

# ICPS newsletter<sup>®</sup>

## Ukraine's universities need to rise to international standards

***Ukraine's post-secondary educational institutions need to change. Yet the platform from which it might be possible to transform higher education in Ukraine has not yet been set up. International Centre for Policy Studies Director Volodymyr Nikitin wrote in an article for the journal Expert that there are several aspects involved in reforming post-secondary education. One of the main conditions for this kind of reform, he writes, is to establish at least one institution that is world class, with global strategic objectives***

### A different understanding of higher education

Most Ukrainian employers are finding it hard to hire a real specialist. At the same time, most post-secondary instructors are convinced that nothing much needs to be changed in the current system of education—except maybe to raise their salaries.

For many students, the university is only a place where diplomas are issued. And only people who care about the intellectual future of this country understand that there is still no platform from which it might be possible to begin to transform the entire system.

### Universities function without any strategy

When it comes to education, Ukraine has fallen far behind the rest of the world. As before, the country is repeating the German model of industrial and scientific institutions of higher learning. At the same time, the rest of the world has concentrated on the “educational supermarket” model for some years now, a model that has already led to a threatening expansion of the ideology and technology of endless consumption.

Moreover this model is gradually becoming the new educational paradigm: The university as resource center, as a place to train specialists who are ready to work on preserving and multiplying resources.

Ukraine's universities do not have a clear picture of the future. Meanwhile, all the best institutions in the world are busy developing their strategies for the next 20–30 years. For example, Russia is now preparing its model educational system for up to 2024.

### Post-secondary schools need to tackle global strategic issues

The main condition for reforming higher education is to establish at least one higher school that is world class and has global strategic objectives. It should get major financing, especially private capital, so that it can demonstrate a different direction for education to develop in. As world practice shows, this is the only way to adapt the educational system to global changes.

### The university needs “workshops”

Gradually, the rest of the world is beginning to understand that a real education can only be ensured through the teacher-pupil relationship. In order to preserve a high quality of education, it needs to be revived at a new technological level. Yet nowadays the student is the main base, while the teacher is becoming virtual.

Students build their educational trajectory through various teachers and institutions. On principle, the new, experimental university needs to establish a number of educational loci, such as

### By the way...

ICPS analysts Maksym Boroda, Ildar Gazizullin and Olha Romaniuk spent the week of 29 May – 2 June in Budapest under the LGI Program of Fellowships for Russian-speaking specialists.

ICPS economists are working on their next set of medium-term economic and political forecasts for quarterly predictions.

ICPS is preparing the latest version of its informational booklet on the Centre's activities, services and publications.

laboratories, planning bureaus, workshops, strategic centers and so on, where real masters would work and teach, while their students would have the opportunity to choose which workshop to frequent.

### Business should support educational reform

This kind of institution should get serious support, especially from private business, as that is the only sector that understands the scale of the catastrophe in Ukrainian education.

Meanwhile, the state needs to set up an independent center to work on the change of content, the democratization and globalization of education, and to develop a system for evaluating its quality. But the main thing we all need to understand is that the time to invest in education arrived long ago. ■

*The complete article is available at <http://expert.ua/articles/7/0/5412/>*

*For additional information, contact ICPS Director Volodymyr Nikitin by telephone at (380-44) 484-4444 or via e-mail at [vnikitin@icps.kiev.ua](mailto:vnikitin@icps.kiev.ua).*

# Strengthening the hryvnia changed little

**The one-time appreciation of the official hryvnia-dollar exchange rate on 21 May has raised a storm of disputes. Some say that the average Ukrainian whose savings are being returned in dollars is being defrauded. Other say that similar average Ukrainians will win from the stronger hryvnia. Meanwhile, ICPS economist Oleksandr Zholud wrote for *Gazeta-po-ukrainsky* that the strengthening of the hryvnia has, so far, brought few changes**

Economic theory states that, all other conditions being equal, those who were saving their money in cash dollars and dollar deposits, those who had borrowed hryvnia, and exporters are all worse off now. Similarly, those who have hryvnia deposits, those who borrowed dollars, and importers have gained. However, these are very simplistic assessments of the situation.

Even after the strengthening of the hryvnia, a person can still buy the same number of goods and services in the US or abroad for cash dollars. The number of dollar bills in circulation has not gone down—people are just getting fewer hryvnia for them. Yet blaming the NBU for all this is also pointless, as every central bank has to support the currency of its own country, not foreign currencies.

Nor do those who have dollar savings suddenly have more dollars in their pockets. But the number of hryvnia in the pockets of those who preferred their own currency has also not grown. Yes, they can buy more dollars for the same sum of hryvnia and, theoretically, a greater number of imported goods.

**Hryvnia deposits fell UAH 2.9bn; hryvnia loans dropped nearly UAH 4.6bn**

According to the NBU, Ukrainians held some US \$14.4bn on deposit and had taken out nearly US \$23bn in loans by the end of April. From now on, hryvnia will only get you more dollars to pay off a loan. Moreover, their volume is greater than the volume of dollar deposits. So, overall, ordinary Ukrainians have won. The value of dollar deposits fell UAH 2.9bn, while the value of loans has fallen nearly UAH 4.6bn. This represents a “net gain” of UAH 1.7bn.

But all the gains from the stronger hryvnia are far less in total than the damage that inflation is causing to savings. The losses of those who had hryvnia on deposit since the beginning of the year were greater than the sudden loss from the stronger hryvnia among those holding dollars. Of course, those who had cash dollars lost most of all.

The main argument of those against appreciating the hryvnia is that Ukrainian goods will become less competitive on world markets. Formally, this is true, because the production cost of goods is in hryvnia, while the selling price is set in dollars.

So let's look at the prices for Ukraine's main export products—steel, fertilizers, agricultural products and heavy machinery. Over the last year, they have grown more than the 4% that the hryvnia was appreciated. In some product groups, price rises have not been in double-digit percentages, but severalfold.

Nor have production costs stood still, also because of inflation. So the effect of revaluating the hryvnia has not been significant for most exports. Meanwhile, prices on imports will not go down, because demand for them remains strong in Ukraine. Household appliances are selling strongly and people are lining up to buy new cars, sometimes waiting for few months. With this kind of “shortage,” sellers will not start cutting prices just because the hryvnia has been revaluated. Consumer lending plays a much more important role here. ■

*For more information, contact ICPS economist Oleksandr Zholud by phone at (38044) 272-1050 or via e-mail at [ozholud@icps.kiev.ua](mailto:ozholud@icps.kiev.ua).*

## **Ukraine's Participation in EU Agencies and Programs: Prospects and Opportunities**

The International Centre for Policy Studies has released a book entitled “Ukraine's Participation in EU Agencies and Programs: Prospects and Opportunities.” Prepared under the “EU-Ukraine FTA: Analytical, methodological and informational support for negotiations,” this report provides detailed information about EU agencies and programs. Thus, it can serve as the basis for informed decisions on the part of the Government in the future.

Ukraine and the European Union are preparing to move to a qualitatively new level of relations. At the moment, talks are going on regarding a deeper agreement that will replace the 1997 Partnership and Cooperation Agreement and will ensure the country's political association and economic integration with the EU. The Agreement is expected to provide deeper collaboration on both political and foreign policy matters and in the judiciary and internal affairs. It will also contain a list of measures to establish a Free Trade Area.

As an addition to the new agreement, the EU is offering Ukraine instruments that will also foster integration, especially through participation in its agencies and programs. In 2007, the European Commission established the list of agencies and programs that are partly or fully open to the participation of neighboring countries, including Ukraine. The task for the Ukrainian side is to understand what opportunities this proposition offers and to clearly outline Ukraine's intentions, in accordance with the country's basic strategic priorities and interests.

*ICPS has been implementing the project with financial support from the Swedish International Development Agency (SIDA). ICPS's partners in this project are the Ministry of Economy, the Ministry of Foreign Affairs, and the Secretariat of the Cabinet of Ministers.*

*The electronic version of this book can be downloaded at <http://www.icps.com.ua/doc/Book-all.pdf>.*

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**icps newsletter** editor: Olha Lvova ([olvova@icps.kiev.ua](mailto:olvova@icps.kiev.ua))  
Phone: (380-44) 484-4400. Fax: (380-44) 484-4402  
English text editor: L.A. Wolanskyj  
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Address: vul. Pymonenka 13A, Kyiv, Ukraine 04050  
Web-site: <http://www.icps.com.ua/eng/>