

## Analysis: The Political-Economy of Civil Society in FY 18

Since the last fall Ukraine enjoys relative stability in the zone of military conflict and further shows modest economic growth. At the same time, the start of another election cycle and vague pace of reforms lead to growing political turbulence and increased dissatisfaction among citizens. The situation creates a chance for civil society to impact the political agenda in a full scale.

### **Bitter Fruits of “Autumn of Reforms”**

The second half of 2017 saw breakthrough in progressing several major reforms. Ukraine finally acquired a visa-free regime with the European Union, launched health care reform, education reforms, and pension system reform. Among the major events that occurred during this period were also the adoption of a package of laws on energy efficiency and a package of regulations that allow the creation of directorates within the ministries. All together it gave ground to speak about the

acceleration of the reform processes,<sup>1</sup> or, as Prime-minister Volodymyr Groysman put it “*the autumn of reforms.*”

The visa-free regime with the European Union is a rare case of universal approval in contemporary Ukraine. As almost 400 thousand Ukrainians travelled to the EU under the new visa-free regime<sup>2</sup>, this event had a real positive impact on the lives of ordinary people. It's no miracle that while ranking most important developments during the year 2017, more than a quarter of Ukrainians valued this event as the most important.<sup>3</sup> In addition, on the 1<sup>st</sup> of September, the Association Agreement with EU officially entered into force. The Ukrainian side outlined new ambitious goals for long-term cooperation, including association with the Schengen zone, accession to the EU Customs and Energy Unions, Common Aviation Area, and the Single Digital Market<sup>4</sup>.

While foreign partners were alarmed by inconsistencies in the ongoing Ukrainian reforms, in the second part of 2017, thanks to the new impetus in reform legislation, they remained mostly positive about the general direction of Ukraine's development. On 14 November 2017, the European Commission published its Association Implementation Report on Ukraine, recognizing the country's progress in the energy, environment, education, decentralization, public administration, and other sectors.<sup>5</sup> And EU officials, especially those in the EU delegation to Ukraine, during the last months of 2017 and at the beginning of 2018 were shown to acclaim to the pace and depth of reforms by the government, even though “*the government is not fully delivering on EU and IMF benchmarks*”<sup>6</sup>.

The reason for cautioning against blind optimism is warranted. Introducing reforms does not automatically lead to improving socio-economic standards of life for citizens. The social price of reforms has been growing, whereas the positive impact of reforms are not yet perceptible by the majority of society. Even the issue of Ukraine's EU membership does not enjoy full support of Ukrainian citizens; although the absolute majority, two out of three citizens, consider it as beneficial, half of Donbass inhabitants and two-fifth of those living in the central and southern regions think that it won't bring any tangible effect for them.<sup>7</sup> Regarding attitudes to other reforms, as Pact's National Civic Engagement Poll conducted in January 2018 demonstrates that there is a sizable portion of the population who are ultimately against reform implementation: 26% are against court/anti-corruption reform, 29% are against election reform, about a half of the population is against land and privatization reforms, and one in five (22%) are against all five reforms. Meantime, the share of people who are ready to endure declining living standards due to reforms decreased from 22% in Sep'17 to 19% in Jan'18; at the same time, there are more of those who think that nothing will change (49% vs. 42%).<sup>8</sup>

The main reasons why reform progress is not obvious to ordinary Ukrainians, observers began stressing, could lie in the fact that those reforms focused on achieving liberal indicators (macro-finance stabilization, transparency, free market), but in the long term liberal reforms do not solve the problem of stratification between rich and poor. A free market creates a positive environment for businesses and investors, but in the end there is a risk that the rich will get richer, and the poor will

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<sup>1</sup> В Україні зросла швидкість реформ у III кварталі 2017-го. Останній ривок? // <https://voxukraine.org/uk-v-ukrayini-zroslo-shvidkist-reform-u-iii-kvartali-2017-go-ostannij-rivok>

<sup>2</sup> Almost 400,000 Ukrainians get use of visa-free regime with EU // <https://www.kyivpost.com/ukraine-politics/almost-400000-ukrainians-get-use-visa-free-regime-eu.html>

<sup>3</sup> Balázs Jarábik, Gwendolyn Sasse, Natalia Shapovalova, Thomas de Waal. The EU and Ukraine: Taking a Breath/ <http://carnegieendowment.org/2018/02/27/eu-and-ukraine-taking-breath-pub-75648>

<sup>4</sup> See the Annual Address of the President of Ukraine to the Verkhovna Rada of Ukraine, “On Internal and External Situation of Ukraine in 2017” – Official website of the President of Ukraine // <http://www.president.gov.ua/news/poslannya-prezidenta-ukrayini-do-verhovnoyi-radi-ukrayini-pr-43086>

<sup>5</sup> See Association Implementation Report on Ukraine. – European Commission. – [https://eeas.europa.eu/sites/eeas/files/association\\_implementation\\_report\\_on\\_ukraine.pdf](https://eeas.europa.eu/sites/eeas/files/association_implementation_report_on_ukraine.pdf).

<sup>6</sup> Rikerd Jozwiak. Ukraine's Main Backers In EU Put Pressure On Kyiv Over Reforms.. <https://www.rferl.org/a/ukraine-main-eu-backers-pressure-reforms/29098867.html>

<sup>7</sup> Target Audience Analysis: Ukraine, Moldova and Belarus. Research commissioned by British Embassy. August 2017.

<sup>8</sup> Pact's National Civic Engagement Poll, January 2018.

become less and less protected.<sup>9</sup> According to the Legatum Prosperity Index, Ukraine ranks in 112<sup>th</sup> place (out of 149) in 2017—it has fallen by five positions if compared to 2016, and since 2006 Ukraine has moved down the rankings table by 17 places.<sup>10</sup> The average people don't understand the substance of such reforms or do not see them addressing their high-priority needs.

One of the negative “side-effects” of the brewing dissatisfaction is labor migration, especially that of young and high-skilled workers (which often ends in permanent migration)<sup>11</sup>. Another negative social consequence, if accumulation of critical sentiments expands in the eve of election campaigns in 2019. Promises of increasing minimum wage and other social transfers that are already the heaviest burden on state coffers, easily attracts the hearts of poor voters, but can also spiral into radicalization or give the path to populist politicians.

The political barometer began signaling storms in the winter 2017-2018 when the issue of combating corruption became a determining factor in relations between Kyiv and Western capitals. Negative trends that sparked concerns in the West included the conflict between the Prosecutor General's Office and the NABU (the National Anti-Corruption Bureau of Ukraine) and law-makers' failure to introduce a system for automatic verification of e-declarations. The events unfolding around the Anti-Corruption Court aggravated the situation, as a relevant draft law, submitted by the President, generated criticism of partner countries and international organizations.<sup>12</sup>

The tensions became especially visible dealing with the milestone anti-corruption measures, such as e-declarations and judicial reforms. As well, some sparkled tensions in bilateral relations with some EU Member States, such as the new education law<sup>13</sup> The e-declarations reform was one of the flagships of the anti-corruption campaign in Ukraine and was widely welcomed by both inside the country and by international partners. But in 2017, the government and pro-presidential factions in the Verkhovna Rada took active steps to derail the e-declarations process and to limit its effectiveness.

Legislation requiring activists to disclose their personal assets, criminal investigations and campaigns against anti-corruption organizations and activists began to unfold.<sup>14</sup> These steps were seen by many civil activists as part of the government's policy to undermine anti-corruption efforts (other controversial actions taken by the government include, for example, the mocking of judges vetting process).<sup>15</sup> In December, a parliamentary coalition — formed between Poroshenko's party and the main opposition bloc — voted to fire Yehor Sobolyev, chair of the parliament's anti-corruption committee and one of the leading anti-corruption reformers. At the same time, members of Poroshenko's party and former prime minister Arseniy Yatsenyuk introduced a bill into parliament to remove Artem Sytnyk, the NABU's director. CSOs were constantly raising their voice against

<sup>9</sup> From Soviet Union to Europe: Could Ukraine Still Become A Welfare State? <http://ukraineworld.org/2018/02/from-soviet-union-to-europe-could-ukraine-still-become-a-welfare-state/>

<sup>10</sup> Ukraine // <http://www.prosperity.com/globe/ukraine>

<sup>11</sup> See Молоді українці прощаються з Батьківщиною. Назавжди? //

[http://vgolos.com.ua/articles/molodi\\_ukraintsi\\_proshchayutsya\\_z\\_batkivshchynoyu\\_nazavzhdy\\_264688.html](http://vgolos.com.ua/articles/molodi_ukraintsi_proshchayutsya_z_batkivshchynoyu_nazavzhdy_264688.html)ж

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<sup>12</sup> Ukraine 2017-2018: New realities, old problems (assessments) // <https://ukraine-office.eu/ukraine-2017-2018-new-realities-old-problems-assessments/>

<sup>13</sup> Opinion on the provisions of the law on education of 5 september 2017 which concern the use of the state language and minority and other languages in education by Venice Commission // [http://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD\(2017\)030-e](http://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD(2017)030-e)

<sup>14</sup> Olena Prokopenko. Why Ukraine's Major Achievement in Government Transparency May Fail <http://www.atlanticcouncil.org/blogs/ukrainealert/why-ukraine-s-major-achievement-in-government-transparency-may-fail>

<sup>15</sup> Natalia Zinets. Row over vetting Ukraine judges prompts U.S.-backed body to quit. <https://www.reuters.com/article/us-ukraine-corruption-judge/row-over-vetting-ukraine-judges-prompts-u-s-backed-body-to-quit-idUSKBN1H21WH?feedType=RSS&feedName=worldNews>

reverses in reforms and are trying to mobilise international partners to press the government to stay on the path of reforms.<sup>16</sup>

Another issue which activists blamed Poroshenko for is the inability to reduce the influence of private interests on three branches of power (legislature, executive, judiciary). The announced policy of “de-oligarchizing” has not brought tangible results. Instead, oligarch Rinat Akhmetov’s managed to increase his wealth further, with a new coal-price calculation formula “Rotterdam+”. According to this formula, Ukrainian coal power networks buy domestic low-quality coal at the international transfer price, which equals the cost of sale at the Dutch port plus its transport to Ukraine, making Ahmetov’s business DTEK more lucrative without specific added value<sup>17</sup>.

Education law is a basic part of the general education reform aimed to establish “The New Ukrainian School.” This will establish an up-to-date approach to organize secondary education and to ensure universal access to the quality of education for children in all regions of the country. Yet one of its articles – on the language of education – produced dissatisfaction among some ethnic minorities and with some neighbors behind those ethnic groups.<sup>18</sup> It also caused criticism from the CSOs, especially at the local areas where the impact by minorities interests is the most visible.

Other notable reform failures include the crawling privatization of large state-owned enterprises, a toic that divides post-transition societies. The government also suspended the land reform, and given the political circumstances of 2019 (elections), the moratorium is likely to be prolonged until 2020. Finally, there are feeble signs of the government’s continued efforts to ensure an environment conducive to financial investors, first and foremost through protection of property rights – including the establishment of the special anti-corruption court as a part of an investment-friendly regulatory framework.

### **Ukrainian Civil Society Playing on the Political Field**

Positive development of civil society in the last few years in Ukraine is steady and obvious. Its major element so far is the evolution of the CSOs. While CSOs fabric is volatile in quantity<sup>19</sup>, it should be fair to say that it is adding in quality. The major trend in development of Ukrainian CSOs is the expansion of activist networks across the country, and growing professionalism of CSOs leadership and management. Initiatives by international donors are adding significantly to this trend.

The other trend is the growth of CSOs acting to promote socio-economic interests of the citizens and of self-organized groups, which is in line with the visible attitude by the people to trust more their immediate entourage than political or social institutions, indicated by the latter opinions.<sup>20</sup> This development may turn more people to accept CSOs as positive and serving a valuable role in the promotion of their social and economic rights, especially at the time when satisfaction with the bottom-line results of so-far reforms is waning.

There are, however, several obstacles to further establishment of bonds between CSOs and society and for their successful interaction. While overall numbers of CSOs are quite impressive, only a few organizations have real impact on the pattern of social interactions. Civil society in Ukraine is

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16 RPR calls on the Prime Minister to ensure transparent and non-biased audit of e-declaration system. <http://rpr.org.ua/en/news/rpr-calls-on-the-prime-minister-to-ensure-transparent-and-non-biased-audit-of-e-declaration-system/>

17 Верстюк И. Формула успеха: Зачем Ахметов и Порошенко придумали Роттердам плюс — расследование // <https://biz.nv.ua/publications/formula-uspeha-zachem-ahmetov-i-poroshenko-pridumali-rotterdam-pljus-rassledovanie-1249297.html>

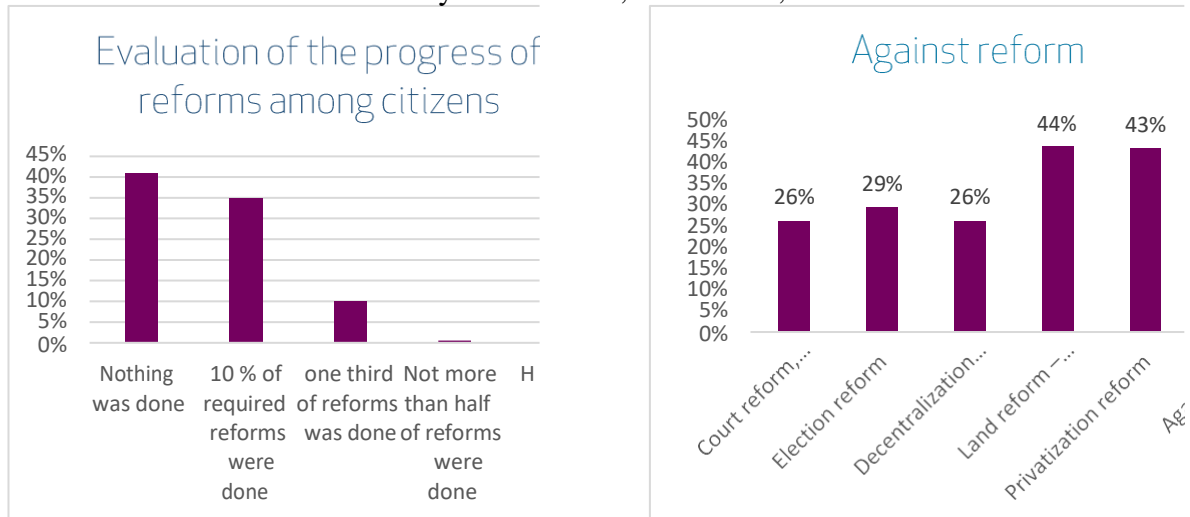
18 Péter Krekó and Patrik Szicherle. Why Is Hungary Blocking Ukraine’s Western Integration? [www.atlanticcouncil.org/blogs/ukrainealert/why-is-hungary-blocking-ukraine-s-western-integration](http://www.atlanticcouncil.org/blogs/ukrainealert/why-is-hungary-blocking-ukraine-s-western-integration)

19 In recent years, the number of CSOs has decreased by 2,000 organizations due to the political and economic situation, but the number of informal initiatives and movements has increased. See for reference: Індекс сталості розвитку організацій громадянського суспільства України в 2015 році // <http://ccc-tck.org.ua/library/drukovanividannya/>

20 КМІС: Українці найбільше довіряють своєму оточенню, а найменше – Раді <https://www.ukrinform.ua/rubric-society/2368488-ukrainci-najbilse-doviraut-svoemu-otocennu-a-najmense-radi.html>

still not looking like a solid and developed foundation of social life but rather as scattered hotbeds of activists. That means that “*the dynamism of civil society continues to depend on a small cohort of activists and professional civil society organizations*”.<sup>21</sup>

There is widespread distrust and fatigue with political leadership, political parties, and the reform process in Ukraine among the general population. The majority of citizens indicate that they are not satisfied with the pace of reforms (graph 1). Moreover, according to Pact’s National Poll (graph 2) for each reform, there is a sizable portion of the population who are ultimately against their implementation. 26% are against court/anti-corruption reform and 29% are against election reform. About a half of the population is against land and privatization reforms, and one in five (22%) are against all five reforms. The number of people willing to make personal sacrifices for the reform process has fallen as well. Specifically, those willing to endure a decline in living standards for the sake of reform has fallen in the last three years. In 2015, it was 27%, but now in 2018 it sits at 19%.



Dissatisfaction with reforms at the national level is especially evident in the regions, where uneven dynamics in the society towards reforms are evident from the problems of reform-elitism, the perceived value of policy advice, and partisan development narratives. A case in point is Ukraine’s Eastern, conflict-ridden territories. The Donetsk and Luhansk regions were once densely populated, industrial areas of Ukraine. As a result of the conflict, much of the social infrastructure and large industrial enterprises remained in the territory that was not controlled by Ukraine. Military actions, migration, informational influence from the Russian Federation and ORDLOs, and loss of economic potential, have had a particularly negative impact on the region as a whole and on communities living in territories controlled by the Ukrainian government near the contact line.<sup>22</sup> The reduction of income in households, combined with a public sense of impossibility of a rapid stabilization of the socio-economic situation in the Donbass, gave ground for the general frustration among regional inhabitants.

According to the mini-poll which was conducted during ENGAGE’s regional programming visits in early 2018, citizens of four cities (Kramatorsk, Severodonetsk, Mariupol, Zaporizhzhia) identified fighting corruption (75%), the war in Donbas (45%), and the ease of doing business (40%) as the most urgent unresolved issues for Ukraine today. Concerning their personal problems in the current situation, respondents pointed to a different pattern of primary threats: deepening of the economic crisis (71%), increases in prices for housing and utilities (51%), and an inefficient

21 Chatham House Report: The Struggle for Ukraine. <https://www.chathamhouse.org/sites/files/chathamhouse/publications/research/2017-10-18-struggle-for-ukraine-ash-gunn-lough-lutsevych-nixey-sherr-wolczukV5.pdf>

22 Громадяни і держава на підконтрольних територіях Донецької та Луганської області Проблеми, виклики, бачення майбутнього – УНЦПД та International Alert - жовтень 2017 р

healthcare system (41%). This data also correlates with other surveys, including the second wave of our Civic Engagement Poll, which found that 57% of Ukrainians consider the difficult economic situation as a major problem. To put it bluntly, in the context of Eastern and Southern oblasts, the main question is what will be the industrial transformation of the region if the conflict cannot be resolved.

A key reason why reform progress is not obvious to ordinary Ukrainians, could be found not in the reforms *per se*, but more attached to the current economic and social situation, as well as the perceived lack of credible political alternatives. People often do not understand the substance of reforms or see them addressing their high-priority needs. Kyiv-based national and umbrella organizations tend to target their reform communication at international players and to the bureaucracy of the Ukrainian government, rather than to improve their connection to the ordinary Ukrainians and to run more field work.<sup>23</sup> An on-going challenge for the empowerment of Ukrainian civil society is elitism spread among organizations. There is an inequality in access to bilateral and multilateral agencies aiding Ukraine's reforms.

The Reanimation Package of Reforms - coalition which has been deeply engaged in the reform process - admits that mechanisms for reform's implementation at regional level were not elaborated and, doubled with insufficient local expertise and trade-unions' silence (especially in health care and education spheres), caused an extremely low assessment of the reform process among citizens.

The failure to connect CSOs and society lies in the fact that in an over-politicized, highly partisan Ukrainian society, even small social activities are painted in political colors, thus alienating the wide public, those citizens who place themselves outside of political power-relations, and feel no link to or interests in a particular political formation. As criticism of the government by CSOs coincides with the agendas of opposition political forces, the public tends to perceive this as the evidence for the established connection between civil society organizations and political actors. Same goes to the relations of CSOs with the government: if some steps by the government are praised by civil activists, public opinion often value their actions as the part of politically motivated cooperation.

In fact, the attitudes of the CSOs towards ongoing reforms in the 2017-2018 was more critical than laudatory. Civil society activists were warning about the risk of backsliding Ukraine's development as incomplete reforms threaten to undermine the credibility of the reform process and lead to reform fatigue and disillusionment among Ukrainians.<sup>24</sup> It is no surprise then, that such actions by the CSOs cause discontent on part of the government. Ukraine's politicians took the advantage of patriotic sentiment to attack activists and journalists, accusing them of making profits out of reforms. In winter, activists, CSOs, and investigative journalists suffered increased attacks if working on anti-corruption efforts.<sup>25</sup> The controversy with legislation on the asset declaration by the anti-corruption activists, adopted in 2017, remained in place even after numerous critical assessments both inside Ukraine and from abroad.<sup>26</sup>

As a result of political attacks on CSOs, public opinion shows decrease in trust to civil society organizations (except for volunteers' movement) in the latest polls.<sup>27</sup> While in some cases public suspicions in collaboration between CSOs and political forces are not without grounds, the

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23 Orisya Lutsevich. How to Finish a Revolution: Civil Society and Democracy in Georgia, Moldova and Ukraine// <https://www.chathamhouse.org/publications/papers/view/188407>

24 Rikerd Jozwiak. Ukraine's Main Backers In EU Put Pressure On Kyiv Over Reforms.. <https://www.rferl.org/a/ukraine-main-eu-backers-pressure-reforms/29098867.html>

25 Gustav Gressel. Ukraine on the brink of kleptocracy. [http://www.ecfr.eu/article/commentary\\_ukraine\\_on\\_the\\_brink\\_of\\_kleptocracy](http://www.ecfr.eu/article/commentary_ukraine_on_the_brink_of_kleptocracy)

26 Steering Committee reiterates its legitimate call for repeal of Ukraine's legislation on assets declaration one year after enforcement. <http://eap-csf.eu/steering-committee-reiterates-its-legitimate-call-for-repeal-of-ukraines-legislation-on-assets-declaration-one-year-after-enforcement/>

27 See surveys: <http://razumkov.org.ua/napryamki/sotsiologichni-doslidzhennia/stavlennia-hromadian-ukrainy-do-suspilnykh-institutiv-elektoralni-orientatsii-2>; <http://dif.org.ua/article/rejtingijfojseoj8567547>; <http://uacrisis.org.ua/63946-presentation-of-ratings-and-forecasts>

generalization of the principle is destructive to the establishment of vibrant civil society in the country.

Partisanship of Ukrainian life could shatter independent CSOs further as the country is entering another elections cycle with both parliamentary and presidential elections looming ahead. The challenge to CSOs will be twofold. On the one hand, they will need to maintain a non-partisan standpoint even if they were sucked into the havoc of political infighting. As the tensions between major political forces are rising, they are going to look for any resource that could potentially enforce them. CSOs even with their modest influence on citizens represent potentially valuable assets for every political actor to enter the parliamentary or presidential campaigns.

On the other hand, since Poroshenko seem to further loose popular support and his prospects to be re-elected look uneven at this point, he will likely continue consolidating power in his hand and sideline his critiques under the – otherwise quite present – existing threat to the country's territorial integrity.<sup>28</sup> Thus, every bit of criticism could be seen by his team as a threat to the integrity of the nation. The latest attempts to establish control over institutions still independent from the president and his administration, and to mute criticism from the CSOs, show that the logic of Ukrainian political competition does not preclude CSOs from been attacked or becoming the object subversion during electoral campaigns. To put the grip on major government institutions and to mobilize them in support of incumbent president may become a major fault line dividing the post-Euromaidan elite.

To be fair, CSOs are also going “more political”, as they became more suspicious of the government and of other political actors. As every bit of socio-political life in the country is seen through partisan lens, it is looking natural to treat every success in reforms as part of the elections strategy by Poroshenko's team.<sup>29</sup> In the background, there is a belief that efforts by CSOs to exploit the political moment for more successful policy shaping are rare and unsure. That means that CSOs are reluctant to adopt their natural designation and to address the most crucial social issues, such as the growing economic inequality. Little effort is seen from CSOs to influence election programs by political parties or politicians.

That means that CSOs often lack understanding of their role as brokers between citizens and authorities. They can miss a fair chance to enhance civil society as the level of trust by citizens still far exceeds trust of political parties and that requires CSOs to step in with their own positive agenda of social changes to set up a potential social contract between political actors and society.

CSOs leadership and prominent civil activists with high levels of public exposure are often commentating as part of the mainstream political discourse, and more often than not, on par with politicians. Their outspoken personalities sometimes contribute to the perception of CSOs as “too political” and confirms that CSOs key figures do really have strong affiliations with certain political forces. The first wave of civil activists who entered Verkhovna Rada in 2014 largely contributed to this perception. And there are activists who already formed and lead emerging political parties, and made political victories on the local level. They and others may follow the successful path all the way to the upcoming parliamentary elections. The next two years may bring about a moment of truth not just for some CSOs, but for the entire civil society: will they maintain their role as watchdogs or will they turn into branches for political parties.

## Conclusions

Citizens are growing dissatisfied with the government and its policies, which is largely in part due to the decline of living standards for most Ukrainians. This can lead to several possible scenarios; one of which is an accumulation of critical/dissatisfied sentiments which, on the eve of election campaigns in 2019, can lead to the radicalization of society or give the path to populist politicians.

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28 Diane M. Francis. Ukraine in a Position to its Corrupt Elites and Russia Too. [https://www.huffingtonpost.com/entry/ukraine-in-a-position-to-its-corrupt-elites-and-russia\\_us\\_5a54c278e4b0ee59d41c0ddd](https://www.huffingtonpost.com/entry/ukraine-in-a-position-to-its-corrupt-elites-and-russia_us_5a54c278e4b0ee59d41c0ddd)

29 Ukraine Reform Monitor: October 2017. <http://carnegieendowment.org/2017/10/10/ukraine-reform-monitor-october-2017-pub-73330>



This can be done, for example, by promising an increase in the minimum wage. The promise of free social payments can easily strike a chord with poor voters.

This situation bears both opportunities and challenges for Ukrainian CSOs. On one hand, it is favourable for the further development and active intervention by CSOs in various areas of social life. On the other - this opportunity raises the question of whether the public is aware of CSOs and their potential role in improving the quality of life in the country. It will also test the level of trust that people have in CSOs. This will require the civil sector to double its efforts in addressing a wide range of questions: what is civil activism; how does civil activism translate to political action; what tools should be used to set and promote agendas which addresses citizen's high-priority needs. CSOs can lead the public in setting or even re-shaping political platforms for the existing political actors on the eve of elections. This is a chance for civil society – a rare one in Ukrainian politics – to impact the political agenda on a large scale.