying best practices and sharing acquired knowledge, Germany can consolidate its position as a reliable partner in international reconstruction processes and significantly contribute to Ukraine's stabilization.

Strategies:

Germany can facilitate Ukraine's administrative modernization, institutional reforms, and economic development through technical assistance, financial support, and knowledge transfer. Additionally, professional exchanges and intensified cultural cooperation can strengthen bilateral relations and deepen mutual understanding. This comprehensive strategy can accelerate Ukraine's reconstruction and lay the foundation for sustainable growth.

By leveraging their respective strengths and resources, Germany and Ukraine can effectively cooperate to promote long-term economic and political stability. This partnership not only strengthens bilateral relations but also contributes to regional security and economic development. A stable and prosperous Ukraine can have long-term positive impacts on Germany and Europe, particularly in trade relations, investments, and geopolitical security.

3. Ukrainian Society

Demographic developments, the refugee situation, and labor market conditions in Ukraine represent central challenges that must be addressed to stabilize the local economy and ensure the successful reconstruction of the country. The ongoing war is causing significant socio-demographic changes, which are already impacting the labor market and will continue to do so in the future. Poverty and homelessness, as well as a pronounced increase in health-related issues, are expected to worsen.

Since the onset of the Russian invasion, a marked fragmentation of Ukrainian society has been observed:

- Millions of people have been affected by displacement, either as refugees, internally displaced persons, or prisoners in occupied territories.
- The remaining core population in Ukraine faces intensified social and economic difficulties.
- A substantial number of soldiers deployed at the front will eventually need to be demobilized and reintegrated.

Despite ongoing Russian aggression, the resilience of Ukrainian civil society remains unbroken. This is evident not only in the population's adaptability to changing conditions but also in the numerous initiatives supporting those affected by the invasion. At the same time, the profound restructuring of society caused by displacement and war requires long-term and comprehensive support to ensure the country's stability and reconstruction.

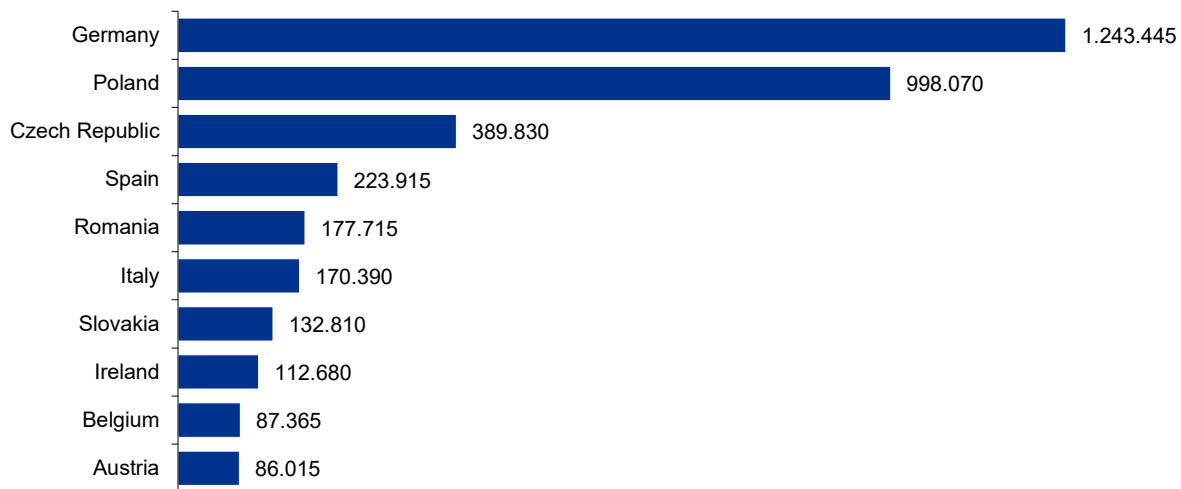
Nearly seven million people have completely left Ukraine:

As of March 2025, around 6.9 million Ukrainian refugees were registered worldwide – approximately 6.4 million in Europe and 560,200 outside Europe. In Germany, over 1.2 million Ukrainian refugees were recorded, and around one million in Poland. Some refugees have since returned to Ukraine or moved to third countries, so the current number of registered refugees is slightly below the initial total.

Almost four million people have been forced to relocate within Ukraine:

According to the October 2024 report by the International Organization for Migration (IOM), around 3.7 million people are currently displaced internally. The IOM reports that half of the internally displaced persons are accommodated in five regions: Kharkiv, Dnipropetrovsk, Kyiv, Odessa, and the city of Kyiv. Most internally displaced persons originate from Donetsk Oblast, totaling approximately 1.04 million people, with 283,000 from Donetsk and Dnipropetrovsk Oblasts and 131,000 from Donetsk Oblast and the city of Kyiv.

Number of Ukrainian refugees in selected EU countries As of February 2025



Source: UNHCR

Currently, around four million people still reside in the occupied territories:

The Russian-Ukrainian war and the ongoing invasion have led to Russia assuming control over certain areas in southern and eastern Ukraine. These areas are classified under Ukrainian law as “temporarily occupied territories.” As of early 2024, Russia had gained control over nearly 20% of Ukraine, with an estimated 3.5 to 4 million Ukrainians living in these occupied zones. Since the start of the invasion in February 2022, the occupied territories have experienced a drastic population decline of approximately 50%.

Challenges:

The health challenges facing the population currently, and in the future, represent a major issue for the Ukrainian state as well as for its healthcare and social systems. A significant portion of the population suffers from war trauma and post-traumatic stress disorder (PTSD). According to recent estimates by the World Health Organization, approximately 10 million Ukrainians are affected by mental health issues such as PTSD, anxiety, and depression – more than a quarter of the total population. This figure, based on the latest available data, underscores the severity of the situation, which poses a significant burden on Ukraine’s healthcare and social systems now and in the future.

Additionally, much of the health infrastructure has been destroyed, severely limiting the provision of effective state medical support. Critical areas affected include access to basic healthcare services, psychological care, and treatment for war trauma and PTSD, placing further strain on an already overburdened system.

Beyond mental health issues, the war has also

caused significant physical impacts on the population. Millions have been injured, many with lasting physical impairments. This not only increases the number of people with disabilities but also creates additional challenges for the healthcare and social systems, particularly regarding care and integration for those with physical limitations.

Despite the devastating impact of the war on industrial infrastructure in eastern Ukraine, which has resulted in massive job losses, the IT sector has demonstrated remarkable resilience. Prior to the invasion, Ukraine’s IT industry was growing annually by 25–30% and employed around 300,000 professionals. Even in the second quarter of 2022, amid the conflict, the sector was able to acquire new clients.

This positive development in the IT sector is attributable to several factors:

- **Adaptability:** Many IT companies relocated their offices to western regions of Ukraine or abroad to mitigate the war’s impact and continue service delivery.
- **Continuous demand:** Despite challenging conditions, international demand for Ukrainian IT services remains high, stabilizing the sector.

To address labor shortages across various industries, initiatives have been launched both domestically and internationally to recruit and develop skilled professionals. One example is the “Skills Alliance for Ukraine,” co-financed by the European Union, Germany, Estonia, and Poland. This initiative aims to provide training in key areas such as construction, logistics, and agriculture, and promotes mutual recognition of qualifications to facilitate the return and reintegration of skilled professionals.

In summary, Ukraine’s IT sector demonstrates remarkable resilience despite the ongoing conflict. Through strategic adjustments and international support, both the IT sector and other industries can contribute to addressing the country’s economic challenges.

Strategies:

Socio-demographic changes and the impacts of the war have led to a substantial transformation of Ukraine’s labor market model and the geographic structure of its economy.

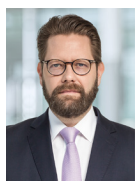
This transformation is characterized by increased digitalization, the loss of large enterprises in eastern Ukraine, relocation of certain companies to the west, and massive population shifts. Women are assuming roles previously reserved for men.

The government is actively implementing measures to promote entrepreneurship and innovation. The goal is to diversify the economy and create new growth opportunities. In addition, training programs are being established, and partnerships are being formed with Western companies and educational institutions to ensure Ukrainian workers possess the skills necessary for the evolving labor market.

Restructuring Ukraine’s labor market is a priority to respond to demographic changes and economic challenges resulting from the war, and to effectively integrate the growing number of people with disabilities. This includes creating accessible work environments and training programs to enhance employability. As a result, Ukraine can develop a more inclusive and sustainable economy that serves the interests of all members of Ukrainian society.

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