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Country Development Cooperation Strategy 2019-2024

Dates: January 09, 2019 - January 09, 2024

USAID Country Development Cooperation Strategy for Ukraine (2019-2024)

Goal

USAID's Country Development Cooperation Strategy (CDCS) is based on the foundational demand expressed by Ukrainians during the Revolution of Dignity that they should live in an independent, democratic, prosperous, and healthy Ukraine united around core European values. Ukraine's commitment and capacity to progress towards self-reliance is hampered by an ongoing two-front war -- against Russia's full scale aggression on the one hand, and against its internal legacy of corruption on the other -- with deep consequences for the future of Europe, regional stability, and the United States, for whom a strong and free Europe is a cornerstone national security goal. For the next five years, the Mission will focus on ensuring that Ukraine is more secure from the existential threats of corruption and Russia's aggression, and that its capacity and commitment to self-reliance is advanced through transformational sector reforms. Ukrainians see their country on a new path towards a European, self-reliant future. They demand an **independent** Ukraine not solely reliant on any single external actor; a **democratic**, accountable, and transparent government; a **prosperous** nation that invests in and mobilizes its rich human capital and private sector; and Ukrainians that are healthy, not held back from their innate potential. The **core European values** they demand refer not only to the European Union (EU) normative framework, but a broader recognition of the values of democracy, human rights, diversity, and inclusion. Lastly, a **united** Ukraine foresees that these opportunities, systems, and values are shared by all its citizens in their rich diversity and that Ukraine is territorially whole.

Strategic Approach

Ukraine's success—or failure—in responding to the challenges and opportunities described herein and its success on its journey to self-reliance will be deeply consequential for the United States and its overarching goal of protecting the American homeland, people, and way of life. The 2017 U.S. National Security Strategy (NSS) affirms that "a strong and free Europe is of vital importance to the United States," and emphasizes that Russia's invasion of Ukraine and continued use of subversive measures has demonstrated its willingness to violate state sovereignty and use myriad tools to destabilize the region. This is affirmed by the 2018 U.S. National Defense Strategy analysis that "Russia seeks veto authority over nations on its periphery in terms of their governmental, economic, and diplomatic decisions, to shatter the North Atlantic Treaty Organization (NATO) and change European and Middle East security and economic structures to its favor. The use of emerging technologies to discredit and subvert democratic processes in Georgia, Crimea, and eastern Ukraine is concern enough, but when coupled with its expanding and modernizing nuclear arsenal the challenge is clear."

USAID's efforts in Ukraine are critical to countering these attempts to weaken the credibility of America's commitment to Europe. Ukraine is the proving ground for numerous tools—including cyberattacks, disinformation, and targeted assassinations—in the arsenal of a key American

adversary that could be used to threaten the United States and our allies. USAID will make America more secure and contribute to priority actions under the NSS by strengthening cooperation on cybersecurity, countering Russia's information aggression, and strategically leveraging conditionalities and joint action to incentivize reforms that will further develop Ukraine's capacity and commitment to function as a self-reliant economic, diplomatic, and security partner. USAID's strategic approach and commitment to learning and adaptation will ensure that we work with reformers and synchronize diplomatic, economic, and security assistance to maximize American taxpayer investments toward ensuring that Europe is prosperous and stable, and can help defend our shared interests and ideals.

USAID's work in Ukraine also advances multiple objectives of the 2018 U.S. Department of State-USAID Joint Strategic Plan (JSP), including:

- Strategic Objective 2.2: Promote healthy, educated and productive populations in partner countries to drive inclusive and sustainable development, open new markets and support U.S. prosperity and security objectives.
- Strategic Objective 2.3: Advance U.S. economic security by ensuring energy security, combating corruption, and promoting market-oriented economic and governance reforms.
- Strategic Objective 3.4: Project American values and leadership in preventing the spread of disease and providing humanitarian relief.
- Strategic Objective 4.1: Strengthen the effectiveness and sustainability of our development and diplomacy investments.

The CDCS is also aligned with the Department of State-USAID Joint Regional Strategy objectives of strengthening the ability of partners to resist malign influence and counter disinformation; supporting market-oriented economic and governance reforms; increasing security through diversification of energy sources; and promoting good governance and fighting corruption.

USAID consulted extensively with the Government of Ukraine, civil society, and other international donors working in Ukraine during development of the CDCS. USAID's strategic approach is consistent with the strategic plans of the Government of Ukraine and civil society, including the President's National Sustainable Development Strategy and the Reanimation Package of Reforms' (RPR's) Roadmap of Reforms. In December 2017, USAID met with representatives from the GOU to discuss the overall alignment of USAID's strategic objectives with those of the GOU. In September 2018, USAID conducted a range of consultations with key government stakeholders—including the Parliament, Cabinet of Ministers, Ministry of Foreign Affairs, and Ministry of Economic Development and Trade—to introduce USAID's vision of self-reliance.

During the strategy development period, USAID also discussed coordination with international donors working in Ukraine to help prioritize and use resources more efficiently, such as by sharing analytical products. To date, USAID has conducted bilateral consultations with more

than 30 other donors and regularly engages with the EU, European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the United Nations Development Program (UNDP), and the World Bank, as well as critical G7 partners such as Canada and the United Kingdom (UK). Like USAID, several large donors—the EU, Sweden, Denmark, Canada, World Bank, UK, and UN—are developing multi-year strategies. The timing is ideal to maximize complementarity, focus, and division of labor, and to share assessments to improve programming

Development Hypothesis

USAID assistance to Ukraine from 2019-2024 will be based on the Development Hypothesis that the Ukraine's European aspirations, democratic trajectory, and future prosperity and sovereignty are only achievable if corruption is meaningfully addressed, the impacts of Russia's aggression are strategically mitigated, democratic governance is strengthened, and market-driven economic growth is inclusive and sustainable. Progress towards each of these objectives is critical to the country's "journey to self-reliance," a dynamic, new development approach. This approach prioritizes supporting host country partners to become self-reliant and empowered to lead their own development journeys. Furthermore, this approach is focused on improving the ability of the host country to plan, finance, and implement solutions to its own development challenges. In Ukraine, USAID support is centered on helping develop an independent, democratic, prosperous, and healthy Ukraine united around core European values.

Ukraine stands at the forefront of the battle between authoritarianism and liberal democracy. The country's commitment and capacity to progress towards self-reliance are hampered by an ongoing two front war—against Russia's full scale aggression on the one hand, and against its internal legacy of corruption on the other—with deep consequences for the future of Europe, regional stability, and the United States, for whom a strong and free Europe is a cornerstone national security goal.[1] Four years after the 2014 Revolution of Dignity and subsequent presidential and parliamentary elections, economic near-collapse, and Russia's purported annexation of the Crimean peninsula and invasion in the east, Ukraine still has an opportunity to decisively realize a future in which it can determine, finance, and implement its own development solutions, as that of a prosperous, democratic state governed by European values and integrated into the global community.

In Ukraine, greater self-reliance will not be possible until the country achieves a decisive break with its burdened history of corruption and malign Kremlin influence. This aligns with Ukraine's self-reliance trajectory, on the cusp between high capacity/low commitment countries where further policy dialogue, private sector engagement, systems strengthening, and alliance building are necessary; and high capacity/high commitment environments where the nature of the bilateral partnership itself can evolve. Bridging this gap by 2023 is feasible. To that end, USAID will maintain a two-track focus on technical assistance to shore up country capacity in key,

[1] National Security Strategy of the United States of America (2017), pg. 47.

high-impact and high-vulnerability areas, and on policy dialogue and conditionalities to maintain country commitment.

The United States is walking with Ukraine on this journey along the edge of a precipice: the next five years may bring tectonic shift in the structure of the state itself, through further devolution of power from the central to local levels, an overhaul of the energy sector, and the nascent dismantling of deep-rooted corruption networks that have had a pernicious, stunting influence on governance, the economy, and public trust. Or, Ukraine may see gradual backsliding towards increased executive control over a state that hinders economic and political competition, fails to develop its human capital, and maintains a political economy that primarily benefits a small group of national and local decision-makers, obstructing public activism and demand for change.[2]

USAID's vision of a Ukraine that resources and implements development solutions that benefit all citizens faces intense political, military, and economic pressure from Russia, designed to destabilize Kyiv and sow doubt about European integration. In Ukraine, greater self-reliance will not be possible until the country achieves a decisive break with its burdened history of corruption and malign Kremlin influence.

Development Objectives (DOs) 1 and 2, described below, are rooted in the two-front war—against corruption on the one hand, and Russia's aggression on the other—and the crucial role of development assistance (alongside defense and diplomatic efforts). These also coincide with U.S. national security interests at the highest levels and are critical to the Government of Ukraine's (GOU's) ability to truly commit to self-reliance. Work under DOs 3 and 4 address critical, targeted reforms that would strengthen Ukraine's capacity to finance and implement its own development challenges.

Self-Reliance Context

Despite its relatively high levels of development, infrastructure, and human capacity, Ukraine faces existential threats to its stability and independence. The full benefits of reform and European integration have yet to prove themselves to either the people or Government of Ukraine (GOU), furthering long-standing distrust between citizens and the state. With presidential and parliamentary elections in 2019, the risk of authoritarian backsliding and the resurgence of nationalist/populist narratives at the highest levels of government is very real, and significant economic reforms are necessary to return the country to even pre-independence growth levels.[3] More broadly, the urgent, complex business of reforms, which have the potential to catalyze new levels of commitment and capacity for self-reliance, is consistently undermined by a political-economic elite seeking to maintain the corruption-enabling status quo, and a hostile Russian government attempting to preserve its influence over Ukraine and stoke distrust in European integration and liberal democracy.

[2] Carnegie Endowment for International Peace. *Ukraine Reform Monitor* (October 2017).
[3] USAID/E&E Strategic Planning and Analysis Division, Monitoring Country Progress Team, Ukraine Gap Analysis (June 2016)

Citizen Capacity

Ukraine's development opportunities are perhaps best encapsulated in the high capacity of its citizens and civil society. On measures of poverty, education quality, and disease burden in its Country Roadmap, Ukraine is far ahead of other low- and middle income countries, reflecting both the legacy of a Soviet state that provided a wide range of public services (though often of low quality and questionable efficiency) as well as the modern Ukrainian state's ability to provide basic services for its citizens. While its civil society capacity measure (0.55 on the Diagonal Accountability Index[4]) is closer to the average for similar countries, Ukraine's active civil society and highly motivated grassroots constituencies are some of the strongest in the former Soviet Union and have been the primary vehicle for and driver of the country's "emerging democratic consciousness" since the 2014 Revolution of Dignity.[5] The relatively open space for civil society is reflected in Ukraine's Civil Society Organization (CSO) Sustainability Index scores, which are the highest among Eurasian countries, particularly on the advocacy dimension.[6] The work of Ukraine's more institutionalized, professionalized CSOs have, since 2014, been buttressed by the growth of a dynamic volunteer sector, which has expanded from responding to the needs of displaced and other conflict-affected persons, to other social issues. This is perhaps the strongest example of a sector in which USAID's investment in helping CSOs develop and maintain constituencies can be buttressed by convening the private sector, non-traditional sources of funding, and alternative financing to explore more self-reliant models for the sector.

Ukraine's citizen capacity is limited by numerous public health challenges, including one of the most severe HIV/AIDS epidemics in Europe. While the overall consolidated view across various indicators depicts a health sector ahead of lower and middle income countries, a deeper analysis indicates that there are approximately 223,000 people living with HIV (PLHIV) in Ukraine, representing 0.9 percent of the 15–49-year-old population[7], and that Ukraine is in the World Health Organization's (WHO) list of the 30 highest MDR-TB burden countries in the world. The increasing number of cases of MDR-TB, which is expensive and difficult to treat, is complicating Ukraine's ability to respond to its TB epidemic. [8] Immunization has become a particular, growing challenge: national immunization coverage has fallen to dangerously low levels, leading to emerging cases of vaccine-preventable diseases and presenting a risk for outbreaks such as polio in 2015. Although polio coverage has improved, only 30 percent of children in Ukraine are fully immunized against measles, 10 percent against hepatitis B, and 3 percent against diphtheria, pertussis, and tetanus (DPT 3) -- some of the worst coverage in the world, and down from 98 percent in 2007. This indicates a broken health system that is failing to maximize citizen capacity and limiting economic growth and integration with Europe.[9]

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[4] See Annex 1: Ukraine Country Roadmap
[5] Lutsevych, Orysia. Chatham House, *The Struggle for Ukraine* (2017), p60
[6] USAID Civil Society Sustainability Index (2016)
[7] Ukrainian Center for Disease Control and Prevention, HIV Infection in Ukraine - Information Bulletin No.49 (2017)
[8] World Health Organization Global Tuberculosis Report 2017, p17
[9] Twygg, Judith. Center for Strategic and International Studies, *Polio in Ukraine* (2016)

Economic Capacity

Ukraine's economy, by some measures of self-reliance, looks much like that of a well-developed, high-income country. GDP per capita, whose adjusted score of 0.48 is far beyond that of comparator countries, and its Export Concentration Index score of 0.91 is near the top of the range among similar countries, reflecting both the historical strength and diversity of Ukraine's now declining industrial sector.[10] However, this indicator for Ukraine masks structural weaknesses such as overreliance on Soviet-style enterprises producing a range of uncompetitive products for export to Russia, and does not adequately capture the negative environmental and human externalities which must be accounted for if Ukraine is to successfully transition to a 21st century economy. The economy is dominated by large, energy intensive companies -- some state-owned, others privatized -- that survive on unfair privileges, corrupt practices, subsidies, and monopoly power. State-owned enterprises (SOEs) continue to account for a major share of the national economy, yet are far less efficient, more poorly governed, and more vulnerable to corruption than firms outside of state control. The conflict, Russian sanctions, and loss of Commonwealth of Independent States (CIS) preferences in 2016 have put these dominant enterprises at risk, but Ukraine's smaller companies are poorly positioned to take their place. Small and medium-sized enterprises (SMEs) account for less than 15 percent of Ukraine's GDP compared to 40 percent in Poland and 70 percent in France, and only 3 percent of them are export-oriented.[11] Ukraine's high level of ICT use,[12] while above that of other low- to middle-income countries, is not reflected in the weak start-up culture, stovepiped business education, and the GOU's unwillingness to protect intellectual property rights, promote female entrepreneurship, and increase access to capital for SMEs -- all further constraining Ukraine's economic development.[13]

Having relied on a corrupt and quickly eroding foundation of Russia-oriented large industries to drive growth, Ukraine's economy has failed to match the potential and aspirations of its citizens, resources, and proximity to Europe. Ukraine remains at war with its major bilateral trade partner and has seen its GDP per capita drop from $2,970 in 2010 to $2,099 in 2016, indicating that the benefits of democratization and European integration are not being felt by ordinary citizens.[14] Key sectors of the economy have not fully realized their potential to accelerate economic growth, unlock business opportunities for entrepreneurs, and spur competition. Ukraine's citizens and businesses are ready: ICT use is high and on the rise, SMEs are growing, agriculture has the potential to play an even larger role in the economy, and the conflict and trade war with Russia have necessarily -- albeit traumatically -- reoriented the economy. To realize these aspirations and unlock new revenue sources that can finance self-reliance, Ukraine must realize critical reforms in agriculture, competitiveness, SME enabling environment, and financial markets.

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[10] See Annex 1: Ukraine Country Roadmap

[11] Hadley, Stephen. *USAID Support for Economic Growth in Post-Maidan Ukraine (2015)*, p8

[12] See Annex 1: Ukraine Country Roadmap

[13] World Bank, Ukraine - Systematic Country Diagnostic (2017), p9

[14] United Nations Conference on Trade and Development (UNCTAD), General Profile: Ukraine (2016)

Government Capacity

There is a stark mismatch between the high potential of Ukraine's citizens and economy, and the ability of the state to fulfill basic governance functions. Ukraine's Government Effectiveness Index score, while close to the average for other middle- and low-income countries,[15] has, in fact, declined since 2014, in particular in areas measuring quantity and quality of bureaucracy, governance capability, and resource efficiency.[16] The GOU's sprawling bureaucracy, still accustomed to Soviet-style delivery of a broad range of low-quality public goods in a highly-centralized, inefficient, under-resourced (and thus corrupted) fashion, inconsistently translates citizen demand for meaningful reform into public policy and thwarts visible change, even when reformers are appointed to senior decision-making positions. By some measures of institutional development, Ukraine scores well: for example, its Efficiency of Tax Administration score of 0.69 is far above those of comparator countries, demonstrating a degree of ability to collect domestic resources. Yet Ukraine is the most corrupt country in Europe, ranked 130 out of 180 countries on Transparency International's 2017 Corruption Perceptions Index.[17] The abuse of entrusted power for private gain is endemic in the kleptocratic misuse of public resources, which has eroded the GOU resource base for self-reliance, threatens the democratic state, and increases Ukraine's vulnerability to external manipulation. Indeed, a 2015 corruption assessment found that tax avoidance is widespread, a symptom of viewing the state as incapable of using public funds for the benefit of society, and has bankrupted state budgets. This keeps state officials' salaries low, incentivizing civil servants to live off bribes; in response, citizens continue to pay bribes in order to get things done, and are reassured that they should seek to avoid paying taxes. The continued participation of most Ukrainians in such exchanges serves to paralyze reforms seeking to change the status quo.[18]

This tension is particularly acute in the inefficient and outdated healthcare system: many of Ukraine's 4.5 million public sector employees are health workers, and health spending is at 7 percent of total GDP, but little of that expenditure or workforce is right-sized to citizens' actual needs. The current system prioritizes curative services over prevention, hospitals over ambulatory services, and specialists over primary care. As a result, there is opportunity for corruption at every level of the healthcare system, from fraud in government procurement of pharmaceutical drugs to the payment of bribes for regular care. Compounding Ukraine's weak bureaucracy is the concentration of formal and informal power in the presidency, despite numerous attempts since independence to create a formal balance of governmental power and meaningful decentralization, as well as a tendency towards over-legislation that remains an impediment to reform.

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[15] See Annex 1: Ukraine Country Roadmap

[16] World Bank Worldwide Governance Indicators

[17] Transparency International, Corruption Perceptions Index 2017

[18] Robert, Sean and Robert Orttung. *USAID Changing Corrupt Behaviors Assessment: Addressing Everyday Corruption in Ukraine* (2015), p14

The existential threat posed by Russia's aggression to Ukraine's capacity to function as an independent, self-reliant state is most visible in its Safety and Security adjusted score, which at 0.39 is decisively below that of other low- to middle-income countries and reflects a decline from a rank of 97 in 2013 to 112 in 2017.[19] Since April 2014, when Russia-led forces in parts of Donetsk and Luhansk oblasts declared the secession, respectively, of the so-called "Donetsk People's Republic" (DNR) and the "Luhansk People's Republic" (LNR), over 10,000 Ukrainians have been killed,[20] 3.4 million are in need of humanitarian assistance, and 1.5 million are considered internally displaced persons (IDPs).[21] With direct military, financial, and economic support from Russia, these proxy authorities have sealed their artificially demarcated "borders" with the rest of Ukraine, and have successfully resisted GOU attempts to end the secession through both military action and economic sanctions. A solution to the March 2014 purported annexation of and referendum in Crimea, which has also inflicted a significant human toll, is even more elusive. Despite efforts to achieve peace in the Donbas, the sides have failed to comply with the Minsk II ceasefire agreements, with grave human rights consequences for the conflict-affected population, especially those living near the contact line and in non-government controlled areas (NGCAs). The conflict's heavy human and financial toll has exacerbated long-standing regional social, economic, and governance divisions and has left Ukraine distracted and divided, representing a significant threat to its self-determination and self-reliance.

As a result of Russia's aggression and long-standing influence, Ukraine's capacity for self-reliance has a profound regional variance. Governance challenges are especially acute in the Donbas, which in this context refers to the entirety of Donetsk and Luhansk oblasts, and includes some of the most densely-populated urban areas of the country.[22] USAID's 2017 Donbas Assessment found that while these issues are present elsewhere in Ukraine, they are compounded within the Donbas by regional and historic divisions as well as present day factors that continue to isolate the region. Much of residents' skepticism in the reform process and democratic transition is rooted in frustration with the way government works at all levels.[23] Territorial amalgamation, which primarily affects more rural communities, has left behind the cities and municipalities working to deliver services to a disaffected, conflict-affected population. The continuation of the conflict is also normalizing the increasingly divergent trajectories of the government controlled areas (GCAs) and NGCAs, making economic, but more importantly social, ties increasingly difficult to repair during reintegration. Ukraine's half-million veterans also face significant psychological, medical, economic, and social challenges to their reintegration into civilian life.

[19] Legatum Prosperity Index 2017. Also see Annex 1: Ukraine Country Roadmap
[20] UN Office of the High Commissioner for Human Rights, Report on the Human Rights Situation in Ukraine (June 2018)
[21] USAID Office of U.S. Foreign Disaster Assistance (OFDA), Ukraine - Complex Emergency Fact Sheet #2 (April 2018)
[22] Jennings, Ray. *An Assessment of the Donbas Region of Ukraine* (2017), p25
[23] Jennings (2017), p26

Commitment to Open and Accountable Governance

The fragility undergirding Ukraine's capacity to govern the state and economy in line with its citizens' aspirations and potential for self-reliance is echoed in commitment measures of the Country Roadmap. Ukraine's Liberal Democracy Index score of 0.23, far below other low- to middle-income countries, illuminates its severe deficit of open, accountable governance.[24] Most significantly, the absence of a rule of law, protected and applied through an independent judiciary, is reflected in the fact that "Judicial Constraints on the Executive" is Ukraine's overall lowest-rated indicator in the Liberal Democracy Index.[25] Up to and through the EuroMaidan protests, Ukraine's judicial system was based on the Soviet model of the courts as a means to control and punish, rather than to protect and uphold the rule of law. Laws were applied inconsistently, with seemingly one set of rules for ordinary people, and another for the political and economic elites, by and large untouchable and free to flout the nation's laws. The absence of an independent judiciary has hindered economic development, particularly foreign investment; perpetuated oligarchic control of political-economic institutions and theft of state resources; and undermined citizen confidence in the role of the state itself.

More broadly, Ukraine's political and media environment -- that is, the enabling conditions for freedom of expression, political participation, and other cornerstones of open government -- have been co-opted by pervasive oligarchic networks. The fire-sale privatizations of the 1990s created a disproportionately wealthy class of business owners, each controlling a conglomerate based on a single commodity and industry (most often purchased at such steep discounts as to constitute theft), who quickly established patronage networks that instrumentalized public institutions to work on their behalf rather than for the country itself.[26] While a degree of state capture by oligarchic interests has occurred in most countries transitioning from the Soviet command-administrative system, Ukraine is a "high capture" state in that its size and regional diversity has spawned a wide range of interest groups in competition with each other for influence over state enterprises and budgets. Ukraine's oligarchs sit at the apex of political, economic, and media monopolies that prevent newcomers from entering or truly competing in the system: they control most major political parties, own major TV stations and many smaller ones, buy judicial and legislative influence to inoculate themselves from prosecution, and limit the development of non-politically connected businesses, creating a considerable brake on Ukraine's self-reliance.

This powerful and pervasive political and economic elite continue to exert their power even in post-EuroMaidan Ukraine, undermining democratization, decentralization, privatization, and other reforms that would threaten their resources.[27] Oligarchic interests have maintained their representation in politics and dominance of media, and threaten civil society -- the one

[24] See Annex 1: Ukraine Country Annex
[25] Varieties of Democracy (V-Dem) Liberal Democracy Index v8, https://www.v-dem.net/en/analysis/RadarGraph/
[26] Lough, John. Chatham House, *The Struggle for Ukraine* (2017), p75
[27] Roberts and Orttung (2015), p14

institution that has consistently stymied their interests -- by driving a recent backlash against civil society activism and oversight, particularly in the anti-corruption sphere.[28] These threats to liberal democracy have only accelerated since 2014, when Ukraine became the primary testing ground for the Kremlin's concept of "hybrid warfare." This is the use of kinetic and non-kinetic tools -- encompassing political influence operations, exploitation of cultural ties, propaganda, and other actions outside the military sphere -- intended to cause and feed instability, undermine the social fabric, and complicate and undermine decision-making.[29] Russia's toolbox of "active measures" includes information warfare, targeted assassinations, cyberattacks, and funding for pro-Russia politicians, political movements, and even civil society, but the Kremlin has proven particularly adept at using traditional and new forms of information warfare to undermine democratic reform and European integration.[30] Although Russian TV broadcasts and other information sources, including popular internet sites, have been outlawed in Ukraine, Kremlin-backed narratives have proven far more insidious, making their way into Ukrainian homes through social media, word-of-mouth, and other informal information flows.[31] Moreover, the most popular Ukrainian television channels are oligarch-controlled and often parrot malign narratives characterizing Ukraine as unstable and intolerant; even independent news sources are often skewed in other, overtly political ways. This is taking place as the GOU has engaged in actions that call into question its commitment to protecting freedom of expression, including vague digital content blocking policies in the name of national security, the release of the personal data of journalists accredited to work in non-government controlled territories, and failure to seriously pursue attacks on journalists, creating an intimidating operating environment for media practitioners. As worrying, perhaps, is the precipitous decline in Ukrainians' trust in *all* sources of information since 2014, challenging any attempt to counter Kremlin propaganda with high quality, civically relevant information.[32]

Economic Policy

Indicators of the openness of Ukraine's economic policy are broadly positive; while its entrepreneurial climate is near average (0.44 adjusted score on the Country Roadmap), its Trade Freedom is highly rated, at 0.94 and near the top of the spectrum of low- to middle-income countries. Despite Ukraine's high trade freedom score and diversity of its export products,[33] its historic economic orientation towards, and now conflict with, Russia has rendered it uniquely vulnerable. In January 2016, in retaliation to Ukraine's membership in the European Union (EU) Deep and Comprehensive Free Trade Area (DCFTA), Russia cancelled its own free trade agreement with Ukraine, banned imports of Ukrainian food, and partially blocked the transit of Ukrainian goods across its territory to other post-Soviet markets, contravening World Trade Organization (WTO) rules.[34] While the sharp decline in trade volumes between Ukraine and

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[28] Lutsevych (2017), p70.
[29] Danish Institute for International Studies (DIIS) Report 2017:06, *Russian Hybrid Warfare: A Study of Disinformation*, p8
[30] Thoburn, Hannah. "Flurry of Kiev Assassinations a New Russian Front in Ukraine." Hudson Institute, July 11, 2017.
[31] Detector Media, *Opposition to Russian Propaganda and Media Literacy Analytical Report* (2018)
[32] USAID/OTI, *Ukraine Media Consumption Survey: Focus on the East* (2017)
[33] See Annex 1: Ukraine Country Roadmap
[34] Economist Intelligence Unit (EIU). "Trade Conflict with Russia Escalates", February 27, 2016

Russia in recent years has lessened the severity of these measures,[35] the trade war accelerated the decline of Ukrainian hryvnia in 2016, further jeopardizing public support for the GOU.

These measures have particularly affected the Donbas GCAs, whose economy remains stalled four years after Russia-led forces took control of the major resource centers of Donetsk and Luhansk. Up until the current conflict, the region's dominant industries (mining, metallurgy, and chemical processing) played a major role Ukraine's economic output, employment, and exports. Donetsk and Luhansk accounted for 12.5 percent of Ukraine's population yet were responsible for 15.7 percent of its overall GDP, 25 percent of its exports of goods, and close to 60 percent of metal exports.[36] However, the region's economy was in decline prior to the conflict, and relied on significant -- and unsustainable -- government subsidies. Trade restrictions imposed by Russia, many of which target the Donbas' dominant industries, have accelerated the decades-long economic downturn and shrunk the job market for traditionally male industries in the Donbas. With key resources and facilities (for example, nearly all of Ukraine's coal fields) now in the NGCAs and many large enterprises closing, the region's 20 percent unemployment rate has led to an exodus of human capital. These issues are compounded by Ukraine's full economic blockade of the NGCAs beginning in 2017, which ended the surprisingly active economic relations across the line of contact and invited warnings from economists and opposition politicians that lost trade and tax revenues from seized industries would further drag down growth.[37] Importantly, the full extent of the war's economic cost for future generations are difficult to predict, especially as Russia continues to expand its effort to disrupt critical supply chains and transport corridors in eastern and southern Ukraine.

Ukraine's systemic vulnerabilities to Russia's economic and resource pressure are particularly stark in the energy sector. Up to 2014, Ukraine was heavily dependent on Russian gas to fuel its economy, dominated by large companies concentrated in energy-intensive industries developed during the Soviet era. Since then, the Kremlin has exploited these vulnerabilities to attempt to coerce the GOU to abandon plans for Western integration.During the EuroMaidan protests, Russia increased Ukraine's gas price by 81 percent, and threatened to cut gas supplies if no prepayment was received -- measures also impacting Europe, as half of the gas exported to the EU by Russia's Gazprom (the majority Kremlin-owned natural gas conglomerate) flowed through Ukrainian transit networks in 2013.[38] Ukraine took important steps after the Revolution of Dignity to reduce its energy dependence by purchasing so-called "reverse flows" of natural gas; however, it still remains highly dependent on Russia to fulfill its energy needs, leaving it susceptible to further political and market manipulation. Ukraine's energy insecurity is

[35] In January-November 2015 Ukraine's exports to Russia came to just US$4.4bn, according to the State Statistics Service, down by more than 50% year on year. In this period, exports to Russia accounted for just 12.7% of export receipts, down from almost one-quarter in 2012. Ukraine's exports of agricultural produce to Russia accounts for only 1.5% of Ukraine's total agricultural sales. Moreover, the CIS probably accounts for less than 20% of Ukraine's total exports currently, with the bulk of this—around two-thirds—accounted for by Russia.
[36] Jennings (2017), p32
[37] Milakovsky, Brian. "Cut Off: What Does the Economic Blockade of the Separatist Territories Mean for Ukraine?" Wilson Center, January 9, 2018.
[38] Umbach, Frank. "Russian-Ukrainian-EU Gas Conflict: Who Stands to Lose Most?" NATO Review Magazine, 2014

compounded by degraded distribution and transmission infrastructure throughout the gas and electric sectors, further increasing economic losses.[39] Additionally, the overall economic policy environment has not constrained SOE or oligarch dominance of the economy.

Ukraine ranks below other low and middle income countries in its commitment to biodiversity and habitat protection.[40] USAID's 2017 Biodiversity Analysis found that the country's ecosystems and species are experiencing each of the five general types of direct threats recognized by the Convention on Biological Diversity. Specific, proximate causes of these threats include illegal logging/fishing, irrigation and other aspects of the conversion of land for agriculture, and the physical and chemical effects of bombs, shells, and missiles in the conflict zone. Root causes of these threats are related mainly to inadequate governance and weak institutions, as they were during the previous strategy period, with economic factors often underlying these weaknesses. Attention to corruption and illegality as a root cause of biodiversity threats has increased since 2014, but has not overcome weak implementation and enforcement of existing laws. While there has not been a notable change in climate across the country, there has been an increase in both the intensity and frequency of drought, heavy rainfall, and heavy snowfall events.[41] The vulnerability of the largely urban (69.7 percent in 2015) population is magnified by infrastructure deficiencies such as an aging and fragile housing stock and limited potable water supply. Post-2014 economic shocks and the humanitarian crisis in the east have diverted resources from climate adaptation strategy and planning.[42]

A 2018 Climate Risk Management (CRM) Screening for Ukraine, conducted as part of this strategy process and included, in full, in Annex 5, considered the following, projected future climate changes:

- Increasing temperatures, heat stress, and heat waves, particularly in the far east and south
- Changing seasonal rainfall patterns
- Increasing evapotranspiration and decreasing overall water balance
- Moderate increase in dry spells and droughts, particularly in the south
- Increasing intensity and frequency of heavy rainfall events, especially in the north
- Increasing frequency of flash flood events; and fewer early spring floods
- Potential increase in dust storms due to increasing temperatures and drier conditions, particularly in the south
- Uncertain extent of sea level increase

USAID's Biodiversity Assessment also recognized climate change as a potential threat of unknown magnitude which may accentuate the threats discussed above, especially habitat loss,

[39] Hadley (2015), p7
[40] See Annex 1: Ukraine Country Roadmap
[41] Trends and statistics in this section are from the USAID Climate Risk Profile: Ukraine (2016); World Bank Climate Change Knowledge Portal: Ukraine (2017); and Climate Service Center of Germany Climate Fact Sheet: Ukraine (2012)
[42] Ukraine Climate Change Risk Profile (2016)

degradation, and fragmentation, and the threat from invasive species. The general warming trend and precipitation changes over the next century are expected to affect water resources, increasing dryness and water stress. The Biodiversity Assessment noted in particular the threat posed by climate change in the drying of bogs, peatlands, and wetlands; reduction of water flow needed by aquatic species and ecosystems (partly from increased use for irrigation); and drying/stress on forests.[43]

Inclusive Development

The World Economic Forum's Economic Gender Gap Report, which measures wage equality, earned income, and labor participation among women and men, shows an adjusted score of 0.73 for Ukraine, far above the average score for other low- and middle-income countries.[44] Ukraine has a comprehensive legal and policy framework on gender equality and non-discrimination, as well as a Soviet legacy of support for women's labor and political participation. Ukraine is also a priority country for USAID's Women, Peace and Security Initiative and has adopted a national action plan for the implementation of UN Security Council Resolution 1325. However, USAID's 2017 Gender Analysis found significant barriers to women in accessing justice, overcoming occupational segregation, receiving equal pay, and accessing credit. Women are not in a position to benefit as directly from economic reforms as men, and specific groups of women are vulnerable to multidimensional poverty. The Ukrainian labor market exhibits gender inequalities in several ways: occupational segregation means that women tend to occupy specific sectors that are associated with lower pay, and are underrepresented in upper management positions. Protective provisions in legislation are not only discriminatory but reinforce stereotypes that certain work is "unsuitable" for females and limit women's choices. The gender wage gap shows little sign of abating, and with women's average wages 30 percent lower than men's, the gap is considerably larger than the average for the EU member countries.[45]

Across sectors, while Ukrainians have virtually identical perceptions about the inevitability of corruption and their role in combating it, corrupt practices impact women and men differently depending on the context. For example, in family court cases and political campaigning, women generally have limited opportunities to benefit from corruption; while in the business sector, they stay relatively insulated from bribes and corruption due to the smaller size of their enterprises. Additionally, the destabilizing effects of the conflict on both women and men cannot be overstated. A high proportion of IDPs are women, including those caring for children and elderly family members, who have specific needs. Various forms of gender-based violence (GBV) associated with the conflict put women at risk for psychological, economic, physical, and sexual violence, and there are indications that human trafficking and sexual exploitation are particularly acute near the conflict zone. Complex services, especially psychosocial services, needed by veterans, survivors of GBV, and IDPs are scarce, while tolerance for violence in society is increasing, along with access to weapons and post-traumatic stress disorders among

[43] USAID Ukraine Biodiversity Analysis (2017), p20
[44] See Annex 1: Ukraine Country Roadmap
[45] Duban (2017)

combatants.[46] Men live on average 10 years less than women, are disproportionately impacted by Ukraine's HIV and TB epidemics, and are vulnerable to forced labor.

As a crossroads for civilizations and population movements between Europe andAsia for thousands of years, Ukraine is diverse. Although ethnic Ukrainians and Christian Orthodox make up 80% and 74% of the population, respectively, over 130 other ethnic groups are present, with large populations of Russians (17%), Belarusians, Moldovans, Crimean Tatars, and others.[47] This plurality is not borne out, however, in Ukraine's Social Group Equality score, which measures political equality across social groups: at 0.41, its score is below the average for similar countries.[48] Some minority groups are especially vulnerable: Romani women encounter multiple forms of discrimination that push them to the margins of society, and persons with disabilities (PWD) face many hurdles to enjoying their rights on an equal basis. Crimea remains under occupation, and the human rights of the local population are widely violated, particularly impacting equal rights for the indigenous Crimean Tatar population.[49]

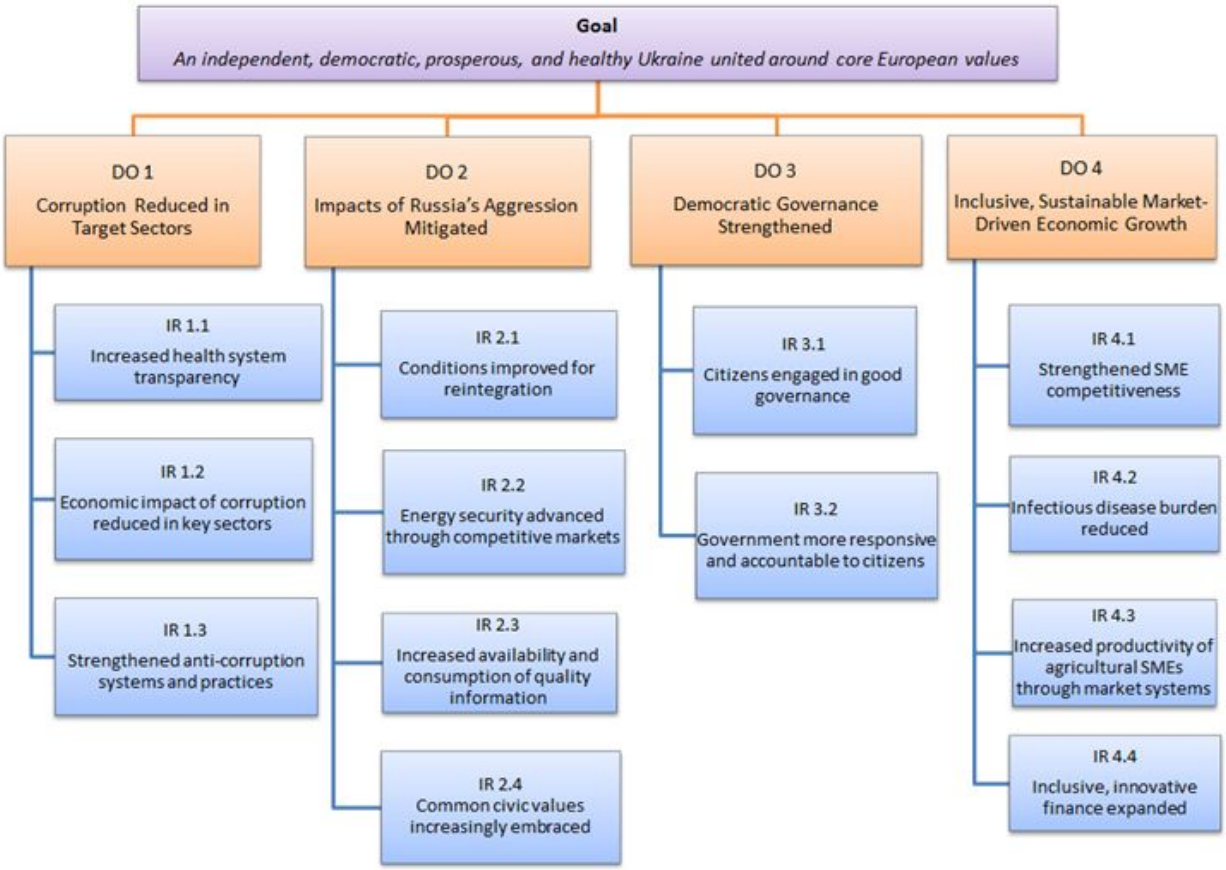
While attitudes towards lesbian, gay, bisexual, transgender, and intersex (LGBTI) persons have loosened in recent years, the rights of these citizens are not yet fully realized. Ukrainian anti-discrimination legislation does not explicitly mention sexual orientation or gender identity as protected grounds, the Family Code only recognizes marital rights for heterosexual couples, and the Criminal Code does not contain provisions on hate crimes.[50] LGBTI persons face discrimination in access to housing and bank loans, employment discrimination and harassment, bullying in educational institutions, stigmatization by health care professionals, and lack of access to appropriate reproductive health services (especially for transgender individuals). Although Pride marches have been safely conducted in Kyiv since 2015, NGOs have documented widespread patterns of discrimination that include homophobic/transphobic violence against activists by private citizens representing, for example, right wing nationalist parties, the Orthodox Church, paramilitary groups, gangs linked to football clubs, and even law enforcement.[51] The situation is particularly dire in the occupied Donbas and Crimea, where social activism and even openness about one's sexual orientation or gender identity can be life threatening.[52]

While cohesive social identity across Ukraine's diverse regions has always been elusive, the conflict has accentuated regional differences, undermining civic values, social stability, and the country's political transition. Within government-controlled Ukraine, the Donbas (and in fact much of the southeast) trends away from the rest of the country on opinion of the government in Kyiv, the economy, and the country's general trajectory. Many of these perceptions, including

[46] Duban (2017), p46
[47] Duban (2017), p41
[48] See Annex 1: Ukraine Country Roadmap
[49] Duban (2017), 89
[50] Duban (2017), p40
[51] Nash Mir, *On the Rise: The LGBTI Situation in Ukraine 2017*, p21
[52] Duban (2017), p40

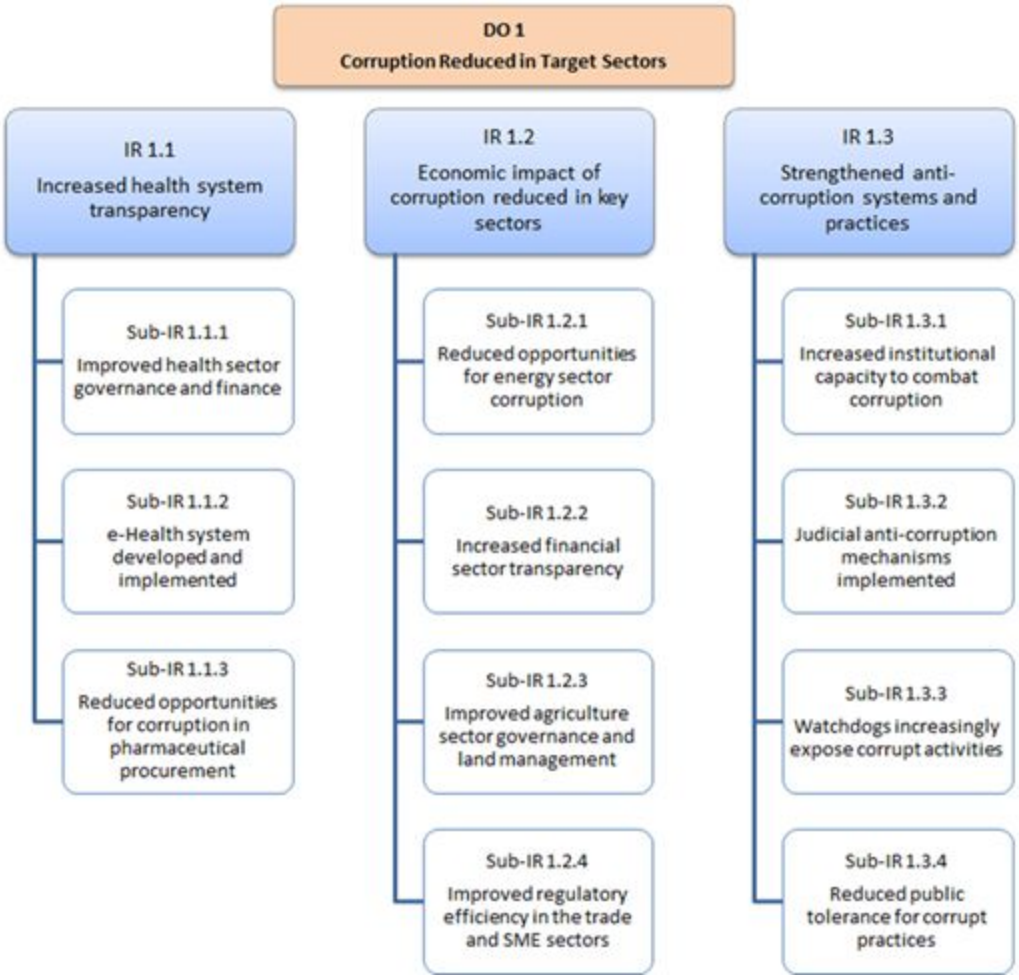
low regard for national authorities and a regional identity rooted in a more eastward-looking orientation, predate the current conflict, but are exacerbated by an inversion of status that is deeply unsettling to Donbas residents.[53] These trends are compounded by growing nationalist and anti-democratic movements in other regions that take a hard-line stance against any vision of the country's future that involves compromises on Ukrainian identity and the inclusion of citizens currently living under occupation.[54] The trauma of invasion and occupation has empowered extremist and far-right groups, whose growing impact and visibility in the public space led to a decrease in Ukraine's civil society rating on the 2017 Nations in Transit report.[55] As the International Crisis Group (ICG) noted in March 2018, the deepest rift is not between "pro-Russians" and "pro Ukrainians," but between those who portray the war as an integral part of nation-building and those for whom nation-building is moot as long as the war grinds on.

Results Framework 2019-2024



[53] Jennings (2017), p4
[54] USAID/OTI and the Centre for Sustainable Peace and Democratic Development (SeeD). *Social Cohesion and Reconciliation (SCORE) Index Executive Brief on Identity and Emerging Trends* (2016).
[55] Freedom House, Nations in Transit: Ukraine Country Report (2017)

DO 1: Corruption Reduced in Target Sectors



Corruption—the abuse of entrusted power for private gain—robs Ukraine of hope for a better future. Ukraine, which suffers from systemic corruption, must reduce its levels in order to advance its plans for European integration, ensure sustainable economic development, rebuild the social contract, and determine and finance solutions to its own development challenges. Corruption regularly tops the list of what Ukrainians think is wrong with their country, and the public has expectations that the GOU will address this problem. The scale and pervasiveness of corruption seen and experienced by Ukrainian men and women, which boiled over during the Revolution of Dignity, means that the sustainability of many reforms would be risked if corruption is not meaningfully addressed.

Under this objective, the first Intermediate Result (IR) will prioritize healthcare, where corruption is pervasive but meaningful structural reform is achievable. USAID efforts will not only enable more efficient use of government resources and address health-related impediments to Ukraine's citizen capacity, but also engage the private sector in creating a modern health system. Under its second IR, USAID will leverage existing political will to change the current way of doing business in key areas (notably the energy, financial, agriculture, SME, and trade sectors), thereby reducing the eroding effect of corruption on Ukraine's economic growth and public sector resource base available for development. USAID assistance under IR 1.3 will build the capacity of key state institutions to prevent and fight corruption; engage citizens and civil society in holding the GOU accountable; and reduce societal tolerance for corruption. Truly transforming Ukraine's political economy is a generational challenge beyond USAID's direct activities; however, the results described below are achievable by USAID within the strategy period and will, in concert, advance DO 1.

Ukraine's well-developed ICT sector can be engaged in ensuring that the systems wide transparency gains envisioned under this DO are sustainable. USAID will engage deliberately and strategically with the private sector to collaborate on innovative solutions to service delivery, transparency, and regulatory challenges. USAID will also mobilize support from academia, the U.S. tech sector, and other non-traditional partners to co-create innovative solutions that incorporate self-reliance in their design.

IR 1.1: Increased Health System Transparency

Healthcare is where systemic corruption most closely touches the daily lives of citizens and families. It also connects all aspects of healthcare, from informal payments, to surgical procedures, access to modern medicine, and physician training, through a lack of transparency, inefficiencies, unofficial payments, and poor health outcomes. The GOU has only recently committed to action, with the Ministry of Health (MOH) leading reforms to fight these issues, and improve the health of Ukrainians.

The National Health Reform Strategy for Ukraine 2015-2025 envisions a transition from health service delivery to policy-making and oversight; financing in which "money follows the patient;" establishing a new National Health Service (NHS) as the health purchasing agency; enhanced provider autonomy; a re-oriented health workforce; a restructured public health system; and an integrated electronic health information (e-Health) system. This gives citizens greater autonomy, and unlocks opportunity for private investment in healthcare solutions. Critical reform pieces were passed by the Parliament in 2017.

Such reforms will increase the impact and availability of state resources, a core element for Ukraine's ability to resource its own development priorities. Assistance will strengthen pharmaceutical sector governance, health procurement management, and administration. USAID will work with the MOH, local governments, and health clinics to develop and implement anti-corruption controls; and will support patients and civil society to monitor unlawful

out-of-pocket expenditures, extortion, and other corrupt practices. Activities will support decentralization and integration of healthcare services, secure a stable supply of essential drugs and commodities at appropriate prices, and advocate for an increased role of private health care providers. A more efficient, transparent health care system, in particular a reformed MOH, will increase the impact of state resources free up public funds for other uses, and move Ukraine firmly down the path toward self-reliance.

IR 1.2: Economic Impact of Corruption Reduced in Key Sectors

If Ukraine lowered its corruption levels to that of regional neighbors, gross domestic product (GDP) could increase by 0.85 percent and spur investment, creating new sources of public and private funding for Ukraine to mobilize financing for its own development solutions. The energy, agriculture, finance, and trade sectors are four of the most lucrative and therefore historically corrupt sectors in Ukraine, where public revenue has consistently been diverted into private hands. The GOU, spurred by its commitments under the International Monetary Fund (IMF) Framework Agreement and donor advocacy has accelerated its reform efforts. Oligarch dominance of assets (either state- or privately owned) leave limited opportunities for competition, oversight, and transparency. In the energy sector, opaque tariff structures and a lack of public access to information allow for overstated losses, sole-source tenders, kickbacks, and other schemes. Current energy regulator decision-making tends to benefit certain groups and harm other market players and customers. The 2014 banking crisis revealed structural weaknesses in Ukraine's financial sector and a concentration of assets in state-owned or oligarch-dominated hands. Similarly, weak public land management and agricultural regulations give rise to a lack of transparency and competition in the sector. In the trade and small- and medium-sized enterprise (SME) sectors, inefficient bureaucracy and burdensome customs procedures stifle Ukraine's trade potential. These arbitrary regulations also throttle the potential of Ukraine's SMEs, who must navigate a web of procedures related to permitting, licensing, taxation, and government inspections that benefit vested interests and corrupt officials. A more robust SME sector will increase employment, improve wages, and strengthen the sustainability of economic growth, moving Ukraine towards self-reliance.

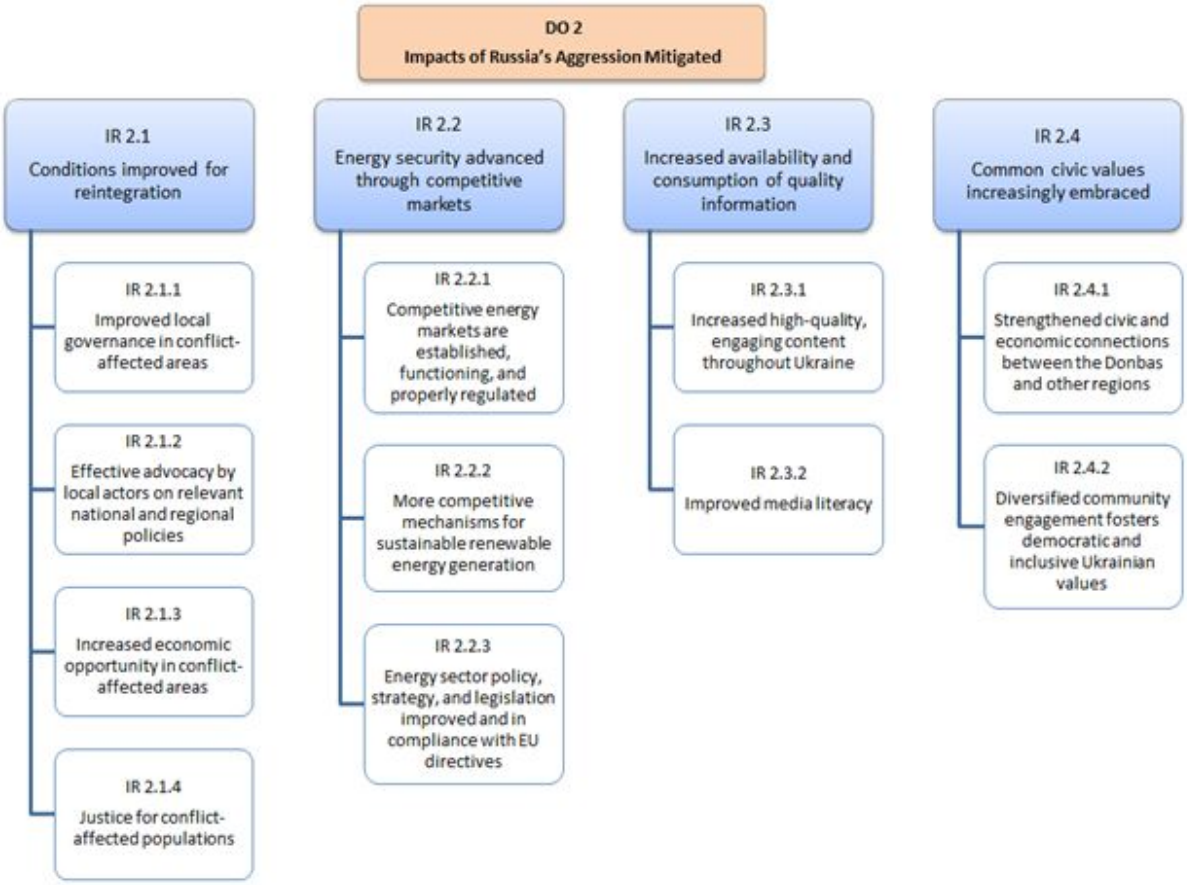
IR 1.3: Strengthened Anti-Corruption Systems and Practices

Ukraine's state institutions are ill-equipped to fight corruption. Public service delivery is opaque and inefficient. It incentivizes the payment of bribes, and the legal system offers few deterrents. GOU capacity to institutionalize anti-corruption efforts is low, and citizen demand compelling the GOU to act, is uneven. USAID will support anti-corruption champions in line ministries and state agencies, local and municipal governments, or oversight bodies, to increase the use of institutional systems to deter corruption and promote transparency, including a dedicated anti-corruption court, oversight of political party financing, e-services, open data, political finance reform, and asset declaration.

USAID will also address citizen-level societal tolerance for corrupt behaviors, and hold GOU institutions to a higher standard through activism and oversight. USAID will employ behavior change and accountability-based approaches, engaging civil society to hold the GOU

accountable to its anti-corruption commitments. It will cultivate a new public consciousness that views corruption as corrosive to society, immoral, and unacceptable. This will include developing the media's role as an engaging, reliable source of information on corrupt practices, and fostering collaboration among citizens, civil society organizations (CSOs), and anti-corruption institutions.

DO 2: Impacts of Russia's Aggression Mitigated



Ukraine's ability to commit to its own self-reliance journey is threatened by Russia's physical aggression in the east and Crimea; cyber-attacks, targeted assassinations, and other active measures; economic, trade, and energy pressures; financial backing for opposition political parties and civic groups; and misinformation campaigns, all designed to stoke mistrust in Ukraine's reform process and European trajectory. There are specific responses that are not only within USAID's manageable interest, but also critical to the sustainability of results achieved under the other three DOs. The overt nature of Russia's aggression represents an opportunity to address social, governance, and economic disparities that have existed since independence and leave Ukraine vulnerable to continuing Kremlin-backed aggression and influence. As long as regional divides, energy dynamics, the information space, and skepticism over Ukraine's reform progress is able to be exploited, Ukraine will never be truly self-reliant.

Timely interventions to unify the country's economy; expand inclusive civic and democratic values; implement key reforms; and promulgate a new relationship between citizens and government in eastern Ukraine and other conflict-affected areas, will help cement the self-reliant, European, democratic trajectory of Ukraine. This will ensure that private sector engagement, financing self-reliance, and other USAID efforts will take root in an environment more resilient to and independent from Russia's malign influence. To advance this DO, USAID will build longer-term development programming tailored to the unique challenges in the east and conflict-affected areas. Under this DO, USAID has identified discrete, targeted areas where the *impacts* (rather than causes) of Russia's aggression can be *mitigated* (rather than entirely removed). The IRs outlined below, while amplified by other USG and donor contributions, are achievable through USAID interventions within the five years of this strategy. The first IR (IR 2.1) is geographically focused in Donetsk and Luhansk and other parts of Ukraine most vulnerable to Russia's aggression. Some interventions, such as media activities under IR 2.3 and energy activities under IR 2.2, are national in scope and impact.

Efforts also address the effect of the conflict on both men and women, and contribute to the priority outcome under USAID's Gender Equality and Female Empowerment Policy, of reducing the prevalence of gender-based violence (GBV). They will incorporate gender-specific issues into policy advocacy, improve access to justice and services for vulnerable groups affected by the conflict; and reduce tolerance for GBV. USAID will support the GOU to implement its commitments towards women, peace, and security in governance, policy formation, and access to justice.

IR 2.1: Conditions Improved for Reintegration

In addition to the physical and economic toll of the conflict, Ukrainians in Donetsk, Luhansk, and neighboring regions perceive themselves as marginalized, rebuked, or seen as Russian sympathizers. These factors have deepened into political disillusionment, weakened economic performance, slowed reforms, and increased poverty. Russia's occupation of the Crimea and aggression in the east have also raised conflict-related human rights issues that could threaten sustainable peace and social cohesion.

Under this IR USAID will work to improve the broader "enabling environment" for Ukraine's eventual reunification through a combination of policy, service delivery, and process-oriented activities. Even if an opportunity to reintegrate the non-government-controlled areas (NGCAs) does not arise within the life of the strategy, achieving this IR helps mitigate the impact of Russia's aggression by bringing eastern Ukraine onto a common economic and governance trajectory with the rest of the country, addressing some of the most polarizing issues around the conflict (including access to justice), and supporting an inclusive policy vision for unification.

USAID efforts will account for the differing and distinct effects of the conflict on women and men. Men make up the majority of combatants, and are also impacted by limitations on their movement, lack of employment opportunities, and loss of social benefits. Women make up the

majority of internally displaced persons (IDPs) and many have become de facto heads of households. Specific groups have emerged as especially vulnerable, including women from the Roma community, elderly women and rural residents, women with disabilities, and LGBTI women. Women are at risk for psychological, economic, physical and sexual violence; sexual violence occurring at checkpoints; and against people in detention. There are indicators that human trafficking and sexual exploitation are taking place in combat-affected areas, and civil society organization (CSO) service providers suggest that the incidence of domestic violence is increasing.

IR 2.2: Energy Security Advanced through Competitive Markets

Decades of dependence on Russia as Ukraine's single, non-reliable energy supplier has left Ukraine vulnerable to political and market manipulation and unable to commit to self-reliant development. According to 2017 publicly available energy supply information, Russia is the primary supply source for Ukraine's coal (55 percent), nuclear fuel (70 percent), waste nuclear fuel (100 percent), and oil products (40 percent). In terms of electricity, Ukraine is completely dependent on Russia for frequency control.

USAID will increase self-reliance in Ukraine's energy security by providing support to establish competitive energy markets; promote the diversification and resilience of Ukraine's energy supply, including from renewable energy sources; and improve the sector's legal environment. USAID will also support EU integration through competitive, market-based, cross-border electricity and gas trades, increased interconnection capacities, and closer energy market coupling with new power exchanges. USAID will support the security—including cyber security—reliability, and resilience of critical infrastructure, including and beyond the energy sector; and will work with the GOU and the private sector to promote renewable energy and efforts to reduce greenhouse gas emissions.

IR 2.3: Increased availability and consumption of quality information

A coordinated campaign of disinformation and propaganda aimed at undermining local and international confidence in Ukraine's reforms and European trajectory, sowing disunity among Ukrainians, and prolonging the conflict on Russia's terms, has been especially effective in eastern and southern Ukraine. Because malign propaganda affects all regions and demographics of Ukraine, activities under this IR will have a national scope, but remain targeted to work with those national, regional, and local media platforms and content providers willing and able to produce and/or broadcast quality content, and reach populations most vulnerable to malign narratives. Special focus will be on tailored media platforms and content that amplifies credible, alternative local voices. Consistent improvement in the balance and relevance of political and social content will begin to rebuild citizen perceptions on trustworthy sources of information, and, over time, contribute to increased confidence in the direction of Ukraine and benefits of reform and European integration.

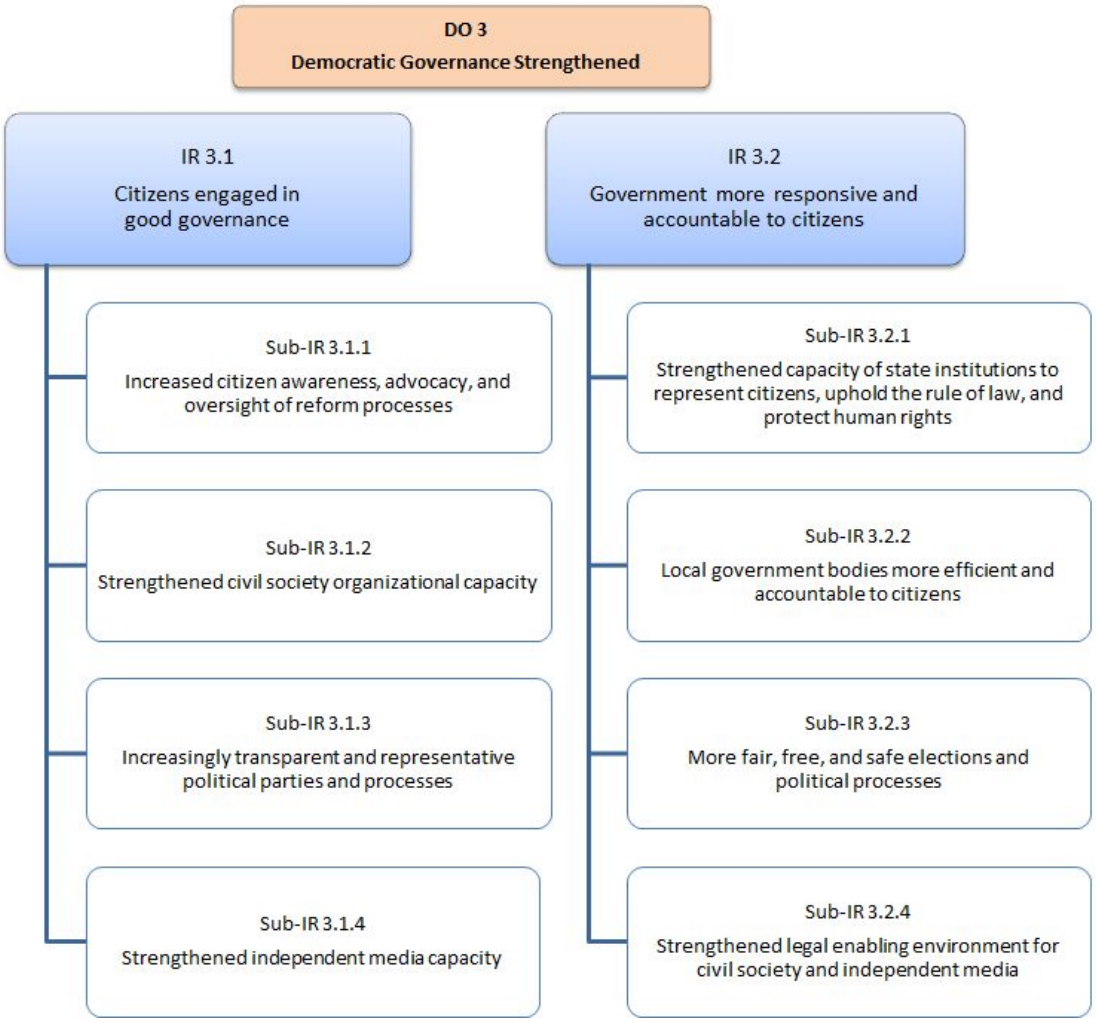
IR 2.4: Common Civic Values Increasingly Embraced

The current conflict in Ukraine has accentuated regional differences, undermining civic values, social stability, and the country's political transition. Large populations continue to sympathize with malign narratives about the ongoing conflict. USAID's Social Cohesion and Reconciliation Index (SCORE) indicates that Ukrainians in the west are increasingly hostile toward the east, and are less accepting of a pluralistic Ukrainian national identity.

Opportunity exists to increase the prospects of reintegration through support to a values-based concept of Ukrainian citizenship. Intra-community tensions, including in communities hosting large numbers of IDPs, are minimal. There is also a large, undecided, politically disengaged segment of the population.

USAID will work to broaden acceptance of a values-based, rather than symbols- or identity-based, concept of Ukrainian identity that is inclusive of all citizens regardless of ethnicity, place of birth, or home language. USAID will bolster and amplify groups, experiences, and narratives that promote these values and connect them with a modern sense of Ukrainian identity; reduce polarization; lessen vulnerability to malign influence; foster a deeper connection to the Ukrainian state and a common Ukrainian civic identity; and enhance support for Ukraine's reforms and European trajectory.

DO 3: Democratic Governance Strengthened



During the Revolution of Dignity, the Ukrainian people called for a more democratic, independent, and Europe-oriented Ukraine. The GOU's ambitious post-Maidan reform agenda reflected its broad mandate to realize key democratic reforms, including decentralization, judicial and electoral reform, establishing a public service broadcaster, and others. The GOU's ability to deliver on these promises is critical to both stability, in the face of persistent pressure from Russia and vested oligarchic interests, and to its ability to attract and responsibly manage resources to address its own development challenges. While Ukrainian society has broadly consolidated around the importance of reform, the upward trajectory is not irreversible. If left unaddressed, demand for reform could be exploited. With presidential and parliamentary elections looming in 2019, focused support for Ukraine's democratic development is essential to prevent authoritarian backsliding. Building fair and inclusive political processes, a civic and media enabling environment, and government accountability mechanisms will increase self-reliance, serve as a bulwark against backsliding and regressive policies, and provide

opportunities for women and vulnerable groups, such as LGBTI individuals and those affected by conflict.

USAID technical assistance will support sustainable reforms to institutionalize the role of civil society in policy-making and oversight processes through legislative and procedural changes. It will build the capacity of civil society and other non-governmental actors to influence GOU policies and hold it accountable for its policies and actions. A dual focus will be on increasing government capacity in key areas, to cement reform, and encouraging government commitment to self-reliance by defining its own development solutions through open, accountable processes.

IR 3.1: Citizens Engaged in Good Governance

Good governance is only possible when high levels of state capacity are coupled with robust citizen participation. Since the Revolution of Dignity, civil society has become a central engine of reform. However, CSOs need to take full advantage of this new momentum to engage citizens outside of Kyiv, beyond a core group of highly developed organizations in the capital. Increasing citizen participation throughout the country is critical for maintaining momentum in Ukraine's European trajectory and leveraging Ukraine's high citizen capacity as a partner in self-reliance.

USAID will increase opportunities for all citizens to participate in political processes, reforms, and civic initiatives to influence decisions that affect their lives and strengthen trust in government. USAID will invest in civic education (especially among youth) and objective sources of information in order to raise awareness of, and strengthen, advocacy around key reforms such as decentralization, electoral reform, human rights, and access to justice. USAID will leverage new media reforms that will be particularly critical during the 2019-2020 elections cycle, during which USAID will also work with independent election monitors and CSOs to ensure voter awareness and turnout. More broadly, USAID will link local CSOs, political parties, and other grassroots civic actors with national-level coalitions that have emerged since 2014. USAID will empower citizens (including women, youth, IDPs, ex-combatants, LGBTI persons, and people-with-disabilities) with the information, networks, and resources needed to provide input to policy and resource allocation, and to hold public office-holders accountable.

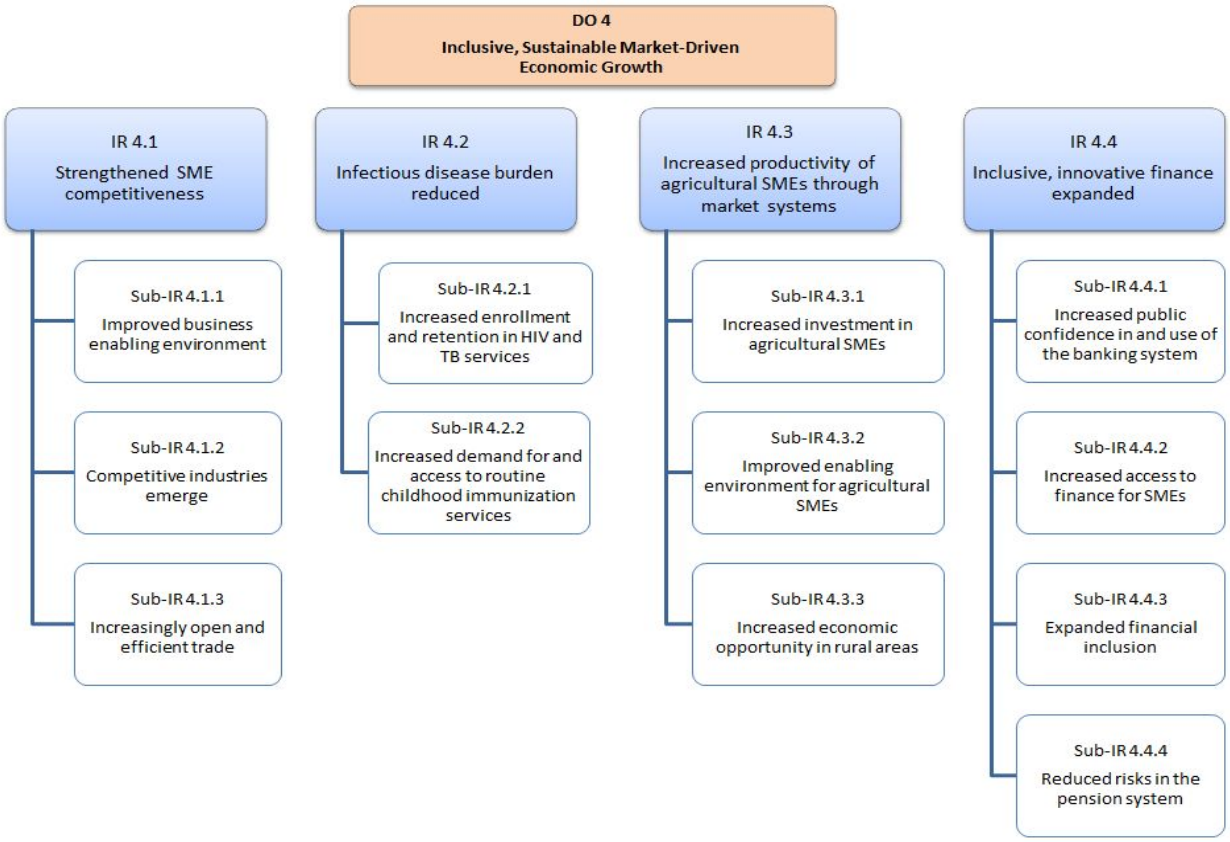
IR 3.2: Government More Responsive and Accountable to Citizens

Good, self-reliant governance that meets citizen expectations and Ukraine's European obligations requires mature democratic institutions, robust checks and balances, and a stable, predictable, legal system grounded in the rule of law. Activities under this IR will build the capacities of key national and sub-national GOU bodies to play their part in Ukraine's sustainable democratic governance and self-reliant development solutions.

USAID will support institutions and processes that are indispensable to Ukraine's democratic transition, specifically judicial reform, decentralization, electoral processes, and the civil society

and media enabling environment. USAID will strengthen the capacity of these institutions at all levels to operate more transparently, effectively, and inclusively in using public resources. To avoid backsliding on democracy requires particular attention to electoral competition; laws and procedures governing civil society, the media, and freedom of assembly; and strong and independent judicial and legislative branches. Ukraine's legal and policy framework on gender equality and non-discrimination is broadly compliant with European standards but has not been implemented to the benefit of citizens. USAID will ensure activities at the national and local levels address structural and social constraints to women's leadership of, influence over, and participation in decision-making processes.

DO 4: Inclusive, Sustainable Market-Driven Economic Growth



Ukraine's economy is fundamentally oriented towards the self-enrichment of a corrupt, kleptocratic political-economic elite, which has profited from non-transparent privatization, lack of competition, and Russia's influence. This must change for Ukraine to become truly self-reliant, able to mobilize domestic resources, spend them wisely, and foster a truly competitive private sector. USAID will leverage IMF and EU conditions for financing and integration to move Ukraine forward, on its self-reliance trajectory. It will help transform the way the economy produces goods and services in order to return to robust growth, address public

health challenges, rebuild citizen confidence in a democratic system, and create a sustainable economy for future generations.

Under this DO, USAID will achieve results in key sectors critical to unlocking growth and bringing Ukraine closer to Europe and self-reliance. As the economy strengthens after the 2014-2015 fiscal crisis, opportunity exists for sustainable, market-driven economic growth that will create increased opportunities for entrepreneurs and SMEs, particularly in the agriculture sector; improve a public health environment that strengthens human capital and capacity; and broaden financial inclusion through new, innovative digital financial services. Under IR 4.1, USAID will help the GOU establish simplified, modern trade policies and customs procedures within the framework of World Trade Organization Trade Facilitation Agreement (TFA) implementation, and encourage business environment reforms that will increasingly enable private investment. Unleashing citizen capacity by improving health through infectious disease control and the introduction of market forces, informed choice, and competition in healthcare have the potential to accelerate economic growth. Support to new and emerging industries, in particular agricultural SMEs under IR 4.3, will also develop new targets of opportunity for the private sector. In order to expand innovative finance under IR 4.4, USAID will mobilize a reformed pension system towards sustainability and investment, and develop microfinance, leasing, mortgage, housing, and other non-bank financial institutions (NBFIs) to extend finance to underserved segments of the population.

Women experience a number of constraints in accessing entrepreneurship opportunities, and face a gender wage gap considerably larger than the average for EU member countries. Because women's engagement as both business owners and managers is greatest in SMEs, a focus on this will inherently foster a more inclusive economy, particularly for historically excluded populations that can contribute to Ukraine's economic growth and self-reliance. USAID will also take a leadership and convening role with prospective private sector partners to address larger development challenges and build consensus on areas in which cooperative efforts are possible.

IR 4.1: Strengthened SME Competitiveness

Ukraine's economy is dominated by a small number of large state- and privately owned companies that survive on unfair privileges, corrupt practices, subsidies, and monopoly power. Real opportunity exists to transition to a more broad-based economy in which productivity grows across sectors and firms of all sizes. Improving the competitiveness of Ukrainian enterprises will require a coordinated effort to improve the business environment (which currently lacks enforceable contracts, poorly protects intellectual property, and constrains access to start-up and working capital); help reorient trade to non-traditional partners; promote foreign investment; improve business operations and strategy; strengthen key value chains; and improve healthcare quality through free choice and competition. Implementing Ukraine's new health care financing reforms, for example, would increase competition and private investment in the health sector, strengthening its self-reliance.

Female entrepreneurs often cite lack of demand, lack of capital and barriers to access to credit as frequent problems. Activities will address this by advocating to remove discriminatory laws, mainstreaming gender in the private sector, and expanding financial literacy and economic empowerment to women experiencing intersectional vulnerabilities, such as IDP women, Roma women, survivors of GBV, women living with HIV, women who inject drugs, and women at risk for trafficking and/or sexual exploitation.

IR 4.2: Infectious Disease Burden Reduced

Improved health is the key element of citizen capacity for self-reliance, It is a prerequisite for workforce productivity and developed and capable human capital, which support economic growth. A strengthened public health system and a reduced risk of public health threats are essential for Ukraine's further integration with Europe. To advance this DO, USAID will support the GOU, health care providers, the private sector, and civil society to strengthen Ukraine's response to public health challenges and accelerate infectious disease control.

Despite its relatively high child health score, Ukraine faces serious threats, including vaccine-preventable diseases that limit the potential of its citizens, economy, and European aspirations. There are approximately 223,000 people living with HIV (PLHIV) in Ukraine, representing 0.9 percent of the 15 to 49-year-old population and one of the most severe HIV/AIDS epidemics in Europe. Data suggest that half of infected individuals are unaware of their status. In parallel, hepatitis C prevalence is driven by injecting drug use and lack of affordable treatment. Ukraine has one of the top five MDR-TB burdens in the world. Its faltering immunization program has led to some of the lowest immunization coverage rates in the world. Lack of accurate information about vaccines, and misinformation propagated by mainstream and social media, has resulted in parents refusing vaccines and creating an immunization gap that makes the country and region vulnerable to disease outbreaks. This erosion of trust in the government and the health authorities, widespread reliance on informal payments, and the unfavorable legal environment have led to catastrophically low levels of immunization. Failed or incomplete routine vaccination of children will lead to outbreaks of vaccine-preventable diseases in future, jeopardizing Ukraine's European integration prospects.

USAID will focus on increasing and sustaining efficient detection, enrollment, and retention in HIV and TB care; accelerating public health reforms; and increasing demand for and access to routine childhood immunizations. USAID will provide assistance to design and implement public health reforms and targeted service delivery. USAID will also build the capacity of civil society and national and local government representatives to plan, manage, and sustain public health services to increase the sector's self-reliance. In terms of health care reform, USAID will engage private sector actors in sustainable, market-based solutions to infectious disease challenges. These interventions will focus on the disparate impact of disease on different genders, including how social stigma and household burdens can affect access to care.

Ukrainian commitment to financing infectious disease work is relatively strong: the GOU takes over treatment of every HIV/AIDS patient that USAID starts on treatment, and the country is on track to achieving its PEPFAR 90-90-90 targets by 2020. Under this IR, USAID will focus on maintaining a partnership and self-reliance-oriented relationship with the GOU.

IR 4.3: Increased Productivity of Agricultural SMEs through Market Systems

Agriculture is central to Ukraine's economy and has the potential to play an even larger role if policy reforms and institutional changes are made. Seventeen percent of Ukraine's labor force is employed in agriculture, and 31 percent of its population—14 million men and women—live in rural areas and depend to some degree on agricultural production. The sector offers a unique opportunity to become an engine of economic growth and extend economic inclusion to rural communities, considerably strengthening economic self-reliance. However, the country will need to spur the growth of SMEs, improve the sector's enabling environment, strengthen value chains, and leverage resources through new partnerships.

The agricultural sector is currently dominated by large agro-holding farms, which stifle the development of agricultural SMEs and contribute to rural economic stagnation. The loss of Ukraine's traditional export markets in Russia heightened the need for an updated policy framework with more stringent standards to give Ukrainian farmers the opportunity to develop stronger linkages with EU and other international markets.

IR 4.4: Inclusive, Innovative Finance Expanded

The 2014 economic crisis and National Bank of Ukraine efforts to clean up the banking sector resulted in half the country's banks closing. Usually, NBFIs such as leasing, factoring, and credit unions would step in to fill the gap, but local NBFIs have limited capital and cannot sufficiently meet the needs of their SME clients.

The financial situation of ordinary women and men remains precarious, too, due to low financial inclusion, a low financial base, and an ailing pension system. Most Ukrainians opt to keep their money out of the formal system; close to half of the population is unbanked and has limited access to financial services. USAID will continue to focus activities on women, including groups newly made vulnerable by the conflict and economic crisis. Additionally, seventy percent of Ukrainian pensioners live in poverty, and benefits are the lowest in Europe. Yet Ukraine has some of the highest pension spending in the world, at 25 percent of the state budget. Employers avoid paying contributions leading to low revenues despite these high expenses. This has placed the pension system under considerable duress, contributing to a deficit that has reached 11 percent of GDP (the second-largest such deficit in the EU).

Under this IR, USAID will help create financial market preconditions for self-reliance by increasing public confidence in the system, expanding access to inclusive finance for individuals and businesses, increasing public confidence in the banking system, and contributing to pension system reform. Together, these activities will result in a larger pool of domestic resources for Ukraine to mobilize to finance its own development challenges.

Attachments:

1. Journey to Self-Reliance Country Road Map
2. How to Read a Country Roadmap

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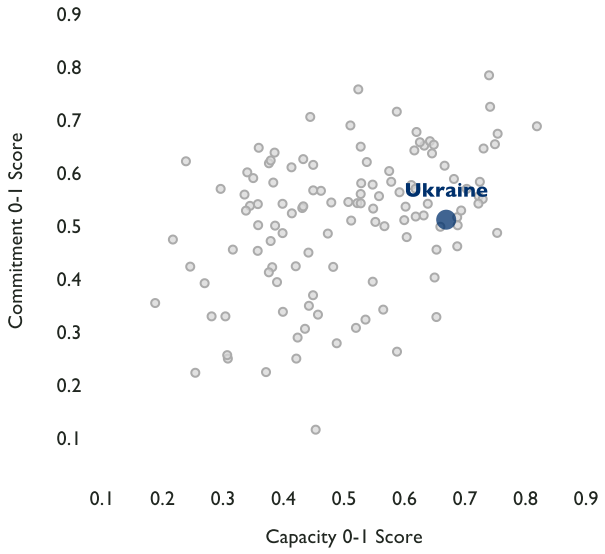
UKRAINE

JOURNEY TO SELF-RELIANCE: FY 2019 COUNTRY ROADMAP

LEGEND

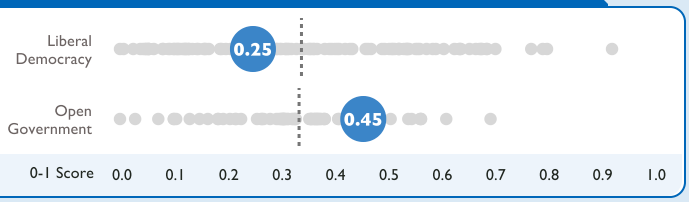
- 0-1 score — Ukraine's Score *0–1, least to most advanced globally*
- Other Low- and Middle- Income Countries' Scores
- Average Score for Low- and Middle-Income Countries

LOW- & MIDDLE-INCOME COUNTRY SNAPSHOT

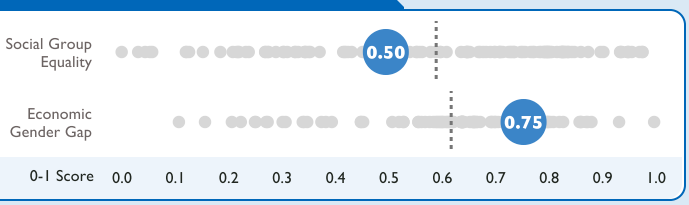


COMMITMENT

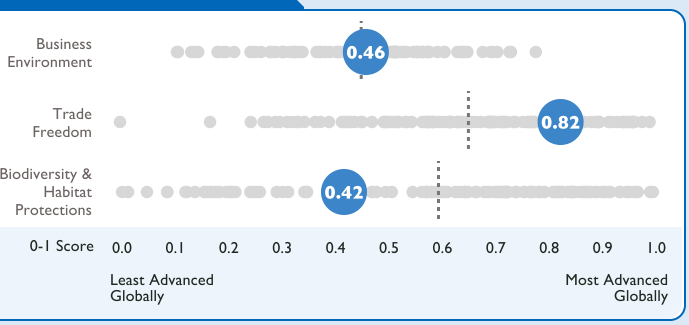
OPEN AND ACCOUNTABLE GOVERNANCE



INCLUSIVE DEVELOPMENT

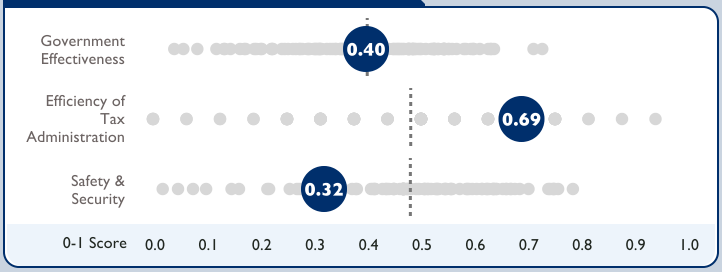


ECONOMIC POLICY

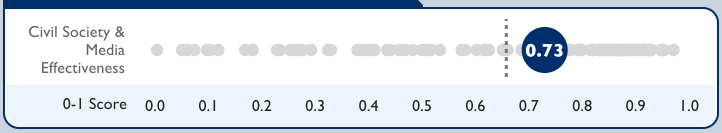


CAPACITY

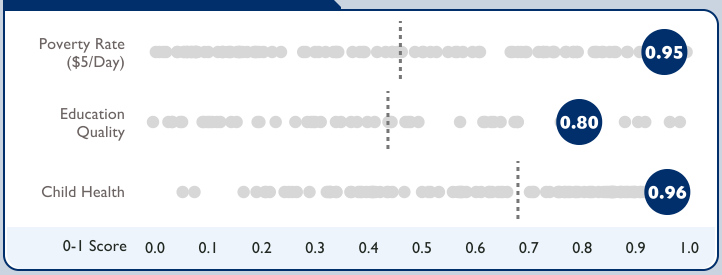
GOVERNMENT CAPACITY



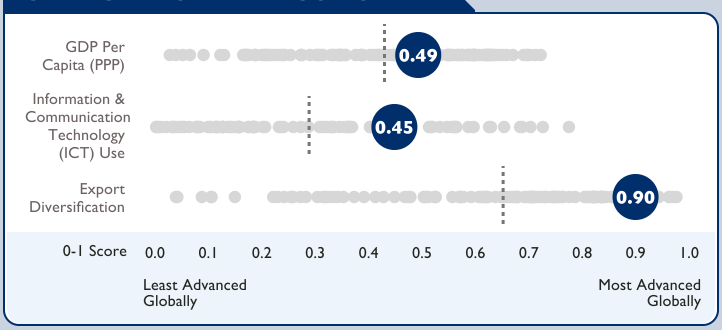
CIVIL SOCIETY CAPACITY



CITIZEN CAPACITY



CAPACITY OF THE ECONOMY



All source data is for the latest year available, typically 2017 or 2016, and is derived from third-party institutions. All indicators are weighted equally in the calculation of the overall Commitment and Capacity scores. Names and boundary representation in the map are not necessarily authoritative.

For more information on definitions and sources, please visit selfreliance.usaid.gov.

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SELF-RELIANCE ROADMAPS

INDICATOR DEFINITIONS AND SOURCES

COMMITMENT

OPEN AND ACCOUNTABLE GOVERNANCE

Liberal Democracy: Measures freedom of expression, freedom of association, suffrage, elections, rule of law, judicial constraints on the executive branch, and legislative constraints on the executive branch. Source: Varieties of Democracy (V-Dem).

Open Government: Measures the degree to which a government shares information, empowers people with tools to hold the government accountable, and fosters citizen participation in public policy deliberations. Sub-factors include: publicized laws and government data, right to information, civic participation, and complaint mechanisms. Source: World Justice Project, Rule of Law Index.

INCLUSIVE DEVELOPMENT

Social Group Equality: Measures political equality across social groups as defined by ethnicity, religion, caste, race, language, and region. Source: Varieties of Democracy (V-Dem), Social Group Equality in Respect to Civil Liberties.

Economic Gender Gap: Index comprising five components: (1) wage equality between women and men for similar work; (2) the ratio of female estimated earned income to male income; (3) the ratio of female labor force participation to male participation; (4) the ratio of female legislators, senior officials, and managers to male counterparts; and (5) the ratio of female professional and technical workers to male counterparts. Source: World Economic Forum, Global Gender Gap Report, Economic Participation and Opportunity Sub-Index.

ECONOMIC POLICY

Business Environment: Assesses a country's entrepreneurial climate by measuring business' access to infrastructure (such as the internet and transport, and to credit), business flexibility (the costs of starting business and of hiring and firing), clear and fair regulations (e.g., intellectual property rights), and perceptions of meritocracy and opportunity. Source: Legatum Institute, Prosperity Index.

Trade Freedom: Measures a country's openness to international trade based on average tariff rates and non-tariff barriers to trade. Source: Heritage Foundation, Index of Economic Freedom.

Biodiversity & Habitat Protections: Measures extent of marine protected areas, terrestrial biome protection (weighted for both national and global scarcity), representativeness of protected areas, and whether protected areas cover the ranges and habitats of critical species. Source: Yale University/Columbia University Center for International Earth Science Information Network (CIESIN).

CAPACITY

GOVERNMENT CAPACITY

Government Effectiveness: Measures the quality of public services, the quality of the civil service and its independence from political pressure, the quality of policy formulation and implementation, and the credibility of the government's commitment to its stated policies. Source: World Bank, Worldwide Governance Indicators.

Efficiency of Tax Administration: Measures the efficiency of tax collection in relation to corporate taxes, household income taxes, national geographic consistency and reach, and the government's ability to limit tax evasion. Source: Institutional Profiles Database.

Safety & Security: A combination of objective measures of security, and subjective measures of personal safety, personal freedom, and social tolerance. Source: Legatum Institute, Prosperity Index.

CIVIL SOCIETY CAPACITY

Civil Society & Media Effectiveness: Measures the range of actions and mechanisms that citizens, civil society organizations, and an independent media can use to hold a government accountable. The mechanisms include using informal tools such as social mobilization and investigative journalism. Source: Varieties of Democracy (V-Dem), Diagonal Accountability Index.

CITIZEN CAPACITY

Poverty Rate ($5/Day): Measures the percent of the population living under $5/day in purchasing power parity (PPP) terms. Source: World Bank, PovCalNet.

Education Quality: Measures the percentage of students attaining a minimum proficiency in reading toward the end of primary school, providing a comparative evaluation of the relative performance of educational systems across countries. Source: World Bank.

Child Health: A composite measure that aggregates under-5 child mortality, access to improved water sources, and access to improved sanitation facilities. Source: Columbia University Center for International Earth Science Information Network (CIESIN).

CAPACITY OF THE ECONOMY

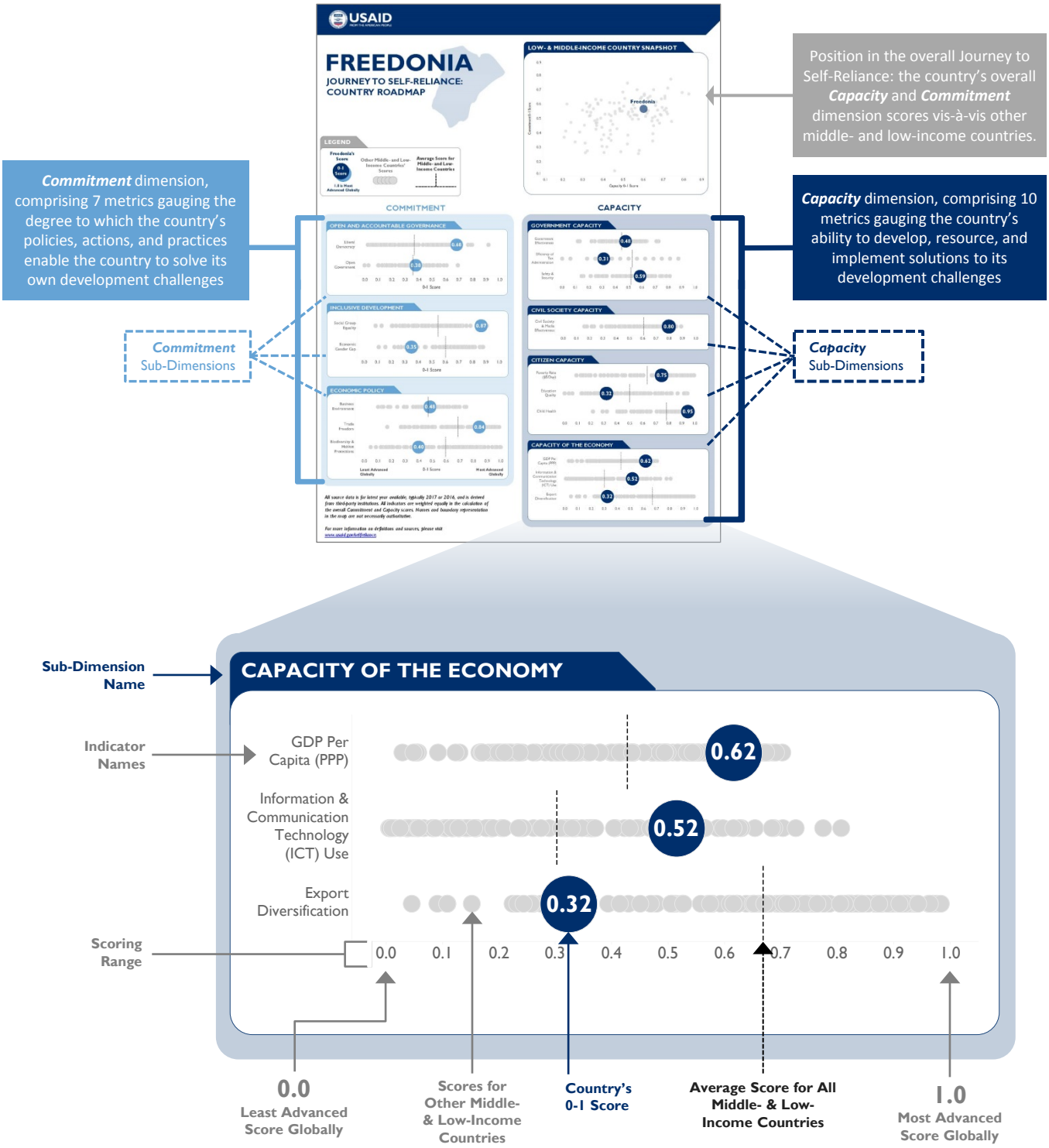
GDP Per Capita (PPP): Measures the flow of resources available to households, firms, and government to finance development as the country's total Gross Domestic Product (PPP) divided by the country's population. Source: World Bank, World Development Indicators.

Information & Communication Technology (ICT) Use: Index comprising: (1) internet users as percent of population; (2) fixed-broadband internet subscriptions per 100 population; (3) internet bandwidth kb/s/user; (4) mobile broadband subscriptions per 100 population; (5) mobile telephone subscriptions per 100 population; and (6) fixed telephone lines per 100 population. Source: World Economic Forum (WEF), Global Competitiveness Index.

Export Diversification: Measures the diversification of a country's export products, one marker that can help gauge economic sophistication and resilience. Source: UNCTAD, Export Concentration Index.

How to Read a Country Roadmap

Country Roadmaps capture two high-level elements: (1) where the country is in its overall "Journey to Self-Reliance"—a concept measured as the country's "***Commitment***" and "***Capacity***" to solve its own development challenges, and (2) the country's relative strengths and weaknesses across 17 high-level aspects of ***"Commitment"*** and ***"Capacity"***.



For more information on scores, definitions, sources, and methodology, please visit www.usaid.gov/selfreliance.

Extended through: January 9, 2024