

Ukraine 2018



Total: 51.88

Political Freedom

Free and Fair Elections : 7.14

Ukraine enjoys free and fair elections, although sometimes minor incidents occur which do not influence the outcome. The fairness of the outcome could however to some extent be influenced by Ukrainian oligarchs, who fund parties who act in line with their interests. This leads to parties who are not funded by an oligarch having a big disadvantage over oligarch-funded parties. As Ukraine is one of the poorest countries in Europe, voters are susceptible to “vote-buying”. Especially during parliamentary elections, candidates bribe voters with gifts, such as buckwheat. Once elected, these parliamentarians can easily get their investment back through corruption. Although election monitors generally call the elections competitive and credible, concerns have been expressed about the varying interpretations of electoral laws by Ukrainian courts, especially when faced with complaints regarding candidate registration and long delays in the adjudication of election-related cases. Furthermore, the current mixed electoral system for the parliament, in which half of the members are chosen through closed-list proportional representation, has been criticized for being prone to manipulation and vote-buying. However, in November 2017 the parliament has approved of a measure providing for open-list proportional representation. In March 2019, presidential elections will take place in Ukraine. For the first time in the history of independent Ukraine, it is not only difficult to determine who will be the likely winner of the elections, but also to determine which two candidates will make it to the second round. Elections in the occupied parts of the Donbas are neither free nor fair and the winner is most likely selected in advance by the Kremlin.

Absence of Unconstitutional Veto Players : 5

In general, Ukraine is governed by its democratically elected authorities, who have sufficient power to govern the country. However, there are several threats to Ukraine’s sovereignty, rule of law and democracy. First of all, the elected authorities are not in control over Russian occupied Crimea and the occupied territories in the Donbas. Second of all, oligarchs and powerful business groups who have close ties to Ukrainian officials can influence the decision making process. The widespread corruption amongst public officials also allows wealthy people to influence decision making.

Freedom of Press : 4.7

Freedom of press, speech and expression is guaranteed by the Ukrainian constitution. The media

landscape in Ukraine is diverse and pluralistic, and criticism of the government is often featured in the media. However, the vast majority of Ukrainian media outlets are owned by oligarchs, and the diversity of the media is merely a representation of the diverse interests of the different oligarchs. Truly independent and non-aligned media are hard to find in Ukraine. A different threat to the objectivity of reporting in Ukraine is that journalists often report in a “patriotic” way about sensitive issues. Due to the conflict with Russia, most Russian TV channels are banned from broadcasting in Ukraine. Several Russian social media outlets and search engines have also been banned. Intimidation and attacks on journalists happen quite often in Ukraine. In July 2016, political journalist Pavel Sheremet was killed by a car bomb. In May 2018, Russian journalist Arkady Babchenko faked his own death with the help of the Ukrainian secret service in an attempt to capture those who allegedly have been trying to kill him, the case remained however unsolved. Press freedom in occupied Crimea is worse than in Russia, ranking fourth in the list of regions with the least press freedom after North Korea, Turkmenistan and Uzbekistan. Media in the occupied parts of the Donbas are also facing severe violations of free expression, including censorship by the de-facto authorities.

* Press freedom score will be updated after data from primary source have been published. For more information see Methodology section.

Rule of Law

Independence of the Judiciary : 2.5

One of the biggest issues Ukraine is currently facing is its lack of the rule of law - both on the higher and on the lower level. On the lower level, wealthy individuals can escape prosecution by bribing judges. On the higher level, public prosecutors are highly dependent on political power. Ukraine suffers from corrupt and politicized courts on the higher and lower levels. In 2016, a comprehensive reform of the judiciary system went into effect. The reform was aimed at creating a more independent and competitive selection of judges, an increase in their salaries, a broader evaluation of their work and a better control of their assets in order to decrease corruption. The reform came under heavy criticism in 2017, when NGOs criticized the lack of transparency of the selection of candidates for the Supreme Court.

Corruption : 3

The situation has barely changed during the past few years. Ukraine is still, after Russia, the most corrupted country in Europe. Globally, Ukraine is on the 130th place, out of 180 countries, together with Iran, Gambia, Myanmar and Sierra Leone. The bribery rate in Ukraine hasn't improved in recent years and is still stuck at 38%, which makes it the highest in Europe. Although politicians acknowledge that corruption is a big problem in Ukraine, there is little political will to fight corruption, despite pressure from civil society. The recently created anti-corruption bureau NABU, which is tasked with investigating corrupt officials, is being obstructed by government officials and by law enforcement agencies. The latter even arrested NABU officials and seized files from the bureau. In June 2018, Ukrainian President Petro Poroshenko signed legislation to create the long-

awaited anti-corruption court. The court is expected to be operational by the end of 2018; however observers warned that its operations could be obstructed by legislation. In December 2017, the Ukrainian parliament voted to dismiss the chairman of its anticorruption committee, which was criticized by the EU's ambassador to Ukraine. Furthermore, Poroshenko signed a law aimed at increasing the monitoring of anti-corruption NGOs.

Protection of Human Rights : 5.69

The Maidan Revolution of 2014 improved the respect for - and awareness of - human rights in Ukraine. Civil society is very strong, with civic groups going after social, political, cultural and economic agendas being able to influence decision-making at different levels of government. The March 2017 law that increases monitoring of anti-corruption NGOs is considered to be a negative development concerning human rights in Ukraine. In general, free speech is upheld in Ukraine and Ukrainians can say whatever they want. However, the conflict in the east has made it sometimes difficult for pro-Russian Ukrainians to express their opinion. There is no free speech in Crimea and the occupied parts of the Donbas. Ukrainians are completely free to practice their religious beliefs, however the conflict in the Donbas has increased tensions between members of the Kyiv Patriarchy and members of the Moscow Patriarchy within the Orthodox Church. Furthermore, there are reports that the de-facto authorities in the occupied parts of the Donbas are persecuting members of a protestant church. The Ukrainian constitution guarantees the freedom of assembly and it is generally upheld. Some manifestations, such as pro-LGBT demonstrations, could be subject to violence by non-state actors. However, the Gay Pride in Kyiv has been taking place without any mayor disruptions in the past three years. The pluralism that flourishes in Ukraine after the Maidan Revolution also includes extreme-right groups. Furthermore, organized crime is still present on the public scene. Journalists and activists, especially those who research corruption, are increasingly prone to attacks.

Economic Freedom

Security of Property Rights : 4.63

Due to the high level of corruption within the judiciary system, private property rights in Ukraine are not sufficiently protected. Furthermore, the enforcement of contracts is hurdled by the very high costs of going to court. Registering a property in Ukraine is a very long and costly process, both due to inefficient land cadastre and to complicated valuation rules for determining the transfer tax. Foreign nationals are not allowed to own land in Ukraine, however most restrictions on foreign investment have recently been lifted. The privatization process is not transparent and is not fair. Russian and offshore companies have been banned from participating in the privatization process due to concerns over Russian influence in Ukraine. In the Donbas, private businesses have been “nationalized” by the de-facto authorities. The Index of Economic Freedom gives Ukraine a grade of 41.4 out of 100 in 2017, thereby falling under the category “repressed”.

Size of Government: Expenditures, Taxes, and Enterprises : 6.26

Government spending in Ukraine reaches around 42.8% of GDP, which is comparable to other European countries. Ukraine's government debt to GDP decreased from 81% in 2016 to 71.8% in 2017 however this too remains as a dangerously high level. The inflation rate in Ukraine was 14.44% in 2017, which is extremely high taken that the inflation rate of the Euro was 1.5% at the time. Corruption remains as one of the biggest problems for the functioning of the government. It causes an incredible loss for the country's GDP. Although reforms have been conducted, they remain limited. Ukraine still has a large amount of state owned companies, which are largely inefficient. This leads to losses and to the companies needing state subsidies. Although the privatization process has started, it remains very slow and unfair. The top individual income tax rate is at 20%, while the top corporate tax rate is at 18%. The overall tax burden is 35.5% of the total domestic income.

Regulation of Credit, Labour, and Business : 4.85

In 2017, Ukraine was ranked 76th out of 190 countries in "doing business". Ukraine's position went up 20 places in two years however there are still quite some improvements to make. The main reasons as to why Ukraine's position improved are numerous reforms, albeit not always successful, that Ukraine conducted over the past few years. According to the World Bank, Ukraine improved in three areas; the government made the obtainment of construction permits easier by reducing the fees and it protected minority investors by requiring detailed public disclosure of related-party transactions. The World Bank noted that in 2017 Ukraine improved especially its tax system, jumping up 41 positions in the ranking by making it easier to pay taxes. A big issue for entrepreneurs in Ukraine is still obtaining electricity, which is very costly and goes hand in hand with very slow procedures. The 2016-2017 Action Plan on Deregulation of Business Activity has been received positively. The plan was aimed at reducing the regulatory burden on business by improving and especially simplifying the conditions for entrepreneurs. Ukraine is cancelling some tax breaks for agriculture.

Freedom to Trade Internationally : 8.11

International trade is extremely important for Ukraine, thus the freedom to trade internationally is largely being upheld. Ukraine is the 53rd largest export economy in the world, with its main export partners being the EU, Russia, Turkey and China. Imports originate mostly from the EU, Russia, China and Belarus. In the years leading up to the 2014 Maidan Revolution, the Ukrainian exports were already decreasing. The 2014 war worsened this trend, with exports decreasing significantly. Although the export slightly increased in the beginning of 2017, it decreased again significantly by the end of that year. According to the Global Competitiveness Report, inflation, corruption and the political instability are the most problematic factors for doing business with Ukraine. Complicated tax regulations also form a hurdle to investing in Ukraine. The war in Donbas is an instability factor which highly influences the economy. A different problem for international trade is the low quality of roads, which can cause transport to be extremely long and inefficient. In the summer of 2018, the EU and Ukraine were in conflict over the Ukrainian ban on wood export. The ban came into effect in 2017 in order to prevent deforestation, particularly in the western region of

Transcarpathia. The EU wanted Ukraine to lift the ban, declaring it as a limit to free trade and stating that it is not effective in fighting deforestation, for the deforestation continues illegally. The ban has been lifted in early September 2018.