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THE ROLE OF EU ACCESSION IN SHAPING UKRAINE'S SOCIAL POLICY

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This paper builds on research from my Master's thesis at the Berlin School of Economics and Law (HWR Berlin), and I would like to thank my supervisors, Prof. Dr. Martina Sproll and Prof. Dr. Matthias Kötter, for their invaluable guidance and support.

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ABSTRACT

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JEL CLASSIFICATION: H55, I38, P30, F55

KEYWORDS: Ukraine, EU accession, social policy, welfare state, Ukraine Facility, informal institutions

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1. Introduction

On 24 February 2022 Russia launched a full-scale invasion of Ukraine, triggering a humanitarian crisis unprecedented in the country's recent history. Explosions struck major urban centres, and Russian troops advanced into regions such as Kherson, Donetsk, Luhansk, Sumy, Kharkiv, Chernihiv, and Kyiv. The war has placed extraordinary pressure on Ukraine's social protection system, particularly regarding support for military personnel, war veterans, and internally displaced persons. The scale of humanitarian need far exceeds the capacity of Ukraine's existing social-security structures, which were already constrained by institutional fragmentation, inconsistent legal frameworks, and the persistence of informal redistribution practices. Substantial reform is therefore imperative. Strengthening national legislation, improving administrative coherence, and aligning social-policy frameworks with international and European standards are central to ensuring that the state can continue fulfilling its constitutional responsibilities under conditions of profound instability (Burlaka *et al.*, 2023, p. 226). With this initial European funding, Ukraine has an opportunity to develop strategies that foster adaptation and institutional evolution with essential international support. However, the Ukraine Facility and its implementation plan highlight significant challenges, such as fragmented governance, entrenched informal networks, and heavy reliance on external assistance. This study examines Ukraine's social policy reforms within the broader framework of EU integration, assessing whether these initiatives can foster lasting social development amid ongoing geopolitical pressures. The analysis rests on two main arguments: the Ukraine Facility encourages reforms that are largely influenced by European interests, and the persistent divide between formal laws and informal practices in Ukraine hinders effective reform efforts.

Building on these hypotheses, the study employs a neoinstitutionalist analytical framework to assess how formal and informal institutions shape social-policy reform outcomes in Ukraine. The concepts of path dependency, institutional legacies, and embedded informal practices provide the theoretical foundation for evaluating whether the reforms linked to the Ukraine Facility can generate substantive institutional change or whether they risk becoming predominantly formalistic exercises. Methodologically, the research is based on qualitative document analysis of legislative texts, EU regulatory frameworks, the Ukraine Facility and Ukraine Plan, and secondary academic literature. These sources are complemented by insights from expert discussions and policy exchanges, including statements made during the 2024 Ukraine Recovery Conference. This combination allows for an assessment that captures both the formal design of reforms and their practical implementation constraints. The goal is to contribute to debates on EU enlargement and post-communist welfare reform by showing how EU-driven social-policy initiatives interact with path-dependent informal institutions under conditions of geopolitical urgency, producing reform trajectories that privilege formal alignment over substantive institutional change.

The study proceeds as follows. The second chapter outlines the theoretical framework, focusing on the interaction between institutional legacies, embedded informality, and processes of institutional change. The third chapter examines the EU's social-policy architecture and the role of enlargement as an institutional projection mechanism that shapes candidate-state reform trajectories. The fourth and fifth chapters analyse Ukraine's post-communist welfare transformation and the current configuration of its social protection and financing system, highlighting structural fragmentation and informality. The sixth chapter evaluates the human-capital components of the Ukraine Plan and assesses the reform proposals most relevant to social-policy transformation. The conclusion synthesises the findings and discusses the implications of the Ukraine Facility for Ukraine's long-term institutional development and EU accession prospects.

2. Embedded practices and institutional change

Institutional transformation rarely proceeds in a linear manner. It often unfolds unevenly and is shaped by historical legacies that constrain the scope and direction of reform (Böhle, 2000, p. 237). This perspective is particularly relevant in the context of Ukrainian Europeanisation, where institutional change unfolds within structures shaped by dynamics of the post-Soviet transition, residual Soviet-era governance arrangements, manifesting as persistent informal practices in certain areas. These historically rooted features create path dependencies that constrain the range of feasible reform options and reinforce existing institutional trajectories over time (Thelen, 1999, pp. 392–394).

Importantly, these constraints are not only structural but also cognitive in nature. Institutions are embedded in political processes and ideological orientations, meaning that actors do not necessarily respond to reforms according to abstract notions of efficiency or optimal rationality (Andersson-Skog, 1997, p. 138). Instead, decision-makers and implementers interpret new rules through routines, habits, and historically shaped expectations. Operating within such established "paths" (see Powell and DiMaggio, 1991), actors may reproduce familiar practices even in the face of formal institutional change, contributing in some cases to what Farrelly (2008, pp. 217–232) terms "institutional blindness," where enduring legacies remain insufficiently questioned or addressed.

Building on the preceding conceptualisation, this study employs an analytical distinction between formal institutions (laws, regulations, constitutional provisions) and informal institutions (norms, traditions) (North, 1990, p. 5) as a central lens for examining institutional change. This distinction provides the basis for assessing whether EU-supported social policy reforms under the Ukraine Facility are able to produce substantive institutional change beyond formal legal alignment.

This framework guides the analysis of EU-supported social policy reforms under the Ukraine Facility. Ukraine's institutional landscape has been profoundly shaped by the post-communist transition, particularly through the emergence of parallel structures that combine formal and informal institutional elements (Stark and Bruszt, 2001, p. 70). Informal networks developed as adaptive responses to the limitations of the Soviet state-socialist system and remained influential even as formal institutions changed rapidly after 1991 (Misztal, 2002, p. 208). As a result, contemporary governance structures reflect the bygone coexistence of residual Soviet bureaucratic institutions and informal networks, producing a fragmented and hybrid institutional order (Palmer, 1991, p. 463). This context is crucial for understanding why formal institutional reform alone (in this case adjustment to the *acquis communautaire*) is often insufficient to produce substantive change. While formal institutions can be reformed through legislative processes, informal institutions tend to persist due to their cultural and historical embeddedness (Zweynert and Goldschmidt, 2005, p. 3), creating the conditions for institutional traps in which reforms remain largely superficial and fail to produce substantive change (Oleinik, 1998, p. 27). The persistence of certain institutional practices further depends on the bargaining power of decision-making groups, since political processes tend to reproduce constraints that advantage the most influential actors (North, 1990, p. 73,82).

Institutional mismatches in Ukraine are characterised by tensions between newly established formal structures and deeply embedded informal practices. Informal networks and patronage systems often compensate for inefficiencies in formal institutions by facilitating social and economic interactions, while simultaneously constraining meaningful reform efforts. In such contexts, reforms necessarily operate under second-best conditions, where ideal institutional

arrangements cannot be fully implemented; consequently, rigid and non-adapted reform models risk producing outcomes that are ineffective or even counterproductive (Oleinik, 1998, p. 27).

Analytically, these hybrid institutional structures should not be understood as unique to Ukraine but as characteristic of Europeanisation processes in diverse institutional contexts, as institutional transfer occurs across markedly different governance contexts.

EU formal rules, while designed to maximise collective benefits within its member states, may not fully translate into effective institutional change in accession countries where informal practices remain influential. This underscores the importance of multi-level governance dynamics in EU accession processes, in which institutional mismatches emerge across different levels of governance. In such contexts, integration outcomes are shaped not only by formal compliance but also by interactions between actors operating at different governance levels (Newig and Koontz, 2014, p. 254)

Within this framework, neoinstitutionalism serves as the thesis's primary analytical instrument, providing the criteria for evaluating reform under the Ukraine Facility. Specifically, it allows for an assessment of whether EU-driven reforms produce substantive changes in institutional practice or remain confined to formal legal alignment. Where relevant, comparative welfare-state literature complements the institutionalist analysis (see Section 6.3) by helping to describe the welfare configuration produced by formal–informal institutional interaction, rather than explaining its emergence.

Accordingly, the distinction between formal and informal institutions, together with the concept of path dependency, functions as a guiding reference throughout the empirical chapters, shaping the analysis of EU expectations, domestic reform dynamics, and persistent institutional mismatches.

In the empirical chapters, I evaluate reforms by distinguishing:

1. Formal institutional change (legal and organisational design), from
2. Informal constraints (embedded practices and networks)
3. The mechanisms through which informal constraints shape implementation.

Reforms count as substantive institutional change only where they alter incentive structures and reduce discretionary space in implementation; reforms are treated as predominantly formalistic where legal transposition occurs without corresponding shifts in monitoring capacity, resource allocation, or behavioural routines.

3. Why the EU matters for Ukraine's social-policy trajectory

Understanding the EU's social-policy architecture is essential for analysing Ukraine's accession trajectory. The accession process does not unfold in a neutral institutional environment: the EU itself is shaped by path-dependent constraints that have historically subordinated social policy to economic integration. This chapter applies the neoinstitutionalist perspective to examine how institutional legacies, governance instruments, and treaty foundations shape both the EU's social-policy capacity and the mechanisms through which enlargement operates. It further analyses how geopolitical and energy-security shifts since 2022 alter the logic of accession. Taken together, these dynamics define the expectations, constraints, and trade-offs that structure Ukraine's reform environment.

3.1 Enlargement as an institutional projection process

The decision to open the accession process for Ukraine can be viewed as a strategic geopolitical move by the EU, especially given the limited progress and initiative demonstrated by the European side prior to February 24, 2022. Yet, in line with the theoretical discussion on path dependency and institutional legacies, the EU must also be understood as an institutional actor shaped by its own historically evolved constraints. Enlargement is therefore not a neutral transfer of norms but a process through which the EU projects its internal templates, ex. European welfare trajectories, onto candidate states whose institutional landscapes differ substantially.

This analytical perspective is crucial for understanding the limits and tensions that appear in EU–Ukraine cooperation.

The EU accession process has long been criticised for its exclusivity, lack of transparency, and technocratic nature (Lendvai, 2004, p. 324). This asymmetry is embedded in the Copenhagen criteria (and in broader sense the enforcement of the acquis communautaire), which require candidate states to internalise the cumulative achievements of European integration, despite having been historically excluded from shaping these norms (Grabbe, 2003, pp. 3–18). Such one-directional norm transfer reflects the EU's own institutional path dependencies: enlargement operates through standardised templates and legalistic procedures derived from Western European state-building trajectories (Gerasymova *et al.*, 2021, pp. 68–69). However, the effectiveness of enlargement as an institutional transfer mechanism is inherently conditioned by institutional legacies within candidate states, which shape the extent to which European rules can be absorbed, reinterpreted, or resisted in practice. In the Ukrainian case, this potentially leads to structural tension.

The EU prioritises compliance with the acquis Communautaire (Moens and Vinocur, 2024, pp. 2–17), meaning that accession is assessed through the formal transposition of EU rules into national law (Gerasymova *et al.*, 2021, p. 68). Yet such legal alignment does not automatically translate into changes in administrative practice, producing precisely the kind of institutional mismatch described in the theoretical framework, where entrenched legacies, such as patronage networks, discretionary administrative routines, and residual Soviet-era bureaucratic practices, constrain behavioural and organisational transformation. Policy advisors in Germany currently emphasise rule of law chapters, particularly democratic standards (Chapter 23) and justice, security, and migration (Chapter 24), not because they are the most feasible, but because they are viewed as foundational for long-term democratic governance and security cooperation with the EU (personal communication with a German policy advisor, May 26, 2024). They also expose the gap between formal reform and practice: legal standards may be adopted quickly, while deeply rooted informal practices continue to shape their implementation.

However, the promise of membership functions more as a geopolitical tool of stabilisation than a clearly structured pathway. The prospect of accession remains in many respects detached from the practical viability of achieving it (Anghel and Džankić, 2023, p. 497), reflecting a broader tension within the EU between its strategic ambitions and its foundational mission of fostering peace through integration (Orenstein, 2023, p. 339). The enlargement process therefore contains a structural tension: it rewards reforms that can be demonstrated through legal alignment, while the institutional transformation required in Ukraine depends on deeper behavioural and administrative change. This preference for formally measurable, e.g. rule-of-law reforms, also leaves social policy in a subordinate position.

For Ukraine, this enlargement logic implies that social-policy reforms are assessed primarily through their conformity with pre-existing EU institutional templates, rather than through their capacity to address country-specific welfare legacies or implementation constraints.

3.2 Post-2022 geopolitical turn

Since Russia's full-scale invasion, the EU has undergone a profound geostrategic reorientation, repositioning Ukraine from a peripheral neighbour to a central component of Europe's security architecture. This shift is visible not only in accelerated defence assistance (*EEAS*, 2025) and the fast-tracked accession process but also in the rapid overhaul of the EU's energy strategy following the collapse of Russian gas imports. Within the EU's enlargement strategy, social policy occupies a structurally subordinate position relative to economic integration and security-related objectives, reflecting the Union's limited competences and governance instruments in this field. This in turn also reshapes the accession context in which social policy reforms are evaluated, as security, energy resilience, and macroeconomic stability increasingly define the parameters of EU engagement (Karjalainen and Siddi, 2025, pp. 14–15).

Europe's strategic dependence on Russian energy had long been recognised as a vulnerability: the Nord Stream 2 pipeline provided cheap gas to Europe while bypassing transit countries such as Ukraine, reinforcing existing geopolitical dependencies (Goldthau and Sitter, 2020, pp. 112–113). Following Russia's aggression, energy security rapidly moved to the top of the EU's political agenda (Giuli and Oberthür, 2023, p. 395). Russian gas imports fell from 40% to just 9% of total EU supply in 2022 (McWilliams *et al.*, 2023, pp. 2–3), underscoring the urgency of developing alternative energy strategies. The EU's response culminated in the adoption of RePowerEU, a framework intended both to reduce dependency on Russian fossil fuels and to accelerate alignment with environmental and decarbonisation goals (see Giuli and Oberthür, 2023). Yet for member states that previously championed Nord Stream 2, the immediate political priority remains securing sufficient energy supply rather than pursuing longer-term structural transformation.

More broadly, promoting connectivity and ensuring the security of energy supply have become central pillars of EU foreign policy. Europe's previous model, grounded in economic interdependence with Russia, proved unsustainable (See Cohen, 2007). In this context, the underlying trade-offs intensified as structural and market constraints limited the EU's ability to substitute Russian energy (McWilliams *et al.*, 2023, pp. 4–6), and new strategies to cover acute needs are being developed both within the EU and in cooperation with external partners (Prisecaru, 2022, p. 17). These shifts illustrate how geopolitical and energy-related considerations now shape the EU's external engagement, including its approach to Ukraine.

Against this evolving backdrop, the role of social policy reforms within Ukraine's accession process remains ambiguous. In conversations with policymakers, social protection was mentioned primarily in terms of safeguarding vulnerable populations, yet without further elaboration or indication of strategic prioritisation (personal communication with a German policy advisor, May 26, 2024). The prominence of security and energy concerns thus raises the question of how and to what extent, transformations of Ukraine's social policies are integrated into the broader accession agenda.

This post-2022 shift represents a significant break from earlier EU governance approaches, which emphasised market reforms, fiscal conditionality, and legal approximation as central instruments of integration. The war has elevated security, resilience, and geopolitical alignment to primary concerns, fundamentally altering the parameters within which Ukraine's social-policy reforms are evaluated.

3.3 The place of social policy within EU enlargement

To begin assessing the significance of social policy in Ukraine's EU accession process, the position of social policy within the European integration framework must first be established. Analytically, the European Pillar of Social Rights (EPSR) functions less as a binding reform framework than as a reference point against which the limits of EU social governance in enlargement contexts become visible.

The persistent subordination of social policy to economic goals within the EU can be seen as a systematic reflection of a systemic legacy within itself. European Social Model (ESM) is often used as a collective term for efforts and policies within Europe's social policy sphere, representing a broad and evolving framework. The main complexities arise from the multi-level interactions between the EU and its Member States (or candidate countries) and the predominantly non-binding nature of European social agreements, often referred to as "soft laws" (Dutchak, 2017, p. 569). Historically, the EU mainly contributed by establishing social standards in workplaces and providing political and technical support for national reforms and welfare through the ESM (Diamantopoulou, 2003, pp. 14–15). The ESM functions as a comprehensive economic and social framework, but it has its limitations. These limitations primarily stem from other treaties and their implications. The main limitation stems from the Treaties of Rome (1957), where economic growth policies were prioritised, with sufficient social policy considered an additional concern not deemed necessary at the time (see Geyer, 2013). This continuity extends to the objective outlined in the Lisbon Strategy for 2010, which aims to transform the EU into "the most competitive and dynamic knowledge-based economy globally, capable of achieving sustainable economic growth with improved employment opportunities and enhanced social cohesion" (Ivan-Ungureanu and Marcu, 2006, p. 75). The OMC[1] and the European Semester[2] strengthened EU governance, though ESM policies remain focused on reducing unemployment through non-binding measures that reflect the growth-oriented paradigm. EU documents and coordination mechanisms internalise a "genuine ambiguity" (Kleinman, 2002, p. chap.2). Policymaking critically hinges on whether the social dimension is recognised as a productive factor that supports growth, stability, investment, employment, long-term economic development, and political stability. Prioritising economic growth while neglecting the social dimension risks further deterioration of the social security system in the future. The tension between economic efficiency and social cohesion, inherent in the "first"/"later" paradigm (Scharpf, 2002, pp. 646–653), is influenced by varying political ideologies and expectations for participation.

Attempts to "socialise" the European Semester have been made (Hacker, 2023, p. 7), most recently through the EPSR. It plays a key role in areas of distributive policies and has an

[1] OMC: introduced in early 2000, was part of Europe's new modes of operation to facilitate and encourage cooperation between governments. The OMC constitutes a flexible form of cooperation, based on indicators and/or benchmarks (not standards). Numerous critiques can be made regarding this new form of governance, from limiting the role of member state interventions, relying on market-solutions and focusing on competition and economic growth. For comprehensive criticism see: (Hatzopoulos, 2007, pp. 309–342), mainly for being over-ambitious and insufficiently focused.
Both symbolise a shift in European governance, incorporating increased oversight and flexibility in the integration of European regulations, while promoting deregulation in other areas.

[2] European Semester: established in 2011, provides the 'economic governance and social policy coordination' function of the EU2020 project, a project established to attempt to balance the economic and social goals of the EU (Stevenson, 2019, p. 4), mainly a reaction to the OMC. It focuses on enhancing EU-wide monitoring and oversight of member states' economic and financial conditions, with the central goal of prioritising balanced budgets in decision-making (Copeland, 2020, p. 1014), through an annual cycle of monitoring and country specific recommendations.

important role in the Ukraine Facility. Proclaimed in 2017, the EPSR aims to address the EU's "welfare debt" (Hendrickx, 2018, p. 5) by outlining 20 principles on equal opportunities, fair working conditions, and social protection. While it introduces new legislative directions, the EPSR remains a non-binding framework, serving as a "compass" rather than an enforceable instrument (Hacker 2023, p. 15). This strategic choice reflects the EU's historical prioritisation of economic integration over social policy (Garben, 2019, p. 119). The EPSR envisions potential paths for a more socially cohesive Europe, ranging from minimal progress to expanded protections (Alexandris Polomarkakis, 2020, p. 190). Balancing economic priorities with social cohesion is a persistent challenge for the EU, highlighting the importance of evaluating the real-world impact of its policies. In an evolving geopolitical context, the tension between the EU's liberal values and its strategic interests becomes more evident, revealing the limits of its socially integrative aspirations. EU support for reform is mediated by strategic priorities embedded in existing enlargement instruments, which emphasise macroeconomic stability, market integration, and geopolitical resilience.

In the context of transitional, post-communist social policy, the EU is seen as a weak transnational actor not only during the collapse of the Soviet Union (Deacon, 2001, pp. 55–76), but also during the accession process more broadly, where the accession negotiations failed to systematically embed elements of the ESM or address the structural shortcomings of acceding countries' post-socialist welfare systems (Vaughan-Whitehead, 2003, p. 493).

The term "premature welfare states" (See Kornai, 1992) encompasses the warning of neoliberal critics. Institutional shortcomings hinder the catch-up growth and transformation of transitional democracies and economies, making progress difficult or impossible (see Belke and Hebler, 2002). Despite substantial foreign investment inflows and following economic growth driven by EU regional assistance (e.g. PHARE-program, ISPA and SAPARD), a desired impact on institutional transformation was not achieved. To this day, these systems are characterised by their high rate of social spending relative to their income levels, while spending as a whole remains less than compared to EU-15 countries (Aidukaite, 2011, pp. 212–214), A comparable tension between social commitments and fiscal capacity will be discussed in the context of Ukraine later in this chapter.

From a public policy perspective, joining the EU creates an opportunity for significant changes in how countries learn about and adopt social policies, as well as how they transfer these policies from the EU to their own systems. Accession is an opportunity structure because it provides a chance for certain agendas (e.g. equal opportunities, disability, social inclusion) to be taken up, while potentially generating less momentum for others (e.g. social services, social assistance). It impacts advocacy efforts, interest representation, and the expression of interests.

The lessons learned from past Eastern enlargements significantly affect the current Ukrainian integration process, in addition to new dynamics explained in the following subchapter. It is crucial to grasp these aspects, particularly when evaluating programmes proposed to Ukraine, to determine whether the EU is shifting its approach or maintaining continuity with past endeavours. Especially the idea of a "window of opportunity" seems to resonate with Ukraine. In Kyiv, the candidate status only enhanced the new self-confidence of the government regarding the outside world, and especially toward its Western partners. The war was understood by President Zelensky and his team as a historical window of opportunity to join Euro-Atlantic organisations and do so in accelerated fashion. Therefore, Ukrainian representatives doubled down on their efforts to emphasise both the geopolitical significance of the country's EU membership for the West and its self-perceived role as a "reform avant-

garde" (Stefanishyna, 2022) in the Eastern neighbourhood, mirroring the enthusiasm of past Central- and Eastern European candidates.

4. Ukraine's perspective

These European dynamics form the external framework within which Ukraine's domestic institutions must evolve. The following chapter therefore examines Ukraine's own post-communist welfare legacies and informal practices in order to understand how these internal structures interact with, enable, or constrain EU-driven reform impulses.

4.1 Post-communist welfare transformation and informality in Ukraine

While Ukraine's institutional transformation exhibits distinct national features, brief reference to broader post-communist restructuring processes helps contextualise recurrent patterns in welfare development (Cerami, 2009, pp. 17–35), in which welfare trajectories have displayed recurrent patterns over time (Polese et al., 2014, pp. 188–189). These paths have generally led to welfare states that are underfunded and institutionally fragmented and yet aim to provide universal coverage (Polese *et al.*, 2014, p. 186). The collapse of the Soviet Union diminished the role of the state, and the "individualization of the social" shifted responsibility for managing social risks increasingly onto individuals (Ferge, 1997, pp. 20–44). In several Central and Eastern European countries, this transformation undermined the capacity of welfare systems to achieve equality through redistribution and contributed to growing institutional fragmentation, even where universalist social programmes formally persisted (Szikra and Tomka, 2009, pp. 17–34; Vanhuysse, 2009, pp. 53–70). This fragmentation also led to an emphasis on cash transfers over services and can still be observed today. Another pattern is the devolution of provision and financing to local levels without having adequate financial resources, thereby increasing inequality in coverage and quality (Bratić, 2008, pp. 139–157). In Ukraine, this dynamic has been exacerbated by persistently low levels of social security expenditure as a share of GDP and by the heavy financial burden placed on local funds through highly differentiated benefit categories.

Fundamental macroeconomic changes led to staggered unemployment (Cerami, 2009, p. 35). Following Ukraine's independence, GDP contracted by approximately 50%, and unemployment emerged in a staggered and uneven manner. More recent shocks, such as the GDP decline of 29% in 2022, further underline the continuing vulnerability of the social protection system (Cabinet of Ministers of Ukraine, 2024). While Ukraine's nominal GDP increased by approximately 33 per cent between 2022 and 2025, from around US$160.5 billion to US$214.2 billion, this nominal improvement should not obscure the continuing economic pressures generated by the war or the resulting constraints on the financing and provision of social protection (World Bank, 2026).

Generally, provision of social welfare relies on a mix of public, private, non-profit, and familial channels, resulting in uneven access and confronted with a variety of social challenges (Hacker, 2023, pp. 23–28). In post-independence Ukraine, weak formal market institutions and limited state capacity contributed to the growing importance of informal institutions, through which individuals and households managed social risks and compensated for gaps in formal welfare provision. Persistent deficiencies in state-provided social security have institutionalised reliance on informal practices, as effective and predictable access to public benefits remains limited for many recipients. The relationship between public and private actors in social protection is therefore highly fragmented, and the system's structural lack of transparency and administrative efficiency (Bondar, 2021, p. 6) severely constrains its capacity to deliver effective social protection.

This configuration reflects broader characteristics of post-Soviet governance systems, which have been described as patrimonial and marked by weak bureaucratic professionalism, high levels of corruption, and limited opportunities for contestation (Dimitrova-Grajzl and Simon, 2010, p. 210). These practices became deeply embedded and socially normalised in Ukraine, mirroring the widespread reliance on informal institutions across post-communist Eastern Europe (Aliyev, 2015, p. 185). It can be asserted that all formal institutions - such as those in the political, economic, and judicial spheres - are accompanied by parallel informal institutions that may compromise their effectiveness. Informal payments exist in a legal/illegal grey area and may be interpreted as bribes or corruption (Polese *et al.*, 2014, p. 186). In Ukraine conversations still often revolve around terms such as *kradizhka* (stealing), *vidkat* (kickback), and *bandity* (gangsters), harking back to the 1990s when after the collapse of the Soviet Union most institutional processes were dominated by criminal groups. Informality is entrenched due to it being a survival tactic, as personalised networks were key to securing goods and services (Misztal, 2002, p. 208), in both socio-political and economic spheres. Shortages in all areas of life were linked to the proliferation of alternative networks and shadow economies. While terms like *kradizhka* originally emerged from economic shortages in the past, they are continued to be used today and are ingrained in daily life. In contexts where money or services are exchanged, informal practices routinely accompany formal transactions, and their deep social embeddedness precludes treating them solely as acts of corruption. They form a core part of society, posing significant obstacles to democratisation and transition (Haponenko *et al.*, 2024, p. 92). Successfully addressing these challenges requires navigating Ukraine's institutional legacies while aligning with EU standards. Bridging the divide between formal governance structures and informal practices is essential for meaningful reform[3]. These findings underscore the central theoretical claim that institutional change in Ukraine cannot be reduced to formal legal adjustments, as informal norms continue to shape behaviour and policy implementation. These patterns also complicate any straightforward classification of Ukraine's welfare system within standard comparative typologies; a point developed further in relation to the discussion in section 6.3.

4.2 Contemporary challenges in Ukraine’s institutional development

Ukraine’s social policy is characterised by political uncertainty. Problems of social protection include dissatisfaction with living standards, low wages or lack of means of subsistence due to unemployment, poor housing, insufficient or too expensive medical care, poor education, and insecurity in old age. A large part of the population cannot pursue their socio-economic interests, maintain or improve social status, or receive qualified medical care or quality education. Those conditions block broad social mobility within Ukrainian society and narrow the prospects for economic growth, social reproduction, and sustainable social development (Shevchenko *et al.*, 2022, pp. 153–157). The establishment of Ukraine as a democratic state is hindered by the failure to uphold human rights, the lack of complete freedom of the press, constant changes in both foreign and domestic policy directions, the absence of comprehensive legislation, and a multitude of issues that have been amplified since the Euromaidan protests in 2014 and Russia’s full-scale invasion in 2022 (Kapitan O. and Nesterenko, 2021, p. 261). Nevertheless, the government established fundamental state social assurances try to uphold citizens’ constitutional right[4] to an adequate standard of living. These assurances encompass

[3] The complexity of informality in Ukraine exceeds the scope of this overview. A detailed study by the V. M. Koretsky Institute of State and Law highlights the challenges of addressing informal practices and their institutional impact. See Kushnarov (2018, pp. 55–60) for an analysis of non-declarative counteraction against informal practices.

[4] The Ukrainian Constitution, enacted on June 28, 1996, established the country’s commitment to a “socially oriented Ukraine.”. Articles 1 and 3 emphasise the state's focus on social policy and human dignity as core values. Article 46 guarantees citizens’ right to social protection, covering disability, unemployment, old age, and other

essential elements such as the minimum wage, minimum old-age pension, non-taxable income threshold, state social assistance allowances, and other forms of social benefits (Zhuravel *et al.*, 2022, p. 411). These foundational state social guarantees, crucial for sustaining livelihoods, are mandated not to fall below the subsistence level. In Ukraine, the subsistence level serves as the cornerstone of the basic state social standard, defining the benchmarks for state social assurances and standards across income, housing and utilities, household needs, social and cultural services, healthcare, and education. There is no comprehensive law, however, regarding the social protection of the population (Klymenko, 2017, p. 2) to regulate social security administration, as not one single regulatory document that would govern all aspects of social protection has been enacted (Kochemirovska and Pyshchulina, 2012, p. 8).

5. Ukraine's legal and institutional framework

The persistence of the above outlined challenges underscores the need to analyse Ukraine's current legal and institutional arrangements in greater detail. The next chapter therefore examines the formal architecture of the social-security system and assesses how institutional fragmentation and administrative inconsistency shape present-day implementation capacity.

5.1 Ukraine's social protection institutional framework

Ukraine's development of 'private safety nets' (Aliyev, 2015, p. 191) becomes clearer when viewed in the context of its social security framework. The persistence of informal practices and path-dependent institutional arrangements shaped how social policy reforms were formulated in Ukraine. Rather than constituting a full rupture with existing modes of provision, legislative initiatives sought to formalise service delivery within these constraints.

The enactment of the Law "On Social Services" (No. 966-IV) on June 19th, 2003, was a pivotal moment in Ukraine's shift in the social service provision model. This legislation, for the first time, provided a comprehensive legal framework for the provision of social services in the country regulated on a legislative level. It outlined the organisational and legal principles necessary to support individuals experiencing difficult life circumstances, thereby formally regulating how social services should be delivered (Kryvachuk, 2022, p. 48). This law was a crucial step in bringing Ukraine's social services into line with European standards and aimed to formalise social security institutions. Subsequent legislation reverted to Soviet-era practices, incorporating social compensation benefits and advantages that sometimes-exceeded standard institutional norms (Zhuravel et al., 2022, p. 403), bypassing law No. 966-IV. Public servants usually implemented policies that would benefit them later, and even today they usually have substantially higher pensions than other retirees. Through the ad hoc, uncontrolled introduction of new social benefits the categories of eligible recipients for various social protection measures were significantly broadened, fundamentally reducing transparency, increasing inefficiency and reducing legislative regulation. According to current legislation, benefits are granted based on a categorical principle, meaning that citizens receive them due to their belonging to a specific preferential category. State policy targets specific categories of citizens (funded by parts of state and local budgets, social insurance funds, and extrabudgetary funds). The incomes and material well-being of the beneficiary and their family are not considered, as benefits are provided to these categories without prior verification of their income or living standards, and the size of the benefits is determined by the recipient's category (Smyrnova et al., 2021, pp. 204–205). In this way, the categorical principle effectively undermines the substance of Article 46 of the Ukrainian Constitution, which frames social protection as a response to specific conditions of

cases defined by law. Notably, this provision allows flexibility in introducing new laws, potentially encouraging legislative expansion.

need (disability, unemployment, old age) rather than as an unconditional entitlement by category (*Constitution of Ukraine*, 1996, Art. 46).

In 2019, Ukraine implemented a new social protection law, replacing the 2003 legislation (No.2671-VIII). The government's renewed commitment involves implementing targeted measures to safeguard the social security of specific groups and establishing an inclusive system of social services accessible to diverse vulnerable populations. The changes to the law are as follows (Zhuravel et al., 2022, pp. 404–405): It distributes powers between state authorities and local self-government across three levels: national, regional, and local. It introduces 17 essential social services guaranteed to every citizen at the local level. Additionally, it establishes a structured system of case management for social services, beginning with application analysis and needs assessments and concluding with service quality evaluations. Emergency (crisis) social services are provided immediately in situations threatening life and health, without formal case management. A register of social service recipients and providers has been launched as an automated system to streamline service provision organisation. Furthermore, a social services classifier has been created through normative legal acts of the Ministry of Social Policy, determining the list of social services provided in accordance with the law, both processes that fundamentally benefitted from digitalisation. The new law introduces significant innovations in social services, affecting their structure and delivery (Zhuravel *et al.*, 2022, pp. 404–405).

Legally, the question of the social protection of Ukrainian citizens today is interpreted by numerous regulatory actors in various ways: over 150 laws, hundreds of Cabinet of Ministers' resolutions, more than a thousand departmental and interdepartmental orders and directives (Klimenko, 2017, p. 4). The primary challenge lies in the presence of inherent contradictions within these documents, delaying effective execution of state policies. Additionally, various regulatory documents may delineate distinct aspects of how state policies concerning social benefits or assistance are implemented. Specifically, the procedures for administering identical social benefits can vary across different legislative texts. As a result of this convoluted system, the proportion of individuals with higher incomes who receive social assistance exceeds the number of recipients among those with lower incomes. Two-thirds of the total amount of benefits and assistance go to households with an average income higher than the subsistence minimum (Smyrnova et al., 2021, p. 205). Certain categories of citizens receive benefits on multiple grounds for extended periods without their needs being assessed. The amount of assistance received by both "poor" and "non-poor" citizens is practically the same. Since benefits are mostly granted regardless of income and need (which negatively affects those with the greatest need), the categorisation is unable to ensure that the neediest receive a subsistence minimum. The problem is exacerbated by the highly unequal access to benefits across the country: for instance, the proportion of urban families benefitting from transportation service discounts is three times higher than that of rural families (12.6% and 30.9%, respectively) (Smyrnova et al., 2021, p. 206), a pattern in the system. The large number of preferential categories and poor targeting mean that as many as a third of Ukraine's population are potentially eligible for some form of social assistance, regardless of actual need. Under 83 legislative acts, 19.5 million citizens hold the right to some preferential benefit (Smyrnova et al., 2021, p. 207). Additionally, through this disorganisation, most citizens do not even know what rights they have and where they can apply for certain benefits. This incentivises the use of "private safety nets" and indirectly undermines the state's role in social functions as well and potentially weakening targeted social protection.

Integrating international legal norms into national law and enforcing ratified agreements is challenging within this system. Ukrainian legislation still falls short of meeting the

requirements of ILO conventions, particularly concerning unemployment benefits, where current amounts are insufficient despite international standards mandating minimum levels of material security (Klimenko, 2017, pp. 4–8). The inclusion of these international norms and the recognition of the European model of social policy as a strategic priority, still the Ukrainian legislators have repeatedly used (probably out of habit) the Soviet-era privileges of introducing new categories of citizens on the eve of elections and bypassing them. The state, lacking necessary resources, undertook additional obligations in the field of social protection and security, which had no social or economic effect other than the establishment of privileges for certain professions or groups (Osipova and Hrytsyk, 2019, pp. 12–15), even after the changes to the law.

Against this backdrop, the introduction of martial law during Russia's full-scale invasion placed unprecedented strain on Ukraine's already fragmented and hybrid institutional order. The war did not replace existing institutional dynamics but intensified them, exposing the limits of formal structures and amplifying reliance on informal mechanisms where state capacity was weakest. Consequently, the state's responsibility to ensure the financial and organisational conditions necessary for citizens to exercise their constitutional rights, particularly the right to work and social protection, has become even more pressing. This is especially crucial for Ukrainian citizens, particularly the millions of internally displaced persons who require immediate social and legal protection, with families with children facing the greatest vulnerability (Burlaka et al., 2023, p. 232). The number of people in need of the help of social workers has increased significantly and necessitates the prompt adjustment of social service systems. The Constitution of Ukraine defines a list of rights that cannot be limited even during martial law (Panasiuk et al., 2022, p. 81), but no clear plan of implementation can be found.

Under martial law, the Cabinet of Ministers directs, coordinates, and controls the regional military administrations and civil affairs within them (see On the Legal Regime of Martial Law, Article 4 [7]), giving the Cabinet more power than before. Frequent changes in ministers throughout 2024 weren't communicated comprehensively and continue to make understanding a clear political direction almost impossible. Those internal shifts of balances of power seem to be a constant topic of discussion in Ukraine but now have reached new levels of importance. Given the shrinking access to democratic decision-making Tymofiy Mylovanov ([President, Kyjiv School of Economics], URC2024, June 12, 2024) urged the Ukrainian citizens to continue standing up for their rights and if needed to advocate for themselves through protests, a strategy that has been a constant through Ukraine's history[5].

These domestic institutional pressures do not remain confined to the national level. As Ukraine's governance structures become increasingly strained by wartime conditions and frequent political turnover, their effects extend into the realm of external coordination, particularly the EU. Frequent changes in the Cabinet of Ministers made the European Commission delay the opening of accession talks for another one and a half months (personal communication with a German policymaker, May 22, 2024). This was an early instance of the pattern; since then, the accession process has advanced considerably, though it has faced a larger obstacle unrelated to Ukraine's own institutions. Ukraine completed the EU's bilateral screening across all negotiating chapters by September 2025 (European Commission, 2025), but formal opening of the first negotiating cluster was then blocked for roughly a year by a Hungarian veto. Following a change of government in Hungary in early 2026, the veto was lifted, and the EU and Ukraine formally opened the "Fundamentals" cluster, covering rule of

[5] Recent developments illustrate this point. In summer 2025, nationwide protests emerged in response to attempts to weaken Ukraine's anti-corruption institutions, which many observers considered a test of democratic resilience during war. See: Sherstyuk (2025)

law, democratic institutions, and public administration, on 15 June 2026 (European Commission, 2026; Council of the EU, 2026).

Today's challenge is therefore less about the pace of formally opening negotiations and more about meeting the substantive benchmarks within the Fundamentals cluster, while Ukraine continues to face reduced human capital, economic constraints, and pressure on judicial oversight. Ukraine must strategize methods to restore economic equilibrium, achieve financial and budgetary stability and uphold better monitoring of governmental practices to ensure the provision of social security.

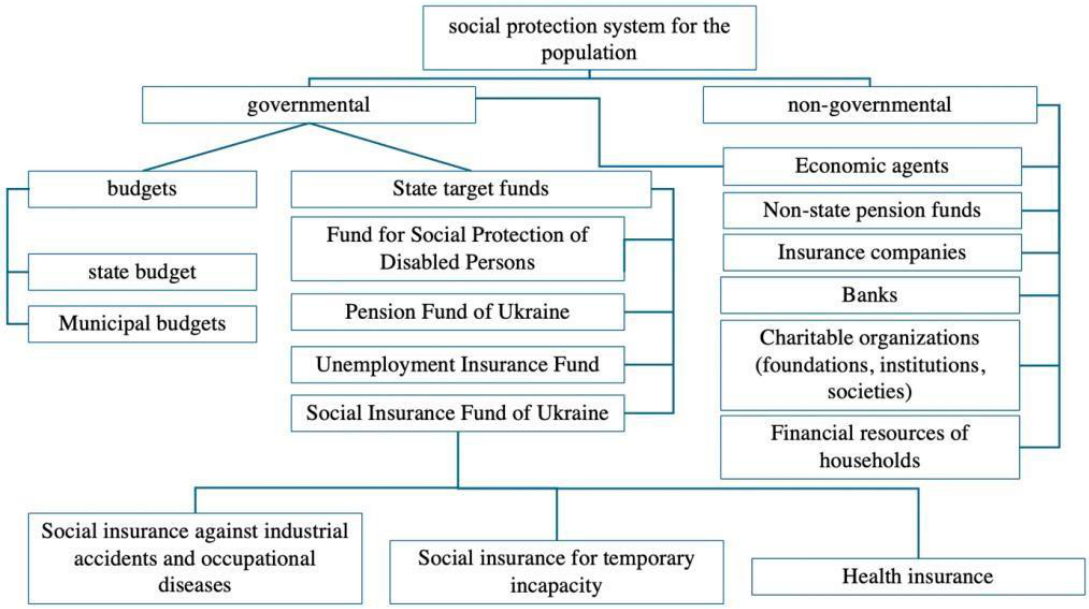
A heightened focus on developing and implementing flexible budgetary policies to address economic and sociopolitical challenges effectively can be noticed (Chugunov *et al.*, 2023, pp. 3–4), but no comprehensive strategy to address legislative shortcomings has been introduced so far by the Ukrainian government. These contemporary pressures further reinforce the dynamics, where formal institutional reforms are constrained by informal practices, fragmented authority, and entrenched patterns of political turnover. The persistence of these dynamics demonstrates how path-dependent governance structures continue to shape the feasibility of meaningful social-policy transformation.

Taken together, Ukraine's social protection system operates as a hybrid institutional order in which formal legal expansion coexists with informal coordination and discretionary implementation. Rather than correcting institutional fragmentation, successive reforms have layered new rules onto existing structures, reproducing complexity without resolving underlying governance tensions. This hybrid configuration could be a reason for why formal alignment with European standards would fail to generate consistent implementation outcomes.

5.2 Ukraine's social security financing framework

Ukraine's fragmented legislation, overlapping mandates, and enduring informal practices shape both social policy design and the distribution of financial resources, constraining how social protection is funded and limiting the impact of reforms. Examining the financial architecture is therefore essential, since opaque redistribution mechanisms and weak coordination constrain the system's ability to deliver support to intended beneficiaries; the following section analyses these funding structures to evaluate how far such institutional constraints impede equitable provision. Tracing funding flows shows how fragmentation and informality manifest in practice, making the financial system a key diagnostic of institutional constraints. This is especially relevant in a system that relies heavily on cash transfers. The analysis draws primarily on data from the Social Security Association, as national sources proved inconsistent or difficult to verify.

Figure 1: Institutional and functional system of financial support for social protection of the population in Ukraine



Source: Translated from (Nasibova, 2019, p. 39)

An analysis of Ukraine's social security funding system reveals a reliance on cash transfers, with financial redistribution playing a key role. Figure 1 illustrates the primary funding sources, which fall into three categories:

Funding Categories:

Centralised State Funds:	State and local budgets and associated social funds.
Decentralised State Funds:	Mandatory state social insurance funds.
Non-State Social Funds:	Contributions from enterprises, individuals, and the state.

These funds are allocated to support various social programmes. Effective implementation requires appropriate methods and mechanisms for fund distribution, though transparency remains an issue.

System Operation Levels:

National Governance:	Sets overarching social protection policy.
Sectoral Management:	Applies measures within specific sectors or occupations.
Sectoral Management:	Develops measures based on regional needs and socio-economic factors.
Local Administration:	Implements measures at city and regional levels.

The system is a multi-layered structure combining centralised and decentralised funding mechanisms with seemingly collaborative implementation. The graph highlights "economic

agents" as a distinct category of non-governmental funding, yet it remains unclear who specifically falls under this term. Unlike banks, insurance companies, and non-state pension funds, which are clearly defined, the role and identity of "economic agents" are not detailed in the literature or documents reviewed. This ambiguity complicates understanding the exact nature of their collaboration with governmental bodies. Oversight of these interactions is also unclear, though recent anti-corruption measures aim to address transparency issues (Iryna Mudra, URC2024, June 11, 2024).

Table 1: Funding of social security measures

Funding source	**Percentages**
Beneficiaries	0% (employees do not contribute to social security funds)
Employer	22% (of covered payroll)
Retirement age	Age 60 with at least 35 years of coverage for men and 30 for women

Source: International Social Security Association (ISSA)

Table 1 shows that Ukraine's social security system relies exclusively on employer contributions (22% of covered payroll), with employees making no contributions (ISSA, 2023). This single-source funding model covers pensions, disability, sickness, and unemployment benefits, while maternity and low-income family benefits are supported by central government funds. However, this approach is insufficient to sustain the system (Diamond, Auerbach and Gale, 1997, p. 13). The 19.5% informal employment rate prior to the invasion (State Statistics Service of Ukraine, 2021) and gig-economy practices further undermine financial stability, allowing employers to bypass contributions and reducing transparency. Encouraging formal employment and introducing employee contributions are essential steps toward sustainability of Ukraine’s system (Bondar, 2021, p. 5).

Table 2: Expenditures on social protection in Ukraine

Expenditures as % of gross domestic product											
2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2023
9.3	7.8	8.6	9.5	8.7	8.9	10.8	9.6	8.7	8.1	8.3	<6

Source: Eurostat

Table 2 shows that Ukraine's expenditures on social protection as a percentage of GDP are consistently low, falling below 6% in 2023. In comparison, the average for EU-15 countries over the past decade is significantly higher: Germany (28.27%), France (34.74%), Poland (17.63%), and Hungary (19.3%) (Eurostat). Ukraine’s social security sector relies on a single, unreliable funding source with high employer contributions, yet social protection spending remains low. This results in local budgets lacking sufficient funds to support social services. Social expenditures should not be treated as lower-priority expenses, especially when local authorities cannot influence decisions regarding their provision, particularly under martial law. The financial burden on local authorities is substantial, with more than half of their budgets allocated to state functions (Kudinova and Varuk, 2015, p. 463), a proportion likely to have increased since the invasion. This raises fundamental concerns about the extent to which available funds actually reach those most in need. In a system marked by institutional fragmentation and weak coordination, significant portions of social spending risk being absorbed by administrative inefficiencies, categorical privileges, or informal allocation practices, leaving vulnerable groups insufficiently protected. The structure of Ukraine’s

financing system therefore illustrates how formal redistribution mechanisms are undermined by institutional fragmentation, reflecting how path-dependent constraints limit the transformative potential of externally supported reforms.

The financing structure thus constitutes a macro-level institutional constraint that conditions the implementation of all social policy reforms discussed in the following sections.

From an institutional perspective, Ukraine's social security financing system reflects a path-dependent configuration that prioritises formal coverage over functional adequacy. The reliance on a narrow contribution base, combined with low aggregate spending and extensive categorical commitments, constrains the system's ability to reallocate resources in response to changing social risks. As a result, financing operates less as a strategic policy instrument than as a stabilising mechanism that preserves existing distributional patterns. This limits the scope for reform initiatives, whether domestically or externally driven, to translate formal institutional changes into substantive improvements in service provision.

6. Aligning paths: the Ukraine facility in focus

The Ukraine Facility aims to protect Ukraine's economy and defence capabilities amid the ongoing invasion, which exacerbates the budget deficit and lowers tax revenue. Recognising the significant challenges of reconstruction and modernisation, the European Commission underscored the need for external funding, workforce growth, effective reforms, and increased transparency. Full implementation of these reforms and investments could boost Ukraine's GDP by 6.2% by 2027 and 14.2% by 2040, potentially reducing debt by 10% of GDP by 2033 (Cabinet of Ministers of Ukraine, 2024, p. 6). Against this backdrop, the Ukraine Facility Plan was developed under EU Regulation 2024/792 to provide a structured framework for Ukraine's reforms and recovery efforts during the 2024–2027 period. The regulation allocates funding and outlines the Facility Plan's objectives, with Recitals 35, 38, and 42 specifying social policy commitments tied to economic and governance reforms. Aligned with this directive, the Ukraine Plan incorporates these EU requirements (Ivanov, Karpova and Revenko, 2024, p. 135). However, it has faced criticism for lacking an implementation toolkit, functioning more as a reform framework than a guide for execution. Boosting productivity remains central to effective resource allocation (Cabinet of Ministers of Ukraine, 2024, pp. 26–27).

6.1 Human capital chapter - an overview

The Ukraine Plan outlines a chapter on human capital, detailing reforms in social security institutions to meet the requirements of Recital 42 of EU Regulation 2024/792. The ongoing war has caused €98.3 billion in recovery needs (Council of the EU, 2024, p. 119). In response, the Ukrainian government's strategic goals for 2027 include strengthening education and skills, improving healthcare and rehabilitation, reintegrating people into the labour market, and boosting economic and social participation (Cabinet of Ministers of Ukraine, 2024, pp. 119–120). These reforms aim to mitigate the war's economic impact through employment strategies focused on education, healthcare, and labour market activation via demographic and social policies, aligning with Recital 42 of EU Regulation 2024/792.

The Ukraine Plan outlines key investments in social security to address critical needs (Cabinet of Ministers of Ukraine, 2024, pp. 132–134). Planned initiatives include:

- Housing for Foster Families: Construction of 700 homes for large foster families, supporting family-based care for 5,600 children. Estimated cost: €227.7 million (€324,400 per home).

- Assisted-Living Facilities: Development of 210 facilities for older individuals and people with disabilities, providing quality care for 2,000 people. Estimated cost: €501.1 million.
- Prosthetic and Rehabilitation Services: Establishment of prosthetic workshops and rehabilitation platforms to support injured individuals and veterans, costing €360,000.
- Social Taxi Services: Procurement of 2,000 accessible vehicles for low-mobility groups. Estimated cost: €79.4 million.
- Facility Upgrades: Modernisation of social service facilities to ensure barrier-free access and safety compliance.

These investments aim to enhance social protection and meet European standards for care and accessibility. Addressing these challenges requires an improved institutional framework to regulate living standards and provide state-funded services and resources more effectively (Bondar, 2021, p. 4). Of the nine reforms and four investments in this chapter of the Facility Plan, two focus on strengthening the institutional structure of social security. However, investments prioritise housing, healthcare, and education access over institutional transformation. The key reforms analysed in this paper (see Table 3) target the organisational aspects of social security, making them relevant to the research question.

Taken together, these reforms address different dimensions of Ukraine's social security system, ranging from infrastructure and service provision (e.g. Reform 5) to governance and financing mechanisms (e.g. Reform 8). While all are relevant to social-policy transformation, this study focuses analytically on Reform 8, as it most directly targets institutional coordination and implementation mechanisms that are central to understanding how formal reforms interact with entrenched informal practices.

Table 3: Overview of the Social Policy Reforms Analysed under the Ukraine Facility

Reform	**Objectives and Growth Potential**	**Quantitative/Qualitative Implementation**	**Expected Outcome**
Reform 5: Improving social infrastructure and de-institutionalisation	The social infrastructure system is being reformed to support family-based care for children, the elderly, and people with disabilities. This will provide professional care support, enabling family members to return to the workforce. The reform aims to prevent institutionalization of at-risk children and support their families. It also focuses on de-institutionalizing care for those who can live independently, helping them engage in socio-economic activities.	Adoption of two strategies: (1) Strategy for Reforming Residential and Psychoneurological Institutions for Persons with Disabilities and Older Persons. (2) Strategy for Ensuring the Right of Every Child in Ukraine to Grow Up in a Family Environment for 2024–2028.	The strategies aim to develop social services to support families with children, people with disabilities, and older people to live independently in the community and prevent institutionalization; develop assisted-living services for people with disabilities and older people who need additional support.
Reform 8: Improve social security	Well-designed social protection systems can boost labour market participation and ensure all workers have access to social protection. This creates a level playing field for businesses, enhances the adequacy and sustainability of social protection, strengthens public finances, and reduces poverty.	Enactment of legislation on the procurement of social services.	This fiscally neutral resolution does not affect Ukraine's debt sustainability and focuses on transitioning from financing institutions to a result-oriented purchasing model of social services; introducing a mechanism for purchasing from private social service providers based on established standards and criteria for providers.

Source: Cabinet of Ministers of Ukraine, 2024

6.2 European interests and Ukrainian needs

The Ukraine Plan reflects the "soft" nature of social security reforms, balancing social policies with other priorities. The chapter on human capital demonstrates a clear commitment to "socio-economic development", the Plan's recurring, undefined term for social investment's macroeconomic payoff (Cabinet of Ministers of Ukraine, 2024, p. 134), while implicitly relying on activation-style policies, i.e. measures that incentivise a return to paid employment rather than passive benefit provision. The nine reforms and investments aim to enhance education, workforce readiness, and support for military personnel returning to civilian life. Key reforms include improving vocational education (Reform 1), enhancing rehabilitation for people with disabilities (Reform 3), facilitating military-to-civilian transition (Reform 4), and optimising labour market functions (Reform 6). Investment efforts primarily target the housing crisis and reconstruction, an understandable focus given the invasion's widespread destruction.

However, ongoing debate persists in Ukraine and among civil society regarding the rationale for significant programmatic investments amid continued shelling. This reflects a specific institutional choice rather than a Ukraine-specific shortcoming: EU Regulation 2024/792 carries forward EPSR Chapter 2 (fair working conditions) while disregarding Chapter 3, which covers pensions, healthcare, and social inclusion (see section 3.3). This selective adoption follows the EPSR's established role across the EU as a non-binding "compass" rather than an enforceable instrument (Hacker, 2023, p. 15), unable to resolve the Union's own imbalance between market integration and social protection (Garben, 2018, p. 212). The Commission and Council choice to carry Chapter 2 but not Chapter 3 into Ukraine's accession framework thus extends an existing EU-wide pattern rather than exposing a gap unique to Ukraine.

The depth of European interest in economic growth and geopolitical security cannot be adequately understood by focusing solely on the human capital chapter or the published plan itself. The Plan is over 300 pages long and mostly addresses reforms that are necessary for Ukrainian institutions to harmonise with the acquis, emphasising the prevalence of a functioning market and functioning, democratic governance. Most chapters either address the question of public administration and judicial reforms or financial markets and business environments (Chapter 1, Public Administration Reform; Chapter 2, Public Financial Management; Chapter 3, Judicial System; Chapter 5, Financial Markets). In contrast to the chapter on human capital, the proposed reforms are accompanied by different scenarios and calculations based on available data, which make the reforms and investments more tangible. This difference in prioritisation is also noticeable through the way the Facility Plan is communicated to the public.

The plan discloses as a vision of economic growth for the medium and short term, unable to address every issue in Ukraine and is a trial run. With successful implementation, it can be scaled up on both scope and depth, but only if its functionality is proven in the next three years (Marlene Madsen [Secretary General of the European Commission], URC2024, June 12, 2024). The Ukrainian government is publicly highlighting the investment matrix and initial projects funded by the Plan, positioning them as key examples of the Plan's functionality and effectiveness, and as a strategy to serve mutual interests (Oleksii Sobolev [Deputy Minister of Economy of Ukraine], URC2024, June 12, 2024). Initial projects funded by the European Investment Bank focus on the transportation and energy sectors, with an implicit preference for European energy security and connectivity. This emphasis on European energy concerns, previously highlighted, underscores the continued priority to address energy supply issues and enhance infrastructure resilience in preparation for winter in the EU. In the first two months of the Plan's implementation, approximately €1.5 billion was allocated to UKR Hydroenergo (the

largest hydropower-generating company), UKRenergo (an electricity transmission system operator), and Naftogaz (the largest national oil and gas company). For 2025, the EBRD plans to shift focus toward the private sector, including investments in GNG Retail Limited (a holding company of Galnaftogaz, involved in wind energy). Those investments represent the only publicly disclosed part of the Facility. In terms of institutional transformation, reforms protecting of the private sector were highlighted. It is seen as a stabilising power for both the economy and society (Matteo Patrone [Vice President, EBRD], URC2024, June 12, 2024). Efforts on the rule of law and anti-corruption, also part of the acquis, in this context seem to ensure that Ukraine's promised reforms are completed. If not, mechanisms to suspend funding are in place. EPSR and other European 'soft' policies and governance frameworks are not being publicly acknowledged so far, raising questions about whether any fundamental investments and transformation efforts in policy areas of "soft governance" are planned.

In response to my question to the panel presenting the Ukraine Plan at URC2024 regarding how the plan aims to improve the targeting of social services and enhance investment effectiveness, I was only told that the European Commission fully trusts the Ukrainian government's proposals and places the entire responsibility for implementation on the Ukrainian system. European governance influence is excluded from the plan, with only penalties for non-compliance in place (Marlene Madsen [Secretary General of the European Commission], URC2024, June 12, 2024). This highlights the ongoing ambiguity in European reach and competencies, showing that social policy is still fundamentally considered a domestic priority, which poses the question of the place and need of the ESPR, particularly during the accession process. The grey area and shifting interpretations of the responsibilities European oversight appear to be strategically utilised to leverage economic and foreign policy interests when needed. At the URC2024, civil society voiced numerous criticisms regarding the lack of clarity and prioritisation of various facets of social security, especially given the expectations by the Ukrainian side that EU-accession would transform Ukrainian governance at its core, a belief that led to two revolutions in the past (Orange revolution and Euromaidan[6]). Addressing questions of social justice and sustainability might be progressive from a Ukrainian policy standpoint, but the way they are developed is limited and underdeveloped. This is partially also due to the shortcomings of the Ukrainian system.

This initial analysis confirms that the Facility Plan focuses on achieving short-term outcomes rather than fostering long-term transformation of the social policy sphere through its financing. The European Pillar of Social Rights (EPSR) promotes welfare expansion primarily through activation policies aimed at employability, with limited room for further intervention by European governance. Securitisation influences the EU's initial investment priorities, and asymmetry in the accession process tends to favour European interests. This is evident in the Facility Plan's minimal emphasis on Ukraine's immediate needs, such as ammunition and air defence. However, some aspects require further investigation. Due to the recent nature of these developments and the unpredictable course of the war, the future of Ukraine's institutional transformation remains unclear. The impact of the Copenhagen criteria and the adoption of the

[6] Since the early 2000s, European integration has occupied a prominent place in Ukraine's domestic political discourse. During the Orange Revolution of 2004–2005, mass protests were triggered by electoral fraud in the presidential election and were closely linked to demands for democratic standards, constitutionalism, and closer alignment with European political norms (Yushchenko, 2008, pp. 159–161). Nearly a decade later, the Euromaidan protests of 2013–2014 emerged in response to the Ukrainian government's suspension of preparations for signing the EU–Ukraine Association Agreement, subsequently evolving into a broader protest movement against corruption, weak rule of law, and executive overreach (Wilson, 2014, pp. 66–85). In both cases, reference to "Europe" functioned primarily as a political and normative point of orientation within domestic reform debates rather than as a narrowly defined policy agenda.

acquis communautaire is still uncertain, especially as the first Accession Conference took place only on June 25, 2024, making early predictions speculative.

6.3 Advancing social security in Ukraine: opportunities for change?

Social expenditures in Ukraine have been largely ineffective in reducing poverty and inequality due to poor targeting and insufficient support levels. Reform 8 of the Ukraine Plan's human capital strategy addresses these shortcomings by tackling the inefficiencies in the current system. Key issues include indefinite benefits that fail to promote formal employment and inadequate responses to life challenges and budget constraints. It also introduces a result-oriented purchasing model for social services and creates a mechanism for purchasing from registered providers based on standards/criteria.

In 2023, Ukraine allocated less than 1% of its state budget to social services. Even with local contributions, only about 6% of the consolidated budget was spent on these services (Cabinet of Ministers of Ukraine, 2024, p. 130). The full-scale invasion has exacerbated underfunding and increased internal displacement, placing significant strain on host communities, especially in Western Ukraine, which lack the financial and institutional capacity to provide adequate social services (Cabinet of Ministers of Ukraine, 2024, pp. 128–129).

The concept note 'Ukraine: Strengthening the Social Support System' outlines the reform parameters, which were approved by the Ukrainian government on January 30, 2024, and are supported by the IMF. The reform parameters are as follows (Cabinet of Ministers of Ukraine, 2024, p. 130): adaptation of social protection programmes and the social service system to new challenges, including initiatives to support veterans and facilitate their reintegration into the workforce; establishment of a state-level social services purchaser to co-finance services for socially vulnerable groups of the population, including introducing tools and incentives to encourage labour market re-entry through social benefits and services and expanding cooperation between social and employment services; measures to promote the participation of people with disabilities in society and the labour market; improvements in targeting and increases in assistance levels to effectively combat poverty and material deprivation; and reform of state social insurance. High-level concepts and directives are often deliberately broad in scope. This ambiguity allows for flexibility in implementation and adaptation to changing circumstances but in this case causes confusion. Especially the last reform parameter, reform of state social insurance, raises many questions due to being particularly ambiguous. This lack of clarity and transparency opens the door to a wide range of potential outcomes. On the other hand, what is made inherently clear is the general focus on increasing labour market participation through improved social protection systems. This approach aims to create a fairer business environment, boost the adequacy and sustainability of social protection, strengthen public finances, and reduce poverty. If these reforms establish a state-level social services procurer, they will allow for quick adaptation to changing needs during the war, particularly for internally displaced people, veterans, and their families. Additionally, it will provide state incentives for developing essential social services that communities can't fully finance on their own, supporting future growth within those communities (Cabinet of Ministers of Ukraine, 2024, p. 131).

The Cabinet of Ministers of Ukraine plans to introduce a model for purchasing social services funded by state budgets to improve current social security provisions (Cabinet of Ministers of Ukraine, 2024, p. 149). This initiative is intended to be fiscally neutral and focuses on the following areas: (1) transition from financing institutions to a result-oriented purchasing model of social services; (2) introduction of a mechanism for purchasing certain services from registered public and private social service providers based on established social services

standards and criteria for providers. This reform is in line with the new ambition of the Ukrainian government: to move away from providing social security only in the form of cash transfers, as was "common in the Soviet Union," and introducing more social services provision into the system (Oksana Zholnovych [Minister of Social Policy of Ukraine], URC2024, June 11, 2024). Digitalisation is presented as a key tool for continuing the provision of social security and cash flow and proven to work (Oksana Zholnovych [Minister of Social Policy of Ukraine], URC2024, June 11, 2024). High digitalisation is essential during the war for managing payments, processing applications, and providing valuable data for the Ukrainian government and international donors. However, local government digitalisation is advancing slowly, and its benefits are mainly observed in enhancing public administration (Ignatenko and Sadzaglishvili, 2023, p. 284).

From a formal-institutional perspective, Reform 8 represents a significant shift in governance logic: it replaces institution-based financing with a result-oriented purchasing model and introduces market-like mechanisms into social service provision. This shift should not be read as a neutral technical upgrade: it reflects the same conditionality-driven logic that structures the Ukraine Plan more broadly (see section 6.2), in which reform design is shaped as much by EU accession requirements as by domestic policy priorities. In principle, this redesign is intended to reduce inefficiencies associated with categorical benefits and improve targeting through standardised procurement and performance criteria; whether it does so in practice depends on implementation capacities that, as the following analysis shows, remain limited.

The proposed reforms add complexity by introducing a completely new system, without addressing the underlying systemic dysfunctions of the current social security. It remains unclear where the extra funds (esp. for costly transitions like digitalisation) for these reforms will come from—whether from the proposed tax reforms or just European funding—leaving critical question of funding unaddressed. The proposed reforms also neglect to outline how the integration of the purchasing model will be aligned with the existing system (see Figure 1). Non-governmental actors are already part of the system but mostly handle cash transfers (Oksana Zholnovych [Minister of Social Policy of Ukraine], URC2024, June 11, 2024). The reforms do not address how existing actors will be utilised and how their current roles will be updated. Using those established networks could ease institutional strain during the transition but comes with the risk of serving existing informal and corrupt networks. In general, using non-state actors to provide social security services can be a good strategy to reduce the burden on the state of being the sole provider of social security services. Through the integration of constructive informal practices (e.g., civil society, the volunteer sector) (Haponenko et al., 2024, p. 92), the state can make an effort to bridge the formal and informal sectors. Decentralisation has been used as a central tactic in Ukrainian legislation to combat informal practices, especially in a post-Orange revolution and Euromaidan Ukraine (see Udovychenko et al., 2017; Aliyev, 2018; Britchenko, Bezpartochnyi and Natalia, 2019, for more information). However, the reform is introduced into an institutional environment in which social service provision is already mediated by informal coordination practices, discretionary decision-making, and uneven administrative capacity across regions. Non-state actors are not new entrants into this system; rather, they are embedded in existing informal networks that have historically compensated for gaps in state provision. It is difficult to believe that the executive will not fall into old habits of finding ways to exploit the reforms, amplifies the power imbalance under martial law, unclear criteria for registration as a public or private social service provider, and the absence of clear mechanism of monitoring for this new reform, at least the way the Facility Plan present them. The central institutional mechanism through which Reform 8 risks remaining formalistic lies in the expansion of discretionary space without a corresponding strengthening of monitoring and enforcement capacity. Where procurement

criteria, provider registration, and quality control remain vague or unevenly enforced, the purchasing model may reproduce existing allocation practices under a new procedural label rather than alter underlying incentive structures. Reform 8 thus illustrates how EU-supported social policy reforms, while formally aligned with European governance principles, remain shaped by both European design priorities and domestic informal constraints, limiting their capacity to produce substantive institutional change.

Where the preceding analysis has traced how formal and informal institutions interact to shape implementation (see sections 2 and 4.1), it is also useful to ask what kind of welfare configuration this interaction is producing.

Conceptually, this pattern resists easy classification within standard welfare-state typologies. Esping-Andersen (1990) liberal, conservative-corporatist, and social-democratic worlds of welfare capitalism were derived from Western European and Anglo-American development paths; Deacon (1992) predicted early on that Eastern European welfare states might develop into regimes lying outside all three types (Aidukaite, 2010, pp. 17–18). Aidukaite's (2010) comparative analysis of the ten new EU member states of Central and Eastern Europe supports this: rather than converging on any single Esping-Andersen type, these states form a distinct post-communist welfare regime, combining a high take-up rate of social security with comparatively low benefit levels, continued identification with Soviet-era solidarity and universalism, and low public trust in state institutions (Aidukaite, 2010, p. 18).

Ukraine's trajectory complicates this classification further still. Unlike the ten CEE states Aidukaite examines, Ukraine belongs to the group of post-Soviet states whose institutional reform proceeded more slowly and unevenly (Aidukaite, 2010, p. 17), and it exhibits a substantially larger shadow economy (Aidukaite, 2010, p. 12), alongside the fragmentation and informality already discussed in section 4.1 (Cerami and Vanhuysse, 2009; Polese *et al.*, 2014).

Reform 8 layers a formally market-oriented, conditionality-driven procurement logic onto this already fragile configuration, without the monitoring and enforcement capacity such a model presupposes. The result is not a coherent shift toward any established welfare-regime type, but a hybrid arrangement in which formal market mechanisms, residual state-centric financing, and entrenched informal provision coexist and compete for the same administrative space, pushing Ukraine's emerging system even further from Aidukaite's already-distinct post-communist type than the CEE-10 cases on which that category was built.

The Ukrainian government plans to install a mandatory monitoring procedure for the Ukraine Plan, which will designate responsible authorities, outline reporting obligations to the coordinator, and specify reporting requirements. Progress will be tracked using an electronic communication system, allowing document exchange between these authorities and the coordinator and later published for transparency. But the exact procedure for the monitoring of human capital expenses is not explained. A well-developed monitoring system is needed, as direct financing to the least developed regions can result in sub-optimal use of funds (Inotai, 2004, pp. 5–17). This issue is particularly significant in the context of the Ukraine Plan, as a major challenge is the potential inefficient handling of funds' absorption capacity. The EU usually required candidate countries to establish necessary infrastructures for the implementation of the acquis before accession; only after this would it grant substantial financial support (Cameron, 2003, pp. 24–41). The ineffective use of funds and low absorption capacity would fundamentally impede the use of the Ukraine Facility. This issue becomes more a pressing concern with significant regional inequalities. In Ukraine, the stark contrast between the war-torn East and the relatively stable West, burdened with a high number of internally

displaced refugees, underscores the urgent need to address absorption capacity before allocating large funds.

Evaluating the limitations of Ukraine's social security system reveals a consistent issue: its fundamental flaws. While the Ukraine Plan identifies illegal employment as a target for reform, a more comprehensive and nuanced approach is necessary. Informal care structures, for example, cannot be fully understood through terms like "corruption," "illegal employment," or "shadow economy," as they often compensate for the deficiencies of the formal system.

Taken together, these findings allow for a final assessment of whether EU-supported reforms can overcome the institutional and path-dependent constraints identified throughout this paper. The conclusion synthesises these insights and evaluates the broader implications for Ukraine's social-policy transformation and EU integration prospects.

7. Conclusion

The Ukraine Facility and the Ukraine Plan highlight a key challenge in Ukraine's EU accession process: balancing European priorities with Ukraine's immediate social policy needs. The emphasis on economic stability and security, driven by EU priorities, risks sidelining the urgent social challenges faced by Ukrainian society. Addressing this imbalance is crucial to ensuring that reforms serve Ukraine's population rather than merely aligning with European geopolitical goals. Moreover, Ukraine's deeply embedded informal institutions, networks of patronage and parallel systems, pose significant obstacles to reform. These informal structures cannot be dismantled through formal legislation alone. Instead, reforms must bridge the gap between formal policies and informal realities to achieve genuine and lasting transformation. While the Ukraine Facility provides a framework for institutional reform, its success depends on harmonising formal EU policies with Ukraine's informal practices.

Additional qualitative research, such as interviews, ethnographies, and focus groups, could provide deeper insights and improve the targeting of reforms. The Ukraine Plan briefly mentions the post-Soviet legacy but does not explain its impact on institutional design, treating these issues as the status quo. This approach risks reinforcing existing dynamics and amplifying their effects. Additionally, the purchasing model's future effectiveness is questionable due to unclear integration within the current social provision system and a lack of safeguards against exploitation. There is a valid concern that informal structures may exploit these gaps, as they have previously. Further research is needed to address these issues and evaluate decentralisation to strengthen formal practices.

Without this balance, the reforms risk superficial compliance rather than meaningful change. To move forward, the EU must reconsider whether its rigid frameworks are adaptable to Ukraine's complex realities. Several contradictions in the EU's own approach illustrate this tension: the Ukraine Facility is publicly framed as an act of solidarity, yet its conditionality mechanisms bind rule-of-law and financial-governance benchmarks tightly while leaving the EPSR's social protection provisions non-binding, the EU's securitisation agenda has directed early investment toward energy and infrastructure resilience that also serves European strategic interests, even as accession rhetoric emphasises support for Ukrainian society and accession is presented as a technocratic, merit-based process, even as its pace since 2022 has been driven by explicitly geopolitical considerations. Will the European framework evolve to accommodate Ukraine's needs, or will these same tensions continue to determine which priorities are formally rewarded and which remain aspirational? This question is central to the future of Ukraine's social policy and its integration into the European community.

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