

# ICPS newsletter<sup>®</sup>

## The new Government program: What's different?

***On 15 January, Premier Yulia Tymoshenko openly discussed her draft Government Action Program called "Ukrainian Breakthrough: For the people, not for politicians" with the public. The fact that there is such a program is already very positive. But judging by its content, it remains little more than an instrument to protect the Cabinet from being fired for 12 months, rather than a document that organizes and plans the work of the Government. ICPS analysts Viktor Chumak and Ivan Presniakov wrote this article for Ukrayinska Pravda, an internet publication, about what's wrong with the new Government Action Program***

### Old programs rewritten

According to Government officials, the Tymoshenko Action Program expands and concretizes the action program signed not so long ago by the ruling coalition. In its turn, the latter reiterated some 90% of the agreement on a united opposition signed by BYT and NU-NS in February 2007. To the same extent, that oppositional agreement was a reiteration of the coalition agreement in 2006 that BYT, Nasha Ukraina and SPU signed shortly before coalition talks collapsed. Strangely enough, the coalition action program presented in the "Agreement to Set up an Anti-Crisis Coalition" was also little more than an abridged version of the 2006 coalition agreement among BYT, NU and SPU.

Over the last two years, in short, coalition programs have changed very little. Their content and main sections remained unaltered. What few changes there were, have been related only to specific promises sprinkled throughout the given program. Sometimes, the parties changed the year of expected accession to the WTO or the year the ban on selling farmland would be lifted. Sometimes, they added or removed specific ticklish issues and innovations, such as Ukraine's membership in NATO, and so on.

Given the fact that government policy made no headway over the last two years, the Government Action Program presented

by Yulia Tymoshenko, its goals and objectives remain urgent and important.

### Old mistakes repeated

In the text, this heritage means that, while containing all the positive aspects of its predecessors, this program reflects all the drawbacks of previous programs as well.

These are the same old problems for which experts have upbraided Ukrainian Governments and coalitions in the past. First among these is the absence of any link between the program-drafting process and the budget-making process. From year to year, the State Budget is drafted in almost complete isolation from any Government Action Program. There are no regulatory mechanisms that might link these two processes or make one of them depend on the other.

More broadly, the Government Action Program has a completely incomprehensible place in the state planning process. The Constitution and the Law on the Cabinet of Ministers—both the current law and the Bill that is being prepared to replace it—do nothing to link Government Action Programs with other state programs or the State Budget.

Furthermore, it remains hard to understand whether the particular Program is intended to be for one year or for the entire term of office of a given Cabinet of Ministers. The Tymoshenko Government has announced

that its program is a strategy for the entire term of the Verkhovna Rada and will be supplemented with annual Action Plans for the Cabinet of Ministers and specific ministries that add the details to this core Program.

### Too many priorities

However, even as a strategy, this Program contains too many "top priority" objectives for the Government to fulfill within such a short period as five years, which is its theoretically maximum term of office. Like its predecessor two years ago, this Program emphasizes the need to implement more than a dozen various reforms. However, it is physically impossible to implement all these reforms simultaneously, for no more reason than the fact that significant public funding is needed to implement each of them. Also, before implementing these reforms, the impact of their implementation needs to be assessed.

Clearly, it would make sense to begin implementing certain reforms only after other, more urgent objectives have been met. As before, however, the current Government Action Program fails to demonstrate that the Members of this Government understand what the logic of their steps should be or what kind of the impact they will have.

When there are too many goals, some of them inevitably contradict each other. How can the Government cut taxes and increase social outlays at the same time? Or, having proposed the option of paying for residential services with depreciated soviet savings, how can the Government prevent a short-term wave of non-payment for such services? And how does this correlate with the Government's plans to reform the residential services sector and provide incentives for a market economy in this sector?

## Voters should monitor the Government's program

On one hand, the Government Action Program is a document for the Cabinet of Ministers itself, a plan outlined by the Cabinet for itself. On the other, it is a map for the public to monitor how politicians are fulfilling their promises. The better and the more specific this plan is, the more chances that politicians will be able to carry it out and voters to evaluate it.

The Action Program of the current Government has been written in such a manner that it will be very difficult to monitor how it is being fulfilled in a year, in two or in three years. Except for key promises, such as repaying depreciated savings in Oschadny Bank, the rest of its commitments are very vague. The Program also contains few specific deadlines. So far, the Government Action Program only looks like little more than

a way to get the green light from the Verkhovna Rada for the next year.

*The full version of this article can be found on the site where it was posted: <http://www.pravda.com.ua/news/2008/1/15/69756.htm> (in Ukrainian).*

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# Consumer optimism takes a dive

**From August to October 2007, consumer confidence sharply deteriorated in Ukraine. In October, the Consumer Confidence Index (CCI) stood at 95.0, 7.7 points below the value registered in August. Prior to this drop, the CCI had been steadily rising since April 2007, breaking the 100-mark in August 2007. This meant that Ukrainian consumers were optimistic at the end of this summer**

The Index of the Current Situation (ICS) was 96.6 in October, 9.2 points below the value registered in August. The Index of Current Personal Financial Standing x1 also fell 9.6 points over August-October, to 88.0. This is a record-low value since June 2007. Having reached a record high in August 2007, the Index of Propensity to Consume x5 dropped 8.7 points, to 105.2.

The Index of Economic Expectations (IEE) fell 6.8 points, to 93.9. Short-term expectations of Ukrainians deteriorated the most: This index x3 plunged 15.1 points, to 84.8.

ICPS and GfK-Ukraine economists blame the steep deterioration in consumer confidence at the beginning of Fall 2007 on a sharp acceleration in inflation over this period, further depreciation of the US dollar against key global currencies, and a worsening situation on global financial markets in connection with the US mortgage crisis. In addition, the political situation in Ukraine was little comfort to the country's consumers. The pre-term Verkhovna Rada election did not significantly change the political situation in Ukraine and, consequently, has not brought real stability.

Inflationary expectations continue to be reliably high among Ukrainians: the Index of Inflationary Expectations (IIE) was 185.6 in October 2007. Compared with August, it remained nearly flat. Against the background of an overall

worsening in consumer confidence, the Index of Expected Changes in Unemployment (IECU) also deteriorated. This index was 117.1 in October 2007, a record high since June 2006.

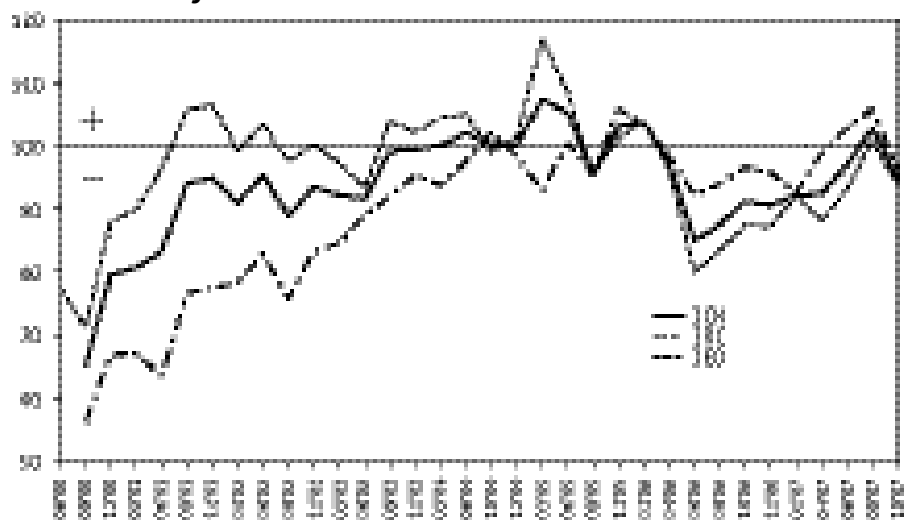
The survey showed that consumer confidence deteriorated across all regions, except for Kyiv. Despite this deterioration, optimism prevailed in Western and Southern Ukraine in October, where the CCI was 105.2 and 102.2. The most pessimistic expectations were registered in Northern and Eastern Ukraine, where the CCI was 83.9 and 84.4.

Residents of major cities showed the most pessimistic expectations: their CCI was 84.3 in October, 11.2 points below the value registered in August. The most optimistic consumer confidence was in mid-sized cities, where the CCI was 100.3.

Consumer confidence deteriorated the most among poor and middle-aged Ukrainians. The CCI of Ukrainians with below-average incomes was 72.4 in October, or 14.8 points below the value registered in August. This is a record low for this year. The CCI of middle-aged Ukrainians, those aged 31-45, dropped 11.5 points, to 92.8.

*If you would like to subscribe to the consumer confidence bulletin, with its detailed analysis of the Consumer Confidence Index in Ukraine, contact our Client Relations Manager Andriy Starynskiy by telephone at (380-44) 484-4410, or via e-mail at [marketing@icps.kiev.ua](mailto:marketing@icps.kiev.ua).*

## Consumer Confidence Index in Ukraine



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