

ICPS newsletter[®]

#10 (473), 17 May 2010

Budget in the morning, reforms in the evening

In the midst of the uproar over the ratification of the “Kharkiv accords” regarding Russia’s Black Sea Fleet and the approach of the grandiose May holiday celebrations, another critical event—the adoption of the State Budget for 2010—passed largely unnoticed. Even less attention was paid to the State Program for Ukraine’s Socio-Economic Development for 2010, which passed first reading in the Verkhovna Rada. Yet this last document merits considerable attention, given that, according to Ukrainian law, it is supposed to determine the country’s development priorities for the upcoming year—and to be adopted by the Rada alongside the State Budget

Given the relatively painless way in which this year’s Budget was adopted, the likelihood is high that the Socio-Economic Development Program will be adopted with equal dispatch. Which means it is worth looking at what exactly the new Government intends to do with the country over the 7.5 months left until the end of this calendar year.

What immediately draws the attention is the grandiloquent subtitle of this document, “An anti-crisis program.” The question immediately arises as to the point of such a name: the country’s economy is already showing a clearly positive dynamic, while the Program itself anticipates several percentage points of growth in GDP with a matching improvement in related macroeconomic indicators.

To more accurately reflect its actual content, the Program should have been called “Innovative model without innovation.” Because all discussions about the innovation and investment model of development in this document have been diluted into absolutely standard provision.

Essentially, the 2010 State Program for the Socio-Economic Development of Ukraine is not really an instrument for planned development. It contains not what the Government plans to do and is capable of carrying out but only things that it might dream about—little more than a Dear Santa letter that goes on for 117 pages. At best, it outlines a desired state of affairs, such as: “Providing first jobs for young

people who have completed their post-secondary education.” Or the commitment to develop a bill or other normative act that—it is not clearly stated just how—might ensure that this objective is attained.

The way that everybody breathed a sigh of relief after the adoption of the State Budget and seemingly forgot about the Socio-Economic Development Program is the best indication of the complete fiction of the link between these two key elements in the system of state planning. Indeed, the planning of Ukraine’s development is not only disconnected from the Budget process, but also separate from the planning of reforms. After all, it’s quite unclear why the program of reforms widely announced by the new Government yet unmaterialized would exist in complete isolation from the Socio-Economic Development Program, while the latter contains only the vaguest hint of any reforms.

Despite its impressive volume, Ukraine’s latest Socio-Economic Development Program contains very little of any substance. At least 90% of it is a collection of populist slogans without even any ideological basis. In fact, it is hard to understand how anyone could go about analyzing such provisions as “Improving the quality of medical services for the public,” which is baldly stated without any points of reference for its real-world undertaking. At the other extreme are confirmations along the lines of “The level of unemployment according

to ILO methodology shall be reduced to 8.1%” not followed by any information about why 8.1% was chosen and not, say, 7.5%, or how either level might be achieved.

In terms of content analysis, only the introductory section of the State Socio-Economic Development, which contains the Cabinet of Ministers’ urgent anti-crisis measures. Specifically, this section mentions the intention “to reduce the list of State Targeted Programs that are funded by the State Budget, leaving only those aimed at resolving immediate problems in 2010.” This means that public funding will be significantly curtailed in most areas in order to direct that money to the Azarov Government’s priorities, such as preparing for the EURO-2012 Football Championships.

Now this is a step that is without any doubt necessary to consolidate available resources and undertake current commitments, but it should not be done at the expense of urgent state functions. Among others, the current State Budget stops funding the State Transplant Program, which clearly does not belong among the Government’s priorities, yet could cost the lives of thousands of Ukraine’s citizens.

One of the few intentions expressed by Party of the Regions whose usefulness is hard to underestimate is “deregulating commercial activity.” That this is viable can be seen by the fact that this particular slogan actually made it from Viktor Yanukovich’s campaign platform into the State Socio-Economic Program. What remains is the hope that it will be carried out sufficiently consistently to have a real impact and not following the path of least resistance—a principle that has buried more than one reformist initiative.

The Socio-Economic Development Program calls for “instituting a ‘special

customs zone' on Territories of Priority Development." Despite the spotty reputation of such zones in Ukraine, this regional development instrument has proved effective in other places in the world and is widely used, especially to stimulate growth in depressed regions.

"Optimizing the fiscal burden on the real sector of the economy" means transferring the tax burden from big

business to SMEs, private entrepreneurs and individuals. This seems to be the purpose of such moves to change to legislation as "increasing the efficiency of administering personal taxes" and "improving the taxation system regarding self-employed individuals (SPDs or those involved in commercial activity)."

Depending on when it is likely to be approved, Ukraine's latest Socio-Economic

Development Program is likely to be intended, not for all of 2010, but for only the second half of the year. And this will make it twice as hard to actually carry out ■.

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Strategic partnership without a strategy

Since Ukraine declared its independence, its leadership has armed itself with strategic partnership as an instrument for gaining friends on the international arena. As a result, the country currently has nearly 20 strategic partners, all of which are selected and declared regardless of Ukraine's actual Foreign Policy Strategy. Indeed, these "strategic partnerships" are not a component of the country's political process but isolated elements of a non-existent system, ICPS analyst Kateryna Zarembo wrote in a recent issue of Den'

The European Union, which incidentally is not a designated strategic partner of Ukraine, is a good model for how to use strategic partnership as an instrument. Eurocrats do not waste their words. Relations in the context of a "strategic partnership" have been clearly designated by European leaders as a "club of the chosen" and are built on the basis of detailed technical bilateral documents. At this time, nine countries belong to this "club," each of which is a powerful world or regional leader: Brazil, Canada, China, India, Japan, Mexico, Russia, South Africa, and the US. For other important players, including neighbors, other designations exist: associated partnership, partnership and cooperation, eastern partnership, and so on. And along with that goes a variety of policy approaches.

Ukraine, by contrast, does not work this instrument to the benefit of its own interests, applying it in a chaotic manner. Thus, strategic partnership with Ukraine gradually loses its value for countries that could otherwise offer it considerable benefits.

Most of the partnerships Ukraine has touted are largely declarative in nature. The types of documents that they involve—memoranda, declarations and charters—are general documents that do not define specific areas of cooperation.

Nor do they include detailed plans for realizing this.

There is no official list of countries that are Ukraine's strategic partners. The 20 declared partnerships are covered by only eight actual bilateral documents that have been signed with Azerbaijan, Bulgaria, Canada, Georgia, Poland, Russia, the US, and Uzbekistan. All the other partnerships have been confirmed only through rhetoric—Argentina, China, Finland, Germany, Israel, India, and Slovakia—or are clustered together as a group with common interests—Ukraine's remaining geographic neighbors—and reference to these is in a resolution of the Verkhovna Rada "On the basic directions of Ukraine's foreign policy." This kind of approach is as absurd as an "oral" approval of legislation and inevitably devalues strategic partnership as a foreign policy instrument.

On another level, the depth of relations with certain strategic partners does not match the depth of relations with others. It is not surprising that, during his first visit to Brussels as President of Ukraine, Viktor Yanukovich spoke of the priorities of Ukraine's foreign policy without once mentioning Argentina or even Georgia. Instead, among the priorities he named integration into the European Union, renewed friendship

with Russia, developing good neighborly relations with nearby countries, and strategic partnership with the US. Of course, neither Argentina nor Georgia can compete in terms of their level of development with the EU or Russia. In that case, however, they are not really strategic partners.

In short, Ukraine does not have what the world calls strategic partnerships. Our strategic partnerships are not essentially different from simple partnerships or functional bilateral relations. For all the declared strategic partnerships to actually work, Ukraine needs to either deepen relations or review them—and equally for all.

In this kind of situation, the decision should be to develop a strategy for domestic and foreign policy that establishes the national interest, the country's goals and the partners that can help Ukraine in reaching them. Such a bill is apparently being drafted and word is that it will be submitted at the beginning of June. Still, it is not clear what facts and convictions will be taken into account during the preparation of this document and whether it will be realistic. If it is not, Ukraine's strategic partners will remain a pretty package with nothing in it, which will only contribute to Ukraine's loss of face as an international partner. It will also make it impossible to deepen bilateral relations for mutual goals and benefit. ■

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icps newsletter is a bi-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.

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