Ukraine’s economic freedom score is 52.3, making its economy the 147th freest in the 2019 Index. Its overall score has increased by 0.4 point, with improvements in fiscal health, business freedom, and property rights outpacing declines in labor freedom and trade freedom. Ukraine is ranked 44th among 44 countries in the Europe region, and its overall score is below the regional and world averages.

Progress has lagged on many much-needed but contentious structural reforms such as cutting subsidies and raising energy tariffs, fiscal consolidation, and the fight against corruption. As Ukraine’s oligarch-dominated economy improved in 2018, partly because of greater inflows of remittances, Western institutions found that they had less leverage to press for further reforms to make the country more prosperous, democratic, and transparent. Ukraine also needs to develop its capital markets, privatize state-owned enterprises, and improve both its legal framework and the rule of law.

**BACKGROUND:** Long known as the “Breadbasket of Europe” for its fertile black soil, Ukraine gained independence after the Soviet Union collapsed in 1991. Russia illegally annexed the Crimean peninsula in 2014, and Russian-backed separatists continue to destabilize the eastern part of the country. Pro-Western members of parliament ousted Moscow-backed President Victor Yanukovych in 2014, and Petro Poroshenko was elected to replace him. After parliamentary elections later in 2014, Prime Minister Arseniy Yatsenyuk of the center-right People’s Front formed a pro-European government. In 2016, Yatsenyuk resigned and was replaced by Volodymyr Groysman. Russian aggression continues to damage the Ukrainian economy, which relies heavily on the production of wheat and exports of industrial and energy products.
Ukrainian law protects property rights. Mortgages and liens are recorded, and the government reduced fees for construction permits in 2018. Enforcement of contracts is time-consuming and costly. The judiciary is susceptible to political pressure and fraught with corruption and bribes, and public confidence in its effectiveness is weakened as a result. Criminal penalties for corruption are not implemented effectively, and corruption remains endemic.

The top individual income tax rate is 20 percent, and the top corporate tax rate is 18 percent. Other taxes include value-added and property taxes. The overall tax burden equals 33.1 percent of total domestic income. Over the past three years, government spending has amounted to 42.1 percent of the country’s output (GDP), and budget deficits have averaged 1.9 percent of GDP. Public debt is equivalent to 75.6 percent of GDP.

The business start-up process has been streamlined, but completion of licensing requirements is still time-consuming. Overall, political instability continues to compound regulatory uncertainty in commercial transactions. The labor code is outmoded and lacks flexibility. Defying pressure from international financial institutions, the government extended price controls on natural gas in 2018.

The combined value of exports and imports is equal to 102.2 percent of GDP. The average applied tariff rate is 2.5 percent. As of June 30, 2018, according to the WTO, Ukraine had 143 nontariff measures in force. Ongoing conflict with Russia undercuts trade and investment flows, and state-owned enterprises distort the economy. About 64 percent of adult Ukrainians have access to an account with a formal banking institution.