

Building Peace from Within - Sustaining Human Capital and Shock-Responsive Social Protection in Ukraine and the Lessons for European Policy Pathway

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Curriculum 7 – Economics of Peace

Brief Description of the Proposed Topic

The Russian invasion has forced Ukraine into a precarious economic reality, resulting in the large-scale destruction of human capital, infrastructure, and institutional capacity. A dual-circuit economy has emerged: domestic fiscal capacity, derived from taxes and local borrowing, is directed primarily to the defense sector, while the civilian state—covering pensions, healthcare, education—is funded almost exclusively by international financial support. With military expenditures reaching 36% of GDP in 2023, this bifurcation is unprecedented in postmodern Europe and underscores the critical importance of solidarity, innovation, and policy adaptability to uphold justice and resilience for vulnerable populations affected by war.

Amidst this devastation, Ukraine has managed to build and scale agile, digitalized, and shock-responsive social protection systems. These innovations provide vital lessons for Europe's evolving welfare agenda. For example, programmes like eDopomoga (a digital platform for financial aid distribution) and the rapid expansion of the Diia state app for displaced persons demonstrate how digital infrastructure can support inclusion and service continuity. International organisations such as the UN World Food Programme and UNICEF have increasingly shifted toward government-implemented modalities, reinforcing public institutions rather than bypassing them.

This research provides the first systematic analysis of these dynamics through the lens of positive peace economics, examining how social protection systems evolve during severe crises, which vulnerabilities are intensified, and what trade-offs, partnerships, and governance mechanisms underpin the preservation of sovereignty under conditions of war. Rather than merely tracking the fiscal “cost of staying sovereign,” this project will investigate how prolonged militarisation affects the pillars of a peaceful society: human capital, institutional trust, and welfare resilience. It will also extract applicable policy lessons for European states to prepare for future systemic shocks.

Research Questions

1. How has the Ukrainian social protection system adapted to full-scale invasion and extreme militarization?
2. What policies are most effective in mitigating human capital destruction (trauma, educational disruption, deskilling, brain drain) and supporting displaced and affected populations?
3. What are the mechanics, vulnerabilities, and funding channels behind Ukraine's resilient social system during the crisis?
4. How does the dual-circuit economy manifest in Ukraine, and what are its implications for sovereignty and peacebuilding?
5. What policy lessons can Europe draw from Ukraine to design shock-responsive, peace-oriented welfare systems?

Research Objectives

1. Theorize the dual-circuit economy in Ukraine as a distinctive model of conflict-era public finance and governance.
2. Analyze the structural adaptations of Ukrainian welfare systems during war and assess their inclusivity, effectiveness, and vulnerabilities.
3. Identify best practices for preventing or mitigating human capital loss in long-term conflict conditions.
4. Formulate actionable, transferable policy recommendations for European states facing systemic shocks.

Methodological Approaches and Sources

This project will employ a mixed-methods approach to capture the multi-level nature of the research objectives.

1. *Macro-Level Analysis.* A quantitative time-series analysis of capital flows, national accounts, and fiscal data to juxtapose the dynamics of the civilian and military circuits. Sources include secondary data from open sources such as the National Bank of Ukraine, Ministry of Finance of Ukraine, IMF Staff Reports, World Bank

Public Expenditure Reviews, and the Kiel Institute for the World Economy's "Ukraine Support Tracker."

2. *Meso-Level Analysis*. A qualitative analysis of social protection policy and institutions since February 2022. This will involve:
 - a. Document analysis (Ukrainian legislation, ministerial decrees, and national strategies) and policy documents from international partners (EU, UN, World Bank) concerning social protection, health, and education.
 - b. Primary data collected through semi-structured interviews with approximately 15 key informants, including policymakers at the Ukrainian Ministry of Social Policy and Ministry of Education, officials at the Pension Fund of Ukraine, representatives of international financial institutions and UN agencies in Kyiv, and leaders of major humanitarian NGOs.
3. *Micro-Level Analysis*. A survey will be designed and administered among resident and displaced Ukrainians. A stratified sample of ~500 individuals, including refugees in key host European countries (e.g., Germany, Poland) and internally displaced people in different regions of Ukraine. The survey might follow the same individuals over one year (baseline and year 1) to track changes. The survey will collect data on access to and quality of social services (health, education, financial support), employment status and skill mismatch, mental health indicators, social trust, connection to Ukraine, and future intentions (return, integration). Quasi-experimental methods (e.g., difference-in-differences) will be used to compare the outcomes of Ukrainians in EU countries with different social support and integration policies, providing robust evidence for policy effectiveness.

State of the Art

The intersection of armed conflict, welfare governance, and economic resilience has increasingly drawn scholarly attention, particularly in the wake of protracted crises. Studies such as those by Carrera et al. (2022) and Ociepa-Kicińska (2022) have analyzed the role of social protection in displacement and refugee response, highlighting the need for adaptable systems in crisis contexts. Similarly, Gorodnichenko et al. (2023) and Fabbrini (2023) examine the financing mechanisms of wartime economies, addressing how fiscal tools can be mobilized to sustain basic services during armed conflicts. Ukrainian and international scholars (Heyets & Blyzniuk, 2022; Becker et al., 2023) have begun mapping Ukraine's macroeconomic trajectory under the pressure of war, touching upon the resilience of institutions, budgetary bifurcation, and the reliance on international partners for funding social systems. Yet, despite these

important contributions, there is little systematic investigation into how these economic, institutional, and social forces interact to sustain peace-oriented functions—such as education, pensions, and health—during full-scale war, nor how this impacts long-term state legitimacy and social trust.

In addition, the concept of a dual-circuit economy remains under-theorized in European conflict studies. While classical political economy and conflict literature have long addressed the militarization of public finance, few studies (notably Malerba, 2023; Roshchyk et al., 2025) delve into the structural separation of state functions into militarized and civilian circuits and its implications for human capital development and peace infrastructure. Ukraine presents a rare empirical case: the co-existence of advanced digitalized welfare delivery systems alongside war-driven budgetary depletion and unprecedented GDP allocation to military needs. This disjuncture raises profound questions about how states preserve the pillars of social cohesion—such as education, social programs, health, and pensions—amid existential threats, and how technological innovation and foreign aid help sustain those systems. From the perspective of positive peace economics, this context offers fertile ground to study not only the preservation of institutional capacity under pressure, but also the reimagining of welfare in ways that foster resilience, human security, and democratic legitimacy. The proposed research seeks to bridge this gap by integrating quantitative fiscal analysis, policy tracing, and lived experience data into a unified framework that informs both scholarly understanding and European policy planning.

Originality and Innovation

This research project will bring three original contributions:

- investigate the role of international support and innovative approaches in scaling social protection initiatives through the lens of positive peace economics as applicable to real-time wartime economies, rather than uncertain post-conflict recovery;
- explore the concept of a dual-circuit economy under modern militarized conditions, investigating how Ukraine adapts its donor-funded social protection systems without shifting defence priorities;
- generate policy-relevant, transferable insights for the European Union, focusing on how to design social protection systems that are conflict-resilient, adaptive, and innovative.

Relevance of the Project to the Educational Objectives of the Doctoral Program

This research project aligns with the formative mission of the National PhD in Peace Studies due to:

- a fundamentally interdisciplinary approach, merging economics, political science, sociology, and public policy to analyze the complex dynamics of conflict and peace;
- the program's goal of training experts who can interact positively with organizations, institutions, and public administrations by making engagement with these bodies a central part of its methodology and aiming to contribute to the development of inclusive, peaceful, sustainable policies;
- the project's focus on Ukraine's specific crisis and the broader lessons for Europe demonstrates a capacity for global vision that goes beyond one's specific competence, a key objective for PhD graduates;
- by proposing a new theoretical framework of Ukrainian dual-circuit economy, innovations in designing social systems and a comprehensive three-level methodology for their analysis, the research contributes to the growth of different scientific disciplinary sectors from both a theoretical, methodological and a technical and practical perspective.

Expected Results and Project Sustainability Over the Three-Year Doctoral Period

This doctoral project aims to contribute an original and empirically grounded understanding of how social protection systems function under conditions of full-scale war, with a particular focus on Ukraine as a case of critical geopolitical and economic importance for Europe. Expected outcomes of the project include:

- Doctoral dissertation, consisting of three integrated chapters: (1) a conceptual exploration of social and economic architecture in wartime; (2) a macro- and meso-level institutional analysis of Ukraine's social protection architecture; and (3) a micro-level study on the lived experience of residents and displaced persons.
- One to two peer-reviewed journal articles based on key empirical and theoretical insights developed during the research.
- A structured policy note or short academic blog to disseminate research findings to EU-focused policy communities and peacebuilding institutions.
- Original datasets.

The temporal sustainability of the project is ensured through a phased research design: *the first year* will focus on theoretical consolidation, instrument development, ethics approvals and preparatory fieldwork; *the second year* will be devoted to full-scale empirical research and initial data analysis; and *the final year* will focus on advanced analysis, writing, and dissemination.

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