

The bumpy road. Difficult reform process in Ukraine

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The post-Maidan Ukrainian government found itself forced to launch a comprehensive state reform process due to both the deep crisis in all the key areas of the state's operation and the enormous demand for change among the Ukrainian public. The promise to carry out structural reforms based on the European model became a key point in Kyiv's political rhetoric. However, one year after the formation of the second cabinet led by Arseniy Yatsenyuk (2 December 2014) and one and a half years since the inauguration of Petro Poroshenko as president (7 June 2014), it is clear that the reform process in Ukraine is moving at a snail's pace and is far from fulfilling its post-Maidan declarations. It has also provoked increasing frustration among the public due to the lack of expected effects.

Over the past few months Kyiv has initiated a few major changes, the most significant of which include: starting work on the decentralisation of the state; initiating the process of reforming the judiciary system and creating anti-corruption institutions; and launching reforms of the gas and internal security sectors. In each of these areas it can be said that this is merely the beginning of a process which is far from complete. Difficulties in the reform process are occurring because in most areas simply bringing the institutions responsible for a given section of the state's life back to effective operation will be insufficient and they have to be rebuilt from the ground up.

Delays in the reform process are growing. This is due to a number of factors, the most important of which are: strong resistance from the circles whose interests are at stake; rivalry between the various political players for maintaining control over a given area of operation of the state; conflicting interests and disputes between the four parties which form the government coalition; the influence of oligarchs linked to individual groups in the government; and the Ukrainian bureaucracy's inefficiency and corruption. In some areas there is a lack of political will visible in the government. This is because the political elite has been changed only to a limited extent after Maidan. Last but not least, the reforms have been slowed down because a large part of the state administration had to make efforts to defend the country as a consequence of Russian aggression.

In effect, pressure from the International Monetary Fund and the EU (both of which made their aid to Ukraine facing bankruptcy which dependent on the introduction of specific legal and institutional changes) became the key stimulus for initiating the most important reforms in Ukraine. The previous experience of reforms which were carried out only halfway and which were far from being finalised has shown that bringing the Ukrainian state to a healthy condition – and thus getting rid of the post-Soviet mechanisms of its operation and implementing European models – will be a long-lasting process that will require firm action, including the effective combating of corruption.

The ambitious promises

During the first few months after Maidan, all the major Ukrainian politicians declared a systemic modernisation of the country to be their priority. Petro Poroshenko, who was elected president in late May 2014, for example said that the reforms are “another stage of our revolution”, “the route of tectonic changes which we must not go through but rather run through, [because] the alternative is total collapse”¹. In turn, Prime Minister Arseniy Yatsenyuk presenting

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his cabinet in the Verkhovna Rada said “we are ready for the most radical, the most stringent and the most effective reforms”². The presidential National Reform Council, an advisory body for strategic planning, was established in July 2014. Two months later, President Poroshenko presented a document entitled *Strategy of Reforms 2020* envisaging sixty reforms “of the system and concerning all political, economic and social institutions” which should be “implemented almost simultaneously”³.

President Poroshenko mentioned the following among the priority reforms:

- combating corruption
- changes in the bureaucratic apparatus,
- the judiciary
- decentralisation
- tax reform
- deregulation and development of entrepreneurship
- security system reform
- energy reform.

¹ President Petro Poroshenko's speech during the 'Strategy 2020' conference of 25 September 2014 and during his address to the Verkhovna Rada on 27 November 2014.

² Inauguration speech of Prime Minister Arseniy Yatsenyuk, 2 December 2015.

³ President Petro Poroshenko's speech during the 'Strategy of Reforms 2020' conference of 25 September 2014.

The changes were thus intended to cover almost all the key areas of the state's operation. Even though intensive fights continued at that time in Donbass, the Ukrainian president declared (and many other politicians repeated this) that “military actions should not be used as an excuse for the lack of reforms”⁴.

Only a few moves linked to reforms were made in 2014. This low level of activity, and thus failure to capitalise on the social mobilisation which reached its peak at that time, resulted on the one hand from the electoral calendar, i.e. the snap presidential and parliamentary elections (on 25 May and 26 October respectively), and on the other from the active phase of the military operation in Donbass.

The most important steps taken were:

- the reinstatement of the constitution in the 2004 version, and thus re-enactment of the parliamentary-presidential system (February);
- the launch of the judiciary reform (April);
- adopting the acts on public prosecution authorities and lustration (September) and on counteracting corruption, and on the establishment of the National Anti-Corruption Office (October)⁵.

The fact that pro-European forces gained a majority in the new Verkhovna Rada and formed a coalition that was capable of amending the constitution built up hope that the reforms would be launched within a short timeframe⁶. President Poroshenko declared on the first anniversary of Maidan, “Firing back at the aggressor with one hand we are speeding up reforms with the other. In 2014, we preserved Ukraine. 2015 must become crucial for the introduction of fundamental changes in the construction of

⁴ President Poroshenko's speech during his meeting with representatives of civil society, 9 July 2014.

⁵ The parliament's insufficient engagement was criticised by some clear-sighted foreign observers, who began a few months after the elections to share their opinion that Ukraine was wasting time and that the reforms should be launched during the first year of the government's operation. One example of this was the speech given by the former Georgian economy minister Kakha Bendukidze.

⁶ For more, see: Tadeusz A. Olszański, A strong vote for reform: Ukraine after the parliamentary elections, OSW, 29 October 2014.

a new state”⁷. Below is an attempt to evaluate the reforms (or lack thereof) in the key areas.

The amendment of the constitution and decentralisation

The Ukrainian government withdrew from developing a comprehensive draft of a new constitution, instead choosing to amend some of the provisions of the one in place. Two draft amendments of the constitution have been prepared so far: one limiting the immunity of MPs and judges (approved by the Constitutional Court in June 2015) and one concerning the decentralisation of the country and vesting local governments with greater powers (adopted in the first reading on 31 August 2015). The third draft concerning the judiciary was put forward at the end of November. The draft amendments which envisage stripping MPs and judges of immunity means that one of Maidan’s demands will be met, but this is clearly an unpopular move among the political elite.

The decentralisation project envisages a fundamental reform of the state through the introduction of a new three-level organisation of the local government and by significantly cutting back the central administration’s competences with regard to local communities. These latter will be vested with a very broad spectrum of powers, thus becoming the real organisers of social life in the regions. Local state administration bodies currently in place will be liquidated and replaced with prefectures which will have supervisory and coordination competences⁸. The implementation of this reform will lead to a modernisation of the state, will stimulate other essential changes and trigger regional development. Therefore, it can be said that decentralisation is one of the key reform projects launched after Maidan.

⁷ The Ukrainian president’s speech at the ceremony commemorating the first anniversary of Maidan, 20 February 2015.

⁸ For a more extensive outline of this project see: Tadeusz A. Olszański, Ukraine is divided over constitutional reform, OSW, 2 September 2015.

Although the draft is well-prepared, it is at present unlikely to be adopted in the second reading (scheduled for the end of 2015) since it requires a qualified majority (300 votes). This is because the regulations introducing the draft contain the provision stating that “the special manner of operation of some districts in Donetsk and Luhansk oblasts is regulated under a separate act” (article 18), which has become the subject of

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massive criticism from part of the government coalition and public opinion who fear that this opens up the way to introducing autonomy for Donbass. These provisions are an attempt to implement the provisions of the Minsk Agreement which are disadvantageous to Ukraine (point 11). Combining the issue of the region’s special status with the decentralisation act is in fact blocking this extremely important reform, and poses the risk that it will not be implemented.

As part of preparations for the reform of local government in February 2015, parliament passed an act enabling *silradas* (rural councils; there are 10,000 of them) to unite into larger communes which will have much greater financial and organisational opportunities, as a result of which local governments of the lowest level would be strengthened. The process commenced in summer 2015 and is, at least in theory, voluntary. However, it is clear that oblast administrations have been developing plans for the small councils to unite into bigger units, and have been putting pressure on their councils to expedite this. According to data available in early November, 151 of the 800–900 planned new communes have been created, which means that it is moving too slowly. Furthermore, the budget and the fiscal codes were amended at the end of 2014, resulting in

more money becoming available as part of local budgets since 1 January 2015. One source of these additional funds are the additional incomes from excise duty and the real estate tax⁹. Furthermore, the act on the registration of individuals and corporate entities was amended in November 2015, offering more extensive competences to local governments in this area, and further 'decentralising' amendments were made to the fiscal code.

The judiciary reform

Soon after being sworn in, President Poroshenko branded the judiciary reform "the reform of all reforms"¹⁰, promising that this will be one of the first and major changes. Already in April 2014, the Verkhovna Rada adopted a law "on bringing back confidence in the judiciary", and passed a new act on the public prosecution authorities last September (it became effective in July this year). The former had introduced major changes in the system of courts of general jurisdiction and also lifted the restrictions which had been imposed on the competences of the Supreme Court under the act of July 2010.

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Furthermore, President Poroshenko established a Council for Judiciary Reform in September 2014, which developed a bill which guarantees the right to a fair trial which was enacted by parliament in February 2015. The most important changes include bringing back the strong position of the Supreme Court and enabling the 'certification' of judges (verification of their

professional competences and integrity). One weakness of this process is that presiding judges will be elected by the judges of the same courts, which will lead to the existing system being entrenched (around 60% of the previous presiding judges have been re-elected)¹¹.

The changes made so far, and especially the attempt to carry out a major staff clear-out in the judiciary and public prosecution authorities, have met with strong resistance from these circles. The procedure for introducing changes in the judiciary corps has also been criticised by some non-governmental organisations, who insist that all judges need to be dismissed and then hired as part of a competition procedure. However, this solution could disrupt the operation of the judiciary. The plans include essentially improving the independence of judges by shifting the competence of making staffing decisions from the president and parliament to the newly established Supreme Council of Justice. The president may appoint judges only upon a motion by the council, and decisions to dismiss judges will be taken by the council alone. It is not planned for independence to be granted to the public prosecution authorities. However, the public prosecution authorities will no longer have the function of general supervision over law enforcement, and parliament will no longer be able to bring a motion of no confidence with regard to the prosecutor general. The changes which have already been made in the judiciary can be summed up as steps in the right direction, albeit still insufficient. They have failed to meet the far-reaching expectations of the public, especially as regards eliminating corruption among judges. However, this is impossible to achieve through judiciary reform alone, since effective anti-corruption actions are needed. On the other hand, excessive radical changes, especially among the staff working for courts, may disrupt the functioning of the judiciary.

⁹ Their incomes increased by 37% in the first six months of 2015.

¹⁰ President Poroshenko's speech at the meeting of the National Reform Council, 7 August 2014.

¹¹ The Supreme Council of Justice has brought motions to dismiss almost 400 judges, but the Verkhovna Rada has dismissed only 127 of them so far (the total number of judges being around 8,000).

The government has promised to adopt more legislative acts. Already in May this year, President Poroshenko approved the strategy for reforming the administration of justice for 2015–2020 which envisages, for example, changes in the criminal and civil procedure codes and serious changes in the act on legal practice. A further amendment to the act on the right to a fair trial is also being prepared.

Combating corruption...

All Ukrainian public opinion polls indicate that corruption is viewed as the main challenge for the state (alongside the conflict in Donbass). In Transparency International's corruption perception ranking Ukraine was ranked 142nd among the 175 countries covered in 2014. For this reason, anti-corruption measures have been mentioned as one of the key issues in all the political manifestos announced by the Ukrainian president and prime minister. It has been clear from the very beginning that it will be impossible to reform the state (including the public administration system) unless anti-corruption policy rules are introduced and a comprehensive system of state institutions to combat corruption is created. Regardless of this, the first moves to combat corruption were made as late as October 2014, when the Verkhovna Rada adopted a package of anti-corruption laws. These envisaged, for example, the establishment of two specialised institutions: the National Anti-Corruption Bureau (NACB) in charge of preventing, disclosing, combating and detecting corruption crimes in the state administration, and the National Agency for Prevention of Corruption (NAPC) tasked with checking whether state officials' income declarations are correct. Establishing these authorities was one of the conditions under which financial assistance was to be offered to Ukraine by the International Monetary Fund.

The Ukrainian government declared that the anti-corruption institutions would begin their

operation in January 2015, but it turned out very quickly that these flagship actions would be introduced with a massive delay from the very beginning. The main challenges include the recruitment and training of the staff as well as developing the rules of co-operation with other law enforcement agencies. The head of the National Anti-Corruption Bureau was selected only in April 2015, and the first detectives started their work six months later. Even more serious delays have been seen in the launch of the National Agency for Prevention of Corruption which reports to the government and which, unlike the NACB, will only be an inspectorate, with no operational or investigative competences. The NAPC will begin its work only around February–March 2016, provided that its head has been appointed by that time.

The reform of anti-corruption bodies in Ukraine has so far been limited to adopting the basic legal acts regulating their operation.

The activity of the anti-corruption bodies will be supervised by the Specialised Anti-Corruption Prosecutor's Office established on 22 September 2015 under the act on prosecution authorities as a separate body within the structure of the Prosecutor General's Office. The establishment of this institution is one of the conditions the EU set in order for a visa-free regime with Ukraine to be introduced. However, some controversies have arisen over the past few weeks concerning the makeup of the commission which chose the institution's head and prosecutors. The effectiveness of the operation of the Anti-Corruption Prosecutor's Office will fully depend on the reform of the prosecution authorities as a whole and on the verification of their staff. On 10 November 2015, the Verkhovna Rada passed an act establishing both the National Agency for Tracing and Managing Corrupt As-

sets and also amendments to regulations concerning the confiscation of criminal assets. The agency, which will begin operation within a few months at the earliest is expected to collect information on the proceeds gained from corruption practices and make it available to investigators, and also to manage the assets following arrest.

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The reform of anti-corruption bodies in Ukraine has so far been limited to adopting the basic legal acts regulating their operation. The newly established institutions have not in fact begun their operation due to the excessively long process of staff recruitment and training, which prevents them from carrying out their tasks.

...and the lustration

The so-called government clean-up (lustration) process is a separate issue. An act regulating this was passed a few weeks ahead of the parliamentary election in 2014 in response to extremely strong pressure from the Ukrainian public that corrupt officials, prosecutors and judges be eliminated from public life¹². However, the lustration process has encountered great difficulties, and the act itself has been contested at the Constitutional Court (the proceedings are underway). One year since the launch of the lustration process, around 10% of those who must undergo this procedure (according to estimates, their number is between 700,000 and 900,000) have been checked. Given the fact that this procedure was to be conducted in 2015–2016, this is not

a satisfactory result. According to rough data, the number of people who are banned from holding public functions as a consequence of the lustration process does not exceed 10%. However, it should be noted that a significant number (it has not been defined precisely) of officials who are eligible for lustration avoided it by resigning from their offices. Another way to be exempted from this obligation is to obtain a certificate proving participation in the military operation in eastern Ukraine (whether authentic or false), which provides automatically exemption from lustration procedures.

Other serious problems include the chaotic wording of the lustration act, the ambiguity of some of its provisions and the poor preparation of the lustration procedure. It was a mistake to entrust lustration to the heads of individual institutions, which in effect undermines the reliability and the effectiveness of the lustration. It is a commonly held opinion that the government clean-up process has failed to bring the expected results partly because MPs, mayors and city councillors have not been obliged to undergo lustration procedures.

The internal security sector reform

Under pressure from public mood and given the need to fulfil the condition set by the EU and the IMF, the Ukrainian government must face the challenge of carrying out a structural reform of the Ministry of Internal Affairs, which will in fact be transformed into a new ministry by 2016. On 2 July 2015, the Verkhovna Rada adopted acts: on internal affairs agencies and on the National Police. According to the former, the following agencies will be included in the system of internal affairs agencies: the National Police, the National Service for Emergency Situations (which at present reports to the ministry of defence), the National Migration Service and the National Guard. This means that the Ministry of Internal Affairs will play a more important role in the system of security authorities, and that the position

¹² For more information, see: Tadeusz A. Olszański, The Ukrainian Lustration Act, OSW, 1 October 2014.

of the ministry's head has strengthened significantly. The progress made in reforming the Ministry of Internal Affairs so far includes: embedding the Traffic Police (DAI) in the patrol service, the liquidation of the Directorate for Combating Organised Crime and entrusting the criminal police block with its functions, creating a special police unit named KORD modelled on America's SWAT in place of existing troops (including Berkut, Sokol and Hryfon).

The National Police Act sets the legal principles for the organisation and the operation of police forces, the status of police officers and the procedures applicable while on duty. The National Police will consist of the criminal police, patrol police, preliminary proceedings bodies, security police, special police forces and elite special purpose police units. The new institution is expected to take its final form by April 2016 and is directed by a civilian head nominated by the Council of Ministers¹³. The establishment of the National Police has been very positively evaluated by the public and is viewed as one of the greatest achievements of the new government. The recruitment of new staff undermines the reform's effectiveness. The need to replace most of the officers who until recently served in the *militsiya*, a formation which is generally viewed as especially morally corrupt partly due to their venality, will affect the tempo of forming the National Police.

As the new anticorruption services were created, the competences of the Security Service of Ukraine (SBU) had to be reduced. In October this year, this agency lost its prerogatives to conduct investigations into economic and corruption crimes. The new SBU's priorities will include counter-intelligence and combating terrorism. Contrary to earlier declarations of the SBU's leaders, a programme document setting out the guidelines for reforming this agency has not yet been presented.

The conflict in Donbass made it clear to the

government that the intelligence services had to be reformed (they were rather unsuccessful, especially concerning military surveillance). Their poor condition was the result of many years of negligence linked to the withdrawal from activity in the Russian direction, infiltration by the Russian services and, in the case of military intelligence, involvement in illegal arms trading. President Poroshenko has made moves which may be proof of an attempt to re-create the intelligence services. On 8 October 2014, he established the Committee for Intelligence (as part of the structure of the National Security and Defence Council) tasked with controlling, analysing, coordinating and planning intelligence activities.

A visible problem is the lack of improvement in the conditions for the development of small and medium-sized firms and the still insufficient deregulation of the economy.

On 12 November 2015, parliament passed the Act on the National Bureau of Investigations. This is expected to be an executive body responsible for preventing, tracing and prosecuting organised crime, felonies punishable by life imprisonment, war crimes, for prosecuting violations of human rights committed by public officers, including crimes committed by officers of the NACB and the Anti-Corruption Prosecutor's Office. The bureau was established to meet another requirement set by the EU. However, as with other services, it will take a long time before it is formed.

The economic reforms

The Ukrainian government's activity in the economic sector depends on the provisions of the loan aid programmes the IMF offered Ukraine as part of the Extended Fund Facility worth US\$17.5 billion signed in February 2015. The reforms are taking place against the backdrop of the most severe economic crisis since the

¹³ Only a civilian will be able to be the minister of internal affairs. Khatia Dekanoidze, the former Georgian minister of education, was nominated the head of the National Police.

late 1990s, one effect of which was GDP falling by 7.5% last year and by a forecasted 11% this year. However, over the past one and a half years, Kyiv has managed to achieve a relative stabilisation of the macroeconomic situation,

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to introduce floating exchange rate and to slow down the devaluation of the national currency, increase foreign currency reserves (from around US\$5 billion to US\$13 billion), generate a balance of payments surplus, increase state revenue from taxes, partly restructure foreign debt¹⁴, and also improve the situation and the transparency of the banking system (over 50 of 180 existing banks face liquidation).

Ukraine's grey economy is estimated to be worth at least 47% of the country's GDP¹⁵ and moves have been made to curb it by way of expanding (from 1 July) the list of entrepreneurs who have an obligation to have cash registers, and also to boost state revenues, for example, by introducing an electronic VAT management system (state revenues have increased by US\$1.7 billion in effect of this move). In June, the Verkhovna Rada passed an act granting more autonomy to the National Bank of Ukraine, and in July it amended the act on the Accounting Chamber of Ukraine expanding its competences for auditing the way public funds are dispensed. In turn, in September, the parliament simplified the purchase and public procurement procedures to curb corruption and improve com-

petitiveness. In turn, it has been impossible to adopt new tax regulations and to complete the reform of the ineffective pension system.

The changes introduced are still not comprehensive, and serious impediments remain which prevent their implementation; the lack of improvement in the conditions for the development of small and medium-sized firms and the still insufficient deregulation of the economy being the main problems. The World Bank's annual *Doing Business 2016* report, which was published at the end of October, suggests that the climate for doing business in Ukraine has improved only marginally. Improvement has been seen in three out of the ten categories examined. The situation has worsened in four categories and has remained unchanged in the remaining three. As a result, Ukraine was ranked 83rd among the countries covered by the report, moving up three positions¹⁶.

The reforms in the energy sector

The passing of the law on the gas market in April 2015 has been the most important reform in Ukraine's energy sector. This act envisages the adoption of the most important principles of the EU's energy regulations, including the so-called third energy package. The implementation of this document was among the conditions for Ukraine to receive a loan from the IMF. The main goals of this act included creating an effective gas market and transparent competition rules, and also the division of Naftogaz. The law came into force on 1 October and merely marks the beginning of the very complicated process of reforming and demonopolising the gas sector. It will, furthermore, be necessary to pass a number of other laws and executive acts. To date, the acts on improving Naftogaz's financial stability and on transparency in the energy sector have been passed. Naftogaz

¹⁴ Owing to a deal struck with private creditors in August which provides, among other things, for the cancellation of 20% of the debts (US\$ 3.6 billion). For more information on this, see: Rafał Sadowski, Ukraine's agreement with private creditors, OSW, 2 September 2015.

¹⁵ According to data from the Ministry for Economic Development, the grey economy may even be worth 56% of GDP.

¹⁶ Ease of doing business in Ukraine 2016. For comparison, Georgia was ranked 24th, Belarus 44th, Russia 51st and Moldova 52nd.

has also managed to regain control over local gas distribution networks (known as *oblhaz-es*) which had previously been controlled to a significant extent by oligarchs (mainly Dmytro Firtash). It was only in October that the government adopted (behind schedule) the action plan for launching the process of transforming Naftogaz into a corporation run in a transparent manner¹⁷. The document was passed under pressure from the European Bank for Reconstruction and Development, which made granting Ukraine US\$300 million for buying gas from Western suppliers dependent on this.

Even though actions have already been taken, reforms in the energy sector have been implemented too slowly due to the Ukrainian bureaucracy's indolence and also because the gas reform is the most difficult to be conducted, given the fact that the tendency to generate corruption is inherent in it and considering the interests of the biggest Ukrainian business and political players¹⁸. One proof of this is the excessively long work on the establishment of an independent energy market regulator to replace the existing National Energy and Utilities Regulatory Commission. According to the bill under preparation, the new authority will have much more extensive competences; it will be vested with investigative functions and instruments for protecting competition on the market and imposing fines. The act is planned to fully comply with EU directive 2009/73/EC, but it clashes with the interests of the large players on the electric energy market, above all Rinat Akhmetov's DTEK corporation, which has approximately a 30% share of the market.

Work on other reforms in the energy sector has

also been initiated. In April 2015, the Ministry for Energy presented guidelines for the coal industry reform. However, this is mainly a diagnostic document and is still awaiting approval from the government. The final version of the bill regulating the electric energy market was presented in September. It is of key significance for reforming the electric energy sector, and its tasks will include a demonopolisation of the

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market. Kyiv's achievements also include the difficult decision made in February this year that in two years' time the charges for gas and electricity for households will be raised (depending on the group of customers it could be by as much as 300%) as will be for heating (by 67%). Previous practice had detached the prices of these from the market due to political reasons. As with other moves, this one has also been forced by the IMF.

The evaluation and the future of Ukrainian reforms

The Ukrainian modernisation, given the size of the country and the scale of the existing problems, is unprecedented in the post-Soviet area. Ukraine has been facing the challenge of reforming almost all the key areas of the state's operation. Furthermore, the background in which the reforms are taking place – the war with Russia determined to thwart Ukraine's successful modernisation, and the deep economic crisis – is extremely unfavourable. Another factor that lowers the readiness to change the system is the low quality of the Ukrainian political elite. Most of the new country leaders were part of the previous political

¹⁷ The action plan in this area provides for shifting the company's shares from the Ministry for Energy to the Council of Ministers, for depoliticisation and improving the performance and transparency of Naftogaz's operation, for example by appointing a new supervisory board consisting of seven members (four of whom will be specialists selected as part of a competition) and enhancing its competences.

¹⁸ See: Wojciech Konończuk, Reform #1. Why Ukraine has to reform its gas sector, *OSW Commentary*, no. 181, 2 September 2015.

establishment and have held senior positions in the state administration over the past decade. Many of them still have links with the oligarchic milieus, and some (like President Poroshenko) own large businesses themselves. Maidan gave rise only to new mid-level leaders, and the war has absorbed the attention of social activists almost completely, leaving freedom of action to the old political and bureaucratic elite.

Pressure from the International Monetary Fund and the EU became the key stimulus for initiating the most important reforms in Ukraine.

As a result, the effort put into reform over the past year or so turn out to be insufficient, despite the fact that under 'normal' circumstances they would have been an undoubted achievement, given the military conflict, the crisis in Ukrainian statehood and the Ukrainian public's new expectations (often unrealistic). On the one hand, the government was able to initiate many reforms heading in the right direction, the most important of which are decentralisation, the beginning of judiciary reform, gas and banking sector reform, establishing anti-corruption institutions, slowing down the downward trend in the economy and improving the functioning of financial institutions. But on the other hand, it can only be said that this is just the beginning of a difficult process in each of these areas, and the government's inconsistency and delays in implementing many desirable solutions have been seen in most of the cases. Furthermore, the government has been unable to regain public confidence in the state. One example which perfectly illustrates the scale of the Ukrainian government's negligence is combating corruption, which has been one of Ukraine's main problems. The anti-corruption bodies established a year ago are still to begin their operation, and some of them will have to

wait months before they are able to start. It is difficult to resist the impression that the delays are the result of intentional efforts made by a section of the state apparatus. In effect, only 11% of Ukrainians have noticed some improvement in the fight against corruption, while 51% of them claim that the situation has worsened, and 32% believe that nothing has changed¹⁹. The fact that the public has not felt any improvement of the situation is one of the new government's biggest failures, and this has resulted in a dramatic decline in public support for them. Meanwhile, the future of Ukrainian reforms to a great extent depends on successful anti-corruption measures. Ukraine's political system reform is also deadlocked. Although a few positive solutions have been implemented (especially the new principles for financing political parties²⁰ and the consolidation of smaller communes into larger units), the process of amending the constitution has faced numerous impediments. In the case of decentralisation, reform has been made dependent on Kyiv's fulfilment of the provisions of the Minsk Agreement which are disadvantageous to it. Lustration and judiciary reform has met with similarly strong institutional resistance. One exception is the creation of the new police force, which has been the only clearly successful project to date. In the area of the economy, Kyiv has been unable to significantly improve the conditions of developing entrepreneurship and doing business. Nor has it succeeded in reforming the fiscal system. It will be impossible to achieve sustainable economic growth without extensive liberalisation, continued and deeper deregulation and further efforts to reorganise the banking sector.

At present the majority of the reforms conducted have resulted in passing laws. Although

¹⁹ Survey conducted by Rating Group Ukraine for IRI between 16 and 30 July 2015.

²⁰ On 9 October, the Verkhovna Rada passed an act on the financing of political parties introducing subsidising political parties from the state budget starting from the second quarter of 2017 and significantly reducing the possibilities individuals and companies have to finance political parties.

this is a natural beginning of the process, real change will take place once they have been put into effect, and this will need time, preparation, the passing of numerous regulatory acts of the lower rank (mainly governmental), building new structures and staff recruitment. It is already clear that these procedures are being implemented too slowly. It also seems that, at least in some cases, the statutory transitional periods (during which the procedures are to be executed) are too long.

It needs to be emphasised that it has been possible to implement an essential part of the most important reforms owing to pressure from international institutions which in fact forced the Ukrainian government to make some of the changes (for example, establishing the anti-corruption institutions, the gas sector reform and the changes linked to visa liberalisation) threatening that financial support would be withheld otherwise. Constant pressure from the EU has made it possible to break resistance from the political forces and the bureaucratic system, which are reluctant to introduce the changes that will improve the transparency of the government system's operation. The continuation of the reform process will also depend on constant and consistent pressure from such institutions as the EU and the IMF. However, it is important that international pressure is present not only at the stage of adopting legal acts but also when the new solutions are being put into practice.

Ukraine is still to introduce the systemic changes that will make the reform process irrevers-

ible. It could be claimed that the last year or so has been wasted to a certain extent due to indolence and, in some areas, the lack of political will, resistance from certain interest groups, and the ineffective bureaucratic apparatus. The political elite failed to capitalise on the great public mobilisation during the first few months after Maidan, which was the best period for introducing the reforms. Much seems to indicate that the conditions for reforming the state will be harder in the coming months. This is due to both the ever stronger internal political dispute – and thus difficulty in maintaining political stability – and the growing impatience and disillusionment among the Ukrainian public. As many as 68% of Ukrainians believe that their country is going in the wrong direction²¹, which means that the public's 'preferential treatment' of the Ukrainian government has ended and that protests cannot be ruled out, especially given the fact that civil pressure has become an important element of Ukrainian politics since Maidan. In addition to this, the conflict in Donbass has not yet been completely 'frozen', and the war with Russia still continues. The combination of all these elements allows the belief that the process of reforming Ukraine, which has just begun, will take a long time, the public will not feel its effects soon, and its outcome still remains unclear.

²¹ Rating Group survey conducted for IRI in September 2015. 67% of Ukrainians shared this opinion in September 2013.

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