

## Caught in the jaws of the '*russskiy mir*'. Ukraine's occupied regions a year after their annexation

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Although Kremlin propaganda has attempted to present the occupied Donetsk, Luhansk, Kherson and Zaporizhzhia oblasts as permanent elements of the Russian Federation (RF), Russia's policy towards them has been characterised by violence and exploitation. This demonstrates that they are being treated like foreign territories, and that Russia is unsure as to whether it can retain a permanent hold of them. Since these territories are still a combat zone, they are being *de facto* ruled by the law of force. Russian companies have been taking advantage of this fact to take over Ukrainian assets and embezzle Russian public funds earmarked for support and reconstruction. Consent to such behaviour is an element of the broader strategy being pursued by Vladimir Putin, which is focused on sustaining the loyalty of part of the Russian elite and boosting its joint responsibility for the war. Although most Russians do support maintaining these territories within the borders of the RF, paradoxically, they have never shown any grassroots enthusiasm for the 'reunification'.

### Territory and population ruled by force

The four regions of Ukraine which Russia formally annexed on 30 September 2022 are governed in a different manner than the rest of the RF and occupied Crimea, the latter having become a functional component of the Russian state shortly following its annexation. Russia never controlled 100% of these territories, and the scope of its possessions has decreased since the annexation.<sup>1</sup> Large numbers of local residents have left these areas,<sup>2</sup> and the majority of those who decided to remain in portions of occupied Zaporizhzhia and Kherson oblasts have anti-Russian views. This sentiment has been further boosted by the Ukrainian counteroffensive which threatens any collaborators with the consequences

<sup>1</sup> M. Menkiszak, M. Domańska, P. Żochowski, 'Russia announces the annexation of four regions of Ukraine', OSW, 3 October 2022, [osw.waw.pl](http://osw.waw.pl).

<sup>2</sup> According to Ukrainian statistics, prior to the Russian invasion the currently occupied regions were inhabited by more than 8.5 million individuals and according to the occupation authorities this figure stood at more than 6 million, and a major portion of this group emigrated or was evacuated to other regions of Ukraine, the EU and Russia. See 'Что известно о регионах, присоединяющихся к России', РБК, 3 October 2022, [rbc.ru](http://rbc.ru); P. Żochowski, 'Russia is exacerbating the situation in the Donbas', OSW, 21 February 2022, [osw.waw.pl](http://osw.waw.pl). The Ukrainian side estimates that the present number of residents of Kherson oblast is around 500,000 (according to Russian estimates it stands at around 200,000), and of Zaporizhzhia oblast 350,000. Т. Одноліток, 'Верещук розповіла, скільки людей ще залишається на тимчасово окупованих територіях', УНІАН, 12 September 2022, [unian.ua](http://unian.ua).



of their actions. Despite Moscow's efforts to assimilate the seized territories as quickly as possible, many aspects of their governance reveal its temporary nature, and are being carried out under the conditions of martial law which has been imposed there. Since the annexation, the social and economic situation in these territories has declined. The seized portions of Kherson and Zaporizhzhia oblasts are located near the front line, and are within range of the Ukrainian army's rockets and artillery.

The most important Russian institutions involved in the occupation include the military, the FSB, the interior ministry and Rosgvardiya,

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which are responsible for 'maintaining order', and the Presidential Administration, which coordinates personnel policy. The new regions are governed by civilian-military occupying authorities consisting of both local collaborators and public servants & law enforcement officers brought in from Russia. These regions have not been fully integrated in the RF's administration system: they have not been incorporated into the Southern Federal District, which includes occupied Crimea, and no separate district has been established for them. In these territories, the basic instruments of Russia's policy include terror, the *de facto* forced passportisation of the local population, brutal Russification and indoctrination (including using historical propaganda), as well as a constantly expanding array of legal provisions for keeping the local residents under supervision.

The fact that large Russian forces have been deployed there and the local population is now subject to supervision by the secret services and to mass-scale repression has eliminated any prospects for the emergence of a guerilla movement and other forms of organised resistance, including peaceful ones. According to information obtained in July by the National Resistance Centre of Ukraine, the Russians are planning to carry out a purge there: they intend to arrest 5000 individuals whom they suspect of being ready to manifest active resistance.<sup>3</sup> Expressing attachment to Ukrainian identity is viewed as a serious anti-state crime.

According to figures published by the Russian interior ministry, over a year since the annexation more than 2.2 m inhabitants of the four regions have been granted Russian citizenship, and a total of 83% of the local residents have applied for it.<sup>4</sup> Although these figures cannot be verified, there is no doubt that mass-scale coercion has been introduced as regards the passportisation process. Because few individuals voluntarily decide to assume Russian citizenship, the occupiers' policy involves making living conditions so difficult that the local residents are effectively forced to apply for Russian passports. This involves physical coercion, intimidation, refusing access to basic services and social welfare (including medical help and medicine), and threats of deportation and confiscation of assets. In addition, the Russian authorities have introduced a series of facilitated procedures (which are illegal according to international law) which enable these individuals to renounce their Ukrainian citizenship;<sup>5</sup> meanwhile children who have been born in Kherson and Zaporizhzhia oblasts since 24 February 2022 have automatically been granted Russian citizenship, regardless of their parents' nationality.<sup>6</sup>

In April 2023, Putin signed a decree enabling deportation (starting from 1 July 2024) from the annexed territories of individuals who refuse to assume Russian citizenship, in particular those who "support

<sup>3</sup> 'Окупанти отримали план з кількості затриманих партизан', Центр національного спротиву, 7 July 2023, [sprotyv.mod.gov.ua](https://sprotyv.mod.gov.ua).

<sup>4</sup> 'Более 2,2 млн российских паспортов выдано жителям четырех новых субъектов РФ за год – МВД', Интерфакс Россия, 30 September 2023, [interfax-russia.ru](https://interfax-russia.ru).

<sup>5</sup> М. Бирюков, 'Путин подписал закон об упрощении процедуры отказа от украинского гражданства', Forbes, 18 March 2023, [forbes.ru](https://forbes.ru).

<sup>6</sup> 'Рожденные после 24 февраля в Запорожье дети автоматически станут гражданами РФ', Известия, 16 June 2022, [iz.ru](https://iz.ru).

a forcible alteration of the fundamental principles of Russia’s constitutional system”, fund terrorist and extremist activity or take part in unauthorised actions.<sup>7</sup> The document is intended to serve as another instrument in the pacification of the local residents, even as most of them retain a hostile attitude towards the occupiers and continue to have limited access to the Ukrainian infosphere, despite the Kremlin’s attempts to retain a monopoly on information.

The invaders have pursued a consistent policy of erasing the local population’s Ukrainian identity; the intention is to reduce it to a politically harmless folklore. Books at Ukrainian libraries are being systematically destroyed, and school curricula are now based on Russian textbooks and guidebooks; these indoctrinate children and youth in a spirit of contempt for Ukrainian culture, language and statehood, and cultivate an idolatrous adoration for Russia. Attempts to eliminate Ukrainian from schools and make Russian the official language have been made. Historical propaganda haphazardly combines elements of the Soviet-era ‘brotherhood of nations’ (as manifested in the re-Sovietisation of the public space) with Great Russian chauvinism and the Putinist quasi-ideology of the *‘russkiy mir’*.

### All Russia assists in the ‘reunification’

In the annexed regions, instruments of governance include the formula of imposing ‘custody’ of selected towns and villages located in the occupied territories on individual cities & regions of the RF proper. This concept was devised by Sergey Kiriyyenko, First Deputy Chief of Staff of the Presidential Administration of the Russian Federation, who is responsible for domestic policy. The mechanism is intended to both fake grassroots support in Russia for the annexation, and to turn the local Russian elites into hostages to the regime, thus making them jointly responsible for the crimes of aggression, occupation and genocide. According to official reports over 80 Russian regions are involved to varying degrees in the reconstruction of the occupied territories and providing them with ‘assistance’.<sup>8</sup>

From the beginning of his mission, Kiriyyenko has staffed the governance structures in the occupied territories with trusted individuals and treated this strategy as a method for consolidating his own position in the system. How-

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ever, the Kremlin has encountered difficulties in recruiting the executive staff, which is why its policy in this aspect has so far been random and chaotic. Combined with the dynamic situation on the front, this undermines the prospects for building robust institutional structures. Although initially job opportunities involving a transfer to Ukraine were presented as an attractive path to promotion in the Russian state administration, the potential employees received them with little enthusiasm; this is to a great degree due to security-related issues, as well as the lack of clear prospects for career development. Similarly, the Ukrainian collaborators, whom the Kremlin views as nothing more than its tools, cannot hope to become legitimate elements of the Russian nomenklatura. Public servants are required to take part in *de facto* obligatory tours of duty to the occupied territories which last several months; some view these trips as an opportunity to avoid being punished for specific crimes such as corruption. The authorities have also attempted to attract physicians and teachers by offering

<sup>7</sup> Указ Президента Российской Федерации «Об особенностях правового положения отдельных категорий иностранных граждан и лиц без гражданства в Российской Федерации», [static.kremlin.ru](http://static.kremlin.ru).

<sup>8</sup> ‘Новые регионы включились в общероссийские программы’, Победа РФ, 26 May 2023, after [dzen.ru](http://dzen.ru). For more on the practical aspects of this assistance, based on the example of Saint Petersburg which is sponsoring Mariupol, see ‘Как Петербург уже год финансирует строительство в разбомбленном Мариуполе. Расследование «Бумаги» о неподотчетных миллиардах и городских компаниях’, Бумара, 18 July 2023, [paperpaper.ru](http://paperpaper.ru).

them high salaries. This strategy has proved more successful, at least to some degree, especially in the case of residents of the RF's least affluent regions.

Russian propaganda has reported extensively on the annexation, presenting it as a triumph for Moscow and the long-awaited reunification of 'historically Russian territories' with the motherland. It claims that the integration of the new regions is a *fait accompli* and that the situation is fully under control; the local population, which is allegedly unreservedly enthusiastic about the 'reunification', is living life normally thanks to the quick pace of the reconstruction. However, Ukrainian sources argue that the living standards remain very low, and the crisis is expected to worsen in wintertime due to problems with the heating system. The fake elections held in the occupied territories on 8–10 September 2023<sup>9</sup> and the newly established Day of Reunification holiday on 30 September, are among various initiatives intended to consolidate the government's narrative among the Russian people. Despite this, the scale of the celebrations organised in Russia on the first anniversary of the annexation was rather modest, as the authorities have noticed the public fatigue with war-related issues.<sup>10</sup>

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Russian citizens. Despite this, in polls Russians tend to express views which fall in line with the official propaganda. In a poll conducted in August 2023 by the Levada Center, an independent sociological research company, 71% of respondents were opposed to any concessions to Ukraine even if they could foster the end of the 'special military operation' and the signing of a peace agreement (45% of them were 'strongly opposed' to concessions). Similarly, the vast majority of the individuals surveyed said that 'under no circumstances' should Russia agree to return Kherson and Zaporizhzhia oblasts (68%) or Donetsk and Luhansk oblasts (76%) to Kyiv.<sup>11</sup> To a great extent, this attitude results from the fact that the invasion is presented in Russian state media and in the public space as 'Russia's existential defensive war against the absolute evil of Nazism' (a reference to Nazi Germany's attack on the USSR) and the entire NATO war machine.

## Kyiv's attitude towards the occupied territories

The Ukrainian authorities view the occupation as temporary and the annexation as unlawful. Criminal cases have been opened against Russian officials in absentia; the charges include violating Ukraine's territorial integrity by organising the fake elections.<sup>12</sup> At the central level, issues related to the situation in the annexed territories are being dealt with by the Ministry of Reintegration of the Temporarily Occupied Territories of Ukraine, which is headed by deputy prime minister Iryna Vereshchuk. The policy of 'de-occupation' is being devised on an ongoing basis by the Coordination Office for Reintegration. In the initial phase of the conflict, the ministry's priority tasks included organising the evacuation of the local residents and providing them with financial and humanitarian aid. A year after the annexation, Vereshchuk admitted that providing direct support is no longer possible, and that the only hope of liberation depends on the success of the Ukrainian military offensive.<sup>13</sup> Despite this, financial assistance, including monthly allowances, continues to be offered to individuals remaining

<sup>9</sup> For more see M. Bartosiewicz, 'A tactical pause. The Kremlin's regional policy in the shadow of the war', *OSW Commentary*, no. 543, 6 October 2023, [osw.waw.pl](https://osw.waw.pl).

<sup>10</sup> The main TV channels did not air reports on the celebrations, and in contrast to other public holidays, Putin did not attend the concert in Moscow and limited himself to issuing a short televised statement.

<sup>11</sup> 'Конфликт с Украиной: оценки конца августа 2023 года', Левада-Центр, 5 September 2023, [levada.ru](https://levada.ru).

<sup>12</sup> 'Главе Центризбиркома РФ Памфиловой, заместителю и секретарю ЦИК объявлено о подозрении за подготовку "выборов" на временно оккупированных территориях Украины, – СБУ', *Антикор*, 1 September 2023, [antikor.com.ua](https://antikor.com.ua).

<sup>13</sup> Т. Одноліток, 'Верещук розповіла, скільки людей ще залишається на тимчасово окупованих територіях', *op. cit.*

in the occupied territories and to those who have been displaced to areas controlled by Kyiv. This also includes the cancellation of mortgage loans, for example when the property has been irreparably damaged, or the loan holder has been forced to abandon it.

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tion. On 15 March 2022, criminal liability was introduced for a new category of crime, namely collaborationist activity. Collaboration with the aggressor state, its armed & paramilitary formations and the occupation administration, as well as supporting views which justify the Russian invasion, are now all punishable by 10 to 15 years’ imprisonment. Additional sanctions include stripping those convicted of their right to hold positions in central and local government structures, as well as confiscating their property and assets. The new legislation is intended to demonstrate that collaboration with the occupiers will be ruthlessly punished, and to encourage the population to assist the law enforcement bodies in identifying the collaborators.<sup>14</sup> There are many indications that the Security Service of Ukraine has an extensive network of informants who provide it with details regarding the situation in the occupied territories.

So far, more than a dozen people belonging to the occupation authorities have been eliminated; the most assassinations were carried out in late summer and autumn 2022. The most spectacular of these was the elimination on 9 November of Kirill Stremousov, deputy head of the Kherson occupation administration. As part of an extensive series of sabotage operations, several facilities occupied by the Russian-imposed authorities were also destroyed. This is an element of a long-term psychological warfare intended to intimidate them; for example, several attacks intended to disrupt the fake elections were carried out in September 2023.<sup>15</sup>

The extended occupation and the efforts to force the residents of the occupied territories to live and work according to Russian legislation have softened the Ukrainian authorities’ stance on what criteria should be applied to deem a given individual to be a collaborator. People who have openly supported the invasion, spread Russian propaganda, agitate in favour of the enemy, support or organise fake elections, take up positions in the occupation authorities, provide housing and food to the occupiers, or pass on information about individuals who oppose Russia are now all viewed as collaborators. Alongside this, the Ukrainian government argues that other residents of these areas who are not directly involved in any actions against Ukraine should be viewed as hostages to circumstances. Due to the prevailing terror in the occupied areas, Kyiv has also softened its stance on accepting Russian passports, and has consented to Ukrainian nationals assuming Russian citizenship for security reasons.

## The plunder economy

Information regarding the current economic situation in the occupied regions is very sparse/limited, and is being used by both Russia and Ukraine as a tool in their respective propaganda policies. It is also almost impossible to verify. It is beyond doubt, however, that a major portion of these territories’ potential has been destroyed as a result of the invasion. This is particularly true with regard to those towns and cities which were the subject of the fiercest fighting, such as Mariupol and Bakhmut. The invaders’ destruction of the Nova Kakhovka dam has permanently affected agriculture in Kherson and Zaporizhzhia oblasts. The prolonged war is not only hampering the reconstruction of the

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<sup>14</sup> S. Matuszak, P. Żochowski, ‘Ukraine: new wartime legislation’, OSW, 17 March 2022, [osw.waw.pl](https://osw.waw.pl).

<sup>15</sup> This included attacks on several polling stations and disruptions to television broadcasting in Crimea.

occupied territories, but is also contributing to their further degradation. However, the current economic potential of these territories is of limited importance to the Russian Federation, and the cost of financing them could end up loading a serious burden onto the Russian state budget.

According to forecasts prepared by the Ministry of Economic Development of the Russian Federation (which are not very reliable), in 2023 the nominal value of the gross regional product of the four annexed regions is expected to be around 2 trillion roubles (around \$24bn, according to the average exchange rate recorded in 2023), more than 1% of Russia's GDP. For comparison, according to Ukrainian statistics, a very similar figure was recorded in these oblasts in 2021, before the wave of destruction caused by the invasion. Until 2014, when they were partly seized by Russia, Donetsk and Luhansk oblasts had been Ukraine's most industrialised regions. They were home to metallurgical, coal mining and electricity generation works & enterprises. Prior to the full-scale invasion, Zaporizhzhia oblast had been the centre of Ukraine's electromechanical industry.

The Russian occupation has triggered an influx of Kremlin loyalists taking over local assets. However, as the region's future remains uncertain, the new owners are mainly interested in making quick profits rather than in developing business. As a consequence, since 2014 the annexed territories have been affected by an exploitative economic policy which is intended to exhaust their resources: the Kremlin-controlled self-proclaimed authorities of the Donetsk and Luhansk People's Republics have effectively nationalised the most attractive industrial facilities and mines. Moreover, they have granted exclusive administration and production rights to private organisations linked to individuals such as Sergey Chemezov (head of the Rostech state-controlled company and Putin's close aide from their time together in the KGB).<sup>16</sup>

Similar practices have been recorded in the areas which Russia seized in 2022. In addition, the occupation authorities have been forcing local entrepreneurs to re-register their companies in line with Russian law, otherwise they may face a ban on further activity and the nationalisation of their assets.

**” The incomers who are loyal to the Kremlin treat the occupied regions as another opportunity to expand their wealth by forcibly taking over Ukrainian assets and selling movable property, which in turn degrades the local economy.**

As these regions are still within the boundaries of the war zone and are controlled by the military and law enforcement bodies, these assets have mainly been taken over by force. This makes it very unlikely that the new owners will be able to legalise their ownership status in the future.<sup>17</sup> In most cases, the former owners cannot hope for even partial payment or compensation. At the same time, very few attempts to resume production in the seized industrial facilities have been made. In most cases, the machines have been dismantled and the raw materials (including scrap metal), stockpiled goods and finished products dispatched to Russia.<sup>18</sup> For example, groups linked with Ramzan Kadyrov have been involved in stealing the assets of the metallurgical plants in Mariupol.<sup>19</sup>

Aside from expanding their wealth by seizing these assets, these Kremlin-linked individuals are also able to expand their fortunes with funds from the federal budget which have been earmarked for the 'reconstruction' of the occupied territories. It is impossible to determine the total sum of this

<sup>16</sup> K. Niecypor, 'Ciała obce. Samozwańcze republiki na wschodzie Ukrainy', *Komentarze OSW*, no. 312, 27 November 2019, [osw.waw.pl](http://osw.waw.pl).

<sup>17</sup> М. Солдатенко, 'Министры, миллиардеры и художники. Кто держит видимую часть бизнеса на новых территориях', *Фонтанка.ру*, 3 July 2023, [fontanka.ru](http://fontanka.ru).

<sup>18</sup> А. Янковский, А. Бадюк, '«Переотжим» предприятий и «маски-шоу». «Свободная экономическая зона» по-российски в оккупации', *Крым.Реалии*, 15 July 2023, [ru.krymr.com](http://ru.krymr.com).

<sup>19</sup> И. Давлятчин, 'Люди гибли за металл. Кто и как вывозит имущество украинских предприятий из оккупированного Мариуполя', *Полигон*, 22 June 2023, [polygonmedia.org](http://polygonmedia.org).

expenditure because in most cases this information is classified. What is known, however, is that in 2023 these territories have been the regions most subsidised from the centre: almost 90% of their revenue consists in financial transfers from the Russian federal budget. They are expected to receive a total of almost 411bn roubles (around \$5bn), of which Donetsk oblast will receive more than 171bn roubles (the biggest such subsidy offered to any of the regions in whole of Russia)<sup>20</sup>. In practice, the entire sum consists of non-refundable, non-targeted subsidies which the local authorities disburse at their own discretion. Since the possibilities for supervising this spending are very limited, there is a significant risk of embezzlement.

In addition to the regional budgets, the federal authorities have also allocated funds to directly finance various initiatives including infrastructure projects (such as the construction and modernisation of roads, the electricity grid and the water supply systems), as well as the construction of public facilities and housing estates. Another important source of funds are Russian regional budgets and companies, mainly state-controlled ones, which the authorities force to finance various projects. However, there is little information on the size of these funds, including those which are transferred to the occupied regions and allocated for civilian purposes. It is likely that most of these funds are transferred to the private bank accounts of Kremlin-loyal individuals. Since the selection of investment contractors is discretionary (it is carried out without any tender procedures), the risk of corruption is very high. Most of the materials and workers involved come from Russia; local residents are hired rarely, and are usually paid much less than the non-local workforce.

Russia's deputy prime minister Marat Khusnullin is mainly responsible for the disbursement of the funds received from the federal budget. In his private business activity and professional career he has been active in the Russian construction sector for many years. The *Voyenno-Stroitel'naya Kompania*, controlled by deputy defence minister Timur Ivanov, has also been involved in the distribution of state funds. As regards access to funds from regional budgets, these are usually offered to companies linked with the governors of those regions which allocate the money.

## Conclusions and outlook

The development of the situation in the occupied territories will depend on the prospects for their liberation by the Ukrainian army. The fact that they have been unlawfully annexed limits Ukraine's hopes of regaining them by peace negotiations. Although the Russian government is not willing to make any concessions, it does realise that the annexed regions will not become an integral, internationally recognised part of Russia. This means that the Kremlin has no interest in either building up lasting institutions there or ensuring a minimum of social support to the local population. These territories are mainly viewed as an instrument for geopolitical blackmail against Kyiv and destabilising Ukrainian statehood.

Faced with a protracted war and ongoing Western sanctions, the Kremlin will likely seek to minimise its outlays on the local population and civilian infrastructure, by means including the mass-scale deportation of any local residents it deems disloyal. Inhabitants of the occupied territories may lose all their rights at any time, even after obtaining Russian passports. This is because several Russian laws (which are unconstitutional) permit the authorities to strip individuals who are found guilty of specific crimes, including extremism, of their acquired citizenship; in this context, extremism here potentially include any manifestations of anti-war or anti-regime attitudes. At the same time, the areas which Russia needs for the purposes of an effective occupation will be staffed with individuals brought from Russia; in the longer term this will result in changes to the local demographic situation.

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<sup>20</sup> А. Гальчева, И. Ткачёв, 'Власти раскрыли дотации из федерального бюджета для новых регионов', РБК, 21 April 2023, rbc.ru.

Mounting frustration among the Russian public may pose a problem to the government, especially on the eve of the presidential election planned for March 2024. These social sentiments result from the transfer of large sums of money from the budgets of the increasingly impoverished regions of the RF to the newly annexed oblasts, and from the shortfall of workers in the Russian public utility sector. This problem has been exacerbated by the war, the military mobilisation and the recruitment of personnel to be transferred to the occupied territories. However, the figures publicly available do not contain any information on the public mood in this respect.

At the same time, the scale of support for keeping the annexed regions within the borders of the Russian Federation should not be overestimated. Should Russia decide that it is necessary to return them, the Kremlin will likely be able to significantly mitigate its reputational damage on the domestic stage. The fact that its message dominates in the media space enables it to arbitrarily shape the attitudes of the Russian public, because they are highly susceptible to official narratives and quite indifferent to topics such as 'Novorossiya' and its 'reunification with the motherland'.