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Additional Resources for Reforms: Make hay while the sun shines

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As an EU neighbor and partner country, Ukraine has been a major recipient of EU funds. Allocations aimed at effective execution of reforms brought Ukraine approximately €1.5 billion over 2007-2010 alone. While the country is suffering an economic crisis, these resources are vital for Ukraine to implement a strategic course of reform. How effective have such funds been for promoting systemic reforms in Ukraine? What can be done to improve this? First of all, proper planning and prioritization are necessary. Then, Ukraine needs to clearly articulate its priorities in Brussels and other EU capitals.

Ukraine has never been strategic in its approach and has never engaged with the EU at early stages, that is, when the EU budget was being elaborated. Thus, EU funding mostly reflected the vision of the European Commission with little input from Ukraine. Yet reforms and alignment to EU norms cost a good deal. Obviously, Ukraine needs to bear the main burden, but EU funding should also be clearly matched to domestic resources and properly targeted.

Ukraine is about to make an unprecedented step and clearly state its priorities to the EU by end of 2010, until the EU spending plan, the 2014-2018 MAFF, is cast in stone.

Status quo

In recent years, the European Neighborhood Policy has been the backdrop for the EU-Ukraine relations and EU aid was delivered through the new European Neighborhood and Partnership Instrument (ENPI). Over 2007-2010, Ukraine received approximately €1.5bn of a total of €12bn earmarked for ENPI countries over 2007-2013.

This admittedly large sum has singularly failed to meet the intended purpose: a reform process. The reasons for it are manifold. On one hand, the European Union has never consulted Ukraine about the country's priorities and needs before the Union's

multiannual budget was approved. On the other hand, the Ukrainian government has never taken the initiative in lobbying its needs proactively.

This EU aid was received unenthusiastically by Ukrainian officials. They neither cooperated with the EU to ensure effective use of the funds, nor did they perceive them as incentives to reform. This, coupled with Ukraine's low absorption capacity, minimal conditionality on the EU side, and no civil society involvement in setting priorities, prevented EU funding from having a real impact.

EU budget as a reflection of priorities

The Multiannual Financial Framework (MAFF) is a many-year spending plan that translates the EU's policy priorities into financial terms. It caps expenditures and defines priorities for a fixed period of time. The review of the EU budget process launched in 2006 has shown that the spending priorities of EU voters are economic revival, climate change, energy, and foreign relations. The latest version of the budget reform agenda gives a positive signal to countries in the European neighborhood: there may be more money for them in the next EU financial framework.

In 2010, the European Council and the European Parliament will discuss the Commission's budget reform proposal. The Commission will then submit the final MAFF proposal to the Council of Ministers and the European Council in the first half of 2011. The European Council and the Council of Ministers will have final say on this by the end of 2012.

Pushing the right buttons

So, what could and should Ukraine do? The answer is to get its act together and define how much money is needed from the EU and for what purposes. To get what the country needs, Ukraine must actively lobby its position before headings and ceilings are defined at the end of 2010.

Moreover, Ukraine must ensure that its message gets into the right ears. The key lobbying targets are, among others, the President of the European Parliament, the Budget and Neighborhood Policy Commissioners in the European Commission, and individual Member States—Heads of State and of Governments, finance and economy ministers. The High Representative for Foreign Affairs and Security Policy is also a crucial decision-maker worth appealing.

To reach these institutions and their key actors, Ukrainians need to look behind the scenes and approach their aides and advisors. They are one of

the best access points to make sure the message gets through. Another target is European NGOs, where lobbying can help to spread a more positive opinion of the country, as well as clarify aims and means.

The observer status that three Ukrainian parties—Nasha Ukraina, Batkivschyna and Narodnyi Rukh Ukrainy—enjoy with the European People's Party provides inter-party contacts within the European Parliament that must be used by the party's leading members.

Conclusion: Make hay while the sun shines

It is crucial that Ukraine participate in the discussion on the EU's financial agenda before limits are put in place. Relations between the EU and Ukraine will enter a new phase with the signing of the Association Agreement. This legally binding document should increase conditionality and define a new course of national reforms, which Ukraine is pledging to undertake. With Ukraine's European integration at stake, the country's leaders should treat funding from the 2014-2018 MAFF as indispensable leverage for reforms.

Several challenges must be faced—first and foremost, the need for consensus. It must be reached on reform priorities and their costs. Currently, there is little institutional coordination in Ukraine, divergence in the priorities of top decision-makers, and no clear course towards reform. In addition, the answers to these issues must be supported by a responsible national position.

Secondly, the severe time pressure needs to be kept in mind. Ukraine has less than 12 months altogether to devise and deliver a persuasive message.

Finally, the ongoing economic crisis is a good reason for Ukraine to ask money, but an equally good reason for the EU to turn down any request. This means Ukraine's arguments must be honed to perfection, making the message as persuasive as possible.

However, effective implementation of the reforms by Ukrainian government now will strengthen Ukraine's case best. It means that the lion's share of responsibility for reform process is on government's side.

Meeting these challenges will not be easy, but the results will pay off. By creating a strong message and a clear lobbying strategy, Ukraine will not only get support for its national development priorities, but it could even set a precedent for the Eastern Partnership region.

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