Ukraine

Capital: Kyiv
Population: 45 million
GNI/capita, PPP: $8,190

Source: World Bank World Development Indicators.

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NOTE: The ratings reflect the consensus of Freedom House, its academic advisers, and the author(s) of this report. If consensus cannot be reached, Freedom House is responsible for the final ratings. The ratings are based on a scale of 1 to 7, with 1 representing the highest level of democratic progress and 7 the lowest. The Democracy Score is an average of ratings for the categories tracked in a given year. The opinions expressed in this report are those of the author(s).
EXECUTIVE SUMMARY

Challenged by vested economic interests of oligarchs and a military conflict with Russian-backed separatists in the country’s east, Ukraine in 2017 continued to struggle with the far-reaching reforms it has pursued since the 2014 revolution. While Ukraine’s government has made significant improvements in overhauling the country’s local governance, it has failed to meet the public’s expectations in the fight against pervasive corruption. The opportunity for major reforms in Ukraine that appeared after the Euromaidan unrest is dwindling, and any further substantive successes are the result of continuous struggle.

The conflict in Ukraine’s eastern Donbas region continued in 2017. More than 10,000 people have been killed and almost 24,000 injured since fighting began in early 2014. Both the Ukrainian government forces and Russian-backed combatants regularly violated the ceasefire established by the Minsk agreement; however, the conflict remained largely frozen throughout the year. The socioeconomic conditions in the occupied territories, and in those areas close to the line of contact, continued to be poor. The armed separatist groups developed their own institutions, which, in turn, enacted regulations that routinely violated basic human rights. During 2017, separatists continued to arrest and detain individuals, including journalists and bloggers covering the conflict.

Two important milestones were reached in relations between Ukraine and the European Union (EU) in 2017. In June, the visa-free regime with the EU came into force, allowing millions of Ukrainians to travel freely to the neighboring Schengen zone for short-term stays. Ukrainians’ excitement about the opportunity to travel to the EU without a visa triggered delays in the application and issuance of international passports, as the number of Ukrainians visiting the EU grew by half in the first few months after the arrangement was enacted. Over half of Ukrainians viewed the EU visa-free regime positively.

On 1 September, the EU-Ukraine Association Agreement—the main trigger for the Euromaidan protests that in late 2013 and early 2014 toppled former president Viktor Yanukovych—finally came completely into force. The Association Agreement provides a framework for major transformations in Ukrainian democracy, human rights, rule of law, good governance, trade, and sustainable development.

The progress of the government’s healthcare reform represents one of the main achievements in Ukraine’s national governance in 2017. On 19 October, Ukraine’s parliament, the Verkhovna Rada, passed a law changing the financing system of state-provided healthcare, introducing a state insurance system and giving patients the option to choose doctors and hospitals. The new system, aligned on the principle of “money following patients,” will soon be launched and significant changes are expected by 2020. Under this new system, payments will be made based on the services provided to patients, in contrast to the previous system where hospitals were provided funding based on the number of beds, which were often unoccupied.

Decentralization reform in Ukraine continued, following three different streams. The ongoing administrative territorial reform saw the creation of approximately 700 amalgamated communities, comprised of over 3,300 villages and towns, and with a combined population of 5.8 million. As a result of fiscal decentralization, these newly amalgamated communities have increased their revenues and are now able to invest in infrastructure. For the first time in 23 years, local governments have started building roads, public schools, kindergartens, and public health facilities. As decentralization progresses, local self-government units gain more authority through managing public services, including primary education, healthcare, administrative services, and infrastructure development. With the ongoing sector reforms, communities are meeting the challenge of optimizing their expenditures and ensuring that high-quality services are provided.

Pressure on civil society has intensified. In March, the government introduced legislation that, from 2018, will oblige representatives of nongovernmental organizations (NGOs) working against corruption to declare their income and assets through the public e-declaration system, similar to the process public officials have to follow. Facing criticism and pressure from various donors and civil society groups, President Petro Poroshenko spearheaded a legislative initiative to replace the controversial law with another
restrictive measure requiring NGOs—and the private entrepreneurs and businesses that service them—to supply detailed information about their taxes. While this proposal was not adopted in 2017, if approved it will result in onerous restrictions, including the possibility that civil society groups may lose nonprofit status for not complying with the regulations. A few prominent civil society organizations reported that police had launched criminal investigations against them and their members, and there were physical attacks on well-known activists.

The recently established National Anticorruption Bureau (NABU) actively investigated high-level corruption, but poor case management and court procedures undermined the effectiveness of its work. By the end of 2017, the agency had 410 cases under investigation, 141 people accused of corruption offenses, and 92 cases proceeding through the courts. Despite investigations revealing that more than UAH 87 billion ($3.27 billion) was implicated in fraud, the head of NABU reported delays for approximately 30 percent of the cases at trial. Civil society, anticorruption investigation agencies, and international donors demanded the creation of an anticorruption court. On 21 December, President Poroshenko registered draft legislation mandating the creation of a High Anticorruption Court; however, the legislation was later criticized for being drafted behind closed doors with little civil society input, while the process of appointing judges to the court—without public oversight—was dismissed as unconducive to judicial independence.9

Score Changes:

- **Local Democratic Governance rating improved from 5.00 to 4.75** due to progress in the decentralization reform and community amalgamation process, especially in the area of fiscal decentralization.
- **Independent Media rating declined from 4.00 to 4.25** due to the blocking of major social media sites, as well as physical attacks on journalists and a lack of progress in investigating the murder of journalist Pavel Sheremet.
- **Civil Society rating declined from 2.50 to 2.75** due to smear campaigns against NGOs and activists, the proposed adoption of e-declaration laws targeting anticorruption activists and employees of anticorruption NGOs, and intimidation of anticorruption activists.

As a result, Ukraine’s Democracy Score declined from 4.61 to 4.64.

**Outlook for 2018:** National governance will continue to be dominated by preparations for the 2019 parliamentary and presidential elections. Further, pressure on civil society and the opposition, as well as the government’s attempt to consolidate power, will most likely intensify in the run-up to the elections. Anticorruption reform will most likely stall at the national level, and reformers’ main task will be preserving the current anticorruption institutions. The lack of concrete political will for a truly independent anticorruption court means that if legislation enabling the creation of such a body is adopted, it is not likely to be implemented in accordance with best international practices. Other national level reforms, such as decentralization, health, and public administration, will continue with the support of the international community. New legislation on the status and reintegration of the Donbas region in Ukraine’s east may lead to an escalation of the conflict with Russian proxies in the region and a review of the previous ceasefire agreement.
Main Report

National Democratic Governance

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- National governance remained static in 2017 as Ukraine continued to struggle with the major national reforms commenced in 2014. The country has made significant progress on many fronts, including the European Union (EU)–Ukraine Association Agreement coming fully into force. However, the continuing conflict in the country’s east, political tensions in the parliament, oligarchic influence on politics, a decrease in popular support for the ruling coalition, and the complexity of the reform tasks ahead have slowed the overhaul of Ukraine’s national governance. Throughout the year, President Petro Poroshenko continued to consolidate power in the lead up to the presidential and parliamentary elections in 2019, while the opposition and so-called new political forces actively campaigned.

- Pro-Russian separatist groups continued to occupy parts of the Donetsk and Luhansk oblasts in Ukraine’s Donbas region with Russian backing, while the Crimean peninsula remained under Russian occupation. Despite the Minsk agreements and ceasefire, the situation in Ukraine’s Donbas and Luhansk regions remained tense throughout the year. Since the start of hostilities in April 2014, more than 10,000 people have been killed and almost 24,000 injured. Both sides used weapons proscribed by the Minsk agreements and routinely violated the internationally brokered ceasefire. On 6 October, Ukraine’s parliament, the Verkhovna Rada, approved legislation extending the “special status” of local governance in Donbas and creating the conditions required for a UN peacekeeping mission. Introduced in 2014 in order to implement the Minsk Agreements, the law on the Donbas oblasts’ “special status” guaranteed autonomous status to territories outside Kyiv’s de facto control if local elections in these territories comply with international standards.

- Following a decision by the Cabinet of Ministers in 2016, a new Ministry of Temporarily Occupied Territories and IDPs commenced operation to produce unified policies for the occupied territories and annexed Crimean peninsula. While there is no clear strategy on the de facto reintegration of Crimea to Ukraine, the Ministry of Information has developed a draft strategy on informational integration. The newly created ministry for the occupied territories coordinated peace-building activities and international donor assistance to the conflict-affected areas and internally displaced persons (IDPs).

- On 1 September, the EU-Ukraine Association Agreement finally entered fully into force. The agreement provides a comprehensive reform agenda to bring Ukraine’s legal system approximately in line with the EU legislative framework. In the coming years, this agreement will be a driving force for further transition to democratic governance. A visa liberalization agreement with the EU also came into force in June, providing better opportunities for Ukrainians to travel to neighboring EU countries.

- In order to effectuate the 2014 constitutional amendments, which sought to reinstate the parliamentary-presidential system of governance introduced in 2004 and subsequently removed during the Yanukovych presidency, Ukraine made reforming the country’s parliamentary regulations a significant priority throughout 2017. While the European Parliament finalized a road map for the Verkhovna Rada reform in February 2016, which outlined 52 recommendations in the areas of legislative process, political oversight, and transparency and openness, by the end of 2017, only two of the recommendations had been fully implemented. One of these concerned greater transparency through the use of e-governance tools, while the other focused on greater consistency between domestic legislation and the EU Association Agreement. However, President Poroshenko continued to wield significant influence in the legislature throughout the year, with his own draft laws more likely to be accepted over those proposed by ordinary lawmakers.
President Poroshenko’s ruling coalition managed to survive the year, despite internal weaknesses and speculation about early parliamentary and presidential elections. As various ratings show, there is low public support for both the president and his party, leading to accusations that the ruling coalition seeks to dismantle opposition movements in order to remain in power. Andriy Sadovyi, leader of the opposition Samopomich (Self-Reliance) party, alleged that various criminal prosecutions were politically motivated. In a similar vein, former Georgian president and ex-governor of Odesa oblast Mikheil Saakashvili, who had become fiercely critical of Poroshenko, was stripped of his Ukrainian citizenship while traveling abroad for allegedly lying on his citizenship application.

Ukrainians traditionally have little confidence in most national governance institutions, such as the presidency, parliament, or cabinet of ministers. A November poll found that the joint rating of the two parties of the ruling coalition, the Petro Poroshenko Bloc and the People’s Front, was barely 10 percent. However, constant discontent with the government has not resulted in a significant increase in the public’s appetite for protest and current mass protests are led by unpopular political movements, or the so-called new political forces. Between 17 and 19 October, a coalition of nongovernmental organizations (NGOs), new parties including Saakashvili’s Movement of the New Forces and the Democratic Alliance, among others, and established opposition parties organized the largest protest of the year, with more than 4,000 participants. However, the different political and policy goals of the participants prevented the demonstrations from becoming a unified, powerful force. Several large rallies demanding President Poroshenko’s impeachment took place in Kyiv, but their calls have not evolved into significant popular support.

Throughout the year, the parliament continued to approve controversial legislation, such as the law on the status of Donbas or law on the implementation of the Minsk agreements, without much discussion, and draft laws were often unavailable to the public. Despite criticism over its lack of transparency, the Verkhovna Rada did legislate important reforms, including healthcare, education, the judicial system, pension reform, and decentralization. However, irregularities, including poor attendance by lawmakers at general sessions and committee hearings, violations of voting procedures, and some members of parliament (MPs) voting on behalf of absent members, undermined the Rada’s effectiveness and reputation.

Public administration reform, which is crucial for other reforms, was ongoing in 2017. The Law on Civil Service, adopted in 2015, entered into force in May. The new position of state secretary was introduced in 2017 across government ministries. These state secretaries are responsible for administrative work, taking the burden of human resources and administration from ministers. Time is needed for a proper division of labor between ministers, deputy ministers, and state secretaries, and procedural changes must happen in the government to allow the structure to work. The pilot restructuring of 10 ministries has already begun, with each ultimately containing directorates responsible for separate policy areas.

### Electoral Process

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Electoral reform continued on the public agenda in Ukraine in 2017, but the effort lacked sufficient political will to be fully realized. There were no national elections held during the year; however, the first local elections happened in a number of newly amalgamated local government units. While there is a recognized need to reform electoral legislation, the required amendments are unlikely be completed ahead of the next electoral cycle. One of the demands during the 17–19 October protest rallies in Kyiv outside the parliament building was for electoral reform, and as a result, a bill introducing changes to the electoral code was passed in the first reading in early November. However, the future of this bill is questionable.
The November electoral legislation above was geared toward providing better representation and accountability in the Verkhovna Rada, and to open possibilities for new independent political leaders to emerge. In the beginning of the year, three notable draft laws were unsuccessfully put before the parliament proposing changes to the election of MPs. The unsuccessful bills sought to transform the current mixed system to a proportional open party list system, where voters would cast their ballots for parties and would have some influence on the order of candidates in party lists. Following the October protests, the draft electoral code passed the first reading, covering presidential and parliamentary elections, local elections, and regulations relating to the central electoral committee and the state registry of voters. The proposed system for national parliamentary elections was based on open regional lists. While protesters viewed the passing of the law at first reading as a victory, a timeframe for the final vote remained unknown by the end of the year. Since this move, MPs have registered eight alternative draft laws aiming to change the parliamentary electoral process.

In addition, Ukraine’s electoral law creates unfavorable voting conditions for internally displaced persons (IDPs) in the country. At year’s end, approximately 1.6 million IDPs in Ukraine were unable to vote in local elections or in a majoritarian vote to the parliament. Meanwhile, a draft law that would allow IDPs to vote is currently registered in the parliament.

The culmination of local governance territorial reform was achieved in 2017 with the first local elections in the newly formed amalgamated communities. This amalgamation process often depended on parliamentary budget appropriations in order to organize elections in the newly created territorial units. During the year, almost 300 local elections were held in the newly amalgamated communities. While the overall number of violations decreased compared to the 2016 local elections, some irregularities were highly criminal in nature. For example, in one of the communities in Dnipropetrovsk oblast, police detained 24 armed individuals in an attack on the polling station on election day.

Civil Society

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Civil society groups experienced political pressure at the national level throughout the year. While maintaining formal support through the National Strategy on the Development of Civil Society, the government introduced new legislative measures that require anticorruption watchdog organizations to provide additional information in their tax reporting; these measures are widely seen as a mechanism to further exert pressure on civil society. With the decentralization process ongoing and more decision-making authority delegated to the local level, local civil society capacity remained low in 2017.

Nongovernmental organizations (NGOs) continued to play a strong role in promoting national governance reform. They actively engaged in policymaking through formal and informal structures. At the regional level, intermediary support organizations that provide re-granting for local NGOs strengthened their organizational capacity to manage donor funds, but there was a large gap between the capacity of NGOs at the national and local level. In rural areas, the small number of active civil society groups and the limited mechanisms for citizen engagement in local governance persisted throughout the year.

Ukrainian legislation allows for various forms of citizen participation in government decision-making, including requests for information, citizen appeals, e-petitions, local initiatives, public expertise, community meetings, and public hearings. Additionally, there are participatory budgets and citizen involvement in budget approval, open budget reports, public councils, and public oversight of local council work. New tools, such as participatory budgeting and e-petitions, are slowly gaining popularity in larger cities, but rural areas continued to rely on individual citizen appeals to the local government.
• On 11 May, the Cabinet of Ministers approved an Action Plan for implementation of the National Strategy on the Development of Civil Society for 2016–20. The Action Plan included steps for improving mechanisms for state funding of civil society activities, improved registration procedures for NGOs and religious organizations, support for a draft law on peaceful assembly, local referendums, and community general meetings.

• Despite the government’s declared support for the national strategy, political pressure on civil society has intensified. In March, President Poroshenko signed legislation obliging individuals who benefit from the technical assistance of anticorruption projects to declare their income and assets publicly, similarly to public servants. International organizations and donors criticized these amendments, arguing that the law aimed at anticorruption watchdog organizations can be selectively used, and that the legislation puts additional pressure on NGOs. In July, Poroshenko registered a draft law to replace the controversial legislation on NGO e-declarations; if approved, the law would introduce additional obligations and tax requirements for NGOs, even more stringent than the reporting systems for businesses and government agencies. The draft law had not been reviewed by year’s end but, if implemented, might complicate the environment for further NGO development.

• The number of attacks on NGOs and their leaders increased in 2017. In October, police raided the offices of one of the leading health NGOs, Patients of Ukraine, in relation to an ongoing criminal investigation over funds misappropriated from the Global Fund for HIV/AIDS, although Patients of Ukraine had passed all Global Fund audits. One of the most prominent anticorruption NGOs, Anticorruption Action Center (AntAC), reported that the center is under criminal investigation for tax offenses, and its leader, Vitaliy Shabunin, is under a separate criminal investigation. The criminal probe against AntAC was initiated by a fake NGO created and influenced by political interests. This fake NGO, National Interest of Ukraine, was registered in 2017—its Facebook page appeared just a day before the investigation into AntAC was announced—and was mainly used to discredit civil society activities. National Interest of Ukraine is closely associated with key figures in the coalition political party People’s Front (Narodnyi Front), which is under investigation for corruption. Incidents like these, as well as the attack on the Kharkiv anticorruption activist Dmitry Bulakh, were more frequent in the last year.

• Ukrainian society has become more tolerant regarding LGBT activists. The LGBT community organized Pride events in Kyiv and Odesa without any incidence of violence. Both marches enjoyed police protection, and organizers provided buses that transported participants from the event to ensure their security. Meanwhile, police were not able to provide security for the small LGBT public activities in Kherson and Kharkiv, and 86 instances of homophobic hate crimes were reported. Almost half of the population still supports some limitation of LGBT rights; the percentage is even higher for other vulnerable groups, such as Roma, drug addicted persons, or people with previous convictions.

• While radical nationalist groups continued to actively engage in public life, they had little political support. Their public engagement was limited to anti-LGBT activities and cooperation with other movements in protests, like the demonstrations in front of the Verkhovna Rada on 17–19 October. Nationalist battalions like “Azov” gained public popularity mainly due to their positive role in the military conflict in the east, where participants served as volunteers on the front line. The leader of Azov battalion, Andriy Biletsky—who publicly espouses radical views—is a member of parliament, but none of the nationalist parties has enough support to pass the participation threshold for election to national office.

• The Ukrainian Helsinki Human Rights Union, in its monitoring, suggested that only a quarter of the goals in the Action Plan on implementation of the National Human Rights Strategy have been achieved. Experts suggest that nothing significant has been achieved in the last year, or that the action plan is even fully underway. To ensure implementation of the strategy, a parliamentary working group was created in 2017.
Independent Media

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- Ukrainian media outlets continued to be largely dependent on oligarchs during the year, and freedom of speech was restricted by government measures taken to combat Russian propaganda. Under the guise of fighting Russian influence and aggression, Ukraine continued to place restrictions on media outlets and the internet in 2017. In May, President Poroshenko issued a decree, based on a National Security Council decision, to sanction Russian businesses. These included a ban on popular Russian social media sites, such as Vkontakte and Odnoklassniki, and the search engine Yandex. These sites remain popular in the post-Soviet space, and millions of Ukrainians were registered users; similarly, more than a third of online searches in Ukraine were conducted through Yandex. Human rights organizations considered the ban on these sites as a “politically expedient attack,” limiting freedom of expression and information. In January, the government banned the Russian independent channel Dozhd from broadcasting in Ukraine because it depicted the occupied Crimean peninsula as part of the Russian Federation in its televised maps.

- According to the Institute of Mass Information, in 2017, there were 29 registered physical attacks on journalists and 89 registered cases of impediments to journalistic activities, including restrictions on access to public information and prohibitions on video reportage. While no journalists were killed in Ukraine during the year, the investigation into the 2016 murder of Pavel Sheremet has stalled, and critics allege that the investigation has been improperly conducted. An alternative investigation by independent organizations suggested that investigators did not interrogate key witnesses and surveillance camera recordings were not inspected.

- Deporting Russian and other foreign journalists, or banning them from entering Ukraine, has become regular practice. In the last year, journalists, including Anna Kurbatova, Antonio Pampelia, Manuel Sastre, Tamara Nersesian, among others, were barred or deported for reasons including entering occupied Crimea through Russia and engaging in Russian propaganda. The Security Service of Ukraine has a blacklist of 40 public figures banned from entering the country; however, the actual number of people barred from entry is much higher.

- During the year, there were several politically motivated legal cases against media outlets. In August, Ukraine’s secret service, known as the SBU, raided the premises of the publication/website Strana, as well as the homes of two reporters, and confiscated computers. The SBU accused Strana’s editor-in-chief of disclosing state secrets. In a similar vein, security officers wielding machine guns and wearing body armor and facemasks raided the offices of the Vesti Media Holding company, which owns a number of print and digital outlets, under the direction of the Chief Military Prosecutor in a fraud investigation.

- Individual journalists have fallen victim to the information war waged between the government and separatist authorities, in both government-controlled territories and in occupied and separatist-controlled areas. In June, the journalist Stanislav Aseev was arrested in the so-called Donetsk People’s Republic (DNR) by the Russian-backed authorities. Aseev was reportedly held in remand and placed under criminal investigation for allegedly spying for the Ukrainian government, and was reportedly tortured and subjected to other mistreatment. In another of Ukraine’s Russian-backed separatist territories, the Luhansk People’s Republic (LNR), blogger Eduard Nedeliayev was sentenced in July to 14 years’ imprisonment for “defaming citizens” and “inciting hatred of the Russian nation.” The Ukrainian authorities have also detained journalists for purportedly spreading pro-Russian propaganda. Vasily Muravitsky, a Ukrainian journalist in Zhytomyr, was arrested in early August and charged with treason and infringing the territorial integrity of Ukraine for his controversial publications in Russian and separatist media.
In 2015, Ukraine initiated a reform of state-owned print media aimed at promoting media independence, and ending the Soviet-era practice of media serving as mouthpieces for government propaganda. The reform framework required 687 state-owned outlets to privatize or close. The reform is scheduled to end in 2018, but by the end of 2017, over 54 percent of central government bodies were taking steps to privatize or liquidate state-owned magazines and newspapers; according to the state registry, only 49 media outlets were fully reformed by December.

In January, the National Public Broadcasting Company of Ukraine began operations, replacing the former state-owned television outlet, the National Television Company of Ukraine. During 2017, the new body worked on restructuring the existing network of state-owned television channels in order to create an independent outlet that would provide educational, entertainment, and social content to its viewers. The law prescribes that 0.2 percent of the state budget should go to the public television. However, the state budget for 2017 provided only 75 percent of the promised amount, and the budget for 2018 reduces the funding to only 50 percent of this allocation, with the promise of revising the figure during the year. This offers little room for further development and puts the reform under threat.

Major reform of Ukraine’s local governance continued throughout 2017. This effort had commenced earlier with complex decentralization reforms in 2014, as described in the Concept of Local Self-Governance. This overhaul included administrative-territorial reform aimed at restructuring and increasing the size of the lowest level of administrative units, consolidating settlements into amalgamated communities, and decentralizing power in order to delegate authority for the provision of public services to local governments. Fiscal decentralization reform established a direct relationship between the newly amalgamated communities and the state budget, and provided the opportunity for local government units to raise revenues from various taxes, fees, and fines.

Full decentralization will depend on constitutional changes that would finalize the legislative reform, as well as determining the status of the newly amalgamated communities. Approved by Ukraine’s Constitutional Court and adopted by the parliament at first reading in 2015, the constitutional amendments on decentralization were closely associated with the implementation of the unpopular Minsk agreements and contained clauses conveying special status and more autonomy to the occupied Donbas territories. This controversial association caused mass protests, culminating in a grenade attack in front of the parliament building during the planned voting, and further progress on passing the requisite constitutional amendments has since been only incremental. While the constitutional amendments are critical for further reform, there was insufficient political will in 2017 to reintroduce the issue in the parliament due to low popular support for the special status of Donbas included in the proposed changes.

Despite the lack of progress on the constitutional changes, the parliament passed other legislation to allow the reforms to proceed. In 2017, the Rada adopted critical legislation allowing for the amalgamation of communities across the boundaries of rayons (districts). Another draft law permitted additional settlements to merge with already established amalgamated communities, while a further bill introduced the office of starosta (village elder) in amalgamated communities. Under new legislation, the starosta is an elected position that works in the settlements that have amalgamated into wider communities, and serves as a communications channel between local government and the community. Over 2,300 starosta positions are planned for election in amalgamated communities, but only 600 had been elected as of 2017.

Other critical legislative drafts that will further promote reform were debated in the parliament, but not adopted by year’s end. These included a draft law on public service in local self-governance, which the
parliament voted in favor of on 9 February. Vetoed by the president and brought back for review by the parliamentary committee, this draft law foresees measures to promote employment in local self-governance units, including improving public perceptions of local government work, ensuring equal access to work, depoliticizing the work, and ensuring better career opportunities for public servants. Another draft concerning finalization of the administrative and territorial structure of Ukraine was registered in the parliament in 2017. If approved, the law will allow authorities, within the current constitutional framework, to define the status of amalgamated communities and establish procedures for changing administrative-unit boundaries. Another critical draft law debated in the parliament during the year would enable rural communities to manage land beyond the boundaries of settlements that have amalgamated into communities. The current legislation does not allow local governments to manage agricultural land beyond town or village boundaries. If approved, the law will provide additional authority to local governments in managing land.

- During 2017, an additional 333 communities amalgamated, creating a total of nearly 700 amalgamated communities comprised of 3,264 settlements. The amalgamation process aims to make the territorial units larger and to unite over 11,000 settlements into 1,500 to 2,000 amalgamated communities. Larger administrative units will provide better governance and services to their inhabitants.
- The newly amalgamated communities and cities of oblast status received additional authority in 2017 to provide services to citizens. The list of their new responsibilities includes local economic development, infrastructure development, planning, public safety, primary education, and healthcare, among others. These are new functions that local governments have not previously executed, requiring additional capacity.
- However, the capacity of local governments in newly amalgamated communities remained low. Although international donors provided training and consultation to local governments through a network of Local Self-Government Development Centers and targeted technical assistance programs, like ULEAD and DOBRE, local governments need more support and skilled staff. A U.S.-supported program found that, among 50 communities studied, the average score in the Participatory Municipal Capacity Index is 22.18 out of 100. The growing number of new, untrained staff presented a challenge for local development and the ability of local communities to cope with their new responsibilities.
- Fiscal decentralization has provided newly amalgamated communities and cities of oblast status with additional resources to improve their infrastructure. The main source of revenue for those communities and cities affected by the changes came in the form of taxes, with local governments receiving 60 percent of personal income tax and 100 percent of excise fees, property rents, and a real-estate tax during the year. In 2017, local budgets increased their income by 31 percent, and amalgamated-community revenues increased by 187 percent.

### Judicial Framework and Independence

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- Persistent political capture of the country’s judicial system continued to pose a threat to the implementation of other reforms in Ukraine, including anticorruption efforts, throughout 2017.
- In 2015, Ukraine approved the Strategy for Reform of the Judicial System. This outlined the main priorities for 2015–20, including ensuring judicial independence, improving judicial governance, increasing the judiciary’s transparency and professionalism, and building public trust in the justice system. In 2017, Ukrainians’ trust in the judiciary remained low: only 7 percent trust the courts, and only 9.5 percent trust prosecutors. Businesses’ level of trust in the justice system is, on average, 1.82 on a 5-point scale, with corruption, inefficiency of the court system, and overloaded courts seen as the main reasons for a lack of fair justice. On 30 September 2016, the laws that launched Ukraine’s
judicial reform came into force. For 2017, the reform prescribed the selection of new Supreme Court judges, introduction of judge qualifications at different levels, formation of an anticorruption court, introduction of electronic tools in the judicial system, and improvement of the legal framework for further reform. On 3 October, the parliament passed amendments to various procedural codes that further advanced judicial reform.

- As part of the reform, the High Qualification Commission of Judges of Ukraine conducted an open competition for new justices to the Supreme Court, in which 1,436 applicants competed for positions. On 29 September, the commission submitted 111 candidates for presidential approval. However, on 3 October, the Public Council on Integrity called on President Poroshenko not to approve the proposed candidates, as 25 of them had not passed the integrity qualifications. The Public Integrity Council alleged that these candidates had previously engaged in politically motivated decisions, bans of public assemblies, violations of human rights, or had not fulfilled their income-declaration requirements with sufficient transparency. In addition, the council criticized some of the selection procedures and appealed to the president to conduct an independent audit of the process.

- The vetting of judge qualifications for different positions continued throughout the year. The overall number of judges continued to decline, and more than 3,000 judges have resigned, while 172 were fired due to disciplinary actions. As a result of the requirement for more transparent income declarations, over 1,000 judges voluntarily resigned from their positions.

- Still, the ineffectiveness of the judicial system threatens achievements in anticorruption reform. Newly created bodies like the National Anticorruption Bureau of Ukraine (NABU) and the Special Anticorruption Prosecutor’s Office face significant impediments in bringing cases to court. Only 27 convictions arose from 107 criminal proceedings that went to trial. The Law on the Judiciary and Status of Judges, adopted together with the package of constitutional amendments in 2016 as part of the wider judicial reform, recommended the establishment of the High Anticorruption Court under a separate law. Despite the president’s publicly declared interest in creating an anticorruption court, civil society organizations (CSOs) have accused Poroshenko of trying to postpone the legislative approval process. As a result of pressure from CSOs and international donors, and following a Venice Commission recommendation, the president introduced draft legislation at the end of the year, which international institutions criticized for its envisaged selection procedure for judges, proposed jurisdiction of the court, and possible further delays in implementing the legislation. By year’s end, five alternative drafts were registered by the president and MPs.

- In April, the parliament voted against the Law on the Constitutional Court, which tried to bring legislation governing the Constitutional Court in line with the 2016 constitutional amendments, thereby stemming attempts to make this institution more independent. The parliament reviewed and approved another draft law on the Constitutional Court in July. Experts criticized this draft law for not establishing clear procedures for the competitive selection of judges.

### Corruption

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- Ukraine has struggled with implementing anticorruption reforms under the strategy approved after the 2014 Revolution of Dignity. As of 2017, the country had established several anticorruption institutions and set up new mechanisms, including online publication of public-servant asset declarations, and ensuring transparent public procurements. Most of these changes, however, have had little impact on citizens’ lives, and public perceptions of corruption have remained high. According to one survey, a third of Ukrainians reported that they had a personal experience with corruption in the preceding three months, and a majority—85 percent—saw no improvements in this sphere. Almost half of Ukrainians (44 percent) viewed corruption as one of the major causes of tension in the society.
while an overwhelming majority of businesspeople also reported high levels of corruption. Corrupt elites continued to resist the change by undermining reform initiatives.

- The National Anticorruption Strategy, which was approved in 2014, expired in 2017; the new strategy for the period 2018–20 was prepared by the National Agency for the Prevention of Corruption (NAPC) but so far has not been registered in the parliament.
- NGOs played a critical role in anticorruption reform advocacy, policy development, and monitoring during the year. Formal NGO councils have been established within newly created institutions, including NABU, NAPC, and the Agency for Recovery and Management of Assets (ARMA). At the same time, NGOs, particularly anticorruption watchdog groups, have come under increasing political pressure for their work (see “Civil Society”).
- The effectiveness of newly established corruption investigative bodies, such as NABU and the Special Anticorruption Prosecution Office (SAPO), was undermined by the absence of fair justice. By the end of the year, the agency had 489 matters under investigation, 165 people accused of graft offenses, and 107 cases before the courts. Current investigations have uncovered over UAH 2.25 billion ($85.8 million) in fraud, but court decisions have resulted in only UAH 253 million ($9.65 million) in recovered damages. The head of NABU reported that only a quarter of corruption cases in the trial stage have been processed, and more than 15 percent have been delayed for longer than 6 months. Notable high-level corruption cases included the prosecution of former MP Mykola Martynenko, who allegedly misused over $17 million in funds from a uranium-extraction state enterprise.
- Law enforcement agencies have challenged NABU’s capacity to work effectively. In November, the SBU arrested a NABU detective, accusing him of offering a bribe as part of his investigation. The General Prosecutor has accused NABU of using detectives who were appointed without transparent procedures and relied on illegal tools in their investigations.
- The Law on the Judiciary and Status of Judges prescribed the creation of a High Anticorruption Court, with additional legislation requiring parliamentary approval. The draft law 6011 was registered in the Rada in February, and on 6 October, the Venice Commission reviewed the draft and provided recommendations. On 22 December, the president registered a draft law that was criticized by international organizations for not providing procedures for the independent appointment of judges to the proposed High Anticorruption Court. International organizations further critiqued President Poroshenko’s draft law for its vagueness in the court’s jurisdiction and perceived possible delays in the implementation of the legislation. By the end of 2017, there were four alternative draft laws—in addition to the president’s bill—registered in the parliament, which will be reviewed in 2018.
- The second wave of e-declarations was launched at the beginning of 2017, requiring the publication of asset declarations by all public servants, not only higher-level officials. While this is a remarkable move towards transparency and accountability, over 800,000 declarations that became available must be reviewed and investigated for any inconsistencies. The NAPC will play a leading role in this routine process; however, experts have expressed concerns about the independence and effectiveness of this institution.

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