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SWP Comment

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Russia in the Occupied Territories of Ukraine

Policies, Strategies and Their Implementation

Nikolay Petrov

Russia pushes for the “Russification” of the territories it occupies in Ukraine. Its policy is aimed at turning them into a military fortress against Ukraine. The declared aim of the economic restoration measures is to make the territories self-sufficient “parts of the Russian Federation”. Their “integration” is by far the largest infrastructure project in current Russia. In the absence of tangible military successes, it is also the Kremlin’s most important propaganda project. The Kremlin’s actions in the occupied territories of Ukraine are like a second front in this war. Studying Russia’s occupation policy is important both for understanding the actions of the invader and for developing action plans for the Ukrainian authorities after the end of the war and the liberation of these territories.

The territory that Russia occupies in Ukraine today is the result of the military dynamics of the first year of the war. In the first phase of the full-scale invasion, the Russian armed forces attacked from several directions and tried to bring the capital, Kyiv, under their control. In April 2022, Moscow was forced to withdraw its troops from central Ukraine. The Ukrainian army recaptured large areas in the east and south during its first counteroffensive in the autumn of 2022. On 30 September 2022, Russia declared the annexation of the Ukrainian oblasts of Luhansk, Donetsk, Zaporizhzhia and Kherson to consolidate its control over them.

However, after two and a half years of war, Luhansk is the only region that Russia

has been able to fully occupy, while it controls only about 58 per cent of the Kherson region, 72 per cent of the Zaporizhzhia region and 61 per cent of the Donetsk region. In other words, Moscow holds only some 70,68 per cent of its so declared “new regions” in Ukraine’s east and south. Moreover, the Russian armed forces were unable to conquer the cities of Zaporizhzhia and Kherson. Instead, Russia established “temporary administrative centres” in Melitopol (150.000 inhabitants), the second largest city of the Zaporizhzhia oblast, and in Genichesk (20.000 inhabitants), a small town by the Azov Sea in the Kherson oblast.



The population

Military activity and war-related displacement of significant parts of the civilian population in eastern and southern Ukraine make it very difficult to determine the number of people in the occupied territories. The size of the population is the subject of myths and lies produced by the Russian propaganda machine. As a result, the figures projected by Ukraine and various Russian institutions are extremely contradictory.

According to official Ukrainian sources from January 2022, the overall population of the areas now occupied by Russia was 6.373 million people. The oblasts of Donetsk and Luhansk already experienced a significant migration outflow after the beginning of the war in 2014. In December 2022, the International Organisation for Migration counted some 2.9 million who had left the occupied territories after the start of the full-scale invasion as referred by UNHCR. Based on these figures, the total population of the areas occupied by Russia can be estimated at around 3.47 million people. This is roughly equivalent to the 3.227 figure used by the Russian Federal Compulsory Health Insurance Fund in its draft budget for 2024. According to the Russian Ministry of the Interior, 2.82 million Russian passports have already been issued by September 2023, with a further 400.000 to be issued by the end of 2023.

The preparations for the strongly manipulated Russian presidential elections in March 2024 led to a sudden and suspicious increase in the numbers given by Russia: In February 2024, the Central Election Commission of the Russian Federation determined the number of voters in Russia's "new regions" at a total of 4.56 million. The official election report even speaks of 4.812 million voters, of whom 4.732 million allegedly turned up to vote. These figures are clearly manipulated to improve Putin's results.

The situation in the frontline territories remains volatile. Ukrainian and Russian sources confirm that people continue to

leave. According to estimates based on figures published by the Russian State Statistical Service (Rosstat), between 90,000 and 100,000 people may have left the "new regions" in 2023. There is also some inflow of people from Russia attracted by higher salaries and low house mortgages, but again, exact numbers are difficult to ascertain.

Forced Russification

The reality of the occupation also means the continuation of war crimes and gross violations of human rights. Russia systematically violates its obligations as an occupying power under the international human rights law and the international humanitarian law. The occupying forces do not allow international organisations and independent journalists to enter the territories. Based on eye-witness reports, Ukrainian NGOs, the Office of the UN High Commissioner of Human Rights and networks of investigative Ukrainian and Western media try to shed light on life under Russian occupation.

Civilians in the occupied territory are permanently exposed to various forms of repressions and violence. Between 24 February 2022 and 31 December 2023, the OHCHR recorded 687 cases of arbitrary detention of civilians (journalists, civil servants, public officials, civil rights activists and others) for opposing the occupation. The real figure is likely to be much higher, because most cases are not public. Deportations, arbitrary violence, including sexual violence, ill-treatment and torture are commonplace, not only in the detention centres but throughout the territory under Russian control. Public protests and other forms of resistance to the occupation are being suppressed by the Russian armed forces and the Russian occupying authorities. Elementary freedoms, such as the freedom of expression (including the expression of Ukrainian culture and identity) or movement, are stifled. There is no protection against intrusion from the occupying forces, either in terms of private sphere or con-

fiscation of property. Russia rules the areas it controls through fear and intimidation.

The naturalisation of the population in disputed territories, known as passportisation, has long been a tool of Russian policy. In the occupied territories of Ukraine, it is also used to force the population into obedience. There are numerous reports of people being denied basic rights and access to basic services, including health care and medicine, wages, pensions and other social services, because they do not have a Russian passport. Male residents of the occupied territories with Russian passports risk being conscripted into or pressured to “volunteer” for the Russian army. According to a presidential decree from April 2023, residents without Russian passports will be considered “foreign citizens” after December 2024 and may be subject to persecution and deportation if they “threaten the constitutional order or national security”. In other words, without a Russian passport it is almost impossible to live in the Russian occupied territories.

Political, economic and military aspects of Russia’s occupation policy

As the forced “Russification” of the local Ukrainian population unfolds, Russia is systematically pursuing the political and economic integration of the occupied territories.

The political-administrative integration started with the formation of governance structures in the four regions over the summer of 2022. The occupation authorities began to transform themselves from looting “roving bandits”, into “stationary bandits” interested in a steady flow of rents. These structures were tasked with staging referendums on 28 September 2022 to create a superficial impression of legitimacy, which implausibly claimed that between 87 and 99 per cent of the respective populations voted in favour of joining the Russian Federation. The referendums were used to justify the annexation of the territories on 30 September 2022. In September

2023, the “single voting day” for local and regional elections was extended to the occupied territories for the first time. The formation of “people’s councils” in the DPR and LPR, a “Legislative Assembly” in the Zaporozhye region, and of the Kherson “Regional Duma”, as well as the proclamation of huge majorities for the Kremlin party “United Russia” throughout the occupied territories, can be seen as the formal completion of their political integration.

Economic projects

The “integration” of the occupied territories started in May 2022, when Russia began to provide assistance to the LPR in restoring infrastructure. But it is far from being complete.

In April 2023, a first “Comprehensive program for the socio-economic development of the DPR, LPR, Zaporozhye and Kherson regions” was adopted to identify development goals and allocate funds for the period from 2023 until 2025. It was followed, in December 2023, by the state program on “Restoration and socio-economic development of the DPR, LPR, Zaporozhye and Kherson regions”. The published version of the programme consists of an introductory section outlining the general objectives of the Russian state’s policy in the “new regions”. There are eight annexes on priority areas for the distribution of subsidies. The programme does not contain any deadlines or benchmarks for the implementation of the measures described. Some of its parts are closed to the public. The government announced it just before the New Year on December 29, 2023, so as not to attract public attention. The money allocated per year for the implementation of the programme is about 1 trillion rubles (€10,76 billion). It was spent in full in 2023, even though the programme was adopted only at the end of the year. This and the fact that a large section of the program is classified suggests that a significant part of it is used for military purposes like construction of defensive structures.

The civil priorities outlined in the state programme focus on infrastructure and communications, water and energy supply, housing and communal services, the service sector and the industrial and agricultural production. The priority projects for the actual restoration of what was destroyed during the war were the restoration of the energy infrastructure, the restart of enterprises, the repair of roads and social facilities, the development of housing and communal services, the development of the banking system, and the construction of housing, which in new regions people can purchase under the two percent mortgage program.

The first major project was the emergency construction by the military of a 200-kilometer water pipeline from the Don in the Rostov region to Donetsk, carried out in record time in the first months of 2023. 2,500 people worked around the clock on the construction of the water pipeline. Water supply of Donetsk through the Seversky Donets – Donbass canal had stopped shortly after the start of the full-scale invasion. As a result, households in Donetsk had water for no more than 2 hours a day. The construction of the water pipeline improved the situation, but did not solve the problem completely. The authorities say that without gaining control over the northwestern part of the Donetsk region, a fundamental solution to the problem is impossible. The North Crimea Canal, which has not enough water since the destruction of the Kakhovka Dam in June 2023, is another infrastructure project. So are a number of transport and communication lines with dual, military and civilian purpose: the road and railroad connection between Russia and Crimea road, other road and rail connections to Russia, and a ring road around the Sea of Azov.

Infrastructure

In the area of housing, the main focus so far has been on the restoration of Mariupol, which Moscow wants to transform into a showcase of Russia's positive role in the

occupied territories. Other focal projects are the temporary regional centres of the occupation authorities in Genichesk and Melitopol. In July 2024 Putin announced that “federal agencies completed work on 11,262 objects, including the construction of 62 apartment buildings, the restoration of 2,140 apartment buildings, as well as 321 objects of education, healthcare, culture, sports, etc.” According to him, more than 3,000 km of roads were repaired, more than 500 bank branches and offices were opened. These claims are difficult to verify in full. International and Ukrainian media and NGOs report about slow progress, corruption and flawed construction projects.

According to the head of the Social Fund of Russia, Sergei Chirkov, in 2023, 2.5 million people living in “new regions” received payments from the Social Fund for a total amount of more than 204 billion rubles (€2 billion), these are pensions, unified benefits, sick leave and accident compensation, other benefits.

Businesses

The Russian government aims to create favorable conditions for the development of local business and the arrival of companies from Russia. Since the summer of 2023, a free economic zone (FEZ) has been operating in the occupied territories, meaning benefits for 10 years, including reduced insurance premium rates; zero tax rate on profits received from the implementation of an investment project; exemption from corporate property tax; as well as exemption from land tax for three years. In July 2024, it was extended to Crimea and the neighboring Russian regions Rostov, Belgorod, Voronezh, Kursk and Bryansk. Since April 2024, a simplified procedure for creating industrial parks and technology parks has been in effect. A number of measures have been taken to support small and medium-sized businesses, including preferential lending.

Occupational authorities claimed for all businesses — including pre-existing Ukrain-

ian businesses — to be registered by Russian standards. According to official Russian sources, more than 107 thousand new businesses were registered: 49 thousand in the DPR, 37 thousand in the LPR, about 14 thousand in the Zaporozhye region and 7 thousand in the Kherson region. The most popular types of activities among small and medium-sized businesses in new regions are retail trade (56%), real estate activities (5.8%) and transportation (5.5%).

Currently, there are already more than 500 enterprises of different size employing about 67 thousand people. In 2024, it is planned to launch about forty more, including the Mariupol Metallurgical Plant named after Ilyich.

For each of the four regions, a socio-economic development program was adopted in mid-2023. All of them, as well as plans for the modernization of the coal and metallurgical industries of Donbass, were included in the Strategy for the Sustainable Development of the Azov Region until 2040, developed by the Agency for Strategic Initiatives (ASI) jointly with the Russian Foreign Trade Bank (VEB).

According to a statement by Vladimir Putin in July 2023, more than 1.260 trillion rubles or €12 billion were allocated for the comprehensive development program of Donbass and Novorossiya. This is equivalent to one eighth of Russia's colossal military expenditures on the war against Ukraine, which SIPRI estimates at €101 billion and one fourth of what was spent on the entire national economy in the same year. The same level of funding is planned for the coming years. Even though this is far from being enough for socio-economic recovery, it underlines the importance that the Kremlin attaches to the “new regions”.

Who does what in Russia?

Like Crimea after 2014, the “new regions in Donbas and Novorossiya” are, first and foremost, Vladimir Putin's personal project. He is the “commander in chief” not only of the military operation, but also of the “inte-

gration operation”. Telling a success story about the “integration” of the occupied territories into the Russian Federation is particularly important because Putin's regime has failed to achieve the military aims it set out at the beginning of the full-scale invasion. This is why Putin pays a lot of attention to the process. He also participates actively, holds regular government meetings on the progress of reconstruction and visited Mariupol in May 2023.

The government officials most visibly dealing with the “integration” of the occupied territories are Deputy Head of the Presidential Administration Sergey Kirienko and Deputy Prime Minister Marat Khusnullin. Kirienko heads the so called domestic political bloc in the Kremlin. His responsibilities stretch not only to the “new regions”, but also to managing Russian elections at all levels. His position has grown significantly more powerful since the beginning of the full-scale invasion. Marat Khusnullin (61), who began his political career in his home region Tatarstan, became Deputy Prime Minister for construction and regional development in January 2020. Other government representatives involved in the process are Minister of Construction Irek Fayzullin, and, occasionally, Deputy Prime Minister Dmitry Chernyshenko, who oversees the digital economy, science and education, and national policy. Kirienko, Khusnullin and other, lower-level government representatives regularly visit the occupied territories. The head of the Russian government, Prime Minister Mikhail Mishustin, on the other hand, seems to have relatively little to do with what is happening there. Not only did he not visit the annexed territories, but he is only silently present at all meetings between Putin and the government on them. This is another indication that the “new regions” are the exclusive prerogative of the Kremlin.

The Crimea playbook adapted

Some aspects of Russia's approach to the annexed territories in eastern and southern

Ukraine follow the Crimea playbook after the annexation in 2014. The patronage system involving the Russian regions and certain corporations, organizations and enterprises, from Rosatom to the Ministry of Justice, cultural institutions like the Moscow Art Theater and leading Russian universities, clearly replicates the model developed for Crimea, because it worked effectively during the “integration” of the peninsula. Mechanisms developed in Crimea are also used directly. Thus, information and analytical support of the Program is carried out by the autonomous non-profit organization “Directorate for Information and Analytical Support of the State Program of the Russian Federation.”

At the same time, the Kremlin did not repeat steps that proved ineffective in Crimea. For instance, the Ministry of Crimean Affairs, created in March 2014, caused competition and confusion among government institutions in Moscow and was dissolved the following year. No such institution was set up for the purpose of integrating the occupied territories in eastern and southern Ukraine. Instead, the focus is on unity of command and control directly from the Kremlin.

The same approach is observed in relation to the Special Economic Zone created throughout the occupied territory in accordance with Federal Law No. 266-FZ dated June 24, 2023. To manage it, it was decided not to repeat the mistakes of Crimea and not to create a special structure, but to entrust everything to the “Territory Development Fund”, which acts as a management company and a single customer in the construction industry. The authorized body for regulating the free economic zone is the Ministry of Construction of Russia. As of April 3, 2024, 100 participants in the free economic zone declare an investment volume of 52 billion. As of July 24, 2024, 171 organizations entered the free economic zone; they plan to provide jobs for 66 thousand people, investing more than 74 billion rubles. These are agricultural enterprises, sewing workshops, factories, coal industry companies and even individual entrepreneurs.

Regional industrial development funds have been created to finance business projects. By agreement with the Federal Industrial Development Fund they offer joint loans for regional projects, with 90 per cent of the borrowed funds provided by the federal fund and 10 per cent by the regional fund.

To finance housing construction using extra-budgetary funds, a mortgage mechanism has been introduced at two percent. In March 2024 Marat Khusnullin declared that there was great demand for mortgage housing: “we have already prepared urban potential for eight million square meters, and new construction sites are being added every month, where housing construction is already underway at the expense of extra-budgetary funds”.

The system of regional patronage

The role of the Russian regions in the newly established patronage system is manifold. As early as May 2022, Sergei Kirienko declared that, by Putin’s decision, Russian regions would take patronage over the regions of the Donetsk and Lugansk People’s Republics. Later on this approach was extended to the Russian occupied parts of Zaporizhzhia and Kherson region. According to a statement by Marat Khusnullin, the patronage will last at least until 2030. As in Crimea after 2014, patronage includes the erection of defences, funds for construction and restoration work, the provision of materials, equipment and skilled work force. It also includes the secondment of middle and lower-level management personnel. Each region has to send several dozen regional and municipal officials and specialists to its, and large ones — more than a hundred.

The patronage system has several purposes: First, the tasks of rebuilding the war-torn occupied territories are diverted away from the federal centre, which would not be able to cope with them all. Second, the regime turns the reconstruction of the territories it destroyed in the war into a “common cause”, a nationwide construction

project. Thirdly, the patronage system is intended to create horizontal ties between “new” and “old” regions.

The patronage system also helps to diversify and cover up the financial costs of “integration”. As a rule, the spending of the regions-patrons amounts millions of euros per year. The money comes from regional budgets and through levies from local businesses, the proportions may be different.

Tens of thousands of citizens from almost all regions of Russia, as well as guest workers, are directly involved in the restoration and construction of transport and utility infrastructure, the housing sector, and enterprises. The very model of such “people’s construction” is partly a combination of quitrents and corvée, known from Russian history, with the Kremlin shifting the economic burden to the regions, and partly a demonstration of popular participation in the “integration” of the occupied regions.

According to the head of the Ministry of Construction, Irek Faizullin, at the beginning of December 2023, “33 thousand people were involved in work in the construction complex of four regions; at peak times, the number of construction workers reached 60 thousand, including local residents.”

The assignment of patron regions to individual parts of the occupied regions of Ukraine took place in two waves: in July – August 2022, when 42 Russian regions signed an agreement on patronage, and in April-June 2023, when 40 more were added to them. The Kremlin initiated the second wave, which covered mainly front-line cities and areas of the Zaporozhye and Kherson regions, can be considered a revision of the Kremlin’s calculations for a relatively quick complete occupation of the relevant regions and a transition to working with what is available.

As can be seen from table 1 (www.swp-berlin.org/publications/products/comments/2024_Comment_Petrov_Table1.pdf) Moscow is assigned to the capital Donetsk and Lugansk, St. Petersburg and the Tula region – to the showcase of restoration and the cen-

ter of metallurgy Mariupol, the miners’ Kuzbass to the miners’ Gorlovka, Tatarstan – to Lisichansk and Rubezhny LPR... Large regions with large budgets received larger plots, small ones – smaller areas.

The second front in Russia’s war: between Potemkin villages and real integration

Russia’s occupation policy pursues several goals. It is supposed to strengthen the bridgehead for further confrontation with Ukraine and the West; to demonstrate the success of the “Special Military Operation” and the care of the Russian state for the local population. It also aims to reduce the financial burden of war and occupation making the occupied territories to economically self-sufficient.

The restoration and development of “new regions” is the largest infrastructure project in Russia at present, with the goal of their rapid and complete “integration” and demonstration of the advantages of living as part of Russia. This is a continuation of the war through economic means. It is very important for the Kremlin to demonstrate that it is more effective here than on the battlefield.

The “second front” opened in mid-2022 in the form of “integration” of Donbass and Novorossiia has features of hybridity, just like the main war that began in February 2022. It is characterized by a combination of “Potemkin villages” with the solution of real military and geostrategic problems; external occupation power with collaborators on the ground; the use of military methods to solve civilian problems and vice versa; and etc.

The colossal resources invested in the project for the restoration of “Donbass and Novorossiia” are evidence of the long-term plans of the occupation – “Russia forever.” At the same time, the Kremlin tries as much as possible not to advertise the extent of its spending on the occupied territories so as not to provoke negative reactions from its own population. There seems to be

an awareness that Russians' support for the inclusion of the "new regions" is restrained and will not extend to large-scale spending of budget funds.

The political, economic and societal transformation of the occupied territories and their "integration" into the Russian state in a situation of ongoing war faces many problems, but the Russian regime can also claim that it is making some progress in restoring some kind of normal everyday life. Combined with the repression and Russification of the local population, this means that the social and political fabric of the territories will be profoundly altered the longer the occupation continues.



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