

SUREC POLICY PAPER

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Олег Лукша

СТРАТЕГІЇ І БАР'ЄРИ СИСТЕМНИХ РЕФОРМ В УКРАЇНІ



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Author / Автор:

Oleh Luksha, *Director of the International Institute of Human and Global Studies "Noosphere" (Uzhhorod), Expert of the Association of Regional Development Agencies and the Association of Ukrainian Cities, Cand. Sc {Physics and Mathematics}, docent of the Uzhhorod National University*

Олег Лукша, *директор Міжнародного інституту людини і глобалістики «Ноосфера» (м. Ужгород), експерт Асоціації Агенцій регіонального розвитку України та Асоціації міст України, кандидат фізико-математичних наук, доцент Ужгородського національного університету*

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Based on the general analysis of the barriers in social and economic development, based on the summary of the reforms in Ukraine initiated in 2010 and based on the experience of decentralization processes and system reforms in Slovakia and Poland, this policy paper concludes that there is a high unsatisfied demand for a system reforms in all spheres of public life in Ukraine over 20 years of its independence. That constitutes a serious threat for national development of the state; for a primary implementation of reforms in the priority areas of democratization at all levels of power, including territorial public authorities and local governments. They can become a driving force for reforming other four priorities of the suggested draft of the Strategy of system reforms due to the forecasted maximum synergy effect, and for implementation of the Strategy of real reforms relevant to the national interests of the people of Ukraine. At the same time, there is a need for a consolidation of power and all “healthy social forces” of the country, especially of experts of non-governmental, public and research and educational institutions.

This policy paper is useful for developers and initiators of the reforms in Ukraine as well as for the part of the Ukrainian society that do care about their country, in particular for the active local governments, non-governmental organizations and their networks as well as for the students of universities.

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Introduction

Since Ukraine gained independence and became a sovereign state in 1991, there is a permanent public demand for a deep and system reforms in all spheres of the society.

For over 20 years central public authorities of Ukraine actually impeded the development and implementation of system reforms aimed at protecting and expressing indigenous interests of the main part of population, i.e. national interests in different periods of transition from totalitarian communism in the USSR to the independent state that has declared the course towards European democracy and market economy. This reflected the processes associated with peculiarities of the period of national wealth redistribution (the period of wild accumulation of capital) with sharp stratification of the society to extremely rich people associated with the oligarchic power of the Ukrainian type and the rest of the people.

Under these conditions, positive moments and constraining factors that prevented establishment of a new regime autocracy or managed democracy parted by the oligarchic groups among others were as follows:

- stiff competition among oligarchs and major political parties founded and supported by them;
- position of the European countries, especially of the EU and also the USA, which on the one hand, serve as markets for many enterprises of the Ukrainian oligarchs and on the other – they are not interested in emergence of another politically unstable country in the heart of Europe in geopolitical terms and in the sense of security of energy transit through Ukraine;
- high European integration and democratic aspirations of the Ukrainian people as well as the model of post-socialist Eastern European countries concerning reforms.

The spontaneous protest in Kyiv and in other Ukrainian settlements during presidential elections of 2004, known in the history as the “Orange revolution” was the culmination of the unsatisfied social expectations of the people of Ukraine on the organization of public administration system and state of reforms. But Ukrainians’ expectations of the Revolution impacts in the form of system reforms during 2005-2009 presidency of Viktor Yushchenko were not realized and led to deep public frustration. However, the fact that government, opposition and non-governmental organizations initiated development of several major national programmes for the implementation of reforms and modernization of the country claiming the status of national ones, was a positive outcome of that period of missed opportunities. It has created certain competitive programme prerequisites for a system reforms in the country.

After winning the presidential elections in 2010, the new team headed by the President of Ukraine Viktor Yanukovich declared and began to put into practice the course of comprehensive reforms in practice, actually developing and adjusting the reforms without broad public discussions of strategic intentions, actions, without interim and long-term impacts assessment as well as without involving the best intellectual potential of the country into this process.

During the first reforming year, a need for a wide public and expert discussions, summarizing reforms progress and comparing them with experience of other countries, for instance, preparing reforms on the basis of initial public conditions, justification of the strategies and optimal sequence of reform steps, applying a system approach to achieve the utmost synergies, information and awareness raising campaigns in the society to support reforms, avoiding approaches that may lead to false reforms (not in national interests) or imitation of reforms, became apparent.

This policy paper is dedicated to conceptual coverage of above mentioned issues, justifying priority of reforms in territorial organization of public power by building an effective and capable local governance and administrative and territorial reform as well as through establishment of a new system of regional development.¹

1. The public demand for system reforms in terms of the national interests

The great public demand for a revolutionary changes and for the better situation in all spheres has been actively formed by the wave of national exaltation and ethereal during the first years of the Ukraine's independence. The reality of the 90s is shocking even nowadays. The decline of living standards, significant losses of economic and qualified human potential, millions and millions of Ukrainians are below the poverty line, underdeveloped public utilities and housing infrastructure, decline of social sphere, culture and morals – all this was attributed to the “crisis woes” of the transitional period by the authorities of those times that should end up in a while and the whole our nation would reach the shore of the hope – we had just to arm ourselves with patience. However, Ukraine belonged to the cohort of the most powerful states of Europe and the World owing to its economic and human potential in the early 90s.

Meanwhile, the leader of the Red Directorate Leonid Kuchma, who was elected president in 1994 on a wave of people's disappointment after deterioration in living conditions, along with building his own regime of managed democracy through

unprecedented powers was also forming favourable environment for nurturance of his big and small Ukrainian tycoons. During this “transitional period” a huge number of industrial enterprises and real estate in cities has really “passed” into the ownership of the former Soviet party and Komsomol nomenclature, red directors and nimble “new Ukrainians” for nothing as per the current standards. As we can assess, the “transitional period” for a large and the country’s strategically important economic enterprises, in the form of the privatization programs, has not ended until today. Historical and political experts have named it as the period of wild capital accumulation. A wild one, obviously, because stable rules of game, same for everyone, and equal opportunities for all, a system of fair laws and even strict observance of the laws effectiveness at those times was not the point in most cases. Being criminal in its essence accumulation of wealth, capital needed more or less reliable protection of gains and sustainable flow of new resources for enrichment. Appetites were growing and it was difficult to stop the processes. The best option seemed to be, was to go into the power or to have permanent and reliable representation there. These very needs and not an ideological union caused appearance of many political parties existing today. Thus, the kleptocratic and oligarchic system was formed in Ukraine that does not have many analogues in the World.

At the same time, real small and medium sized businesses were struggling for their right to exist through enormous efforts under the conditions of bribery “racket” of corrupted officials from numerous governmental controlling bodies.

Establishment of the State Committee for Regulatory Policy and Entrepreneurship – a state body with the unprecedented tasks to protect interests of entrepreneurs from high-handedness of other state bodies and local authorities has played a positive role. The state was forced to fight with itself. This is the Ukrainian reality.

The business has turned out to be the last hope for many Ukrainians to become economically independent from the state and maintain their families without going abroad. Business class that widely emerged in Ukraine was really interested in fair, transparent and stable legislation, and in a responsible and open government. That’s why entrepreneurs has become the most reliable and consistent supporters of “Maydans” (velvet revolutions) throughout the country in 2004.

This is not the only example of an acute need for system reforms. In particular, the permanently reducing financial, legislative and regulatory capacities of local governments, repression of urgent reforms, the conflicting dual power with local administrations and rigid centralization of budgetary resources has led to the decline of public infrastructure and real deterioration of living standards of communities all-around Ukraine. At the same time, unresolved land problem in favour of average citizens is threatening the national security of Ukraine.

Following the turning point of expectations for a change caused by the “Orange revolution” heavy disappointment with practical impacts took shape in the community during the years of 2005-2009. Since there were not good, neither effective, nor even system reforms launched, the public demand for them has become even higher.

As a response to that demand, unsatisfied reform strategies, projects and programs for development and modernization of the country were initiated by various political forces opposing each other. Of course, they are amplified by election PR technologies, appear in newspapers and magazines all the time and are being discussed within informational messages, during interviews and numerous talk shows on television. And all this is being mixed in one boiling information pot of hot information reports from virtual fronts struggling against the global financial and economic crisis.

Being surrounded by the information boom the Ukrainian community should learn as much as possible not only about the meaning of the terms “strategy” and “strategic approach”, “system reforms” and “system approach and analysis”. It is much more important to show all stakeholders of the Ukrainian society how the approaches of strategic management and planning as well as of system analysis that proved to be efficient and productive in the world practice are being applied in Ukraine in an analytically, methodologically and politically justified way. As it is about their use at national level, i.e. in system reforms development and implementation practices. Moreover, more important is to take into consideration only the national interests of Ukraine’s citizens. This key issue hides an opportunity for insidious substitution of national interests by declarative concepts, slogans and formal harmonization as for instance, of state interests; national security (as interpreted by high officials being too far from the problem); political and economic stability in the society (by all means); combining executive and presidential powers; overcoming the global crisis effects; the necessity to implement the presidential election program; actions in response to numerous appeals of “public” and “labour collectives”; compliance with a political resolution of the Verkhovna Rada of Ukraine or a decision of the Parliamentary profile committee and others. It is far from being a complete list of all options of “good reasons” and “state approaches” that could allow for levelling and cutting national interests when pushing a law, presidential decree or a governmental regulation or an order draft. There are more of those legislative regulations, which will play a crucial role in system reforms.

How to protect the ointment of national interests from the fly in the complicated, manifold and non-transparent process of law making and reforming? Definitely by joint efforts of the official parliamentary opposition that potentially has more opportunities to access information and expertise of NGOs and their national networks; and, of course – with broad background information of any vexed questions arising in the process of a reform law or instrument adopting

in the independent media. And one small thing is lacking to find a united and constructive opposition and independent central media in Ukraine. Perhaps, one should go for help to oligarchs... The situation with media and opposition is not just one more Ukrainian reality. It is another high barrier for system reforms in terms of national interests and voices for those who pursue reform to the benefit of oligarchs.

Actually, what are national interests like? Do authorities, oligarchs and citizens have the same understanding and interpretation of their essence? Failure to abide the completeness and essence of strategic and system approaches, especially departure from the real national interests when developing and implementing strategies for system reforms actually creates barriers for them being suppression and profanation of reforms; or does not serve national interests but corporate ones or those of oligarchic clans.

Today, there is such a social and political situation in Ukraine, when owing to their united efforts the non-governmental sector and its expert potential are able not only to monitor compliance of the system reforms proposed with the attributes of system and the national interests. The intellectual resources available and active citizenship of non-governmental organizations (NGOs) allow to propose actively their concepts and strategies of system reforms and to offer them to public institutions and authorities for discussions and implementation. The time for consolidation of all healthy community forces seems to come in Ukraine. There are merely no alternatives for this process.

For illustration purposes let us try to present the followings in sketch model and graphic format: transformation of the former totalitarian state through the current transitional period (Fig. 1); possible development scenarios of Ukraine in the context of the National Development Strategy (that does not exist yet) (Fig. 2); the main lines and initial barriers for system reforms in Ukraine with the core role of national interests (Fig. 3), where results of the scenario securing oligarchic interests are schematically shown in a shadowed form.

2. Have we got through the point of no return to managed democracy in autumn 2004?

How do experts from different NGOs assess development of independent Ukraine in terms of true national interests? The section bellow contains a summary of conclusions drawn by the NGO “Institute of National Interests”.

Over twenty years of independence we have not managed to become a politically consolidated nation, i.e. a cohesion community of citizens motivated and willing to go to the rosy future together in their country. Instead of the country of dreams that is developing successfully and integrating into the global community we have neglected to the critical point, inefficient and centralized public institutions, constitutional and law relationships distorted owing dual power and top-down command structure of soviet type. Therefore, it is not surprising that economy, education and culture, space engineering infrastructure and urban and natural environment degrade; public services do not develop, while the corruption metastases have covered the whole social organism, including the judiciary system.

The all-powerful oligarchs and corrupt bureaucracy add the main tone colours to this grim picture. While in the regions, the tip territorial government is guided from the centre by representatives of the Ukrainian oligarchic clans being at each other's throat all the time, i.e. the so-called "Policy elites". Often oligarchs and policy elites are the same persons, especially in the regions. Power has become a business for many of them. The Ukrainian kleptocracy seems to be the best term to characterize the oligarchs and businessmen in power. The crisis of the administration and judicial systems that has checkmated normal life of the country form a slime in the best way, where it is the easiest for them to catch both small and big fish of cuts, bribes, state orders of real estate and land. While the administrative crisis has covered all levels of government both vertically and horizontally, i.e. in the centre, regional and public institutions, local governments.

This brief introduction could be written without any corrections in 2004 on the eve of the Orange Revolution. Unfortunately, as it often happened throughout the history the people being the only inspirer and architect of revolutions throughout Ukraine in autumn 2004 on the wave of euphoria and trust has not managed to prevent mindless decisions and chaos produced by opportunistic policy makers; often under the cover of justice and democracy, political stability and presidential "care" about "his" nation.

Failure to accomplish the constitutional political reform of 2004, liquidation of civic essence of local governance via introduction of the proportional system of elections to local councils, and ill-founded dismissal of the government in 2005, pathological political jealousy of President Yushchenko to Yulia Tymoshenko, Ex-Prime Minister, his blatant disregard to his election program "Ten Steps to People" – all this is only a few strokes of the post-revolution period.

The forecasts are born out that the uncompleted political reform would become the worst case scenario of even more and critical distortion of the central administration system in Ukraine. In particular, it will lead to direct contradictions and imbalances that

central administration will try to resolve by unwritten rules, informal practices and non-institutional relations, applying shady and subjective principles of political expediency. The new President of Ukraine Viktor Yanukovich was elected in the context of the political reform uncompleted. Meanwhile, the version of the Constitution of Ukraine effective at that time still left manifold possibilities for forceful appropriation of powers without providing an opportunity for their legal separation. We should not forget the root cause and idea of Kuchma's regime and his political henchmen concerning the constitutional reform before the presidential elections in 2004, i.e. to do the uttermost to weaken the new presidential power to subordinate it to the oligarchic groups. A strong presidential government in Ukraine was disadvantageous for Russia as well as experts, media and policy makers of the neighbouring state declared without disguise at that time. The only thing that the plotter of the constitutional reform of 2004 could not foresee was the spontaneous and mass Orange Revolution. As a result, after President Viktor Yanukovich came to power the country was returned to the old constitution of 1996 by a decision of the Constitutional Court.

Despite all vain attempts and distortion of information no one will be ever able to deny the fact that there was a spontaneous national protest at the Independence Square of Kiev and in other cities and towns of Ukraine in November 2004. It still retains a strong community impetus to forming a modern state of the European Ukrainian nation.

Moreover, the community of millions of Ukrainians has made the final strategic choice in favour of independence, freedom and democracy in November-December 2004. In fact, the presidential elections were only an impetus for mass manifestation of public discontent. Incredible as it may seem, but a strong social and ideological basis for uniting the country has emerged regardless of language, national, cultural, mental or religious differences during the Orange Revolution even despite the open separatist calls for separation of eastern and southern regions of Ukraine that were heard from some policy makers in late 2004 – early 2005.

Becoming aware of their civil and national dignity after the Orange Revolution millions of Ukrainians have higher level of expectations of positive changes and increasing demands within evaluation of actions of those, who claim the role of leaders and political elite of the nation. Of course, these were expectations of fair and efficient government, real and practical changes in all spheres of public life that would have raised the level and quality of life for every Ukrainian. Thus, we may confidently assume that the Orange Revolution has generated public demand for reforms and modernization of a new quality. Experts, non-governmental and administrative circles, groups in power and opposition started vivid discussions

about system reforms in 2005. They have even recalled some reform projects that emerged in the time of Leonid Kravchuk and Leonid Kuchma.

The actual absence of system reforms in Ukraine in the period of 2005-2009 has already become a fact of the recent history. Of course, a regrettable fact!

Analysis of the causes of durable and successful blocking of reforms deserves separate consideration. It is worth to highlight the special role of President Viktor Yushchenko and the opposition. However, their vain attempts are just the top of the iceberg and the real reasons run deeper originating from times of the USSR collapse and independence of Ukraine. Although, national reform programmes and strategies emerged owing to the Revolution's impact that were developed in political environment of both government and opposition as well as in some political groups and associations of non-governmental organizations in the period of 2005-2009. A number of ministries and departments were working on basic concepts and reform bills in different social spheres, although the process was slow and uncoordinated. We shall return to the analysis of these reform concepts in sections below.

The fact that policy makers with outdated way of thinking and oligarchs were mortally frightened by the Orange Revolution is evidenced not only by their critical and negative attitude towards this event, but their attempts to discredit the Revolution. There are still attempts to develop aggression in Ukrainian public consciousness in various forms through controlled media in order to make the nation not only to reject the Revolution, but also to condemn it. These efforts are in vain, Ukraine is really not Russia as even Leonid Kuchma has pointed out. While ordinary citizens do actually condemn and criticize those who did not deliver (often even were not going to deliver) the high ideals of the Revolution and never the phenomenon itself.

As it was mentioned above, under the action of the Revolution development of draft national strategies for system reforms was initiated in the political environment of those not willing to accept publicly its positive role. This was done for the purpose to combine the contents of the proposed reforms with the expectations of people both in East and West at least in declarative sense; in such a way solving the problem of election talks as well. A perfect example of such a project was presentation of the ambitious work titled the National Development Strategy "Ukraine – 2015" by the socio-political association "Ukrainian Forum". The real status of this work could not qualify for the term "national" at the time of the project completion. However, even this issue is not regulated by law in Ukraine. Although it is obvious that only a policy document, which is a result of public discussions and consolidated approval of social forces and legitimized by the decision of one of central constitutional authorities, i.e. the parliament or the Cabinet of Ministers (better – both of them) should have the status of a "national development strategy".

Nowadays, there is still a rhetorical question open in Ukraine “Is there any sense after the Revolution as the point of no return to managed democracy of Kuchma type that blocks, inhibits or imitates system reforms or stubbornly implements them not from the positions of national interests, i.e. the interests of the overwhelming majority of Ukrainians?”

Under present conditions of extremely negative synergism of global and national economic and financial crisis the price of the answer is the independence and statehood of Ukraine.

3. The strategy of reforming local public authorities based on East European practices

3.1. Relevance of a strategic approach

Almost since the first years of independence there are ongoing debates about the ways of regionalization, decentralization of powers and conduct of system reforms in all spheres of public life among policy makers, governmental officials, experts and non-governmental institutions of Ukraine. Foremost, it is the reform of administrative and territorial system (ATS) and local governance that are interrelated and constitute the foundation for system reforms. Thus, the recent experience of post-socialist European countries that conducted similar reforms tested in practice by public power and administration is of definite interest for us.

The experience of post-socialist European countries in conducting policy of regionalization and reform is of interest for Ukraine as a unitary state also due to the following circumstances:

- the post-socialist countries are unitary too; before the transformation and reform period many of them similarly to Ukraine were characterized by the centralized state dominance in territorial public administration, while local governance did not actually exist in Slovakia and Czech Republic;
- the first reforms after the collapse of the “socialist community camp” were accompanied by the processes of social transformation from planned to market economy of ideological, from totalitarian and ideology-driven communism to civil and democratic society that are complex processes with national development specifics for each country. The lack of system approach was a common feature of these initial transformations. This feature is typical for Ukraine even nowadays.

In general, both Ukraine and most neighbouring socialist countries of Eastern Europe had similar “initial conditions” and similarities of social and economic relations as well as of public administration systems that preceded deep social transformations in early 90s.

But even a cursory analysis of the complex factors characterizing development level of economies, societies, social relationships and even mentalities of people shows that experience of Poland and Slovakia in building law-governed and democratic state with a developed civil society and market economy is the most congenial, valuable and useful for Ukraine being an independent state for such a short period. It is no wonder that reformism experience of Slovakia and Poland has drawn in increased attention of experts, governmental and non-governmental organizations of Ukraine in the recent years. Studies of these very experiences have been reasonably and creatively used for developing conceptual frameworks and a law drafts package of basic reforms in Ukraine by the Ministry of Regional Development and Construction, i.e. relevant for administrative and territorial system, local governance and local public administrations.

Why are these carefully and properly designed laws “late” in Ukraine for at least 5-7 years? Why have they been postponed being almost finalized? These questions are more about the strategy of system reforms than about the content.

Nowadays, we can assume quite confidently: social and political experience and practices of system reform in Slovakia and Poland are the same (if not more) valuable and beneficial for Ukraine than the essence of legislative innovations. However, this experience may become less valuable and beneficial over time owing to changing external geopolitical and global factors as well as internal social changes and crises taking place in Ukraine. However, a certain set of common features in technologies of Slovak and Polish reforms allows comparing them applying an “active catalyst” of transformations which are characterized by both relatively high public demand and resistance of poorly informed parts of society and the opposition.

In general, securing irreversibility of system reforms through launch of the “active catalyst”, i.e. adoption of a reform concept and the first package of reform bills by the parliament, as well as an active awareness raising campaigns targeting poorly-informed part of the society form the basis of a successful strategy of system reforms. These very attributes characterized the reform process in Slovakia and Poland. However, there have been a lot of barriers on the path from the strategy to practical implementation of reforms.

3.2. Lessons learnt in the process of reforming in Slovakia over recent 10-15 years

Since 1989, the reform process in Slovakia has been generally characterized as a period of major social, political and economic changes. Slovakia has become an independent and sovereign state, started the processes of democratization, economic transition to market relations. The political and economic structural reforms carried out have changed fundamentally the nature and model of state-building. It allowed

Slovakia to accomplish full integration into the Euro-Atlantic structures. Due to the changes since 1998 in public administration and regional policy the country moved to a new phase of development. New opportunities occurred and the existing ones expanded soon, while the Slovak economy experienced a unique boom before the current global financial crisis.

However, successful development of reformative policy in Slovakia is not a result of coincidence. But contrariwise, it is the result of historical confrontation of different trends. In 1992, an independent republic emerged completely separated from the Federation of Czech and Slovak Republics. The period of 1993-1998 years was marked by centralism, which had an authoritarianism tendency during the reign of Prime Minister Vladimír Mečiar. This led not only to increase of social and political tension in the country, but to international political isolation of Slovakia owing to its deviation from the course of accession to the European Union and NATO. Economic backwardness of Slovakia, domestic and foreign policy of the governing coalition and its deviation from the principles of democracy led to increased resistance of the civil society in the mid 90's that culminated parliamentary elections of 1998. After the elections opposition parties formed a new, broad and democratic coalition.

The period of 1998-2002 can be called a period of catching up the European integration and economic stabilization. They have managed to stop economic decline, restore democratic processes and to accomplish development of system reforms. Despite the fact that the standards of living have significantly decreased in the country and unemployment rate was recorded as the highest one in Europe, policy makers and other stakeholders of the society were intensively discussing the nature and trends of reforms as well as the ways for overcoming the international political isolation.

The results of the scheduled elections of 2002 were also favourable for practical implementation of the system reforms already conceived and for implementation of the strategy for decentralization of powers and the entire system of territorial public administration.

In 2002-2006, complex and far-reaching reforms were carried out applying system approach in the areas of budget and finances, tax and pension systems, health care, education, social protection and labour market, public administration (including local governance and public administration). In general, there were about 100 new laws or amendments to laws adopted over the period of decentralization and system reforms in Slovakia. While about 400 powers and competences previously owned by central or territorial public administrations were transferred to local or regional self-governments. Thus, the actors of the two-level system of regional (8 self-governing

regions) and local (cities and villages) governance established by the Constitution of Slovakia, adopted by the Slovak National Council in September 1, 1992, have received powers and competencies financially secured for implementation of regional and local policies and provision of public services for citizens.

The reform strategy and techniques for different periods of the recent history and under different governmental coalitions in Slovakia provides a wide space for research and analysis, also for the purpose of applying them in Ukraine. However, the main lesson learnt in Slovakia's experience for Ukraine lies in strict preserving the basic principles and essence of the concept of powers decentralization and system reform via campaign of wide public support, media and the Association of Towns and Communities of Slovakia and local governments.

The strategic success of Slovakia's reforms in the long term founded on the nation's choice of European civilization development is evidenced by the fact that the team of reformers came back to power in 2010 (in particular, these are well-known policy makers, who at the time of reforms were and are still in the positions of Prime Minister Iveta Radičová, Minister of Foreign Affairs Mikuláš Dzurinda and the "father" of the Slovak administration system reforms, currently Head of the Government's Office and former Commissioner of the Government for the reform of public administration and for the decentralisation, Viktor Nižňanský).

3.3. Experience of Poland in territorial governance reforming

After 1989, territorial governance has been formed gradually on separate administrative levels in Poland. In 1990, local self-governments were formed in 2 383 communities (gminas) (the analogues of the Ukrainian communities). The first basic law in this area identified the framework conditions for functioning of self-governments of communities, and the first elections to community councils were held already in May 1990. Self-governments of communities were not perfect and were financed through transfers from the state budget.

In 1993, a pilot programme was initiated through a special resolution to the budget law, which was aimed at transferring extra powers to communities. As the result of this program a new law was passed to expand public services provided by communities in 1995.

Discussions on three levels of local governance, i.e. communities – counties – regions took place in the society of Poland before the 90's. Finally, 308 counties, 16 provinces were established and 65 communities received the status of counties in 1998. Thus, the second stage of local self-governance reforming was completed, which has introduced a three-level model. While the principles of subsidiarity and

legitimacy were the most important conceptual principles of local governance functioning in Poland.

The principle of legitimacy means that local self-governance is a part of public authority delegated by the Parliament and constitution; each level can act only within the competences and funds allocated by the law. The principle of subsidiarity defines the possibility of transferring only those powers and functions to the higher level power that the lower level fails to perform and it makes a relevant decision itself. Thus, preference is always given a lower level of authorities closer to the community.

It is crucial that the model of territorial organization of power established by the Constitution of the Republic of Poland is based on the identity of the principal administrative division of the state and units of local governance. Its practical consequence is that the Council of Ministers has its representatives in the territorial system – provinces, i.e. governors, who represent the supervisory institution and functions of the state.

Nowadays, Poland has 16 provinces (województwo) with functioning councils the so-called Sejms elected by their inhabitants, 314 counties (powiat) and 2 478 communities (gmina). Communities and counties are units of local governance in the system of territorial governance in Poland, while provinces (with elected bodies – Sejms) are units of regional governance.

Powers are divided among these units according to the principle of subsidiarity – authority and competences are given to those units that by the territory of their activity are capable to perform these powers and competences in the best way. Distribution of powers among public (governmental) administrations, including provinces and departments of central executive authorities (Council of Ministers) and bodies of territorial governance, i.e. communities, counties and provinces is based on the same principle.

Similarly to Slovakia, Poland has significantly improved the most of macroeconomic indicators of its development over the recent 10-12 years, as well as living standards and welfare in almost all communities; and, thus, in the counties and provinces in general. The successful administrative and territorial reform especially allowed catalyzing communities, counties and provinces to initiate infrastructure development projects to apply structural funds of the European Union and development budgets. Together with commercial investment projects they allowed to change quickly appearance of Polish cities and villages, highways and spatial engineering, industrial and housing infrastructure. Poland has unrecognizably changed for the better as to living standards, spatial infrastructure and level of public and commercial services.

Nowadays, experts and researchers have found many flaws and minor errors in reforming the administrative and territorial system and territorial public administration in Poland. However, actually none of them can deny the fact that these reforms formed the basis for the decentralization of powers and reforms in other spheres of public life, creating effective regional policy. But in the end, building up a modern, powerful and democratic European state that develops dynamically and secures its citizens high standards of living.

3.4. Similarities of the strategies and technologies of successful reforms

The experience of Slovakia and Poland evidences that the minimum necessary conditions for decentralization of powers and system reforms in country on the way of transition towards market economy, democratization and building civil society are as follows:

- availability of a clever, clear and justified concept of system reforms harmonized with a national development strategy consolidated in the society as well as of a national idea;
- availability of prerequisites (perhaps even short-term ones), characterized by a consensus of political elites and branches of central authorities on the relevance and content of system reforms; while reformers need to find their “five minutes” during the term of consensus to initiate reform related irreversible decisions at the highest level (this requirement denies linear “trajectory” of reforms);
- group of experts (for concept design) legitimizing their institutional authority to carry out reforms and a system of broad and effective support to system reforms in the society (regional elites, local governments, SMEs, NGOs, mass media and etc.).

As we can see both the concept of powers decentralization and system reforms and packages of relevant law drafts have to be based on the primary reforming of administrative and territorial system and local governance according to the principles of subsidiarity, exclusivity and comprehensive competences; comprehensive legislative, institutional and financial capacities of local governments to provide adequate public services.

The strategy of regionalization and regional policy in Ukraine should be interrelated and consistent with the concept of powers decentralization and system reforms.

Ukraine has not formed yet a national development strategy of the state consolidated by all social forces; it is in the process of national idea identification. The oligarchic groups close to authorities and the other prevailing part of the Ukrainian society have different understanding and formulations of national interests; while the latter is the most interested in powers decentralization and system reforms and is the only bearer of national interests.

Nevertheless, Ukrainian society has approached the system reforms, including development of conceptual documents and the basic package of bills.

Fig. 4 shows schematically five, in our opinion, main strategies of system reforms in Ukraine in terms of national interests. Accordingly, option in the shadow shows system reforms imitation via false strategies and false reforms for the benefits of the oligarchic groups. Certainly, by their definition system reforms of territorial public authorities are referred to the strategy of democratization at all levels.

4. Geopolitical situation for Ukraine in the context of reforms' content and lack of other alternatives

It is a fundamental truth that no country in the present globalized world can plan and carry out system reforms without analyzing geopolitical influences and their forecasts. However, geopolitical situation in Europe and the World is constantly changing under the influence of many factors – economic, demographic, social, environmental and political ones as well as factors of financial, information, communication and cultural globalization.

Experts on international policy and global development often give different evaluations of the role of geopolitical influences on the development of Ukraine as a state in the heart of Europe formed 20 years ago on the territory of the former USSR. However, most experts have similar visions and positions on the followings:

1. the current geopolitical situation has significantly changed compared to that 10-15 years ago in terms of being favourable for reforms, when Eastern European countries developed and implemented their reforms – of course, for the worse;
2. while, further delays or postponing system reforms will critically expand challenges and threats to economic and political independence of Ukraine and its national security due to many factors reducing competitiveness of the country and its regions; and,
3. an alternative to system reforms in Ukraine simply does not exist. The unfavourable geopolitical factors should be considered, on the one hand, from a perspective of their neutralization or reducing their impact by means of these very reforms; while on the other – there is an internal temptation to use the worsened geopolitical situation and critical lag in reforms for implementation of hidden false reforms for the benefit of oligarchic groups and willing to satisfy the growing geopolitical ambitions of Russia.

What should be understood under false reforms?

Briefly, these are legislative, regulatory and constitutional changes realized by public authorities potentially or in practice, which do not correspond to national interests of population. Thus, the concept of reforms and false reforms lies in the nature and content of the planned and realized social changes that meet or do not meet national

interests. Thus, public attention should focus not on the very fact of reforms, as presented by tame media and political forces in power, but on their essence and content.

The logic of this approach sets the key question: Who determines if the reforms comply with national interests by their nature and content? Of course, it is a rhetorical question in the countries of real grass-roots democracy because the answer is always clear: national interests are protected by the effective system of the law-governed state and an opportunity to advocate and express those interests in the form of a consolidated public position, which has numerous channels and ways to address authorities – up to the referendum. This happens there and what about Ukraine?

Indeed, compliance or noncompliance of system reforms in Ukraine with national interests could be the main initial barrier to their implementation in five priority areas of reforms (Fig.3):

- political and institutional organization of the state;
- competitive economy;
- social sphere;
- civil society and human rights; and,
- security and foreign policy.

It could be if the society would be aware of the nature and content of the reforms proposed. This Figure 3 contains schematic presentation of possible outcomes of the false reforms in five major areas:

- autocracy or managed democracy;
- non-competitive, shadow and corrupt economy;
- degraded infrastructure and human potential;
- weak and controlled civil society with restriction of human rights; and,
- vulnerable security and dependent foreign policy.

An unhampered start of system reforms (or false reforms?) based on certain credit of national trust to new government took place in Ukraine in 2010. The results of expert monitoring and annual assessment of this unhampered launch done at the beginning of 2011 are presented bellow. Looking ahead, let us mention that ignoring initial barriers between reforms and false reforms in many areas and specific reforms, caused by non-transparent development of their essence and content led to public confrontation and protest moods throughout the country. Of course, a considerable share of public confrontation was called fourth by unpopular measures and difficulties encountered that would temporarily accompany reforms process in any country. However, there are numerous questions arising in expert environment and in wider society concerning the

strategy (or its absence), the nature, content and approaches of the ongoing reforms as well as information support and awareness raising actions within the implementation process.

A plenty of researches of well-known public (for instance, the National Strategic Research Institute) and independent institutions (for instance, the Ukrainian Institute of Economic and Political Studies of Oleksandr Razumkov) were dedicated to the analysis of geopolitical situation in Ukraine at the turn of the first and second decades of the XXI century. Therefore, we shall rely only on the summarized results of these studies in this policy paper.

The main factors determining the current geopolitical situation in Ukraine in the context of system reform are as follows:

- high dynamics of the globalization processes;
- weakening of the international treaty system for global security and global balance of powers;
- global financial and economic crisis that unfolded in late 2008; and consequently search of opportunities for large-scale foreign loans on favourable terms, as for instance, through IMF satisfying its conditions;
- a new need to protect such vital interests for Ukraine as its sovereignty and territorial integrity, national economic and energy security, democratic and constitutional order, supremacy of law, preserving of active and equal membership in the international community, safety of information and cultural space;
- certain difficulties, changes and transformations in foreign policy currently typical for global players of the world politics: the European Union, Russia, USA and China, which are reflected to some extent upon the geopolitical situation of Ukraine;
- external positioning of Ukraine in the world community by such key attributes: the first country in the world having renounced its nuclear arsenal, a country of the largest man-made environmental disaster in history, i.e. Chernobyl, a state producing rocket motors and missile weapon systems, a country of energy and transport transit, an area which is potentially the best one for effective farming and agricultural production, a country with hard-working and amicable population tolerant even to the ineffective government, a country where no major internal conflicts, terroristic acts of bloodshed happened over 20 years after the USSR collapse, including the peaceful events of the Orange Revolution, a country where many oligarchs emerged controlling the state, which according to many global ratings came down to the third world countries, a country, where authorities, judiciary, law enforcement agencies and many spheres of social life are penetrated with corruption; a country from which people went and are going abroad (over five million people) to feed their families or to realize their capacities.

The international and domestic security as well as the geopolitical situation Ukraine ended up during the years of 2004-2011 escalates the issue of civilization choice of Ukraine: the European or a neo-imperialist one. This choice can be a determining factor either for degradation or for development of the State of Ukraine as an independent, competent and competitive player in the international processes in Europe and Eurasia. No one can make this choice for the Ukrainian people; at least, no one has a right to make it. This choice is closely linked to the nature and content of the reforms launched in 2010. Both the society and the government should listen to their “instinct of self-preservation” if it is not blunted by hidden and overt anti-Ukrainian (in the sense of the Ukrainian state) forces in the current complicated geopolitical situation in Ukraine.

In terms of modelling approaches applied to complex multiparametric systems, particularly in physics, following the reform Ukraine is in a so-called “bifurcation point” now, when an input of slight changes into the system parameters from outside is enough to direct it irreversibly along another qualitatively different trajectory of development. Thus, who, how and what changes will introduce into the parameters of the system “society-government” may become fatal for Ukraine at present time.

An in-depth analysis of the geopolitical situation in Ukraine from the perspective of the current governmental team headed by President Viktor Yanukovich can be found in the recent annual message of the President of Ukraine to the Verkhovna Rada of Ukraine dated the 7th of April 2011 “Modernization of Ukraine – our strategic choice”. Perhaps, it is the first time the new team paid much more attention to development strategy of the state and society and to justification of the importance and necessity of reforms in this bulky document.

5. Conceptual frameworks of the Strategy of system reforms in Ukraine

Is there a state in the World that would begin major social transformations and changes in many areas simultaneously (which usually can be defined as system reforms) without having a concept, programs or strategies for their implementation consolidated in the society at the start (with emphasis on “consolidated in the society”); at least with some elements of the vision, optimization and forecasting the impact of such transformations and changes in medium and long-term perspective and elements of a system approach? The answer is “yes”: this country was Ukraine in 2010.

Without getting into criticism and analysis of reforms in Ukraine done by various independent non-governmental expert organizations in different forms (and it is extremely important for both society and authorities), let us justify our conceptual vision of system reforms.

Firstly, a concept, strategy or a program of system reforms are documents of community and national significance that are exceptionally expert ones by their content, and are of political and legal nature only by the form and manner of public legitimization.

Secondly, such documents of community and national significance should involve extensive public discussions and approval with maximum involvement of NGOs, businesses, scientific and intellectual elite, media and political opposition. Actually it is social consolidation and harmonization of the interests of all stakeholders. This, in its turn, reduces opposition to reforms of that part of society who will be discontent with even temporary deterioration in living standards because of reforms.

Thirdly, a concept, strategy or a program of system reforms must necessarily involve justification and development of such components: priorities; optimal sequence or combination of reforms in various fields to achieve synergies; effective mechanisms and “technologies” of reforms, including establishment and investing with authorities reforming institutions; broad and effective public awareness campaign in the community involving experts and media; assessment and forecasts of the “social cost” and financial costs of reforms; and, assessment of social and economic impact of their implementation for specified periods of the state’s development.

Fourthly, development of any even the conceptual reform drafts should be accompanied by a SWOT analysis (including analysis of threats and challenges) for both the diagnostic of internal social and economic situation and for taking into account external and geopolitical factors.

Fifthly, political authority having launched real system reforms should use all possible legislative and regulatory mechanisms to secure progressive and irreversible process of reforms, regardless of the political situation and changes within the configuration of political forces or persons in power after elections.

The abovementioned five requirements to concepts, strategies or programs of real system reforms have been more or less fulfilled in the Eastern European countries including Poland, Slovakia and Hungary. Most likely, this allowed them to achieve successful results at the end.

Figure 4 presents five (opinion of many Ukrainian experts, in particular the NGO coalition that developed the project “Modernization of Ukraine”, we share this opinion too), priorities of reforms constituting the integrated strategy of system reforms. Thus, the priorities of system reforms that meet national interests are as follows:

- democratization of powers at all levels, including territorial public authority and local governance;
- development of the competitive and innovation economy;
- achieving social justice and social security in the Ukrainian society;
- securing human rights and forming of civil society; and,
- ensuring correspondence of foreign and security policy to national interests.

Accordingly the same Figure 4 shows in the form of “shadow” situation in each of these priorities, if instead of implementation of real system reform they would be imitated. So, we shall have a false reform that can produce results opposite to national interests:

- the community of managed democracy (or autocracy in the Ukrainian version);
- the economy of hidden protectionism for big business, shadow economy and corruption;
- unjust social sphere of minimizing social expenditures;
- controlled civil society with restriction of human rights; and,
- neutralized national independence and competitiveness of Ukraine as a state.

If to proceed with the analysis of the requirement of the optimal sequence and combination of reforms to achieve synergies (system approach) without prejudice to the strategic value of any of the five priorities, we believe that the reforms in democratization of authorities at all levels including territorial governance in the form of local public administrations and local self-governments should be a start and a driving force for other reforms.

Whereas, the nature and content of these reforms suggested is fully consistent with national interests of the people of Ukraine: decentralization of powers in accordance with the principles of the European Charter of Local Self-Government and the principle of subsidiarity; full legal and financial capacity of the constitutionally independent local governance; establishment of executive committees of district and regional councils with relevant changes in the functions and role of local public administrations and liquidation of dual power in the districts and regions; implementation of an effective administrative reform according to the principles of economization of local governments’ activities of corresponding levels and to improve the quality of all types of public services; developing new legal and institutional frameworks for state support of regional development based on the best European practices (with institutional and financial instruments, i.e. regional development agencies and funds).

The abovementioned package of system reforms in the areas of territorial public authorities and regional development has a number of undeniable and substantial advantages:

1. The major political forces, including current government and opposition declare their continued support to these reforms for many years (in general). Moreover, for instance, the ideology of the ruling Party of Regions provides for regionalization and decentralization of powers. Thus, there is a sort of consolidation of political elites in this respect in the society.
2. Since the first day of Ukraine's independence the crisis of administration has always been the main and determining factor that resulted in extremely inefficient public authorities at all levels and local self-governments. While the administrative reform in isolation from a system reform of territorial public authorities cannot change the things for the better a priori. Moreover, it is not aimed at functional changes within central and local public authorities.
3. Compared with other areas the "degree of readiness" was and is the highest for reforms aimed at new organization of effective territorial public governance and support of regional development: relevant law drafts were developed and agreed at all levels of authorities and with national associations of local self-governments, the Association of Ukrainian Cities in the first instance in 2009, i.e. "On local governance", "On administrative and territorial system of Ukraine", "On local public administrations" (development group leaders and experts of the greatest expertise A. Tkachuk and Y. Hanushchak); new conceptual frameworks were developed for regional development laws in 2010 (expert group leader and expert of high qualification level from the Association of Regional Development agencies of Ukraine Y. Tretyak).
4. Even a cursory analysis shows that system reforms aimed at development of efficient and capable local governance at all levels legally controlled by the state through local public administration and setting a support system for regional development priorities would not just bring our country closer to the European standards of developed democracy, but would also form good prerequisites for successful reforms in other sectors, i.e. for competitive economy, improving social living standards and social protection, development of civil society and securing human rights, improving security of each citizen.

As per April 2011, when this policy paper has been completed, the author could learn from the governmental information about optimistic perspectives only for reforms in regional development based on the above-mentioned concept; but without any guarantees of its non-distortion. However, there is still a hope that the current governmental team will do justice to and accept the core role of reforms in local governance, territorial public authorities as well as administrative and territorial system of the country, while the reform projects developed in this area will not become their imitation by emasculation of the nature and content of innovations.

Finalizing this section, let us briefly describe our model presentation of the transition from the ideas of prerequisites for sustainable community development based on three-sector interaction in the triangle “state – business – community” to the idea of spatial tetrahedral coordination with the emergence of the peak of “cumulative intellect” (Fig.5). There is a place for the human and family – the cell of the community in the centre of the tetrahedron, as a spatial figure and model is closer to reality. While Figure 6 shows a model that illustrates strengthening of the foundation of the “weakly-bound” tetrahedron through reforms of territorial public authority with transfer of executive powers from local public administrations to local self-government.

The pyramid of strategies and programs shown in Figure 7 provides us certain visualization of resource implementation of the National Development Strategy of Ukraine and national development strategies for specific sectors and social spheres (realized by means of relevant priorities of system reforms). Unfortunately, this pyramid has not entered its peak – the National Development Strategy over 20 years of Ukraine’s independence. Meanwhile, the most of developed countries implemented their system reforms having already consolidated national development strategies in the society.

With regard to the analysis of system impacts and synergy effects of reforms in different spheres, the simplest and demonstrative way to do by means of the matrix as shown in Table 1.

6. The first year of reforms (2010 – 2011) assessed by experts and citizens of Ukraine

The society and mass media pay heightened attention to the reforms started after the presidential elections of Viktor Yanukovich in 2010. It happens not least because the government has concentrated its attention on the outstanding problems directly affecting millions of Ukrainians: tax and pension laws, labour and housing codes, housing and utility rates, judicial and administrative reform, education and medicine, economic growth promotion. Unfortunately, as we can see, this list does not contain any reforms for organization of a new system of territorial public authorities (local governance and local public administrations) in the package of the administrative reform. However, it is obvious for many experts that such a reform based on decentralization of powers, achieving legislative and financial capacity of local governments in conformity with the European Charter of Local Self-Government and liquidation of dual power in the districts and regions would come into conflict with the practice of building a strong top-down command structure from the Centre to the regions.

The time will tell whether the course to reforming the territorial public authorities earlier supported by the Party of Regions is temporary postponed due to the coming parliamentary elections or it is really a strategic choice in favour of strengthening the top-down command structure and substantial weakening of local governance.

We are of the opinion that postponing the reforms already prepared for new organization of territorial public power and administrative system of the country (if it is not a blanket rejection of reforms) is a major strategic mistake of the new government and a missed opportunity to transform this very reform into a driving force for reforms in other public spheres with a highly probable synergy effect.

However, the simultaneous launch of sweeping reforms in tax regulations, pension sphere, medicine, education, institutional power, judiciary, housing, utilities and the economy developed in a very short time had affected the quality and capacity of the government to carry out the reforms effectively. In 2010, traditional “replacements” of not only senior but also of mid-level civil servants took place at the ministries and public institutions in Ukraine. However, as you know, it is mid-level specialists of ministries and other public institutions (heads of departments, offices and sectors) who are often the main agents of reform or innovation regulations and laws that are to be of special quality.

It should be remembered that the new government was concerned not just about reforms but more about restoration of the controllability of the country which was weakened at the time of Viktor Yushchenko’s presidency. However, the key question is what this controllability is aimed at and whether it is supported by relevant qualification level of human resources.

Indeed, these are the issues of the essence and content of reforms that either complies with the national interests or no. This issue must be discussed and consolidated in the society.

The first year in office of the team under the leadership of President of Ukraine Viktor Yanukovich was marked by the launch of major reforms in many spheres of public life. The fact is positive in itself! When the new reforms declared are made for people, the intentions, actions and the results of these reforms in short, medium and long term should be open for public. Unfortunately, this did not happen. And that’s not all. The analysis of numerous publications and telecasts has shown that the spectrum of subjective assessment is rather extensive and mostly critical. In order to avoid repeating emotions and subjectivity in assessments of individuals or policy makers in opposition (which none of the Eastern European reforms could avoid), we turned to summarized assessments of the experts of the independent non-governmental organization – the Ukrainian Centre for Economic and Political

Studies of Razumkov, which is well-known and respected both in Ukraine and abroad. This expert research institution has even entitled the special issue of its magazine in March 2011: “The first year of the new government: intentions, actions, results (Analytical report of Razumkov Centre)”:

Yuriy Yakimenko, Director of Political and Legal Programmes of Razumkov Centre: *“The first steps towards implementing the reforms declared in the economy and social sphere have been taken without proper estimations of consequences and had negative effects”.*

Anatoly Rachok, Director General of Razumkov Centre:

“There are grounds to believe that the system of public administration formed in the country is non-transparent, closed to public system with attributes of authoritarianism. The democratic processes are being retarded.”

The introduction to the analytical report contains following statement:

“If negative trends in the actions of the government will intensify they may cause serious threats to Ukraine’s development as a democratic, social, law-governed state, namely: reducing of democratic rights and freedoms of citizens, further evolution of the economic policy towards protecting the big business interests, marginalization of the European (and generally Western) vector of the foreign policy“.

The “Domestic policy” section of the Analytical report contains the following comment in the context challenge analysis for the new government in 2010:

“... There was an objective need for some internal reforms (including administrative, judicial, local governance and others.) that were also dictated by international commitments of Ukraine.”

In general, it notes: *“the new government paid a considerable attention to forming of programme basis for its activity. Its program goals, objectives and tools of implementation have been identified in such documents as the Law “On the state program of economic and social development of Ukraine for 2010”, Message of the President of Ukraine Viktor Yanukovich to the Ukrainian people dated the 3rd of June 2010, the Programme of economic reforms for 2011-2014 “The prosperous society, competitive economy, effective government” (hereinafter referred to as the “Program of economic reforms”). Without analyzing the content of these documents the fact that the new government pays attention to identification of programme goals of its actions deserves positive assessment. However, its strategic document, i.e. the Program of economic reforms is of dubious legal status as it is not approved by any legal act. However, this fact does not allow defining an entity responsible for its implementation.*

The conclusions of the “Domestic Policy” section of the Analytical report summarize the followings:

“Declaration of the programme goals and objectives – the reform programme by the new government deserves positive evaluation. The administrative reform initiative as well as individual measures in the reform of the judicial system could be referred to achievements with certain remarks. However, the major challenges in domestic policy for the new government are associated with tools of achieving the objectives declared.

... The reform programs, especially in areas where they expected negative public response, have been developed in a non-transparent way. The government tried to hide the contents of unpopular reforms planned in some spheres (tax law, pension reform and etc.). This raises doubts about the real intentions of the reformers, limits public support for their actions.

Whereas by its nature the new government represents interests of big business, the reforms do not provide for equitable distribution of social cost among all social classes. Deepening social injustice (over the first year of the new government “the poor has become poorer, the rich – richer”) and the authorities’ intentions to take measures that worsen the situation for most citizens (pension reform, labour and housing codes) cause protest moods of public. The problem of inequitable distribution of the “reform burden” can become a major challenge for stability of the new government.

... The scope and focus of changes that have taken place in the domestic policy over the year is sufficient to assume evolution of the political regime in Ukraine. The hopes for democracy consolidation during governance of the “orange team” came short. However, Ukraine has not become a “controlled” or “managed” democracy over the first year of the new power, but there are noticeable signs of movement towards that direction.

... Today, the political regime being formed in Ukraine can be described as “imitation democracy”, when many democratic institutions are such in form but not in matter. Volodymyr Fesenko, Head of the Centre for Applied Policy Research “Penta” has pointed to both achievements and failures of the implementation technology and barriers for reforms in the discussion for analytical report:

“The initiation of structural social and economic reforms can be referred to achievements of the new government in the first year. Most of these reforms (by goals and directions) comply with the interests of the country modernization.

However, even the launch of the reforming process, especially events around the Tax Code has revealed serious problems with both perception of the reforms and their content, and especially with their implementation.

... There are serious problems with awareness raising actions concerning reforms.

... There is an evident problem with the institutional chain of the reforms – the reforms are being developed by the Presidential Administration, implemented through the Cabinet of Ministers and the system of executive authorities. Inevitably, failures can

happen on the “butts” of this chain. Furthermore, one more traditional problem occurs: the reforms are expected to be implemented by rather conservative officials, who are not interested in changes.”

Returning to the analysis of the idea of the core role of reforms designed for organization of territorial public authorities in the whole strategy of system reforms in Ukraine (that we have not got yet), the analytical summary of the situation, that is not fully covered in the analytical report of Razumkov Centre, has been done by one of the well-known experts in this sphere and one of the main developers of the reform bills package mentioned above, Yuriy Hanushchak in his article “Non-Regional policy”, Mirror Weekly, No15 dated 23 April 2011.

As the expert concludes the state policy in local governance besides not moving towards reforms and decentralization of powers is characterized by total centralization and substantially reducing capacity of communities and local councils:

“Even the fact that declarations of intentions to reform local governance become more frequent is disturbing. As it was traditional for the Soviet Union increased attention to some of the spheres mostly had a sad ending for this sphere.

... A brief list of “state victories” over local governance in the past year:

...Henceforth, the utility rates will be regulated by the centre. Even the Government starts to recognise that it is nonsense.

... The greatest blow faced by local governance was adoption of the Tax Code. It has liquidated market charge that formed an essential part of income for many municipalities. The single tax seems to have vague perspectives after restrictions in its application.

... The problems of local governance are not a priority for the government to be inspired with intellectual developments in local governance. It is evidenced by the grotesque property tax that does not cover over 95% of real estate.

... Another evidence of further centralization of funds was liquidation of the transport tax on the pretext of its replacement by the fuel excise (excise duty goes to the state budget).

... Great expectations were placed on provision to local governments of the right to regulate rates of land tax.

... The threat of actual liquidation of the settlements planning system by adopting a purely lobbyist’s Law “On urban development” was eliminated by the presidential veto. Although, the passed law version has paralyzed activities of local governments.

... Besides the Government other public institutions seeking to occupy no one’s (vacant) territory feel the weakness of local governance, paralyzed by total “partization”. For instance, the Accounting Chamber is strenuously seeking now to control local budgets.

... The public authorities have lost the time necessary to prepare for reforms. So they will be replaced by their imitation. We can see the indications of it today. Administrative

reform is confined to shake-up of the state machinery. Development of a regional development system according to the European model, as the President declared, actually turns into “management improvement”. Local governance reforms are also promoted but without any specific outline. The long-term budgeting is substituted by planning in the budget sphere. The one thing public authorities are afraid to mention is the territorial reform.

... However, the final liquidation of local governance has been postponed yet. The central authorities need a “whipping boy” they can make responsible for the unpopular rather unprofessional actions of the central government.”

The opinion surveys of population as to the reforming activities of the new government have produced representative results, which are summarized in the analytical report of Razumkov Centre. Let us present only the general conclusions of these studies:

“The achievements of the new government in restoring the capacity of power, forming power vertical and etc. can not outweigh the absence of improvements in real life for citizens of Ukraine. In the course of the survey, conducted in February 2011, most respondents noted worsening of the situation in all spheres of public life of the country as a whole as well as confirmed decrease of welfare of their families in the first year of the new authorities. The citizens have not noticed intensification of the fight against corruption too; moreover, they consider law enforcement and judicial authorities that must fight corruption to be the most corrupt power institutions.

In general, citizens appraised activities of President Viktor Yanukovich by 2.7 points on a five-grade scale (equal to the assessment of Viktor Yushchenko in late 2005), the government’s activities – by 2.5 points. The whole-hearted support to actions of the President of Ukraine decreased from 41% in April 2010 to 18% in February 2011; to the Government – from 29% to 11%; to the Parliament – from 17% to 8% respectively. About 58% citizens believe that the events are developing in the wrong direction in Ukraine (against 19% those having an opposite opinion).

The comparative analysis of the data of public opinion monitoring concerning the activities of power institutions allows to state that the new team in power similarly to its predecessor, proved to be unable to use effectively the credit of public trust to carry out reforms during the year that would have shown at least some signs of improvement in the near future. The new team in power is losing public support rapidly that, among other things, will substantially complicate the reforming steps declared.

As we can see, the conclusions of independent experts and one of the most independent and prominent non-governmental institutions - Razumkov Centre concerning the first year of reforms are rather disappointing. However, in our opinion, there is still a chance to adjust and to direct the reforms to the right path.

Conclusions

1. The most important and significant conclusion of the situation analysis in respect of the system reforms strategy in Ukraine is that no such a strategic programme or conceptual document that would be consolidated by the power and society has been developed or adopted; although, reforms have been already launched and are being implemented in practice in many areas of public life since 2010. This reduces substantially support and public trust to reforms carried out by the government in terms of their compliance with the national interests of the people of Ukraine.
2. At the same time, the lack of a consolidated system reform strategy automatically means the inability to apply properly the methodological set of technologies of strategic management and planning, i.e. developing a vision of the future, current situation assessment (SWOT analysis) with identification of priorities, optimization of the sequence or combination of reforms to achieve synergy effects, introduction of reforming institutions, social and economic forecasts for assessment and monitoring of reforms, running a planned and coordinated awareness raising campaign.
3. The experience of the Eastern European neighbouring states, Slovakia and Poland is the most useful in terms of accelerated building a law-governed and democratic state with local governance developed, market economy and the civil society.

The set of necessary prerequisites and similarities of the reforming technologies in Slovakia and Poland are of special value:

- availability of a clever, clear and justified concept or a strategy (programme) of system reforms securing their system nature;
 - achieving of social and political consensus concerning the essence and content of the reforms proposed at least in a short term;
 - establishment of an institution or a group of experts and intellectuals enjoying public confidence in the society for detailed elaboration and implementation of reforms as well as introduction of a system for broad awareness raising campaign to secure community's support to the reforms;
 - elaboration and adoption by the parliament of the concept and such initial package of reform bills that would secure irreversibility of the system reforms; and,
 - priority ranking of the reforms in building effective and capable territorial governance based on national model and traditions of local self-governance, as well as forming the European model of sustainable regional development.
4. One of the ways for prompt elaboration of the high-quality Strategy of system reforms in Ukraine consolidated by the society **is a complex and creative applying of information and innovation ideas of all available without exceptions programmes of development and modernization of the state of Ukraine or its separate sectors and branches developed by different**

governmental and oppositional political forces, public institutions, associations of local self-governments, non-governmental organizations and their networks or coalitions, individual community leaders and policy makers over the recent years. Such an approach will allow not just to use effectively ideas and innovations potential of these developments and stakeholders in the society, but also to lay a solid foundation for real and practical consolidation of the whole community and political forces of the country in order to implement real system reforms securing national interests of the people of Ukraine.

5. Based on the approach above and analysis of various programmes of development and modernization of the state elaborated by NGOs and their networks the Government is proposed to approve the following five priorities of the Strategy of system reforms in Ukraine:
 - democratization of powers at all levels, including territorial public authority and local governance;
 - development of competitive and innovation economy;
 - achieving social justice and social security in the Ukrainian society;
 - securing human rights and forming of civil society; and,
 - ensuring correspondence of foreign and security policy to the national interests.

The reform priorities suggested by NGOs and their networks fully comply with both national interests of the people of Ukraine in the present period and with the criteria of achieving the maximum synergy effect in their combination.

6. The system analysis has shown that choosing the “democratization of powers at all levels, including territorial public authority and local governance” as an initial and determining priority for implementation will allow in the long term (even if the current constitutional frameworks of Ukraine will not be altered):
 - to eliminate the sharp disparity in development of the current economic market relations and the existing inefficient system and ineffective institutions of public authorities and local governments that has hampered development of the Ukrainian state for a long time;
 - to secure not only virtual distribution of public financial resources of the state for performing delegated and their own powers by local councils, but also to achieve real spatial distribution of effective “work” of these budget resources in specific settlements and communities with the help of capable councils and able to provide high-quality services;
 - to achieve growth of economic and social development of the communities based on the approaches of the European proven practices to territorial system reforms as well as to institutional and resource public support to regional development (Regional development agencies and funds); and,

- to impact positively the other four priorities of system reforms with a forecasted synergy effect (economy, social sphere, civil society and human rights, security and foreign policy).
7. The results of the first year of reforms (2010-2011) according to independent and respected experts as well as experienced and impartial opinion surveys generally evidence anxiety and concern of both experts and citizens regarding the problems and social impacts of the reform changes ranging from the lack of preparing actions, thorough elaboration and transparency of intentions and chaotic actions of the government to serious threats to Ukraine's development as a democratic, social and law-governed state, evolution of economic policy towards protecting the interests of big business and signs of movement through the "imitation democracy" to a "managed democracy".

Experts have also pointed out low involvement level of the available programme and strategic documents as well as the best intellectual and human potential of non-governmental organizations and scientific community to the development and implementation of reforms as well as poorly organized public awareness raising campaign and public discussions with the lack of effective feedback.

8. Under the situation the Ukrainian society and government appeared after the first year of practical reforming steps in different areas of building economic, social, domestic and foreign policy of the state there is the only chance get out of the swamp of a new system crisis wave **to unite all social forces – the government, opposition, local self-governments, non-governmental organizations, intellectual elite and socially conscious business around the idea of developing and implementing the real system reforms. The only criterion of truth and relevance of such system reforms should be their compliance with the national interests of the people of Ukraine.**

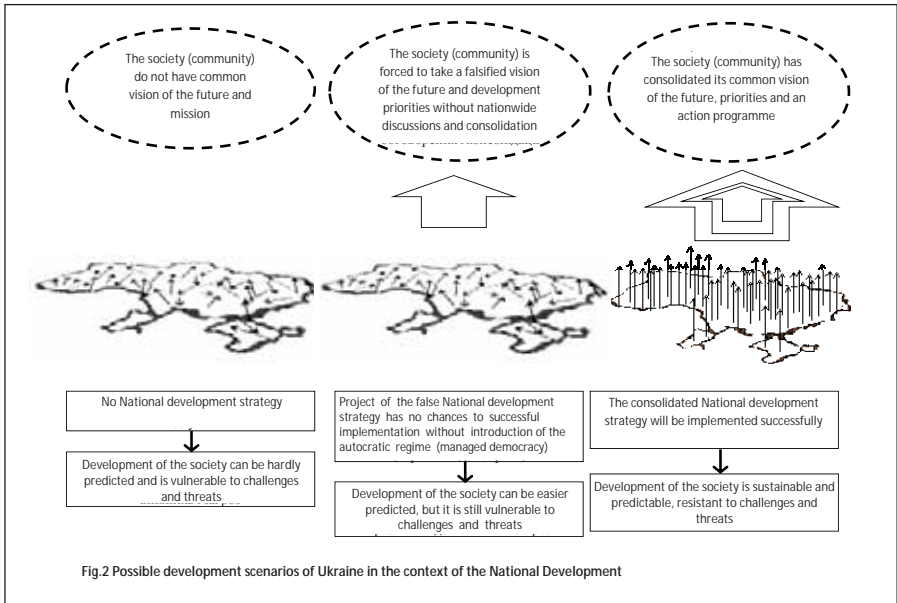
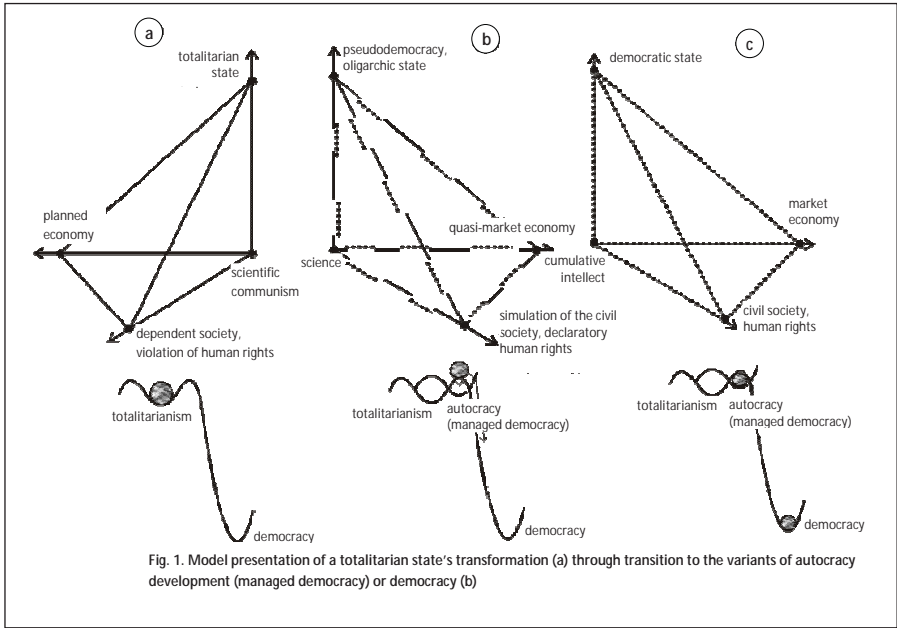
After 20 years of its independence, Ukraine finally can and has to break through the lingering and dangerous tendency of many post-Soviet countries, where institutions of central public authorities despite their declarations and simulation of actions and protecting interests of the oligarchic groups constitute the main barrier for real system reforms in the society that would comply with the national interests.

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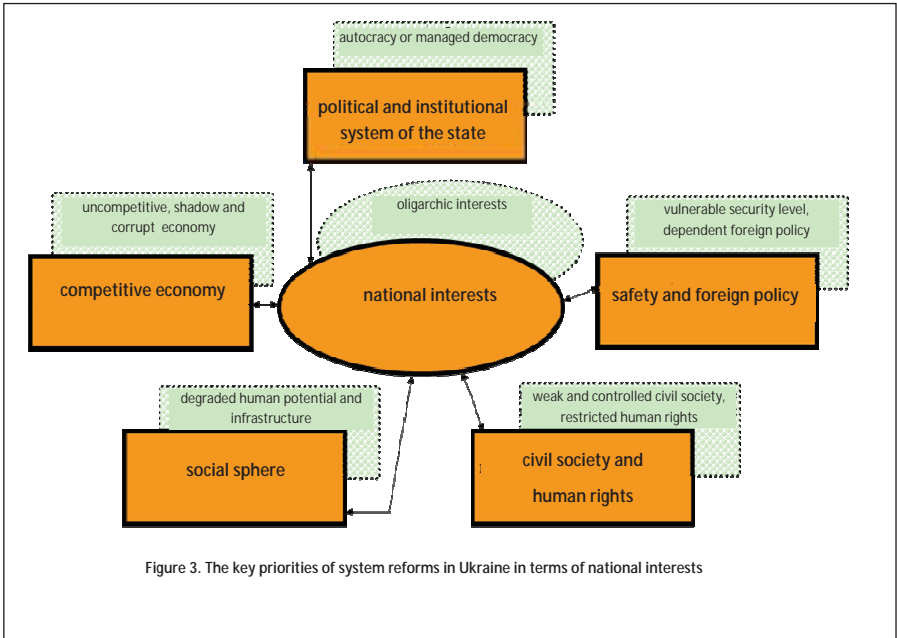


Figure 3. The key priorities of system reforms in Ukraine in terms of national interests

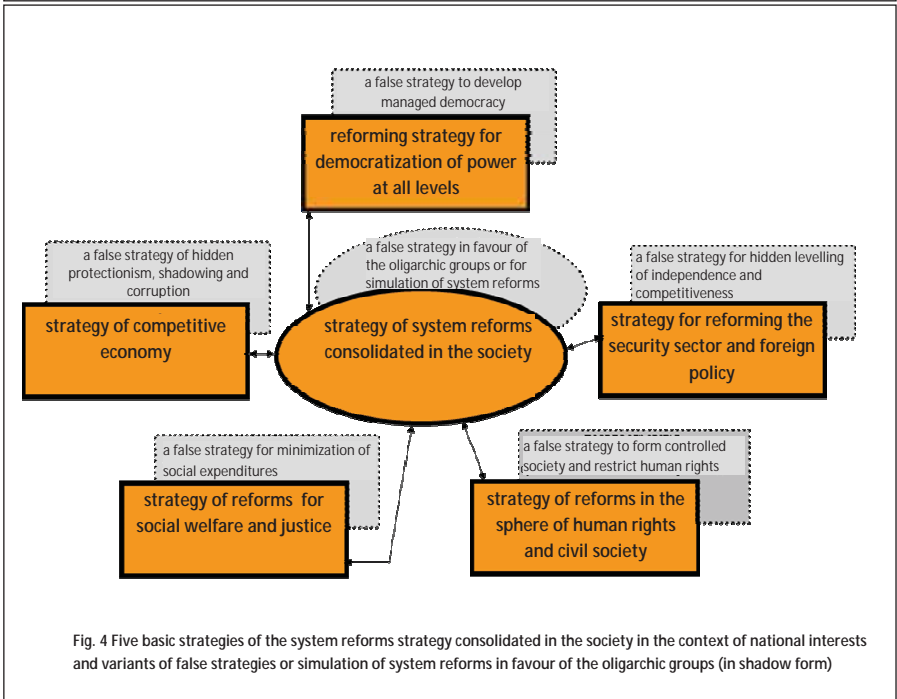


Fig. 4 Five basic strategies of the system reforms strategy consolidated in the society in the context of national interests and variants of false strategies or simulation of system reforms in favour of the oligarchic groups (in shadow form)

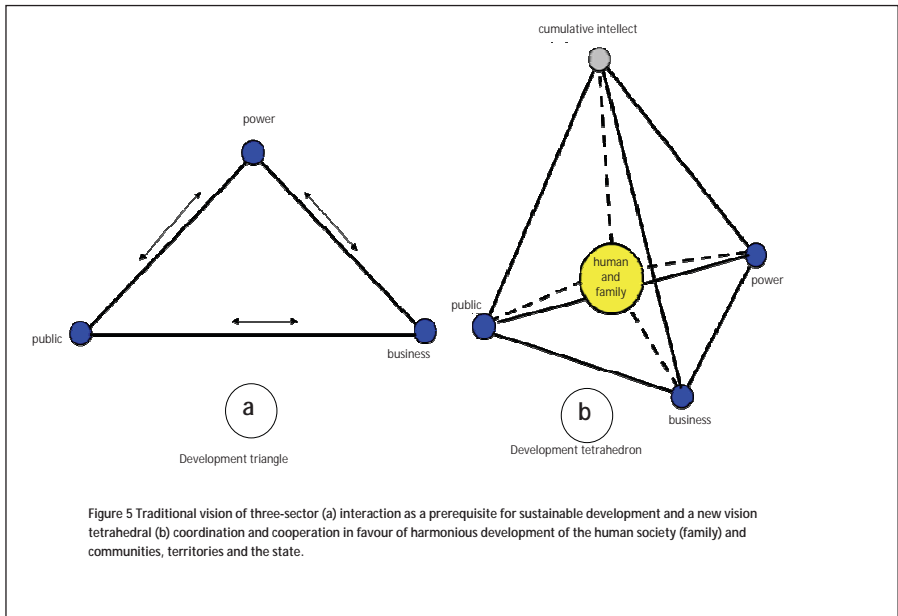


Figure 5 Traditional vision of three-sector (a) interaction as a prerequisite for sustainable development and a new vision tetrahedral (b) coordination and cooperation in favour of harmonious development of the human society (family) and communities, territories and the state.

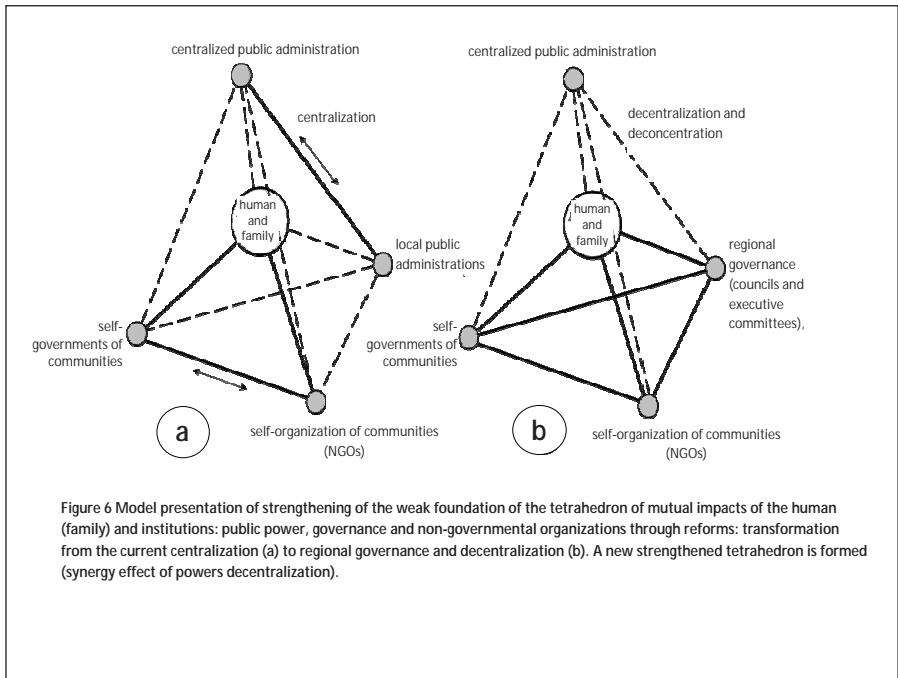


Figure 6 Model presentation of strengthening the weak foundation of the tetrahedron of mutual impacts of the human (family) and institutions: public power, governance and non-governmental organizations through reforms: transformation from the current centralization (a) to regional governance and decentralization (b). A new strengthened tetrahedron is formed (synergy effect of powers decentralization).

