

Report at the Constituency Meeting: Economic Crisis, Public Spending, Privatization, Migration and EU Eastern Partnership Policy

by Vasyl Shylov
shilov@fpsu.org.ua

10-11 May 2012

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Economic crisis and forecasts of economic growth in the Constituency's countries in 2012

- **Armenia** - 6-7%
- **Belarus** - 0% according to Belorussian independent experts 1.5% according to the EBRD, 5.5% according to the government. In 2011, Belarus had the highest inflation in the last 10 years. During the year, consumer prices rose by 108.7%, while the projected social and economic development index was 7.5-8.5%
In 2012, the government plans to keep inflation within 19%
- **Georgia** - 6% according to the IMF forecasts. In 2011, GDP growth for the full year was 6.8% In the state budget of Georgia 2012 GDP growth forecast is specified at 5%
- **Latvia** - 1.3% according to the Review of Macroeconomic Developments of the Bank of Latvia. Expert Evgeniya Zaitseva said: 'Industrial production and exports are rising. In general due to price rather than volume growth. The government demonstrates optimism: the peak of the crisis is overcome. The Prime Minister Valdis Dombrovskis and troubadour of neoliberalism Anders Aslund wrote the book 'How did Latvia overcome the financial crisis.' American scientists Jeffrey Summers and Michael Hudson said: 'The reality in Latvia is that after the crisis in 2008, the country experienced the largest decline in economic activity worldwide, today there is a moderate dead cat bounce after its free-fall finally ended by impact on the asphalt. The small jump in economic growth is largely a consequence of Sweden's demand for Latvian timber. Long-term economic prospects of the country remain gloomy.'

Economic crisis and forecasts of economic growth in the Constituency's countries in 2012

- **Lithuania** - 2.7% according to forecasts of Danske Bank. The method of work of Lithuanian conservatives with the economy to cow milk more and feed less did not work. The cow (economics) tries to kick off and does not want to follow the instructions of the party (2012 02 18 21:15 //ru.delfi.lt/news/politics/id=55664401).
- **Estonia** - 1.7% according to the Ministry of Finance of Estonia forecast.
- **Ukraine** - 3.2% according to the consensus forecast 'Ukraine: Prospects for Development' of the Ministry of Economic Development and Trade.
- Economy of the Eurozone - reduction in the best case of 0.7% according to market research firm forecasts IHS IHS.
- World economy - 3.3% according to the IMF, 3.4% according to the OECD.

According to Forbes Magazine that analyzed macroeconomic performance of most countries in recent years, in five of the worst economies in the world in 2011 were Armenia and Ukraine.

Causes of the crisis

Features of economic crisis in the Constituency's countries

- Lack of internal resources for development and 'eating' of external resources.
- Prevalence of service sector over production sector.
- Lack of concepts, institutions and mechanisms for development of national economy.
- Ruling class, political institutions and mechanisms are focused on redistribution of income and wealth, not creation of them.
- A key factor of crisis and an impediment to economic development is concentration of wealth in few hands. It was long thought that economic inequality is a stimulus to growth of gross national product because it allows to invest accumulated capital.

Deepening of social stratification

- **Armenia.** 76 of 131 members of parliament have a business. The opposition Armenian National Congress (ANC) said the parliament 'illegitimate' because the majority of members have own business or are actively engaged in it.
- **In Belarus,** according to experts, the key of relative stability of the regime is not just developed power structures, and economic reforms, one result of which, in particular, is relatively fair distribution of national product. In Belarus, there are the oligarchs.
- The state continues to cover a significant portion of utility bills.

Deepening of social stratification

- **Ukraine.** According to the President of Ukraine Viktor Yanukovich ‘the country has become one of the leaders in inequality in the former Soviet Union. At the same time, a huge number of our citizens live below the official poverty line. ...we need to correct mechanisms of income redistribution, to overcome deep property gap.’
- Income of the richest Ukrainian occupations (managers of banks and law firms, for example) vary from 40-50 times the lowest wage categories.
Expert of Social Security Fund (SSF) Anna Yelkina believes that in 2012 social and economic stratification of Ukrainian society will continue. ‘2012 is the year of social risks. You can expect further stratification of income and shadowing of the economy. The rich will become richer and the poor will continue to grow poor, and it will upset social balance in the country.’

Deepening of social stratification

- Lithuania. In the Lithuanian Seimas are 39 millionaires. According to the statistics, the number of millionaires in the Lithuanian parliament is growing with each new composition. Millionaire is also the president of Lithuania Dalia Grybauskaitė: her fortune is estimated at 2 million lits (more than half a million euros). The government of Lithuania's has four millionaires.
- According to Eurostat in 2011, in Lithuania, the ratio of minimum and average salaries is more than 42%

Economic crisis and rising public debt in 2011 in % of GDP

- **Armenia** - 36. The largest creditor of Armenia is the World Bank to which the country has to give \$ 1.33 billion (37.5% of total external debt).
- The second largest creditor is the International Monetary Fund - \$ 827 million (23.2% of total external debt).
- **Belarus** - 40.8 (in 2011, increased by 3.9 times).
- **Georgia** - 80.
- **Latvia** - 44.80. The volume of external debt was 4.38 billion lats. Almost all of the borrowed money went to cover the operating budget expenditures, that is eating.
- **Lithuania** - 36.
- **Estonia** - 6.6
- **Ukraine** - 44.80.

According to the Maastricht Treaty of European countries, public debt should not exceed 60% of GDP.

Latvia national debt payments

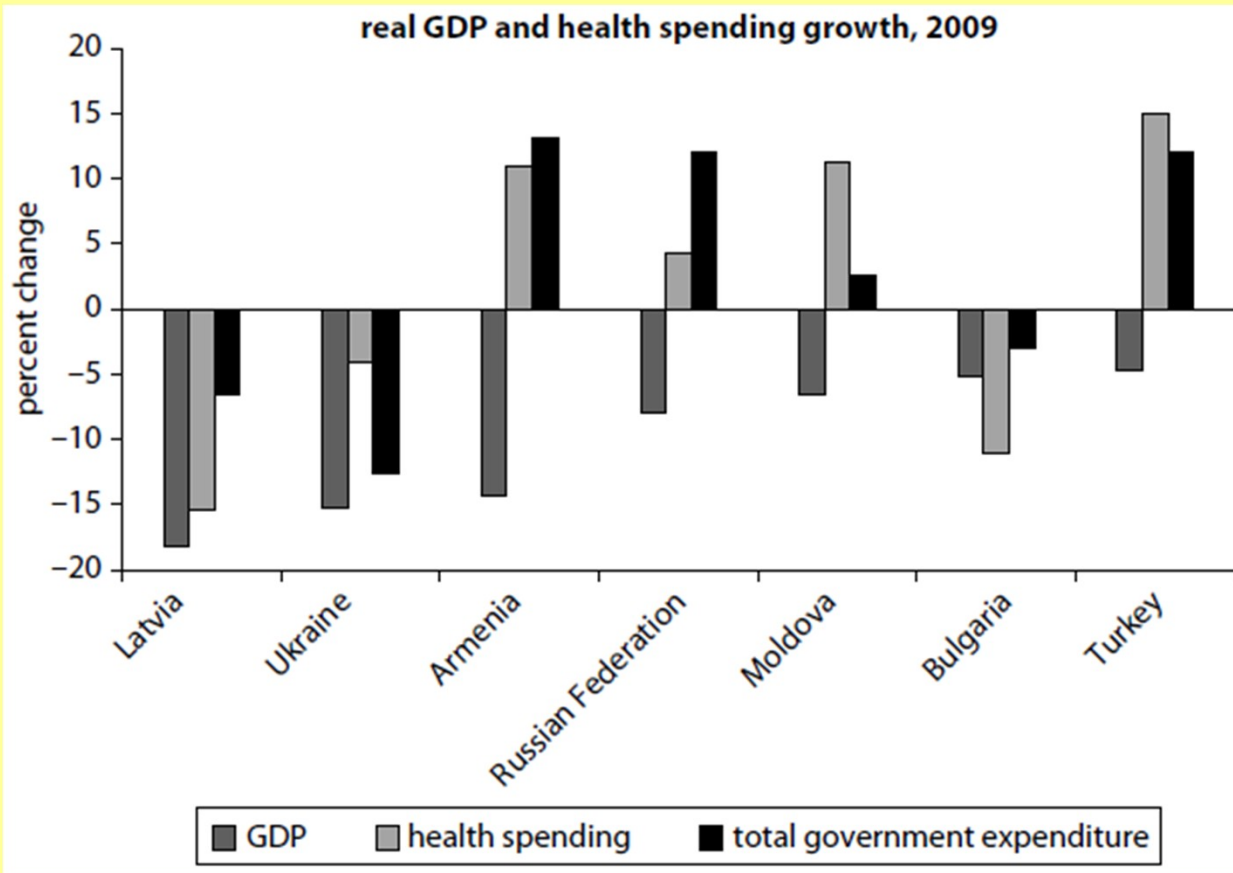
- 2012 - 228.6 million lats;
- 2013 - 332.8 million lats;
- 2014 - 138.96 million lats (and 1 billion euros to the European Commission);
- 2015 - 93.95 million lats (and 1.2 billion euros to the European Commission);
- 2016 - 67.98 million lats;
- 2017 - 42.18 million lats;
- 2018 - 42.18 million lats;
- 2019 - 42.18 million lats (and 0.5 billion euros to the European Commission).

It is extremely expensive for the country with population of less than 2 million.

Ukraine national debt payments

- **Ukraine** has paid to the IMF \$ 575 million in the first tranche of service stand-by. The volume of payments of Ukraine to the IMF in 2012 is \$ 3.72 billion. For repayment of this debt and debts on bonds Ukraine wants to obtain from the IMF's new lending of \$ 10 billion. In the meantime, when no credit, the Ministry of Finance will borrow money by selling government bonds.
- However, negotiations with the IMF reached an impasse due to the failure of Ukraine to raise tariffs by 32% for all families. The reason is that 25% of population consider themselves poor, middle class is also not significant.
- However, 'higher gas prices for Ukraine's population is inevitable, and when it happens is just a matter of time' the first deputy head of Presidential Administration of Ukraine Iryna Akimova said in Washington.
- 'I am deeply convinced that the IMF is the only way to reform. Gas tariffs (for population) should be raised. Let's talk about transparent mechanisms of compensation', Minister of Economy of Ukraine Petro Poroshenko said.
- 'The growth rate of debt is almost twice the rate of growth of real GDP.' This is stated in the conclusions of the Accounting Chamber of Ukraine on the implementation of 2011 budget.

Public services and pensions cuts under pressure from the IMF



- Armenia increased spending on health and education and public services, despite fall in GDP
- Countries under conditions from IMF/EU cut spending (Latvia, Ukraine)

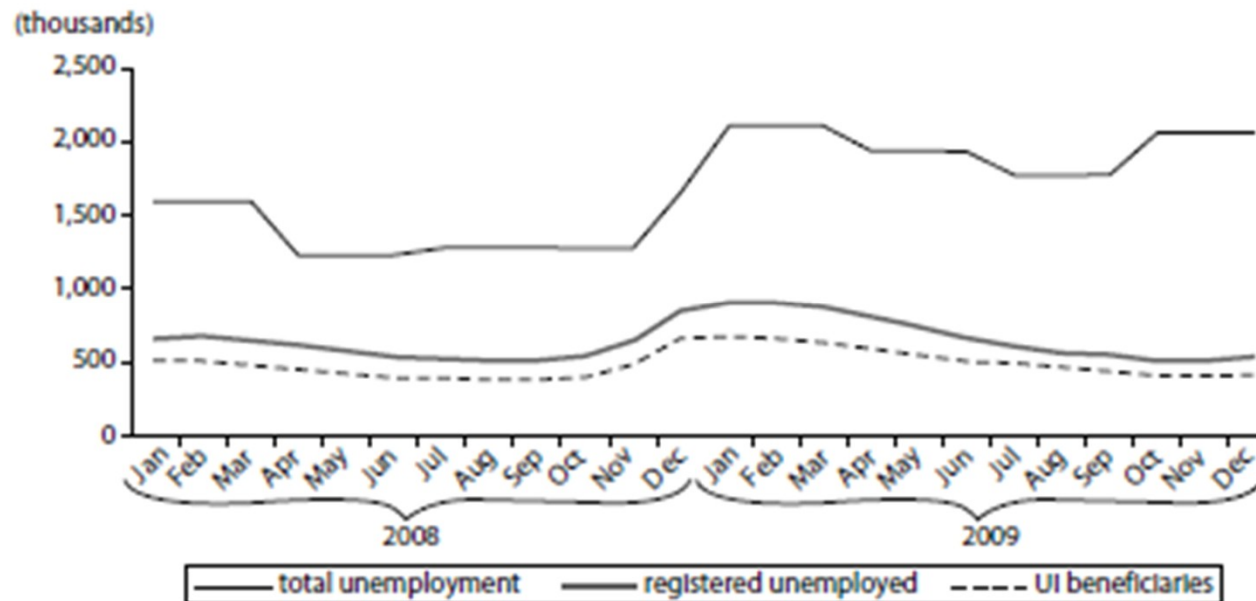
The Jobs Crisis: Household and Government Responses to the Great Recession in Eastern Europe and Central Asia. World Bank 2011

<http://go.worldbank.org/ZWFZ7IGHJ0>

Unemployment benefits cuts

With the beginning of the crisis, more and more unemployed lose their eligibility for unemployment benefits in some Constituency's countries

Figure 4.5 In Ukraine, Higher Proportions of the Unemployed Have Lost Coverage of Unemployment Insurance Benefits since the Onset of the Crisis



Sources: World Bank staff calculations using Kuddo (2010a) data on the number of people who are registered unemployed and unemployment insurance beneficiaries. ILO LABORSTA Database for number of unemployed.

Public services and pensions cuts under pressure from the IMF

Unemployment benefits

- Ukraine imposed stricter criteria for unemployment assistance (land tenure, weekly checks).

Social assistance

- In Ukraine, the government aims to reduce the number of welfare beneficiaries.

Pensions

- Latvia and Ukraine raised the retirement age under pressure from the IMF. In 2012, Ukraine increased minimum pensions in order to protect the poor.

Education

- Latvia and Ukraine cut spending on education. In 2011, Armenia increased real spending on education.

Health

- Latvia and Ukraine cut costs. In 2011, Armenia increased the real cost of health care.

Spending cuts

- **Lithuania.** The government will cut in 2012 public sector spending by 4% and only partially restore cut pensions, which should save 1 billion lits (290 million euros) in state budget.

Tariffs increase under pressure from the IMF

- Strategy Partnership with Ukraine in 2012-2016, approved by the Board of Executive Directors of the World Bank, gives a rather harsh assessment of the Ukrainian economy and, in particular, of the banking system, introducing no less severe sentence: "One of the key macroeconomic risks is associated with access to external financing. There is a risk of cancellation of an agreement for a stand-by loan with the IMF, enhanced risk for restructuring related to the fact that 2012 accounts for a large amount of debt service, including the IMF. 'According to the IMF, the payment of a financial institution in Ukraine in 2012 will amount to \$ 3.75 billion. The WB puts to Ukraine a rather stringent conditions for obtaining financing: 'Increasing energy tariffs for households and public utilities, solution of structural problems in gas sector will test the seriousness of the government, especially on the eve of parliamentary elections in 2012.' To pay off the IMF debt to be refunded this year, Ukraine is not option but to search for sources to loan up.

Benefits, services and pensions cuts under pressure of the IMF

- Representatives of the Ministry of Welfare of Latvia, with the full support of the Cabinet of Ministers repeatedly, stated that the retirement age will increase in 2016. It was planned that by 2021 this figure will rise from the current 62 to 65-year-old. Now the Ministry of Welfare offers to go to such measures as early as in 2014, and the Confederation of Employers insisted that increasing of the retirement age should already start in 2012! The retirement age is not limited to 65 years, it will continue to increase as long as a simple man will no longer need to count on the pension in old age.
- The Latvian government supported a proposal to begin a gradual increase in retirement age in 2014. On 1 January 2014 and 2015, the retirement age will be raised for three months, and in 2016 for six months each year until it reaches 65 years by 2020.
- The Ukrainian parliament has not supported the draft resolution to increase living standard and minimum wage in 2012.

Public services cuts

- In most Constituency's countries there will be cuts of spending on education, health care, roads, pensions and benefits and raising taxes on the other side. Various taxes stifle people to such an extent that soon there may be no more taxpayers.

EU impact on the Constituency's non-EU countries

- 'Programme 2020' and new fiscal rules: more stringent.
- The EU policy on domestic market and in procurement, for example, liberalization of services.
- Support for public-private partnerships, the EU (OECD, United Nations Economic Commission for Europe).
- In 2011, increased the dependence of the Constituency's countries moving towards a liberal market economy, from two international centers of influence.
- On the one hand, from the International Monetary Fund and World Bank, who believed that in a free market everything goes by itself.
- On the other hand, from the European Union, which seeks gradual adaptation of systems, rules and regulations of the neighboring countries to the European ones.

Employment and wages in the Constituency's countries as of 1 January 2012

- **Armenia.** The average monthly wage is according to the National Statistical Service of Armenia, is 113,000 drams, in public sector - 93,000 drams, in non-public sector - 137,000.
- 'Whatever today's authorities declare regarding their socially-oriented programs, in fact, they do need socially dependent citizens. People who are forced to consider as achievement not decent work, but for whatever wage, for which you can put up with violations by the employer. We need people that will be stronger affected by the smallest pre-election bribe' member of 'Heritage' Party Armen Martirosyan said.
- **Belarus.** According to the National Statistical Committee, 'gross average wage of workers in Belarus amounted to 2,880,585 rubles' or \$ 357.

Jobs and wages in the Constituency's countries as of 1 January 2012

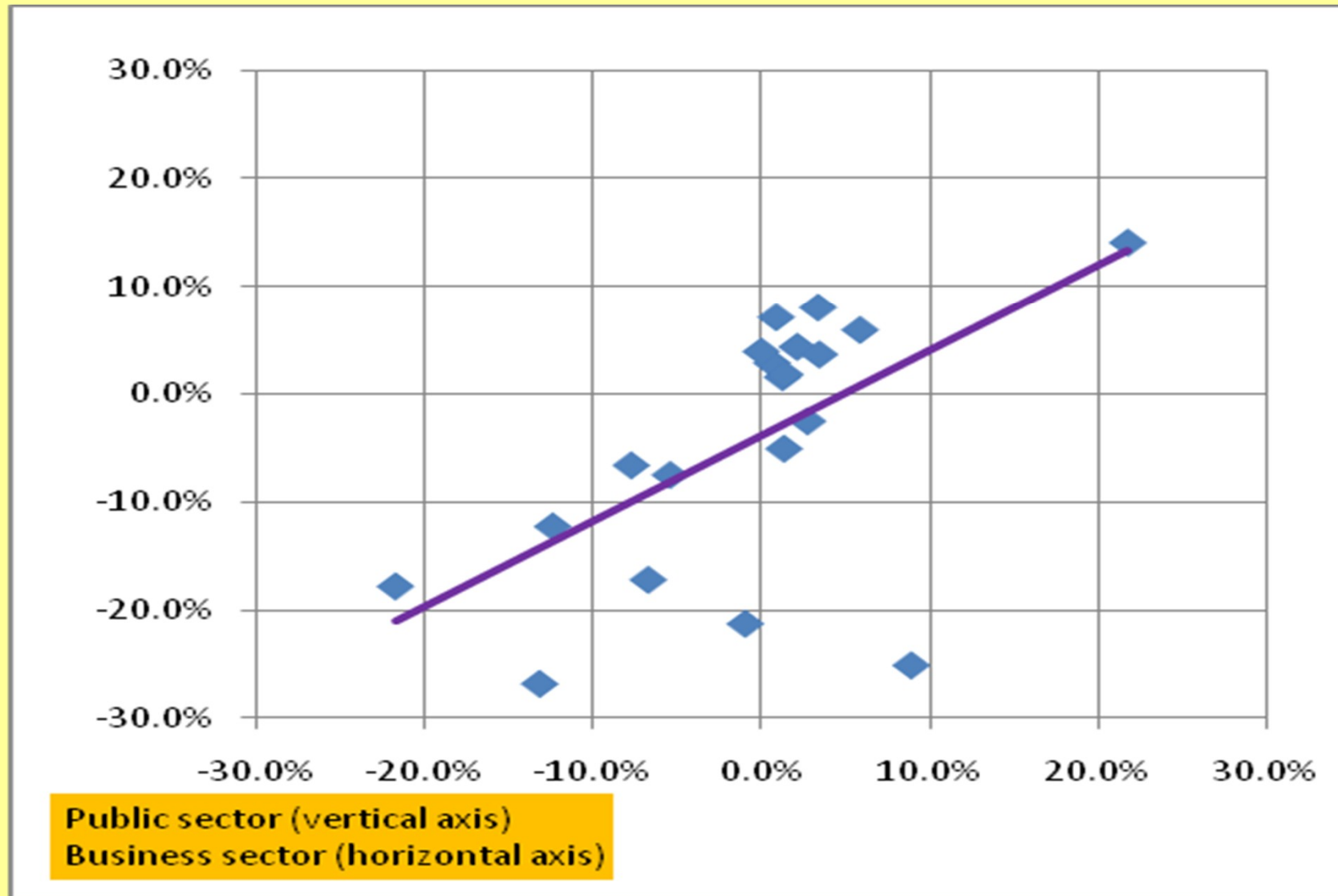


- **Georgia.** According to official statistics, the average monthly wage is 680 laris. From 2006 to 2011 the highest level of growth in wages was recorded in health and social services - 354%(from 143 to 507 laris). Then there are utilities - 324% (from 176 to 568 laris). The minimum wage of public employees is 115 laris (\$ 68), the minimum wage of private sector workers is only 20 laris (\$ 12) per month. Minimum wage has been not changed since 2005 (public sector) and 1990 (private sector).

Jobs and wages in the Constituency's countries as of 1 January 2012

- **Latvia.** According to the Central Statistical Office, average monthly gross wage was equal to 464 lats (660 euros) compared with 2010 it is by 19 lats or 4.4% more. In the public sector growth reached 4.7% (from 470 to 493 lats) including in public administration by 4.9% (from 433 to 454 lats), private sector by 4.6% (from 427 to 447 lats).
- **Lithuania.** According to the Central Statistical Office, average monthly gross wage amounted to 630 euros. According to Eurostat minimum wage in Lithuania is frozen at the level of 2008.
- **Estonia.** According to the Central Statistical Office, average monthly gross wage amounted to 865 euros. According to spring economic forecast (Eurozone Forecast) for the Eurozone drawn up by Ernst & Young and Oxford Economics, by 2016 Estonia will have workforce lack, but it will not entail a wage race.
- **Ukraine.** The average wage in Ukraine amounted to 2,239 hryvnias in 2010, and 2,633 hryvnias in 2011 and surpassed the pre-crisis bar. Real wages in Ukraine in February 2012 increased by 16.2% compared with February 2011, reported the National Statistics Service. According to Channel 24, the amount of money that people received as pay in 2011 grew up on a quarterly basis. If at the beginning of the year it was allocated almost 113 billion hryvnias, at the end about 150. The growth of wages in Ukraine is breaking records in Europe. Over the previous two years (2010-2012) increase in minimum wage in Ukraine by 35% is among the highest in Europe. Ukraine is ahead on this indicator the countries like Poland, Estonia, France, Romania and Turkey. On 1 January 2012, minimum wage in Ukraine increased to 1,073 hryvnias. At the end of last year, 700,000 people in Ukraine were paid within minimum wage, and 1.3 million still less. The country continues to have arrears in payment of wages. As of 1 February 2012 it amounted to \$ 1.038 billion. In comparison to the amount on 1 February 2011, wage arrears decreased by 22.8%

EU: real wages change in public and private sector



Women pay gap

- **Armenia.**
- **Belarus.** The average men's wage in the country is by one-third higher than women's wage.
- **Georgia.** N/a.

Women pay gap



- **Latvia.** According to the Ministry of Welfare of Latvia, in 2010 the average salary of Latvian women was by 17.6% less than men. In the same work, as well as for the same amount of work, for example, in the financial sector and banks pay gap between men and women may take up to 61%
- **Lithuania.** Average salary of women in 2011 was by 13% less than the salary of men according to the chairman of the Seimas Committee on Human Rights Arminas Lidaka. In this case, according to the Lithuanian Department of Statistics, the difference in salaries between men and women in private sector is much higher than in public, respectively 19% and 14.2%. In general, pay gap between men and women is gradually decreasing: in 2008 the figure was 21.6% in 2009 - 15.3% and in 2010 - 14.6%

Women pay gap

- **Estonia.** Wage gap between men and women is 30%
- **Ukraine.** In 2011, average men's wage amounted to 3,035 hryvnias, and women to 2,800 hryvnias despite the fact that women are involved in difficult and dangerous production along with men. Thus, women's work in Ukraine is estimated at 30% cheaper than men's.
- It is noteworthy that an enormous difference in the amount of wages between men and women exists in spite of direct legal prohibition of artificially low women's wages in all countries. In practice, neither authorities nor citizens do not consider low women's pay a significant problem. Although labor codes in all countries directly establish employer's duty to 'ensure employees' equal pay for equal work', gender wage discrimination still exists.

Women pay gap

Equality is one of the fundamental values of the EU. The principle of equal pay for men and women for equal work is approved in the EU treaties.

Unemployment in the Constituency's countries

- **Armenia** - 6% Almost half of young people are unemployed. According to a research of the Institute of Political and Sociological Consultations IPSC, 48.5% of citizens believe that unemployment is the main problem of the country.
- **Belarus** - 0.6% According to the former Minister of Labour, sociologist Alexandr Sosnova, unemployment in Belarus reaches up to 10 percent. Especially considering the crisis that affected the Belarusian economy.
- **Georgia** - 20%.
- **Latvia** - 11.5% of registered unemployment. 52 unemployed claim for one job. Nobody knows its real level.
People just stopped going to employment exchange and register because there are still no jobs.
- **Lithuania** - 16.3% or more than 230 thousand people.
- **Estonia** - 12.5% leading in the EU to reduce official unemployment rate.
- **Ukraine** - official unemployment rate is 1.8% On 1 January the State Employment Service of Ukraine registered 482.8 thousand unemployed.
- The unemployment rate in the Eurozone is 10.8% after adjusting for seasonality.

Economic and social role of public spending

- Spending on social needs and budget = public and local government spending on public services and social security.
- Public services and public spending, public service workers are increasingly being presented as:
 - Parasites on the body of 'real' productive sectors of economy
 - 'Luxury' which must be sacrificed for the sake of general economic profit
 - are inefficient in comparison with private and market services.
- However, the facts say that:
 - Increased spending on social needs is associated with economic growth
 - Spending on health and education have a positive impact on productivity
 - Equality brings economic and social benefits

Crisis and emigration in the Constituency's countries

- **Latvia.** According to the well-known U.S. economist Nouriel Roubini, in recent years official statistics underestimated the number of people leaving the country by 5-10 times.
- Latvian Economist Raita Karnite made the prediction that within ten years Latvia will need 360,000 immigrants guest workers.
- During 2011, Latvian economy received more than 310 million lats from migrant workers, and now it is probably the most stable source of revenue for the country.
- In addition, during the past year, Latvian economy received more than 310 million lats through the efforts of their 'leaving people'. That is the amount sent to the homeland labor migrants in 2010, and now it is probably the most stable source of revenue for the country.

Crisis and emigration in the Constituency's countries

- **Ukraine.** The director of the Donetsk Institute of Social Research and Politics Analysis, Vladimir Kipen said that 17% of Ukrainian citizens have a clear plan or think about emigration.
- According to him, recent sociological data show that 5.4% of the population of Ukraine have clear plans to change the country of residence, and 11.6% of Ukrainians think about emigration from time to time.
- Kipen said that in terms of absolute numbers about 1.2 million Ukrainians want to move to a country in Schengen Area.
- 'According to the World Bank, Ukraine is the 5th largest in the world of migration. According to these data, to date, 14.5% of working population is outside the country, representing 6.5 million people', said the expert. According to official data only two or three million Ukrainians are working abroad.
- Outside of Ukraine 6.5 million migrants are working, almost 14.5% of the population. This, according to the BBC, is data of the International Organization for Migration. Among the 67% of workers are men, 33% women.
- Loss of Ukraine from outflow of specialists, according to experts, is about \$ 15 billion annually. Ukrainian migrants annually transfer to Ukraine of 5 to \$ 9 billion which amounts to 5-8,5% of GDP and is equal to the amount that foreign companies are investing in the country.

Crisis and emigration

- **Lithuania.** 4% of the population would like to emigrate from the country permanently, and over a third would like to live abroad temporarily.
- This is according to a poll published by Delfi.lt.
- According to R. Lazutka, the main reason why people leave Lithuania is wrong socio-economic policy. And migration situation in Lithuania will not change until the government changes this policy.
- Professor of History Ludas Truska compared the current emigration with the plague which devastated Lithuania at the beginning of the 18th century, when it lost every third person. 'Although emigration of Lithuanians has lasted for half a century, it has never been so extensive. This is not immigration, this is evacuation', said the Lithuanian scientist in an interview for Delfi.lt.

Crisis and acceleration of privatization

In the Constituency's countries, fast privatization is considered important and necessary factor for change. There are neither time nor funds for social protection and equality of chances.

Crisis and acceleration of privatization

- In Ukraine, a law on the state privatization programme 2012-2015 came into force. In 2011, the State Budget of Ukraine received 11.5 billion hryvnias from privatization of public facilities. The Cabinet of Ministers plans budget revenues in 2012 from privatization of public property at the level not less than \$ 10 billion.
- According to the chairman of the State Property Fund Oleksandr Riabchenko, the SPF analyzed 4,300 state-owned companies. According to the analysis about a thousand of them should be liquidated, and another 1,200 should be privatized. If these 1,200 companies are not privatized, after a while they will also be liquidated.
- According to the chairman of the State Property Fund, 'after the global recession privatized rather than state-owned companies will start active development.'

Crisis and acceleration of privatization

- **Latvia.** As discussed informally in various levels of government, in privatization kit can enter energy monopoly, Latvenergo, post, Riga International Airport, railway, etc. However, their sale is prohibited by the constitution, but it is always possible to make changes. And buyers of Latvian infrastructure can be found only abroad, because no one in Latvia has such funds.

Accordingly, a significant portion of income of survived companies will leak out of the country and will pay taxes there. Naturally, the cost of services for households will rise.

- **Ukraine.** The Supreme Council supported in the 1st reading the bill No. 9713, which was prepared and submitted by the Ministry of Coal industry to the Parliament on behalf of the Cabinet of Ministers, under which 13 thermal power plants (TPP), including Odesa and Kharkiv ones, should be privatized.

The document proposes to unfile the following companies which are not subject to privatization: Kharkiv TPP, Odesa TPP, Kherson TPP, Sevastopol TPP, Mykolaiv TPP Dniprodzerjinsk TPP, Lysychansk TPP, Severodonetsk TPP, Kamyshburun TPP, Separate structural subdivision of Simferopol TPP, Eshar TPP, Kryvyi Rih TPP and Saky heating networks.

Crisis and acceleration of privatization

In the Constituency's countries health and education, deprived of public funds, have no chance of reaching European level.

Upcoming parliamentary elections and social policy

- **Nationalism and populism in the Constituency's countries have become the most important strategies of building relationships of the political elite, and in no small part of the state, with the people/society. It takes many different forms, in particular 'preferential', 'tariff' populism.**
- **'We will engage in a battle, and then we will see' was Napoleon's motto.**
- **Armenia.** Parliamentary elections will be held in May 2012. Presidential elections will be held in 2013.
- **Belarus.** Parliamentary elections will be held in autumn 2012.
- **Georgia.** Parliamentary elections will be held in October 2012. The ruling party is starting to distribute 'vouchers' to the population giving the right to benefits for those paying electricity.'
- **'My goal is to grow this year from 8 to 10% and to grow over the next 10-15 years at least by 10% in order to make singaporisation in economic categories ... and to live richly', Georgian President Mikhail Saakashvili said and added 'I do not want us to be an average country.'**
- **Lithuania.** Extraordinary parliamentary elections are scheduled for 14 October 2012.

Upcoming parliamentary elections and social policy

- **Ukraine.** Parliamentary elections are scheduled for 28 October 2012. The main slogan of our time is pro-active social policy.
- It was proclaimed, neither more nor less, movement of the state toward socially vulnerable population. This is about, according to Deputy Head of Presidential Administration of Ukraine Iryna Akimova, 4 million people. Officially. Although in reality, as she says, they are somewhere 18 million.
- More specifically on the part of financial aid. Increasing pensions in May to eight million pensioners by 103.6 hryvnias. To former military personnel - 606 thousand people - increase of pensions by 180 hryvnias. It takes 10 billion hryvnias. The drugs will have 'reference prices'. Mrs Akimova promises discounts on the popular drugs by 25% As early as 6 billion hryvnias will manage the return of bank deposits since the Soviet Union. But in this case a campaign should be conducted among the population in order they do not take 'Yulia's thousand', and leave that amount on deposit at attractive interest rates.
- All the President's social package 'worth' 16 billion hryvnias.
- Experts are very skeptical of the President's economic social package. 'These initiatives and counting are from the field of psychiatry, rather than economy', the former minister of economy Sergii Teriokhin said.

Upcoming parliamentary elections and social policy

- The President Viktor Yanukovich promised to submit to the Parliament a bill on tax on wealth. However, he did not specify when this would happen. Since last year the bill is being posted on the website of the Ministry of Social policy. Highlights: owners of luxury apartments, cars, yachts should annually pay for it, and deduct money every time they purchase luxury items. It was assumed that the law will operate from 1 January 2012 to 1 January 2017. But the bill has not been submitted to the Parliament. Now, according to the President, leading businessmen Rinat Akhmetov and Viktor Pinchuk and Kostiantyn Jevago have already agreed to pay the new tax.
- The opposition believes that the Government has chosen the wrong path. 'The basis of wealth of Ukrainian oligarchs are interests, dividend and royalties or so-called passive income. They should be exactly taxed.
- Expert of the Social Security Fund (SSF) Anna Elkina believes that in 2012 social and economic stratification of Ukrainian society will continue. '2012 is the year of social risks. We can expect further stratification of income and shadowing of economy. The rich will become richer and the poor will continue to grow poor, and it will upset social balance in the country,' she said.

Crisis and public sector reform

- **Ukraine.** In reforming health sector, there is a disruption of existing order to provide certain types of medical care, in particular pediatric, obstetric, further aggravated situation due to lack of personnel in health care system for TB patients in primary care. In addition, preservation of the volume of health care and a network of medical institutions are not provided. Medical institutions that are able to provide skilled inpatient care have been keeping away from places of residence of patients up to 20-40 kilometers.
- As part of administrative reform 20 ministries have been transformed into 16 new ones. Nine ministers have been dismissed, there have been layoffs of state employees. Redundancies have made from 1% in the Ministry of Social Policy to 50% in the State Inspectorate for Safety in Ground Transportation. The average number of employees in ministries and departments has decreased by 30%

Crisis and public sector reform

- In light of economic crisis and lack of regulatory control, it seems ironic that one of the most important goals of administrative reform is to reduce administrative burden.
- Public sector is not a 'burden' for 'real' economy, on the contrary, it contributes to development and potential in economic governance reform, paving the way for more sustainable and equitable development. The facts indicate that there is a continuing need for public investment to mitigate the effects of the crisis, to maintain the standard of living and to prepare to ensure future needs.
- According to the opposition administrative reform is a myth. In fact, there was reduction of central bodies of executive power by 30% but the size of the Presidential Administration has increased during the year.'

Quality public services

- Almost all Constituency's unions took actions aimed at providing all citizens with quality and accessible public services, universal coverage and access regardless of social and economic conditions.
- Ukraine has been consistently implementing a goal-oriented programme For Quality and Affordable Public Services adopted by the Congress of Federation of Trade Unions of Ukraine. There is active work to provide quality services in Georgia.
- On 21 March 2012, Director of Public Services International Research Unit of Greenwich University, UK, David Hall visited Ukraine on the invitation of the Federation of Trade Unions of Ukraine within the framework of the FPU goal-oriented programme For Quality and Affordable Public Services. He made the presentation Public Spending, the Economic Crisis, Privatisation, Efficiency, and Remunicipalisation.

Social dialogue

- The Constituency's unions actively used social dialogue in order to prevent worsening of economic situation in the country, sector, companies, reduction of social guarantees and deterioration of workers' life.
- Currently, there is much evidence, including the OECD data, that successful implementation of reforms in public administration, as well as in other sectors, requires implementation of a fruitful social dialogue between unions and employers.
- The main focus was on negotiating collective agreements. Many public sector unions won from social partners adoption of the majority of their proposals. However, in many cases the most important decisions in the states are adopted without discussion with unions and employers. Employers delayed entry into collective bargaining.

Social dialogue

<http://www.epsu.org/a/8615>

- In some states, particularly in Armenia, Georgia, Ukraine, Estonia, the employers attempt to solve the problems of development and competitiveness through freezing of wages, denial of social security, introduction of a simplified system of layoffs, in general, revision of labor laws, increasing labor market flexibility and precarious employment.
- Aggravation of contradictions between labor and capital complicates the process of social dialogue leading to increased violations of trade union rights.
- Emerging economic growth is accompanied by growing population stratification by income level which is considered critical, for example, in Armenia, Latvia, Ukraine and worldwide.
- As a result, public sector unions were forced to hold a series of mass protests, rallies, picketing, as well as to take part in such actions together with other unions, especially in their countries.

Projects

- An important role in supporting the activities of the EPSU affiliates at subregional and national level was promotion of union development through projects with external funding.
- Workshops participants believe that the projects have become an important contribution to empowerment of unions in organization issues and presentation of their members, problem solving, public services, PSI and EPSU policies implementation, defending trade union rights and achieving gender equality.
- The projects have played an important role in ensuring the unity of public sector unions in the countries and subregions, helped them to deal more effectively with restructuring of public sector and neoliberal policies.

Association Agreement

- EU Eastern Partnership Policy:
 - Defines the EU relationship with Armenia, Georgia, Ukraine
 - Implemented through a series of bilateral agreements
- Association Agreement EU-Ukraine:
 - Negotiations were completed in December 2011
 - Initialed in March 2012
 - Provides for 'gradual integration of Ukraine into the EU internal market including through establishment of a free trade zone'
 - Provides for 'programme reforms in Ukraine, In particular, a comprehensive programme of institutional development'
(Association Agreement in two words http://ec.europa.eu/commission_2010-2014/fule/docs/news/20111221_more_information_fule_visit_to_ukraine.pdf)
 - Association agreements with Armenia and Georgia have been also negotiating
(Laima Andrikie, 15 March 2012. EU Relationship with its eastern Neighbours <http://www.publicserviceeurope.com/article/1651/europes-relations-with-its-eastern-neighbours-work-in-progress>

Translations

More than 500 pages of text have been translated from English into Russian.

- All issues of the magazine Focus on Public Services, PSI Women, PSI World News, epsucob@NEWS, EPSU News, News Splash.
- International Trade Union News and various press releases and publications, declarations of Global Unions to the Summit of G20, Global Unions Statement to the Annual Meeting of the International Monetary Fund and World Bank, documents of meetings, reports on trade union protest actions, especially in public sector, other materials including letters, plans of work of the EPSU standing committees, circulars, surveys, bulletins, reviews of various articles such as Person-2011: Demonstrator of the magazine Time, analyzes of the Public Services International Research Unit Cuts Watch Brief on a number of countries including Argentina, Bulgaria, Germany, Hungary, Greece and Italy.

Translations

- **Global Labour Column**, The Growth of Inequality is whether the Fiscal System, articles of international labour movement leaders, for example, **The Crisis: the Response of the European Trade Union** by ETUC Secretary General **Bernadette Segol**, **The 2012 Annual Growth Survey's proposals for the modernisation of public administration - another tale of the missing links.**
- A number of pamphlets have been published, for example in Ukraine, about international financial institutions in the series **Trade Union Worker's Collection**, etc.