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Technical Assistance to CIS countries

Case study of Ukraine

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1. Country Background

In July 1994, Leonid Kuchma was elected as Ukraine's second president in free and fair elections¹. Kuchma was re-elected in November 1999 to another five-year term. On the presidential campaign of October 31, 2004 the two major candidates – Prime Minister Viktor Yanukovich and opposition leader (and former Prime Minister) Viktor Yushchenko – each gained between 39% and 40% of the vote and proceeded to a winner-take-all second round. In the third round of elections, V. Yushchenko won with a slight advantage and was inaugurated on January 23, 2005 (while his competitor V. Yanukovich became prime minister).

Ukraine held parliamentary and local elections on March 26, 2006. International observers noted that conduct of the Rada election was in line with international standards for democratic elections, making this the most free and fair in Ukraine's history. However, contradictions between the parliamentary majority and the presidential administration led the country to a political crisis and ahead-of-schedule parliamentary elections, which ended without a considerable change in the balance of political forces. Most reforms promised by the 'orange parties' are still far from implementation; Ukraine is occupied with politics behind the scenes and different special interest groups are lobbying for their business and political interests. All that causes growing disappointment among the population and international society.

Since 2000, Ukraine is enjoying GDP growth, which amounted 12% in 2005 and 7% in 2006-2007. Even a doubling of the price for imported gas in 2005 didn't stop the economic growth. Ukraine has implemented privatisation laws, although unfinished, with numerous contradictions, violations and non-transparency. Ukraine encourages foreign trade and investment. The foreign investment law allows Westerners to purchase businesses and property, to repatriate revenue and profits, and to receive compensation in the event that property were to be nationalized by a future government. However, complex laws and regulations, poor corporate governance, weak enforcement of contract law by courts and particularly corruption have discouraged broad foreign direct investment in Ukraine. Total foreign direct investment in Ukraine amounted approximately USD 21.2 billion as of January 1, 2007. At USD 447 per capita, this is one of the lowest in the region (EBRD, 2007).

While former Soviet Union countries remain important trade partners (especially Russia and Turkmenistan for energy imports), Ukraine's foreign trade is becoming more diversified. Europe is now the destination of over one third of Ukraine's exports, while around one quarter of Ukraine's exports go to Russia and other CIS countries. Exports of machinery and machine tools are on the rise relative to steel, which constitutes over 30% of exports. Ukraine imports over 80% of its oil and 73% of its natural gas. Russia ranks as Ukraine's principal supplier of oil and Russian firms now own and/or operate the majority of Ukraine's refining capacity.

Ukraine applied for membership of the WTO in 1995. Progress on its application had been slow but picked up momentum in 2006. The government has made accession to the WTO a priority in 2007.

Social development of the country can be characterized by growth in living standards, although with slower rates than in Russia, Belarus or Kazakhstan. The average salary by the end of 2006 amounted 275 USD, pension – 100 USD.

The attitudes of the population towards market and democracy values, the relationship with the EU and Russia (CIS), NATO and other important issues indicating the track of future developments are considerably distinguished in both Western (pro-European, radical market reforms, national values) and Eastern Ukraine (more pro-Russian, anti-NATO values, etc.). Central Ukraine is in between these two extremes. The clash between the two contradictory views on future country development predetermines political crisis and postponed reforms.

¹ The first Ukrainian president was Leonid Kravchuk (1991-1994).

According to a sociologist survey, only 35% of Ukrainians are satisfied with their lives, while dissatisfied – 61%². 55% of Ukrainians are willing to unite politically with Russia. Meanwhile, 24% supports the idea to joining the European Union (17% of Russians and 27% of Belarusians).

2. Demand for Technical Co-operation in the Country

2.1. Attitude of the Government and Society towards Democracy and Market Economy

By 2003-2004 the country continued to lack a free-market vision at the highest level of the government. The governmental economic decision-making mechanisms lacked consistency and permanence and in stead were overloaded by populist and anti-market and protectionist decisions. The courts, the legal system in general and the administrative system were overloaded with corruption and inefficient bureaucracy. There were numerous cases of violation of property rights. The country's economy only slowly and insufficiently integrated into the global economy due to parliament's reluctance to pass the necessary laws. All that helped to V. Yuschenko to win the presidential elections in 2004. Indeed, the conflict between President Yushchenko's pro-market declarations and his cabinet's centralizing instincts and confused performance has resulted in an economic policy that appears to be static and populist in nature.

The official attitude towards TA in Ukraine has always been very positive. In order to co-ordinate and govern TA the Directorate for Co-ordination of International Technical Assistance (DCITA) was created, which is a structural division of the Central Office of the Ministry of Economy of Ukraine subordinated to the Deputy Minister of Economy of Ukraine. The main objective of the DCITA is to provide co-ordination and assistance in the sphere of external assistance ensuing from Ukraine's participation in international agreements (with international organisations such as the EBRD, the United Nations and World Bank), bilateral agreements (with individual countries) and membership of Ukraine in international organisations.

Easiness and openness for international co-operation and assistance led many international organizations, institutes and foundations to open representative offices in Ukraine. Technical assistance is subject of tax exemptions and does not need complex procedures of governmental approval. A list of most important International Projects and Technical Assistance Programs in Ukraine is available on http://www.pvp.org.ua/eng/international_programs/.

2.2. Technical Capacity of the Country

Among CIS countries Ukraine, to some extent, is an advanced country with respect to implementing different political and economic reforms. The efforts of international organizations for strengthening civil society and democratic institutes have led to democratic presidential (2004) and parliament elections (2006) and to the emergence and strengthening of numerous NGOs and political parties. Participation in different seminars, trainings and conferences has helped the growth of an elite (both quantitatively and qualitatively) with pro-democracy and pro-market values.

Ukraine has started or is ready to start most economic reforms. There are lots of projects implemented for improving energy efficiency and for private sector growth (barriers, micro lending, training of accouters for international standards of accounting etc.). All these projects are highly welcome among officials and most of recommendations have been accomplished or are in the process of being accomplished. However, most of the complicated and painful reforms are delayed or proceed very slowly. The bureaucracy, corruption and policies motivated by clan competition, was typical for Ukraine during Kuchma's governance. The 'orange revolutionaries' claimed to considerably change the situation and immediately after their victory started to implement administrative, juridical, tax, political and other necessary reforms. Western society, hoping for and expecting a considerable amount of changes in the country, even increased the amount technical assistance to Ukraine. Unfortunately, political and clan contradictions, the impossibility to separate politics and business by most of Ukrainian politicians did not allow realizing most pre-election promises.

² The Eurasian Monitor International Research Agency conducted polls in several CIS countries in May 2007 to find out what social attitudes of the population are. The polls were conducted in Belarus, Kazakhstan, Russia, Ukraine, Armenia, Azerbaijan and Kyrgyzstan. See <http://www.regnum.ru/english/842536.html>

Nevertheless, the problem with implementing reforms lies not in the quality of governmental experts and officials but in the low willingness for serious changes and painful reforms and in the unsustainable political situation. The European Commission, the US government, many international organizations have recently expressed their concern and disappointment by the slow pace and shallowness of Ukrainian reforms.

3. Supply of TA to the Country

3.1. Dynamics of TA Flows

Ukraine remains a critical country for both the US and the EU due to its strategic position between Europe and Eurasia and its importance in geopolitical terms. The country is one of the biggest recipients of TA provided both by the EU and the US. Besides international organisations and programs, the country receives a considerable amount of TA in bilateral co-operation with the British, Swiss, Polish and some other governments.

By 2004 Ukraine advanced in its transition, particularly in the economic domain, in its intention to establish a legal and regulatory environment conducive to private sector growth, which allowed to keep receiving considerable amounts of TA. Lots of funds were provided to the sphere of democratic development. Meanwhile, already in 2002 some financial institutions like the World bank, IMF, EBRD called for the reduction of some programs and credit tranches if the country would not continue reforms in taxation (especially reduction in tax exemptions), the energy sector (including cost recovery in tariffs and privatisation), in the monetary and banking sector, administrative and municipal reforms etc.

Nevertheless, the presidential campaign of 2004 and the parliamentary elections of 2006 sparked a high interest in the country. As a result, the existing programs were extended; many new ones were launched. The intention to move towards a market economy and democracy, to have a close relationship and a free economic zone with the EU, attempts to restructure and reform the economy resulted in a large increase of TA. Most projects are devoted to new private sector development, support of financial and technical infrastructure, energy efficiency and specialists' training. Still, lots of goals have not been achieved yet.

Due to a lack of information, it is generally very difficult to estimate real amounts of provided assistance. No databases are available; numbers are fragmentary, incoherent, or cover only a limited number of years. Donor sites do not provide proper information while OECD databases with this kind of information is neither available.

From compounding the major donors (EU, US), added with bilateral donors such as the EBRD and the WB and assuming that other donors do not exceed 10%, we can approximately put the amount of total TA received by Ukraine during 1992-2006 at USD 12.6b. In terms of GDP or GDP per capita this is much more than in Russia or Belarus (Table 1)

Table 1. Approximate flows of technical assistance to Belarus, Russia and Ukraine, m USD

	Approximate accumulated TA for the period from 1992-2006, m USD	Approximate TA in the period 1992-2005 to GDP ³ , %	Total accumulated TA per capita, USD
Russia	26163.0	3.41	181.6
Belarus	1174.3	3.89	119.8
Ukraine	12686.8	14.65	269.4

Source: author's estimations and calculation.

Table 2 provides an approximate account of TA flows by year and major donors, which the author was able to find on Internet sources.

³ GDP for 2005.

Table 2. Dynamics of TA flows

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Total
The EU, m euro	45	85	106	112	116	102	79	125	118	136	161	236.6	111.5	124.8	151.9	150.3	2413.2
The US, m USD					300	420	373	372	344.5	273	276.4	280.5	227.5	161	211.3	250	3240
UN, m USD															41.24**		41.24
EBRD, m euro												1068*			2200*	na	2200
World Bank, m USD			27	500	146	1314	-	800	300	18.29	324.46	90	490.13	32	543.2	304.5	4012.34
TRANSFORM, m euro													104.4*				104.4
Adenauer Foundation, m euro								na	na	na	0.41	0.44	0.49	0.48	0.54	na	2.36
Swiss state support, m USD												5.62	6.36	6.84	7.34	7.63	33.80
Swiss Agency for Development and Cooperation (SDC), m USD				1.19	0.00	3.15	11.06	8.60	6.98	12.34	4.00	5.53	7.24	7.35	16.09	78.38	161.91
British government, m USD															1	1	2.0
Polish government (Polish Aid)															1.86	3.75	5.61
SIDA (Sweden government), m USD															8.643		8.643

Note: * - means by mentioned year, for example by 2003 (i.e. accumulated amount during period 1993-2003).

** - 2002-2005

Source: own calculations, web sites.

3.2. Technical Co-operation by Donor

The European Union is one of the largest donors to Ukraine. During 1991-2006 the EU spent almost 2.5 b euro of TA for supporting different programs, first of all within TACIS programs (Table 3).

Under the national TACIS programme assistance, over the period of 2002-2006, TA has focused on three priority areas: i) support for institutional, legal and administrative reform, ii) support to private sector and economic development and iii) support in addressing the social consequences of transition. Funding under the national TACIS programmes for Ukraine has substantially increased over the period 2002-2006 from 47 million euro in 2002 to 88 million in 2005 and 100 million euro in 2006.

In addition to support provided under TACIS National Programmes, regional assistance under the TACIS programme addressed in particular issues related to increased inter-state co-operation in transport, energy and sustainable management of natural resources (focusing mainly on water). Support for cross-border co-operation focuses on economic and social development of border areas, efficient border management and people-to-people contacts. In the area of nuclear safety, the EC has provided extensive support since the early nineties to Energoatom, the operator of nuclear power plants in Ukraine, to upgrade/modernize its plants to internationally recognized safety standards. In addition, the EC is the largest contributor to projects to recover the Chernobyl site, either through direct funding or through funds managed by the EBRD. The EC is also providing an annual contribution to the Science and Technology Centre (STCU) in Ukraine which is an intergovernmental organisation established by a number of donor countries dedicated to the non-proliferation of technologies and expertise related to weapons of mass destruction. Since 1994, STCU has supported about 845 projects and 12,500 scientists.

Table 3. EC assistance to Ukraine, 1991-2006 in euro m

	1991-1998	1999	2000	2001	2002	2003	2004	2005	2006	Total
TACIS National Programme	407	38.6	48	43	47	50	70	88	100	891.6
TACIS Nuclear Safety (incl. Chernobyl Shelter Fund and UKR G7 Action Plan)	304.3	50.3	3.5	69.4	44	46.6	34.3	28.4	40.3	621.1
TACIS Cross-border Cooperation		5.2	1	5.5	0.5	3	3	18	4	40.2
TACIS Regional Programme		3.7	6	9.1	10.5	6	6	8.7	-	50
Fuel gap	-	-	25	20	20	-	-	-	-	65
ECHO (humanitarian assistance)	12	6.3	1.3	0.9	0	-	-	-	-	20.5
Macro-financial assistance (loan)	565	-	-	-	110	-	-	-	-	675
Human rights (EIDHR)		0.2	-	1.3	0.6	0.6	0.5	1.8	0.95	5.95
Migration (AENEAS)	-	-	--	-	-	1.3	-	1.5	-	2.8
Anti-landmines	-	-	-	-	-	-	7	-	-	7
Contribution to STCU	-	3	4.5	4	4	4	4	5.5	5	34
Total	1288.3	107.3	89.3	153.2	236.6	111.5	124.8	151.9	150.3	2413.2

Source: http://ec.europa.eu/external_relations/ukraine/intro/index.htm#tech

The US is the second biggest donor to Ukrainian transformation. The US government increased their financing of Ukraine after the last political changes in the country. The projects are implemented mainly through the USAID office in Kiev and its sub-agencies (Eurasia, etc.). Another part of American TA goes through the programs of small grants and the Embassy of the US in Kiev, as well as other governmental organizations and institutes (IRI, NED, etc.).

Besides, Ukraine receives a considerable amount of TA from international organizations like EBRD and IBRD (WB, IFC, IMF), individual states or international foundations (see Table 1 and annexes).

3.3. Technical Co-operation by Sector

Support of economic reforms and private sector development are the main priorities among all fields of European TA. For example, in 1991-2001 it amounted more than half of all assistance, followed by nuclear safety (different Chernobyl programs), (Table 4).

Table 4. EC assistance to Ukraine, (1991-2006 in euro m)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	Total
Support for institutional, legal and administrative reform	5	3	3	3	2	6	4	7	10	17	16	76
Support to the Private Sector and Assistance for Economic Development	2	17	10	10	9	8	14	10	14	14	8	116
Support in addressing the Social Consequences of Transition	0	0	6	4	5	5	3	3	2	6	8	42
Development of Infrastructure Networks (including energy, transport and telecommunications)	11	16	9	10	7	3	7	7	4	0	0	74
Promotion of Environment Protection and management of natural resources	4	0	0	2	0	0	2	3	4	0	0	15
Development of the rural economy	8	12	11	5	4	2	2	2	2	0	0	48
Policy advice, Small Project Programmes, Bistro and reserves	0	0	4	3	4	9	8	8	6	6	11	59
TEMPUS	0	0	0	3	4	5	4	4	4	5	5	34
Total RF Action Programmes	30	48	43	40	35	38	44	44	46	48	48	464
<i>Other TACIS programmes</i>												
Regional and other programmes	12	6	18	12	16	12	17	16	7	12	20	148
Nuclear Safety	2	22	38	50	55	38	2	50	50	33	56	396
Fuel gap	0	0	0	0	0	0	0	0	0	25	20	45
Donor Co-ordination Programme	0	3	4	4	4	4	7	7	7	9	8	57
Implementation Support	1	6	3	6	6	10	9	8	8	9	9	75
Total from other programmes	15	37	63	72	81	64	35	81	72	88	113	721
TOTAL FUNDS allocated to Ukraine	45	85	106	112	116	102	79	125	118	136	161	1185

Source: <http://www.delukr.ec.europa.eu/home.html>

EBRD provides its TA to private sector development, mainly in agriculture, developing financial institutes and transport (Table 5).

Table 5. EBRD's TA to Ukraine in sectoral clustering, 1994-2005, m euro

	2200 m euro	%
Agriculture	638	29
Financial Institutes	396	18
Transport	374	17
General Industry	286	13
Power and Energy Utilities	176	8
Natural resources	132	6
Telecoms, Informatics, Media	88	4
Property and Tourism	66	3
Municipal and Environmental Infrastructure	22	1
Energy efficiency	22	1

Source: www.ebrd.com

Among American TA to Ukraine democracy programs, support of economic and social reforms and juridical reforms play a more or less equal role (Table 6).

Table 6. The structure of the US government TA to Ukraine in 2003-2005

	2003	2004	2005	Total
Democracy Programs	55.11	42.34	62.13	159.58
Economic and Social Reform	49.21	43.57	51.22	144
Security and Law Enforcement	77.73	57.36	76.6	211.69
Humanitarian Assistance	2.83	1.33	1.84	6
Cross Sectoral Initiatives	12.52	0.79	5.53	18.84
Privately donated and USG excess humanitarian commodities	30.09	15.67	14.02	211.04
Total	227.49	161.06	211.34	3239.54

Source: <http://www.state.gov> and <http://www.usaid.gov>.

Unlike with the WB or EBRD, concentrating mainly on the assistance in financial institutions, governance and infrastructure industries, or the USAID, with support of economic and democratic reforms, the UN mainly concentrates on social issues as poverty reduction, social services, AIDS, providing considerable amount of TA (Table 7).

Table 7. UN support for Ukraine in 2002-2005, m USD

	Poverty reduction	Social services	Public Administration	Environmental Protection	HIV/AIDS	Total
ILO	0.628	0.075	1.67	-	-	2.373
UNAIDS	-	-	-	-	0.85	0.85
UNDP	5.8	7.6	5.8	4.5	3.2	26.9
UNFPA	0.2	1.5	1.4	0.2	5	8.3
WHO	0.09	2.514	0.18	-	0.032	2.816
Total	6.718	11.689	9.05	4.7	9.082	41.239

Source: www.undp.ua

Numerous international funds can be divided in two groups. The first group (mostly German and American foundations, like Konrad Adenauer Foundation, Friedrich Ebbert Stiftung, Open Society Institute, Macaourtour Foundation, etc.) devotes most of its programs on support of economic and political reforms and development (public dialogue, projects devoted to elaboration of different reforms, conferences and seminars etc.), co-operation with Ukrainian NGOs, analytical centers, etc. The second group (Canadian, Swedish, Swiss foundations) devote most of its programs to social development and social support projects, health, education programs, cultural and humanitarian co-operation and cooperation with state bodies. The directions of some of these projects and examples of TA are given in the annexed tables (Tables 1-2).

The Government of Ukraine's 12-month USD 605 m precautionary standby agreement with the International Monetary Fund (IMF) expired in March 2005, and Ukraine currently does not receive IMF financing. In Article IV Consultations, the IMF recommends fiscal discipline and structural reforms, particularly of Ukraine's pension system. In July 2005, the World Bank approved a USD 250 m Development Policy Loan (formerly a Programmatic Adjustment Loan) to support reforms to improve the investment climate, public administration and financial management, and social inclusion. The European Bank for Reconstruction and Development (EBRD) project outlays more than doubled in 2005 to 530 m Euros, bringing its portfolio to a total 2.2 b euros.

4. Impact of Technical Co-operation on Country Development

Technical assistance has definitely made an impact on Ukraine's development, however, not that much as was expected. Ukraine is not the leader among the CIS in implementing economic reforms. The business climate was improved and lots of investments attracted, the private sector is growing, with substantial micro finance capacities; the country launched budget, pension and many other reforms due to the programs of technical assistance. Although most reforms have started, they are far from completed.

The biggest impact on Ukrainian political development has been made by technical assistance in the field of establishing and improving democratic institutes and civil society development. The state of mass media and freedom of speech in Ukraine is the best among CIS countries. International organizations noticed slight progress in the country's electoral process, civil society

development and independence of media. However, corruption, weak judicial framework and limited media independence continue to be a problem (FH, TI, 2007). The Freedom House Democracy Score improved from 4.63 in 1999 to 4.25 in 2007.

It is rather difficult to judge how much the country has changed and what factor is most influential. In our opinion, the state of economic and democratic reforms, as well as changes of many other institutions, allow comparing and evaluating change (Table 8). According to their ratings, there is still a lot to be done in Ukraine in the sphere of improving the business climate, corruption, the judicial system and implementation of market reforms.

Table 8. The state of reforms in Ukraine: international comparisons

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<i>Democracy Score, including</i>	-	4.63	4.63	4.71	4.92	4.71	4.88	4.50	4.21	4.25
- Electoral Process	-	3.50	3.50	4.00	4.50	4.00	4.25	3.50	3.25	3.00
- Civil Society	-	4.00	4.00	3.75	3.75	3.50	3.75	3.00	2.75	2.75
- Independent Media	-	5.00	5.00	5.25	5.50	5.50	5.50	4.75	3.75	3.75
- Judicial Framework and Independence	-	4.50	4.50	4.50	4.75	4.50	4.75	4.25	4.25	4.50
- Corruption	-	6.00	6.00	6.00	6.00	5.75	5.75	5.75	5.75	5.75
EBRD transition index	2.48	2.52	2.59	2.63	2.74	2.78	2.81	2.89	2.96	-
- Price liberalization	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
- Large privatization	2.33	2.33	2.67	3.00	3.00	3.00	3.00	3.00	3.00	2.33
- Enterprise Restructuring	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
- Trade and FOREX system	2.67	3.00	3.00	3.00	3.33	3.33	3.33	3.67	3.67	2.67
- Competition policy	2.33	2.33	2.33	2.33	2.33	2.33	2.33	2.33	2.33	2.33
- Infrastructure sector reforms	1.67	1.67	2.00	2.00	2.00	2.00	2.00	2.00	2.33	1.67
Corruption perception Index	2.8	2.6	1.5	2.1	2.4	2.3	2.2	2.6	2.8	-
Doing business	-	-	-	-	-	-	-	124	139	139
Human Development Index (HDI)	-	91	78	74	80	75	70	78	77	-

Source: EBRD, Transition report; Freedom House, Nations in transit; WB, Doing business; Transparency International.

Note: FH ratings are based on a scale of 1 to 7, with 1 representing the highest level of democratic progress and 7 the lowest. EBRD rating are based on a scale of 1 to 4.77, with 1 representing the standards of a planned economy and 4.77 that of a market economy. CPI measures perceptions of corruption on a scale of 0 'highly corrupt' to 10 'highly clean'. Doing business and HDI represent the rank of the country.

The FH estimation of the state of civil society in Ukraine is the best among CIS countries (FH, 2007). Without TA this would have been impossible. TA created a broad layer of a new quality elites, especially in the middle level of state bodies and among experts. Many programs in the educational domain helped to organize universities and courses that allow educating young people according to international standards, first of all in the Humanities. Educational programs result in a generation of modern economists, managers, analysts, and politicians, which in 10-15 years would bear fruits.

Environmental policy reform has been implemented since 1995 with the closest co-operation and assistance from donor societies. Nuclear, radiation and environmental safety and nature conservation are among the governmental priorities⁴. The external financial assistance received by Ukraine was devoted to implementing more than 70 international long-term and short-term programmes and projects in the field of environmental protection. Nuclear and environmental safety programmes are being implemented and elaborated, amounting to USD 80 m. Within the TA framework, international practice and experience have been applied while elaborating the National System of Norms, Rules and Standards on Nuclear and Radiation Safety. Among the main results achieved during the years of environmental reforms are: creation of a system of national environmental legislation, harmonisation with international environmental legislation and introduction of European standards and norms.

⁴ <https://www.mem.dk/aarhus-conference/newslet/articles/ukraine.htm>

The USAID project within the so called *BIZPRO Initiatives and Activities* (Support in implementing the State Regulatory Policy in Ukraine; Support in implementing the business permit system law in Ukraine; Support to Ministries and Agencies; USAID assistance in fiscal reform: fiscal decentralization in Ukraine) is considered as successful⁵.

Pension reform. USAID, along with other international donors, – The World Bank, the European Union, the International Labor Organization (ILO), the United Nations Development Programme (UNDP), and various individual countries – has provided technical support to the government of Ukraine for its pension reform since 1995⁶. Such assistance has been given to sustain economic development as well as to help strengthen its social protection safety net in a manner that is fiscally responsible⁷. Indeed, slight changes and the reluctance of Ukrainian politicians to start such reforms made USAID to highlight the question whether the technical assistance that USAID has provided to Ukraine has made a meaningful contribution in improving the pension system in Ukraine. And should USAID continue to provide pension reform technical assistance to Ukraine?⁸ Despite slow progress, USAID continues to support pension reform in the form of educational and capacity-building assistance which are supposed to help Ukraine to succeed in accepting, managing and regulating sound public and private pension funds.

Another project which is until now far from completed is the municipal *Budget Reform in Ukraine*⁹. The *Security sector reform* could also be regarded as quite unsuccessful. Experts found that the security sector is merely a pawn in a political game: there is no consensus on what reforms are necessary and little understanding of the nature of the sector reforms, as well as official unwillingness to co-operate, acceptance of the current status quo, etc¹⁰.

A dubious valuation should be given to the Legal and Regulatory Reform¹¹. The success stories of implementing EU TA projects can be found at: <http://www.delukr.ec.europa.eu/page36474.html>; <http://www.delukr.ec.europa.eu/data/doc/Ukraine%2011%20May.doc>; <http://lqi.osi.hu/publications/2001/50/18.PDF>.

5. Problems in Technical Co-operation

As it was mentioned above, TA and TC plays an important role in Ukraine's reform process. This stems both from a lack of domestic financial resources as well as a lack of experienced and trained personnel. Donor advice is critical in shaping the political debate and policy-making. Indeed, there are two groups of main disadvantages and problems in the acceptance and efficiency of TA.

The first group concerns principles and ways of providing TA.

Firstly, there is not a single and universal principle of providing TA. In CEE countries the EU enlargement was a unifying framework for all kinds of technical assistance by all donors which could choose proper directions. But in Ukraine it is impossible to find such a unifying principle for foreign assistance. Therefore, donor priorities appear to be more supply driven, and chosen according to political criteria.

Secondly, technical assistance projects in Central Europe appeared to be largely built around specific implementation benchmarks required to transform institutions to EU standards. By contrast, technical assistance to Ukraine rarely considers implementation as the main product of a project. Rather, projects tend to provide advice, on the expectation that the government will take care of implementation once the political will is present.

Thirdly, technical assistance projects in CEE countries tended to provide systematic access to information and personnel in the West, integrating officials into international networks. Projects in Ukraine tend to provide one-off trainings and sporadic access.

⁵ http://www.fiscalreform.net/pdfs/ukraine_intergovernmental_fiscal_relations.pdf

⁶ <http://ukraine.usaid.gov/lib/newsletter/october.pdf>

⁷ <http://unpan1.un.org/intradoc/groups/public/documents/NISPAcee/UNPAN009019.pdf>

⁸ http://www.usaid.gov/locations/europe_eurasia/mt/penreform.htm

⁹ <http://www.rti.org/page.cfm?nav=369&objectid=E94D8E80-1F06-4394-AB78CABB9CA89FF5>

¹⁰ http://www.icps.com.ua/doc/SSR_Paper_findraft.pdf

¹¹ <http://www.bizpro.com.ua/clients/bizpro/weben.nsf/0/5E23BF34F8ED4306C2257075004BFF91?OpenDocument>

Very often donors, due to an excess of bureaucracy connected to its own procedures, are unable to react to economic and political changes in Ukraine and delay providing assistance in the spheres where it is mostly demanded. As a result, support is provided to a variety of ephemeral and fragile state organizations, committees, centers and commissions. The current situation in Ukraine requires that most of assistance be concentrated to support private sector development, first of all SMEs, as a force moving Ukraine to a market economy and a democratic society.

The second group of problems can be found in the political sphere and the willingness and ability of actors to implement reforms. Until very recently, most donors saw their role as advising the government on reforms and financially supporting the transition processes. While providing technical assistance to the Ukrainian government, donors believed that they would take the lead in transforming economic and social institutions. They expected that the Ukrainian government, upon receiving recommendations and financial aid, would use its authority and capacity to carry out these recommendations and implement reforms; they also expected newly established businesses to work with foreign investors according to generally accepted rules, and a civil society to spontaneously activate itself and work independently as soon as state controls were removed. Unfortunately, such approach proved to be in the category of wishful thinking.

6. Ways to Increase TA Effectiveness

During all of the period analysed, Ukraine welcomed technical assistance and technical co-operation with donor societies. The country attracted almost as much TA recourses as Russia did, although Ukraine's population is 3 times smaller. Most of programs aimed at supporting democratic and economic reforms. And even if Ukraine has succeeded in some political reforms (however, the role of foreign TA in the 'orange revolution' should not be overestimated), the pace of economic reforms remains slow and inconsistent.

The programs of TA and TC considerably changed the 'face' of modern Ukraine. Nevertheless, here are the *ways of improving TA efficiency*.

- 1) the programs of TA should be not 'supply driven' but, on the contrary, 'demand driven', meeting the needs and the willingness of Ukrainian elites to change;
- 2) up to now, foreign advice tends to be focused on what to do (such as what policy to adopt) rather than on how to reach a rational decision; sometimes the programs have a self-serving character. Foreign assistance should present a direct effort on how to improve the work of a particular institution, how to set up a new process, or to provide advice within an established process;
- 3) the training programs should have a permanent, not a temporary, one-off character, with clear defined criteria of their efficiency and feedback from those educated;
- 4) the projects of TA should not have a general character, aimed on systemic, structural changes. There should be more projects devoted to improving and training skills and competences, creating networks, maintaining a constant dialogue of Ukrainian specialists, politicians and experts with their European colleagues (first of all from CEE countries);
- 5) the procedures of providing TA should be simplified and have a less bureaucratic character.

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8. Annex

Table 9. Sweden (SIDA's) TA in sectoral clustering

	2005
Ukraine	m SEK
Health	4.154
Education	1.225
Human rights and democratic governance	23.045
Conflict, peace and security	0.313
Infrastructure	0.054
Trade, business and financial system	10.903
Natural resources and environment	26.311
Other	0.258
TOTAL	66.263

Table 10. Swiss state support for Ukraine in 2002-2006, m Swiss frank

	2002	2003	2004	2005	2006	Total
Technical co-operation	4.5	4.6	4.8	5	5	23.9
Cultural co-operation	0.5	0.5	0.5	0.5	0.5	2.5
Scientific co-operation	0.4	0.4	0.4	0.4	0.4	2
Humanitarian support	1.2	1	1	1	1	5.2
Support sum all programs	6.6	6.5	6.7	6.9	6.9	33.6