

THE TREND WAS TOWARD LESS STATE INTERFERENCE IN THE MEDIA, BUT SABOTAGE OF LEGAL PROTECTIONS CONTINUED. PRIVATIZATION OF THE GOVERNMENTAL MEDIA APPEARED UNLIKELY BEFORE ELECTION OF THE NEW PARLIAMENT.

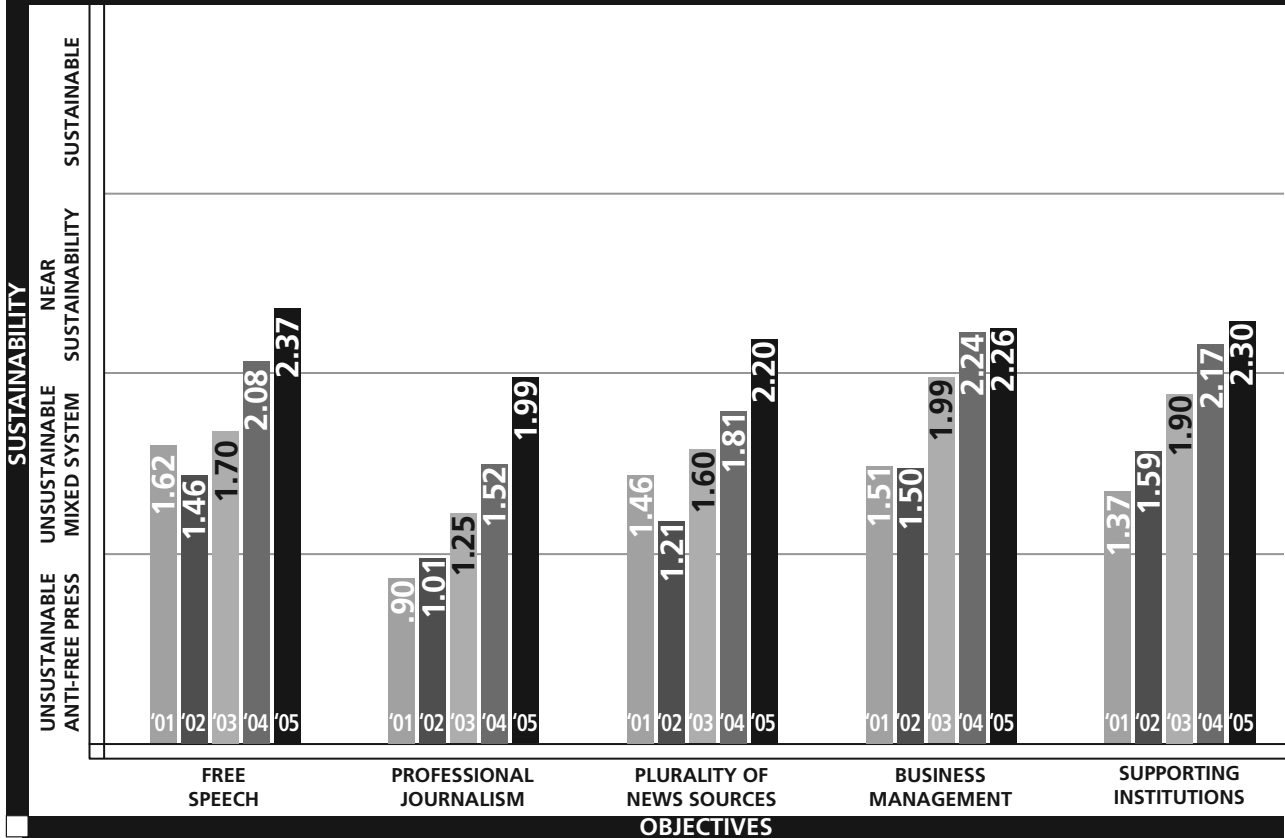


Immediately after Ukraine's Orange Revolution late in 2004, when leading broadcasters and newspapers united to counteract pressure from the regime for biased coverage of the tainted elections and the protests that followed, there was optimism that the change in the media sector would be profound. The 2004 Media Sustainability Index (MSI) anticipated that journalists had learned important lessons in professionalism and that the new government would reflect a different attitude toward the media. The 2005 MSI assessed a different situation: the faded initial delight, the "Orange" team split and overwhelmed by corruption scandals, politicians teaming up to fight 2006 parliamentary elections, and people uncertain where to place their trust.

All MSI indicators increased at least slightly for 2005, in comparison with the previous year, and the overall index measuring the strength of Ukraine's media sector advanced from 1.96 to 2.23. The MSI panelists found no fundamental changes during the year, but rather incremental progress. The business environment, including legal provisions, the advertising market, and the private printing facilities and distribution systems, improved, the panelists said. The trend was toward less state interference in the media, but sabotage of legal protections continued. Privatization of the governmental media appeared unlikely before election of the new parliament.

The year saw changes in the Law on Elections that caused an outcry among journalists. Under the new provisions, media outlets can be "temporarily closed" by the resolution of the Central Elections Commission or even a district commission. Journalists must cover campaigning but cannot agitate for a candidate—but the law does not define political agitation and how it differs from coverage. This lack of clarity can lead to reticence on the part of journalists to try to cover the campaign, restriction of television debates, and lack of information for the public on the differences among political programs.

MEDIA SUSTAINABILITY INDEX: UKRAINE



Unsustainable, Anti-Free Press (0-1): Country does not meet or only minimally meets objectives. Government and laws actively hinder free media development, professionalism is low, and media-industry activity is minimal.

Unsustainable Mixed System (1-2): Country minimally meets objectives, with segments of the legal system and government opposed to a free media system. Evident progress in free-press advocacy, increased professionalism, and new media businesses may be too recent to judge sustainability.

Near Sustainability (2-3): Country has progressed in meeting multiple objectives, with legal norms, professionalism, and the business environment supportive of independent media. Advances have survived changes in government and have been codified in law and practice. However, more time may be needed to ensure that change is enduring and that increased professionalism and the media business environment are sustainable.

Sustainable (3-4): Country has media that are considered generally professional, free, and sustainable, or to be approaching these objectives. Systems supporting independent media have survived multiple governments, economic fluctuations, and changes in public opinion or social conventions.

Natalya Ligachova, chief editor of *Telekritika* magazine, said the press remained “soft, loyal, and not aggressive.” She noted that media ownership has shifted to supporters of President Viktor Yushchenko, listing as examples the sale of *Inter* to owners unlikely to be aggressive toward the president.

OBJECTIVE 1: FREE SPEECH

Ukraine Objective Score: 2.37 / 4.00

Ukraine might be proud of its media and free-speech legislation, but there remain problems with enforcement, especially in access to information. There were no major media scandals, crimes against journalists, or murders, but cases from previous years remain uninvestigated and unresolved, leaving journalists without a feeling of safety. State-owned and municipal media continue to be dependent on their governmental sponsors and unfairly compete in the market against private media, and editorial independence is also not guaranteed in private media.

Legal and social norms protect and promote free speech and access to public information.

FREE-SPEECH INDICATORS:

- > Legal/social protections of free speech exist and are enforced.
- > Licensing of broadcast media is fair, competitive, and apolitical.
- > Market entry and tax structure for media are fair and comparable to other industries.
- > Crimes against journalists or media outlets are prosecuted vigorously, but occurrences of such crimes are rare.
- > State or public media do not receive preferential legal treatment, and law guarantees editorial independence.
- > Libel is a civil law issue; public officials are held to higher standards, and the offended party must prove falsity and malice.
- > Public information is easily accessible; right of access to information is equally enforced for all media and journalists.
- > Media outlets have unrestricted access to information; this is equally enforced for all media and journalists.
- > Entry into the journalism profession is free, and government imposes no licensing, restrictions, or special rights for journalists.

Nonetheless, regarding legal and social protections of free speech, most of the 2005 MSI panelists agreed that there is a positive trend as Ukraine moves toward harmonizing its laws with international human-rights and freedom-of-expression standards. Ukraine has among the most developed media legislation among the countries of the former Soviet Union, they said, and there are sufficient legal protection tools. There are also examples of residual problems in the statute books, such as an article in the Civil Code of Ukraine stating that “negative information about a person is considered false,” but these elements have not been applied by the courts in recent years. Free speech is valued by the society and promoted by leading government officials and social activists. The country’s legal provisions are harmonized with international human-rights and freedom-of-expression provisions.

Broadcast licensing is controlled by the National Council on TV and Radio (NCTVR), which has to apply the prescribed licensing procedure. A law on the council adopted in March 2005 remedied a problem by making it impossible to replace council members at political will. Now individual members cannot be rotated, and only the whole council can be changed. A Civic Council for the NCTVR was established in May 2005, designed to protect citizen rights regarding free speech and ensure transparency of the NCTVR.

The year was free of licensing controversies. Andriy Schevchenko, vice president of the Ukrainian national television company, said: “There has been an essential improvement: If last year we could not even talk about transparency and competitiveness of licensing at all, this year there were no notorious discrepancies at any competition.” He called the signing of a memorandum on collaboration between the National Council and 10 key television market players a significant event. The agreement means the parties are ready to embrace and apply fair, competitive rules for licensing, instead of resorting to court resolutions, as was done heavily by the previous regime.

Market entry and commercial regulations for the media business remain the same as for other sectors.

“There has been an essential improvement: If last year we could not even talk about transparency and competitiveness of licensing at all, this year there were no notorious discrepancies at any competition,” said Andriy Schevchenko.

A high level of taxation and many tax-administering complications still contribute to the increasing number of shadow transactions. There is an exemption to the value-added tax (VAT) for sales of print publications and reduced custom duties for import of printing equipment and newsprint not produced in Ukraine. However, there remain wide possibilities for using tools of political pressure, such as tax inspectors and tax police, on media outlets.

State- and municipal-owned media receive subsidies from the government's budgets and sometimes enjoy lower prices for using state-owned printers, transmitters, offices, or newsprint suppliers. There is a law providing that governmental media pay rent at the level of other budget-financed organizations. Most distribution facilities are communal companies as well, able to use levers against private media such as refusing to accept certain titles or damaging publications during transportation. Governments strongly advise other state institutions to ensure a certain number of subscriptions to the municipal media. And still lacking money despite these advantages, governmental media enter the market and by being able to lower prices artificially create unfair competition for private media, the MSI panelists said.

While there were no major crimes against journalists during 2005, investigations of the murders of journalist Georgy Gongadze in September 2000 and broadcaster Igor Aleksandrov in July 2001 remain incomplete. In the Gongadze case, the General Prosecutor's Office reported the investigation completed in August, but this related only to those who committed the slaying. The investigation into who ordered the murder was separated, and an impasse remained over whether the prosecutor would meet in the United States with Mykola Melnichenko, who fled there claiming that evidence might reveal the involvement of high state officials.

In May 2005, the Ukrainian Newspaper Publishers' Association released an open letter reminding the authorities of the unresolved 2004 crimes against media outlets, including fires at the *Postup* newspaper in Lviv and the printing press of *Molodyi Bukovynets* in Chernivtsy, the theft of computers at *OGO* newspaper in Rivne, and others. There is a general insecurity among journalists because threats are received but not given much attention by security services or the public, the MSI panelists said. Irina Prokopyuk, editor and publisher of *Kafa* newspaper in Crimea, recalled, "The prosecutor's office refused to file a criminal suit about written threats to me and my family, as investigators didn't consider these threats realistic." She also mentioned numerous

local cases: The editor of *Vse Dlya Vas* newspaper, Feodosya, was fired because the mayor disliked her book about the city's mayors, for example, and the reporter of *Kafa* newspaper who had his equipment taken after he made pictures of oil storage construction from the street, securing its return only with a lawyer's help. "Even one threat, one crime against a journalist is too much for a civilized country," said Susan Folger, director of the Internews Network Ukrainian media-support program.

Editorial independence is not guaranteed by law, and only a few media outlets with the best market practices exercise it independently from their owners. In addition, appointment and dismissal of government media's top managers is a political issue used to control editorial policy. Government journalists have the status of civil servants and receive related increases in pensions and salaries that, while not competitive with the pay levels at the most successful private media in the biggest cities, can be a significant benefit at the regional level.

Libel is not a criminal offense. No code specifies that defendants have to prove the truthfulness of information called into question, although judges sometimes apply this norm. There are provisions requiring that journalistic malice be proved in cases where moral damages are claimed by government and political officials. Yet corruption among the judges exists, especially at the local level, and the courts remain under influence of the government and business. Generally, however, the MSI panelists said practices in this area are improving. "There were no major cases this year, and the sums claimed for damages are substantially lower where previously they were millions," said Taras Schevchenko, director of the Media Law Institute.

There are legal provisions making access to information equal for all media. However, officials are not afraid to ignore information requests, and practice shows that they are not much penalized for this. Many suits on information requests are lost by journalists, and sometimes courts refuse to accept such suits. Even President Yushenko continued the practice of his predecessor on issuing secret decrees.

Irina Prokopyuk said, "Every second request of *Kafa* for information to the governmental bodies is ignored. Our newspaper had lost a suit against Kerch's mayor, who refused to provide the requested data on average salaries of local government employees. The court of appeal also confirmed this resolution. We are waiting now for the Supreme Court's decision."

According to Ali Safarov, deputy general director and

head of the Analytical and Legal Department of the UAPP, officials tend to formalize information access as much as possible, requiring written requests, waiting until the legal deadline, and providing very formal and unresponsive replies. “In my practice, the defamation lawsuits haven’t become less often, (and) the situation with information access at the regional level even became more critical,” he said.

On the other hand, this problem is closely linked with the persistence and professionalism of journalists and the will of their management. Are the journalists insistent enough to force local officials to react on their legal requests, and are they able to formulate requests specifically enough that officials cannot turn them down? In some regions, including Lviv, journalists have had some success in teaching local officials to better react to information requests, an MSI panelist said.

There are no restrictions on access to international news and news sources. Media are allowed to reprint and rebroadcast foreign news. In July 2005, according to GfK-USM research, the Internet was used by 18 percent of Ukraine’s population, twice as high as 2004’s rate. Private newsrooms, usually better equipped than local governmental outlets, do not have financial problems with Internet access.

Entry into the journalism profession is not limited by law or practice. However, officials are able to apply various excuses to deny certain journalists, such as the staff of unregistered Internet publications, accreditation for their events.

OBJECTIVE 2: PROFESSIONAL JOURNALISM

Ukraine Objective Score: 1.99 / 4.00

Journalism is still under the influence of owners and political and commercial interests. Ethical standards are not regularly complied with, and many media outlets practice self-censorship on issues related to influential politicians and business leaders. Even when there is no pressure, however, journalists do not necessarily comply with standard professional practices, the MSI panelists agreed. The low level of basic journalism education is one of the most critical problems, and journalists generally are not well paid.

In Ukrainian journalism, it is the exception rather than the rule when journalists do not include their own opinion in their coverage, and it is also rare that they give a word to a contrasting position. Journalists appear to prefer this system, which does not differentiate between a qualified expert’s opinion

and their own, even though this contributes to the number of lawsuits against the media.

Sometimes, even when journalists do try to verify information, they might be

unable to do this due to the access-to-information problems. Alexander Makarenko, production director for Internews-Ukraine, said there are regional television companies that comply with professional practices but “if we take all media in Ukraine, this indicator is rather low ... If we take a TV company under serious political pressure, its journalists ... receive instructions on what to cover, and how. Maybe it’s less strict now than last year when ‘temniks’ were widespread,” referring to directives issued by the government on what state media should report about.

There are at least three national ethical codes accepted in Ukraine that correspond to internationally recognized standards. In addition to the lack of differentiation between true news and hidden advertising, there are also examples of breaching the codes with regards to racial, ethnic, and sex discrimination; getting fair comment from the accused in criminal stories; and other issues. Politicians and public figures treat journalists mostly as servants to use when necessary, and journalists allow them to do it. Many “rayonki”—small local municipal newspapers and local television companies—exist beyond any ethical and professional standards. They eagerly cover local government and sell news pieces to commercial companies.

Kateryna Laba, MSI panel moderator and media trainer, recalled that at a workshop she conducted in Mykolaiv, an advertising manager for a state-owned newspaper said: “I personally do not need to learn sales techniques as I sit and wait for advertisers to place ads. Those are our journalists who actively sell advertising stories to our newspaper; they must have been invited to the seminar.”

According to Alexander Chovgan, publisher of eight regional newspapers in western and central Ukraine, “It’s a management issue: whether they want to differentiate between news and paid stories. In advanced publications, journalists cannot sell a story as management will quickly recognize it among the others.” In advanced television companies, there is a

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Journalism meets professional standards of quality.

PROFESSIONAL JOURNALISM INDICATORS:

- > Reporting is fair, objective, and well sourced.
- > Journalists follow recognized and accepted ethical standards.
- > Journalists and editors do not practice self-censorship.
- > Journalists cover key events and issues.
- > Pay levels for journalists and other media professionals are sufficiently high to discourage corruption.
- > Entertainment programming does not eclipse news and information programming.
- > Technical facilities and equipment for gathering, producing, and distributing news are modern and efficient.
- > Quality niche reporting and programming exists (investigative, economics/business, local, political).

trend to place such paid materials, so-called jeans, at least away from regular news programs.

Self-censorship is rather rife in Ukrainian media. The panelists noted that the situation on national channels has improved, however. Although the program "Podviynyi Dokaz" has disappeared, its editor, Vahtang Kipiani, said that two prepared programs dedicated to Beslan events (with an anti-Putin tone) and Yuschenko's poisoning have never been broadcast, and there has been no explanation.

The municipal media outlets that operate from the budget of local government would not dare to cover negatively local authorities. Private media outlets backed by certain political forces also have their sacred cows. Ironically, local media are able to criticize national government safely but abstain from being critical toward local authorities, and vice versa. Sergei Guz, head of the Independent Media Trade Union, said that on the local level one cannot write about the origin of wealth of significant figures, links of officials with criminals, and similar themes.

The panelists differed about whether higher salaries are a factor in preventing corruption. According to the Independent Media Trade Union survey, only 30 percent of salaries are paid officially. Half of the regional journalists in regions receive the equivalent of about \$100 per month, while the other half earn

in the range of \$150 to \$240. Government journalists with five to 10 years of civil service have comparably higher salaries than beginners in private media. Low salaries force journalists to have two or three jobs, and not always in journalism. They may work also as advertising agents or PR assistants to politicians or commercial companies. In Kiev, journalists' pay starts at about \$250. However, there were examples of "stars" who may be well paid but still sell stories. The MSI panelists agreed that the corruption is closely linked with the level of management and the outlets' corporate culture.

There is a positive trend toward increasing news and information programs as well as improving their quality. According to Alexander Makarenko, the directors of regional television companies recognize that news programs are in demand and give them priority, with commercials more expensive to place during news programs. Moreover, most regional television companies can produce news programs while they lack experience and resources to produce successful entertainment shows. Panelists mentioned the need to have a news channel of the Euronews or CNN format that is updated around the clock; they also said there is a lack of in-depth analytical programs on the local level.

According to the panelists, the technical equipping of media outlets is acceptable. However, there is an obvious difference of picture quality among national, regional, and local television channels that is easily noticed while switching the channels. With regard to print media, there is not such a vivid difference between national and regional newsrooms equipped with computer networks. State newspapers might be produced using old printers, but usually that is not an issue of financing but of inefficient prioritizing of funds.

Local and regional media usually cannot afford to hire too many journalists with different specializations. Where there are more resources, the situation improves. The panelists noted this at the national level, especially in the sphere of economic and business coverage by *Biznes*, *Halytski Kontrakty*, and *Zerkalo Nedeli*.

OBJECTIVE 3: PLURALITY OF NEWS SOURCES

Ukraine Objective Score: 2.20 / 4.00

A wide variety of news sources are available for Ukrainians. There are, however, certain limitations that MSI panelists noted. Choices in print and electronic

media constrict in the countryside, and numerous state-owned and municipal media continue to service governmental interests. Efforts to establish public-service television were not expected to move forward until 2006, and ownership of private media is not transparent.

Although television remains the most popular news source, most people can afford to buy newspapers and they do. The weak circulations of many newspapers are linked with poor quality rather than low buying capacity. The main vehicles of newspaper distribution are still the government-controlled post office Ukrposhta, which handles most subscriptions, and Soyuzdruk, which handles most of the retail sales at kiosks. Only economics limit development of private distribution networks.

Cable television providers are restricted in their ability to increase prices for the so-called social set of television channels. According to the president of the Cable TV Union of Ukraine, Aleksandr Lyahov, 120 cable networks operate in Ukraine, providing services to 1,950,000 households.

According to GfK-USM research released in mid-2005, the Internet was used by 18 percent of Ukraine's population, while 24 percent had potential access to it. Of users interviewed, 32 percent are connected at work and 24 percent at home.

In areas with populations below 50,000, residents generally only can get national and regional newspapers by subscription through the post office, perhaps with as little as twice-weekly delivery. Several television channels are available throughout Ukraine, but cable television is not accessible in small towns and villages. Internet access is technically available in rural areas and small towns, but it is little used.

Access to domestic and international media is not restricted, except by language barriers and economics, and 2004's attempts to deny access to foreign news broadcasters were not repeated. Foreign press is not widely represented in Ukraine, probably due to a lack of demand, and foreign subscriptions and satellite television are expensive for average Ukrainians. The distribution of Russian publications is large in comparison with other foreign media, especially in eastern regions.

There are no truly public media. State media up to the level of the regional administrations are financed from the state budget and there are also so-called communal—or municipal—media that are set up by local governments subordinated to the central government. Communal media are financed partially from the local budgets. Most state-owned media lobby political interests and do not

address such areas as culture and education.

The only positive advance during 2005 was an effort to rebuild the first national channel as public television, and early staff changes and improved programming were already obvious to most Ukrainians. Parliament consideration of the draft legislation creating the National TV Company of Ukraine started, but it was not expected to be completed before the 2006 vote. At the regional level, however, panelists noticed no such progress.

The major nationwide news agencies are DINAU, Interfax-Ukraine, UNIAN, and Ukrainski Novyny. The state-owned agency DINAU-Ukrinform is financed from the state budget and is provided free of charge to the state-owned media outlets. There are regional news agencies that local media can use, but too often the quality of their reports are low because their market is too narrow. Most outlets can hardly afford to subscribe to the larger national news agencies, and foreign agencies are not affordable at all. It is rife among regional newspapers to use Internet-based news sites and reprint the stories for free, making just reference to the source. For many of these websites, it is not possible to identify their ownership, sources of financing, contact information, or staff.

Multiple news sources provide citizens with reliable and objective news.

PLURALITY OF NEWS SOURCES INDICATORS:

- > A plurality of affordable public and private news sources (e.g., print, broadcast, Internet) exists.
- > Citizens' access to domestic or international media is not restricted.
- > State or public media reflect the views of the entire political spectrum, are nonpartisan, and serve the public interest.
- > Independent news agencies gather and distribute news for print and broadcast media.
- > Independent broadcast media produce their own news programs.
- > Transparency of media ownership allows consumers to judge objectivity of news; media ownership is not concentrated in a few conglomerates.
- > A broad spectrum of social interests are reflected and represented in the media, including minority-language information sources.

Due to broad use of offshore entities and figureheads, it has been easy for a few oligarchs and political players to amass huge media holdings. For example, STB, Novyy Canal, ICTV, and M1 all are believed to belong to Viktor Pinchuk, son-in-law of ex-president Leonid Kuchma.

Most private broadcast media produce their own news; in some regions these newscasts are of higher quality and are more relevant to the audience concerns in comparison with local state television stations that mainly glorify local

Several private printing presses have opened in recent years, some with the aid of international organizations such as the Media Development Loan Fund. Alexander Chovgan, a newspaper publisher and owner of the printing press in Vinnitsa, said that there are enough printers in western and central Ukraine and that the competition leads them to follow sound business practices, improving quality and services. On the other hand, the publisher from the south of Ukraine, Irina Prokopyuk, complained about a lack of efficient presses in her region. Even private companies are not oriented toward clients' needs, are not flexible and reliable, and easily break their agreements, she said. Many state-owned printing presses are technically outdated, and in regions where there are no alternatives, newspapers cannot print quality publications that attract readers.

authorities. However, when private channels are under strong political influence, their news programming might be more biased and partisan.

There is a lack of transparency in media ownership. Most people have an idea of who is thought to be the owner, but documented proof is unavailable. Sometimes it is even impossible to identify the owner when employees and media trade unions attempt to negotiate with them. Due to broad use of offshore entities and figureheads, it has been easy for a few oligarchs and political players to amass huge media holdings. For example, STB, Novyy Canal, ICTV, and M1 all are believed to belong to Viktor Pinchuk, son-in-law of ex-president Leonid Kuchma.

Rostyslav Vavriv, executive director of Radio Lvivska Hvylya, said all transmitting equipment is private, but antennas, regional transmitter towers, and Ukrchastotnaglyad—the organization that controls frequency resources and issues permits for private transmitters—are state-owned monopolies and dictate their conditions and prices. Many state-owned media companies do not pay their fees, but their debts seem to be ignored, panelists said.

The majority of large nationwide newspapers are published in Russian. Some publications publish two editions, one in Ukrainian and one in Russian, while others mix both languages in one edition. There also are Crimean Tatar, Bulgarian, Hungarian, Roma, and Jewish publications, although their circulations are limited.

Distribution of print publications is controlled by Ukrposhta and Soyuzdruk, virtual monopolies with pricing and other policies still considerably less than transparent. They do not provide information to the publishers on actual retail and subscription sales, delay payments, and neglect contractual obligations. Soyuzdruk charges commission and easily returns unsold copies and therefore has little incentive to actively sell any given title. Several national private subscription networks are in operation, and regional publications also establish systems. However, in some regions distribution companies are in the hands of competitive publishers who will not serve competitors.

OBJECTIVE 4: BUSINESS MANAGEMENT

Ukraine Objective Score: 2.26 / 4.00

Private media operating as profit-seeking business increasingly supply sound business practices, and the advertising market is growing rapidly. However, the MSI panelists noted that the media markets are rather fragmented, with numerous small and handicapped players, many of which rely on state subsidies or business and political sponsors. Also, the distribution system as a rule is government owned, and outlets resist showing true circulation figures and ratings that would contribute to maturing the media sector.

The ability of media to earn money from diversified sources largely depends on the management's professionalism. Private profit-oriented and well-managed outlets, according to the publishers on the MSI panel, have a minimum 35 percent growth of annual advertising revenues, with some having up to 70 percent growth. There is a great disparity between Kiev, large cities, and smaller towns and rural media, but even in Kiev one may find large circulation newspapers with almost no ads. State-owned and communal media receiving state subsidies are able to dump advertising on the market as well as undercut subscription and retail prices.

Some regional publishers may run several publications, such as purely advertising and niche newspapers, which largely support their social and political editions. They may also run supporting businesses such as advertising agencies, distribution and delivery bureaus, or printing facilities.

The advertising market is growing rapidly, with a 22 to 32 percent increase anticipated for 2006. The All-Ukrainian Advertising Coalition, in its mid-year analysis, predicted that the advertising market would total \$482 million for 2005, up 39 percent from 2004. Of that, the television advertising market would reach \$232 million, up 40 percent from 2004. Print media were expected to receive \$107 million in advertising, up 32 percent from 2004, with \$42 million of the total going to newspapers and the rest to magazines. Another \$20 million was anticipated to go to radio advertising, up 25 percent from 2004, and \$2 million to the Internet, up 33 percent from 2004. Shares in the total media advertising market were expected to remain almost the same for 2005, with 48 percent going to television, 22 percent to the print media, 4 percent to radio, less than 1 percent to the Internet, 24 percent to outdoor advertising, and 1 percent to cinema advertising.

Prices for television advertising were expected to rise 50 to 60 percent during 2005, due mainly to a shortage of airtime for commercials. However, even the high prices were not expected to dampen the market, and 15 percent excess demand was anticipated in late 2005. Agencies, looking for lower rates, had to redistribute parts of their budgets to smaller channels, therefore contributing to their development. Growth in print media was lower than in outdoor advertising, with advertising in the magazine segment increasing much faster than among newspapers.

The Coalition also acknowledges that part of the marketing budget for clients is spent for “zakazukha”—paid-for “news” and “analyses” in media.

The panelists reported that advertising volumes brought by Kiev ad agencies to regional media are growing, but there remains a lack of national advertisers in local outlets. This stems in part from the lack of verified broadcast ratings and circulation statistics and the fragmented coverage areas of some outlets, panelists said. They also complained that too many agencies place advertising based on favorable discounts rather than true benefits for clients.

Two agencies, Inter-Reklama (up to 58 percent) and Video International (up to 30 percent), dominate the national television advertising market. Inter-

Reklama serviced Inter, Novyi Kanal, M1, STB, ICTV, Enter-film, and Enter-Music television channels, and Video International worked with 1+1, TET, Tonis, RTR-Planeta, and ORT. For the year 2006, Novyi Kanal, STB, and M1—part of Viktor Pinchuk’s media holding—transferred to Stil’ S house, which is formally independent from Inter-Reklama. However, an investigation by the Antimonopoly Committee was undertaken and remained under way.

The most effective business-oriented publishers among the panelists said they had been able to increase the advertising share of their revenues from 60 to 70 percent. Most print media, however, rely more heavily on circulation sales.

Generally private media do not receive state subsidies. But the panel participants mentioned few “corruptive” cases when, for example, a local private radio station was given regular subsidies to provide airtime to local officials. Other panelists mentioned more transparent cooperation with local governments when newspapers sign agreements with them and provide, for example, a separate appropriately marked page for official information from the local authorities.

Profound audience and market research sponsored by donors was ordered by the Ukrainian Publishers Association in 2002, but only in 2005 did the UAPP manage to repeat the work. It covered the regions as

Independent media are well-managed businesses, allowing editorial independence.

BUSINESS MANAGEMENT INDICATORS:

- > Media outlets and supporting firms operate as efficient, professional, and profit-generating businesses.
- > Media receive revenue from a multitude of sources.
- > Advertising agencies and related industries support an advertising market.
- > Advertising revenue as a percentage of total revenue is in line with accepted standards at commercial outlets.
- > Independent media do not receive government subsidies.
- > Market research is used to formulate strategic plans, enhance advertising revenue, and tailor products to the needs and interests of audiences.
- > Broadcast ratings and circulation figures are reliably and independently produced.

well, and UAPP will aim to order such surveys at least once a year. More than 20 regional publishers ordered surveys or conducted some research on their own. Cities with more than a million people are regularly covered with different media surveys by professional companies, but no one conducts any in the towns of 200,000 or less. The survey results are often used for fancy booklets to show to potential advertisers rather than for thorough work on content improvement. At the Kiev-based advertising agencies, the lack of reliable audience data is a big obstacle for cooperation with large advertisers. Most regional media cannot afford to conduct quality market research or valid opinion polls, and thus most do not have an accurate picture of their own audiences and their interests.

Most newspapers in Ukraine claim inflated circulation figures, add up figures of different editions, and then pretend that weekly or monthly circulation is that of a single issue, panelists said. There is a Circulation Certification Bureau in Kiev, but it has not covered many outlets. In addition, there are questions about whether it is unbiased. One regional publisher, Mikhail Novitsky, certified the circulation in his region and consequently got increased response from national advertising agencies. There is also a regional circulation audit bureau in Zaporizhzhya.

Irina Prokopyuk is well-known for her fight for true circulation figures in Crimea. She said there were no laws to prosecute those who lie about the circulation. She complained to the Crimean Press Committee and insisted that true circulation figures gathered at printing presses be published on its website. However, the Committee subsequently suddenly stopped publishing these figures. The UAPP and the All-Ukrainian Advertising Coalition have set up a working group on development of the National Circulation Commission, but the issue faces strong resistance at the market.

A reliable rating system exists for nationwide television channels. GfK-USM won a tender for the work in 2002 and signed a contract with the Industrial Television Committee through the end of 2007. GfK-USM ratings are used by up to 30 television companies and 30 advertising agencies. According to GfK-USM, the top-

“There was a true war of ratings in Lviv. Everyone published whatever he wanted,” said Rostyslav Vavriv.

rated television channels are Inter, 1+1, Novyi, ICTV, STB, TRK “Ukraina,” ORT International, TET, 5 Kanal, and UT-1.

In the regions, there are usually ratings produced according to unreliable methodologies. According to

Rostyslav Vavriv, radio ratings produced even by larger marketing companies are not trustworthy. “There was a true war of ratings in Lviv. Everyone published whatever he wanted,” he said.

OBJECTIVE 5: SUPPORTING INSTITUTIONS

Ukraine Objective Score: 2.30 / 4.00

Associations of media owners have become strong advocates of industry interests, provide effective assistance, and protect the rights of journalists of member outlets in collaboration with media-related nongovernmental organizations (NGOs). Unions of individual journalists are not so widespread and well-developed, the MSI panelists said, and in particular the Union of Journalists of Ukraine, a Soviet-era holdover, does not fulfill its functions. Journalism education is extremely weak, lacking practical training and appropriate programs and instructors. Short-term training sessions are in demand but cannot meet all the demands for qualified personnel. The number of quality printing facilities is on the rise, and newspapers are acquiring more alternatives. But the field of distribution is more difficult, with two virtual state-owned monopolies.

The Ukrainian Newspaper Publishers Association (UAPP) provides legal, information, and training support to its members; develops and tries to lobby for draft laws in support of the industry; analyzes current laws; and supports its members at different institutions. Publisher Irina Prokopyuk said that when she had problems with a mayor who barred her journalists, the mayor heard from the UAPP. Early in 2005, the UAPP submitted an industry appeal to the new government, elaborating on the industry’s most acute issues. UAPP also ordered the TNS National Readership Survey and got the Kiev city administration’s ban on newspaper stands and walking retailers in the metro lifted. Its membership now is about 110 publishers of about 300 newspapers and 80 magazines with a total circulation of several million copies. It is financed through membership fees and donor contributions.

The Independent Association of Broadcasters (IAB) is known for legal services in media and commercial law areas and is working to develop a training center for broadcasters. The IAB contributes to lobbying-industry interests regarding public-television issues, the new Law on Radio and Television, and the newly produced elections coverage legislation that may limit free political news coverage. It also is financed through membership fees and donor contributions.

In mid-2005, 20 leading regional publishers, most of whom are still members of the UAPP, established the new Ukrainian Association of Independent Regional Publishers (UAIRP). They had felt some threat from the increasing influence of the large national publishers in the UAPP. Even professional competitions launched by the UAPP became poorer, as regional media were afraid to share secrets or show their best talents for fear the Kiev-based publications would pirate the best regional journalists. The total circulation of UAIRP member papers is more than 1 million. The organization is financed by membership fees only, with most publishers being members of both organizations.

By contrast, MSI panelists said, the existing unions of journalists do not unite substantial numbers of practitioners. The newer Independent Media Trade Union renders legal and organizational support to the unions of journalists in different media. The Union of Journalists of Ukraine is the old Soviet entity that unites retired journalists or employees of the state media. Financed by the State Committee on Television and Radio Broadcasting, it has affiliates in different regions, but as a rule it does not advance media needs.

There are many central and regional NGOs related to media, such as the Institute of Mass Information, the Academy of Ukrainian Press, the Media Reform Centre, the Information and Press Center in Simferopol, the Association of Journalists of South Ukraine "Pivden" (Kherson), the Journalists' Initiative (Kharkiv), the Poltava Media Club, TOP Media in Odessa, the Association of Free Journalists in Crimea, the Media Law Institute, and the Guild of Vinnichina Editors. They monitor violations, defend free speech, petition the government for changes in laws, and offer training sessions for media employees. Almost all of them rely on financial support from international donors.

All panel participants were unanimous in evaluating the quality of journalism education as extremely low and irrelevant. The existing curricula approved by the Kiev Institute of Journalism and the Ministry of Education do not correspond to modern needs, according to the MSI panelists. Professors hardly have any practical experience in media, and the graduates lack practical skills—and are often too ambitious and lazy to start as reporters. The outdated curriculum teaches the student journalists to express their opinions in the news reports, while offering laboratories or other settings in which to develop a working knowledge of the profession.

The majority of journalists do not have professional education. Among the journalists working for private regional newspapers, only about 30 percent are journalism faculty graduates. Irina Prokopyuk said

this is one of the most acute problems in the sector: "Terrible education!

Journalism graduates

immediately want to be at least editors or TV anchors, not just reporters. They are lazy, don't have skills relevant for market economy, and we have to teach them from zero. Demand for personnel in provinces is extremely high. I have looked for a journalist in Kerch for a half a year—with no progress as yet."

Irina Prokopyuk said this is one of the most acute problems in the sector: "Terrible education!"

Short-term training sessions are conducted by international and domestic organizations, generally paid for by donors but also sometimes at the expense of media outlets. The most popular topics are connected with advertising and marketing, information access, and defamation issues. Alexander Chovgan said that "three or five years ago training sessions were urgent therapy for many Ukrainian newspapers, which needed reanimation. Now, when the requirements are higher, we still have employees without systematic knowledge, and that can't be acquired at training. Thus, donor support of journalism education changes is critical and necessary." In late 2005, a major two-year support program to raise standards of university journalism was launched by the BBC World Service

Supporting institutions function in the professional interests of independent media.

SUPPORTING INSTITUTIONS INDICATORS:

- > Trade associations represent the interests of private media owners and provide member services.
- > Professional associations work to protect journalists' rights.
- > NGOs support free speech and independent media.
- > Quality journalism degree programs that provide substantial practical experience exist.
- > Short-term training and in-service training programs allow journalists to upgrade skills or acquire new skills.
- > Sources of newsprint and printing facilities are private, apolitical, and unrestricted.
- > Channels of media distribution (kiosks, transmitters, Internet) are private, apolitical, and unrestricted.

Trust, IREX Europe, and three European journalism faculties, with the support of the European Union. The project is based at the Kyiv Institute of Journalism and will include two additional pilot schools.

The media industry infrastructure is being developed. More and more publishers are setting up their own presses and buying newsprint independently. However, the development and availability is not evenly spread. There are more privately owned presses in the west of Ukraine rather than in the east, where communal and state-owned facilities prevail. Local authorities are still able to pressure them to prevent some publications, and their business practices and equipment are outdated, panelists reported.

Distribution is a more problematic area. The national postal service is the main manager of subscriptions, and retail sales are largely controlled by kiosk networks owned by municipal bodies. Both are able to refuse to distribute certain titles. Kiosks in private hands are also under the influence of local authorities, as they have to get space rental agreements. According to panel members, to set up a kiosk one may need to submit from 22 to 115 documents. Irina Prokopyuk said distributors may require bribes for entering a market, add a markup of up to 70 percent, and may refuse to sell some publications on the grounds that they have enough on offer already.

Panel Participants

Brent Byers, Press Attaché, US Embassy, Kiev

Alexander Chovgan, President, RIA Corp., Vinnitsa

Susan Folger, Chief of Party, Internews' Network U-Media Program, Kiev

Sergei Guz, Head of Trade Union of Journalists, Kiev

Oleg Khomenok, Print Media Advisor, IREX U-Media Program, Kiev

Natalya Ligachova, Director and Chief Editor, *Telekritika* magazine, Kiev

Alexander Makarenko, Production Director, Internews-Ukraine, Kiev

Victoria Marchenko, CTO for U-Media Program, USAID, Kiev

Irina Prokopyuk, Editor and Publisher, *Kafa* newspaper, Feodosia, Crimea

Ali Safarov, Deputy General Director and Head of the Analytical and Legal Department of the UAPP, Kiev

Taras Schevchenko, Media Lawyer, Internews Network, Kiev

Rostyslav Vavriv, Executive Director, Radio Lvivska Hvylya

Tatiana Vorozhko, Media Advisor, OSCE Project Coordinator in Ukraine

Moderator

Kateryna Laba, Media Trainer, Kiev

MEDIA

SUSTAINABILITY

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IREX

UKRAINE AT A GLANCE

GENERAL

■ **Population:** 47,034,000 as of September 2005; 47,157,000 average for January–August *State Committee of Statistics*

■ **Capital city:** Kiev

■ **Ethnic groups (% of population):** Ukrainian 77.8%, Russian 17.3%, Belarusian 0.6%, Moldovan 0.5%, Crimean Tatar 0.5%, Bulgarian 0.4%, Hungarian 0.3%, Romanian 0.3%, Polish 0.3%, Jewish 0.2%, other 1.8% (2001 census) *CIA World Factbook*

■ **Religions (% of population):** Ukrainian Orthodox—Kiev Patriarchate 19%, Orthodox (no particular jurisdiction) 16%, Ukrainian Orthodox—Moscow Patriarchate 9%, Ukrainian Greek Catholic 6%, Ukrainian Autocephalous Orthodox 1.7%, Protestant, Jewish, none 38% (2004 est.) *CIA World Factbook*

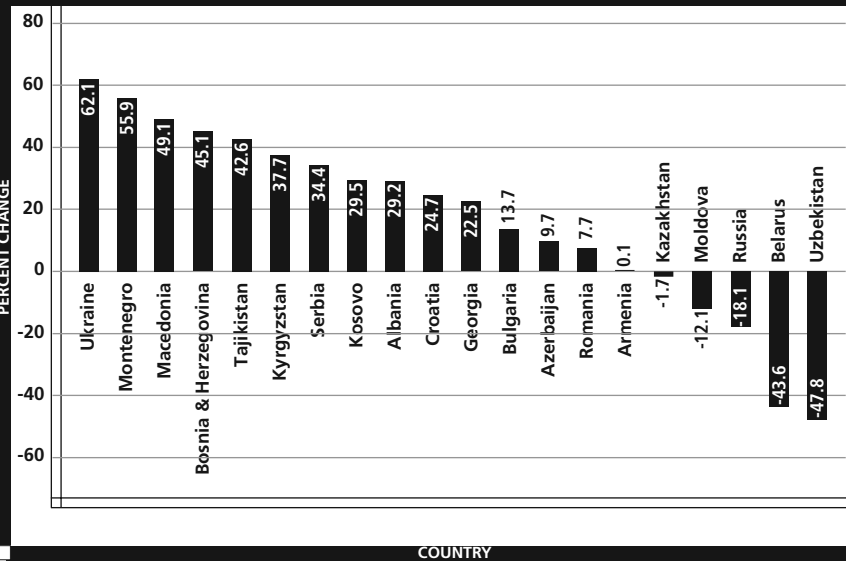
■ **Languages (% of population):** Ukrainian (official) 67%, Russian 24%; small Romanian-, Polish-, and Hungarian-speaking minorities

■ **GDP (purchasing power parity):** \$299.1 billion (2004 est.)

■ **GDP per capita (purchasing power parity):** \$6,300 (2004 est.) According to the International Centre for Perspective Studies, the 2005 GDP will be about 412,100 to 418,493 million UAH. GDP growth is forecast at 3.5%.

■ **Literacy rate (% of population):** 99.7% (male: 99.8%, female: 99.6%) (2003 est.) *CIA World Factbook*

MSI AVERAGE SCORES—PERCENT CHANGE 2001–2005



■ **President or top authority:** President Viktor Yuschenko, Prime Minister Yuriy Ekhanurov

■ **Next scheduled elections:** Parliamentary, March 2006

MEDIA-SPECIFIC

■ **Newspaper circulation statistics (total circulation and largest paper):** *Silski Visti* claims its total circulation to be 1,519,705 copies. UNPA (UAPP) estimates its member newspapers circulate 10 million copies.

■ **Broadcast ratings (top three ranked stations):** Inter, 1+1, Novyi Kanal *GfK USM, open sources*

■ **Number of print outlets, radio stations, television stations:** 20,903 officially registered print publications; 8,859 national, regional, or foreign periodicals; 12,044 local circulation papers *State Committee on Television and Radio, as of June 25, 2005*

1,211 television and radio outlets as of January 1, 2004 (35 state-owned, 422 communal, 754 commercial) *National Council of TV and Radio Broadcasting, 2004*

■ **Annual advertising revenue in media sector:** Television: \$232 million, outdoor: \$116 million, print: \$107 million, radio: \$20 million *Forecast by the All-Ukrainian Advertising Coalition in July 2005*

■ **Number of Internet users:** 18% of population, with Internet accessible to 24% *GfK USM*

■ **News agencies:** Interfax, UNIAN, Ukrainski Novyny, DINAU (Ukrinform)

MEDIA SUSTAINABILITY INDEX: UKRAINE

