



Focus  
**Ukraine**

Markets  
**Macroeconomics and  
financial markets**

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# #UkrFinForum17

## Day 1. Panel 1

### **Ukraine's reforms: Acknowledging accomplishments and measuring the pace**

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The main focus of the panelists was reform: what was accomplished during the past three years, and what lies ahead. According to **Managing Director, Eastern Europe and the Caucasus, EBRD Mr. Malige**, some of those reforms previously seemed impossible just few years ago, such as the nationalization of Privatbank. Also notable were reforms of the natural-gas market and banking system, both of which have been cleansed of fraud and corruption.

To a one, the panelists noted the scale of reform—accomplished and initiated—over the past three years, especially when compared with previous decades. Further, these reforms have been supported by significant, albeit still fragile, economic growth. However, Ukraine must recognize that while the pace of reform can be slow, Ukrainians have a lot left to do, and the pace should be quickened.

A view held by all was that for Ukraine to prosper and its citizens to have better lives, it should join the European Union. This is something **Professor at the CEU, and former Minister of Finance of Hungary Mr. Bokros** clearly sees in Ukraine's future, so it is imperative that the country forge ahead with reform.

The pace reform is very crucial, as Ukraine is considerably behind the countries to which it seeks to become closer. The World Bank's forecast for Ukraine's economic growth is about 2% this year, which is very low. There are no breakthroughs foreseen for any sector of economy that could spur economic growth in general. Forecast growth will not even return incomes to the level seen in 2014.

What is needed is the political will to go the distance. Interest in reform, like politics, tends to be cyclical. There should be no slacking off, or worse, turning back, based on the whims of political sentiment.

**Anti-corruption reform.** This is perhaps Ukraine's greatest challenge, as corruption permeates all spheres of life in the country. As a step toward solving this problem, establishing an anti-corruption court has been proposed. As well, the importance of the supremacy of law, and the protection of private property rights was highlighted. Without this, privatization of public assets, and attracting investment in Ukraine's economy will be impossible.

Just as investors evaluate a country's risks along with potential return from an investment, they must be confident that their rights will be protected.

However, in the opinion of the EBRD representative, the Anticorruption Chamber at the Supreme Court is generally inappropriate for its stated purpose, and should only be considered as a temporary measure.

*Land reform could become an important driver for economic growth*

**Land reform.** Land reform was a primary concern of the panelists. Only two countries of on the European continent do not have a functioning land market. One is Belarus with its collective farms. The other is Ukraine, where the agriculture sector is a major part of the economy.

Currently, not all of the land in Ukraine can be made full use of. Most is not eligible to be used as collateral, which was a source of corruption in the past. The lack of control over the sale of land creates shadow schemes and opportunities for money laundering. Creating a functioning land market will give significant impetus to economic growth, and contribute to better and faster introduction of other reforms. In this regard, Ukraine is in close cooperation with a number of international organizations, representatives of which are participants in this forum.

*Pension accounts are the base for "long" money, and support economic growth*

**Pension reform.** Pension reform, a subject that is very important for the economy, was discussed in detail in the fourth (parallel) panel of #UkrFinForum17. A positive example that was briefly mentioned at this panel discussion was pension reform undertaken about 15 years ago in Australia. Now, their pension system is among the five best in the world, according to one panelist. The introduction of mandatory payments to personal pension accounts was a major contributor to a significant amount of "long" money in the economy. However, a similar scheme was not successful in Hungary, where the so-called second pillar of the compulsory pension system was canceled after the same 15-year period of reform.

*Marketing and education are needed to successfully communicate reforms*

**Privatisation and medical reform.** Privatisation of state-owned property and state-run enterprises, were discussed in the same way as health-care reform, which were mentioned more in the connection with corruption and the rejection of reform by the citizenry. The problem is that often reforms are not perceived as beneficial by the majority of the population, about 60% of whom never heard about reform at all, and only one-third had some knowledge. Therefore, it is necessary to organize marketing events, explain why reform is needed, and how it will benefit everyone. To further these reforms, investment should be made in marketing and education.

*Ukraine needs considerable reform, and this should be done at a fast pace*

**Conclusions.** There was considerable agreement among the panelists in support of reforms: those accomplished, those initiated, those awaiting approval by the Verkhovna Rada, and those planned for the future. All agreed on the necessity of significantly accelerating the implementation of reforms to support and maintain the momentum of economic growth. At the moment, the pace of reforms is very low, which reduces the likelihood of their implementation and positive results therefrom.

Many important points were examined during the panel discussions, which will aid in developing a blueprint for enacting continued reform and promoting greater economic growth in Ukraine.



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