



White Paper

Reforming Ukraine

Preamble

Poor governance characterized by systemic corruption fueled political and economic dissatisfaction among the Ukrainian population since the state became independent in 1991. After **Viktor Yanukovich** came to power it gave rise to a new **kleptocracy** that almost ruined the country. Deterioration of democracy and the rule of law prevented foreign investment, holding back economic transformation, and frustrated hope for overall improvements in quality of life. When Yanukovich adopted a decision to suspend negotiations with the EU and not sign the Association Agreement, mass protests erupted which led to Euromaidan events and subsequently the **Revolution of Dignity**.

After the Revolution of Dignity, Ukraine has faced the **illegal annexation of Crimea** by the **Russian Federation**. Russia showed further aggression in the Donetsk and Luhansk regions which lead to tremendous casualties (more than 8000 people killed, 19000 wounded, and 5 million citizens left in need of humanitarian aid) as well as economic and infrastructure damages.

The attitude of Ukrainian citizens has significantly changed towards EU integration (from 41.7% in 2013 to 52% in 2015 - a record level), support for democratic reforms and the fight against corruption. To stay true to the demands of the Euromaidan and to deliver what it owes to the people it represents, the current administration will have to proceed with bold, daring reforms to strengthen the independence and efficiency of the judiciary, instill the rule of law, deregulate the economy, reduce administrative bureaucracy and do away with corruption and the entrenched, rent-seeking oligarchy which plagues the country. Faced with growing popular dissatisfaction and apprehension of the burden of reforms, political forces will have to deliver tangible results in a short period of time to avoid destabilisation. The enormity of the task that lies ahead, in the midst of continued military aggression, requires political actors across the political and social spectrum, to exhibit unity and to act collectively in

condemning populism and adopting a responsible stance towards the citizens of Ukraine.

Ukraine is a country of huge potential, valuable mineral and land resources and a promising workforce that can deliver and innovate.

We recognise and commend the reforms undertaken by the Ukrainian administration in regard to debt restructuring and to decentralisation of the government. The threat of protests and violence that resulted are clear signs that reforming Ukraine will not be easy, but it will be possible with political courage and determination for implementation.

Reducing corruption in Ukraine reduces the tools that Russia has long used to maintain influence in the country. Kremlin's relationships with many of Ukraine's oligarchs and some of its gas deals with Ukraine appear to have been structured to help enrich these very oligarchs on the expense of the people. Anti-corruption reforms would eliminate one of the Kremlin's most powerful levers of influencing Ukrainian politics and would be the best weapon in the fight against Russian propaganda.

We call for prompt and bold reforms from the political system, with the support of civil society, so that Ukraine can regain its competitiveness, grow economically, eliminate corruption and reinforce the rule of law and take a prominent position in European and International affairs.

Political Reform

Ukraine's most difficult set of reforms will be to reduce corruption in the government and in the judiciary. Nearly all Ukrainians agree that fighting corruption is key to the country's success, but there is little agreement about how to reduce bribe taking.

1. Elimination of corruption is impossible without an independent judiciary. Effective judicial reform must foresee an effective and fair renewal of the judicial corps and securing the ultimate independence of judges from political influence.
2. Provide proper funding and political backing to the anti-corruption authority to enable it to perform its duty and bring corrupt officials to politically independent courts. Appointments should be made to the authority swiftly to allow it to commence work as soon as possible.
3. The fight against corruption is also a fight for transparency. Efforts should be made to provide freedom to mass media and limit their dependence on oligarchs by applying European standards of competitiveness. The existence of a well-financed, independent public broadcaster is a crucial condition to prevent the manipulation of facts and to counteract the abuse of political power.
4. Public sector employees should be reviewed based on merit, performance and delivery. This will not only help balance the budget, it will also help the citizens by providing them with the level of service they deserve. The recruitment of higher public servants needs to be effected based on transparent criteria, using a competitive system.
5. Ukraine is a nation composed of citizens of many different ethnic backgrounds and traditions, each being a unique and essential part of the overall state. Ukraine must ensure equality and protection of the rights of all citizens.
6. Decentralization of power would involve delegating considerable authority and budgets from state bodies to bodies of local self-governance, to entrust as much authority as possible to bodies operating closest to the public, where this authority can be exercised most successfully.

Economic Policy

1. There should be close monitoring of the implementation of the reforms, particularly those outlined in the **EU - UA Association Agreement**, to ensure that the debt restructuring success leads to the much needed long term growth in the economy. This will allow Ukraine to spend more of its budget towards job creation, particularly through funding infrastructure projects and with collaborations with the private sector.
2. Waste and corruption through bad governance that divert public funds to politically privileged groups should be eliminated.
3. A right structure of change to the gas subsidies system, with the proper communication to the Ukrainian people for the necessity of the reform, can eliminate problems in a politically consensual manner, coupled with support for the economically vulnerable citizens.
4. Public spending should be redirected from the poorly managed pension system that benefits the financially secure Ukrainians towards productive investments that will create jobs and increase competitiveness.
5. Health and education are not only morally important, they are also crucial if Ukraine's workforce is to increase its productivity and earn higher wages. Sorting out social services to reduce corruption and increase the level of the service is thus a crucial aspect of the country's economic reform efforts.

Security & Foreign Affairs

*As a sovereign and independent state, Ukraine has the right to decide its own future: politically, economically and militarily. Ukraine to date has been a partner to the EU and as a sovereign country it's free to choose its future and it's foreign policy. Ukraine is consistently fulfilling its obligations to restore peace in the Donbass region according to a package of measures agreed at a Summit in Minsk on the 11th - 12th of February 2015 by the leaders of Germany, France, Ukraine and Russia, the validity of which expires at the end of this year. However we are facing systematic violation of the Minsk agreements by the Russian Federation as well as its falsification of the court cases against the Member of the Parliament of Ukraine **Nadiya Savchenko**, film director **Oleg Sentsov**, public activist **Alexandr Kolchenko**, as well as other war and political prisoners that are illegally detained in the Russian Federation.*

1. Ukraine's right to self-determination must not be hindered by external forces, which infringe the freedom of Ukraine and the duty of the Ukrainian government to act in the best interests of the Ukrainian people. Cooperation with international organizations is a matter for the Ukrainian government and their people through democratic and legitimate channels. Ukraine should continue to commit to the steps agreed towards the visa-free movement of its people in the EU.
2. Ukraine's military has developed in the past eighteen months to a strong and reliable force in the area, with expenditures nearing 5% of GDP. A strong military to ensure the security of citizens must be balanced with a strong economy, a functioning healthcare system and a reliable education sector. Ukraine's government must develop a long-term strategy for military development, taking into account all budgetary and the needs of the society.

Civil Society & Civil Participation

In any society, the role of the people must be the driving force for change and development. The people know the needs of their communities and must be instrumental in directing reforms at a local level. We welcome the recent efforts to put decision making as close as possible to citizens. Participation of citizens at all levels of government is crucial, with citizen input into policy planning and policy implementation being essential.

1. The Ukrainian government to develop mechanisms for the institutionalization of effective and sustainable involvement of civil society in the decision making process. There should be public consultation with relevant NGOs, stakeholders, associations, trade bodies, etc. at Parliament committees and local councils.
2. Building the culture of civil society involvement is crucial. Ukrainian authorities should raise awareness to citizens through information campaigns that encourage participation, thus raising the potential of civil society in public administration.