LUISS

Research Center
Strategic Change
"Franco Fontana"

GEOPOLITICAL RISK OBSERVATORY

Ukraine

An overview

Luiss Guido Carli University

Last update: October 2026

Luiss
Libera Università Internazionale
degli Studi Sociali Guido Carli
Viale Romania 32, 00197 Roma
T +39 06 85222350
www.luiss.it

GRO Country Profile: Ukraine

GRO Country Profiles are neither extensive analyses nor news updates. Rather, they provide a general perspective on selected areas and issues, identifying a set of factors and variables that organizations should monitor in order to anticipate risks.

For in-depth analysis or day-to-day updates, please contact the Observatory at strategicchange@luiss.it.

Summary

- Ukraine is a semi-presidential republic with a modern, democratic institutional setup, cooperating actively to align with Western standards. Engulfed in wartime conditions, Ukraine is fighting to maintain its institutional integrity. It is facing expected wartime difficulties, straining its judiciary and executive. Under pressure, Ukraine is nonetheless engaged in an evolved cooperation with Europe to help consolidate its independence.
- Ukraine is firmly aligned with the European Union and Western partners, pursuing EU accession and reliant on financial/military support from institutions like the International Monetary Fund, while remaining in active conflict with Russia.
- Ukrainian businesses face regulatory unpredictability, corruption, limited access to finance, infrastructure gaps, and serious risks from ongoing military conflict, while opportunities exist in IT, agriculture, energy, and EU market integration.

Basic Parameters

Indicator	2020	Latest value
GDP (PPP, USD bn)	656.11	724.53 (2026)
Population (mn)	41.9-44.2	~28-34 (2024)
Population under 25 (%)	25.44	n.d.
Population over 65 (%)	17.1	n.d.
Urban population (%)	68	75.5 (2026)
Unemployment rate (%)	9.2	10.2 (2026)
Youth unemployment 15–24 (%)	15.5	n.d.
CPI inflation (% annual average)	2.7	7.5 (2026)
General government debt (% of GDP)	60.5	122.6 (2026)
FDI inward flows (USD bn)	0.304	1.623 (2025)

Sources: IMF - Datamapper (GDP PPP, unemployment, general government debt, CPI inflation), IDSS (population: the figure is highly contested amongst challenging demographic data-collection conditions created by the war. Ella Libanova, the Ukrainian Institute of Demography and Social Studies facility chief, notes that "the lion's share of this variation is due to the fact that we don't understand what's happening with migration". Their estimate is the one referenced), Worldometer (urban population: calculated, according to Worldometer, from reports by the United Nations (UN) and national statistical agencies, that put Ukraine's population closer to 40mn). Ukrstat (youth unemployment: represents the NEET youth demographic—not in work or education). Globaleconomy.com (population over 65), IndexMundi (population under 25), World Bank WDI (FDI inward flows)

Historical context

Following the Second World War and the Stalin period, Ukraine emerged from severe devastation to become a major Soviet industrial and agricultural centre, benefiting from substantial investment and economic recovery despite Moscow's centralised political control. However, recurring political repression, growing national sentiment and the 1986 Chernobyl disaster fuelled disillusionment with Soviet rule, culminating in Ukraine's declaration of independence on 24 August 1991.

Ukraine's modern political landscape since independence has been uneven and volatile, evolving through defining episodes of mass protest: the Orange Revolution (2004) and the Euromaidan protests (2013-14). Before 2004, Ukrainian politics was dominated by oligarchic networks operating out of the Russian-speaking eastern and southern oblasts, controlling most of the country's industrial supply chain. Overwhelming support from the country's heartlands for democratic opposition led to a complete social rupture, culminating in the Orange Revolution. The revolution enfranchised the democratic movement and EU/NATO integration, though it floundered in political instability, continued pressure from surviving, adaptive oligarchic influence, and renewed soft-power campaigning from President Putin.

"Our Ukraine" leader Viktor Yushchenko, who was voted in after the Orange Revolution, lost the 2010 election to the leader of the pro-Russian bloc Viktor Yanukovych. Yanukovych rolled back the post-revolution reforms and tried to chart a political course between EU-accession and pandering to the Kremlin. The Euromaidan revolution was sparked when Yanukovych, under pressure from Putin, abandoned his pretensions to EU integration. Mass unrest ensued, with two defining geopolitical consequences: Russia's annexation of Crimea, intended to consolidate its influence over Ukraine's southern and eastern regions, and a decisive shift in Kyiv's political centre of gravity towards Western integration.

Since 24 February 2022, Ukraine has been actively resisting Russia's full-scale invasion as part of the ongoing Russo-Ukrainian War. The conflict continues to shape its political and strategic trajectory in real time, strengthening national identity while deepening integration with Western allies. Ukraine is pursuing EU membership and expanding defence cooperation with NATO, even as the war underscores persistent patterns of external pressure and internal resilience. Its current path reflects an enduring geopolitical struggle, positioned between competing spheres of influence, yet increasingly fuelling a self-directed alignment.

Institutional Set-Up and Structural Challenges

Ukraine achieved independence in 1991, although the constitution establishing its current system of government—a unitary, semi-presidential republic—did not come into force until 1996. This new system downgraded the parliament's authority, which had until then benefited from the inherited Soviet principle of legislative supremacy, relative to the newly empowered executive branch. This broke the constitutional crisis and allowed Ukraine to progress with its transition, but the relationship between executive authority and institutional accountability has been a recurring tension since, playing into the Orange revolution, the Euromaidan protests, and Ukraine's current status under martial law. Reforms made in 2004 sought to rebalance the distribution of powers by weakening the president's control over the appointment of the prime minister and dismissal of government (secured by the Orange Revolution). They were rolled back by President Yanukovych in 2010, and reinstated once more after the Euromaidan protests in 2014. This is the version effectively in force today, excepting changes made during the last constitutional reform cycle in

2019 that enshrined NATO and EU accession as strategic objectives of the Ukrainian state, and pared back parliamentary immunity substantially.

Thus, Ukraine is now a hybrid but consolidating democracy with a semi-presidential system and tripartite division of powers. Executive power is shared between President Volodymyr Zelenskyy and Prime Minister Serhii Koretskyi (appointed on 16 July 2026), who leads the cabinet of ministers. The Verkhovna Rada, Ukraine's 450-seat unicameral parliament, constitutes the legislative branch, and the judiciary is the third branch, in a standard form of the European civil law tradition. "Sluha Narodu" is Ukraine's governing political party—liberal, centrist and pro-European, led by Oleksandr Korniyenko, the First Deputy Chairman of the Rada. Zelenskyy won a landslide victory in the 21 April 2019 presidential run-off, and Sluha Narodu won an outright majority in a subsequent snap parliamentary election, quickly beginning a dynamic liberalising and digitalising agenda until wartime conditions took hold.

Ukraine has been transforming its formerly centrally planned economy into a more market-oriented system over several waves of privatisation reforms. Nevertheless, the Ukrainian state continues to play a dominant economic role through its ownership of more than 3,000 state-owned enterprises. It controls a majority of the financial sector with 5 state-owned commercial banks, which account for over 50% of the country's banking assets together. It also controls critical energy infrastructure: the state-owned nuclear company Energoatom provides between 50–60% of its electricity (although this figure fluctuates significantly with Russian attacks), and Naftogaz provides over 70% of its gas, with a selection of other state-owned companies contributing to the provision and acting in other parts of the energy supply chain. The economy is otherwise anchored in a diversified industrial-agricultural base, with grain, sunflower oil, iron, and steel forming its core export commodities, where the most private entrepreneurship occurs. Sectors such as IT services, pharmaceuticals, and machinery also contribute increasingly to GDP.

This general overview of Ukraine's institutional set-up comes into focus through two key structural challenges of its present situation: corruption and martial law. Ukraine's public sector has proven itself vulnerable to institutional capture, with investigations having exposed corrupt networks allegedly embedded within the structures of major public institutions. Two leading scandals, within Energoatom and Sense bank, implicate the energy and banking sectors directly, involving members of the public administration all the way up to Zelenskyy's cabinet. Ukraine has bolstered its anti-corruption efforts through the NABU and SAPO, specialist anti-corruption legal entities, taking extensive action in an otherwise weak judicial environment. The result is asymmetric and confrontational: these two increasingly strong reformist institutions are clashing with entrenched corruption that benefits from weak oversight conditions.

Despite these corruption vulnerabilities, martial law has considerably expanded the Ukrainian state's economic role, as wartime requirements have necessitated unprecedented levels of public expenditure and government intervention. Defence procurement, military production, energy

security and infrastructure reconstruction have become major areas of state activity, increasing the importance of public institutions and state-owned enterprises in allocating resources and directing investment, though they are exposed to corruption and political interference.

Martial law has also transformed Ukraine's electoral politics. As aforementioned, Ukraine's multi-party democracy since independence featured pro-Russian parties very prominently, and suffered under large-scale institutional capture by Ukrainian oligarchs operating from its Russian-speaking eastern regions. Since 2022, however, all parties with ties to Moscow were banned, and oligarch networks have also suffered, due to the devastation wrought by the war on their homelands in the industrial south and east.

Business implications

Opportunities

Despite the severe economic disruption caused by Russia's invasion, Ukraine presents selective opportunities for foreign investors. In defence technology and manufacturing, opportunities include drone production, electronic components, counter-drone systems, cybersecurity and dual-use technologies, through industrial partnerships and component supply. Reconstruction offers opportunities in construction, engineering, machinery, transport networks and industrial facilities, while the energy sector requires grid reconstruction, decentralised power generation, renewables and energy-efficiency technologies.

In agribusiness, demand extends to agricultural machinery, food processing, storage facilities and logistics. Opportunities exist in software development, industrial subcontracting and light manufacturing, especially in western regions with connections to European markets.

Ukraine's gradual regulatory alignment with the EU, together with international financing and investment guarantees, supports foreign participation. Nevertheless, military threats, infrastructure damage, labour shortages and institutional weaknesses continue to constrain investment. Opportunities remain highly dependent on sector, location and risk-mitigation arrangements.

Challenges

- *Security challenges:* Ukraine faces very high security risks due to the ongoing Russo-Ukrainian War, with active hostilities concentrated in eastern and southern regions but affecting the entire country through missile and drone strikes on infrastructure. The intensity of violence is high but geographically uneven, with western regions remaining relatively more stable. However, over the course of 2026, Kyiv has become a primary target, as intensifying hostilities have increasingly prioritised public intimidation and the

destruction of public infrastructure. For foreign businesses, this environment disrupts supply chains, damages energy infrastructure, and complicates logistics and exports (especially via Black Sea routes).

Ukraine's security risk is assessed as Band 5 (very high challenges).

- *Regulatory challenges:* Ukraine's regulatory environment is in transition, shaped by wartime emergency measures and alignment with the European Union acquis. Businesses face evolving rules, administrative complexity, and occasional unpredictability in enforcement, particularly in customs, taxation, and capital controls introduced during the war. External constraints include sanctions regimes affecting trade with Russia and Belarus, as well as export controls and logistical bottlenecks that complicate market access. These factors can hinder procurement, delay shipments, and restrict profit repatriation, although international support mechanisms partially mitigate risks for foreign investors.

  Ukraine's regulatory risk is assessed as Band 3 (medium challenges).

- *Governance challenges:* Corruption and governance stability remain significant risk conditions. SAPO and NABU are the key organs of the Ukrainian state's anti-corruption system, which now have consequential power. Their investigations have reached the highest levels of Ukraine's public institutions and major companies, including the cabinet and Presidential Office. However, through their activity, the ongoing corruption in public and private administration has come to the fore on an enormous scale. While corruption affects public procurement and the judiciary, increasingly bitter confrontation between anti-corruption institutions and elements of the Ukrainian administration, amid investigations that risk implicating officials across government, is undermining governance stability. Businesses may face uneven application of regulations, informal practices, and challenges in fully protecting contractual and intellectual property rights.

  Ukraine's governance risk is assessed as Band 4 (medium-high challenges).

Luiss
Research Center
Strategic Change
"Franco Fontana"

Viale Romania 32, 00197 Roma
T +39 06 85222350
www.luiss.it