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Ukraine Reform Tracker: Governance Reforms

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About the report

Maintaining momentum in Ukraine's ambitious reform programme will be essential to the nation's recovery after the war. With the aim of stimulating and supporting discussion on this matter at the 2022 Ukraine Recovery Conference (URC), Economist Impact presents the *Ukraine Reform Tracker*.

The *Ukraine Reform Tracker* analyses the state of reforms across four key areas: **economic reforms, environmental and energy reforms, social reforms and governance reforms** (mirroring the key themes of the 2022 URC). Economist Impact has produced a policy brief for each reform area, with an assessment of: 1) reform progress since 2014; 2) the resilience of reforms in 2022, in particular given the stresses of the ongoing war with Russia; and 3) the outlook for reform, with a focus on the role that reforms will play in facilitating Ukraine's recovery. These policy briefs are accompanied by an interactive data story that visualises the key trends in Ukraine's reform progress since 2014.

Importantly, the *Ukraine Reform Tracker* does not attempt to provide a wholly comprehensive account of every reform that has been implemented in Ukraine since 2014. Instead, the tracker focuses on the most salient components of Ukraine's reform programme, which will best support an understanding of the contribution of reform to Ukraine's past, present and future development.

Progress since 2014

Governance reforms are essential to strengthening the capacity, stability and democratic legitimacy of the Ukrainian state. To this end, the Ukrainian government has implemented a wide-ranging programme of reforms since 2014. This is particularly evident in digital transformation, through which the government has set out to improve the provision of digital public services and enhance cybersecurity. An ambitious decentralisation project also strengthened the powers of local authorities, with the establishment of a new administrative-territorial structure that served as the basis for all other sectoral reforms (including in education, healthcare and public finances). Crucially, Ukrainian policymakers also focused on anti-corruption and the rule of law, including through initiatives to establish new anti-corruption institutions, reform the judiciary and improve access to civil justice.



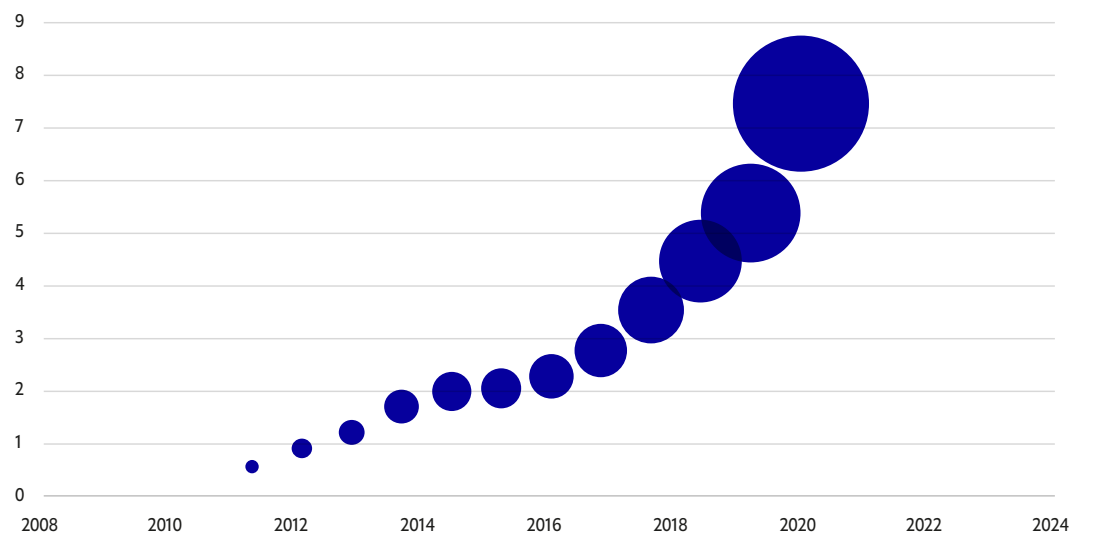
Digital Transformation

Ukraine’s impressive progress in digital transformation was spearheaded by the Ministry of Digital Transformation, established in August 2019. Perhaps most notable amongst the Ministry’s reforms is the standardisation and unification of eServices within a single efficient, user-facing digital ecosystem called Diia (State and Me). The Diia platform, which aims to bring all public services online by 2024,¹ already allows Ukrainians to register births, demonstrate their covid-19 vaccination status, apply for business permits and manage their taxes. By some measures, Ukraine outpaced the rest of the world in digital transformation—in April 2021, it became the first country where digital passports are considered legally equivalent to physical IDs. These successes are reflected in Ukraine’s consistent improvement in the provision of digital public services, as measured by the United Nations’ E-Government Development

Index. Ukraine’s score on the index jumped by almost 0.1—a substantial amount—between 2018 and 2020,² reflecting the launch of the Diia app and web portal by the Ministry of Digital Transformation. Ukraine’s rating on the United Nations E-Participation Index further reflects this ambitious programme of reform, almost doubling between 2014 and 2020.³

To ensure that all Ukrainian citizens are able to make the most of the nation’s digital transformation, the government prioritised measures to improve access to the internet, particularly in rural areas. In July 2020, the Ministry of Digital Transformation announced a four-year programme to increase high-speed internet availability to cover 95% of Ukraine’s population.⁴ To this end, in partnership with internet service providers, the Ministry ran an ‘internet subvention’ programme to connect rural communities and social institutions (such as schools) to high-speed internet,⁵ The government also sought to improve

Ukraine’s ICT Services Exports (current US\$, billion)



¹ <https://ukraineworld.org/articles/belarus/e-state-ukraine-and-digitalisation-reform>
² United Nations E-Government Development Index.
³ United Nations E-Participation Index.
⁴ <https://thedigital.gov.ua/ministry>
⁵ <https://www.ukrgate.com/eng/?p=20131>

the population's digital literacy through digital education programmes. In 2019, a national digital education platform was created (Diia.Digital Education), hosting more than 75 different courses in an innovative learning format (edutainment), digital literacy tests and other teaching materials. As of November 25th 2021, more than 1 million people were using the platform.⁶ This initiative was also a significant success: in 2021, the share of Ukrainians with no digital skills shrank from 15.1% to 11.2%, while the share of those possessing basic and above digital skills reached 52.2% (5.2 percentage points higher than in 2019).⁷

Ukraine also made significant efforts to grow the size and competitiveness of its digital economy. Ukraine's ambitions in this regard were set out in a new legislative and regulatory framework, established through the laws "On Stimulating the Development of the Digital Economy in Ukraine",⁸ and "On amending the Tax Code of Ukraine to stimulate the development of the digital economy in Ukraine".⁹ Ukraine also adopted a Law on Virtual Assets¹⁰ to bring the virtual asset market out of the shadows and take steps to legally regulate the adoption of blockchain technology in public administration. Diia.City, launched in 2021, created a unique tax and legal space for IT companies in Ukraine, with benefits including low tax rates, flexible employment conditions for IT specialists, guarantees on IP rights protection and tools that facilitate access to investments. The

success of these measures is demonstrated by the extremely rapid growth in the value of Ukraine's ICT services exports, which more than tripled between 2014 and 2021.¹¹ It is also reflected in the increase in employment in the sector. In 2021, the estimated number of ICT specialists in Ukraine was around 220,000, twice the level five years previously.^{12, 13}

Access to open data (information that the general public can access, use and share) is key to increasing government transparency and accountability. It can also support the growth of innovative IT firms. EasyWay, for example, is a Ukrainian business that supplies information on public transport routes in Ukrainian cities, using open public data.¹⁴ The Ukrainian government introduced a number of initiatives to make the most of open data's potential, including the launch of an open data portal in 2014 (estimated to receive between 110,000 and 115,000 unique monthly visitors) and the implementation of a certified training programme to educate civil servants about open data (which over 16,000 officials have completed).¹⁵ Ukraine's efforts to increase the accessibility and effective use of open data are reflected in a substantial improvement in its ranking on the European Commission's Open Data Maturity Index, having leapt from 17th place to 6th between 2020 and 2021.¹⁶ This places Ukraine in the index's 'trend-setter' cluster, meaning that it *has an advanced*

⁶ <https://osvita.diia.gov.ua/en/news/1-000-000-ukrainciv-navcaetsa-na-diacifrova-osvita>

⁷ Digital Literacy of the Population of Ukraine. Report on the Results of the National Survey, 2021. https://osvita.diia.gov.ua/uploads/0/2623-research_eng_2021.pdf

⁸ <https://www.rada.gov.ua/en/news/News/212632.html#:~:text=Adopted%20the%20Law%20of%20Ukraine%20No.%204303%20%E2%80%9COn,services%20in%20Ukraine%27s%20total%20GDP%20to%2010%20percent.>

⁹ <https://tax.gov.ua/en/mass-media/news/546168.html>

¹⁰ <https://www.pwc.com/ua/en/publications/tax-and-legal-alert/2022/virtual-assets-market-in-Ukraine.html>

¹¹ World Bank Data Bank. <https://data.worldbank.org/indicator/BX.GSR.CCIS.CD?locations=UA>

¹² <https://www.ukrinform.net/rubric-economy/3211616-ukraine-planning-to-increase-number-of-it-specialists-to-half-a-million-by-2024.html>

¹³ <https://clockwise.software/blog/outsource-software-development-to-ukraine/>

¹⁴ <https://www.eway.in.ua/en/cities/kyiv>

¹⁵ https://data.europa.eu/sites/default/files/landscaping_insight_report_n7_2021.pdf

¹⁶ Ibid.

open data policy in place with a strong coordination of open data activities throughout all levels of government’.

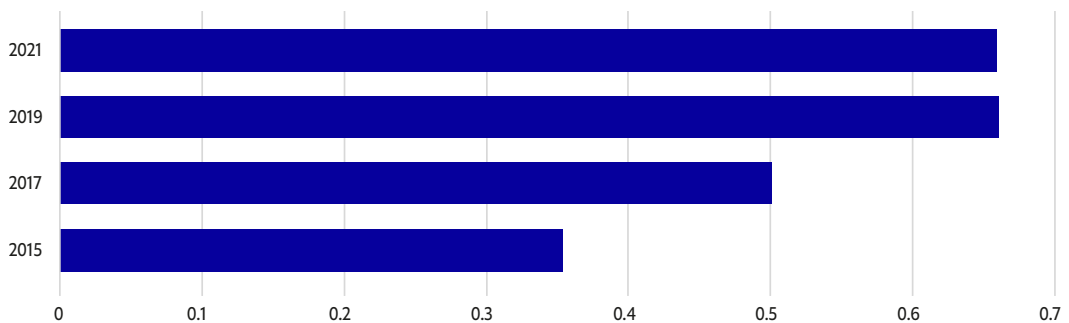
Given the ambitiousness of Ukraine’s digital transformation programme, it is important that corresponding improvements are made in terms of cybersecurity. To this end, Ukraine established a National Coordination Centre for Cybersecurity in 2016, tasked with developing and implementing state policy on cybersecurity. To enhance the nation’s capacity to counter cyberthreats, Ukraine collaborated with international partners, including the NATO Cyber Defence Trust Fund. This collaboration included cyber defence exercises with NATO partners to prepare for the event of a major cyber attack on national defence infrastructure.¹⁷ Ukraine’s progress in this field is shown in the International Telecommunication Union’s Global Cybersecurity Index, which recorded steady improvement in Ukraine’s cybersecurity between 2015 and 2019.¹⁸ However, Ukraine’s score on the index decreased between 2019 and 2021. This deterioration

reflects the major leaks of citizens’ data from state entities that occurred in 2020, as well as vulnerabilities that were highlighted in Ukrainian cyber defence systems during escalating Russian cyber-attacks,¹⁹ 397,000 of which were recorded in 2020 alone.²⁰

Decentralisation and Public Administration

Ukraine’s decentralisation programme has been a top priority for successive administrations since 2014, comprising a package of reforms to transfer power and resources to local authorities. A core component of this has been the establishment of amalgamated hromadas, formed through the voluntary merger of the pre-existing smaller communities. These new administrative units were given increased powers, resources, and responsibilities than their predecessors, with the intention of strengthening local self-government and improving the provision of public services. This programme has been a clear success:

International Telecommunication Union: Global Cybersecurity Index (0 to 1, 1 = good)



¹⁷ <https://thegfce.org/cybersecurity-in-ukraine-national-strategy-and-international-cooperation/>

¹⁸ International Telecommunications Union: Global Cybersecurity Index. <https://www.itu.int/en/ITU-D/Cybersecurity/Pages/global-cybersecurity-index.aspx>

¹⁹ <https://iwpr.net/global-voices/cyberattacks-undermine-ukraines-security>

²⁰ <https://www.theguardian.com/world/2022/jan/14/ukraine-massive-cyber-attack-government-websites-suspected-russian-hackers>

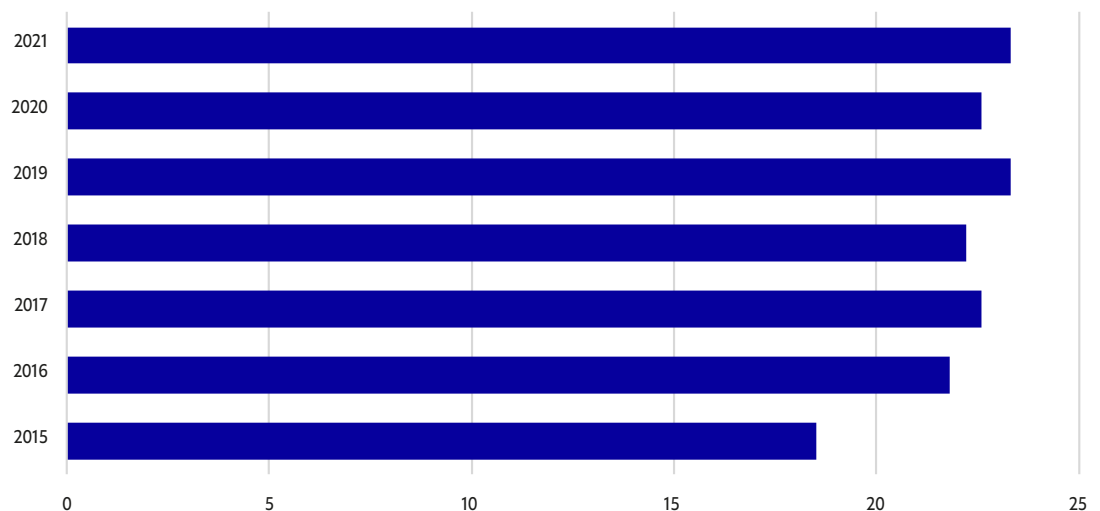
the number of people living in amalgamated hromadas grew from 1.4 million in 2015 to 11.3 million in 2019,²¹ representing significant growth in the number of communities willing to take part in the decentralisation process. In 2020, the administrative reform was fully realised and nationwide local elections were conducted in all hromadas, except those located in the temporarily-occupied territories in Donetsk and Luhansk oblasts, and Crimea.

Another key part of Ukraine’s decentralisation reform has been fiscal decentralisation, whereby local budgets were assigned part of state taxes with the aim of incentivising budget equalisation, expanding the base of local budget revenues, improving budget policy and strengthening the budgetary autonomy of local self-governments. These changes in funding were also designed to account for the transfer of competencies to local

governments, which included competencies in healthcare, education and the emergency services. The success of this fiscal decentralisation reform is demonstrated in the degree of funding that has transferred to local budgets. From 2015 to 2019 the share of local budget revenues in the consolidated budget of Ukraine grew steadily, before plateauing at around 23.3%.²² In turn, this resulted in growing levels of public confidence in, and satisfaction with, the performance of local authorities, as evidenced by the results of the 2021 edition of the International Republican Institute’s annual municipal survey of Ukraine.²³

Regarding Ukraine’s public administration, the state implemented an extensive programme of civil service reforms since 2014. A new, pro-European civil service law came into force in May 2016,²⁴ and was followed by a number of measures designed to increase the efficiency and effectiveness

Share of local budget revenues (excluding inter-budget transfers) in the consolidated budget of Ukraine %



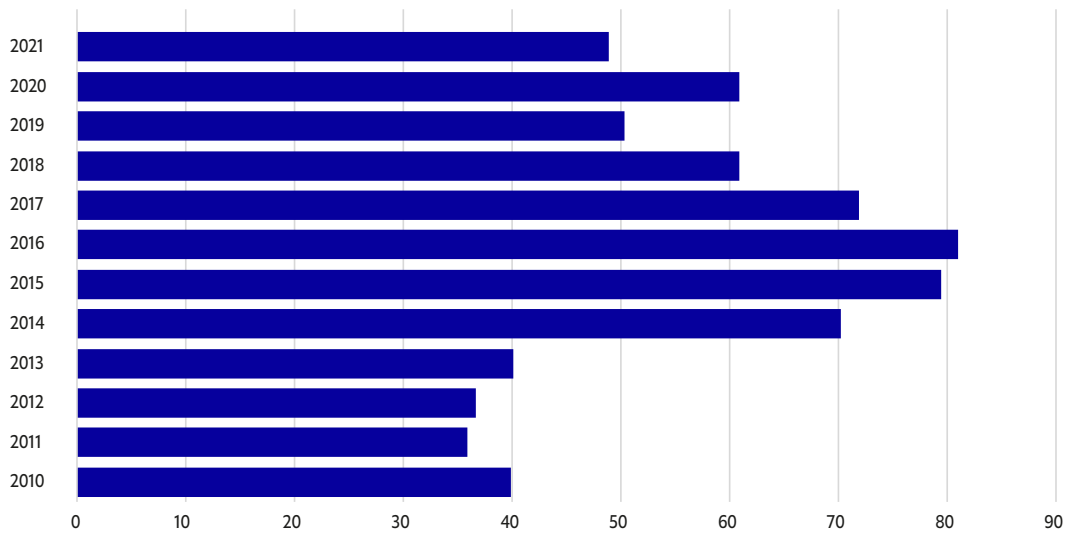
²¹ Ministry of Communities and Territories Development of Ukraine. <https://decentralization.gov.ua/uploads/library/file/506/10.12.2019.pdf>

²² Ministry of Communities and Territories Development of Ukraine. <https://decentralization.gov.ua/uploads/library/file/800/10.01.2022.pdf>

²³ <https://www.iri.org/resources/annual-municipal-survey-of-ukraine-reveals-satisfaction-with-local-governments/>

²⁴ <https://www.globalgovernmentforum.com/ukraine-launches-civil-service-reform-programme/>

Ukraine Ministry of Finance: Public debt (% of GDP)



of the civil service. To remedy government officials’ concerns about structural instability and unfairness in the management of the civil service, reforms were enacted to protect civil servants from unfair dismissal, as well as safeguard their political impartiality.²⁵ A single portal for recruitment (career.gov.ua) was set up to ensure competitive, merit-based recruitment for all civil service positions. Furthermore, to incentivise a higher quality of performance amongst civil servants, government salaries were increased to improve their competitiveness compared to the private sector.²⁶ However, significant problems remain, including a lack of common rules or criteria for public policy implementation, and an obscure salary structure that leads to unjustified imbalances in remuneration between civil servants.²⁷ Ukraine’s ‘Strategy for Public Administration Reform until 2025’²⁸ seeks to

complete the reform of the civil service by remedying these issues, including through further reform of civil servant remuneration.

One of the key challenges Ukraine’s government faced post-2014 was the management of its finances, particularly its public debt. In response, the government made improvements to the management of public finances, including a 2015 debt restructuring, the introduction of 3-year budget planning and the adoption of a more prudent fiscal policy under the guidance of the International Monetary Fund (IMF). These measures have been a tangible success, as reflected in Ukraine’s public debt as a percentage of GDP. Having risen steadily from 2014 to 2016 (from 70.2 to 81.0%), it was brought back under control, standing at 48.9% of GDP in 2021.²⁹

²⁵ <https://neweasterneurope.eu/2018/05/17/reforming-civil-service-ukraine-salaries-core-issue/>

²⁶ Ibid.

²⁷ https://www.kmu.gov.ua/storage/app/sites/1/reform%20office/01_strategy_eng.pdf

²⁸ <https://www.kmu.gov.ua/en/news/uryad-zatverdiv-strategiyu-reformuvannya-derzhavnogo-upravlinnya-ukrayini-do-2025-roku?=print>

²⁹ Ministry of Finance of Ukraine: Public Debt (% GDP). <https://index.minfin.com.ua/finance/debtgov/>

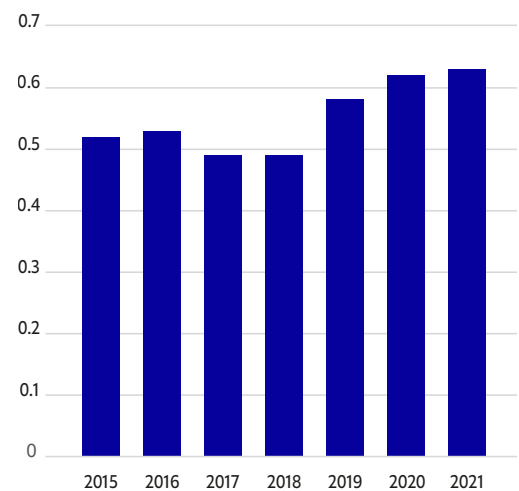
Rule of Law and Anti-Corruption

As one of the most significant challenges impeding Ukraine’s development, corruption has been a major issue of concern for successive Ukrainian governments. The anti-corruption agenda has been promoted through a number of newly established institutions, including the National Agency for Prevention of Corruption, responsible for corruption prevention, and the National Anti-Corruption Bureau (NABU) which is responsible for pre-trial investigations of corruption. The Specialised Anti-Corruption Prosecutor’s Office (SAPO) was established to uphold public prosecution in criminal proceedings investigated by the NABU, while the Higher Anti-Corruption Court was set up in 2019 as a permanent, specialist court dealing with high-level corruption offences investigated by the NABU. Finally, the Asset Recovery and Management Agency was created to trace and locate assets that have been illegally withdrawn from Ukraine, as a result of corruption or other crimes.

The establishment of Ukraine’s anti-corruption infrastructure was reflected in international assessments of anti-corruption efforts. For instance, Transparency International’s Corruption Perception Index records mostly consistent improvements in perceptions of corruption from 2014 to 2021.³⁰ However, Ukraine’s gains have been relatively small, and the country continues to lag behind neighbours, including Belarus, Moldova and Romania. This may be a result of consistent attempts to weaken the independence and capacity of anti-corruption institutions. For example, the SAPO has been left without a head since August 2020, thus eroding the effectiveness of criminal investigations into corruption.³¹

Another key component of Ukraine’s reform programme has been reform of the judiciary. Progress in this area has been mixed. While the launch of judicial reforms by the Verkhovna Rada (parliament) in 2016 (including the adoption of the Law «On the Judiciary and the Status of Judges»)³² was a welcome development, the implementation of these reforms has been lacking. In particular, persistent deficiencies in the bodies tasked with governing and reforming the judiciary, including the High Qualification Commission of Judges (HQC) and the High Council of Justice (HCJ), have slowed progress.³³ This is reflected in international assessments, such as Freedom House’s ‘Nations in Transit’ report, in which Ukraine has stagnated with respect to assessments of reforms of the judicial framework.³⁴ However, the adoption of two presidential bills in 2021, which provide for reform of the HQC and HCJ with the involvement

World Justice Project, Rule of Law Index (0 to 1, 1 = good)



³⁰ Transparency International: Corruptions Perceptions Index. <https://www.transparency.org/en/cpi/2021>

³¹ <https://ti-ukraine.org/en/blogs/long-awaited-head-of-sapo/>

³² <http://judges.org.ua/eng/article/law.htm>

³³ <https://voxukraine.org/en/the-reform-index-166-judicial-reform-and-the-digital-economy/>

³⁴ Freedom House: Nations In Transit. <https://freedomhouse.org/country/ukraine/nations-transit/2022>

of independent, international experts, bodes well for progress after the war, once the reform programme is resumed.³⁵

Most encouragingly, Ukraine saw significant improvements in the accessibility and affordability of civil justice. The Ministry of Justice's establishment of a 'Supervisory Board of the Coordination Centre for Legal Aid Provision'

in August 2019 was largely successful.³⁶ This board is tasked with ensuring the effective provision of free legal aid in Ukraine, which is a cornerstone of an accessible and affordable civil justice system. Achievements in this area were reflected in Ukraine's consistent year-on-year improvements in the accessibility and affordability metric of the World Justice Project's Rule of Law Index.³⁷



³⁵ <https://www.ukrinform.net/rubric-politics/3360795-ukraine-set-to-complete-judicial-reform-zelensky.html>

³⁶ http://qala.org.ua/wp-content/uploads/2019/09/BAR-Eng_FINAL.pdf

³⁷ World Justice Project: Rule of Law Index. <https://worldjusticeproject.org/rule-of-law-index/country/2017-18/Ukraine/Civil%20Justice/>

Resilience in 2022

Digital Transformation

Since the advent of the full-scale Russian invasion, the Diia platform exhibited remarkable success in ensuring the continuity of its operations. It even managed to launch a number of new services, which include fundraising (enabling donations to the charitable fund «Come back alive», as well as gathering funds through the President of Ukraine's UNITED24 platform), a portal for filing reports on damaged and destroyed property and a portal for registering internally displaced person status. The Ministry of Digital Transformation also set up eVorog (eEnemy), a chat bot on the Telegram messenger service, through which Ukrainians can report the movement of Russian occupants.³⁸ Crucially, Diia.City continued to generate capital inflows into the country and contribute to the digital sector's growth: despite the Russian invasion, 205 IT companies applied for (and obtained) residency status in Diia.City as of April 27th 2022.³⁹

The continued operation of Ukraine's digital infrastructure also reflects its resilience in the face of ongoing Russian cyber attacks, which, while damaging, have been less disruptive than

feared.⁴⁰ For example, while hackers succeeded in shutting down some of the satellite links provided by Viasat (an American firm) to the Ukrainian armed forces on the day of the Russian invasion, the response of Ukraine's cybersecurity apparatus proved highly effective, limiting the cyber attack's impact on the ground.⁴¹ Ukraine's active cooperation with the private sector also facilitated continuity of connectivity and infrastructure. This included the Ministry of Digital Transformation's cooperation with SpaceX in establishing internet connectivity via Starlink⁴² satellites, as well as collaboration with Ukrainian mobile phone operators to provide free national roaming within Ukraine (such that customers can seamlessly switch between operators).⁴³

Historic enhancements to Ukraine's telecommunications network and improvements in the accessibility of the internet proved critical to Ukraine's resilience during the war. While digital infrastructure— particularly broadband networks—suffered significant damage by the Russian military during the current conflict, overall connectivity remained relatively strong.⁴⁴ This connectivity has been critical in supporting the military, general public and internally displaced persons during a period of unprecedented stress.

³⁸ https://t.me/evorog_bot

³⁹ <https://dou.ua/lenta/news/205-residents-of-diia-city/>

⁴⁰ <https://www.economist.com/science-and-technology/2022/03/26/the-degrading-treatment-of-ukraines-internet>

⁴¹ <https://www.bbc.co.uk/news/technology-60796079>

⁴² <https://www.politico.eu/article/elon-musk-ukraine-starlink/>

⁴³ <https://visitukraine.today/blog/163/ukrainian-mobile-operators-launch-national-roaming>

⁴⁴ <https://www.economist.com/science-and-technology/2022/03/26/the-degrading-treatment-of-ukraines-internet>



Decentralisation and Public Administration

The current conflict has highlighted the substantial improvement in the capacity of local communities since the onset of Russian aggression in 2014. The ability of local communities to organise and mobilise resistance has been particularly evident, with community budgets becoming a significant source of funding for the military and for assisting internally displaced people.

Local communities in occupied territories also demonstrated successes in ensuring the continuous provision of public utilities and secondary education under Ukrainian curricula, despite significant pressure from Russian occupying forces. The unified and digitised

treasury system assisted with these efforts, as it allows for the payment of salaries and social programmes even in occupied territories. For example, the mayor of Starobilsk, in Luhansk oblast, explained in a Facebook post on March 5th that the local authority was managing to continue social payments to citizens despite the Russian occupation.⁴⁵

However, the war exacerbated instances of incomplete reform. A number of local communities proved to be institutionally and financially incapable of providing communal and social services during the conflict. Furthermore, the overlap of powers between regional and district state administrations created problems, especially in districts where coordination between different territorial bodies and agencies is still weak.

⁴⁵ <https://www.facebook.com/YanaLitvinovaMayor>

Overall, the way the country has been governed during the war has sometimes run counter to the principles of decentralisation: for example, when central authorities adopted regulations related to local tax and fee exemptions (previously the prerogative of local councils). Similarly, under the terms of martial law, the powers of local councils have been limited and superseded by higher level public bodies and officials. Although these measures are likely necessary in the context of the war, it is critical that they do not become the norm once the war is over.

Rule of Law and Anti-Corruption

Anti-corruption reforms have made the Ukrainian system of government procurement more efficient and transparent. This proved particularly important in the realm of defence. Ukroboronprom, Ukraine's state-owned defence conglomerate, enacted sweeping reforms of its defence procurement system in 2019, which had previously been highly opaque. These included announcing all government tenders on ProZorro (an electronic system that enables open access to public procurement opportunities in Ukraine), apart from those that constitute an immediate national security issue, as well as centralising procurement for goods including electricity, heating and diesel fuel. As well as saving Ukroboronprom over UAH1bn (around US\$40m) in under two years, these reforms also ensured that military spending was targeted towards purchases of the most effective equipment and arms.⁴⁶ The corresponding impact on the financial resilience and operational effectiveness of the Ukrainian military during the current conflict should not go understated.

Given instances of embezzlement of humanitarian aid that have been reported in recent months (such as by BBC News Ukraine),⁴⁷ renewed efforts to eradicate corruption within the Ukrainian military and logistics infrastructure played an important role in securing continued support from international allies. For example, on May 23rd a telegram chatbot named 'Stop Ostap' was set up to identify fraudulent activities taking advantage of the influx of aid and charity.⁴⁸ Furthermore, to assure Western partners that their support would be utilised with transparency and integrity, each delivery of military aid has been supervised by an independent intelligence officer from the Ukrainian Security Service.⁴⁹ Given the critical role played by international funding and military aid in supporting Ukraine's resistance, the necessity of maintaining focus on anti-corruption efforts within Ukrainian institutions is clear.

Unfortunately, deficiencies in the judicial system continue to pose a challenge, and negatively impacted Ukraine's resilience during the war. A lack of progress in reforming key self-regulation bodies (namely, the High Council of Justice and High Qualification Commission of Judges), an inadequate judicial oversight system and the unenforceability of many court decisions (as highlighted by the European Court of Human Rights in the case 'Burmych and Others v. Ukraine')⁵⁰ contributed to a corrosive lack of trust in the judiciary. It is vital that this is addressed to ensure public confidence in the courts' ability to pass judgements fairly and effectively on investigations of corruption related to the conflict, such as those concerning humanitarian aid.

⁴⁶ <https://www.open-contracting.org/2021/12/08/armed-with-open-data-how-ukraine-saved-billions-on-defence-procurement/>

⁴⁷ <https://www.bbc.com/ukrainian/features-61584802>

⁴⁸ <https://www.bbc.com/ukrainian/features-61584802>

⁴⁹ <https://www.voanews.com/a/ukraine-s-anti-corruption-campaigners-see-no-misuse-of-western-military-aid/6587614.html>

⁵⁰ <https://www.coe.int/en/web/execution/-/burmych-and-others-v-ukraine>

Outlook

Ukraine has made significant progress in reforming governance, which enabled state institutions to maintain operations despite the systemic shock caused by the Russian invasion. Nevertheless, endemic corruption is yet to be eradicated, judicial reforms remain incomplete and some of Ukraine's progress in promoting local governance has been reversed under the terms of martial law. It is vital for Ukraine's long-term prosperity and stability that these challenges are addressed, with the foundations laid for a governance structure that is emphatically modern, transparent and democratic. Ukraine should also seek to build on its success in digital transformation, which has the potential to become an enabler of reforms across sectors. A solid foundation for the realisation of this ambition already exists, given Ukraine's existing network of Chief Digital Transformation Officers across all line ministries and regional administrations.

Digital Transformation

Given the extent of the damage to internet and telecommunications infrastructure inflicted by Russia, there will be an immediate need post-

conflict to restore mobile and fixed broadband coverage across the country. Growth in access to high-speed internet should also be facilitated through the launch of 5G infrastructure. The wealth of digital public services available through the Diia platform must also be migrated onto the Diia mobile app to make them more accessible,

given the high usage of mobile phones in Ukraine. Crucially, to ensure Ukrainian society's future resilience against threats, an important priority will be to increase the promotion of digital education materials on disinformation, fact-checking, cyber hygiene and general media literacy. To increase their reach, these should also be integrated into the standard school curriculum.

Diia.City will provide a solid foundation for future growth of Ukraine's digital industry. To make the most of this opportunity, Diia.City should work to support the development of a broader tech ecosystem, which will require new digital payment systems, cloud data centres and cybersecurity infrastructure. The government should also explore the potential of the virtual asset market (including digital coins and non-fungible tokens), which has the potential to become a high-growth component of Ukraine's digital economy.⁵¹ Importantly, this will require the implementation of rigorous financial monitoring procedures to prevent anti-money laundering. Ukraine should also continue to pursue integration into the EU Digital Single Market. This will reduce barriers to EU-Ukraine digital trade, thereby accelerating the growth of Ukraine's digital economy. To do so, Ukraine must continue the systematic implementation of the Roadmap on Ukraine's integration into the EU Digital Single Market. This will require harmonisation of Ukraine's regulations on issues such as e-commerce, protection of intellectual property rights, protection of personal data and e-payment systems.⁵²

⁵¹ <https://www.kmu.gov.ua/en/news/parlament-uhvaliv-zakon-pro-virtualni-aktivi-zgidno-z-propozicijami-prezidenta?=print>

⁵² <https://freepolicybriefs.org/2021/02/15/ukraines-integration-single-market/>

Decentralisation and Public Administration

The decentralisation programme has been one of the success stories of Ukraine's governance reform efforts. Local governments and communities have played a vital role in the resistance against the Russian invasion across the country. They will also have a vital role to play in Ukraine's post-conflict recovery. The immediate post-war priority will be to rebuild critical public infrastructure and services under the jurisdictions of the local self-governments. This will require significant allocation of funding to local budgets to remedy their exhausted finances. It is also essential that pre-war democratic governance processes are restored across the board, reversing the temporary measures implemented under martial law. Furthermore, it is essential that the final decentralisation reforms are completed in line with the government's initial commitments. These include the separation of powers between the state and local self-governments by defining them in the Budget Code, the reform of local state administrations and the formalisation of procedures for supervision over the legality of acts of local self-government.

Rule of Law and Anti-Corruption

Despite some tangible progress, significant improvements are needed to tackle the systemic corruption that continues to pervade Ukraine governance and society. Success in this regard will be key to encouraging foreign investment in Ukraine's recovery, as well as to building Ukrainians' trust in public institutions. Both of these will be necessary to ensure the long-term prosperity and political stability of the country. To this end, the government should complete planned anti-corruption legislation, strengthen the independence of reformed anti-corruption institutions and ensure that a new head of the SAPO is appointed as soon as possible.

Furthermore, robust anti-corruption processes will need to be established for the handling of humanitarian aid, the National Recovery Fund and funds for compensations and reparations. This will ensure that much-needed capital for Ukraine's recovery will be allocated fairly and efficiently.

Finally, the post-conflict recovery will necessitate the investigation of various crimes committed during and in the aftermath of the conflict. These have the potential to include international war crimes. It is critical that these processes are set up in a transparent and constitutional manner, and are designed in a collaborative way with key domestic and international actors. To facilitate the investigation of these crimes, completion of planned reforms of the judicial system should be among the government's top priorities. To this end, increasing the professionalism and integrity of judges (including through planned reforms of the High Council of Justice and High Qualification Commission of Judges), improving the judicial oversight system and increasing the effectiveness and efficiency of judicial proceedings will all be essential.

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