

ICPS newsletter[®]

ICPS analyzes the first 100 days of the new government

The main achievements of the new government have been decisive steps to fight corruption and alleviate poverty, success in international relations, and the commitment to work in an open and democratic manner. This behavior has ensured unprecedented voter support. The main risks are an unreformed public administration machine that lacks policies that are coordinated among different ministries and a consolidated informational strategy, a national strategy that is written into Government documents, and consultations with interest groups during the policy preparation process

The Yushchenko government enjoys a record-high level of public support

For the first time, Ukrainian society sees that the government it elected is working to fulfill its election promises. According to data from an opinion survey carried out by the Democratic Initiatives Foundation, the positive assessments of the new government were running at +54% in April 2005. By comparison, public confidence in the Government and president ranged between -35% and -45% during the last year of Leonid Kuchma's presidency.

The new government has taken many unpopular steps that could easily undermine public confidence. However, it seems that many of those bothered by its actions either understand and acknowledge the need for these steps or think that they can defend their own position in a democratic political debate. Currently, one active debate is on new restrictions on how the simplified tax system is applied to SMEs and another is on policy to foster FDI.

A breakthrough in international relations

First months of the new government were marked by considerable activity and achievements in relation to the EU. President Yushchenko was able to meet with heads of states who had earlier avoided his predecessor, Leonid Kuchma. At the same time, Ukraine is striving to sign key working papers on accession to the EU: the Ukraine-EU Action Plan and the "Road Map."

For the first time in recent years, the government took a clear position on

relations among Ukraine, Russia and the EU. This was done through public declarations of Ukrainian interests in these relations. Russia and the EU publicly confirmed the opinion that there is no contradiction in Ukraine's strategic relations in terms of its integration into the European Union and the Common Economic Area.

Institutional competition is a sign of a maturing democracy

Institutional competition emerged after the new government came to power. Developed democracies see competition among Government agencies as routine, as this is considered an additional guarantee of balanced, agreed and effective government policies. For example, a determined finance minister could transform the Government into a pure mechanism for collecting taxes and filling the State Budget. This means that the activity of the finance minister needs to be restrained by the economy minister, whose main goal is to develop the country's economy and who is interested in optimizing tax pressure.

Strong, legitimate political and economic players have started to emerge in Ukraine. The positions of the premier, chair of the National Security Council and ministers are becoming clear. At first glance, the conflicts arising among these individuals seemed like personal quarrels among politicians who are mere human beings. At any rate, that is how these conflicts are being interpreted by journalists, ordinary Ukrainians and the politicians themselves.

Yet government officials in the West interpret such conflicts as the normal protection of interests by people heading

different agencies of a democratic government. The emergence of this kind of competition in Ukraine is evidence that the country's democratic transformations are moving in the right direction.

However, an overall state strategy has not been evident yet

Most evaluations of the first 100 days of the new Government presented by specialists and journalists have not mentioned the strategic capacity of the new government to correctly identify goals and take consistent steps to achieve these goals. This has happened because Ukrainians have become used to understanding Government strategy as farsighted intentions and not as a combination of stated goals and steps to achieve these goals. Another obvious reason is that the new government, which instinctively sees its strategic goals and takes the steps to achieve them, has not produced any document that would formulate its overall strategy.

Nevertheless, there is an overall state strategy. For example, Ukrainian voters heard from all the officials of previous Governments about a fight against corruption, but saw no steps taken to achieve this goal. The new team prioritized combating corruption in the highest echelons of government and its first steps brought order to the Customs service and cancelled privileges that both created an unequal playing field for business and fostered shadow operations.

The new team is clearly strategic, but it is not formulating its strategy, and it is not presenting its steps to voters or evaluating them in terms of achieving its declared goals. According to public policy standards, any Government declarations should not be oral statements but should take form of public documents.

Openness has grown, but transparency has not

The members of the new Cabinet are showing more openness to the media.

Yet the decision-making process in the new Government has not become any more transparent than during the presidency of Mr. Kuchma. Apparently, the Yushchenko team wants to be transparent, but it does not have the necessary skills and does not quite understand the concept.

In democratic countries, transparency is ensured through consultations with stakeholders—business associations, political parties, trade unions, and others—during the policy-making process. The Government informs stakeholders about what it sees as current problems, possible options for handling these problems, and the outcomes of previous efforts, and invites them to a dialog to jointly determine its next steps. In combination with analysis of the impact of Government decisions on the behavior of influential interest groups, such debates give the Cabinet a deeper understanding of ongoing problems and arm them with arguments, facts and figures in discussions with those who oppose introducing a particular policy. Ultimately, they make Government actions consistent. Without analyzing the impact of its policies and the reaction of stakeholders, a new government is forced to either cancel decisions or eventually amend them in order to reflect those legitimate demands of various interest groups that were not considered.

The Government should include consultations with interest groups in its day-to-day work. For this purpose, it needs to clearly identify these groups and the points in the policy-making process where this dialog between the government and its electorate should take place.

The analysis of stakeholder positions and government policy options on various issues can be carried out both by working groups inside the relevant ministries and by independent think-tanks. Developed democracies have made much progress in this area, whereas Ukraine hardly uses this tested method for developing policy. Separate instances of this kind of policy-making approach can be found in the areas of commercial activity and taxation.

The Government should learn to speak “with one voice”

Members of the Government can often have contradictory opinions. However, once a decision has been made, the public should see that the Government’s position is unanimous. Moreover, there should be no public conflicts aired among government officials.

For this purpose, democratic countries have policy coordination mechanisms. Totalitarian countries content themselves with prohibiting government officials from stating their own opinion when it differs from the party line. The skill of “speaking with one voice” can be developed by establishing a policy coordination system and putting together the Government’s information strategy.

Institutional reform was replaced with personnel shuffles

The new Administration’s steps to achieve its declared goal faced the institutional incapacity of the old government machine to implement reforms. The new government did not make institutional restructuring its task and replaced this concept with a simple shuffle of personnel. Now it will have to implement critical reforms while relying on executive agencies that are hangovers from Leonid Kuchma’s presidency—or even soviet times.

Still, institutional reform is one of the key elements that will ensure the successful implementation of any changes in Ukraine. According to the philosophy of the PHARE program, whose aim was to prepare post-socialist Central and Eastern European countries for EU accession, reforms should be based on five mandatory elements:

- **Legislation:** Which regulations should be replaced, introduced or cancelled to achieve the declared goal?
- **Institutions:** What should be changed in ministries and other government bodies? Is it necessary to set up new government bodies and disband old ones?
- **Infrastructure:** What changes are imperative to provide technical support?
- **Financing:** What is the Budget and what are the sources of financing?
- **Training:** What skills are needed to implement these tasks? ■

The ICPS evaluation of the new government’s work can be found in the “100 Days of the New Government: The opinion of non-government policy centers” study in the “Social Policy” section at www.civicua.org/library/view.html?topic=130001&folder=0 (in Ukrainian) and in the article “One Hundred Days of the Orange Revolution: The ordeals of a public policy school” by ICPS Director Vira Nanivska on the ICPS website at www.icps.com.ua/eng/library.html?6.

Foreign experts assess reform conditions in Ukraine

On 16 May 2005, the International Centre for Policy Studies hosted a conference called “How to improve the business environment in Ukraine: Lessons from Central European reforms.” Participants in the conference were Ukrainian and Slovak Finance Ministers, top experts in economic reform from Slovakia, Poland, Hungary, and Ukraine, top officials from government agencies, entrepreneurs, academics, and journalists.

Participants in this event all agreed that the political situation in Ukraine had changed for the better. Experts from Visegrad countries said that the political will, the unity of top officials in implementing economic reforms, and the emergence of political demand for change among voters were factors favorable to reforms.

According to participants, the risks the new government faces are:

- attempts to alleviate poverty by increasing social spending without a clear policy of instituting structural changes;
- the adoption of laws and regulations without establishing a public dialog and consultations with voters;
- uncertainty and opaqueness in the privatization process;
- the lack of national fuel and food reserves.

Updates of this conference can be found on the ICPS website at www.icps.com.ua/eng/project.html?pid=77. Presentations of experts from the Visegrad Four can be viewed on the ICPS website of the conference at www.icps.com.ua/eng/project.html?pid=77. The experience of Central European countries in reforming their pension and social security systems, healthcare, tax system, business environment, and public administration has been summarized in a publication that can be found in the ICPS internet library at www.icps.com.ua/eng/library.html?1.

This dialog was organized as part of the “Transferring Slovak economic reform know-how during pre-election and post-election debates in Ukraine” project, jointly implemented by the International Centre for Policy Studies and the Institute for Economic and Social Reforms (INEKO), Bratislava, Slovakia. Financing was provided by the Slovak Development Agency (SlovakAid).

icps newsletter is a weekly publication of the International Centre for Policy Studies, delivered by electronic mail. To be included in the distribution list, mail your request to: marketing@icps.kiev.ua.

icps newsletter editor: Yevhen Shulha (shulha@icps.kiev.ua)
Phone: (380-44) 236-4477. Fax: (380-44) 236-4668
English text editor: L.A. Wolanskyj
Articles may be reprinted with ICPS consent.

The International Centre for Policy Studies is an independent research organization whose mandate is to promote the introduction of public policy concepts and practices in Ukraine. This is achieved by increasing the know-how of key government officials for policy choices, formulation and debate, and the awareness of the public-at-large of the benefits of policy.
Address: vul. Pymonenka 13A, Kyiv, Ukraine 04050
Web-site: <http://www.icps.com.ua/eng/>