

AN ASSESSMENT OF UKRAINE'S KEY SECTORS DURING AND AFTER THE COVID-19 PANDEMIC



The research paper was written by the International Centre for Policy Studies (ICPS) with the support of the Hanns Seidel Foundation in Ukraine as part of the project to analyze the state of Ukraine's key sectors during and after the COVID-19 pandemic. The research paper assesses and develops recommendations for Ukraine's economic and energy sectors, migration and demographic issues, security challenges, media and agricultural areas, as well as domestic and foreign policy.

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INTRODUCTION

It's been over a year since Volodymyr Zelensky was elected the new president of Ukraine. Traditionally, after a year, one can make certain conclusions about the results of any management team. This time, however, the COVID-19 pandemic and its effect on the majority of processes have rendered such analysis impossible.

The coronavirus left Ukraine with both many victims and significant economic losses. What's changed? What can we expect going into the future? These and other questions are on the agenda of most countries around the globe, including Ukraine. The situation has provoked a clear need to analyze the state of Ukraine's key sectors during the pandemic and assess the country's prospects moving forward.

Thus, the International Centre for Policy Studies (ICPS), with the support of the Hanns Seidel Foundation in Ukraine, held a series of online expert discussions, which served as a basis for writing this research paper. The study assesses and develops recommendations for Ukraine's economic and energy sectors, demography and migration issues, security challenges, media and agricultural areas, as well as domestic and foreign policy.

The project has demonstrated strong demand for an in-depth, professional analysis of the situation in Ukraine, as well as for considering expert opinions in making governmental decisions. There is also a significant need for a calm, constructive dialogue, which allows one to find a compromise or even consensus.

UKRAINE'S DOMESTIC POLICY

After presidential and parliamentary elections in 2019, despite the formal division of power, the President's Office has become the body that oversees both the Parliament and the government's work. The COVID-19 pandemic, in turn, has posed a serious challenge for Ukrainian officials and the President in particular. As all previous authorities contributed to the destruction of Ukraine's healthcare system and anti-epidemic institutions, President Zelensky struggles to look for the most practical solutions to complex problems.

As a result of taking a rather unprofessional approach to founding the Servant of the People party, including relying on various business groups, the ruling faction is now divided. Thus, to effectively govern the country and ensure votings in the Parliament, the President's Office has to turn to other factions and independent MPs for help. The Servant of the People's ratings, in turn, are dropping due to the economic decline, quarantine restrictions, and never-ending scandals involving the new officials. The public is getting disappointed in the idea of electing "new faces", while Zelensky grows increasingly dependent on other stakeholders, whose interests he has to take into account.

According to a poll conducted by the Razumkov Center, President Zelensky's rating has dropped more than twice in 9 months. In September 2019, 56,1% of respondents would vote for Zelensky, while in June 2020 he would receive only 25,3% of the votes. The Servant of the People party's rating has seen an even more drastic decline – from 51,3% to 20,5%.

Today, the government has to prioritize domestic businesses, which have faced a plethora of challenges in the past years, leading to the mutual alienation of businesses and authorities. President Zelensky and the government are trying to bridge this gap by offering business partnerships in these crisis times, yet it's not enough. Ukraine needs a new, complex ap-

proach that would take into account the changing reality.

On the other hand, strict quarantine restrictions have certainly paid off, and Ukraine managed to avoid the collapse of the medical system in the first months of the pandemic. These restrictions, however, drained the savings of many Ukrainians, causing a negative reaction to any official statements on the extension of quarantine. Local elites are intentionally fueling the fire, promoting their mayors using such a controversial and painful issue as COVID-19.

While the 2019 elections have blocked access to the central government for many regional regimes, local elites continue to have a dominant influence in the regions, and their power is strengthened by the lacking decentralization process. It's worth noting that regional elites, without consulting the central government or voters, can change their region's entire development plan. Their power is mostly based on the monopoly over the distribution of local resources. Importantly, the role of Ukraine's regions might increase before local elections in the fall, posing a serious threat to the president's team.

Recommendations for the government on addressing key domestic issues:

- Ukraine should turn the President's Office into an intellectual center, which would both aid the President and other governmental bodies.
- It's important to strengthen the role of the state. In a crisis, the state must be an active actor, which is a global trend.
- Ukraine should start using the project approach as a way to solve society's most pressing problems (implementing complex national projects).

- The government needs to determine an adequate state regional policy, in particular, by establishing effective local institutions.
- Forming democratic counter-elite in the regions, which could be made up of the representatives of civil society, not connected with criminal elements and local oligopolies.

UKRAINE'S FOREIGN POLICY AND OTHER STATES' REACTION TO THE PANDEMIC

Including numerous restrictions imposed due to the pandemic, Ukraine's foreign policy has been severely limited. However, even though face-to-face meetings were minimized, this situation allowed discovering new, virtual contact opportunities. Some of these modernized forms of diplomatic work are likely to continue to be used after the pandemic. Ukrainian diplomats should skillfully weave these tools into their arsenal of work, all the while keeping in mind the need for timely conceptual readjustments of Ukraine's foreign policy due to significant changes in the regional and global landscape.

Over the next few years, the world will see a significant reformatting of global and regional hierarchies, as well as a more active change in socioeconomic models. Currently, the international situation is not characterized by relief in tensions, even though it could have been expected given the considerable reduction in contacts. Moreover, some of the old conflicts have begun to escalate. It could be explained by the escalation in domestic tensions, which, in turn, are being channeled externally. At the same time, some countries' reliance on arms didn't pay off, as all armaments have proven powerless in the face of a pandemic. In the US, for instance, the losses from COVID-19 have surpassed the losses from the Vietnam War in two months. Thus, the pandemic often serves as a trigger for ongoing processes and may give rise to a global reform of the world order. The main lines of tension will be the confrontation between the United States and China, along with the confrontation between the United States and Russia, growing tensions in US-EU relations, and a hybrid confrontation between Russia and the EU.

Given the situation, Ukraine will have to balance between the EU, China, the United States, and Russia. Our foreign policy should be heavily focused on Ukraine's national interests, even if it sometimes contradicts our partners' opin-

ions. The lack of both a systematic approach and a clear conceptualization of the government's key priorities leads to the vast majority of Ukraine's actions being a reaction to external stimuli rather than the state's strategy. Without corresponding actions, mere declarations for European integration will no longer be able to help Ukraine pursue an effective and pragmatic foreign policy that it needs.

For instance, one of the issues that need a systematic approach is developing a new foreign policy in the Asia Pacific region, especially focusing on Sino-Ukrainian relations. China has an increasingly important role in Eurasia and Europe. At the same time, the COVID-19 pandemic has majorly affected the European Union and integration processes, forcing the EU to rethink its further steps under new conditions. China, on the other hand, is not growing weaker after the pandemic, as some experts suggested, but, on the opposite, it's become a key factor in international politics. Therefore, we can expect other countries to reconsider their attitudes toward China. Ukraine needs to follow the suit and define its foreign policy regarding China, which has to be guided by national interests and not ideological stereotypes. The skillfulness of our diplomacy in this matter will not only determine the model of Ukraine's relations with China but will also demonstrate our ability to take into account the radical changes in the global landscape.

At the same time, Ukraine-US relations have taken a slightly ambiguous turn. On the one hand, Ukraine enjoys bilateral support of both parties and the US government; on the other hand, it has become an epicenter of the American election scandal, which has added to President Trump's personal skeptical view of the country. As the U.S. is Ukraine's vital strategic partner, Kyiv should focus on supporting and strengthening Ukraine-US relations, promptly fixing any misunderstandings, and establish-

ing new cooperations (for instance, in energy and scientific areas). To do that, Ukraine should make it a priority to distance itself from the US political matters, all the while developing a strategic dialogue at the institutional level and decreasing the dependence on particular American leaders.

During the pandemic, Ukraine's relations with the EU did not see any fundamental changes, but the density of contacts, compared to other foreign partners, remained quite high. The Ukraine-EU relations have a rather stable dynamics and are among the strategic priorities of Ukraine's foreign policy. European integration itself is enshrined in the state's Constitution as one of the priorities. At the same time, Ukraine's foreign policy must respond to changes within the EU and its members by updating our model of cooperation. It is necessary to systematize the whole array of cooperation channels with the EU, clearly identifying priority areas and developing corresponding medium-term plans to achieve benchmarks. Ukraine should strive for a more favorable model of economic, scientific, and technological cooperation with the European Union. In particular, we should aim for the revision of trade and investment conditions to improve the structure of Ukrainian exports to the EU market. Such a pragmatic approach would give the Ukraine-EU relations stability and predictability.

Ukraine's relations with Russia, on the other hand, remain one of the most challenging issues for the state's foreign policy. Given the annexation of Crimea and the ongoing conflict in the Donbas, it is highly unlikely that Ukraine and Russia would reach good neighborly relations any time soon. However, it would be irresponsible to disregard the influence Russia has and will have on Ukraine. Consequently, Ukraine should identify its priorities in relations with the Russian Federation, such as ending the conflict in the Donbas and the Donbas' subsequent de-occupation, ensuring a sustainable supply of critical products from Russia and obtaining free transit through the RF, reducing the level of conflict over Ukraine in Russia, and starting negotiations on Crimea's sovereignty. All of the aforementioned tasks are rather compli-

cated, especially under current circumstances, yet necessary to ensure Ukraine's social and economic development.

Analyzing the actions of Ukraine's diplomacy during the pandemic, one can highlight several moments. First, when COVID-19 had just started, Ukrainian diplomats successfully managed to return Ukrainian citizens to their homeland from all over the globe and successfully cooperated with our Western partners to receive critical aid. The conflict settlement process has also seen new dynamics – both the increase in TCG contacts in Minsk and the Normandy format (including visits to Berlin and Paris). However, we are yet to see the results of these actions.

Foreign policy recommendations for the government:

- Completing the development of normative documents, such as the National Security Strategy, Foreign Policy Strategy, and Foreign Policy Concept, which would provide a reliable framework and clear guidelines for Ukraine's foreign policy.
- Hiring new, professional personnel (which does not necessarily mean involving young professionals)
- Strengthening Ukraine's role in the formation of the security agenda in Europe and Eurasia.
- Ukraine should start a strategic dialogue with the United States, outlining the priorities, red lines, and maintaining bilateral support for Ukraine. It should also avoid interfering in American political processes.
- Ukraine should conceptually reconsider the model of Ukraine-EU relations and European integration processes (focusing on Ukraine's interests and actual results).
- Amending the Association Agreement with the EU (especially the DCFTA) and consolidating a strategic dialogue with Germany and Poland.

- Pragmatizing Ukraine's contacts with Russia and choosing a model of interaction that would reduce Ukraine's losses and prevent a major conflict, thus furthering the peacebuilding process in the Donbas.
 - Ukraine should establish a strategic dialogue with China, developing a consistent policy in our bilateral relations.
 - Strengthening Ukraine's cooperation with India and Japan.
- Making economic diplomacy a priority of Ukraine's foreign policy institutions.

ECONOMIC, FINANCIAL, AND AGRICULTURAL SECTORS OF UKRAINE

Denys Shmyhal's Cabinet of Ministers was appointed on March 4, 2020, as the anti-crisis government in these uncertain times of the COVID-19 pandemic and further recession. It's been over four months, and the Cabinet of Ministers has yet to approve the Government Action Plan. Prime Minister Shmyhal had submitted two draft programs, yet he failed to convince the MPs of their quality. It's worth noting that the absence of the approved Action Plan deprives the government of its immunity.

During the last year, there has been a constant flow of new ministers, deputies, and other officials of the government's executive branch. These changes do not allow for determining the expected course of economic development and establishing a clear strategy on supporting domestic businesses and attracting foreign investors.

According to the government's macroeconomic forecast, Ukraine's GDP will decline by 4.8% in 2020, even though it was previously expected to grow by 3.7%. It's worth noting that the International Monetary Fund expects Ukraine's GDP to drop by 8.2%. Moreover, the government's macroeconomic forecast assesses the unemployment to be at 9.4% (the IMF's estimate is 12.6%), real wages falling by 0.3%, the average annual exchange rate being 29.5 UAH per US dollar, and the inflation being at 8.7% (compared to previously expected 5.5%). At the same time, the government expects a slight economic recovery in the second half of 2020.

Shmyhal's draft programs have raised more questions than they gave answers as to how the country is going to emerge from the crisis. One of the Prime Minister's statements on creating 500,000 jobs in a few weeks has already proved unfeasible and populist.

The table below illustrates the inconsistencies between the priorities stated in the Govern-

ment's Action Program and the authorities' actions.

When assessing the economic crisis, it's worth noting that in May 2020, Ukraine's industrial production decreased by 12.2% compared to May 2020. In April, the decline was 16.2%, in March – 7.7%, and in February – 1.5%. In the manufacturing industry, the decline comprised 15.6%, in mining and quarrying, it's 8.9%, and in the supply of electricity, gas, steam and air conditioning – 1.9%. Overall, in the first five months of this year, Ukraine's industrial production decreased by 8.7%.

Ukraine's raw materials and export economic model has proved vulnerable to crises, illustrating its unpreparedness in the face of stress factors like the COVID-19 pandemic. The reforms that are being implemented are more externally oriented than fostering rapid economic growth. The lack of a specific economic course – available to both businesses and Ukrainian citizens – is another obstacle to the country's economic development. As a result, we have a large shadow economy, unequal competition, the lack of securities market, no access to international borrowings, constant personnel changes, populist government statements, ineffective state institutions, non-execution of the revenue budget, corruption, etc.

Among the relatively strong aspects of Ukraine's economy is the partial implementation of key reforms, which aids in attracting foreign partners. Additionally, one can note gold and foreign exchange reserves (\$25 billion), effective foreign exchange interventions of Ukraine's National Bank, and an interest rate (6%) that gives the government room for maneuver. Thus, as a result of the NBU's policy, Ukraine has a relatively healthy banking system. In particular, all banks currently have a sufficient level of capital.

Described in the program	Reality
Revising Ukraine's 2020 state budget to strengthen social protection and support the economy.	Cuts in benefits and subsidies (-8.2 billion UAH), cuts in subvention for social protection of teachers (-1.55 billion UAH), cuts in benefits for large and low-income families, persons with disabilities, etc. (-1.3 billion UAH). Traditional transfer of funds from one article to another; funding is provided by cutting critical budget articles instead of attracted funding; lack of allocated funds for economic support programs; the vague purpose of the Fund for Combatting Acute Respiratory Disease COVID-19.
Providing appropriate conditions for the effective work of scientists and researchers. Promoting the development of applied research. Introducing grant funding for science and innovation.	Cuts in funding for the Ministry of Education and Science (UAH -4.9 billion).
Ensuring increased salary for medical workers and persons involved in combatting the pandemic.	Bureaucratic obstacles and gaps in the medical reform led to salary cuts for medical workers.
Supporting domestic industrial producers, including through government procurement.	Importing medicine from China.
Continuing the Great Construction program and building a high-quality social infrastructure.	Cuts in funding for the Ministry of Community and Territorial Development (-6.8 billion UAH) and the State Fund for Regional Development (-2.6 billion UAH).
Creating conditions for attracting responsible owners through privatization of state property	Revenues from privatization have decreased from 12 billion UAH to 500 million UAH

At the same time, the actions of the Ukrainian government are mostly correct in terms of solving short-term problems. However, there is a growing lack of understanding of long-term risks and ways to address them. The government is being reactive rather than proactive. To change that, it has to demonstrate a strategy of qualitative social and economic changes amid the economic turbulence. To achieve Ukraine's goals, the strategy has to be based on sustainable economic development.

Under new, crisis conditions, the state has to become an active actor that engages national and friendly transnational capital. The state's role has to be strengthened and reinforced.

The pace of economic growth, the possibility of accumulating capital for the economic development, and the growth of social welfare

all depend on solving structural problems. The main priorities in restructuring Ukraine's economy should be: 1) accelerated development of high-tech mechanical engineering, which would modernize Ukraine's technical capabilities; 2) transitioning from international specialization in raw materials and low-tech goods, which bring low benefit, to specializing in medium and high-tech industries; 3) promoting various domestic goods.

The key instrument of economic dirigisme is indicative planning for the private sector. That is, the state doesn't introduce mandatory tasks (like in the USSR) but informs businesses about trends in the national economy, the government's intentions, economic prospects, and recommendations. It's worth noting that tax, credit benefits, subsidies, and general improvement of the business climate

only correct the actions of the market mechanism without dictating it. Basic economic freedoms are a necessary but insufficient market condition, as there are open and disguised state incentives for investment (ie dirigisme) in the world.

The creation of numerous processing plants, which provide high benefit, allows the extractive industry, modernized agro-industrial complex, and IT-industry to capitalize within Ukraine. At present, Ukraine exports value-added, and thus this potential is used by more developed countries. At the same time, high-tech and energy-efficient industrial production, agriculture, IT industry, tourism, and transit could become Ukraine's leading sectors of the economy. Another important point for attracting foreign investment is the development of infrastructure. It's a dynamic economic model that's focused mainly on small and medium businesses. The role of small and medium businesses in the post-industrial economy is ever-growing. It allows for the processing industry and serves large enterprises, creates jobs, and doesn't profit offshore companies, serving as a basis of the middle class.

To fully integrate into the world economy, Ukraine has to establish multinational companies. They have significant chances of being competitive in the world market, introducing new technologies faster, and replenishing the state budget.

To attract investment and introduce innovations to the state's economy, countries create favorable conditions for investors. In today's markets, one company usually lacks the resources to produce a competitive product, requiring the participation of other players with the necessary resources and competencies. Therefore, clusters – intersectoral associations of firms and other organizations – serve as catalysts for innovative development. Clusters, as a rule, include enterprises that produce the finished product, as well as suppliers of components, equipment, and services. Many of them include universities and research organizations. The geographical proximity of producers and suppliers contributes to the rapid spread of innovation, stimulating efficiency, and the emergence of new products.

Including the significant progress that the agro-industrial complex has made over the past 10-15 years, it serves as one of Ukraine's economic sectors with high potential for growth. According to experts, Ukraine can increase its grain cultivation to more than 120 million tons per year in ten years. It's possible due to Ukraine's favorable climate conditions and the high quality of the soil. Then, however, there is also a question of what would be the ultimate goal of such an increase in gross yields and the systematic regulation of the land market. Moreover, to increase the production of raw materials and value-added products, Ukraine needs to attract investment in this sector. Regarding the fiscal policy for the agricultural sector, it is necessary to structure the objects of management, as well as to determine the state's fiscal policy for at least five years. There is also a need to regulate the management of state assets, in particular, with regards to the transparent privatization of state-owned enterprises in the agricultural sector. The European integration process in the agricultural sector should focus on removing restrictive quotas for Ukrainian producers in the EU market.

In addition to the COVID-19 crisis, the world also experiences crises in financial and goods markets, which, of course, have an impact on Ukraine's economy. Together, these negative factors can lead to Ukraine failing to fulfill its budget. Among other consequences, the country might see a 7.5% increase in the deficit, an increase of Ukraine's state debt, an 11-13% increase in unemployment, an irreversible loss of labor, an increase in import dependence, as well as the loss of markets due to protectionist policies

Based on the results of expert discussions and subsequent analysis of the status quo, we have concluded the following recommendations for Ukraine's economic, financial, and agricultural sectors:

- Develop a realistic roadmap on combatting the economic crisis.
- Maintain Ukraine's relations with the IMF, in particular aiming to secure the possibility of debt restructuring, obtaining a tranche for combatting COVID-19, and making progress on existing cooperation programs with the IMF.

- Revise Ukraine's state budget taking into account governmental programs to support the economy.
- Concentrate on the orderly resumption of production, avoiding gaps in the development of different industries. It would be helpful to optimize the database of businesses for combatting the pandemic, using the example of China and the United States.
- Support Ukraine's producers by lobbying their interests in foreign markets.
- Decrease Ukraine's dependence on foreign goods that can be produced domestically.
- Preserve the independence of the NBU, support the hryvnia exchange rate, and stimulate NBU's monetary policy of the NBU to grow the economy
- Support the constant state-society-business dialogue, at the same time guaranteeing transparency of governmental decisions.
- Support corporate social responsibility practices.
- Refrain from focusing all economic efforts only on combatting the pandemic. Address long-term issues, such as initiatives to support the industry, in particular through government guarantee programs.
- Take into account external factors, such as the increasing protectionism on the part of many countries and the need to strengthen the role of the state in the economy.
- Avoid frequent staff changes in key ministries
- Enhance cooperation with markets that have a surplus of investment resources (such as the United States, the EU, the Persian Gulf countries, and the Far East) and learning to use these funds.

THE STATE AND CHALLENGES OF UKRAINE'S SECURITY SECTOR

During the pandemic, there were no drastic changes in Ukraine's security sector and its surrounding environment. In general, the security environment remains complex: there is a significant potential for growing conflict in the region, an open conflict with Russia continues, and the weakness of international institutions is exemplified by lacking intimidation towards the aggressor. Attention must also be paid to the intensification of certain tendencies and the deepened lines of conflict. Aside from its epidemiological or medical dimensions, the pandemic can be considered a good stress test for Ukraine's security system. Ukrainian authorities could do a check in real time on the readiness of the public administration system to act in case emergencies. So far, we can make a satisfactory assessment, but there is ample work to do on errors and shortcomings, especially in the civil defence and emergency sectors. The reform and modernization of the military-industrial complex, especially its management system, remain relevant.

Unfortunately, the new political powers have no systemic vision for the external dimension of Ukraine's security policy. The repetition of slogans about the invariability of NATO membership, given the ephemeral chances of accession in the near future, is clearly insufficient. Yet this vision is essential, given the significant and rapid changes in the international security environment. When addressing security issues, the government must set clear priorities; realistically assess the current situation; focus on working solutions instead of slogans; reduce the risks and costs of conflict; as well as find the right balance between strengthening security capabilities and maintaining the functionality of basic state institutions. Without a comprehensive approach to neutralize the most serious threats in the current situation, Ukraine can expect a significant deterioration in its security in the near future.

The main challenges to Ukraine's national security can be divided into long-term and short-

term challenges. The former include institutional weakness, poverty, an aggressive environment and high levels of uncertainty, while the latter include a crisis in international policy governance, a stalemate in the conflict in eastern Ukraine, and resource depletion due to the coronavirus pandemic. Ukraine continues to be in the "grey zone" of security, as the country has virtually no allies and any "strategic partnership" is mostly empty. Ukraine is more and more becoming a mere object of international policy and is more prone to become a policy tool to be used by other, more powerful countries.

The pandemic hasn't changed the situation drastically, but rather manifested and exacerbated the problems that already existed. The epidemic also set the scene for a further escalation of the US-China confrontation, leading to the gradual formation of alliances on each side. Simultaneously, this has led to the growing importance of Russia in geopolitics, with corresponding consequences for Ukraine. There has also been a significant transformation within international organizations, which are now more prone to focus on the protection of their existing members, rather than expanding or engaging beyond their responsibilities. Considering this context, it's vital for Ukraine to develop a systematic and balanced approach to its position in these ambivalent circumstances. However, such a well-thought-out and truly sovereign policy requires a sovereign elite, which Ukraine is lacking.

With regard to the peaceful settlement in Donbas, we see another (rather formal) intensification of efforts on Ukraine's part, yet without any significant results. There have been some significant problems in the negotiation process itself, and even though there have been attempts for optimization on the Ukrainian side, the slightest attempt at compromise is met with serious opposition within the country. The development and propagation of internal tolerance, as well as the conduction of an internal peace-building

dialogue are the top priorities within Ukrainian society for the moment. After all, one can't expect any improvement on an international level, when the internal strife between two opposing camps encourages the continuation of radicalization. Being in the middle between two polar opposites, the government doesn't take sufficient steps to bridge this gap between the parties and reduce the level of confrontation.

The on-going de-intellectualization of Ukraine's public policy is an additional, but no less significant, problem. Ukrainian society has become increasingly susceptible to the dangerous lure of simple, under-nuanced and confrontational solutions. If this line of thinking continues, Ukraine will be reaping the extremely negative consequences, accumulating negative internal potential. Additionally, the increasingly toxic dynamics of the domestic political process (in which the issue of peace and war plays a special role) threatens to further destabilize the internal situation in the near future.

The field of security is particularly susceptible to the existence or lack of coherent strategies. Unfortunately, it is too early to say whether the new political team has a comprehensive security strategy in place. Additionally, Ukraine also lacks a platform for this new strategy to be prepared and formulated. There's a dire need for Ukraine to realistically assess the situation and its own potential, without being captivated by out-dated concepts. It's paramount to determine a strategy that corresponds with the everyday reality of international relations, and

to outline a sequence of specific steps for its implementation.

Based on the results of expert discussions and subsequent analysis of the status quo, we have concluded the following recommendations for Ukraine's security sector:

- Achieve complete harmonization and adopt key security regulations (National Security Strategy and a number of derived strategies);
- The President's team must urgently take action to reduce the level of confrontation in society and work systematically to reduce the influence of opposing political teams (especially the Opposition Platform and European Solidarity), which are deliberately deepening divisions in the country;
- Restart the Donbas peace process and establish a ceasefire by the end of this year in order to start the de-occupation process by 2021;
- Update the list of Ukraine's real strategic partners abroad and start the practice of annual regular strategic consultations with key international partners (primarily the USA, China, Germany, Great Britain, Poland, Canada, and NATO) at the level of the Ministry of Foreign Affairs, Ministry of Defence and the National Security and Defence Council.

ENERGY SECTOR OF UKRAINE

The main consequences of the pandemic for the global energy markets are the structural reduction in demand for fossil fuels; a general withdrawal of capital from carbon assets; a halt to investments in exploration and development of new fields; increased pressure on governments to abolish subsidies for extractive industries; a transition to climate change policy, going from limiting emission and fiscal method regulations to eliminating their primary sources and directing state infrastructure regulations, as well as strengthening the role of the electricity sector, attracting investments to it and accelerating the transition to renewable energy sources.

Compared to the same period in 2019, the first half of 2020 showed a decrease in the general industrial production index, particularly in the following industries: processing, mining, quarrying, electricity, gas, steam and air conditioning. The first signs of an energy sector crisis in Ukraine began to show even before the coronavirus pandemic. There is currently no effective strategy for energy development and energy security. In the meantime, lobbying efforts of relevant financial and industrial groups are intensifying. One of the preconditions for overcoming the current crisis is the implementation of a consistent and strategic Ukrainian energy policy, in synchronization with the EU. Equally important to notice is the drop in oil prices (reaching a dramatic depth in April), which could lead to the generation of permanent losses by launch of “Turkish Stream” and the first phase of “Nord Stream”. In turn, this can improve Ukraine’s negotiating position with regard to “Nord Stream 2”, opening the possibility to a stable load on its GTS.

In Ukraine’s gas industry, a detailed technical and financial audit of the Gas Production Program “20/20” - which provides for a significant increase in gas production – was required but never completed. The design parameters of production were reduced, which led to the life cycle of many wells being lost or reduced by 15, 20 or even 30% in many cases.

The state-owned NNEGC Energoatom should be transferred to a market *modus operandi* and act more decisively on de-monopolization measures in the field of thermal energy in cooperation with the Antimonopoly Committee. It is also urgent to appoint managers to all key enterprises in the energy sector.

In order to get out of this crisis, Ukraine must increase the state’s and energy sector’s efficiency. The following recommendations are made for the government:

- A new program or roadmap for the Ukrainian Government’s energy security;
- A revision of the state budget, taking into account the current situation in the energy market;
- Continuous discourse in the state-society-business triangle;
- The pursuing of market reforms;
- Tariff inclusiveness should not occur solely at the expense of end users;
- Minimizing tariff imbalances between nuclear and thermal power generation;
- Limiting market monopolization and uncontrolled tariff growth by antitrust and regulatory authorities;
- Opening the market in both directions (exports and imports) and guaranteeing the inflow of cheaper foreign electricity to create fair competition;
- “Energy European integration” - synchronization of energy systems with the European market (ENTSO-E, ENTSG);
- The differentiation between the interests of private companies and the real goals of electricity market reform by the international community;

- The preservation of the state's transit infrastructure, restoring the confidence of external partners and financial organizations in the reliability of Ukraine as a transit country;
- Attracting investments in energy infrastructure;
- The reduction of energy consumption for own production, increase of energy efficiency of the country;
- Increasing Ukrainian energy production.

DEMOGRAPHY AND MIGRATION

As of July 6, 2020, 49,043 laboratory-confirmed cases of COVID-19 were recorded in Ukraine, of which 1,262 were fatal and 21,703 patients recovered. A total of 722,513 PCR tests were performed.

The assessment of the demographic situation in Ukraine, and in particular the impact of the coronavirus pandemic, is complicated by the unreliability of information: the last census was

held in December 2001, and the events in both Crimea and Donbas in 2014 have caused serious demographic alterations. Additionally, Ukrainian citizens aren't very likely to register the changes in their place of residence.

Ukraine is characterized by a high level of demographic aging, especially in rural areas. Since 1993, Ukraine's population has been steadily declining due to low birth rates, high

UKRAINE'S POPULATION						
(on 1st of January ; thousand individuals)						
	Current population			Number of Permanent Residents		
	Total	Including		Total	Including	
		Urban	Rural		Men	Women
1990	51 838,5	34 869,2	16 969,3	51 556,5	23 826,2	27 730,3
1991	51 944,4	35 085,2	16 859,2	51 623,5	23 886,5	27 737,0
1992	52 056,6	35 296,9	16 759,7	51 708,2	23 949,4	27 758,8
1993	52 244,1	35 471,0	16 773,1	51 870,4	24 046,3	27 824,1
1994	52 114,4	35 400,7	16 713,7	51 715,4	23 981,1	27 734,3
1995	51 728,4	35 118,8	16 609,6	51 300,4	23 792,3	27 508,1
1996	51 297,1	34 767,9	16 529,2	50 874,1	23 591,6	27 282,5
1997	50 818,4	34 387,5	16 430,9	50 400,0	23 366,2	27 033,8
1998	50 370,8	34 048,2	16 322,6	49 973,5	23 163,5	26 810,0
1999	49 918,1	33 702,1	16 216,0	49 544,8	22 963,4	26 581,4
2000	49 429,8	33 338,6	16 091,2	49 115,0	22 754,7	26 360,3
2001	48 923,2	32 951,7	15 971,5	48 663,6	22 530,4	26 133,2
²⁰⁰²¹	48 457,1	32 574,4	15 882,7	48 240,9	22 316,3	25 924,6
2003	48 003,5	32 328,4	15 675,1	47 823,1	22 112,5	25 710,6
2004	47 622,4	32 146,4	15 476,0	47 442,1	21 926,8	25 515,3
2005	47 280,8	32 009,3	15 271,5	47 100,5	21 754,0	25 346,5
2006	46 929,5	31 877,7	15 051,8	46 749,2	21 574,7	25 174,5
2007	46 646,0	31 777,4	14 868,6	46 465,7	21 434,7	25 031,0
2008	46 372,7	31 668,8	14 703,9	46 192,3	21 297,7	24 894,6
2009	46 143,7	31 587,2	14 556,5	45 963,4	21 185,0	24 778,4
2010	45 962,9	31 524,8	14 438,1	45 782,6	21 107,1	24 675,5
2011	45 778,5	31 441,6	14 336,9	45 598,2	21 032,6	24 565,6
2012	45 633,6	31 380,9	14 252,7	45 453,3	20 976,7	24 476,6
2013	45 553,0	31 378,6	14 174,4	45 372,7	20 962,7	24 410,0
2014	45 426,2	31 336,6	14 089,6	45 245,9	20 918,3	24 327,6
2015	42 929,3	29 673,1	13 256,2	42 759,7	19 787,8	22 971,9
2016	42 760,5	29 585,0	13 175,5	42 590,9	19 717,9	22 873,0
2017	42 584,5	29 482,3	13 102,2	42 414,9	19 644,6	22 770,3
2018	42 386,4	29 371,0	13 015,4	42 216,8	19 558,2	22 658,6
2019	42 153,2	29 256,7	12 896,5	41 983,6	19 455,3	22 528,3
1.01.2020	41 902,4	29 139,3	12 763,1	41 732,8	19 343,5	22 389,3
1.05.2020	41 806,2	-	-	41 636,6	-	-

Source: State Statistics Service of Ukraine

In the period January-April 2020, the mortality rate was twice as high as the birth rate in Ukraine.

Number of live births who died in January-April 2020			
	Number of live births	Number of deaths	Number of new-borns who died before the age of 1
Ukraine	92 337	195 287	652

Source: State Statistics Service of Ukraine

premature mortality (especially of men), and large-scale labour migration. Due to inaccurate population accounting, lower depopulation has been registered in recent years. If the population is overstated, births and deaths are usually underestimated. But because the number of deaths significantly exceeds the number of births, depopulation (the difference between these two indicators) is underestimated.

Since Ukraine's independence, the population has decreased by 10 million people. In 2019, this figure decreased by another 251 thousand people. The negative trend hasn't been affected by the corona crisis, as the Ukrainian population has decreased by another 100 thousand people since the beginning of 2020.

Temporary labour migration remains a separate problem. The current corona crisis has forced these labour migrant to return to Ukraine, for the time being. However, given the lack of jobs and economic growth, this will most likely lead to higher unemployment and social tensions.

Official estimates of the total number of Ukrainian labour migrants working abroad range from 1.5 to 5.0 million. However, given the number of taxpayers in Ukraine, the scale of unregistered employment and possible calculation errors, the real number is most likely around 3 million. For the time being, we see a rise in Ukrainian citizens returning from Europe and a reduction of citizens leaving the country because of the closed borders. No matter the Ukrainian authorities' efforts, it's most likely that migration patterns will quickly be resumed and even increase. In this context, even keeping in mind the COVID-19 pandemic, Ukraine expects further depopulation and population aging.

As for immigrants moving permanently to Ukraine, this figure amounted to 10.77 thousand people to in January-April 2020. Even

though it exceeded the number of those who left the country by 6755 people, it isn't enough to deter the general dynamic of a reduction in Ukraine's population. It must also be noted that the emigration of educated people is a more worrying trend than the mass departure for seasonal work: the percentage of highly qualified emigrants is not compensated for by immigrants to Ukraine, and increases the asymmetry within the Ukrainian labour market.

The outflow of the younger generation, the aging of the nation and the reduction of the economically active population (by almost 6%) lead to a decrease in production rates in the country and weaken the preconditions (resources) for future rapid economic growth, which negatively affects Ukraine's European integration prospects. Realistically speaking, only economic incentives and government programs can impact the mentioned negative trends. In the long run, the country's stabilization and further crisis-free development will allow professionals and young families to feel more confident about building a future in Ukraine.

Another remarkable effect of the corona crisis will be the predicted slight increase in birth rates, as self-isolation and forced stay at home will significantly impact family relations. The increased birth rate will also be positively affected by the inevitable economic crisis, as poor countries and poor families usually sport larger families.

In order to assess the current demographic situation and allow adequate government action planning to address social problems, it is necessary to conduct a qualitative and timely census. The UN recommends conducting a census at least once every 10 years, as there aren't many other available tools to provide an accurate estimation of the population. In Ukraine, however, there was no census conducted in 2010, and

holding a census in 2020 is considered to be unreliable. It is very likely that, by 2030, Ukraine will have had no valid census for over 30 years.

Currently, it is possible to give a more or less accurate estimation on Ukraine's total population, but there is a critical lack of information on its composition: gender, age, educational composition, ethnic composition, family composition, status in the labour market, and so on. If Ukraine won't be able to conduct a census in 2020, then it will only be possible to conduct one in 2021 if Zelensky manages to find the political will to allocate the necessary funds for it.

Thus, the recommendations for the government are:

- Conducting an All-Ukrainian Census in 2021, which will realistically assess what benchmarks to consider when planning government programs;
- Carrying out a proactive migration policy and stimulating the migration influx of the population should become one of the priorities of the government and can be achieved mainly through economic incentives;
- Reduction of mortality, especially premature mortality of men of working age, by modernizing the health care system. This specific vulnerable group can be more actively targeted by introducing a mandatory comprehensive medical examination of men aged 55-65 at least once a year at the expense of the state.
- Increasing the birth rate through economic incentives and information campaigns to promote the benefits of parenthood.

MEDIA SPHERE OF UKRAINE

The coronavirus pandemic has uncovered and underlined both the positive and negative characteristics of the Ukrainian media industry: on the one hand – dependence on financial and industrial group by a large part of the media, on the other hand – the self-sufficiency of the individual media.

The impact of social media, on the other hand, has been significantly reduced by quarantine restrictions, because information from official sources, disseminated by traditional media, proved itself to be more useful.

Society and the journalistic community in particular, need to overcome their dependence on oligarchs. In order to do so, it's necessary to develop journalistic solidarity and uphold certain ethical standards, both on a professional and civic level. It's possible that the number of TV channels operating under oligarch control may decrease in Ukraine, which means that the coronavirus pandemic and the accompanying economic crisis may end up having a positive effect on this area. "Oligarchic" media can be divided into at least two types - large media groups that make money through advertising and aren't as dependent on their founders' money, and those that never made money on advertising and were created for purely propaganda purposes. The first group has felt the crisis hit them very hard, but trained by the previous crises of 2014 and 2008-2009, they now use the fall-back tools they developed back then: a change in the broadcasting network, reduction of procurement budgets and staff reductions. The second group doesn't have to adapt and continues to enjoy the funds available to them.

The advertising market, which took a promising start in 2020, has now slowed significantly in wake of the quarantine. For the television sector, a fall is forecasted in the advertising market of 40-50% in the 2nd-4th quarters of 2020. In direct advertising, a 60% drop is predicted in sponsorship. The radio sector is bracing itself for a 70% drop and outdoor advertising will drop up to 80%. Those numbers are applicable to the big fish in the market.

A recent social survey has shown that the majority of Ukrainian audiences distinguish useless from useful in the information sphere. Right now, the most popular, or most sought-after, information concerns the country's specific action plans and quarantine exit strategies. However, there remains a systemic distrust of the general public towards the authorities. Trust towards doctors, on the other hand, is growing. This leads to contradictory beliefs, where some believe that the government is exaggerating the number of infections, and others are convinced that the government is downplaying the actual numbers. Most of the time, however, television is perceived as an official news source, and enjoys increased levels of trust by the Ukrainian people, especially by older audiences.

Due to the crisis, the National Council of Ukraine on Television and Radio Broadcasting was forced to adapt to the new quarantine conditions in quick tempo and allowed licensees to change the program concept without waiting for its approval by the National Council, as required by law. The only condition was that the licensee had to inform the council about the changes and provide documentary evidence.

The following recommendations are made for the relevant authorities and civil society actors:

- Development of media literacy, battling fake news in the media, including Russian propaganda;
- Adoption of a law on media, ensuring the financial development of the industry and the effective implementation of the media's social function;
- Counteracting monopolies in the media sphere, ensuring transparency and reliability of information about media owners and main beneficiaries;
- Promote the media's independence from state powers, while also providing a legal framework protecting citizens against slander and fake news in the media.

CONCLUDING REMARKS

As the project-organized expert discussions and the subsequent analysis demonstrated, the coronavirus pandemic has had and will have a rather ambivalent impact. On the one hand, it has triggered significant changes in the vast majority of industries in Ukraine in terms of quality and quantity, very often simply exacerbating already obvious problems and highlighting the biggest challenges. On the other hand, it is too early to talk about significant changes, because it's most likely that, after a decrease in the pandemic level, society will attempt to return to its usual rhythm. In short: the system received a painful shock, but retained all its basic elements and working structure.

Finding itself given an unprecedented level of trust from Ukrainian society in 2019, the new political team was faced with a pandemic that became a second chance for introducing significant changes and unconventional solutions, despite the gradual imbalances in power which ended up reaching critical levels in the early spring of 2020. However, analysis shows that, despite numerous opportunities to do so, the ruling team has yet to rise to the occasion and provide successful solutions to critical problems. At best, it has offered prompt responses to the most pressing challenges. On the one hand, it must be spread that several unique situations have come together and significantly impacted the vast majority of citizens, as well as crucial governmental areas. In such a distressing situation, one can agree to prioritize “firefighting” – that is, to resolve the most pressing threats and problems as soon as possible, postponing strategic issues. But this does not reduce the need to reboot the entire system, which has already exhausted its stability resources, and to bring elementary order in a number of key areas.

With regard to Ukraine's future after the pandemic (not including the next waves), we can state that the number of problems with the

management of the entire system will most likely increase and the ability to stabilize the entire state system and resolve major imbalances will decrease. Avoiding or averting such a negative scenario will require some serious reshuffling within the political team; the development and implementation of a systematic vision of the country's growth; a new balanced and pragmatic economic course; a well-thought-out social policy and the active implementation of a nationwide dialogue on many levels that would counteract the processes of radicalization and destructive actions from internal actors; and finally the achievement of real progress in the process of peaceful settlement in the Donbas and the conceptual rethinking of Ukraine's foreign and security policy.

There's a need for a qualitative and systematic analysis of the processes taking place in Ukraine. Its quality must be supported by the key stakeholders, primarily those in power, otherwise the country will continuously be held hostage by poor management decisions, which will exacerbate the already difficult situation in the country. It is equally important to stimulate professional dialogues between experts and encourage a real societal discussion on the most pressing issues in Ukraine's present and future development. The gradual disappearance of dialogue and discussion in Ukraine is a very worrying symptom.

In summary, the current situation has positioned Ukraine on the verge of radical changes, which may exceed all previous ones since its independence in 1991. The main goals of this project were to show a comprehensive picture of the current situation in Ukraine's key sectors, as well as to provide recommendations to further its development in a sensible direction. It will be up to the current Ukrainian government to create a coherent long-term framework for the implementation of these recommendations.





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