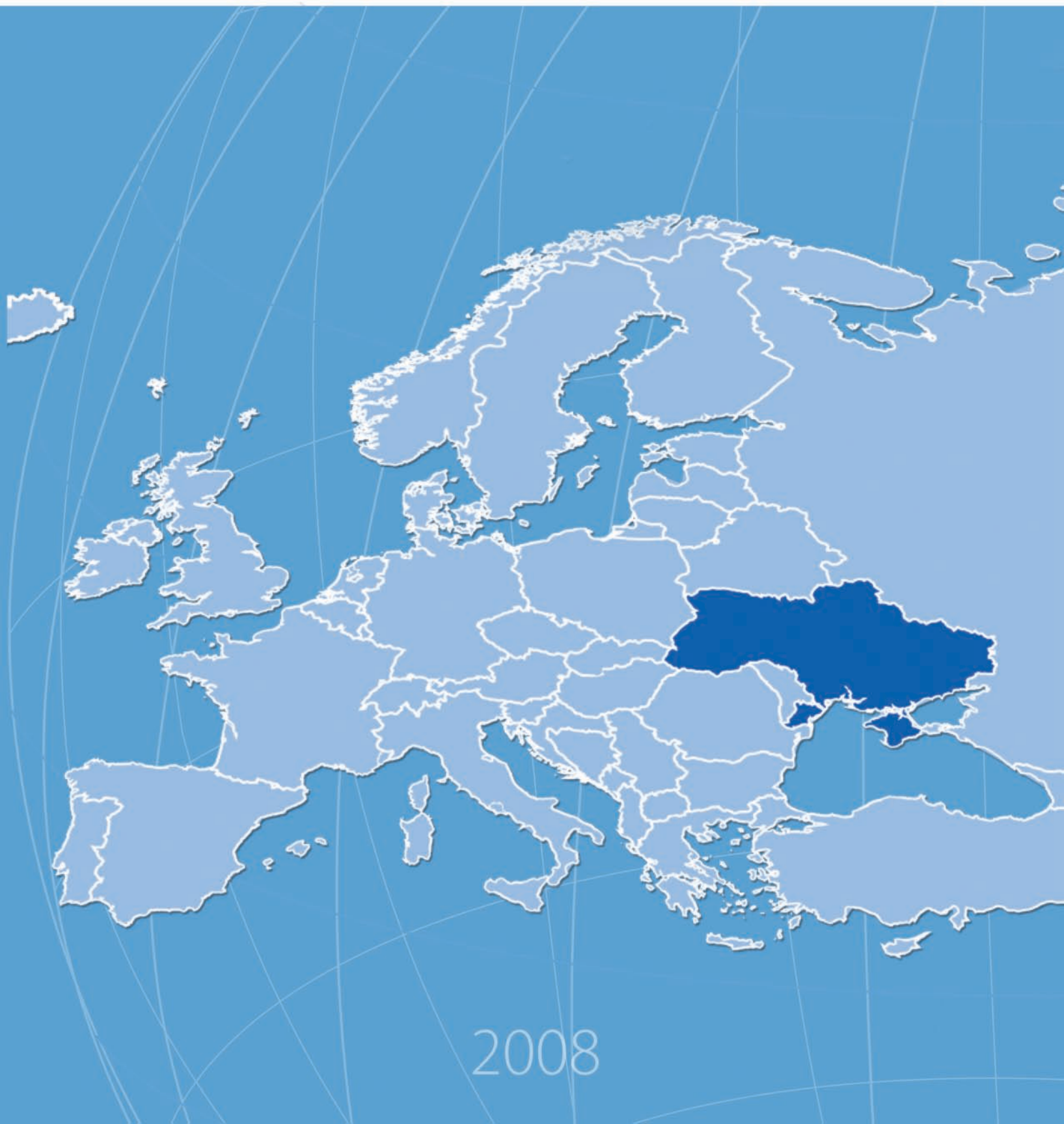


# Human Development Report Ukraine

Human Development and Ukraine's European Choice



2008



# **Human Development Report Ukraine 2008**

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Ukraine's European Choice

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# PREFACE

Since 1995, through its periodic National Human Development Reports in Ukraine, UNDP has been continuously drawing the attention of the country's policy-makers and civil society to the challenges the country faces in social and economic development.

The reports have offered in-depth focused perspectives on and analysis of national circumstances and strategies for advancing human development. The reports have stimulated national debates and resulted in many initiatives promoting and strengthening human development.

As such, these National Human Development Reports constitute a major pillar for analytical and policy work by UNDP and other partners. The aim of the reports continues to be to bring together the facts about human development in the country, to influence national policy and to mobilize various sectors of society.

Over these years, UNDP has sponsored the preparation of seven NHDRs (1995, 1996, 1997, 1998, 1999, 2001 and 2003). Since the publication of the latest NHDR, "The power of decentralization" (2003), Ukraine has gone through a period of important political and economic transformation. Democracy has been strengthened and the transition to a full market economy is well underway. As this current NHDR goes to the printers, Ukraine has just ratified the WTO accession protocol opening the way to negotiations with the European Union on establishment of a deep and comprehensive Free Trade Area.

Yet despite these achievements, many challenges lie ahead, requiring timely response from authorities at all levels, and from civil society. Notably, many past initiatives were officially proclaimed, but progress in implementing vital reforms to boost human development remains modest so far. The latest global Human Development Report ranked Ukraine as a country with medium human development (76 /177). The Report shows that on the basis of most human development indicators Ukraine lags far behind all EU member-countries, including Romania and Bulgaria which joined the EU in 2007.

This is a particularly important comparison given that Ukraine has proclaimed and frequently re-affirmed that its key foreign policy goal is to join the European Union. This geo-political aspiration, often referred to as the European Choice, must be considered in tandem with Ukraine's equally important socio-economic commitment to human development, evidenced in its adoption of its own Millennium Development Goals (MDGs). In fact, these two intertwined concepts constitute a fundamental frame of reference for policy-making in Ukraine.

Hence, this report aims to examine the relationship between these two overarching agendas with their own system of goals, targets, and ways of tracking progress. The objective is to compare the two agendas and see whether they are consistent with each other, and if they are, then to determine what the consequences of their implementation can be.

The Report argues that from the viewpoint of the economic, social and institutional environment necessary to encourage long-run sustainable human development, the goals of these two paradigms coincide completely. Once the country effectively pursues its European integration path, it greatly facilitates the achievement of higher standards of life and establishment of safer environment. To a large extent the implementation of EU's *acquis communautaire* is the short track to succeed in human development, to achieve the MDGs, and indeed to fulfill many of the inherent aspirations in the UN Millennium Declaration.

Yet, despite regular statements by top officials that Ukraine's European integration is irreversible, the understanding of European values, and of the EU's complex mechanisms and functions – even before the Lisbon Treaty enters into effect – and of the costs and benefits of European integration is still rather limited in the awareness of the Ukrainian public. The EU is mostly viewed from a political perspective, while its nature as a complex economic and social mechanism is often neglected and underestimated.

Our hope is that the present Human Development Report can raise public awareness on these issues and can become a helpful reference for decision-makers in achieving political consensus, based on a common perception that the major priority for Ukrainian authorities is to ensure a better quality of life for all.

But more than this, to the extent that such a relatively technical subject can be distilled for a wider audience, we hope that it will inspire broad confidence that the European integration path chosen for Ukraine is indeed the best – and fastest – way to achieve aspirations for national well-being, security, and prosperity.



**Francis M. O'Donnell**  
UN Resident Coordinator  
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# EXECUTIVE SUMMARY

Any country in transition must seek to balance an enormous political, economic, social and institutional reform process on the one hand, with scarce financial and human resources on the other. Setting government priorities is always difficult, even when external assistance is as generous as it was for those countries that first started their peaceful transition to participatory democracy and market economics in 1989-90. These dual goals are based on common values embedded in the tradition of human rights and freedoms, the idea that the state is subordinate to its citizens, a clear division of powers, the transparency and accountability of public officials and the rule of law. For countries in transition that aspire to join the European Union (EU), the choices become clearer: the transition requirements and the European integration agenda are mutually reinforcing, with both requiring much the same package of political, economic and institutional reforms.

In September 2000, the President of Ukraine approved a Government program of integration with the EU. Ever since, opportunities and challenges similar to those faced a decade earlier by many Central European countries have confronted Ukrainian politicians, business people and the public at large. This National Human Development Report addresses the topic of Ukraine's "European Choice." In assessing the challenges and opportunities that lie ahead, the Report concludes that the measures needed to achieve European integration largely overlap with the broadly conceived "human development paradigm." The report compares the goals, targets, and benchmarks used to assess and monitor Ukraine's progress in human development with the progress indicators used in the European integration framework. It also compares human development indicators with the goals, targets, and benchmarks of some other European projects to which Ukraine is already a member, such as the Council of Europe and the Organization for Security and Cooperation in Europe (OSCE).

The starting point of any such analysis is necessarily a mapping of the human development paradigm. The Millennium Development Goals (MDGs) agenda, with their nationally adjusted goals, targets, and indicators, are a crucial component. However, human development is more than the MDGs. The latter have a clear deadline: 2015. Moreover, MDG targets and indicators are well defined and supported by an officially available national database. This is not the case for human development, which has no time limits and a far more complex structure of indicators. The human development perspective also embraces the social inclusion agenda which, although closely linked with the MDGs, is almost impossible to monitor in Ukraine because of a lack of underlying statistical data.

The MDGs have been customized for Ukraine at a national level, and adapting them for local conditions has gone further

in the development of regional MDGs at the oblast level. Here national targets and indicators have been adjusted to support the drafting of regional development strategies. Regional indicators for human development have required even greater adjustment than have the MDGs, and the entire system has been revised by Ukrainian specialists to embed it in the local economic and social context.

The MDGs, social inclusion, and human development are all rooted in the same shared values as those that drive the transition. However, although political freedom, human rights and good governance principles are recognized as necessary prerequisites for human development, social inclusion and progress towards the MDGs, they are not systematized or linked with particular policy targets. Unlike the specific economic and social criteria that underpin the MDGs, human development and social inclusion, there are no national checklists of progress indicators for good governance goals.

For this reason, measuring progress in the "political and good governance pillar" of human development, social inclusion and the MDGs, requires the use of toolkits elaborated by specialized UN agencies and other international institutions that monitor country performance in political freedom, human rights and good governance. More often than not, however, the non-quantifiable nature of good governance means that progress reporting in this area is based on the assessment of how a country is doing in relation to its neighbors or other groups of countries.

In addition to this "political pillar," advancing the goals of human development, the MDGs and social inclusion depends on government decentralization. As most public goods and services related to human development must be delivered by government administration in localities where we live and work, where our children go to school and we receive health care, the availability of financial and other resources at the local level is of critical importance for meeting the goals and targets of human development, the MDGs and social inclusion. Equally important is the transparency of decision making processes and the accountability of public officials who make decisions at the local level.

The many links between MDG and human development priorities and government decentralization were discussed in the 2003 National Human Development Report for Ukraine 'The Power of Decentralization'. The current report reviews the implementation of recommendations from the 2003 report, analyzes why no meaningful progress has been made, and assesses the reasons for the continuous shortage of resources made available to local and regional self-government bodies to finance human development-related targets. The report also examines the mechanisms for electing and appointing local

and regional government bodies, and the current division of powers and competencies between the central government and regional, rayon and community governments. It looks at the division of powers between appointed local authorities and those elected to self-government bodies as well. The report concludes that regional and local self-government bodies decide on matters of relatively little relevance to the local development, and therefore of little public interest. The issues which are important and locally relevant are decided by central government-appointed administrators whose public accountability is limited, precisely because they are not locally elected. The report advocates further government decentralization and proposes a system for monitoring progress in this area.

How do the concepts of human development, the MDGs and social inclusion compare to the system of values underlying the EU? How are human development, MDG and social inclusion goals and targets reflected in EU policies? How do they relate to EU membership criteria? How do they relate to other European integration frameworks? How is the decentralization of power reflected in EU and other European integration frameworks? And finally, how can the European Neighborhood Policy (ENP) assist Ukraine not only to meet the requirements of the European integration, but also to advance human development, the MDGs and social inclusion? To answer these questions, Chapter 2 of the Report summarizes the political, economic and social requirements of European integration in the form of checklists. These include a checklist for monitoring social inclusion criteria, an analysis of which shows the links between the human development-MDG-social inclusion and that of EU integration.

Each area of reforms related to EU integration – political, economic and social – has its own agenda. Each of these contains, in turn, its own goals, objectives, and performance targets, which must be reached to make integration a success. Constructing a comprehensive matrix of the European Integration Agenda is therefore crucial to understanding the scope and complexity of the European Choice project. The Report proposes a blank matrix of the European Integration Agenda included as Annex 16.

The European Integration Agenda matrix shows the complexity as well as the systemic nature of the European integration strategy. The matrix is complex because it includes far-reaching political, economic and social reforms that are required not only to achieve Ukraine's strategic objective of joining the EU, but also, more importantly, to define the principles and foundations for the country's further development. This meaning of the agenda is especially important for achieving human development goals, since each of the goals, objectives and targets of the integration agenda has a human development dimension. All the areas covered – social policy and the social protection system; effective legislative and executive bodies; an independent judiciary; an anti-corruption strategy; properly respected and protected political, civil and economic rights of citizens; and free-market and liberal economic management – have a direct influence on the daily life of each

citizen of Ukraine. Therefore, the report argues, every citizen has a fundamental interest in understanding the challenges ahead and in the close monitoring of the implementation of the European Integration Agenda.

The modern European architecture is a multidimensional structure whose many intergovernmental organizations, such as the EU, the Council of Europe, the OSCE, and the European Free Trade Association (EFTA), deal with pressing political, security, economic and humanitarian challenges on a regional and global scale, including eradicating poverty, combating health and environmental degradation, protecting human rights and freedoms, strengthening democratic institutions and the rule of law and fighting terrorism and organized crime.

This range of activities shows that, in its political and economic dimensions, the European Integration Agenda is implemented through other projects of European co-operation, such as the Council of Europe, the OSCE and EFTA. However, as concerns the social dimension of European integration, which has the greatest impact on ordinary citizens, these three organizations tend to take a rather declarative stance. Only the Council of Europe has developed some activities in this area, but it lacks the resources to implement them. For now, the EU remains the only European 'project' that can claim to have undertaken to implement a credible social agenda. Moreover, it alone has sufficient resources and tools to realize its vision.

The ENP is the current expression of EU policy towards Ukraine. Developed as a response to countries seeking European integration after the 2004 wave of enlargement, the ENP aims to help establish a "ring of friends," an area of stability, prosperity, and security, in which the EU would provide assistance towards consolidating the political and economic stability of its neighbors. It provides a strategy distinct from enlargement of the EU, although the ENP by no means excludes the right to membership of the EU for the countries that possess it, according to Article 49 of the Treaty establishing the EU.

Does the ENP, as reflected in the Ukraine-EU Action Plan for the period 2005-07, provide sufficient room for implementing the European Integration Agenda? Chapter 2 compares the two frameworks and concludes that the political part of the ENP is almost identical to the European Integration Agenda. This is explained by the identity of commitment of the EU and its neighboring countries to the common values of democracy, the rule of law, and respect for human rights and freedoms, as well as to strengthening the institutions created to safeguard these values. Similarly, in promoting deeper economic integration and regulatory convergence with the EU, the ENP economic agenda is also in principle identical to the European Integration Agenda. However, the EU is not providing sufficient financial and technical assistance to its neighbors to accomplish regulatory convergence. To avoid slowing the progress of the ENP economic agenda, the EU should consider increasing financial and technical assistance to Ukraine.

What the ENP does not provide is an effective framework to promote the EU social inclusion agenda (thereby limiting its potentially stabilizing effect). The Action Plan stipulated the

need to strengthen dialogue and cooperation on employment and social policy, introduce effective job creation and poverty reduction measures and improve social cohesion, including sustainable systems for education, health and other social services with access for all. However, the Action Plan lacked any practical, detailed steps towards reaching these goals. This is because the social inclusion agenda requires huge financial outlays and is by its nature a time-consuming process. Neither the EU after its last two enlargements, nor the less wealthy neighboring countries can afford to allocate sufficient resources to deal with these challenges. Taking into account the large gap between the economic development and living standards of the new EU member states and those of candidate and potential candidate countries, it seems unlikely that the EU will promote this agenda more effectively through the ENP in the foreseeable future.

A discussion of the European requirements for the decentralization of power, as defined in the European Charter of Local Self-Government (adopted in 1985, fully endorsed by all EU member states, and ratified without reservations by the Ukrainian Parliament on 15 July 1997), closes Chapter 2. Although Ukrainian legislation has already adopted many of its provisions, from the European integration perspective, as well as from the viewpoint of commitments undertaken following endorsement of the Charter, Ukraine has so far failed to seize the opportunities for government decentralization.

The paradigm of human development is compared with that of European integration in Chapter 3. It concludes that the EU social inclusion requirements and the human development and MDG agendas are complementary and address a central challenge that is crucial for Ukraine: improving people's wellbeing within a sustainable development trajectory. The MDGs dovetail closely with the EU's social agenda. Both seek to promote human development by expanding people's choices and opportunities while ensuring that all individuals enjoy at least a minimum of social protection. Both processes are time-bound: the MDGs need to be achieved by 2015, while the EU social inclusion process, implemented within the Open Method of Coordination, aims to make a decisive impact on poverty by 2010. Both are to be implemented within two-to-three-year national Action Plans. And both systems have specific benchmarks for policies and actions.

Human development reflects a philosophy that puts people at the centre of the development process. The MDG agenda, with its goals, targets and indicators, operationalizes the human development paradigm by setting explicit commitments and defining tools to measure progress towards meeting them. The social inclusion agenda combines the two, setting goals (inclusive societies) and defining indicators to measure progress. The frameworks are different. Social inclusion is framed in the EU environment and its set of indicators, whereas the human development and MDG agenda builds on a UN framework and nationally adjusted commitments. But both strive for similar outcomes: more inclusive societies and improved conditions for human development.

In a country like Ukraine, the social inclusion and human

development agendas complement each other by supporting better policy targeting. Bringing analysis to a lower level of aggregation, by looking at sub-national territorial units and vulnerable groups, makes it more relevant from a policy perspective. The MDG indicators, when disaggregated by ethnicity, gender, age, religion, sub-national areas and urban-rural divisions, can be used to pinpoint problems of social exclusion or rural poverty. Disaggregating data for the MDGs helps to complement the EU social inclusion indicators, particularly at the national level (level three of the EU Laeken indicators). In this way, disaggregated MDG indicators serve as a bridge between the EU social inclusion and the global development agendas. In fact, the sub-national level is where the two agendas really converge.

Considering the common values behind the human development paradigm and the ENP, engaging in European integration means commitment and adherence to those values. These values are not EU-specific, however, as most principles derive from a number of multilateral treaties and founding charters of international organizations of which Ukraine is already a member country. These include the UN Human Rights Conventions, the Council of Europe, the OSCE, the International Labour Organization (ILO) as well as labor standards and social rights conventions, and international agreements on sustainable development. Human development is based on the same international conventions, so European integration and human development are parallel concepts. Using the ENP to pursue European integration in Ukraine also promotes development in the areas of strategic planning, the constructive participation of civil society and the capacity building of public administration, which are all integral to human development.

The European Integration Agenda also calls for strengthening local democracy and the accountability of local authorities to local populations. Chapter 3 notes that local self-governments lack both the authority and the ability to manage local policies. It argues for the elimination of the dualism of powers at the local level between delegated representatives of central authority and locally elected bodies. It also argues for better electoral representation at the rayon and oblast levels and institutionalizing mechanisms that would empower local people to exercise control over the effectiveness and transparency of the operations of local and regional authorities. Because many decisions aimed at achieving the MDGs fall within the responsibilities of municipal, rayon and oblast authorities, improving electoral representation and accountability at the regional and local level will significantly advance the cause of human development in Ukraine.

All the political goals of the human development and European integration agendas are consistent and largely similar. United Nations requirements for democracy, good governance and human rights are expressed in more detail and operationalized by the European integration agenda, as specified in the ENP for Ukraine. Unlike UN requirements, that establish common minimum standards for ratifying countries to follow at the outcome level, the EU focuses on a case-by-case approach of

working with detailed recommendations at the output level to change institutions and legislation.

Considering that the EU has been preoccupied for many years with poverty eradication and the improvement of social security systems, are EU human development policies of real assistance to “neighborhood” countries? Chapter 3 reaches the following conclusions:-

- Additional resources are likely. In achieving the goals set in its development policy, the EU is committed to deliver more and better aid. The EU has adopted a timetable for member states to devote 0.7 per cent of their GNI to official development aid by 2015, with an intermediate collective target of 0.56 per cent by 2010. These commitments should see annual aid provided by EU member states double to over €66 billion by 2010.
- Neighborhood status should bring funding. The ENP aims to build a privileged partnership with neighboring countries, bringing them closer to the Union and offering them a stake in the Community's internal market together with support for dialogue, reform and social and economic development. These measures have a clear integration focus and are usually linked to some development assistance modalities.
- EU support has room to grow. In Ukraine, EU human development programs are limited to a small number of technical assistance projects in such fields as improving the quality of drinking water; health care management; assistance in reforming the social security system; the Erasmus Mundus, and Tempus educational programs; assistance in fighting HIV/AIDS, and environmental protection.

What lessons can be drawn from the experience of the new EU member countries regarding the costs and benefits of association and, later, full membership? Pre-accession assistance for those countries was of a rather unique character considering the extraordinary geo-political nature of the 1989-1990 ‘Velvet revolutions’. The only other example was perhaps in the immediate aftermath of the ‘Orange Revolution’, prior to the subsequent political stalemate, when many western governments were ready to commit extra resources to help Ukraine advance its new fundamental reform agenda.

In assessing the costs of the reforms that countries undertook to achieve EU accession, it is often forgotten that failing to enact reforms would also have entailed heavy costs. As argued in Chapter 3, these costs need to be factored into any accession equation, as inaction would most likely have undermined countries’ competitive chances and jeopardized their long-term development. Fault can be found in the timing, sequencing, and design of the specific reforms undertaken for EU accession, and mistakes were no doubt made owing to the unprecedented nature of the reform effort. However, to suggest that countries could have avoided costs altogether is highly misleading, and the long-term cost of not reforming would probably have been the highest of all the possible scenarios.

Many expected that EU membership would entail addi-

tional economic and social costs for the new member states. There were fears that the strength of competition from old EU members would destroy domestic small businesses, cause massive bankruptcies and spark a wholesale buy-out of assets. Yet these fears proved unfounded. The benefits of EU membership heavily outweighed the costs (contributions to the EU budget included). Chapter 3 explores the lessons of this experience for Ukraine, which include, most importantly:

- During the pre-accession period, integration with the EU provides a strong anchor for political and economic reform for all prospective member states.
- Free trade agreements with the EU are an enormous stimulus to trade growth. But because EU free trade agreements usually do not include all agricultural products, an important goal for Ukraine would be to seek the widest possible access to the EU agricultural market – especially as this would have clear benefits for EU consumers.
- Open access to the EU market is likely to spur a massive influx of foreign direct investment in Ukraine, provided investors have trust in the predictability of policies and the rule of law. The trust of foreign investors can be won if all the executive powers in Ukraine show their ability to implement consistently EU standards relating to the development of a market economy and participatory democracy.
- Whenever possible, the use of non-EU-standard systems of certification should be avoided to benefit Ukrainian consumers long before the EU membership is achieved.
- European funds available for Ukraine are modest in comparison to the pre- and post- accession assistance that was offered to current new member states. Increasing this pool should be the subject of continuous negotiations between the European Commission and the Government, and a rallying cry for Ukraine's friends in the EU. Still, the technical assistance available for preparing legislation, building new institutions, fortifying local government and strengthening human capital is robust, if sometimes underutilized. Moreover, serious public administration reform would increase Ukraine's capacity to absorb larger volumes of EU assistance in the future.
- Finally, WTO membership would enable negotiations to commence on a free trade agreement between Ukraine and the EU, which can be expected to lead to further growth in trade, as did following the corresponding free trade agreements between the EU and other new members from the region.

A free trade agreement with the EU should not be seen as obstructing the establishment of free trade between Ukraine and Russia, or vice versa. Although these goals are often seen as conflicting, and requiring political and economic trade-offs, potential EU free trade agreements with Russia and with Ukraine are rather of a complementary nature. Moreover, as soon as both countries become WTO members, any conflict of interest will become largely irrelevant.

Ukrainian attitudes towards the EU appear somewhat paradoxical. A review of public opinion surveys in Chapter 4 suggests that a clear majority of respondents, across all regions and age groups, favor economic integration with Russia (or Russia and other European CIS countries) over EU integration. This choice holds true even for those aged 18-29, the age bracket where support for EU integration is larger than in any other age group (27.8 per cent against the 23 per cent average). Whatever the age group, however, there is no correlation between Ukrainians' choices regarding European or Russian integration options and their preferences for economic, social and institutional systems. All respondents show a clear preference for European values and European forms of social organization. Support for Russian integration may thus reflect insufficient awareness of the benefits of European integration, and its relation to European values, standards and culture.

How do Europeans see Ukraine's European aspirations? Among the EU member countries surveyed, Ukraine was regarded as a strong candidate for future membership. In five out of six participating EU countries, supporters of Ukraine's membership outnumbered the opponents. No public opinion surveys have been conducted on this subject in Russia or Belarus, the two neighboring countries for which Ukraine's future is particularly relevant.

Ukraine's achievements in human development are the focus of Chapter 5. Significant progress has been registered, both for the country overall and for its regions. Ukraine has also advanced towards a number of the MDGs, especially in the reduction of absolute poverty (Goal 1, Targets 1 and 2); school enrollment (Goal 2); and reduction of maternal, infant and under-five mortality rates (Goal 5). Since absolute poverty, education and life expectancy are the three constituents of the Human Development Index (HDI), even though life expectancy showed a decline, Ukraine's global HDI improved considerably.

In other areas, however, progress has been negligible. Relative poverty has remained virtually unchanged. In health, the gender gap between male and female life expectancy has continued to grow. Efforts to slow the spread of HIV/AIDS and tuberculosis have faced setbacks (Goal 5). The record for ensuring life-long quality education has been mixed; many indicators have simply not been monitored. Progress on gender equality (Goal 6) has also been uneven. On the one hand, women fare better than men in education, and women on average earn 69 per cent of male wages, a higher share than in many other post-socialist countries. On the other hand, however, women are under-represented in politics, particularly in the Ukrainian Parliament, and little monitoring is done of indicators of gender equality. Finally, the goal of sustainable environmental development (Goal 3) is all but out of reach, as all monitored indicators reflect no significant progress.

Human development is a concept broader than the Human Development Index. Because of its concentration on absolute poverty, educational enrollment, and life expectancy, the HDI for countries like Ukraine ignores factors such as social inclusion and the development of an enabling environment for people to

enjoy long, healthy, and creative lives, which is the true objective of human development. When these factors are included in an assessment of Ukraine's progress, the picture looks much more mixed: Ukraine's achievements in human development are still noteworthy, but less dramatic.

**Conclusions** This report set out to examine the relationship between two overarching development paradigms and their respective agendas: human development and European integration including the choice of European values. Each of the two paradigms and its respective agenda has its own system of goals, targets, and ways of tracking progress. However, from the viewpoint of the economic, social, and institutional environment necessary to encourage long-run sustainable human development, the goals of the two paradigms overlap completely. They rest on the same system of values; "European" values are in fact universal in nature, as they embody the principles of the Millennium Declaration, which has been endorsed by all countries. The social organization and institutional frameworks they require are fully compatible.

Differences start at the level of targets and benchmarks to monitor progress. Yet the report concludes that these are complementary rather than contradictory. The two systems also have different priorities with regard to time sequencing for individual targets. The greatest differences relate to indicators for monitoring progress, yet the scarcity of official data reduces the practical significance of these differences. Both strategies advance human development, and there is no need to choose one over the other. However, what is crucially important is that any development strategy is adopted with the widest possible participatory process, that natural conflicts of interest between various social, regional and political constituencies are solved in a transparent fashion, and that the goals selected are implemented with political determination.

The report's findings should also lay to rest some powerful myths that treat the choices facing Ukraine as mutually exclusive options. Both strategies are embedded in European values and pursue essentially identical goals. Ukrainians, regardless of whether they prefer integration with Europe or Russia, fully endorse European values and subscribe to the European system of social organization (which is itself a reflection of the global vision of human development). The idea that Ukraine faces a trade-off between closer trade ties with Russia and closer ties with the EU is mistaken; as soon as both Russia and Ukraine join the WTO and reach free-trade agreements with the EU, any conflicts of interest should vanish, and all three parties should see gains in foreign trade. Ukraine's "European Choice" thus represents the fast track to human development.

Among the issues which should be of immediate concern to policymakers are:

- The importance of successfully completing the current negotiations with the EU on a new Enhanced Agreement to carry forward Ukraine EU co-operation from 2008 onwards. The three-year Action Plan which has just ended was short of meaningful measures towards reaching its goals in some

areas, for example the introducing of effective job creation and poverty reduction measures and improvements in social cohesion. In addition the EU should consider increasing its financial and technical assistance to Ukraine to enable the government to make faster progress with regulatory convergence.

- The government needs to improve the targeting of its social programs to ensure that scarce resources are not wasted. Much of the government's spending in this area is dominated by social security assistance and welfare payments to pensioners, whereas promoting human development requires spending not only on these aspects but also in other areas such as health and education.
- Such moves should be accompanied by measures to strengthen local self-government bodies in Ukraine. The latter should be given powers to decide on those matters which are of most relevance to the local development agenda, supported by adequate funding and the introduction of mechanisms to assess the efficiency with which services are delivered.
- Given the ambivalent attitude of many Ukrainians towards integration with Europe, public awareness of the true meaning of European values and of the benefits of European integration for economic, social and human development must be raised.
- Although Ukraine has made significant progress in some areas of human development, in other areas it has been negligible. Efforts should be concentrated on: (i) reducing relative poverty; (ii) addressing the causes of the serious decline in male life expectancy; (iii) reversing the spread of HIV/AIDS and tuberculosis; (iv) ensuring life-long quality education (and monitoring its essential indicators); (v) improving gender equality, especially the issue of the under-representation of women in politics, and (vi) improving environmental protection standards.





# CHAPTER 1

## THE HUMAN DEVELOPMENT AGENDA IN UKRAINE

‘The basic purpose of development is to enlarge people’s choices. In principle, these choices can be infinite and can change over time. People often value achievements that do not show up at all, or not immediately, in income or growth figures: greater access to knowledge, better nutrition and health services, more secure livelihoods, security against crime and physical violence, satisfying leisure hours, political and cultural freedoms and sense of participation in community activities. The objective of development is to create an enabling environment for people to enjoy long, healthy and creative lives.’

Mahbub ul Haq, <http://hdr.undp.org>

### 1.1 The UN and Human Development

Human development can be defined as enabling people to develop their full potential and lead productive, creative lives in accordance with their needs and interests<sup>1</sup>. However, it took a long time before mankind accepted the rather simple truth that the goal of development is to enhance everyone’s abilities and freedoms. Over time there has been a better understanding of the social consequences of economic development, of the increasing inequality between rich and poor countries that accompanied globalization and above all an acknowledgement by govern-

ments and the public at large that not only is human development achievable, but that it has practical meaning for social and economic progress and the overall prosperity of nations and states.

Considering that the purpose of human development is to ensure the proper quality of life for all people, it must encompass not only the eradication of poverty and all forms of economic and social exclusion, but also develop a system of participatory democracy and maintain social and political stability. Therefore the human development agenda must include not only economic development, but also guarantee the basic capabilities for living a long and healthy life, being educated, having a decent standard of living, enjoying political and civil freedoms to participate in the life of one’s community, especially the enforcement of human rights, while also seeking to preserve a healthy environment. At the same time, by expanding the range of choice and the scope for the enjoyment of those rights, it also implies the need for greater responsibility in the exercise of those rights, accompanied by transparent accountability at all levels. Hence effective human development can lead to a more ethical society.

The human development agenda thus goes far beyond the traditional notion that links poverty with low income. In this sense economic resources are merely a means of progress (albeit very important) while the ultimate goal is to exploit those resources in a sustainable manner to guarantee the best prospects of society fulfilling its aspirations. Furthermore, human development also needs to be seen as a process enabling individuals to continually enhance their abilities over time.

The UNDP has published its World Human Development Reports (HDR) every year since 1990, each one focusing on a single issue considered crucial for human development. The most recent HDR was published in late 2007 and dealt with the impact of Climate

<sup>1</sup> See the Nobel Prize Winner, A. Sen’s seminal *Development as Capability Expansion*, *Journal of Development Planning*, 1989, No.19; see also *Human Development Report 1990*, UNDP, New York 1990, Oxford University Press.

#### Box 1.1

1990 Concept and Measurement of Human Development	1999 Globalization with a Human Face
1991 Financing Human Development	2000 Human Rights and Human Development
1992 Global Dimensions of Human Development	2001 Making New Technologies Work for Human Development
1993 People’s Participation	2002 Deepening Democracy in a Fragmented World
1994 New Dimensions of Human Development	2003 Millennium Development Goals: A Compact Among Nations to End Human Poverty
1995 Gender and Human Development	2004 Cultural Liberty in Today’s Diverse World
1996 Economic Growth and Human Development	2005 International Cooperation at a Crossroads: Aid, Trade and Security in an Unequal World
1997 Human Development to Eradicate Poverty	2006 Beyond scarcity: Power, poverty and the global water crisis
1998 Consumption for Human Development	2007 Human Development and Climate Change.

**Themes of  
the UNDP Human  
Development  
Reports (1990-2007)**

Change (see Box 1.1 for a list of the UNDP's World HDRs). Later on the analysis was also carried out at the country level with support from the UNDP. Ukraine was the first country in Central and Eastern Europe, as well as among the CIS countries, to prepare a National Human Development Report (NHDR), which was published in 1995. Since 2003 the Human Development Report in Ukraine has been published in Ukrainian under the auspices of the Institute of Demography and Social Studies of the National Academy of Sciences of Ukraine. The UNDP also makes its own thematic input to the debate of human development in Ukraine by issuing periodic NHDRs, each devoted to a specific theme.

The purpose of this Chapter is to review the main principles of human development in Ukraine. A review of how these principles can be measured, how this approach can be extended to the regional level and also compares these aims with those that Ukraine is pursuing under the UN's Millennium Development Goals (MDGs) is contained in section 1.2. The following section outlines the concept of European Integration and includes a discussion of one of the most important indicators of human development – average life expectancy. The extent to which the European Union's (EU) Social Inclusion Policy can assist the attainment of the human development goals is reviewed in section 1.4. The following section reviews the current structure and financing of local government as it relates to the provision of services to improve human development and section 1.6 presents some results on the extent to which governance has improved in Ukraine in recent years.

## 1.2 What does Human Development Mean for Ukraine?

Ukraine currently lags far behind most European countries in terms of the level of many indicators of economic development. Although stable economic growth in recent years has created the prerequisites for long-term improvement, it will be many years before the Ukrainian economy reaches present-day European standards of living. At the same time it must be recognized, however, that economic development itself will not solve all the social problems of Ukraine. Experience elsewhere, as well as in Ukraine, shows that economic growth is accompanied by growing disparities in regional development as well as increasing income inequality, and

they both need to be addressed by effective government policy measures (see Annex 1 for demographic data on Ukraine).

The growth of output is important for providing the resources for the development of society, but by itself adds little to the development of human potential. The underestimation of the economic implications of human development is the key, though not the only reason for the development gap between Ukraine and other countries. The transformation of Ukraine into a country with a democratic system, a civic society and a socially-oriented market economy requires government at all levels (especially local) to acknowledge that human development is both the ultimate and key goal of development.

Thus expenditure on education, health care and social protection should be viewed not merely as "spending" budget funds, but also as social investments (especially if combined with the necessary reforms) which could have significant and long lasting effects on the development of Ukraine. Moreover, attention should be concentrated not so much on the regular provision of assistance to those in need, but on encouraging their personal development, strengthening their role in society, and enhancing their opportunities to enable them to choose their future, while at the same time ensuring they take responsibility for both their choices and for implementing them. People become the epicenter of human progress since human development is not only the key goal, but also the most important determinant and factor of social and economic development.

Unfortunately, Ukraine's social policy is passive in nature and centers on providing assistance mainly to the poor rather than alleviating poverty through empowerment. This has contributed to a culture of dependency so that the beneficiaries become passive recipients relying on welfare assistance. The present-day system of social protection in Ukraine also suffers from shortcomings typical for countries with a socialist past. The government tends to provide assistance to far too many beneficiaries (for example through the regulation of bread prices) which go far beyond its financial capacity. At the same time the level of social allowances is very low and does not prevent poverty. Moreover, in some cases the high ratio of many social benefits and transfers in relation to the average wage discourages people from becoming economically active, contributing to the welfare dependency in society. In addition, the

### UN System of Human Development Indicators

Box 1.2		
Human Development Index		
HDI = 1/3IGDP + 1/3Ieducation + 1/3Ilife expectancy		
Index of income  (GDP per capita, USD at PPP)	Index of education $I_{education} = \frac{2}{3} I_{literacy} + \frac{1}{3} I_{enrolment}$	
	Index of literacy of adult population, percentage of literate persons among population over 15 years of age, % $I_{literacy}$	Index of enrolment in all types of educational activities – primary, secondary, vocational and higher, percentage of students among population, % $I_{enrolment}$
		Index of health life expectancy (average life expectancy at birth, years)

system can also provide the temptation for politicians to promise to increase benefits ahead of elections with little regard to the consequences for meeting these obligations in future.

Another very important dimension of human development is consolidation of the society, which is the cornerstone of forming social capital in Ukraine<sup>2</sup>. The transition to a socially oriented market economy requires that sustainable human development must be not only the key objective of the government's social policy, but also the measure of social progress, because human development is the most powerful factor of economic growth. Thus Ukraine needs to implement a human development strategy which will integrate respective government policies in such areas as demographic developments, health care, employment and wages, social protection, regional development, and education. The elaboration of such a strategy should involve the active participation of all interested parties.

**Measuring Human Development** In order to measure human development, in 1990 the UN developed a multilevel system of indicators to help determine the advancement in human development of each country on a single scale (see Box 1.2). The top level index is the Human Development Index (HDI) which represents a simple average of 3 indices at the second level covering income, health and education. The latter is a weighted arithmetic average of two components – the literacy of the adult population (with a weight of 2/3) and the percentage of enrolment in educational activities (1/3). Finally, a third layer consists of human development profile indicators grouped into 31 blocks. Most of these profile indicators are quantitative, but some – mostly those related to human rights and freedoms – cannot be measured and are represented by the data on ratification by the state of specific international agreements.

A Human Poverty Index (HPI) is also calculated, for developed and developing countries respectively. It illustrates not only the lack of material welfare, but in particular the lack of access to vital resources – health, education, employment and clear water. Typically, for developed countries the index (HPI-2) includes a long healthy life indicator (life expectancy of 60 years), an indicator of education (percentage of adults having functional reading and communication skills) and an indicator of social exclusion (level of permanent unemployment). The respective index for developing countries (HPI-1) includes less demanding indicators of poverty (life expectancy of 40 years), literacy and living standards (which includes accessibility to clean water and the percentage of children with insufficient body mass). Ukraine is included in the category of developed countries.

Two further indicators take account of men's and women's inequality. The gender-related development index (GDI) assesses inequality in terms of different life expectancy, different levels of education, and different wage rates of men and women. The gender empowerment measure (GEM) is a gauge of inequality expressed in terms of membership in parliament, representation at high-level government positions, and also in terms of wage differentials. Consequently, the UN multilevel system of human development indicators covers almost all material aspects of human life and in principle it provides the possibility of monitoring changes in human development.

Calculations of the HDI for Ukraine were included for the first time in the 1993 UNDP HDR Report. At that stage Ukraine occupied the 45th place and was ranked by the UNDP among the countries with a high level of human development. Since then its indicators and ranking have deteriorated significantly, and Ukraine is now among the countries with average levels of human development (see Tables 1.1, 1.2 and Annex 2). The deep economic crisis of the 1990s is the main cause for this decline, although changes in the methodology of calculating HDI, as well as of GDP at purchasing power parity, also contributed. The numbers of countries included in the HDI has also varied over time. Ukraine experienced a relative improvement in its HDI rating following the economic recovery which began in 2000, moving from 80th place in 2000 to 77th in 2004. Over the same period, however, there was no significant growth in the HDI for Ukraine, increasing by just 2.5 percentage points between 2000-04. In the latest HD Report (for 2007 and based on data for 2005), Ukraine was ranked 76th with an HDI of 0.788.

The HDI measures average achievements in a country, but it does not reflect the degree of gender imbalance in these achievements. The gender-related development index (GDI), introduced in the 1995 Human Development Report, measures achievements in the same basic capabilities but takes account of inequalities in achievement between women and men. It is simply the HDI adjusted for gender inequality. The greater the gender disparity in basic human development, the lower is a country's GDI relative to its HDI. In 2005 Ukraine's GDI value was 0.785 and can be compared with its HDI value of 0.788, i.e. Ukraine's GDI was 99.6 per cent of its HDI (see Table 1.3 and Annex 3). Out of the 156 countries for which both HDI and GDI were calculated, 30 countries had a better GDI/HDI ratio than Ukraine.

The HDI is also used in Ukraine for comparing human development in different regions. However, the general UNDP methodology of HD assessment proved inappropriate for developing a system of rating of human development in individual regions in Ukraine for a number of reasons, including:

- The calculation of the general HDI is based on a restricted number of indicators which are available for all countries, whereas the Ukrainian database provides significantly more information.
- Reliable information included in some indicators for the country as a whole may be unreliable for individual regions. For example the share of students in higher education establishments in the total population can be overestimated in the regions with strong educational facilities due to the inflow of students from other regions.
- Since different factors have a different impact on human development as a whole, it seems more expedient to calculate the overall indicator by the weighted arithmetic formula.
- As calculations of the HDI are based on a narrow range of indicators, the overall index depends heavily on the quality of data on each component indicator (or on its random fluctuations), a classic example being the Index of Education – obviously the basic literacy level of the adult population does not provide much insight into a person's competitive position

<sup>2</sup> Physical capital has quantitative properties; human capital includes the abilities, knowledge and skills of the population; social capital relates to interpersonal relations.

Table 1.1

Year of UN Report	Year of monitoring	HDI of Ukraine	World HDI	Rank of Ukraine by HDI	Number of countries in the HDI ranking
1993	1990	0.800	–	45	177
1998	1995	0.748	0.772	102	174
1999	1997	0.721	0.706	91	174
2000	1998	0.744	0.712	78	174
2001	1999	0.742	0.716	74	162
2002	2000	0.755	0.722	80	173
2003	2001	0.766	0.722	75	175
2004	2002	0.777	0.729	70	177
2005	2003	0.766	0.741	78	177
2006	2004	0.774	0.741	77	177
2007	2005	0.788	0.743	76	177

Source: <http://hdr.undp.org>

### Human Development Index of Ukraine, 1990-2007

Table 1.2

Value of HDI	Life expectancy at birth (years)	Adult literacy rate (% of aged 15 and more)	Combined primary, secondary and tertiary gross enrolment ratio (%)	GDP per capita (PPP, USD)
1. Iceland (0.968)	1. Japan (82.3)	1. Georgia (100)	1. Australia (113)	1. Luxembourg (60,228)
74. Venezuela (Bolivarian Republic of) (0.792)	108. Fiji (68.3)	9. Tajikistan (99.5)	37. Singapore (87.3)	83. Bosnia and Herzegovina (7,032)
75. Colombia (0.791)	109. Grenada (68.2)	10. Russian Federation (99.4)	38. Poland (87.2)	84. Gabon (6,954)
76. Ukraine (0.788)	110. Ukraine (67.7)	11. Ukraine (99.4)	39. Ukraine (86.5)	85. Ukraine (6,848)
77. Samoa (0.785)	111. Azerbaijan (67.1)	12. Armenia (99.4)	40. Bahrain (86.1)	86. China (6,757)
78. Thailand (0.781)	112. Maldives (67.0)	13. Moldova (99.1)	41. Bolivia (86)	87. Saint Lucia (6,707)
177. Sierra Leone (0.336)	177. Zambia (40.5)	139. Burkina Faso (23.6)	172. Niger (22.7)	174. Malawi (667)

Source: The 2007/08 Human Development Report, <http://hdr.undp.org/en/reports/global/hdr2007-08/>

### Ukraine's Human Development Index in 2005 and its component indices compared with some other countries (HDR 2007)

Table 1.3

GDI as % of HDI	Life expectancy at birth (years) 2005	Adult literacy rate (% ages 15 and older) 2005	Combined primary, secondary and tertiary gross enrolment ratio 2005
	Female as % male	Female as % male	Female as % male
1. Maldives (100.405%)	1. Russian Federation (123.0%)	1. Lesotho (122.5%)	1. United Arab Emirates (125.9%)
29. Slovakia (99.652%)	2. Belarus (119.5%)	38. Kazakhstan (99.5%)	87. Cyprus (101.3%)
30. Uruguay (99.648%)	<b>3. Ukraine (118.7%)</b>	39. Russian Federation (99.4%)	88. Luxembourg (101.2%)
<b>31. Ukraine (99.619%)</b>	4. Kazakhstan (118.2%)	<b>40. Ukraine (99.4%)</b>	<b>89. Ukraine (101.2%)</b>
32. Armenia (99.613%)	5. Estonia (117.3%)	41. Armenia (99.4%)	90. Malta (100.0%)
33. Philippines (99.611%)	6. Lithuania (116.6%)	42. Tajikistan (99.4%)	91. Bahamas (100.0%)
156. Yemen (92.913%)	173. Niger (96.8%)	140. Chad (29.2%)	169. Chad (59.6%)

Source: see Table 1.2

### GDI in relation to HDI; a measure of gender disparity (HDR 2007)

in the labor market or their chances of finding a job with adequate remuneration and acceptable working conditions.

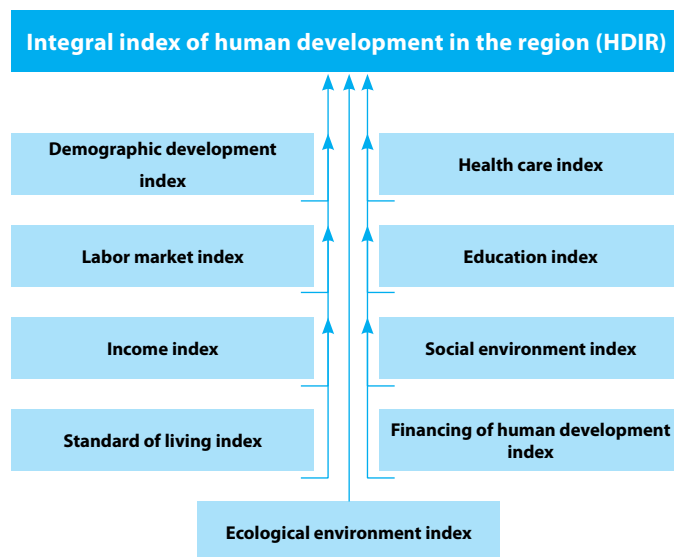
These factors contributed to Ukraine developing her own methodology of tracking the progress of human development at the regional level<sup>3</sup>. The methodology is based on three levels of indicators. The top level indicator is the overall index of human development of the region (HDIR). The second level is composed of nine general-area indicators of development that represent the main aspects of human development (as detailed in Figure 1.1). The third level indicators represent separate aspects of regional development (approximately 15 indicators for each aspect). Altogether the Ukrainian methodology of measuring human development uses 94 primary indicators and over 20 auxiliary indicators.

Consequently, in contrast to the international methodology of calculating the HDI, the Ukrainian methodology includes an intermediate stage - the development of area HD indicators which represent the main nine aspects of human development (see Box 1.3). This avoids placing an excessive information load on the key indicator, while ensuring the necessary coverage as well as minimizing the impact of random shocks. Each of the nine aspects of regional human development in Ukraine is characterized by general-area as well as by specific indicators. The latter, in turn, are divided into the main indicators which are used for calculating the area indicators, and profile ones, which play a supportive role.

**The Millennium Development Goals** The Millennium Development Goals (MDGs), adopted by 189 states in September 2000 at the UN Millennium Summit, require these countries to make progress towards achieving the key priorities of human development by 2015. However, in contrast to the system of indicators used to calculate the HDI, monitoring progress towards meeting the MDGs does not rely on the calculation of any single overall index and all the indicators that are monitored carry the same information value. The global MDGs include 8 development goals: (i) reduction of poverty and starvation, (ii) achieving overall primary education, (iii) supporting gender equality and empowerment of women, (iv) decreasing child mortality, (v) improvement of mothers' health, (vi) combating HIV/AIDS, malaria as well as other health epidemics, (vii) ensuring stable environmental development, and (viii) securing global partnership for the sake of development.

Not all these goals are equally important for Ukraine: reaching overall primary education is less important in a country where secondary education is compulsory; nor is there any need to set specific targets to combat malaria. At the same time, there are some objectives of human development which are of crucial importance for Ukraine, although they are not covered by the global MDGs, such as access to quality education and dealing with epidemics of tuberculosis. As every country can adjust the global MDGs to its specific needs (within the broadly defined goals), only six goals are pursued in Ukraine. These relate to poverty reduction, improving education, sustaining the

**Figure 1.1 The Ukrainian system of regional Human Development indicators**



### Box 1.3 Ukrainian Index of Human Development in the Regions

HDIR in and region  $j$ ,  $I_j$ , is calculated by the formula:

$$I_j = \sum_{k=1}^m I_{kj} W_k \text{ where}$$

$m$  is the number of the human development area ( $m=9$ ), and  $W_k$  is the weight of the  $k$ -aspect of human development.

This method of HDIR calculation makes it possible to determine the rating of each region of Ukraine in terms of its human development in general as well as development of its particular components (human development area indicators).

The calculations use data from the State Statistics Committee of Ukraine including its current statistical surveys and specific area surveys. This ensures the necessary consistency of the results over time.

<sup>3</sup> The national methodology for the assessment of human development in the regions of Ukraine, Kyiv and the AR of Crimea was developed in 1999 by a team of specialists of the National Academy of Sciences of Ukraine and the State Committee of Statistics under the supervision of E. Libanova, and was approved in 2001. The national methodology uses the official statistical database for the 3 levels of indicators.

<sup>4</sup> A comprehensive assessment of Ukraine's progress towards meeting the MDG goals is provided in Chapter 5.

environment, improving maternal health and child mortality, reducing the spread of HIV/AIDS and tuberculosis and finally tackling gender equality. Each goal has a specific target to be achieved by the end of 2015 and there are progress indicators to monitor their implementation (see Annex 4).

The system of Millennium Development Goals in Ukraine therefore consists of 6 goals and 13 specific targets that are linked to them and adapted to Ukraine's economic, social and environment policy challenges. These are supported by 23 progress tracking indicators, each of them having the same information value<sup>4</sup>. The MDGs and their related indicators largely overlap with the profile indicators of human development whether used globally or based on the Ukrainian methodology of calculating HDI. Moreover, in the areas where they overlap both the MDGs and the HDI rely in general on the same sources of data and other information (see Table 1.4).

Adjustment of the global Human Development Goals and

the progress monitoring indicators to the specific conditions of Ukraine make it possible to use these goals to elaborate a long-term strategy of economic and social development of Ukraine in the new millennium. This was taken into account in the course of elaborating the National Millennium Development Goals. In many areas the targets set in the National MDGs for Ukraine were more ambitious and required substantially higher levels of development than the global MDGs. Reaching the objectives set in the National MDGs for Ukraine will not only help achieve greater progress in human development, but will also accelerate Ukraine's integration into the global processes of development, and in particular into the EU.

### 1.3 European Integration as a Factor Promoting Human Development in Ukraine

Ukraine's aspiration to join the EU implies ultimately reaching

#### Coverage of the Ukrainian Human Development and MDG indicators

Table 1.4		
Blocks of indicators		
Human Development		Millennium Development Goals
UN methodology	Ukrainian methodology	
Demographic trends	Demographic development	
System of health care, hygiene and sanitary facilities, including access to clear water	Health status	Sustainable environmental development
Inequality in mothers' and children's health protection		Improved maternal health and reduced child mortality
Survival		Reducing and slowing down the spread of HIV/AIDS and tuberculosis
Global health risks		
Accessibility of education, including literacy and enrolment in education	Education	Quality life-long education
Development and application of new technologies		
Income and/or expenditure inequality	Incomes	Poverty reduction
Poverty		
Economic resources for HD	Living standards	
Trade structure		
Commitments of the rich countries		
Investments	Financing HD	
Priorities of state financing		
Unemployment	Labor market development	
Energy consumption and environment pollution	Ecological situation	Sustainable environmental development
Status of refugees and war conflicts victims	Conditions of social environment	
Status of victims		
Gender inequality (related to incomes, status, decision-making, access to education, economic activity, structure of working time)		Gender equality
Instruments for provision of human rights		

European standards of living which is tightly linked with Ukraine's priorities of human development, including the nationally adapted MDGs. European standards of living – high life expectancy, high levels of education, high standards of consumption, low poverty and moderate income inequality, substantial government financing of education and health care – fully conform with the principles of human development. All EU member-countries, including Bulgaria and Romania, which joined EU in 2007, enjoy relatively high levels of human development. In contrast of all the countries neighboring the EU, only Croatia belongs with this group; the remainder, including Ukraine, show only average levels of human development.

Other countries outside Europe also record high levels of human development. Typically, all OECD member-countries are characterized by the world's highest wage rates, standards of education and life expectancy, and therefore of their respective indices of human development. However, there is no denying the significant concurrence of European values with the priorities of human development. In some areas Ukraine's performance is very respectable, for example with standards of education, the rate of immunization of infants from tuberculosis and measles, the rate of birth with the assistance of qualified medical personnel, the rate of dissemination of contraceptives as means of family planning and the rate of long-term unemployment. However, on the basis of most human development indicators Ukraine lags far behind all EU member-countries (see Annexes 5 and 6). Comparisons between the EU and Ukraine on the share of the population at risk of poverty, of the inequality of income distribution, life expectancy and unemployment are shown in Annex tables 7-10 inclusive.

The average life expectancy is the HD indicator that provides the

most comprehensive information on living standards. Thus trends in the changes in life expectancy in the EU member-countries as a whole, and in particular in Poland and the Baltic States on the one hand, and in Ukraine and CIS on the other hand, provide the best evidence of the impact of the practical implementation of the European integration strategy on human development. Life expectancy indicators in the EU member-countries considerably exceed those for the CIS and Ukraine, as may be seen in Figure 1.2. Moreover, the gap has grown over time: compared with the CIS it doubled from 5.6 years in 1985 to 11.3 years in 2005; compared with Ukraine it rose from 4.4 to 11 years over the same period.

In addition, after the fall in life expectancy in the early 1990s, Poland and the Baltic Republics have experienced a generally stable rising trend in life expectancy, a period which coincides with pre-accession and membership of the EU. Although life expectancy remains below the EU average, within the last decade life expectancy in these countries has increased by 3-5 years. The gradual spread of European standards and patterns of life (though not in full) among the populations of Poland and the Baltic states contributed to this result. In contrast in Ukraine and the other CIS countries, life expectancy on average has declined, especially in the last 5 years. As a result of these trends, when compared with Poland, for example, life expectancy in Ukraine which was almost the same as that of Poland at the beginning of the 1990s (70.5 and 71 years respectively in 1990), was 7.7 years less by 2005.

There are many factors affecting life expectancy, both of a global nature, for example climate change as well as some specific to Ukraine, such as extremely low energy efficiency which is largely responsible for inadequate supplies of heat and energy (see Box

#### BOX 1.4

Ordinary people, policy-makers and policy analysts often refer to Ukraine's 'European Choice' as a guideline for the domestic political process as well as foreign policy, and identify it with European integration or EU membership. 'European Choice' is then meant to imply European integration in institutional terms, usually membership of the EU, or the EU accession process, or at least recognition of Ukraine's aspirations to become an EU member country. Yet the term 'European Choice' does not necessarily mean achieving EU membership. Rather, the notion of European Choice relates to a philosophy of economic and social development where values play the key role. In that sense, 'European Choice' comprises such values as democracy, political pluralism, a market economy and social cohesion, as they have been developed in Western Europe throughout the XXth century. These values represent the core of a systemic approach to social, economic and institutional development which allowed Western European countries to advance, make their economies competitive and ensure high level of social standards. Hence the strong linkage between economic welfare, human development and those values.

The notion of Ukraine's 'European Choice' is used in the present Report also in the two senses mentioned above. Firstly, it refers to Ukraine's numerous declarations and normative documents made at different times and under different circumstances regarding Ukraine's aspirations to join the European Union. (See for example The Strategy for Ukraine's Integration into European Union (1998), The Program for Ukraine's Integration into European Union (2000)). Secondly it means the aspirations of the Ukrainian people for a better quality of life that is strongly associated with European values and with the European Union as their bearer and custodian.

Technically the European Integration Agenda is used in this Report to mean a comprehensive checklist of requirements that need to be met in order to integrate with the EU, disregarding various geopolitical aspects of this process. For an applicant or candidate country, this agenda is essential to ensure compliance with the EU's *acquis communautaire*. Thus 'European Choice' reflects the commitment to values whereas the European Integration Agenda shows ways of implementing them.

#### Ukraine's European Choice and the European Integration Agenda

1.5 and Annex 11). Among the main causes of early mortality rates, and especially of the excessive mortality rates of men of working age, are the very tolerant social attitudes to heavy drinking, heavy smoking, improper diet combined with inadequate physical exercise, inadequate health and safety conditions in the workplace. The incidence of alcoholism is serious and acute alcoholism accounted for 8,000 deaths in 2006. It is also very prevalent among the young and the share of non-drinkers among the population aged 18-24 is much the same as among the population as a whole (27.4 per cent and 23.2 per cent respectively). Smoking is another important contributor to short life expectancy in Ukraine. Fifty eight per cent of men and 14 per cent of women aged over 15 are smokers, with the share of men smoking considerably greater than all countries in Europe, except Albania.

There is also an almost total lack of preventive government policies to curb the high incidence of drinking and smoking. In Ukraine there is no ban, or even some limitation on the advertising of alcohol and tobacco products. Almost all big cultural and sporting events, such as pop-concerts and the broadcasting of football matches, are sponsored by alcohol producers who use the occasion to advertise their products. There is also little enforcement of the rules regarding the sale of these products (in particular the ban on sales to anyone under 21 years of age is widely neglected). There is also no punishment for smoking in restricted public areas. More needs to be done to encourage people to take responsibility for their own health and quality of life.

A further reason for the excessive early mortality of the Ukrainian population is the low quality of medical services. This reflects problems of inadequate funding and poor management. With respect to financing, although budget expenditures on health care doubled between 2002-2005, as a share of GDP it is only 3.6 per cent, half the average ratio in the OECD countries. In Ukraine financing is provided not only for medical services, but also for the maintenance of medical institutions, which is determined by the

respective numbers of medical premises, beds, personnel, etc. The ratios of doctors and beds to the population of Ukraine broadly conform to European standards. However, medical staff are not equipped with modern facilities and equipment and insufficient attention is paid to the prevention of health hazards, timely diagnostics and early treatment. It is therefore reasonable to assume that progress towards reaching European social standards more generally would lead to an increase in average life expectancy in Ukraine.

#### 1.4 EU Social Inclusion and Ukraine's MDGs

The EU Social Inclusion Agenda (SI) is mandatory for EU member states and candidate countries. There is however, no common EU social policy and implementation is largely the responsibility of national governments. To this end the EU agreed the Lisbon strategy in 2000 which introduced the Open Method of Co-ordination as a means of spreading best practice and achieving greater convergence towards the main SI goals.<sup>5</sup> The goals, targets and policy measures of the SI largely overlap with those of the UNDP with respect to human development as well as with the MDGs. Thus a greater focus of social policy on human development, as well as progress on meeting the MDGs, could bring Ukraine closer to the EU models of social policy, thereby facilitating eventual EU membership. This subsection examines the two agendas and their respective targets and indicators. It also sets out selected UN social standards and assesses Ukraine's progress in meeting them.

The main objective of the streamlined Open Method of Co-ordination of the EU's policy of social protection and social inclusion is to promote social cohesion, equality between men and women and equal opportunities for all through adaptable and efficient social protection systems and social inclusion policies. There are many dimensions to the social outcomes of the EU social protection and inclusion policies, such as income and living standards, access to

<sup>5</sup> According to Presidency Conclusions of the EU Council in Lisbon in 2000, this method is designed to help member states to develop their policies and involves:- (i) fixing guidelines for the EU combined with specific timetables for achieving the goals which they set in the short, medium and long terms; (ii) establishing where appropriate quantitative and qualitative indicators and benchmarks against the best practice in the world and tailored to the needs of different members states; (iii) translating these European guidelines into national and regional policies by setting specific targets and adopting measures, taking into account national and regional differences; (iv) periodic monitoring, evaluation and peer review organized as mutual learning processes.

#### Average life expectancy at birth in EU, CIS and selected European countries, 1985-2005

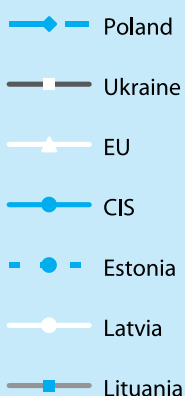
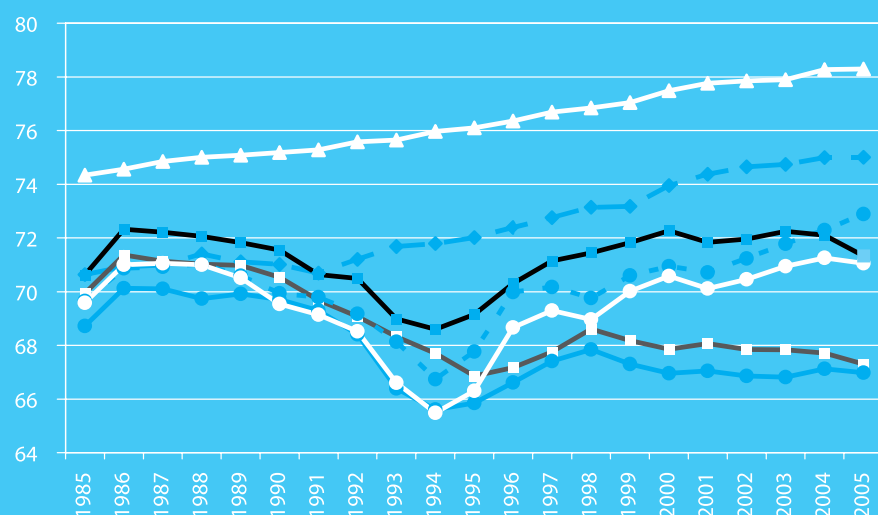


Figure 1.2





good quality health services, educational and work opportunities. The Open Method of Co-ordination is the EU's instrument to achieve these outcomes, especially through promoting employment and reducing poverty, and to monitor progress achieved in social inclusion at the EU level.

The new EU streamlined social inclusion objectives aim at making "a decisive impact on the eradication of poverty and social exclusion" by ensuring:

- access for all to resources, rights and services needed for participation in society, preventing and addressing exclusion, and fighting all forms of discrimination leading to exclusion;
- active social inclusion of all, both by promoting participation in the labor market and by fighting poverty and exclusion;
- that social inclusion policies are well-coordinated and involve all levels of government and interested parties, including people experiencing poverty. The policies should be efficient and effective and reflected in all relevant public policies, including economic, budgetary, education and training policies and structural fund programs.

In order to monitor progress in social inclusion policies, the EU Social Protection and Social Inclusion Strategy largely draws on the system of updated 'Laeken indicators'<sup>6</sup>. The methodology distinguishes between primary and secondary indicators. The former are restricted to a number of 'lead' indicators which cover the most important factors leading to social exclusion. The latter support the 'lead' indicators by describing in greater detail the nature of the problem and/or its other dimensions. EU member countries are expected to use at least the primary indicators in their national strategy reports.

The list of indicators agreed by EU member-countries contains 11 primary, 3 secondary and 11 context indicators. In practice, the primary list has been revised to include only the most important indicators that represent the various dimensions of poverty and social exclusion, with others placed in the list of secondary indicators. Other Laeken indicators are now included in the overarching portfolio (the portfolio of indicators that are relevant to many dimensions of social inclusion). This can be because they are more appropriate

for monitoring overall social cohesion (in which case they are only kept as context information). Alternatively it can be because they are considered as primary indicators to monitor both social cohesion (and/or its interaction with employment and growth), and social exclusion and poverty (in this case, they are included in both lists). Finally, some indicators were considered redundant and have been dropped, for example the respective shares of long- and very long-term unemployed. A list of the EU primary and secondary indicators of social inclusion (SI), with a definition of these indicators and a comparison with Ukraine's MDG indicators, is shown in Annex 12. Information on the EU social context indicators is shown in Annex 13.

Although coverage of each of those systems of indicators is largely overlapping, the EU agreed SI indicators (EU SI), the EU agreed National SI indicators (EU NAT SI) indicators as a rule are more specific and require more detailed information than Ukraine's MDG indicators (UMDGs). In some instances there are important differences between the respective definitions. For instance, the EU "at-risk-of poverty" index and some other poverty related indices use as a reference point the threshold of 60 per cent of the national equivalised median income, whereas the UMDG poverty indicators define the poverty level at less than 75 per cent of the median cumulative spending capacity per adult. Moreover, not all indicators of the SI Context information are monitored by the official statistics of Ukraine.

Those differences reflect diverse methodological and coverage factors, the unavailability of official data underlying some indices, as well as the large disparities in standards of living in the EU member countries and in Ukraine, which is reflected in the characteristics of the respective social indicators. Harmonization of the respective systems of MDGs and EU SI indicators with the system of statistical indicators of social development of Ukraine would assist in the monitoring of progress in Ukraine towards the achievement of social priority objectives, and in comparison with other countries. A comparison of some social standards reached by Ukraine with a range of those standards in cross-country comparisons by UNDP provides some evidence on Ukraine's achievements in social inclusion (see Table 1.5).

The first four standards are used by the UNDP to calculate the hu-

<sup>6</sup> At the European Council, held in December 2000 in Laeken, a set of common statistical indicators was agreed to assess poverty and social exclusion within the EU,

### BOX 1.5

Climate change, or global warming, is the main global environmental problem which threatens the sustainability of ecosystems, with serious economic and social implications for mankind. A comprehensive assessment of the main causes of climate change, the measures that could be implemented to address them and the case for international cooperation to ensure effective implementation of these measures is contained in the UNDP's most recent world HDR, published towards the end of 2007. The issue is of particular significance for Ukraine since it is one of the world's largest emitters of green house gases. Ukraine signed the Kyoto Protocol in 1999 and has taken measures to reduce its emissions. In fact Ukraine should not only meet its targets under the Protocol for the period 2008-12, but has considerable scope to trade its surplus emissions, if it can attract investment for the appropriate projects.

One of the specific challenges Ukraine faces is the need to improve its energy efficiency, given that the energy intensity of GDP remains very high. This partly reflects the legacy of low energy prices and insufficient investment in energy efficient technology. There is, however, sufficient evidence from the countries of Central Europe that market based measures, including prices which reflect costs, the phased elimination of subsidies and privatization, all supported by the necessary regulatory reforms, can have a major impact on improving energy efficiency and thus contributing to meeting the challenge of global warming. These issues are explored in more detail in Annex 11.

### Climate Change and Energy Efficiency: the Impact on Human Development

man development index of a country under investigation. The fifth to the tenth standards are used to examine and forecast social and political developments. In transition economies, and especially in the CIS countries, the national statistics do not include many indicators that are used by UNDP for international comparisons and living standards.

Ukraine needs to strengthen institutional capacity for social policy-building, enhance state strategic planning and the statistical system (data collection), and reach a consensus over priority development goals. Only with all these components in place there can be a reliable and stable framework for facilitating and shaping future development. Domestic economic and social policy needs to takes

into account international requirements and criteria for developing a socially oriented economy and also involve all relevant stakeholders in the state decision-making processes. This will help to ensure public control over the progress towards achieving the MDG goals, facilitate appropriate and timely adjustments of state socio-economic policy and stimulate the development of human potential, raising the standards of living in Ukraine.

### Social standards used by UNDP for international comparisons of living standards, and the level of those standards in Ukraine

Table 1.5

UN Standard	Parameters	National indicators for Ukraine
1) life expectancy	from 25 (minimum) to 85 (maximum) years	The indicator of average life expectancy at birth in 1989-1990 was 70.7 years, including 65.9 years for men and 75.0 years for women; in 2003-2004, the indicators were- 68.2, 62.6 and 74.1 years, respectively; <b>in 2006, the indicators were- 68.1, 62.4 and 74.1 years, respectively</b>
2) literacy of population	100%	99.4 % of literate population
3) average duration of studies	15 years	12 years
4) real per-capita GDP by PPP	from USD 200 (minimum) to USD 40 thousand (maximum)	<b>per-capita GDP by PPP – \$5583 in 2005</b>
5) cumulative birth rate (average number of children born by women in the fertile age, from 20 to 45 years old)	2.14-2.15	1.218 in 2004 <b>1.254 in 2006</b>
6) aging factor of population (the share of people older than 65 among the total population)	7%	<b>16.2% as of January 1, 2006;</b>
7) the ratio between the richest 10% to the poorest 10%	10 : 1	according to official data, in 2004-2005 the ratio of monetary expenditure of the richest 10% to the poorest 10% of the population was 6.9 times higher; <b>in 2006, it was 7.1</b>
8) the share of population living below the poverty line	10%	the share of the population living below the poverty line (75% of median aggregate equivalent expenditures) was 27,1% in 2005; <b>in 2006, it was 28.1%</b>
9) the ratio of the minimal to the average salary	1 : 3	1:2.69 In 2005 <b>1:2.78 In 2006</b>
10) the minimal hourly wages	USD 3.00	USD 0.49 in the first quarter of 2006
11) unemployment rates (including hidden)	8-10%	7.2% in 2005;] <b>7.4% in 2006</b>
12) number of offences per 100 thousand of the population	up to 5 thousand cases	1112 offences registered in 2004; <b>in 2006, it was 918</b>
13) depopulation rates (number of newborns to the number of the deceased)	50 : 50	the number of newborns per one thousand persons of the living population was 9, and the number of the deceased persons – 16, or 36:64 in 2004; <b>in 2006, it was 38:62</b>
14) incidence of psychic pathologies per 100 thousand of the population	up to 284 persons	in 2004 the number patients with mental and behavioural disorders per 100 thousand of the population was 244. <b>in 2006, it was 463</b>

Source: Data from State Statistical Committee

## 1.5 The Decentralization of Power to Benefit People and Human Development

It has yet to be fully appreciated in Ukraine that it is not the responsibility of the state to determine individual's needs; rather it is the responsibility of the individuals themselves. Needs that cannot be addressed individually, for example in the fields of education and basic health protection, are best organized and paid for at the community level, within the competencies of local self-government (not to be confused with the local administration representing central government) that must have powers to collect local taxes to finance basic local public services. This is the best guarantor of effective local social policies. This arrangement, next to genuinely empowering people, would assist in moving towards an optimal allocation of tax-payers resources for human development at the community level. Public services that cannot be handled at the community self-government level should be dealt with by the next level of self-government structures – the rayon and oblast levels. The central government (or its specialized institutions) should only become involved when the services in question require its support. The accompanying fiscal decentralization, together with a meaningful source of local tax revenues, are therefore the necessary preconditions for the decentralization of power which could become an important instrument to advance human development in Ukraine.

For those self-government structures which deliver public services to the community, the closer they are to the people and the more accountable they are, the more successful they

are likely to be. Therefore, as a rule, the most successful in this respect are local self-governments. However, self-government as a form of local democracy is not well rooted in Ukraine. This reflects the strong Soviet expectations that the state should take care of most of people's needs. As a result, citizens rarely showed a sense of community when solving local issues, especially where resources for human development were limited. Nevertheless, considering that improving of human development in Ukraine depends critically on local government, strengthening and consolidating this layer of power is essential. This, in turn, requires solving a number of issues that presently severely limit the functioning of local self-government. These relate to the political and administrative powers of local self-government, their financial system and economic resources. Unless all these problems are solved, progress in many aspects of human development will be limited.

Many of the limitations affecting the functioning of local government in Ukraine were addressed in the 2003 NHDR for Ukraine, The Power of Decentralization. Limited progress has been made in implementing the recommendations of this report, although local governments' capacity to handle some of the problems of human development has improved. However, progress is slow and furthermore new limitations to human development at the regional and local levels have emerged. These new issues have yet to be addressed satisfactorily, but they are of cardinal importance for ensuring that government decentralization is carried out for the benefit of the people and for human development in Ukraine. They include:

### Representation of territorial communities of Ukraine in the relevant oblast councils

Oblast Council	Communities represented in oblast councils, per cent
Verkhovna Rada of the Autonomous Republic of Crimea	60.0
Vinnitsia oblast	81.8
Volynska oblast	80.0
Dnipropetrovsk oblast	34.3
Donetsk oblast	58.7
Zhytomyr oblast	60.8
Zakarpatska oblast	72.2
Zaporizhzhia oblast	74.0
Ivano-Frankivsk oblast	94.7
Kyiv oblast	83.3
Kirovohrad oblast	84.0
Luhansk oblast	81.2
Lviv oblast	62.1
Mykolajiv oblast	83.3
Odessa oblast	31.2
Poltava oblast	70.0
Rivne oblast	85.0
Sumy oblast	68.0
Ternopil oblast	100.0
Kharkiv oblast	55.9
Kherson oblast	61.9
Khmelnysky oblast	73.1
Cherkasy oblast	80.8
Chernihiv oblast	68.0
Chernivtsi oblast	93.3

Source: The Chief Service of Regional and Personnel Policy of the Secretariat of the President of Ukraine.

- the relationship between proper political representation at the regional and local levels and public accountability;
- financing of regional and local self-government initiatives and responsibilities related to the provision of goods and services that ensure the proper quality of human development;
- ensuring effectiveness and efficiency of public spending.

### Political and Administrative Factors Impeding Human

**Development** Under Article 5 of the Constitution of Ukraine the people exercise authority directly as well as through the state and local self-government authorities. Local self-government in Ukraine emerged in the Middle Ages, but was eradicated and replaced by the system of centralized government in 1918-19 (and in Western Ukraine in 1939-40). Local self-government reappeared in Ukraine after it gained independence in 1991-92. Initially, the process was quite chaotic: local self-government was present at different levels (communities, rayons, oblasts) and the oblast governor was elected. Following the enactment of the Constitution of Ukraine (1996), the laws "On local self-government in Ukraine" (1997), and "On local state administrations" (1999), the present system of local state administration and local self-government was established. Many powers ensuring human development were delegated by central government to local self-government. In particular, local authorities have been responsible for providing education, health care, culture as well as communal services. Yet, the Ukrainian system of local self-government is characterized by a high degree of financial and administrative dependence on central government, confusion of competences, conflicts between local state administrations and local self-government bodies, as well as by territorial limitations on the

jurisdiction of local self-government bodies.

There are 456 cities, 886 towns and 28,585 rural settlements in Ukraine. However, only 783 towns and 10,281 rural settlements have local self-government bodies: councils and their executive branches. These councils represent local self-government of territorial communities, composed of one or more settlements. In practice, however, real self-government exists only in 176 so-called cities of oblast significance. Each of them has a separate budget expenditure line in the State Budget of Ukraine to determine its financial needs for the relevant fiscal year. All other communities depend on budget allocations from their respective rayon, of which there are 490 in Ukraine. At the rayon level self-government is represented by rayon councils. However, according to the Constitution of Ukraine, rayon councils do not have an executive structure. Moreover, the rayon budget is part of the State Budget of Ukraine. Therefore, the actual power at the rayon level belongs not to rayon councils, but to rayon state administrations that are local state government bodies<sup>7</sup>. At the oblast level the situation is similar, i.e. oblast councils represent local self-government, whereas the oblast state administration represents the state<sup>8</sup>. At the same time, however, it is the rayon and oblast councils that approve the relevant rayon or oblast budgets that, among other things, include funds for financing the delivery of services ensuring human development.

Elections are held to appoint all city mayors, town and village heads, as well as of village, town, city, rayon and oblast council deputies. However, the heads of rayon state administrations are appointed by the orders of the President of Ukraine, and the heads of oblast state administrations by the decrees of the President of Ukraine based on the submission of the Cabinet of Ministers of Ukraine. Therefore, the public at large can only influence policy

<sup>7</sup> There are two exceptions: Krasnyolymanskiy rayon of Donetsk oblast and Sverdlovskiy rayon of Lugansk oblast are administered by City Councils of relevant rayon centers, that is by local self-government bodies and not by local state administrations.

<sup>8</sup> At this level there are also exceptions, such as the Autonomous Republic of Crimea which has its own Verkhovna Rada and Council of Ministers; Kyiv, where the Mayor simultaneously represents self-government and state authority (Kyiv State City Administration); Sevastopol, the special status of which is noted in the Constitution of Ukraine, though this status has not so far been defined and clarified in the relevant laws of Ukraine.

### Expenditures of the State Budget of Ukraine in 2004-06 on some sectors related to Human Development (according to functional budget classification, in million UAH)

Sector ensuring human development	2004			2005			2006		
	Planned	Actual	Annual plan execution, %	Planned	Actual	Annual plan execution, %	Planned	Actual	Annual plan execution, %
Health care	3 212.4	3 434.9	106.9	3 301.7	3 508.1	106.2	4 012.0	4 082.7	101.8
Education	6 983.9	7 197.3	103.1	10 001.7	9 932.8	99.3	11 991.6	12 122.5	101.1
Culture and sport	1 063.9	1 004.4	94.4	1 336.9	1 273.7	95.3	1 532.2	1 389.2	90.7
Social security and assistance	8 438.1	12 157.5	144.1	32 460.7	31 604.3	97.4	31 319.3	30 227.2	96.5
Social welfare of pensioners	4 894.4	8 548.6	174.5	28 104.8	27 692.8	98.5	25 307.8	25 535.8	100.9
Housing and public utilities	237.1	106.6	44.9	88.3	110.0	124.6	162.4	180.7	111.2
Environment protection	905.4	895.8	98.9	1 044.4	981.1	93.9	1 425.7	1 306.9	91.7

Source: Budget monitoring: Analysis of budget execution for 2006, Municipal Budget Reform Project, RTI International, Kyiv 2006.

decisions through the election of the heads of their localities and of the local, rayon and oblast council deputies. However, except for the above mentioned cities of oblast significance, the heads and council deputies have few decision-making powers. At the same time, the actual power at oblast, rayon and towns of rayon significance belongs to the heads of oblast and rayon administrations. Since they are appointed from the top and are not elected by relevant local and regional constituencies, they are not accountable to the people.

The situation is complicated by the fact that many services related to human development (for example certain types of education, health care, social welfare and culture services) are assigned to the rayon or oblast levels. It is exactly these levels where people can exercise the least influence on the decision makers. Moreover, most of these public services are financed by transfers from the State Budget of Ukraine, which handicaps the ability of relevant local and regional governments to influence local human development policy in any meaningful way. Moreover, as it will be shown, due to insufficient revenues from local taxes and fees, the ability of local government to carry out the functions related to human development that are its direct responsibility and are not covered

by transfers from the State Budget, is severely undermined.

The proportional system of electing local, rayon and oblast councils, introduced with the 2006 parliamentary elections, also significantly impaired the citizens' ability to elect accountable local self-government bodies. For instance, in many rayons and oblasts the pre-election party lists were dominated by businessmen, many of whom were primarily concerned with their own interests. The proportional system also led to a situation where, for example, in many oblasts, both territorial communities and rayons were heavily underrepresented in the oblast councils with the risk that the interests and needs of those communities and rayons would not be represented. This also explains the disparities in oblast budget allocations to finance human development for individual rayons that only exacerbates the disproportions in funding not only at the inter-regional, but also at the inter-rayon levels. The representation of territorial communities of Ukraine in the relevant oblast councils is illustrated in Table 1.6.

The public accountability of self-government bodies is limited by the lack of mechanisms and tools to hold the authorities to account, apart from periodic elections. For instance, public hear-

Table 1.8

## Living conditions of population, 2004

	Population density (people per 1 km <sup>2</sup> )	Level of urbanization (share of city residents in Ukraine)	Housing provision (average per capita; m <sup>2</sup> of total area)	Share of population residing in cities with population more than 100,000 people	Number of hospital beds (per 10,000 people)	Planned capacity of out-patient clinics (number of visits per 10,000 people)
<b>Ukraine</b>	<b>78</b>	<b>67.9</b>	<b>22.0</b>		<b>95.2</b>	<b>211.7</b>
Autonomous Republic (AR) of Crimea	76	62.9	19.0	30.1	90.6	176.6
Vinnytsia	64	47.7	25.4	21.3	92.1	152.5
Volyn	52	50.7	19.5	19.7	82.5	173.2
Dnipropetrovs'k	108	83.4	22.5	64.7	109.0	270.6
Donetsk	174	90.3	21.5	52.3	90.5	204.0
Zhytomyr	45	56.8	23.3	20.8	80.8	242.7
Zakarpattia	97	37.1	21.1	9.4	82.0	199.7
Zaporizhia	68	76.2	21.4	57.7	98.6	199.4
Ivano-Frankivsk	100	42.6	21.6	15.9	91.3	149.0
Kyiv	63	59.5	27.7	11.7	81.5	195.0
Kirovohrad	43	61.1	23.2	23.1	97.2	254.1
Luhansk	90	86.4	23.2	32.9	106.7	222.2
Lviv	118	60.1	19.8	28.5	97.0	187.6
Mykolaiv	50	67.1	21.2	41.7	87.2	183.4
Odessa	72	66.1	21.0	41.7	91.1	212.8
Poltava	54	59.8	23.4	34.7	89.1	246.5
Rivne	58	47.3	20.1	21.4	90.9	204.7
Sumy	52	65.9	22.0	22.8	93.2	224.4
Ternopil	81	42.9	21.7	19.7	91.4	181.8
Kharkiv	90	79.3	21.6	51.7	98.7	216.3
Kherson	40	60.5	21.4	28.1	105.0	190.6
Khmelnysky	67	52.7	23.4	18.7	88.8	184.2
Cherkasy	64	54.9	25.3	21.8	90.7	206.2
Chernivtsi	112	41.1	21.3	26.8	91.5	175.3
Chernihiv	37	60.3	24.0	25.7	112.1	205.6
Kyiv City	3367	100.0	20.2	100.0	113.6	307.7
Sevastopol	421	94.1	19.4	89.7	79.1	195.1

Source: State Statistics Committee of Ukraine, 2005.

### Living conditions of the population in the regions of Ukraine in 2004

ings, general meetings of citizens, or local initiatives, are used very rarely and only in a few communities. Furthermore the law "On local self-government in Ukraine" does not require the mandatory development of city statutes or the statutes for other types of communities. These are a sort of local constitution that define both the administrative structure and the mechanisms of public participation in decision making and exercising control. Only a few dozen cities in Ukraine have developed and adopted such statutes. As a result, citizens of Ukraine have little knowledge and interest in local self-government, preferring either to passively wait for the resolution of their problems by local authorities with state support, or to solve the problems by themselves with no consideration for the wider community. Such attitudes strongly affect the quality of human development in the regions of Ukraine. At the same time, the state's ability to support human development at the local level with good quality services is severely limited.

**Financing of Human Development in Ukraine** The availability of funding from the state budget to finance services is a critical determinant human development. According to the UN data, in 2003-04 Ukraine allocated just 3.6 per cent of GDP on financing health care, about half of what is allocated to the same purpose in developed countries. Between 2002-04 Ukraine allocated 5.3 per cent of GDP to education, compared with 6.2 per cent in 1991. Economic recovery in Ukraine in recent years brought some improvement in the financing of some sectors important for human development. For instance, allocations for housing and public utilities needs slightly improved in 2004-06, as did allocations for health care and education. However, the allocations for environ-

ment protection continue to be meager, as are outlays for culture and sport, as well as, in certain years, for social security and social assistance. Allocations of the State Budget of Ukraine in 2004-06 for some sectors related to human development (according to functional budget expenditure classification) are illustrated in Table 1.7.

In absolute amounts the best funded and therefore the top priority sectors were social security and assistance, social welfare of pensioners, education and health care. However, the spending is largely dominated by social security and social welfare payments which accounted for about one third of total budget financing in fiscal years 2005 and 2006 (see Annex 14).

There are differences between the regions in terms of the volumes of funding allocated to certain sectors contributing to human development. However, there is nothing unusual about it, as the Ukrainian regions differ both demographically and in terms of economic development and infrastructure (see Annex 15 which provides data for 2005 on financing of various sectors).

The differences between Ukrainian regions by density of population, level of urbanization, accommodation provision, share of population residing in cities with more than 100,000 inhabitants, as well as the two indicators related to health care (number of hospital beds and planned capacity of out-patient clinics per 10,000 people) are shown in Table 1.8.

Although there are similar indicators for housing provision and for the number of hospital beds, there are significant regional differences for some of the other parameters. Therefore, without proper compensatory measures in place following the transfer of competencies from central to local self-government, the differences between the

### Differences between financing norms and the proposed volume of financing (UAH per service recipient)

Table 1.9			
Local budgets receiving transfers from the State Budget	Financial norms for:		The gap between proposed financial norms for 2006 and actual financial norms for 2005
	2006 (based on the Working Group proposal)	2005 (used for determination of the volume of equalization transfers)	
Secondary education			
The budget of AR of Crimea, oblast budgets	2278	1531	748
Cities of oblast and republican (AR of Crimea) significance, Kyiv and Sevastopol	2278	1531	748
Rayon budgets	2278	1531	748
Pre-school education			
Cities of oblast and republican (AR of Crimea) significance, Kyiv and Sevastopol	4170	2056	2113
Rayon budgets	4170	2056	2113
Health care			
The budget of AR of Crimea, oblast budgets	116	66	50
Cities of oblast and republican (AR of Crimea) significance, Kyiv and Sevastopol	282	144	138
Rayon budgets	262	126	136
Culture			
The budget of AR of Crimea, oblast budgets	12	5	7
Cities of oblast and republican (AR of Crimea) significance, Kyiv and Sevastopol	32	14	18
Rayon budgets	47	22	25

The Resolution of the Verkhovna Rada of Ukraine of November 17, 2005 # 3117-IV "On Certain Issues of Improving the System of Provision of State Social Services at the Local Level"

resource and revenue base of some regions could be accentuated and may significantly impede the process of government reform and lead to inequality in human development. This inequality can be addressed by an efficient system of revenue transfers from wealthier communities and regions to those that are less prosperous. Such an equalization system already operates in Ukraine following the enactment of the Budget Code. For instance, the absence of any significant regional differences between the numbers of hospital beds is probably due to operation of the equalization system. However, the existing system is fraught with many problems that need to be solved before government decentralization can have a positive effect on human development.

### **Economic Resources for Financing Local Self-government and its Capacity to Solve Human Development Issues**

The system of funding public services related to ensuring human development in Ukraine is based on a clear distinction between financing of the relevant government programs and institutions that are either state-owned or fulfill national tasks on the one hand, and financing of programs and institutions of local nature on the other. According to the Budget Code of Ukraine, financing of the latter is assigned to three levels of budgets, namely:

- from budgets of villages, towns, and of cities of rayon status or their associations;
- from rayon budgets, budgets of cities of the republican status of the Autonomous Republic of Crimea, and budgets of the cities of oblast status;
- from the Budget of the Autonomous Republic of Crimea as well as from oblast budgets.

Many functions related to ensuring human development are recognized as being of national importance and their delivery is transferred to local authorities as so-called “delegated” tasks. Financing of these functions is undertaken on the basis of decisions on the necessary inter-budgetary transfers aimed at equalizing disparities between regions, rayons and cities. Thus some revenues are taken from cities and rayons that exceed the budgetary norms established by the central government, and are transferred to those cities and rayons that have insufficient revenues to fund the provision of services to the required levels.

To assist the equalization process, the state assigns some national taxes and other sources of revenue to local authorities. Of these the most important is personal income tax. In 2005, 69.9 per cent of the receipts from income tax were transferred to local budgets, and in 2006 the respective share was 73.7 per cent. The increase in the rate of personal income tax from 13 to 15 per cent from January 1, 2007 is likely to result in a further increase in the proportion transferred to local budgets. The share of this tax in total state tax revenues was 22.2 per cent in 2005. The assignment of such a significant source of budget revenues, along with other tax revenues, to local budgets could be seen as evidence that the importance of adequately funding local self-government services is fully appreciated. In practice, however, the situation is far from satisfactory, and local self-governments, to which numerous functions of ensuring human development have been delegated, are under considerable financial pressure which limits their ability to act as effective managers of services. This, of course, must affect the quality of human development in Ukraine. What are the causes of the problem?

One of the main factors is that the functions and responsibilities of the state and local self-government are excessive and not always clearly defined. Almost all services related to ensuring human development in Ukraine are supposed to be provided on a free-of-charge basis. However, a scarcity of resources prevents the state from providing adequate financing for the whole range of services which it guarantees. Thus scarce resources are spread thinly across the board. The result is that both the functions important for human development, as well as the “priority” functions, are under funded. As a result, the population resorts to providing “additional financing” for relevant services at its own expense, which often leads to corruption, while the quality of such services leaves much to be desired.

Another factor is that financial norms used in budget planning and execution, are inadequate and often below cost recovery levels. For example, pursuant to Article 94 of the Budget Code of Ukraine, “total financial resources directed for implementation of budget programs through local budgets are allocated among expenditure lines in accordance with the priorities of the state budget policy”. In practice this means that allocations necessary for the implementation of particular objectives and functions are made not on the basis of their actual costs, but on the basis of estimates how much the government is inclined to allocate to those purposes in the next fiscal year. With the excessive load of government functions and responsibilities, this factor exacerbates the insufficient financing of human development in Ukraine. The scale of under funding becomes apparent if the estimated cost of providing certain services is compared with the amount of the proposed financing in 2006 to be funded from local budgets and guaranteed by the state (see Table 1.9).

The existing financial norms per service recipient for certain sectors are substantially underestimated compared with the amount experts consider to be the ‘real need’. For example, state budget financing of secondary education amounts only to 67 per cent of the actual needs, of pre-school education – 49 per cent, of health care – from 48 per cent in rayons to 57 per cent in oblasts, and of culture – from 42 per cent in oblasts to 47 per cent in rayons. Thus, the actual funding from the state budget for particular sectors was almost half of the estimated real cost of services in these sectors. As underestimated financial norms are applied in the Ukrainian equalization system, then those public services are underfinanced both in the ‘surplus’ and in the ‘deficit’ cities and rayons.

Considering that an important source of local budgets revenue are proceeds from personal income tax and from the simplified flat-rate profit tax for entrepreneurs, it could be expected that municipal authorities and rayon administrations would be interested in business development and the creation of new jobs. However, the system of taking away surplus revenues, as well as that of paying personal income tax to the budgets of communities where the employee works and not where they live, reduces the incentive for local authorities to create a favorable business environment. Cities and rayons that attempt to do so could be penalized because the additional local revenues will be taken away, while cities and rayons that do not promote business development will receive some extra funding in any event, even if it is insufficient, in the form of equalization transfers.

In an attempt to at least partially compensate for insufficient funding of education, health care and culture, many cities resort to using the funds of the so-called “second basket” of local budgets. The “second basket” comprises funds designated for financing local

development programs, providing communal housing and supporting public utilities infrastructure, as well as for some local human development programs (social assistance, culture and sports, etc.). These funds should also cover the development and improvement of public utilities as well as environment protection programs. Thus funds from the “second basket” of development budgets of local government can be “siphoned off” to make up for insufficient equalization transfers for the state-guaranteed services, including those related to human development. Therefore, it is not surprising that capital investment at the local level, including projects to improve the infrastructure for human development (renovation and maintenance of schools, kindergartens, recreational centers and clubs, libraries, hospitals and first aid and obstetric units, as well as the provision of necessary medicines in those hospitals and units) is far from sufficient.

The share of spending from local budgets is dominated by the current needs of the social security sector, which accounted for 89.1 per cent of local government expenditures in 2006. Activities such as communal housing and public utilities accounted for 5.6 per cent of total spending, while the share of sectors ensuring human development was as follows: current repairs of equipment, facilities and premises (not all of them related to ensuring human development) – 1.1 per cent, medicines and dressing materials – 1.6 per cent, foodstuffs – 2.1 per cent..

The sources of revenue of the “second basket” of local budgets are quite limited. This basket is formed from certain local taxes and fees, including the land and vehicle tax. In 2006 the share of ‘other’ local taxes and levies in total tax revenues of local budgets was 2.1

per cent, the share of vehicle tax was 3.5 per cent and that of land tax – 10.1 per cent. The land tax (inclusive of land rental payments) was the second largest source of revenues to local budgets after personal income tax. However, land tax exemptions granted at the central government level, as well as frequent suspensions of the provisions of the law “On land payment” and by annual laws on the State Budget do not allow local authorities to transform these sources of revenue of the “second basket” into a solid foundation for financing social and economic needs.

Another potential source of strengthening the financial capacity of local governments in their efforts to finance human development is the pooling together of economic resources of territorial communities, rayons and oblasts. The Constitution of Ukraine stipulates that such pooling is possible. However, this opportunity is not made use of due to the following reasons:

i) the Constitution allows the pooling together of resources only for territorial communities which have their own local self-government budgets, while rayon and oblast budgets are an integral part of the State Budget of Ukraine and, as such, do not fall under this provision;

ii) due to political and legislative constraints, local authorities find it difficult to close or convert social infrastructure facilities, even when this would be an optimal solution;

iii) considering that education and health care facilities are financed through the mechanism of equalization transfers, any attempt to close or convert any social infrastructure facility would entail a reduction in the volume of those transfers. Therefore, this provides an incentive for territorial communities to retain economi-

### Main democratic governance and human rights targets (as specified by the UN documents)

Table 1.10

UN Document	Objective	Origin of Data	Current value of Indicator	Progress
<i>International Covenant on Civil and Political Rights</i>	Protection of Human rights	Annual Survey of Freedom (Freedom House) WBI, Voice and accountability	Political Rights - 3 Civil Liberties – 2  45.7	Ukraine reclassified from <b>Partly Free</b> to <b>Free</b>  <b>Steady</b> progress since 2002. Since 2004 progress is <b>rapid</b>
<i>Universal Declaration of Human Rights</i>	Protection of Human rights			
<i>Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment</i>	Protection of Human rights			
Article 25 of the <i>International Covenant on Civil and Political Rights</i>	Genuine periodic elections which shall be by universal and equal suffrage, secret ballot, guaranteeing the free expression of the will of the electors	OSCE Election observation in 2006	Elections conducted 'largely' in line with OSCE and Council of Europe commitment and other international standards for democratic elections.	<b>Positive change</b> from elections to Verhovna Rada in 2002 and Presidential elections in 2004
<i>United Nations Convention Against Corruption International Code of Conduct for Public Officials</i>	Avoidance of conflict of interest, disclosure of assets, regulated acceptance of gifts or favors, and conducting political activities outside the scope of office	Transparency International CPI	2.8	<b>Some improvement</b> since 2004
		WBI, Control of Corruption	27.7	<b>Rapid improvement</b> in 2005 with <b>subsequent deterioration</b> in 2006
<i>UN Millennium Declaration</i>	Good governance, rule of law	WBI, Rule of Law	32.4	<b>Rapid improvement</b> in 2005 with <b>subsequent deterioration</b> in 2006



cally unviable or sometimes even unnecessary facilities.

In practice the pooling together of resources of territorial communities without detriment to receiving inter-budgetary transfers makes sense only for the provision of services that are not covered by equalization transfers, i.e. tasks financed from the “second basket”. However, as mentioned above, local authorities have very limited capacity for filling this basket and, therefore, cannot provide sufficient funding. Moreover, the legislative mechanisms for the pooling of resources are missing and the ways in which the pooled resources are to be managed are not defined.

The final factor hindering human development at the local level is that the efficiency and effectiveness of implementation of both central and local government programs, and of related investments, are hardly ever monitored in practice. The lack of effective control mechanisms creates favorable grounds for corruption, thus further limiting the effectiveness of public spending.

Thus, local self-government in Ukraine, despite its closeness to the people and, therefore, its potential ability to implement the numerous functions related to human development, is to large extent unable to do so. Reforms that would strengthen the role of local self-government in ensuring human development in Ukraine and improve its financial capacity are badly needed. In fact, this is tantamount to the need to implement an effective decentralization of government in Ukraine. It would need to take into account the following considerations:

- requirements of European documents related to local self-government;
- best practices applied in European countries;
- the need for public accountability of local councils deputies as well as local self-government officials;
- the need for adequate sources of funding of human development both from local budget revenues proper and through the balanced financial equalization system;
- introduce mechanisms to increase the efficiency and effectiveness of budget allocations made to local authorities for the purpose of ensuring human development.

## 1.6 Fostering Participatory Democracy, Political Stability and Good Governance for Human Development

‘Democratic governance is the glue that holds all other development priorities set out across the MDGS together’.

**Marc Malloch Brown, UK Minister for Africa, Asia and the UN, former Chef de Cabinet to the UN Secretary General and the former UNDP Administrator**

**Governance Indicators** For human development to progress it requires an environment that enables people to develop their

full potential and lead productive and creative lives. The human development agenda must therefore include not only issues related to economic development, poverty, access to public services and various aspects of social inclusion, but also those related to human rights and good governance, based on transparency, accountability and the quality of services provided to the citizens. The political and good governance dimension of the HD agenda is embedded in the key UN documents: the Millennium Declaration, the UN Secretary General’s Road Map and the Summit Outcome Documents on MD/MDGs. They strongly reaffirm that fundamental human rights — civil, political, economic, social and cultural — are the foundation of human dignity, are universal, interdependent and must be protected for the benefit of human development.

The Millennium Declaration advocates working “collectively for more inclusive political processes, allowing genuine participation by all citizens in all our countries.” The UN Secretary General’s Road Map emphasizes the importance of “fostering national human rights institutions, supporting the practical application of a rights-based approach to development, providing electoral assistance to help consolidate new and restored democracies and work to implement democratic principles through institutional reform programmes, helping to ensure the freedom and independence of the media.”

Democratic governance is at the same time central to the achievement of the MDGs, as it provides the enabling environment for their implementation and, in particular, elimination of poverty. Recognizing this, the Millennium Declaration asks to “spare no effort to promote democracy and strengthen the rule of law, as well as respect for all internationally recognized human rights and fundamental freedoms including the right to development.” Adopting the Millennium Declaration, world leaders resolved to “strengthen the capacity of all countries to implement the principles and practices of democracy and respect for human rights.” According to the UN strategy document on the MDGs (see ‘The United Nations and the MDGs: a Core Strategy’), “the MDGs have to be situated within the broader norms and standards of the Millennium Declaration”, including those on ‘human rights, democracy and good governance.’

The United Nations establishes a number of standards that countries are to follow in the areas of democracy and governance. The most widely accepted standards relate to civil and political rights and the standards for free and fair elections. The Universal Declaration of Human Rights<sup>9</sup>, International Covenant on Civil and Political Rights<sup>10</sup>, and Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment<sup>11</sup> address the issue of human rights. Article 25 of the Covenant on Civil and Political Rights also stipulates that “Every citizen shall have the right and the opportunity... to take part in the conduct of public affairs, directly or through freely chosen representatives; [and] to vote and to be elected at genuine periodic elections which shall be by universal and equal suffrage and shall be held by secret ballot, guaranteeing the free expres-

<sup>9</sup> [http://daccess-ods.un.org/access.nsf/Get?Open&DS=A/RES/217\(III\)&Lang=E&Area=Resolution](http://daccess-ods.un.org/access.nsf/Get?Open&DS=A/RES/217(III)&Lang=E&Area=Resolution)

<sup>10</sup> This Covenant was adopted and opened for signature, ratification and accession by General Assembly resolution 2200A (XXI) of 16 December 1966 entry into force 23 March 1976, in accordance with Article 49

<sup>11</sup> <http://daccess-ods.un.org/access.nsf/Get?Open&DS=A/RES/57/199&Lang=E>

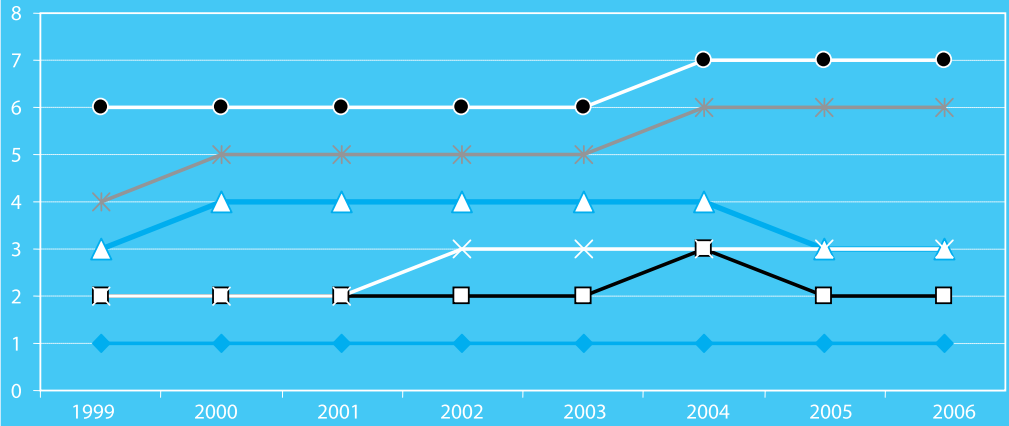
<sup>12</sup> <http://daccess-ods.un.org/access.nsf/Get?Open&DS=A/RES/58/4&Lang=E>

<sup>13</sup> <http://www.un.org/documents/ga/res/51/a51r059.htm>

**Index of Political Rights in Ukraine and some other countries, 1999-2006**

- ◆ EU
- ◻ Romania
- ▲ Ukraine
- × Moldova
- ✱ Russia
- Belarus

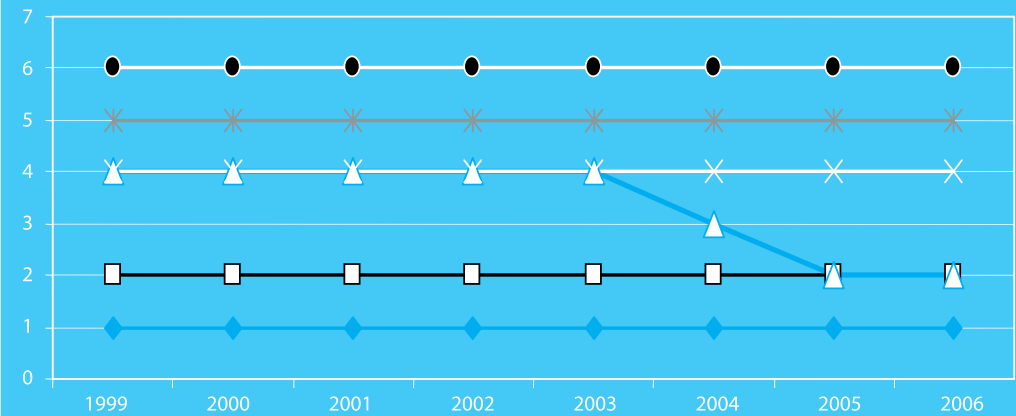
**Figure 1.3**



**Index of Civil Liberties in Ukraine and some other countries, 1999-2006**

- ◆ EU
- ◻ Romania
- ▲ Ukraine
- × Moldova
- ✱ Russia
- Belarus

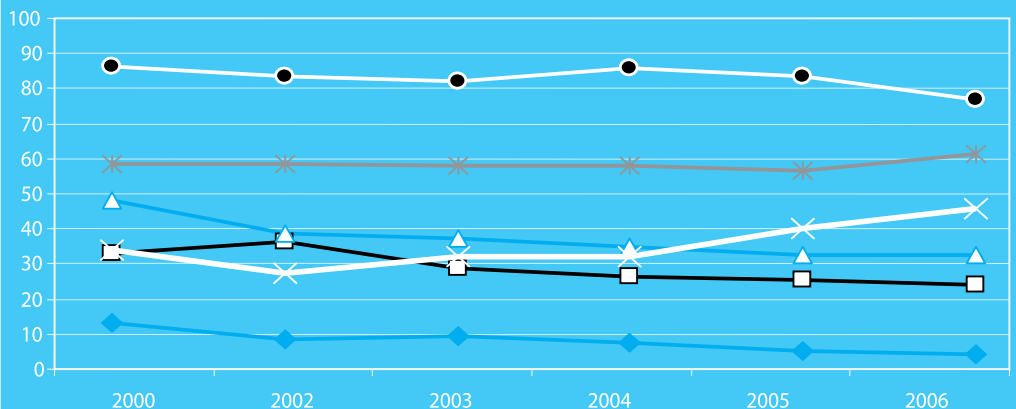
**Figure 1.4**



**Index of Voice and Accountability in Ukraine and some other countries, 2000-2006**

- ◆ Belarus
- ◻ Russia
- ▲ Moldova
- × Ukraine
- ✱ Romania
- Poland

**Figure 1.5**



sion of the will of the electors.”

In addition, the United Nations addresses the issue of corruption following the adoption of the United Nations Convention against Corruption<sup>12</sup> in 2003. Also, in 1996 the General Assembly at its 82nd plenary meeting adopted the International Code of Conduct for Public Officials<sup>13</sup> in the framework of its Action against Corruption. This Code addresses such issues as conflicts of interest, disclosure of assets, acceptance of gifts or favors, and conducting political activities outside the scope of office.

Finally, in its numerous treaties, conventions and declarations including those mentioned above, the United Nations addresses such concepts as the rule of law including the necessity of an impartial judiciary system, the principle of equality, and freedom of the media. In the documents on sustainable development, the issue of overall good governance is also addressed. However, in contrast to the cases of human rights and corruption, there no clearly defined United Nations standards for good governance or media freedom.

The UNDP Oslo Governance Center was established to foster capacity-building to assist countries achieve good governance. The Oslo Center has prepared a list of sources recommended for measuring progress towards good governance<sup>14</sup>. However, in contrast to the economic and social issues underlying the HD agenda, there is no comprehensive set of measures that can be used to measure progress on political and governance issues. An overview of the main democratic governance and human rights targets as specified by the UN documents and which are usually measured by independent assessments is shown in Table 1.10. Each monitoring agency included in the table uses its own methodology to gauge progress and a summary of their findings for Ukraine is shown in the final column of the table.

The Freedom House indicator of political rights and civil liberties are shown in Figures 1.3 and 1.4 respectively (the Freedom House indicators are the only such measures available for Ukraine and cover the changes after 2004 alone). The indicator of political rights is a cumulative indicator comprising three

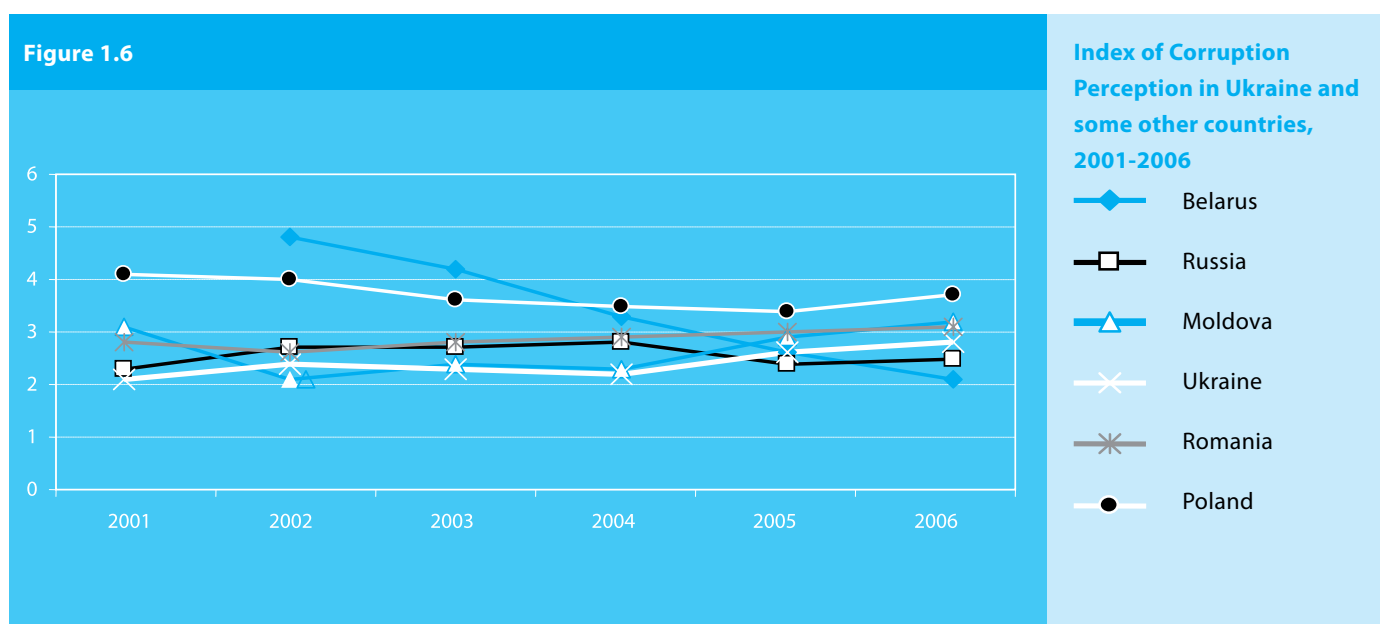
separate measurements, namely “Electoral Process”, “Political Pluralism and Participation”, and “Functioning of Government”. The value of the indicator ranges from 1 to 7 where 1 represents full rights and 7 represents no political rights. As may be seen from the chart, political rights in Ukraine have improved since 2004, unlike in Belarus and Russia, and is currently similar to Moldova and only slightly worse than the new EU member-country, Romania.

An even more pronounced improvement is evident in the area of civil liberties in Ukraine after 2003 (see Figure 1.4). The Freedom House indicator consists of 4 aspects, namely “Freedom of Expression and Belief,” “Associational and Organizational Rights,” “Rule of Law,” and “Personal Autonomy and Individual Rights.” As a result of the improvement in their two indicators, during last two years Freedom House graduated Ukraine from Partly Free to Free.

This measure of governance for Ukraine showed marked progress since 2004, rising by almost 10 percentage points up (from 31.9 to 40.1) between 2004 and 2005. All these indicators show that the situation in Ukraine in relation to civil liberties, openness, overall freedoms, and political participation improved significantly after 2004. The situation is clearly far better than in its immediate FSU neighbors, especially Russia and Belarus, and approached that of Romania. However, Ukraine still lags behind Poland, and certainly all other countries of the EU.

The second area related to democratic governance and explicitly addressed by the United Nations relates to corruption. One of the most widely used indicators of corruption is a measure of the public perception of the scale of corruption in any one country, published annually by Transparency International. On this measure up until 2004 Ukraine was ranked worse than some of its neighbors, showing that the Ukrainian people strongly believed that their country was heavily corrupt. Since 2004, however, partly due to some improvement in the public’s perception of corruption in Ukraine, but mostly because of a significant deterioration in Belarus and Russia, Ukraine is now in

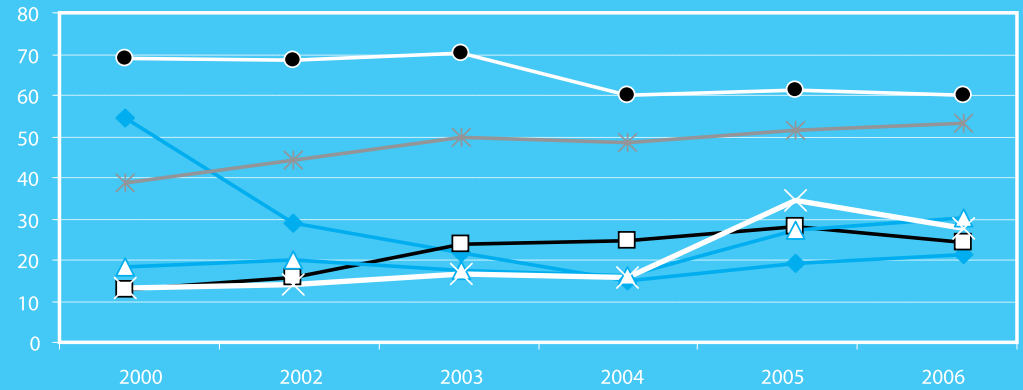
14 <http://www.undp.org/governance/docs/policy-guide-IndicatorsUserGuide.pdf>



**Index of Control of Corruption in Ukraine and some other countries, 2000-2006**

- ◆ Belarus
- Russia
- ▲ Moldova
- × Ukraine
- ✱ Romania
- Poland

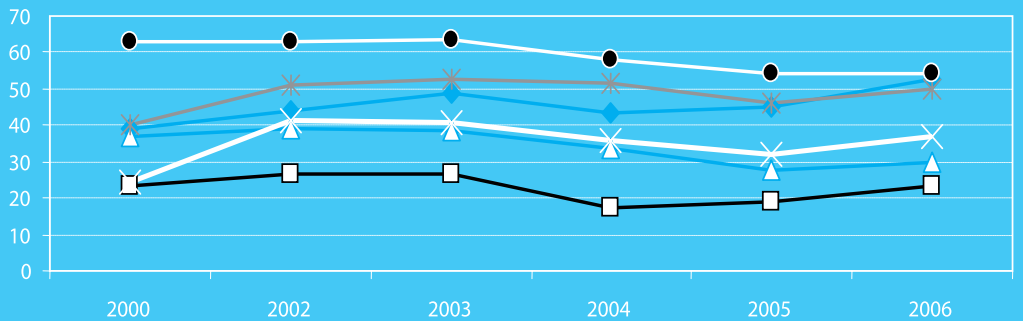
**Figure 1.7**



**Index of Political Stability in Ukraine and some other countries, 2000-2006**

- ◆ Belarus
- Russia
- ▲ Moldova
- × Ukraine
- ✱ Romania
- Poland

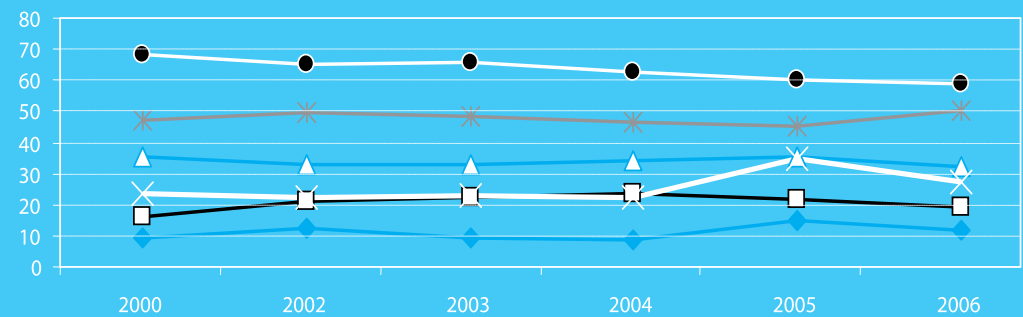
**Figure 1.8**



**Index of the Rule of Law in Ukraine and some other countries, 2000-2006**

- ◆ Belarus
- Russia
- ▲ Moldova
- × Ukraine
- ✱ Romania
- Poland

**Figure 1.9**



the middle of its neighbors (see Figure 1.6 where 1 means total corruption and 10 means no corruption).

Among its governance indicators, the WBI also measures a complex “Control of Corruption” indicator. The indicator for Ukraine had a low and stable value until 2004 and is also the only governance indicator that Ukraine measured below all its neighbors during this period. The indicator shows a marked improvement in Ukraine between 2004 to 2005 and some deterioration since (see Figure 1.7).

Despite the lack of clearly defined MDGs on good governance, there are links to policy targets and progress monitoring indicators, endorsed by the United Nations in general and nationally adjusted to take on board each country’s specific problems which emphasize the importance of good governance. The same is true of the human development agenda for which progress in good governance, political freedom and human rights is the foundation of progress in all other development priorities. The National Human Development Reports for Ukraine in both 2001 and 2003 addressed the issue of participatory democracy and its importance for progress in human development. These reports focused on the links between participation, decentralization of governance and good governance and sense of ownership for change. The issue of quality of governance was central in the previous two Human Development Reports for Ukraine, mostly because there were clear deficiencies in the quality of services provided on the one hand and the demand for improvement facilitated by civil society on the other. By the end of 2003, Ukraine had mostly overcome economic stagnation and the quality of life and had started to improve, which is evident from the social and economic indicators examined in this report.

Most importantly, however, the old highly centralized and paternalistic institutions of governance and social protection proved inadequate and were gradually replaced by a more adaptable and less costly system. Ukraine also enjoyed a period of relative political stability, which was enforced by a highly centralized and non-transparent system of government. However, despite the façade of democracy, elections at both national and local levels were mostly predetermined and election fraud was widespread. This dichotomy between political stability and “voice and accountability” in Ukraine can be traced by comparing the WBI’s indicator of political stability (see Figure 1.8) with Figure 1.5. During the period between 2000 and 2003 stability steadily increased while the public voice and accountability indicator declined.

Corruption that inevitably flourishes in such a system consumed a growing share of resources and led to the increasing stratification of society, economic and social exclusion, and growing dissatisfaction among the population. It appears that the whole system of governance in Ukraine limited the accountability of the governing elite and enforced the status quo. This system was stable and was characterized by an equilibrium of low expectations of its citizens, high adaptability of businesses, and internal predictability of government. There were no pockets of corruption; rather the whole system was corrupt. It has already been shown that the control of corruption in Ukraine had a very low and stable value until 2004 (see Figure 1.7). The path of that indicator is highly correlated with the last of governance indicators measured by the WBI - the Rule of

Law (see Figure 1.9).

The Political Background in Ukraine Perceived falsifications during the Presidential elections in the fall of 2004 galvanized the public and the subsequent “Orange Revolution” championed key values such as freedom for individuals and integrity of the state. Since 2005 the system of governance in Ukraine has started to change. The Ukrainian Government was challenged to deliver on the high expectations and promises made. It was successful in establishing fundamental freedoms of press and association (see the indicators of “Political Rights”, “Civil Liberties”, and “Voice and Accountability” in Figures 1.3, 1.4, and 1.5). The field of politics became much more competitive. For the first time in many years, the 2006 parliamentary elections were considered free and fair by international observers. However, there were significant failures in meeting expectations to tackle corruption, in reforming the judiciary and increasing accountability of government (despite some actual progress in these fields as measured by the indicators shown in Figures 1.6, 1.7, and 1.9). Moreover, the incomplete constitutional reform, the prolonged coalition negotiations after the parliamentary elections of 2006 and the political disputes that followed the dissolution of the Verhovna Rada by the Decree of the President in April 2007, set the stage for greater political instability.

Although data for 2007 are not yet available, it is, however, likely that the upward trend in the indicators for political rights, civil liberties and voice and accountability will either continue or stabilize as the elections to the Verhovna Rada at the end of September 2007 were conducted in a free and fair manner. The values of the corruption indicators, however, will probably deteriorate further due to its reliance on people’s perception and the effect of some recent political events on this perception. The indicators whose values are most likely to decline are those on political stability and the Rule of Law. These indicators will directly reflect the instability that led to and in turn was reinforced by the dissolution of Parliament, as well as by the perceived discrimination of the judicial system and the weakness of the law enforcement agencies in Ukraine.

In conclusion it may be argued, that the political freedom, human rights and good governance principles constitute the necessary prerequisites for human development. However, they are not systematized and linked with specific policy targets, and there is no matrix of performance criteria and indicators similar to that which could be worked out for the respective systems of the MDGs or of human development indices and progress monitoring indicators. To measure progress in this ‘political and good governance pillar’ use could be made of the “toolkits” developed by the UN specialized agencies and other international institutions that monitor countries’ ranking in terms of political freedom, civil rights and good governance. More often than not, however, because of their nature, progress in this political and good governance pillar is in relative terms, where points of reference are changes over time of the country in question and its position in comparison with that of other countries in general and in the parity-group countries in particular.

There is one exception to this rule, however. For countries that aspire to membership of the EU, even when their actual membership may be considered a long term process, after signing an association agreement (or sometimes even before

it), they need to comply with the 'political pillar' of the EU membership. Following the European Council meetings of 1993 (Copenhagen) and 1999 (Amsterdam) these political criteria (that later became the constitutional principles in the Treaty on European Union, and have been stipulated in the EU Charter of Fundamental Rights, adopted at the December 2000 Nice European Council) set the general rules that are spelled out in the *acquis communautaire* and in the respective directives and other legislation of the EU.

The latter are not supplemented by the respective sub-sets of performance criteria and progress monitoring indicators. They are, however, elaborated on a country-by-country basis and once they have been agreed with the applicant country, their execution is closely monitored and reported on annual basis, especially if the EU provided financial assistance towards their implementation. This system of progress tracking may therefore be conveniently borrowed from the EU membership/association procedures and as will be shown in Chapter 2 – the implied matrix of progress indicators may be used to supplement the respective matrix of MDGs/HD indicators, since the political pillars of both human development and European integration are much the same.

## 1.7 Conclusions

The government should provide a range of policies including education, health care and social security to enable people to develop their full human potential – the key to economic development. In addition Ukraine has adopted a policy of "European Choice" which can be taken to mean not only its intention of joining the EU at some stage, but also its implicit adoption of the range of values, which are not unique to Europe, but which nevertheless underpin the structure of most European societies, in particular democracy, political pluralism, a market economy and social cohesion.

There are several indicators which can be used to measure progress in promoting human development, including the Human Development Index, the MDG's, the EU's Social Inclusion Criteria as well as a number of assessments of the state of democratic governance. All the indicators are based on detailed criteria and cover the main aspects of human development and thus there is considerable overlap between them. The HDI, has the advantage of producing a single figure as its assessment (based on measures of income, health and educa-

tion), although social scientists in Ukraine have developed a methodology for applying the approach at a regional level to get a more accurate picture of developments at that level. In the recent global HDR (based on data for 2005) Ukraine's score was 0.788, continuing the slight improvement in absolute terms, but little change in its overall relative global ranking. Ukraine has adopted 6 MDGs and progress on these individual targets is discussed in more detail later in the Report, although overall it is clear that to date progress has been mixed.

One of the most telling statistics is the continued decline in life expectancy in Ukraine, with an average life expectancy of 68.1 years in 2006 (compared with 70.7 in 1989/90). This is mainly due to the sharp fall in male life expectancy – to 62.4 years in 2006, mainly reflecting excessive alcohol and tobacco consumption, accentuated by work related illnesses. On this particular measure, Ukraine is falling behind those countries in Central Europe which recently joined the EU as well as the EU itself. Indeed this is the overall message from all these indicators – there is a large gap with the standards attained in the EU while some of the recent new members of the EU are gradually improving their scores as they adopt European values.

Effective delivery of a range of social services depends on there being an efficient local government which is accountable to the people and which has adequate financial resources, either from the centre or from own revenues, to meet its obligations in this respect. The Chapter reviews in some detail the current structure of local government in Ukraine and the reasons why funding is inadequate. Although these problems are not unique to Ukraine, there is little doubt that they are accentuated by the lack of adequate targeting of the recipients of social benefits and the absence of any effective assessment of how the delivery of services could be improved.

There is no single measure or system of governance indicators, a critical aspect of human development. The chapter does, however, present the results from several organizations which monitor developments in this field. These show a distinct improvement in political rights and civil liberties after the Orange Revolution of late 2004, to the extent that Freedom House graduated Ukraine from "Partly Free" to "Free", as well as a modest improvement in the perceptions of corruption. It remains to be seen how these indicators will perform once the results for 2007 are collated given the political instability following the dissolution of the Rada and the subsequent free and fair parliamentary elections held later in 2007.

# CHAPTER 2

## HUMAN DEVELOPMENT AND THE EUROPEAN INTEGRATION AGENDA

'The Community and the Member States, having in mind fundamental social rights such as those set out in the European Social Charter ..., shall have as their objectives the promotion of employment, improved living and working conditions, so as to make possible their harmonisation while the improvement is being maintained, proper social protection, dialogue between management and labour, the development of human resources with a view to lasting high employment and the combating of exclusion.'

*Article 136, The Treaty Establishing the European Community*

### 2.1 Introduction

In the last half century the European continent has been deeply involved in the process of regional integration. This process has embraced the political, economic and military spheres. At the end of the 1940s and in the early 1950s the Western European countries established the core integration structures in response to the challenges of the post-war environment. The Council of Europe (1949), the European Steel and Coal Community (1951) and the North Atlantic Treaty Organization (1949) provided solid foundations for a further deepening of integration processes in Europe. Common to all these political, economic and military integration projects were shared values which the integrating parties wanted to protect, develop and promote on a regional and global scale. In 1957 the Treaty of Rome laid the foundations for the establishment of the European Economic Community, which has evolved into to the most ambitious integration project anywhere in the contemporary world: the European Union (EU).

Political integration started in Europe with the founding in 1949, by the then ten member countries, of the Council of Europe<sup>1</sup>. At present the Council of Europe includes 47 member states. Its most enduring legacy is the European Convention on Human Rights, adopted in 1950, which serves as the basis for the European Court of Human Rights. Another initiative of European political integration aimed at consolidating regional security and establishing a forum for dialogue with the Soviet Bloc, was the establishment, in 1975, of the Conference on Security and Cooperation in Europe, which in 1995 evolved into the Organization for Security and Cooperation in Europe (OSCE).

With the gradual development and enlargement of the Council of Europe, the EU and the North Atlantic Treaty Organization (NATO), their field of operation and decision-making mechanisms have become increasingly interconnected and interdependent, forming the present multi-dimensional European architecture. With its three integration pillars (Common Foreign and Security Policy, European Economic Communities, and Justice, Liberty and Human Rights Policy), the EU is the most developed organization with exclusive membership and the most ambitious political, economic and social agenda. EU membership requires the fulfillment of very tough criteria, which demand, in turn, that countries in transition implement massive political, economic and social reforms that are both time-consuming and expensive.

This Chapter has three main aims. First, it summarizes the philosophy and core principles underlying the political, economic and social requirements of European integration, drawing on the experience of a few new EU member countries. Reflecting these developments, a tentative checklist of political, economic and social EU membership requirements is outlined. The checklist is merely illustrative; its point is to show how the human development paradigm aligns with the system of values underlying the EU, and how human development and the Millennium Development Goals (MDGs) and targets are reflected in EU policies and their relation to EU membership criteria. The second aim is to discuss the European Neighborhood Policy in the context of Ukraine's European integration agenda, with particular reference to the progress made in areas relevant to human rights and governance issues. The third aim is to examine, also from the viewpoint of the human development agenda, some non-EU European cooperation frameworks. The Chapter concludes with a brief look at the way in which the EU could assist the process of the decentralization of power in Ukraine.

### 2.2 Political, Economic and Social Requirements of European Integration

In 1993, the European Council, at its meeting in Copenhagen, agreed that the associated countries of Central and Eastern Europe that so desired shall become members of the European Union<sup>2</sup>. The Council also identified the political, economic and institutional requirements that the candidate countries would have to meet prior to joining the EU. These requirements were further elaborated in the Conclusions of the European Council in Madrid in 1995 and in Luxembourg in 1997.

The **political criteria** include stability of institutions guaranteeing democracy, the rule of law, human rights, and respect for and

<sup>1</sup> The Council of Europe is a separate organization and not part of the European Union. It should not be confused with the Council of the European Union or the European Council.

<sup>2</sup> See Presidency conclusions of the Copenhagen European Council of 21/22 June 1993, p. 13.

protection of minorities. Later on, with the entering into force of the Treaty of Amsterdam in May 1999, these criteria became the constitutional principles of the Treaty on European Union, and were stipulated in the EU Charter of Fundamental Rights adopted at the Nice European Council in December 2000.

The **economic criteria** are defined as the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union.

Finally, the **institutional criteria** are defined as the ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union, which takes account of the whole range of policies and measures that constitute the *acquis communautaire*, i.e. the legislative and institutional framework of the Union. Candidate countries must adopt, implement and enforce the *acquis*. Subsequent European Council summits, in particular the 1995 Madrid Summit, stressed the importance of the administrative capacity to transpose EU legislation into national legislation. The 1997 Luxembourg Summit made clear that incorporation of the *acquis* into national legislation is necessary but not sufficient evidence of real adoption of the *acquis*, and that the proper application of this legislation in practice is also required<sup>3</sup>.

In 1997 the European Council decided to launch an accession process involving the ten Central and Eastern European applicant countries and Cyprus<sup>4</sup>. As a result, the European Commission started evaluating annually, in its Regular Reports, progress made by the candidate countries towards meeting the Copenhagen criteria. To this end the Commission developed a special methodology under which progress towards meeting each criterion was assessed on a country-by-country basis against a detailed standard checklist, which laid out in detail the requirements for fulfilling the Copenhagen criteria.

### Measuring progress towards European integration

The potential checklist of political, economic and social criteria which the Commission would use to assess progress in any candidate country forms the basis of the matrix for a European integration agenda which is developed below. Each of the three main blocks is divided into several components, some of which, in turn, are subdivided into areas, each of which embraces a number of specific requirements.

The political block is subdivided into two main components (1.1) **the stability of institutions guaranteeing democracy and the rule of law**, and (1.2) **human rights and respect for and protection of minorities**. The first component includes, in turn, criteria related to: (1.1.a) **effective structure and functioning of the Parliament**, (1.1.b) **effective structure and functioning of the Executive**, (1.1.c) **effective structure and functioning of the Judiciary**, and (1.1.d) **the fight against corruption**. These areas all encompass numerous specific conditions.

For example, the general heading of effective structure and functioning of the Parliament (1.1.a) covers such specific requirements as:

- ensuring conduct of free and fair parliamentary elections;
- adopting consistent and stable electoral legislation which regulates issues such as voter lists, out-of-country voting and

transparent campaign financing;

- ensuring independence of the relevant state electoral commission;
- ensuring a smooth transfer of power after elections;
- ensuring that other branches of power respect the powers of the Parliament;
- ensuring stable functioning of the Parliament;
- defining clear and equal conditions for the functioning of political parties, including regulation of their financing;
- ensuring a proper role for and involvement of the opposition; and
- guaranteeing the representation of minorities in the Parliament.

The second political component, on **human rights and respect for and protection of minorities**, includes commitments by the State to observe international human rights law through the ratification and proper implementation of numerous human rights instruments and the decisions of the European Court of Human Rights. It also requires the development of a comprehensive anti-discrimination strategy that will ensure cultural diversity and promote respect for and protection of minorities in accordance with best international standards. All cases of ethnically motivated crimes must be properly investigated and prosecuted. A strategy and an action plan for the protection and integration of the Roma must be prepared and the funds needed to implement it set aside.

The **economic criteria** block consists of the third and fourth elements: (i) **the existence of a functioning market economy**, and (ii) **the capacity to withstand competitive pressure and market forces within the Union**. Convergence in each of these two component areas is assessed through a number of specific criteria reflected in the Commission's Agenda 2000<sup>5</sup>. The seven specific criteria related to the existence of a functioning market economy need to be met at the latest by the time the accession treaty is signed; the nine criteria related to the capacity to withstand competitive pressures and market forces within the Union need to be met before the candidate country becomes a member state.

The **social inclusion** criteria correspond to the three overarching EU social inclusion policy areas, each of which also consists of a number of policy targets and progress indicators. The policy areas include (i) eradication of poverty and social exclusion, (ii) adequate and sustainable pensions, and (iii) accessible, high-quality and sustainable healthcare and long-term care. Each of these areas includes specific policy targets.

### Implementing the EU Social Agenda: The Joint Inclusion Memorandum

Implementation of the EU Social Agenda requires the mobilization of various instruments: legislation, social dialogue, policy coordination, and financial support through the European Social Fund. Each new member state fully participates in the implementation of the EU Social Agenda through the Joint Inclusion Memorandum (JIM) signed in the pre-accession period, and the National Action Plans on Social Inclusion in the membership period. These memoranda and action plans examine the

<sup>3</sup> See [http://www.fifoost.org/EU/strategy\\_en\\_2002/node7.php](http://www.fifoost.org/EU/strategy_en_2002/node7.php).

<sup>4</sup> See Presidency conclusions of the Luxembourg European Council of 12/13 December 1997, paragraph 10.

<sup>5</sup> Progress towards meeting the economic criteria for accession: 2005 Country Assessment by Directorate General for Economic and Financial Affairs of the European Commission, N° 26 - November 2005, ISSN 1608-9022, p.5-6.



nature and extent of poverty and social exclusion in each country, identify major trends and challenges, and subsequently outline detailed policy measures planned together with the European Commission. The JIM process is mandatory for all acceding countries. Ten such Memoranda were signed by the European Commission and representatives of national governments on 18 December 2003. The JIM for Bulgaria was signed in February 2005 and the one for Romania in June 2005. The Czech Republic Memorandum is used below as an example of the challenges facing each candidate country in meeting the EU social inclusion requirements.

The JIM between the European Commission and the Czech Republic outlined ten key areas of social inclusion policy, each of which was disaggregated into specific policy measures. The first area of the EU-Czech JIM is the establishment and development of an inclusive labor market in accordance with Czech economic policy, support for employment and employability and reaction to ongoing structural changes. To achieve this goal the following measures are required:

- to support the motivation and active involvement of the unemployed and those under threat of unemployment to seek and accept employment and their participation in counseling and retraining programs;
- to make work pay so as to minimize the passive receipt of social welfare benefits;
- to increase the business sector's motivation to create new jobs, including the provision of incentives to companies, and to fill these jobs especially with job-seekers who are difficult to place, particularly in the regions facing high unemployment levels;
- to modernize the education system in collaboration with employers and to launch the principle of lifelong learning in order to match education with labor market requirements and individuals' needs;
- to support the improvement of educational structure by means of retraining (educational) activities aimed at obtaining or keeping a suitable job;
- to increase employment and employability of disadvantaged groups, such as persons with disabilities, persons from a disadvantaged social and cultural environment, older persons, migrants, etc.,
- to create conditions for entry in the labor market by means of social services' counseling activities.

The second area of the EU-Czech JIM is the **securing of minimum income and resources for maintaining a dignified life and for protection from social exclusion**. It includes policy measures such as (i) ensuring that minimum income provides sufficient and equivalent protection from material distress in all types of households and, together with the minimum wage, that it provides adequate motivation for persons with lower qualifications to take and keep a job. At the same time the aim is to ensure that a more positive relation between the minimum wage and the minimum income is maintained, not only for individuals, but for families in order to strengthen the weight of work-related income in relation to social support income; (ii) bringing the relation between the minimum wage and average wage closer to those in the EU countries; and (iii) preventing the consequences

of pension reform from causing pensioners to fall below the poverty line, for instance by introducing the category of minimum pension (income).

The third social inclusion policy area concerns the **elimination of unequal access to education**, mainly through (i) gradual improvement of the conditions for integration of pupils with serious disabilities, pupils with disabilities and pupils from a socio-culturally disadvantaged environment into normal schools (with special attention to the Roma ethnic group), to ensure adaptability and flexibility of schools not only through the development of preparation classes, but also through support of transfers to higher levels of study, primarily secondary but also tertiary; (ii) support for further training of teachers working with disadvantaged children; (iii) providing conditions for access to lifelong learning for all groups of the population; and (iv) developing the information society, and especially introducing information technologies into school curricula and life, including access to the internet.

**Securing housing for all** is the fourth area of the EU-Czech JIM. This is to be achieved through (i) eliminating economic and legal obstacles preventing the establishment of a functional housing market and gradually to make arrangements for the social housing sector; (ii) ensuring access to good-quality housing and to increase its financial accessibility; (iii) stronger support of vulnerable groups, such as persons with disabilities and impaired self-sufficiency, young people leaving educational institutions or persons who lost housing owing to an unfavorable life situation, and members of ethnic minorities, especially Roma; and (iv) improved motivation of municipalities to cope better with the problems of people vulnerable to social exclusion and spatial segregation.

**Maintaining family solidarity, protecting the rights of children and preventing socially pathological phenomena** is the fifth policy area of the JIM. Its specific measures include support for families at risk of poverty, particularly single-parent families and families with many children, especially by extending the current "passive" family policy to include more measures to support their activation; to changing the tax system so that it is even more advantageous for families with children; and to assisting families in reconciling their professional and parental obligations.

The sixth policy area deals with **securing equal access to high-quality social services** through among others (i) decentralization and transformation of social services, including the funding system of social services and their legal basis; (ii) widening the range of social services provided, with an emphasis on provision of services in the user's home environment; and (iii) introducing independent quality audit for social services, based on the social services quality standards defined in legislation and targeted at service users.

**Ensuring equal access to high-quality health services** is the subject matter of the seventh area of the JIM, **increasing transport accessibility – of the eighth, promoting the revival of disadvantaged regions in line with the principle of sustainable development – of the ninth, and promoting coordination and monitoring of social inclusion strategies – of the final, tenth area**. Each of these general areas is supported by specific policy measures to guarantee achievement of the agreed targets.

**A Matrix of the European Integration Agenda** This outline of the structure and substance of the EU membership criteria provides a basis for the construction of a blank matrix of the

European Integration Agenda (see Annex 16). Formulating such a matrix helps to codify EU accession requirements and show how they relate to the human development agenda. At the same time, the matrix provides a roadmap for any country aspiring to meet the criteria for EU accession.

The first column of the matrix lists the goals, objectives and aims that need to be reached to implement the Agenda, covering the five main economic, political and social goals. Each objective represents the relevant task to be implemented in order to achieve compliance with the criterion. Each aim represents the measure (or a set of measures) that must be fulfilled in order to reach the objective. The remaining columns of the matrix provide space to show progress towards achieving the criteria (i.e. progress towards meeting the *acquis communautaire*). The columns are divided into two sections – “Copenhagen” (decision-making) and “Luxembourg” (proper implementation and enforcement), each of which is subdivided into four specific stages of progress. In the “Copenhagen” section these cover no progress; the preparation for action (elaboration of the concept of reform, drafting legislation, etc.); action that itself is a positive result (adoption of legislation, ratification of international instruments, taking relevant measure), and finally the generation of new aims pursuant to decision-making. The “Luxembourg” section starts from the moment of finalization of the decision-making process and reflects the assessment by the European Commission of the progress of a country in the implementation of the relevant decisions.

The proposed matrix of the European Integration Agenda underlines the complexity as well as the systemic nature of the European integration strategy. The Agenda is complex because it must include all the political, economic and social reforms that are required not only to reach the ultimate objective – joining the EU, but, primarily, to define the principles and foundations of the country’s further development. The European Integration Agenda is therefore especially important for achieving the goals of human development policy, since each of the goals, objectives and targets of the Integration Agenda has its own human development dimension. All of these issues – social policy and the social protection system, an effective legislature and effective executive authorities, an independent judiciary, an enforced anti-corruption strategy, properly respected and protected political, civil and economic rights of citizens, as well as a free market and liberal economic management – have a direct influence on each citizen’s daily life. Therefore, each citizen of Ukraine has a fundamental interest in understanding the challenges that lie ahead and in being involved in careful monitoring of the implementation of the European Integration Agenda.

### 2.3 Ukraine and the EU: The European Neighborhood Policy (ENP)

The Treaty on European Union in its Article 6(1) says that “The Union is founded on the principles of liberty, democracy, respect for human rights and fundamental freedoms, and the rule of law,

principles which are common to the Member States.” In Article 49 it also specifies the main criteria for joining the EU, stipulating that “any European State which respects the principles set out in Article 6(1) may apply to become a member of the Union.”<sup>6</sup> The political component of the Copenhagen accession criteria requires that any candidate country prior to becoming a member state must secure “stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities.” It also requires “the ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union.” The December 1995 Madrid European Council Summit added to this that “membership criteria also require that the candidate country must have created the conditions for its integration through the adjustment of its administrative structures, ... that the legislation is implemented effectively through appropriate administrative and judicial structures.”<sup>7</sup>

Satisfying the Copenhagen, and especially the Madrid criteria, is evaluated, among other things, through full implementation of the 31 chapters of the *acquis* by the candidate countries<sup>8</sup>. Although only two chapters are directly related to governance – Chapter 24, Justice and Home Affairs, and Chapter 21, Regional Policy and Co-ordination of Structural Instruments – all other chapters implicitly invoke requirements for good governance systems.

The evaluation of candidate countries is done on case-by-case basis. There are no common quantitative benchmarks in the area of political and institutional requirements to joining the EU. After a candidate country submits its negotiating position, the Commission submits to the Council a Draft Common Position (DCP). The Council adopts the common position allowing opening of the *acquis* chapters. The Commission keeps the Council and the Parliament duly informed about the candidates’ preparations for membership with the help of “Monitoring reports” on political, economic and institutional criteria.

#### Ukraine’s Action Plan under the European Neighborhood Policy

Ukraine has made its intentions clear that it aspires to become a member of the EU. However, given the enlargement of the EU during the early years of the decade, the response of the EU was to formulate the European Neighborhood Policy (ENP) in 2002 with a view to upgrading relations with the EU’s new eastern neighbors – Ukraine, Moldova and Belarus. The ENP was further developed in 2004 with the objective of “avoiding the emergence of new dividing lines between the enlarged EU and our neighbors and instead strengthening the prosperity, stability and security of all concerned.”<sup>9</sup> The ENP stipulates a shared commitment by the EU and its neighbors to the common values of “democracy and human rights, rule of law, good governance, market economy principles and sustainable development.”<sup>10</sup> Although the ENP does not preclude full membership of the EU in the future, Ukraine has never accepted the ENP as a proper response to its aspirations to join the EU. More background information on the ENP is contained in Annex 17.

National action plans drawn up by the European Commission

<sup>6</sup> [http://eur-ex.europa.eu/en/treaties/dat/12002M/htm/C\\_2002325EN.000501.html#anArt59](http://eur-ex.europa.eu/en/treaties/dat/12002M/htm/C_2002325EN.000501.html#anArt59)

<sup>7</sup> [http://ec.europa.eu/enlargement/enlargement\\_process/accesion\\_process/criteria/index\\_en.htm](http://ec.europa.eu/enlargement/enlargement_process/accesion_process/criteria/index_en.htm)

<sup>8</sup> See for example [http://ec.europa.eu/enlargement/archives/enlargement\\_process/future\\_prospects/negotiations/eu10\\_bulgaria\\_romania/chapters/index\\_en.htm](http://ec.europa.eu/enlargement/archives/enlargement_process/future_prospects/negotiations/eu10_bulgaria_romania/chapters/index_en.htm)

<sup>9</sup> See [http://ec.europa.eu/world/enp/policy\\_en.htm](http://ec.europa.eu/world/enp/policy_en.htm)

<sup>10</sup> Ibid.

and the neighborhood countries are to be the ENP's main operational framework, which 'jointly define an agenda of political and economic reforms by means of short and medium-term (3-5 year) priorities'<sup>11</sup>. These action plans in general contain a number of priorities intended to strengthen **commitment to the common values**. The Ukraine-EU Action Plan (AP) was endorsed in February 2005, at a special bilateral Cooperation Council in Brussels. This document, prepared jointly by Ukrainian and EU experts in 2004 with only a few amendments introduced in January 2005, proposed new incentives for deepening Ukraine-EU relations over the coming three years i.e. to the end of 2007.

Ukraine's AP sets out a comprehensive set of priorities in areas well beyond the scope of the preceding Partnership and Cooperation Agreement between the EU and Ukraine. The main goals of the AP were to strengthen democracy, the rule of law and respect for human rights in Ukraine, encourage and support the further integration of Ukraine into European economic and social structures, advance the approximation of Ukrainian legislation, norms and standards to those of the EU, help Ukraine promote economic growth, social cohesion, and improve living standards, protect the environment and contribute to long-term sustainable development<sup>12</sup>. The EU considers political reforms and sharing common values to be of crucial importance in its relations with partners. In other words, EU readiness to intensify cooperation depends directly on the extent to which common values are shared.

The AP covered economic and social development policies, which are of utmost importance for human development. Gradual economic integration, legislative and regulatory approximation to EU rules and directives, participation in EU programs, and increased EU financial and technical assistance to Ukraine all have serious economic implications for human development in that they foster improvement in the investment climate and promote financial and macroeconomic stability.

In the sphere of economic reform the AP stipulated the

measures needed to continue progress in the creation of a fully functioning market economy, including limits on government aid to enterprises and a legal environment that ensured fair competition between economic actors. It also required further approximation of the legislative and regulatory framework to that of the EU; improvements in the investment climate, progress in macroeconomic stabilization and growth policies; privatization, including large-scale privatization; reduction of the state's involvement in price-setting; strengthening of banking regulation and supervision; and intensification of financial sector reforms.

Another key part of the AP covered socio-economic development, employment, social policy and structural reforms. The aims here were: poverty reduction, increased employment, promotion of core labor standards and social dialogue, reduction of regional disparities, improved working conditions, more effective social assistance and reform of national welfare systems. Social dialogue is seen as the key to identifying weak points in social policy and helping to find appropriate ways to improve the situation. The significance of all these measures for human development is clear.

Priorities in the area of people-to-people contacts, the respective programs and agencies, reflect the willingness of the EU to promote social, cultural and educational links with neighboring countries. In the field of capacity building, twinnings are to foster exchange of best practices. Neighbors must consult social partners and civil society in order to prove that they are not only planning and implementing reforms, but also encouraging **participative processes**. An EU "people to people" assistance should encourage the development of cooperation between actors of the civil society inside and outside the EU. The AP stressed human resource development as an essential factor to reach objectives such as increased competitiveness, social inclusion and active citizenship. Measures in the field of public health to improve the health status of the population were also promoted. Moreover, through the ENP and its AP, a gradual approximation to

<sup>11</sup> European Commission, The Policy: How does the European Neighbourhood Policy work?, [http://europa.eu.int/comm/world/enp/howitworks\\_en.htm](http://europa.eu.int/comm/world/enp/howitworks_en.htm).

<sup>12</sup> For full list of priorities see EU-Ukraine Action Plan. Brussels, Commission of the European Communities.

**Table 2.1**

EU-Ukraine Action Plan sections	Measures Implementation Index <sup>a</sup>		Action Plan Implementation Index <sup>b</sup>	
	2005	2006	2005	2006
Progress in Political Dialogue (democracy, rule of law, human rights, fundamental freedoms)	0.65	0.64	0.45	0.48
Economic and Social Reform and Development	0.74	0.59	0.45	0.39
Trade, Market and Regulatory Reform	0.84	0.78	0.52	0.50

<sup>a</sup> The Index of implementation of measures is determined on the basis of quantitative monitoring of execution of the Action Plan Implementation Measures. If a specific measure or set of measures is performed, fully or partially, the numerical value of the index is "1"; if not, it is "0". Hence, the index ranges from "1" to "0", dependent on the degree and timeliness of implementation of a specific measure (or set of measures).

<sup>b</sup> The Action Plan implementation index (index of goal attainment) is determined by expert assessments. Experts assessed correspondence of the measures to the goals and priorities set by the Action Plan and the degree of influence of their accomplishment/non-accomplishment on the achievement of a goal (priority). If the measures met the goals and the overall result is positive, the index is "1". If measures do not meet the set goals and their results are negative, the index is "0".

Source: 'Assessments of the Ukraine-EU Action Plan implementation in 2005-2006'; National Security and Defence, No 5(89) 2007, Ukrainian Centre for Economic and Political Studies. A detailed description of evaluation methodology of the Ukraine-EU Action Plan implementation may be found in National Security and Defence, No 2(86) 2007.

### Implementation of Ukraine's Action Plan in areas relevant to human development

EU standards and norms through visa facilitation and access to EU programs including exchanges in education and sciences as well as culture and audiovisual were clearly targeted activities<sup>13</sup>.

Progress has been evaluated on the basis of the objectives defined in the AP and along a detailed list of progress indicators. In fact, in every year since 2005 the Ukrainian Government has adopted the EU-Ukraine Action Plan Implementation Measures<sup>14</sup>. These measures specified indicators to be achieved and actions to be completed in the following year, providing an opportunity to conduct annual assessments of Action Plan implementation.

From a human development perspective, the most relevant parts of the Ukraine-EU AP are those dealing with political reform and economic and social policies. The surveys show that Ukraine's progress in these fields should be substantially improved. Table 2.1 provides an evaluation of Action Plan implementation in these areas.

**Progress in Promoting Democratic Governance**<sup>15</sup> The Action Plan also set a number of priorities that include four related to the issue of democratic governance:

- Further strengthening the stability and effectiveness of institu-

tions guaranteeing democracy and the rule of law.

- Ensuring democratic conduct of elections in Ukraine.
- Ensuring respect for the freedom of media and freedom of expression.
- Gradual approximation of Ukrainian legislation, norms and standards with those of the EU, further reinforcing administrative and judicial capacity.

Under the AP, Ukraine accepted clear commitments to “continue its internal reforms based on strengthening democracy, rule of law, respect for human rights, the principle of separation of powers and judicial independence, democratic elections in accordance with OSCE and Council of Europe norms and standards (political pluralism, freedom of speech and media, respect for the rights of persons belonging to national minorities, non-discrimination on grounds of gender, and on political, religious and ethnic grounds).” Overall, there were 30 specific commitments in the area of democratic governance that Ukraine undertook under the AP.

In recent years two assessments were done for Ukraine that dealt with the good governance agenda, and these are summarized in Table 2.2. The European Commission prepared a progress

<sup>13</sup> See EU/Ukraine Action Plan. Brussels, Commission of the European Communities.

<sup>14</sup> Measures are usually adopted by the Resolutions of the Cabinet of Ministers (No.117 in 2005, No. 243 in 2006, No. 238 in 2007).

<sup>15</sup> See [http://ec.europa.eu/world/enp/pdf/action\\_plans/ukraine\\_enp\\_ap\\_final\\_en.pdf](http://ec.europa.eu/world/enp/pdf/action_plans/ukraine_enp_ap_final_en.pdf)

<sup>16</sup> See the European Commission Communication of December 2006 “On Strengthening the European Neighborhood Policy” which was accompanied by individual country reports.

### Summary of the EU Integration framework assessments in relation to democratic governance and human rights

Targets and commitments	Findings	Progress
March 2006 election according to OSCE and Council of Europe commitment	Elections conducted ‘largely’ in line with OSCE and Council of Europe commitment and other international standards for democratic elections.	<b>Positive</b> in relation to campaigns of 2002 and 2004
Recommendations of Venice Commission on imperative mandate, consistency of relations between President Government and Parliament	Code on administrative justice and the new civil procedure Code entered into force in September 2005. Other – largely not fulfilled	Mostly <b>no progress</b>
Fight against corruption	Membership in Council of Europe group of states against corruption (GRECO), revised anti-corruption strategy and draft law on the civil service in executive bodies.	<b>Some progress</b> on output basis
Human rights and fundamental freedoms	Ratification of Protocols 12 and 14 of the Convention on the protection of human rights and fundamental freedoms. Legislation on compensation the victims of violent crimes – not adopted. Abolishing the practice of using ‘temnyky.’ <sup>1</sup> Entry into force of European Charter for Regional and Minority Languages. Legislative changes that made torture by law enforcement officers a criminal offence. Ill-treatment by police is still wide-spread. Expulsion of 10 Uzbek refugees raised questions about violating 1951 Geneva Convention of Refugees.	<b>Significant progress</b> although some areas were not fully addressed
Good governance through effective public administration	Public administration does not yet function as a system with a distinct constitutional status entrusted with providing continuity of the state, protecting legality, and with recognized role in policy formulation and implementation	<b>No progress.</b> Some positive trends are counterweighted by failures

Source: [http://ec.europa.eu/world/enp/pdf/sec06\\_1505-2\\_en.pdf](http://ec.europa.eu/world/enp/pdf/sec06_1505-2_en.pdf)

Table 2.3

Com- ponents			Processes to be measured	Main indicator		Other possible indica- tors
				Western Europe	Central and Eastern Europe	
Equity in the enjoyment of rights		1	Equity in income	Inequality of income distribution		
		2	Equity of access to employment	Long-term unemployment rate		
		3	Equity in health	Life expectancy at birth		- Average non-reimbursed proportion of the cost of consulting a general practitioner - Proportion of persons not covered by social security
		4	Equity in housing	Proportion of homeless in the population	Population without access to quality housing	
Dignity/ recognition	1. Situations	5	Gender: equal opportunities	Assumption of senior responsibilities for women		Involuntary part-time work
		6	Cultural and ethnic origin: equal opportunities	Ethnic or religious ghettos		
		7	Age: dignity of elderly people	Elderly people who receive a minimum old age allowance		- Elderly people without a contributory pension - Gap between the minimum amount of social assistance and the poverty threshold
Autonomy/ occupational, family and personal development		8	Income sufficiency	Proportion of over-indebted households	Proportion of households below the poverty threshold in spite of both parents working	Percentage of the population who receive the minimum guaranteed income
		9	Educational sufficiency	Dropout rate at the minimum school leaving age without qualifications		Children who work before the statutory school leaving age
		10	Social mobility	Ability of children from disadvantaged social backgrounds to succeed at school		
Participation/ commitment	2. Action (shared responsibility)	11	Participation in elections	Participation in elections by 18-34 year-olds		
		12	Commitment of local authorities	Proportion of the budget reserved for social issues		
		13	Commitment of the corporate sector	Workers with disabilities in the public and private sector		- Workers with disabilities in the public and private sector - Fixed-term/ permanent employment
		14	Citizen commitment	Proportion of jobs in the voluntary sector		
		15	Family commitment	Elderly people living with their families		
	3. Basic components of life	16	Confidence	Confidence in public institutions		- Proportion of abandoned children - Corruption index
		17	Loss of social bonds	Suicide rate		
		18	Shared knowledge	Awareness of human rights and of the right to justice		
		19	Perception/ satisfaction	Subjective perception of health		
		20	Tolerance and respect	Murder rate		- Proportion of convicted persons or of prisoners per 1 000 inhabitants - Feeling of security

Source: [http://www.coe.int/t/dg3/socialpolicies/socialcohesiondev/indicators\\_en.asp](http://www.coe.int/t/dg3/socialpolicies/socialcohesiondev/indicators_en.asp)

report in the framework of the ENP<sup>16</sup>, in December 2006. Its main findings were that Ukraine still had to implement its commitments towards a clear delineation of legal competencies and responsibilities between the President, the Government and the Parliament. It also needed to limit the powers of the prosecution office and avoid any scope for its being used in political infighting.

The second, less formal assessment, was done by the OECD's Sigma<sup>17</sup> following a request from the Ukrainian government that it carries out an assessment of Ukrainian public administration. Sigma used the same scope of enquiry and the same methodology as those used for the candidate countries, and reported in March 2006<sup>18</sup>. It performed an analysis of management and institutional arrangements which determine the functioning of administration in Ukraine.

The Sigma analysis amounted to an assessment of governance which covered the following areas: the policy making system, the administrative legal framework, human resource management, the public expenditure management system, public internal financial control, the public procurement system and external audits.

No quantitative (measurable) indicators were used in this assessment. Sigma did, however, provide a comprehensive analysis of each of these areas supplemented with a set of specific recommendations for reform. Of the seven areas covered, four related to the institutional integrity of public processes. This directly correlated with the anti-corruption requirements stipulated by both the UN and the EU, as well as by host of other institutions and international organizations, including the OECD, the World Bank and the IMF. It was also related to two corruption indicators presented in Figures 1.6 and 1.7 in Chapter 1. The other three areas covered by the Sigma study related to the rule of law, and effective administration through human and process management.

The most significant findings of the Sigma report were that: (i) governance in Ukraine continued to operate according to inherited models of organization, practice and thinking; (ii) that institutions that are stable and resistant to change in a sociological sense have formed; and (iii) that they cannot be modified by legal changes alone. Sigma also concluded that "the public administration does not yet function as a system with a distinct constitutional status entrusted with providing continuity of the state, protecting legality, and with a recognized role in policy formulation and implementation."<sup>20</sup>

A number of positive trends detected by the Sigma study, such as strengthening of financial management and control systems, and the development of Administrative Courts, are counterbalanced by failures in other areas or are not fully implemented and enforced. Sigma's principal recommendation was to build consensus for a sustainable and sustained governance system operating according to European standards, which should then be enshrined in the Constitution and other administrative and legal arrangements.

ENP priorities in Ukraine and the European Integration Agenda Will the ENP help Ukraine achieve European integration? Does it provide sufficient room to implement the European Integration Agenda? Is it an effective framework for achieving EU membership criteria, putting aside the question of political will? To help answer these questions it is useful to compare the goals of the European

Integration Agenda with the political, economic and social priorities and objectives of the ENP, as reflected in the Ukraine-EU Action Plan of 2005 (and which are included as the last column in Annex 16).

First, the political agenda of the ENP largely overlaps with that of the European Integration Agenda. This overlap is explained by the identity of commitment of the EU and its neighboring countries to common values of democracy, rule of law, and respect for human rights and fundamental freedoms, and to strengthening the institutions guaranteeing these values.

Second, the ENP economic agenda, in particular deeper economic integration and legislative and regulatory convergence with the EU, is also identical in principle with the European Integration Agenda. The main problem here, making the economic agenda difficult to accomplish, is insufficient EU financial and technical assistance within the ENP framework to enable countries to implement the requirements of regulatory convergence. This funding shortfall significantly slows the pace of implementation of the ENP economic agenda. The EU needs to substantially increase financial and technical assistance to Ukraine with the aim of meeting these objectives.

Third, the ENP does not provide a framework to promote the social inclusion agenda. The EU-Ukraine Action Plan endorsed the general idea of strengthening dialogue and cooperation on employment and social policy and introducing effective job creation and poverty reduction measures. These were aimed at achieving a significant reduction in the number of people with incomes below the poverty line and improved social cohesion, including sustainable systems for education, health and other social services with access for all. However, the AP lacked any specific actions aimed at reaching these goals.

Among the reasons for this are firstly, from the very beginning, the main aim of the ENP was to find a framework for cooperation between the EU and neighboring countries, so other issues were neglected. Second, the social inclusion agenda obviously requires huge financial outlays and is by its nature a time-consuming process. Neither the EU after its last two enlargements nor the poorer neighboring countries can afford the vast resources needed to enact this agenda. Third, in the European integration process, social inclusion and social policy fall almost exclusively under the competence of nation states. Most budget expenditures linked to social inclusion are allocated from national budgets of EU member states. For the new EU member states, pre-accession assistance from the EU played a role in advancing transition, but was of a rather marginal nature with respect to the total outlays related to social welfare, employment expansion and social inclusion.

Taking into account the huge gap in economic development and living standards between the new EU member states and potential candidate countries, it is unlikely that the EU will commit the resources to promote this agenda within the ENP more effectively in the foreseeable future. For this reason the vital interest of the EU, and therefore the core of the ENP, centers presently on increasing EU security through mitigating the political and economic security threats stemming from actual or potential political and economic instability in its neighboring countries.

<sup>17</sup> Sigma is the joint initiative of the OECD and the EU, funded mostly by the EU.

<sup>18</sup> See <http://www.sigmaxweb.org/dataoecd/46/63/37127312.pdf>

<sup>19</sup> Editorial guidance from the State to the media on how to present the news.

<sup>20</sup> See <http://www.sigmaxweb.org/dataoecd/46/63/37127312.pdf>

## 2.4 The Non-EU European Integration Frameworks

Institutional and political obstacles mean that the further enlargement of the EU beyond Turkey and countries of the former Yugoslavia (which are already engaged in accession negotiations) is not now on the immediate agenda. However, a number of other European countries aspire to future membership. Ukraine, Moldova and Georgia have all clearly declared European aspirations and are pursuing national strategies of reform in line with the EU Integration Agenda. For this reason, it is worth examining whether and to what extent other forms of European cooperation could help potential candidate countries achieve their European integration aspirations.

This applies in particular to the Council of Europe and the Organization for Security and Co-operation in Europe (OSCE) in political and social terms, and the European Free Trade Association (EFTA) in economic terms. The Council of Europe and the OSCE are intergovernmental rather than supranational organizations, so they are not European integration projects in the strict sense. They tend to make member states' policies more convergent by ensuring they are anchored in common standards, but generally they have no power to make the member states enforce their respective agendas. Nonetheless, Ukraine stands to make progress in its European Choice by fully adhering to Council of Europe and OSCE standards.

Ukraine joined the Council of Europe in 1995 and OSCE in 1992, though is not a member of EFTA, but it could join once it successfully establishes a free trade area with the EU and implements effective convergence of its economic legislation and regulations with those of the EU. This process is already under way through the implementation of the country's ENP (for the benefits to Ukraine of a free trade agreement with the EU, see Box 3.1). The remainder of this section briefly reviews the main objectives of the three institutions and assesses the contribution they can make to helping Ukraine achieve its European Integration objectives. More information on the Council of Europe, the OSCE and EFTA is contained in Annex 18.

**The Council of Europe** The Council was established in 1949 with a wide range of objectives including consolidating democratic stability in Europe, protecting human rights and promoting Europe's cultural identity and diversity. As a result it has a work programme covering issues such as human rights, freedom of the media, legal co-operation, health, education, environmental protection and regional planning. Much of its work since then has resulted in a set of common values which are currently enshrined in some 190 conventions and over 1,000 recommendations. In 1961 the Council adopted a Social Charter, which was revised in 1996, and which sets out social rights and freedoms, especially in areas such as housing, education, employment, social protection and non-discrimination.

The Council also adopted a Strategy for Social Cohesion in 2004<sup>21</sup>, which it defined as the capacity of a society to ensure the welfare of all its members, minimizing disparities and avoiding polarization. The state is the main guarantor of ensuring social cohesion through the provision of an effective system of social protection, promoting equal access to housing, health and education

for all members of society and ensuring the gains from economic development are used to achieve the aims of social cohesion.

In measuring progress in social cohesion the Council of Europe applies a system of social cohesion indicators. The key indicators of social cohesion are divided into four main groups: (i) equity in the enjoyment of rights; (ii) dignity/recognition, (iii) autonomy/occupational, family and personal development; and (iv) participation/commitment. The entire system is outlined in the table below.

Relations between Ukraine and the Council of Europe Since joining the Council, Ukraine has committed to reforming its legislation in compliance with Council standards. By mid-2007 Ukraine had signed and ratified 52 legal instruments of the Council. But it still needs to enact compliance in the fields of prosecution operations, adopting legislation regulating the competencies and functioning of individual branches of power, and judiciary reform. These need to be overhauled on the basis of recommendations from the Venice Commission. Ukraine also needs to adopt a new criminal procedure code.

Current relations between Ukraine and the Council of Europe are governed by a three-year Action Plan for Cooperation, approved by the Committee of the Ministers of the Council of Europe in June 2005 with a view to supporting Ukraine in implementing its commitments as member state, enhancing cooperation between Ukraine and European institutions and encouraging approximation of Ukrainian legislation to European standards in the fields of human rights, democracy, and the rule of law. This Action Plan replaced the Fifth Joint Program for Cooperation between the Council of Europe and the European Commission, which also aimed to strengthen democratic stability in Ukraine.

The Action Plan includes the following priority areas: (i) elaboration of a strategy for constitutional reform in Ukraine with a view to ensuring a proper balance between branches of power; (ii) approximation of Ukrainian legislation to European standards in the fields of elections, NGOs operation, implementation of Council of Europe conventions and standards of the European Convention of Human Rights, (iii) strengthening the rule of law through judicial, penitentiary and prosecution reforms, (iv) protection and respect of human rights with a view to ensuring implementation of the European Convention of Human Rights at a national level, which requires training of prosecutors, judges and lawyers, (v) freedom of the media, (vi) fight against corruption and organised crime, (vii) fight against human trafficking, (viii) assistance in preparation of parliamentary elections, (ix) development of local self-government, (x) training of young civil servants, (xi) intercultural and inter-religious dialogue via education, and (xii) support of the civil society. The Action Plan also stipulates provisions on expert assistance in the elaboration of a draft law on cultural autonomy of national minorities in Ukraine, training on gender equality, emancipation of women, social protection of the elderly, protection of refugees, and trans-border cooperation.

### **The Organisation for Security and Co-operation in Europe**

The OSCE was established in 1975 (as the Conference on Security and Cooperation in Europe) following the Helsinki Final Act of 1975. Its major aim was to provide a forum for the discussion of security issues in Europe, not only political, but also economic and

<sup>21</sup> See A New Strategy for Social Cohesion, Council of Europe, Strasbourg, October 2004, [http://www.coe.int/t/dg3/socialpolicies/socialcohesiondev/source/RevisedStrategy\\_en.pdf](http://www.coe.int/t/dg3/socialpolicies/socialcohesiondev/source/RevisedStrategy_en.pdf)

humanitarian. Developments in Europe over the last 30 years, and in particular new economic and environmental challenges, lead the OSCE to launch a new Strategy in 2003 on the Economic and Environmental Dimension. The Strategy identified a number of broad areas where action is required to mitigate potential threats. These included not only the promotion of economic cooperation, but also emphasized the importance of institution building and promoting good governance and combating corruption. The OSCE places particular importance on human rights, democracy and the rule of law. Progress in implementing commitments on human rights is monitored by its Office for Democratic Institutions and Human Rights (ODIHR) while the ODIHR also supports democracy through the system of sending observers to ensure the conduct of elections in the participating states are fair and transparent.

**The European Free Trade Association** EFTA was established in 1960 to promote free trade among its 10 original members. However the subsequent expansion of the EU has meant that EFTA now has just 4 members – Iceland, Liechtenstein, Norway and Switzerland. In 1994 the Agreement on the European Economic Area between three EFTA countries and the EU came into force which ensures the free movement of goods, services, capital and persons through the European Economic Area (now comprising 30 countries).

**European Co-operation Projects and the Human Development Agenda** Pressing regional and global challenges, such as poverty eradication, ageing populations, deterioration of health and environment, respect for human rights and fundamental freedoms, strengthening democratic institutions, rule of law, terrorism and organized crime and illegal migration, require close and active interaction and cooperation between the EU, the Council of Europe, the OSCE, and the EFTA. Modern challenges are multi-dimensional; they are all interlinked and therefore interdependent.

One of the best examples of such cooperation is the case of the Council of Europe, the EU and the OSCE. In May 2007 the Council of Europe and the EU signed a Memorandum of Understanding to strengthen their relationship in all areas of common interest, in particular the promotion and protection of pluralistic democracy, the respect for human rights and fundamental freedoms, the rule of law, political and legal co-operation, democracy and good governance; democratic stability; intercultural dialogue and cultural diversity; education, youth and the promotion of human contacts; and social cohesion, including through joint programmes and co-operation with specialized Council of Europe bodies, such as the Venice Commission, the Committee for the Prevention of Torture, the Group of States against Corruption, the European Commission against Racism and Intolerance, the Commissioner for Human Rights and the European Commission for the Efficiency of Justice. Deeper co-operation is to be based on existing experiences and the organizations' respective comparative advantages, with a view to avoid duplication and foster synergies between the Council of

Europe and the EU.

The parties of the Memorandum agreed that the Council of Europe would remain the benchmark for human rights, the rule of law and democracy in Europe, and the Europe-wide reference source for human rights<sup>22</sup>. In this context, the relevant Council of Europe norms are cited as a reference in EU documents. The decisions and conclusions of its monitoring structures are to be taken into account by EU institutions where relevant. The Parties stipulated the intention to converge the Council of Europe and EU law in the areas of common interest. Taking into account the common aim of promoting and strengthening democratic stability in Europe, the Council of Europe and the EU agreed to increase their common efforts towards enhanced pan-European relations. This was to include further co-operation in the countries participating in the EU's Neighborhood Policy or the enlargement process, with due regard to the specific competencies of both institutions and in conformity with Council of Europe member states' observance of their obligations and commitments.

In the field of social cohesion the Council of Europe and the EU cooperate on the basis of the Council of Europe Social Charter and relevant EU policy measures and support the efforts by member states to exchange good practices on social cohesion and solidarity – in particular in combating violence, poverty and exclusion, and in protecting vulnerable groups – and to develop more efficient policies in this field.

The Council of Europe has also been strengthening cooperation with the OSCE. At the May 2005 Warsaw Summit of the Council of Europe a declaration on cooperation was approved between the two organizations. The parties reiterated their will to foster coordination and cooperation in areas of common interest, starting with the fight against terrorism, the protection of the rights of national minorities, combating trafficking in human beings, and promoting tolerance and non-discrimination.

These examples suggest that the European Integration Agenda, in its political and economic dimensions, is also promoted through other European co-operation projects, such as the Council of Europe, the OSCE or EFTA. However, the most important dimension of the European Integration Agenda – the social dimension that is closest to ordinary citizens – has a rather declarative character for these three organizations. In fact, only the Council of Europe has developed operations in this area; however, it lacks the resources to implement them. This leaves the EU as the only European project that has genuinely embraced the social agenda and has sufficient resources to implement it.

## 2.5 Decentralization of Power: the EU Perspective

To achieve its goal of ultimately joining the EU, alongside many fundamental social, economic and political changes, Ukraine must advance government decentralization and encourage regional and local development. This means implementing a series of European requirements and recommendations regarding the

<sup>22</sup> On 15 February 2007 the Council established a European Union Agency for Fundamental Rights (FRA; Regulation (CE) No 168/2007). The Agency started work on 1 March 2007. It replaced and built on the work of the European Monitoring Centre on Racism and Xenophobia. FRA has three key functions: 1) collect information and data; 2) provide advice to the EU and its member states, and 3) promote dialogue with civil society to raise public awareness of fundamental rights. By establishing the Agency the EU has strengthened the human rights component in the European integration agenda. At the same time, to avoid duplication of operations and ensure they are complementary, the Agency has to coordinate its activities with those of the Council of Europe and provide added value to the Council of Europe's work. The agency is required to co-operate with EU member states, national human rights institutions of the member states, civil society, OSCE and UN bodies in human rights area.



empowerment of local populations, giving them more power and authority to deal with their everyday concerns and needs. Attention will be given to areas that as yet have not been adequately covered by Ukrainian legislation or by existing Ukrainian political and institutional arrangements.

The basic requirements for any country wishing to join the EU are embedded in the Copenhagen criteria. However, in this context these criteria are rather general. More specific requirements are defined in other European documents, particularly the European Charter of Local Self-Government adopted in 1985 and later fully endorsed by the EU. This Charter was ratified without reservations by the Ukrainian Parliament on 15 July 1997. Many of its provisions have already been implemented in Ukrainian legislation, yet much remains to be done in order to achieve full compliance with the Charter.

The European Charter of Local Self-Government recognizes local authorities as the foundation of any democratic system and acknowledges the rights of citizens to participate in the conduct of public affairs as one of democratic principles shared by all member States of the Council of Europe. The Charter also points out that these rights should be most directly exercised at the local level. Granting real responsibilities to local authorities enhances their accountability and thereby ensures that government administration is both effective and close to the citizen. Therefore, local self-government is perceived to be an important factor in the construction of a Europe based on the principles of democracy and the decentralization of power.

According to Article 3 of the Charter, local self-government means the right and the ability of local governments, within the limits of the law, to regulate and manage a substantial share of public affairs under their own responsibility and in the interests of the local population. The key words in this definition are “right” and “ability.” The Charter says that local authorities in the form of councils or assemblies composed of members freely elected by secret ballot on the basis of direct, equal and universal suffrage are those who exercise the right to regulate public affairs. The councils and assemblies may have executive organs responsible to them. At the same time, the Charter does not put limits on the exercise of this right by assemblies of citizens, referendums or any other form of direct citizen participation, where this is permitted by statute.

The ability of local authorities to regulate public affairs depends heavily on funding. Thus the Charter explicitly stipulates that local authorities’ financial resources shall be commensurate with the responsibilities provided for by the constitution and the law. According to the Charter, the financial systems on which resources available to local authorities are based should be sufficiently diversified and buoyant to enable them to cover the costs of carrying out their tasks. This is especially important in Ukraine, given that local authorities are largely responsible for rendering services related to human development. The resources allocated in Ukraine for such purposes are inadequate, meaning that the relevant provisions of the European Charter are not met.

In order to minimize disparities in the funding of various functions of local governments, the Charter stipulates that financially weaker localities should be protected by adequate financial equalization mechanisms or equivalent measures. These are intended to correct the effects of the unequal distribution of potential sources of finance of individual localities compared to their

financial obligations. Yet the Charter requires that such equalization mechanisms and measures not limit the discretion that local authorities exercise within their own sphere of responsibility. Local authorities must also be consulted, in an appropriate manner, on the way in which redistributed resources are to be allocated to them. Ukraine has successfully introduced an equalization system, but it is deficient in many ways and local governments have no say in deciding how it operates.

The European Charter of Local Self-Government also contains a provision, according to which local governments are entitled, in exercising their powers, to co-operate and, within their legal powers, to form consortia with other local governments to carry out tasks of common interest. This would allow them to bridge resource gaps, yet such joint initiatives are in practice also severely limited in Ukraine (see section 1.5 of Chapter 1).

European ideas on strengthening local participatory democracy and improving provision of public services are not confined to the European Charter of Local Self-Government. In the last quarter of the 20th century Europe witnessed a trend of regionalization, i.e., of establishing an intermediary level of government between the national government and local governments, and transferring some government functions to regional governments following the principle of subsidiarity, which is the cornerstone of local self-government. Many countries introduced regional governments into their administrative structures, delegating to them certain competencies and providing funds to enable them fulfill the delegated tasks. The gradual introduction of regional governments resulted in a draft European Charter of Regional Self-Government. However, a lack of clarity on regional self-government and its means of financing, as well as an unclear division of powers between regional governments and local self-government led to a stalemate in adopting this charter. So far regionalization has taken place in Europe without an agreed document to define its foundations and outline its principal features.

The principal idea behind the concepts of local and regional self-governments is to ensure the provision of public services at a level as close to citizens as is feasible. Given that public services include the bulk of services related to human development, the Council of Europe’s “Resolution on the Role of Local and Regional Authorities in the Provision of Local Social Services,” adopted at the Conference of Ministers in Istanbul in April 2000, is relevant. This resolution lays down the principles upon which the provision of such services should rest. The principles fall into four major categories:

- principles concerning the role and responsibilities of various tiers of government in the social services sector;
- principles concerning improvements in the quality and effectiveness of local social services;
- principles concerning co-operation and co-ordination between various agencies of local and regional self-government, as well as between the government sector, on the one hand, and the private and public sectors (civic institutions and NGOs), on the other; and
- principles concerning the enhancement of the role of local social services in combating social exclusion.

In particular, one of the principles concerning the role and responsibilities of various tiers of government in the social services

sector stipulates that the definition of the role of each tier of government should take account of the following factors:

- proximity of the services to the users;
- the powers of the authority responsible for providing the service to adapt it to needs and circumstances (flexibility);
- quality, effectiveness, efficiency and economy in the provision of services; and
- complementarity in the actions of public authorities.

It should be noted that to date Ukraine has introduced these principles only partially. Flexibility, for instance, still remains rather limited, whereas the requirement of quality, effectiveness, efficiency and economy is far from being fully implemented. In addition, the principle according to which any transfer of powers to local or regional governments must be accompanied by a corresponding transfer of financial and other resources is not observed in Ukraine. As a result, Ukraine faces a chronic underfunding of a range of services dealing with human development, and this in part explains Ukraine's rather low ranking in human development progress.

Ukraine has failed so far to take advantage of the possibilities offered by government decentralization, despite the prominent role that decentralization plays in European integration and in the commitments undertaken by Ukraine in adopting European Charter of Local Self-Government. Decentralization of power could benefit human development, regardless of whether it is driven by Ukraine's human development agenda, the requirements of the Resolution of Council of Europe, or the agenda of European integration. Whether the territorial and administrative government system inherited from the Soviet Union is replaced by genuine government decentralization under the flagship of a human development agenda, or under the requirements of the European Charter of Local Self-Government, or both, is less important than that decentralization of government is accomplished in a consistent manner.

## 2.6 Conclusions

The Chapter reviews the question as to how the concepts of human development, the MDGs and social inclusion compare with the system of values that underlie the EU. As a step towards answering this question, a checklist of the main political, economic and social inclusion criteria is developed. This shows not only the far reaching nature of the reforms that European integration requires, but also the links between human development, the MDGS and social inclusion and European integration.

The main aspects of the ENP and in particular Ukraine's Action Plan for the period 2005-07 are reviewed, including assessments of the progress in human development and democratic governance. The conclusion is that there is considerable overlap between the political and economic aims of the ENP and the European integration agenda. However, there has been insufficient financial and technical assistance under the ENP to enable countries to complete regulatory convergence. In addition Ukraine's Action Plan lacked specific measures to enable Ukraine to meet some of the social policy aims.

The Council of Europe, the OSCE and EFTA are also important institutions in that they provide a means for co-operation and thus are part of the European integration agenda. Ukraine is a member of the both the Council of Europe and the OSCE. The Council of Europe has the largest social agenda of the three organizations, with a focus on Social Cohesion. Ukraine has an Action Plan with the Council designed to encourage the approximation of Ukrainian legislation to European standards in the fields of human rights, democracy and the rule of law. However, as far as promoting social issues is concerned, the Chapter concludes that the EU is the main organization, partly because of its Social Agenda, but also because it has the resources to effect change.

# CHAPTER 3

## HUMAN DEVELOPMENT: THE ADVANTAGES OF EUROPEAN INTEGRATION FOR UKRAINE

Human development is based on the very same international conventions and thus, European integration and human development can be regarded as parallel agendas. Using the ENP for pursuing European integration also provides development in the areas of strategic planning, constructive participation of civil society and capacity building of public administration, which are all integral to human development.

### 3.1 Human Development and the European Integration Agenda

**Complementarities Between EU Social Inclusion Requirements and the Human Development Agenda** The EU Social Inclusion requirements and the HD/MDGs national priorities address similar issues and challenges that are crucial for Ukraine's society – improving people's wellbeing along a sustainable development path. The difference is in the political frameworks. The Social Inclusion (SI) agenda, with its own set of indicators, is formulated within the EU environment while the HD/MDG agenda is set within a UN framework but with nationally adjusted commitments. The outcome of both agendas is, however, similar – more inclusive societies and improved conditions for human development<sup>1</sup>.

What is important here is the interpretation of human development. It is often reduced to the three components of the Human Development Index (HDI), which reflect just those parts of the HD areas which are explicitly measurable, in an attempt to go beyond GDP as a proxy of development. The full concept of human development, as has already been shown, is more complex and broader than the HDI areas and includes issues like participation, human rights, environmental sustainability and personal security. All these areas are reflected in the SI paradigm and these are the areas which bring the two concepts together. A broader interpretation of human development is that it is in fact a reflection of the SI agenda outlined in a slightly different set of indicators, which are nevertheless complementary in nature.

It is very important to distinguish the elements of the three concepts "SI-HD-MDGs" because only then can the potential for complementarities be appreciated. The MDGs dovetail closely with the EU's Social Agenda. Both agendas seek to promote human development by expanding people's choices and opportunities while ensuring that all individuals enjoy at least a minimum degree of social protection. Both processes are time-bounded: MDGs need to be reached by 2015, while the EU Social Inclusion Process -

implemented within the Open Method of Coordination – aims to make a decisive impact on poverty by 2010. Both are implemented within National Action Plans (NAPs) of two to three years duration and in each case progress is monitored through a series of benchmarks.

The two processes and systems also have their differences – but differences that make them complementary. Human development oscillates toward a concept, or rather a philosophy of development that puts people at the centre of the process. The MDG agenda, with its system of goals, targets and indicators, operationalizes the HD paradigm adding explicit commitments and tools to measure progress in meeting them. The SI agenda sets both the goals (inclusive societies) and defines the indicators to measure the progress towards meeting these goals.

In a balanced environment, achieving progress on the SI front would result in progress on HD and MDGs. It also means that mechanically "sticking" to indicators is less important than reflecting the **nature of the challenges**. The challenges Ukrainian society faces call for policies that are targeted at improving human development opportunities and SI is a convenient policy framework for achieving these objectives. To be more specific, as a transition country, Ukraine has relatively high levels of per-capita GDP, education, health care, and environmental standards, which place it almost in compliance with global MDG targets. But it also has particular problems to address including large pockets of poverty and vulnerable communities, which prevent the country from meeting the requirements of the EU Social Charter. If Ukraine were only to follow the MDG agenda, these challenges may fall out of the policy focus. Thus the SI agenda is complementary to the MDG agenda.

Therefore, the most appropriate approach would be to focus on the issues and not on the indicators themselves. The former should be developed as part of the process which, based on a universal approach to development, constitutes the foundations for all actions and policies, including those aimed at combating poverty and social exclusion. The MDG indicators are mainly related to the targets (and outcomes), with clearly defined time frames. They are also extremely well quantified, so that they can be used to mobilize wider public opinion and launch political actions and projects. The EU approach seeks stronger interactions and synergies between employment, social inclusion and economic growth policies. At the same time it supplements the sets of UN indicators with measures of particular importance from the perspective of sustainable development (and which are at times insufficiently appreciated in the UN approaches). This applies particularly to employment, which is the fundamental condition for stable economic growth, inclusive in character, the fruits of which can also be of benefit to the poorest.

<sup>1</sup> The linkages between the social inclusion agenda and the MDG/HD agendas have been discussed in some detail in the report *Social inclusion and integration in Poland: an indicators-based approach*, UNDP Poland and the Ministry of Labour and Social Policy, 2006 and *National Millennium Development Goals: a framework for action, Europe and the CIS Regional MDG Report*, 2006, [http://europeandcis.undp.org/?menu=p\\_cms/show&content\\_id=EAB43C00-F203-1EE9-B6945B73B400C40F](http://europeandcis.undp.org/?menu=p_cms/show&content_id=EAB43C00-F203-1EE9-B6945B73B400C40F).

**Monitoring Progress** In the case of Ukraine there is no obligation to report on SI progress. However, in some areas adding the SI indicators to the national development agenda would be beneficial for the country, if only official data were available. This applies particularly to indicators of persistent poverty and unemployment.

The headcount figures on poverty risk, as presented in the MDG framework, do not answer all the questions and furthermore do not seem to be always equally relevant with respect to the new EU member states. The problems of poverty and social exclusion in Central and East European countries are certainly specific and need to be interpreted in the context of the broader transformation and development taking place in the region. Social disparities – especially if measured at national level – are not of major concern in many of these countries, with the possible exception of the dynamics of rising income inequality. The generally lower average income per capita in these countries mainly reflects lower levels of development compared with the EU-15 countries.

Their lower levels of development resulted, in turn, in limited access to basic services. The latter have often deteriorated during the period of transition, reducing the functions of the welfare state, while the decentralization of responsibilities has not been matched by a parallel process of devolving allocation of public funds. All these factors mean that the problems of poverty – both relative and absolute (the latter being much more frequent in this region than in Western Europe) – and social exclusion are somewhat different in nature in the new EU member states. For this reason the issue of poverty needs to be approached from a broader development perspective. The nature of social inequalities and exclusions in the new member states, so strongly rooted in the historical legacy, is also shaped by regional considerations. This emphasizes the need to use a more comprehensive approach, based on linking the social inclusion efforts with the wider development processes.

The same applies to employment. From the SI perspective employment – and not social assistance – is seen as crucial element of the inclusion process. Employment is not just a source of income but provides the basis for individual dignity and self-fulfillment. This is one of the elements that are particularly significant from both the SI and the human development perspective.

In some areas the indicators frameworks applied by the two agendas differ. For example in the monitoring of poverty, the SI agenda uses measures of relative poverty and the MDG agenda uses absolute measurements. In the case of Ukraine both approaches should be applied because they reflect different aspects of the problem.

One additional area of complementarity of the SI and HD agendas in a country like Ukraine is the need for better policy targeting. Bringing the analysis to lower level of aggregation (by sub-national territorial units and vulnerable groups) would make it more relevant from a policy perspective. National statistical data obscure regional variations and differences between ethnic groups or genders. This is particularly the case for countries undergoing transition, and for some regions undergoing large industrial transformation, where the rapid pace of change can push some groups rapidly behind (or ahead of) others. In such circumstances, certain groups or regions can acquire the socio-economic and behavioural characteristics of an underclass,

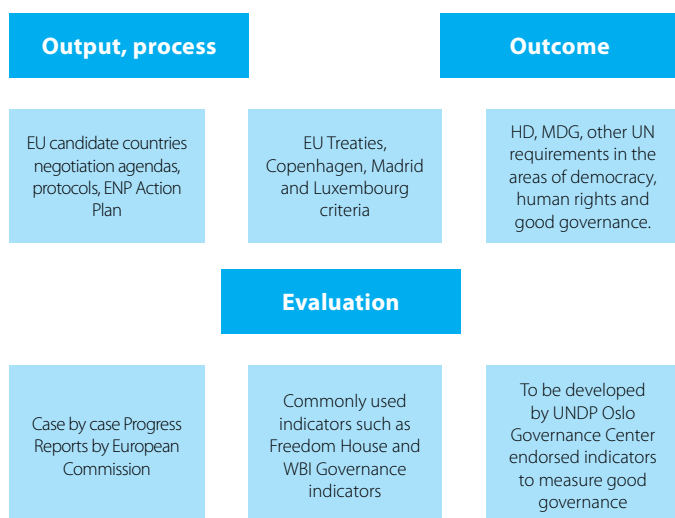
jeopardizing social cohesion and stability. This emphasizes the importance of disaggregating statistical data by ethnicity, gender and age and by sub-national areas and urban/rural divisions.

When disaggregated by ethnicity or sub-national regions, the MDG indicators can be used, for instance, to pinpoint problems of social exclusion or rural poverty. Their disaggregation makes the MDG goals a useful tool for complementing the EU social inclusion indicators, particularly at the national level ('level 3' or 'Laeken' indicators). Considering the planned development of the Level 3 Laeken indicators (specific to the context of a nation, region or local area), it would appear that the scope for co-operation and integration of the two systems is quite extensive. Disaggregated MDG indicators can therefore serve as a bridge between the EU social inclusion and global development agendas. In Ukraine, disaggregating both the HD system of indicators to regional subsystems (as discussed in Chapter 1) and of the regional MDGs (as has already done for some pilot regions of Ukraine), sheds additional light on the complexity of the two agendas and may help to streamline them with the EU SI requirements.

In fact, it is at the sub-national level where the two agendas really come together. This is the level where reporting becomes of relatively less importance than adequate identification of problems and addressing them with targeted policies. With some progress in decentralization, local authorities are becoming increasingly responsible for the delivery of basic public services. At the local level the authorities receive direct feedback from the citizens; hence the identification of problems reflects reality more accurately. Through transparent and participatory local development planning processes, the social inclusion and MDG indicators would allow policy makers to draw an accurate picture of the main development challenges in a local area. It would also help them to identify the reasons for the problems – direct (directly related to the substance of the issue) or indirect (related to more underlying governance issues, such as insufficient local autonomy, lack of revenue generating powers, poor training opportunities for public sector staff etc). These indicators would allow for the easy and simple monitoring of local policies. Incorporating the social inclusion and MDG agendas into local policy making would also improve the compatibility of local policies with national development priorities and policies.

**Common Values of Human Development and European Choice** As shown in Chapter 2, European integration for Ukraine is pursued through the European Neighborhood Policy (ENP). The ENP seeks to enfold the enlarged EU with a 'ring of friends' or 'ring of well-governed countries' who share the EU's values and pursue security and other foreign policies that are broadly consistent with the EU's. The EU values originate from its founding Treaties and comprise respect for human dignity, liberty, democracy, equality, the rule of law and respect for human rights, including minority rights. These values are common to the Member States in a society of pluralism, tolerance, justice, solidarity and non-discrimination. Thus, engaging into European integration means commitment and adherence to the common values. The values, however, are not just specific to the EU. Most of the principles result from a number of multilateral treaties and founding charters of international organizations of which Ukraine is a member country, such as the UN Human Rights Conventions, the Council

**Figure 3.1 The Relationship Between the Human Development and European Integration Agendas**



of Europe and the Organization for Security and Cooperation in Europe, the ILO labor standards and social rights conventions and the sustainable development summit agreements.

Human development is based on the very same international conventions and thus, European integration and human development can be regarded as parallel agendas. Using the ENP for pursuing European integration would also contribute to development in the areas of strategic planning, constructive participation of civil society and capacity building of public administration, which are all integral to human development. This is especially true of the linkages between human development, human rights and social inclusion. Ever since late 1990s the European integration agenda has given far more attention towards fulfilling the 'Right to protection against poverty and social exclusion'. The European concept of social inclusion is closely linked with the human development paradigm and the UN Human Rights-Based Approach (HRBA) to development.

Social inclusion originates within the European tradition of thought and can be traced to a commitment to social solidarity reflected in various European social models. Although these models vary, they nevertheless underscore the importance of solidarity, community and equity. "Social inclusion draws not only on economic and social rights but is related to all entitlements relevant for enlarging the choices of individuals to live a decent and meaningful life"<sup>2</sup>.

At the same time, enlarging choices is the central focus of the HD approach, which places human beings' freedom – and more precisely the freedom or 'capability' – to make positive choices at its core<sup>3</sup>. The HD concept is thus based upon the divergence between the huge scope of human potential and the restrictions imposed by the reality of life. A lack of education, poor health-care, inadequate economic development possibilities, violation of political freedom, and the neglect of citizens' rights, all restrict the freedom of human beings.

The UN HRBA to development complements human development by analyzing and addressing various forms of inequality and exclusion in political, economic or social terms using a human rights framework. Apart from identifying and naming violations and non-fulfillment of human rights, it seeks prevention, by building up the capacities of rights-holders to understand and claim their rights, as well as the capacities of duty-bearers at all layers of government to respect, protect and fulfill human rights. In this way, it introduces accountability of the relevant actors who have duties to facilitate and foster development.

A social inclusion perspective shares with the HRBA a common concern with **equity, non-discrimination and the importance of participation** that should be inclusive. In this respect, a social exclusion perspective is concerned with governance and citizenship rights, with the institutional dimension of exclusion and with the organizations, institutions and processes that result in exclusion. The mainstreaming of human development, human rights and gender in development programming is a way of tackling certain forms of social exclusion and strengthening inclusion policies.

A social inclusion approach implies addressing the need or alienation wherever it exists. Social inclusion reaches beyond the enforcement of rights in legal terms by tackling material deprivation, stigmatization and social separation, and hence the approach seeks to understand this complex social phenomenon in terms of causes as well as outcomes. It also has an operational bias, devising workable policy responses, effectively recognizing that the State has a 'duty of care' to include and involve all members of society in political, economic and social processes. The MDGs are important milestones for the attainment of economic and social rights. Social inclusion can help sharpen the strategies for achieving these goals by addressing the discrimination, exclusion, powerlessness and accountability failures that lie at the root of poverty and other development problems.

**The Political Agenda to Assist Human Development and European Choice** In relation to the political element of the Human Development and European integration agendas, all the goals are consistent and largely similar. The United Nations requirements for democracy, good governance, and human rights are expressed in more detail and operationalized by the European integration agenda as specified in the ENP for Ukraine. Unlike the UN requirements that establish common minimum standards for signatory countries to follow, the EU focuses on a case by case approach of working with detailed recommendations to change institutions and legislation. The interrelation between the UN and the EU is outlined in Figure 3.1.

Thus, the UN and EU integration requirements are highly complementary to each other. Because the EU criteria, and especially the ENP Action Plans, are highly detailed, country specific, and policy oriented, they are easier to implement, although can also be more difficult to achieve. Yet, by achieving them, the country in question also achieves the UN standards that are expressed in more general terms, and the MDGs. This is also reflected in the multiplicity of progress indicators on democracy, human rights and good governance.

<sup>2</sup> UNDP Bosnia and Herzegovina (2007), NHDR - Social Inclusion in BiH, UNDP: Sarajevo, BiH.

<sup>3</sup> Ibid.

One example that illustrates this interrelationship is that after the 2004 "Orange Revolution," Ukraine moved rapidly up in the ranking related to the protection of human rights and basic democratic principles such as free and fair elections and freedom of the media. Up to the middle of 2006 it was evident that Ukraine was politically stable and that its governance institutions, albeit corrupt, functioned. In other words, according to major indicators presented in Chapter 1, Ukraine made significant progress in the political field. However, both the ENP Country Report and the Sigma Report raised concerns over the imbalance of constitutional provisions on the powers of the President, the Cabinet of Ministers and Verhovna Rada (see Chapter 2). Moreover, the Sigma's main recommendation was that although Ukrainian political groups appear to reach political consensus on the architecture of government, there could be serious systemic problems reflecting these imbalances which could eventually cause instability and a breakdown of governance.

In April 2007 a political crisis began in Ukraine with the dissolution of the Verhovna Rada. Political stability plummeted and despite the fact that the subsequent elections were held in a free and fair manner later in the year, the concerns over stability are likely to be reflected when the indicators are updated. This example shows that insights made through the in-depth analysis of EU integration criteria in Ukraine and of fulfillment of the ENP Action Plan detected these problems from the very beginning and proposed the ways to address them, well before they appeared.

### 3.2 Government Decentralization under the European Integration Agenda

According to the monitoring data, Ukraine has achieved significant progress in terms of meeting several MDGs that it has set for itself. This primarily relates to the quality of life-long education, improved maternal health and reduced child mortality. Ukraine's success has even called for revision of some MDG targets with the purpose of setting higher indicators for these goals. However, much remains to be done as regards poverty reduction, sustainable environmental development, reducing and controlling the spread of HIV/AIDS and tuberculosis, as well as in the area of gender equality. Even for the goals where Ukraine has been moving forward, much more could be done to improve the quality and effectiveness of the education and health care systems.

Since most of the efforts aimed at achieving MDGs are undertaken at the local level, either through state-sponsored programs, or as delegated functions of local authorities, the role of decentralization in meeting or improving MDGs cannot be underestimated. It is up to the local authorities to decide how various institutions work towards achieving MDGs on an everyday basis. Yet it is up to the state to determine what institutional framework is established for facilitation of such operations and what funds are allocated to that purpose. Thus, achieving MDGs is a task for both central and local levels of government.

Whereas the MDGs require quantitative indicators to be achieved by certain years, they do not stipulate the way how it could be done. While good governance indicators and recommendations on how to attain them are only now being devel-

oped by the UNDP Oslo Governance Center, the approaches and principles defined by the European documents referred to in Chapter 2 may well help countries like Ukraine to meet the MDGs. Thus, the MDGs' agenda and the European integration requirements are complementary to each other. While MDGs establish clear parameters to be achieved by Ukraine in terms of broadly defined aims for human development, the implementation of European integration requirements will provide the tools and facilitate the process of such an achievement.

With respect to greater decentralization of government, there is a need to deal with several problems simultaneously, which should make a strong contribution towards improving Ukraine's performance to attain the MDGs. In particular, the government has to undertake the following actions:

- ensure better representation and empowerment of local populations and raise accountability and transparency of local authorities;
- provide adequate funding for the sectors that bring about human development;
- ensure the effectiveness and efficiency of the operation of sectors dealing with human development issues. These three issues are dealt with in turn below.

**Ensuring Better Representation and Empowerment of Local Populations** The European integration agenda calls for strengthening local democracy and improving the accountability of local authorities to local populations. Since many Ukrainian communities are either underrepresented, or not represented at all in oblast councils, mostly due to the proportional system of elections introduced in 2006, they are essentially deprived of any influence on the course of events and political decisions that may relate to their everyday needs. The same can be said about the rayon level. Therefore, Ukraine needs to introduce a system that would allow better electoral representation at the rayon and oblast levels so that the needs of those communities which are currently underrepresented will be more adequately reflected in the rayon or oblast budgets respectively.

There is also a strong need for mechanisms that would empower local populations to exercise control over the effectiveness and transparency of operations of local and regional authorities. Currently, citizens are deprived of the possibility to dismiss council deputies and mayors, or to exercise any other rights that would allow these officials to be held accountable. Moreover, again due to the proportional system of elections, local council deputies' accountability has been largely de-personalized, which adversely affects the possibility of making local decision makers accountable for their actions. Local referenda and other types of local initiatives have not been adequately provided for in the legislation, thus impeding the application of these instruments for influencing local and regional affairs. Because many activities aimed at achieving MDGs fall within the responsibilities of municipal, rayon and oblast authorities, improving electoral representation and accountability at these levels will significantly contribute to the cause of human development in Ukraine.

**Provision of Adequate Funding** Chronic under funding of

4 See, for instance, Ministry of Economy of Ukraine. Ukraine. Millennium Development Goals 2000+5, Kyiv: "Dija" Publishing House, 2005.

services related to human development has long been a matter of concern for both citizens and local authorities. The inadequate financing of human development sectors runs contrary to European integration requirements and is a principal reason for Ukraine's underperformance in the achievement of MDGs. In those areas where progress has been achieved, this has largely happened because of the dedication of teachers and doctors, as well as to the funding of these services from the pockets of citizens, rather than through any meaningful improvement in government funding.

The principal problem with ensuring adequate funding of human development related services is the absence of clearly defined requirements to ensure the minimum quality of services supplied. The need for such requirements and estimates was stipulated by the Law of Ukraine "On State Social Standards and State Social Guarantees." Although this law was passed in October, 2000, it remains largely unimplemented. Some standards currently exist in certain areas, for instance in health care, but they are outdated and thus unusable for financial planning purposes. These standards and funding requirements should be regularly updated, based upon an assessment of how they actually meet real needs, taking into account inflation and other indicators which potentially affect funding.

Defining social standards for human development linked sectors is a time-consuming process that not only needs to take into account the interests of numerous stakeholders, but must also accept the need for a rather long period of fine-tuning of the new system. For the interim, the costs of providing an adequate level of these services have to be estimated. Such estimates could be based on the data defined in the Resolution of the Verkhovna Rada of Ukraine of November 17, 2005 "On Certain Issues of Improvement of the System of Provision for State Social Services to Population at the Local Level." They could also be worked out on the basis of the so-called Standard Spending Assessments (SSAs) used in Great Britain for the purposes of ensuring adequate financing, which include equalization measures for communities with differing levels of prosperity. However, the adoption of any such measures would require significant political will on the part of the Ukrainian policy makers.

Communities, rayons and oblasts should be encouraged to provide human development related services at higher levels than the minimum defined in the state social standards. To that end, communities, rayons and oblasts should be given sufficient financial incentives, for instance in the form of retaining part of the revenues earned in excess of the established estimates, with a requirement to use the retained funds to supply services at a better-than-average level.

Many services related to human development are the exclusive responsibility of local authorities and, as such, they cannot be funded by equalization transfers from the state budget. This applies especially to communal housing and public utilities. These services are very costly and without sufficient state support they have witnessed a drastic decline and deterioration. For instance, it is exactly the lack of funding that explains Ukraine's failure for many years to ensure that more than 63 per cent of the rural population has access to clean drinking water, which is an indica-

tor within MDG 3 'Sustainable Environmental Development'. In this respect the state should elaborate and implement a program to gradually improve the water supply infrastructure, especially in rural areas, using state financing, as well as funds provided by banking institutions and citizens.

Local self-governments should also be provided with the clear legislative authority to combine their resources to perform common tasks and duties. Such a mechanism is currently absent in Ukraine, although it is required by the European Charter of Local Self-Government. This mechanism would allow local authorities to improve delivery of services related to human development and would strengthen their financial capacity in this respect.

**Ensuring the Effectiveness and Efficiency of Operations to Improve Human Development** The allocation of sufficient funds for financing human development at the local and regional levels is not a panacea, unless there is a reliable system for periodic verification of the effectiveness and efficiency of using those funds, including cost-benefit, cost-effectiveness or cost-utility analysis. The results of periodic evaluation of state, regional and local programs could then be used for making improvements or for revising social standards and the respective financial estimates. This would also provide a channel for gathering feedback from citizens on how sectors as health care, education, cultural activities or public utilities function and what could be done to improve their operation at national, regional and local levels.

In fact, the requirement to set clear performance indicators and to periodically monitor them is the essence of the so-called program/target-performance based budgeting method which is used in many European countries for the purposes of budgeting and checking the efficiency of public spending. The Council of Europe's Resolution on the Role of Local and Regional Authorities in the Provision of Local Social Services identifies it as one of principal factors to improve the quality and effectiveness of local social services. The Government of Ukraine formally introduced target based budgeting in 2002. However, the daily application of this budgeting and monitoring method, both at national and local levels, leaves much to be desired. Therefore, there is a strong need to intensify the application of this method that could contribute to the improvement of human development in Ukraine.

Implementation of these measures to improve human development at the local level would not only correspond to Ukraine's European integration agenda, but should also enhance the quality of human development in the regions of Ukraine. Since one of the prerequisites of success in any undertaking is trust, empowerment of local authorities would be beneficial. According to the 2007 survey<sup>5</sup>, local authorities, especially at the levels of city, town or village, are the most trusted authorities in Ukraine, with a score of 22.7 per cent. This was well in excess of the score of the central executive power structures, such as the Cabinet of Ministers (16.4 per cent), the President and his Secretariat (15.3 per cent), the oblast authorities (12.9 per cent) or the Verkhovna Rada (10 per cent). This suggests that decentralization efforts as regards human development can bear fruit and be beneficial for the Ukrainian people as well as the respective measures undertaken by the central executive powers of Ukraine.

<sup>4</sup> See The State of Corruption in Ukraine. The Results of the 2007 National Survey. Kyiv: Promoting Active Citizens Engagement in Combating Corruption in Ukraine Project, May 2007. The survey was conducted by the Promoting

### 3.3 The EU's Human Development Policy: Reducing Poverty and Promoting Employment

The EU has always been concerned with the problems of eradicating poverty and improving the social system. Article 2 of the Treaty of Rome of 1957 stipulated that the Community aims at contributing to high levels of employment and social protection, equality between men and women, sustainable growth, achieving high levels of competitiveness, protection and improvement of the natural environment, better quality of life, economic and social integration and solidarity between Member States<sup>6</sup>.

In 1975 the EU launched its programme "Poverty I", which was directed at eradicating poverty, and it functioned until 1993. In the 1990s the aims of social protection and the eradication of poverty were stipulated in a number of EU official documents. In 1992 the European Council encouraged Member States to recognise the basic right of people to have sufficient resources which enable them to live in conditions compatible with human dignity. In the Treaty of Amsterdam (1997) both the "improvement of living conditions" and "adequate social protection" were defined as the principles of the Community and of the Member States. In 2000 the European Council adopted the Lisbon strategy to make the EU "the most dynamic and competitive, knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion, and respect for the environment by 2010".

On 22 November 2005, the European Council adopted the Joint Statement on European Union Development Policy, "The European Consensus on Development." This stated that the eradication of poverty in the context of sustainable development, including pursuit of the Millennium Development Goals (MDGs), as well as the promotion of democracy, good governance and respect for human rights, was the primary objective of EU development cooperation<sup>7</sup>. By adopting the Joint Statement, the EU reiterated its commitment to endorse the MDGs as the Community policy in both the domestic and external dimensions of its activities.

Taking into account the multi-dimensional nature of poverty, the EU proposes to combat poverty by giving equal importance to investing in people (first and foremost in health and education and the fight against HIV/AIDS), protecting natural resources (forests, water, marine resources and soil), securing rural livelihoods, and investing in wealth creation (with emphasis on issues such as entrepreneurship, job creation, access to credits, property rights and infrastructure).

Such an approach clearly overlaps with the tasks of the MDG agenda and the economic, social and environmental dimensions of poverty eradication in the context of sustainable development. It includes many development activities from democratic governance to political, economic and social reforms, conflict prevention, social justice, promoting human rights and equitable access to public services, education, culture, health, including sexual and reproductive health and rights, as set out in the 1994 ICPD<sup>8</sup> Cairo

Active Citizens Engagement in Combating Corruption in Ukraine Project (funded by the Millennium Challenge Corporation and implemented by Management Systems International).

<sup>6</sup> The main tasks of European social policy are defined in Article 136 of the EC Treaty: 'The Community and the Member States [...] shall have as their objectives the promotion of employment, improved living and working conditions, so as to make possible their harmonisation while the improvement is being maintained, proper social protection, dialogue between management and labour, the development of human resources with a view to lasting high employment and the combating of exclusion'

<sup>7</sup> See <http://www.dfid.gov.uk/eupresidency2005/eu-consensus-development.pdf>

<sup>8</sup> International Conference on Population and Development

#### FDI in CEE Countries in 1993-97, 1998-2003, 2004-05

Table 3.1

	Czech Republic	Estonia	Hungary	Lithuania	Latvia	Poland
FDI inflows, mIn USD						
1993-97	6,813	995	19,748	641	1,342	16,655
1998-03	31,254	3,018	18,478	3,148	1,795	37,412
2004-05	15,966	3,901	11,353	1,782	1,331	20,597
Population, total, ths. persons (Source: FAOStat)						
1997	10,312	1,405	10,297	3,575	2,432	38,656
2003	10,238	1,341	10,150	3,455	2,330	38,587
2005	10,220	1,330	10,098	3,431	2,307	38,530
FDI per head of population, USD						
1993-97	661	708	1,918	179	552	431
1998-03	3,053	2,251	1,820	911	770	970
2004-05	1,562	2,933	1,124	519	577	535
FDI per head of population, per year, USD						
1993-97	132	142	384	36	110	86
1998-03	509	375	303	152	128	162
2004-05	781	1,467	562	260	288	267



Agenda. It also covers the environment and the sustainable management of natural resources, pro-poor economic growth, trade and development, migration and development, food security, children’s rights, gender equality and promoting social cohesion.

The EU elaborates its Development Policy on the basis of such **common principles** as:

- ownership of development programs by partner countries and partnership in implementing these programs;
- in-depth political dialogue, where respect for good governance, human rights, democratic principles and the rule of law are regularly assessed;
- proper participation of civil society;
- gender equality and women’s rights, which is a fundamental human right and a matter of social justice, as well as an instrument for achieving all the MDGs and implementing the Beijing platform for Action, the Cairo Programme of Action and Convention on the Elimination of All Forms of Discrimination Against Women;
- addressing state fragility through governance reforms, rule of law, anti-corruption measures and the building of viable state institutions.

The EU Development Policy also outlines the **areas for action**. In particular, they include:

- trade and regional integration of the partner countries through fostering, equitable and environmentally sustainable growth, their smooth and gradual integration into the world economy, and linking trade and poverty reduction or equivalent strategies;
- environment protection and sustainable management of natural resources;

- infrastructure, communications and transport;
- water and energy; rural development;
- territorial planning;
- agriculture and food security;
- progress in the protection of human rights, good governance and democratisation, which is fundamental for poverty reduction and sustainable development;
- conflict prevention and fragile states.

Human Development is an area of specific importance for the EU’s Development Policy. The Community human development policy framework for health, education, culture and gender equality aims at improving peoples’ lives in line with the MDGs through action at global and country level. It is driven by the principle of investing in and valuing people, promoting gender equality and equity. Moreover, investment in human potential, qualifications and skills, in particular through better education and training systems as well as lifelong learning, are perceived to be the strategic elements for ensuring sustainable human development.

In the context of poverty eradication, the EU aims to prevent social exclusion and combat discrimination against all groups. It provides tools to create equal opportunities for all and to maximise the social and economic potential of the EU. It promotes social dialogue and protection, in particular to address gender inequality, the rights of indigenous peoples, discrimination and the condition of disabled people, and to protect children from human trafficking, armed conflict and the worst forms of child labour.

There are concerns within the EU that more people may be at risk of poverty as a result of slower economic growth as well as the process of restructuring in new EU member states. The main victims of poverty and unemployment in the EU are those population groups which are often targets of rejection or discrimination.

Slovenia	Slovakia	Bulgaria	Romania	Russian Federation	Ukraine	Belarus
888	1,311	850	2,332	11,410	1,770	499
2,798	9,493	6,172	8,623	22,952	4,743	1,281
1,323	3,170	5,666	12,905	30,044	9,523	469
1,968	5,386	8,162	22,435	147,691	50,733	10,177
1,967	5,402	7,834	21,866	144,618	47,508	9,866
1,967	5,401	7,726	21,711	143,202	46,481	9,755
451	243	104	104	77	35	49
1,422	1,757	788	394	159	100	130
673	587	733	594	210	205	48
90	49	21	21	15	7	10
237	293	131	66	26	17	22
336	293	367	297	105	102	24

They include women of different ethnic origins, older people and the disabled. Such people are dependent on the State minimum income or on charity. In addition problems caused by unemployment, alcohol and drug abuse as well as by the decline in the role of the family, can all lead to exclusion from society.

In the past the EU used a wide range of measures to combat poverty. Poverty programs helped to promote the integration of disadvantaged people, and the Helios program helped Member States and non-governmental organisations to tread new ground in their efforts to assist people with disabilities. Today the EU is committed to a broad strategy involving cooperation with Member States, non-governmental organisations and social partners. At the EU level the strategy comprises seven key priorities:

- increase labour market participation by expanding active policies and ensuring a better linkage between social protection, education and lifelong learning;
- modernise social protection systems to ensure they are sustainable, adequate and accessible to all;
- tackle disadvantages in education and training by investing more in human capital at all ages and focusing particularly on the most disadvantaged groups;
- eliminate child poverty by guaranteeing their education, increasing the assistance given to their families and ensuring that their rights are protected;
- ensure decent accommodation for vulnerable groups and develop integrated approaches to tackling homelessness;
- improve access to quality services in the fields of health, social services, transport and the new information and communication technologies;
- eliminate sex discrimination and increase the social integration of people with disabilities, ethnic minorities and immigrants.

These priorities are implemented through national strategies adapted to suit each country. The development of National Action Plans against Poverty and Social Exclusion (NAPS) clearly shows Member States' intention to strengthen the social inclusion process. These strategies are based on a broad partnership involving the national, regional and local authorities, the social partners and all stakeholders. The Open Method of Coordination, supported by the Community action programme to combat social exclusion, provides a suitable basis for further action at national and Community levels to promote social inclusion.

A high level of social protection should guarantee social cohesion and create a favourable environment for growth and employment. Member States have launched the modernisation process taking into account the reduction in the workforce and the possibility of some of the population being put at risk. Such a modernisation of social protection systems must be supported by an increase in lifelong employment. This means that social inclusion policies should play a part in the general effort to increase labour supply. Maintaining the sums allocated by the Structural Funds, and in particular by the European Social Fund (ESF), will make an essential contribution to this objective and to the fight against poverty.

Employment is a crucial and strategic factor to achieve a high level of social cohesion. The EU promotes investments that generate employment and support the development of human resources. It strives to coordinate the efforts of EU Member States in the growth of employment and of the labour force, the quality

of jobs, the conciliation of work, family and personal life. At the 1997 Luxembourg summit, the European Heads of State or Government adopted the first ever set of 'employment guidelines', with the aim of developing a more active labour market policy. Instead of concentrating purely on income support for the unemployed, the guidelines emphasised the importance of taking measures to promote the employability of jobseekers, entrepreneurship, the adaptability of businesses and employees to economic and technological change and equal opportunities for women and men and for people with disabilities.

These guidelines are followed at regional, national and European levels. As part of the European Employment Strategy, Member States coordinate their labour market policies in an annual cycle. At the beginning of the year, on a proposal from the Commission, the Council approves a series of priority areas for action — the Employment Guidelines. They include concrete objectives. On the basis of these guidelines each country draws up a national action plan which should involve a wide range of partners: unions, employers, local and regional authorities. The Commission and the Council jointly examine each national action plan and present a report to the December summit of the European Council. The Commission also presents a recommendation on revising the Employment Guidelines for the following year. Immediately following the first employment summit in 1997, agreement was reached on the 'growth and employment initiative' with the aim of facilitating access to risk capital and financial guarantees for small and medium size enterprises (SMEs).

The EU Social Agenda is supported by a number of EU programs, especially by the European Social Fund (ESF) which is the EU financial instrument for investing in people. The ESF focuses mainly on the support individual people need in order to become more employable. However, it can also be used to help improve systems and structures to make the labour market itself work better. The ESF's five priority areas are: (i) development of an active labour market policy; (ii) assistance for people at risk of social exclusion, especially with regard to their chances on the job market; (iii) improvement of general education and vocational training, with the aim of lifelong learning and acquisition of the skills needed by the labour market; (iv) promotion of employee adaptability, entrepreneurship and workforce skills in the fields of research, science and technology; (v) fostering of self-employment and employability of women, and measures to combat gender inequalities on the labour market.

Improving people's skills is not limited to the work of the ESF, but is also pursued as an integral part of several other EU measures. In education, two programmes, Socrates and Leonardo da Vinci, promote an international exchange in universities and schools and in vocational training. Also, the EU support to research and technological development gives priority to actions that ensure that new technologies are actually used in everyday life, so that as many European citizens as possible have the skills to play a full role in the knowledge-based society.

The European Globalisation Adjustment Fund (EGF) was launched by the EU in 2007 and will provide up to 500 million euro a year to help workers made redundant as a result of changing global trade patterns find another job as quickly as possible. It provides a range of services to assist people searching for a job<sup>9</sup>. In October 2006 the EU established another Community Program for Employment and Social Solidarity – PROGRESS, with a budget of 743 million Euro for the period 2007-13.

The PROGRESS program is intended to improve the coherence of Community actions in employment, social protection and inclusion, working conditions, diversity and combating discrimination, equality between women and men. Its main objectives are: (i) to improve knowledge and understanding of the situation in the Member States through analysis, evaluation and close monitoring of policies; (ii) to support the development of statistical tools and methods and common indicators; (iii) to support and monitor the implementation of legislation and policy objectives; (iv) to promote networking, mutual learning, and the identification and dissemination of good practice at the EU level; (v) to make stakeholders and the general public aware of EU policies in the fields of employment, social protection and inclusion, working conditions, diversity and non-discrimination, and equality between men and women; (vi) to boost the capacity of the key EU networks to promote and support EU policies.

In achieving the goals set out in its Development Policy, the EU is also committed to deliver more and better overseas aid. In particular, the EU has adopted a timetable for Member States to achieve 0.7 per cent of GNI in Official Development Aid by 2015, with an intermediate collective target of 0.56 per cent by 2010. These commitments should see annual EU aid double to over €66

billion by 2010. At least half of this increase in aid will be allocated to Africa, while fully respecting individual Member States priorities' in development assistance.

The Pre-Accession Policy, insofar as it concerns developing countries, aims to support the membership perspective of candidate and pre-candidate countries, and the European Neighbourhood Policy aims to build a privileged partnership with neighbouring countries, bringing them closer to the Union and offering them a stake in the Community's internal market together with support for dialogue, reform and social and economic development. Whilst these policies have a clear integration focus, they usually include a significant development agenda. Poverty reduction and social development objectives help to build more prosperous, equitable and thus stable societies in what are predominately developing countries.

In Ukraine the current EU human development programs are limited to a small number of projects of technical assistance in such fields as: (i) improvement of the quality of drinking water; (ii) management in the field of health care; (iii) assistance in reforming the existing social security system; (iv) educational programs Erasmus, Mundus and Tempus; (v) assistance in the fight against HIV/AIDS.

- 9 These include occupational guidance, tailor-made training and re-training including IT skills and certification of acquired experience, outplacement assistance and entrepreneurship promotion or aid for self-employment, special time-limited measures, such as job-search allowances, mobility allowances or allowances to individuals participating in lifelong learning and training activities, measures to stimulate in particular disadvantaged or older workers, to remain in or return to the labour market.

Table 3.2

Exports (previous year=100)									
Country	1999	2000	2001	2002	2003	2004	2005	Average annual rate, 1999-2003 (%)	Average annual rate, 2004-05 (%)
Czech Republic	107.4	118.5	113.5	106.1	108.6			10.7	
Estonia	101.6	137.6	99.8	104.8	114.1			10.8	
Hungary	115.9	121.7	107.8	105.6	109.6	117.6	110.9	12.0	14.2
Lithuania	83.7	119.2	125.0	116.0	111.0	114.9	115.7	9.9	15.3
Latvia	101.9	114.5	110.0	109.0	108.3			8.7	
Poland	102.0	125.3	111.8	108.3	118.7	118.2	110.6	12.9	14.3
Slovenia	103.7	111.3	105.2	104.8	104.5			5.9	
Slovakia									
Romania	110.1	124.0	112.0	117.9	109.1	115.3	107.8	13.6 <sup>a</sup>	
Imports (previous year=100)									
Country	1999	2000	2001	2002	2003	2004	2005	average annual rate, 1999-2003 (%)	average annual rate, 2004-05 (%)
Czech Republic	103.5	119.7	114.0	104.2	109.2			10.0	
Estonia	92.8	126.0	105.2	106.7	115.2			8.6	
Hungary	114.4	120.8	104.0	104.8	110.1	115.8	105.0	10.6	10.3
Lithuania	87.0	107.3	120.4	119.2	108.4	117.4	114.8	7.7	16.1
Latvia	101.4	111.9	111.9	113.1				7.5 <sup>b</sup>	
Poland	104.4	110.8	103.2	107.3	108.2	117.3	105.2	6.7	11.1
Slovenia	108.9	103.7	100.5	104.0	105.7			4.5	
Slovakia									
Romania	99.7	129.9	123.9	115.3	118.2	122.5	117.9	17.9a)	

Source: Statistical yearbook of the Republic of Poland, 2006, Warsaw, pp. 848-9.

**Export and Import Indices  
for the new EU Members,  
1999-2005 (at constant  
prices)**

### 3.4 Costs and Benefits of the EU Membership: the Experience of the New EU members

As soon as the nations of Central and Eastern Europe shed the yoke of communism and started the transformation to political democracy and a market economy, they were assisted in their efforts by many OECD countries. Within weeks after the first non-communist government of Tadeusz Mazowiecki was formed in September 1989 in Poland, followed by parallel changes in Hungary, the EU established a special assistance fund. Although its acronym, PHARE, means "Poland's and Hungary's Assistance for Restructuring their Economies", within a few months its operations were expanded to cover all countries in the region in the process of transformation. In 1990 a parallel assistance fund, TACIS, was established to assist the transformation of the CIS countries. However, it was not until the Central and East European countries opened membership negotiations, in 1997 (following their associations agreements with the EU) that two other pre-accession assistance funds were established<sup>10</sup>. Moreover, PHARE was subsequently adjusted to accelerate the necessary changes in these countries to enable them to successfully complete their accession negotiations and also to introduce them to the future use of EU structural assistance. Thus adopting EU membership as the key objective of government policy, even when its timing could not be clearly defined, both accelerated and facilitated the transformation to a market economy and parliamentary democracy. The prospect of EU membership became the most important external factor accelerating the implementation of reforms in the CEE countries, particularly of restructuring their economic system.

At the same time the EU extended substantial technical support for transformation. Hundreds of experts as well as twinning programs with partner institutions in EU member countries brought legislative know how, assistance in the setting up of new institutions, and contributed to the development of human capital. Those efforts brought important advances, especially in the areas such as foreign direct investment, expansion of trade and the

import of know-how which proved important in the management of the traditionally monopolized sectors of the economies.

**Foreign Direct Investment** The steady progress the CEE countries made towards EU membership increased confidence among potential investors, supported by improvements in country credit ratings from the risk rating agencies. Investors began to trust the country, the predictability of its legislation and government policies long before EU membership became a fact, although the implementation of large-scale privatization was also a factor. This was reflected in the increase in foreign direct investment. Estonia, Hungary and the Czech Republic were particularly successful in attracting foreign investors (per capita and per year), especially in the years before their accession (that is in 1998-2003) and attracted more than Poland, Slovakia, Lithuania and Latvia did in the first two years after their accession. In 2004-05 Ukraine and Russia attracted more FDI per capita than several prospective CEE members did in their early pre-accession period of 1993-97. Considering that the EU - Ukraine Action Plan provides for the approximation of Ukraine's legislation with that of the EU, unless political factors interfere, this trend is likely to continue (see Table 3.1 where cumulative FDI for 3 periods are presented; for the CEE countries these periods correspond to the period before negotiations on membership were opened (1993-97), the period of negotiations (1998-2003)<sup>11</sup> and after accession (2004-2005)<sup>12</sup>.

**Trade** Long before accession to the EU was completed, free trade agreements (FTA) between the EU and the CEE countries were adopted. They provided for free trade in non-agricultural produce for periods of between 3 to 6 years. Asymmetry to the benefit of CEE countries was applied in these agreements: the EU abolished most of its tariffs immediately after the agreements came into force whereas the CEE partner countries usually reduced their tariffs through 5 years by 1/5 every year. The abolition of tariffs and quotas resulted in an unprecedented growth of trade and the imports of CEE countries in general grew faster than their exports in the 1990s. Access to the huge EU market also improved

<sup>10</sup> The Instruments for Structural Policies for Pre-accession (ISPA) was introduced to assist development of infrastructure and subsequently to enable these countries to take advantage of the EU Cohesion Fund and structural funds. The Support for Pre-accession Measures for Agriculture and Rural Development (SAPARD) was set up with the same purpose with respect to restructuring agriculture and subsequently to take advantage of the EU Common Agricultural Policy.

#### EU Financial Plans for 2007-2013: Estimates of net balances for new members (in billion euro)

Country	Contribution	Allocation	Net Balance
Poland	21.8	87	65.2
Romania	7.2	32	24.8
Hungary	8.4	32	23.6
Czech Republic	9.2	31	21.8
Slovakia	3.5	14	10.5
Bulgaria	2.3	12	9.7
Lithuania	1.7	9	7.3
Latvia	1.4	6	4.6
Estonia	0.8	4	3.2
Slovenia	2.1	5	2.9
Cyprus	1.1	1	-0.1

Source: British Presidency analytical papers, December 2005.

the attractiveness of the CEE countries for foreign investors and the resulting capital inflows helped to finance their trade deficits.

In half of the new EU member countries exports and imports of merchandise increased by 10 per cent or more (at constant prices) before accession, following which the rates of growth of foreign trade increased further (see Table 3.2). After 2000 the rates of growth of exports outpaced those of imports in several prospective member countries. With the entry to the EU, the duality of technical certifications for products, one for the EU market and another for the domestic market, was finally abolished. Also several barriers in trade in agricultural produce were finally eliminated with the accession to the EU. For example, Poland's exports of agricultural products to the EU rose by 51 per cent in the first 8 months after membership.

**Import of Know How to Traditionally Monopolistic Sectors** Following the US experience, the EU adopted directives providing for competition in traditionally publicly owned state monopolies such as telecommunication, railroad and air transport, gas distribution, electricity distribution.. Competition in some of these industries requires sophisticated regulation, e.g. to ensure suppliers have access to the unified distribution networks in the case of telecommunication, gas and electricity. Accessing the EU, new members had to adopt these new approaches to ensure competition. Once the proper regulatory legislation was enacted and the necessary regulatory institutions well established, market deregulation commenced with some noticeable improvements in the quality of service and prices.

**Adopting the Euro** New EU member countries do not have the option of staying outside the euro zone, like the UK or Sweden. After fulfilling the Maastricht criteria that set limits for fiscal and monetary policy targets, such as the allowable rate of inflation, long-term interest rates, levels of the public deficit and public debt, and stability of exchange rates, the new EU member countries will have to adopt the euro. In the meantime they are required to maintain responsible fiscal and monetary policies to bring them closer to the required Maastricht indicators. If they fail, then following the EU Excess Deficit Procedure, in an extreme case scenario, they might be penalized by losing the assistance from the EU Cohesion Fund. Thus, membership of the EU also contributes to maintaining financial discipline and thereby contributes towards macroeconomic stability in these countries.

**Pre-Accession Fears that Proved Groundless** There were concerns in the CEE countries prior to accession that there would be some adverse economic consequences of EU membership, including higher inflation and bankruptcy. In general these fears have not materialized. Following accession the growth of prices was on average rather moderate, reaching at maximum 4.8 per cent for example in Poland in the first 12 months after accession, although some prices, e.g. for sugar, rose by a third. Widespread enterprise bankruptcies were also feared, especially in the case of small and medium-size firms, but these have not happened. On the contrary, in Poland and many other new EU member countries, small firms have started to operate successfully in the old EU

### BOX 3.1

#### Ukraine's Economic Relations with EU and Russia: Synergies Versus Potential Contradictions

The Commonwealth of Independent States (CIS) concluded an Agreement on the Creation of a Free Trade Zone (FTA) in 1994, amended in 1999. The FTA is operational although many trade disputes remain unsolved owing to the lack of an effective arbitration mechanism based on the WTO rules. Establishing a FTA between Ukraine and EU would be compatible with the FTA between Ukraine and Russia and other CIS states because one country or trade area may have different FTAs with other parties. Therefore, the FTA between Ukraine and EU will have no negative consequences for the FTA between Ukraine and CIS.

A customs union is a more advanced trade arrangement in so far that it adds a joint external tariff vis-à-vis all third parties to the free trade arrangement between two (or more) parties. The potential future accession of Ukraine to the EU will entail adopting the EU external tariff. A new member has also to terminate all its FTAs with other countries, but at the same time it adopts all EU FTAs with other countries. Therefore higher tariffs and other restrictions in trade between Ukraine and Russia might appear after Ukraine's accession only if trade between the EU and Russia is more restrictive than trade between Ukraine and Russia. In practice there is a trend towards free trade throughout all Europe, including Russia. Both partners, the EU and Russia, aim to liberalize mutual trade. If this trend continues, the potential accession of Ukraine to the EU will have negligible consequences for Ukraine's trade with Russia.

By the same token creation of the Common Economic Space, including the custom unions between Russia, Ukraine, Belarus and Kazakhstan, will make a bilateral FTA between Ukraine and the EU impossible. The trade relations between Ukraine and EU would be determined by the arrangement between the Common Economic Space and the EU. It is noteworthy that Belarus and Russia are not, as of early 2008, members of the WTO.

Russia remains an important economic partner for Ukraine. The trade turnover between Ukraine and Russia is comparable with that between Ukraine and the EU. The length of the common borders, easy communication links, abundance of energy resources in Russia, and high economic growth provide ample room for the expansion of economic cooperation in the future. The FTA between Russia and Ukraine is likely to work better once Russia becomes a WTO member.

A FTA with the EU will enhance trade with the EU. In economic terms the EU has of course greater potential than Russia: it has a market that numbers 3.5 times more customers, each of whom has on average a purchasing power that is 3-4 times that of Russian consumers.. Advanced trade relations with both partners are therefore and important key to Ukraine's economic prosperity.

11 Negotiations with Latvia, Lithuania, Slovakia, Bulgaria and Romania began in 2000 only.

12 Bulgaria and Romania became members only in 2007.

member countries, providing strong competition to local business in terms of quality of service and cost.

Food products from the EU have not flooded the markets of new member countries; rather the opposite has occurred. Lifting trade barriers for agricultural produce resulted in significant growth of new EU members' exports to the old EU members' countries. Also foreigners have not begun massive buy-outs of real estate in the new EU member countries, although there has been a property boom in Bulgaria and Romania, especially at their coastal resorts, before their accession to the EU. The resulting price hikes, however, still leave property values in those countries and elsewhere in the new EU member countries far below the comparable property prices in Moscow, Kyiv, or Lvov.

An increasing concern, however, although hardly ever mentioned prior to the 2004 and 2007 EU enlargements, is the emigration of young, well educated and trained specialists and skilled labor, attracted by higher living conditions and a better working environment in the old EU member countries. From the point of view of the new migrants, the difference is that after accession they can apply for legal jobs enjoying all the protection offered for EU workers in the host country. However, for the new EU member countries, this rather large migration will have important economic, demographic and political consequences that will need to be countered by adequate policy measures, also with respect to their closest neighbors.

**EU Transfers to the New Member Countries** According to the EU Agenda 2000, the maximum value of the support for the 12 new members was 45 billion euros (for payments) in 2002-06, of which 12.4 billion euros were earmarked for agriculture. The structural funds outside agriculture were directed towards construction of roads, highways, environmental facilities, modernization of railroads and airports, training, innovation and SME support. The experience of Greece, Ireland, Spain and Portugal in the 1990s provides evidence that the impact of EU assistance on job creation and infrastructure development in those countries was meaningful. According to some estimates, EU assistance added an extra 0.5 to 1.0 percentage points to the annual growth rates in those countries between 1994-99. EU assistance is expected to have similar effects for the 10 CEE new member countries.

In 2005, the ratio of EU allocated expenditure to Gross National Income was:

- 3.3 per cent in Lithuania, ahead of 3.2 per cent in Greece, 3.1 per cent in Malta and Latvia, 2.7 per cent in Portugal and 2.5 per cent in Estonia;
- between 1.6 and 1.8 per cent in Ireland, Poland, Slovakia, Spain, Cyprus and Hungary;
- 1.4 per cent for Slovenia, 1.2 per cent for Czech Republic and 0.9 per cent for Finland<sup>13</sup>.

However, after accounting for own contributions to the EU budget, the net balance for new members was estimated on average at about half the amount of total assistance they received from the EU in 2004-2006. The latest EU financial projections for 2007-2013 assume significant increases in EU expenditures on new members,

as shown in Table 3.3.

The Financial Perspective for 2007-2013 relating to the total EU Budget allocates expenditure according to five main items. About 48 per cent of all spending will be provided under the heading 'Sustainable growth' with the aim of promoting competitiveness, employment and cohesion (which includes transport infrastructure, environment, training, as well as support for SMEs). The Common Agricultural Policy is financed under the heading 'Sustainable management and protection of the natural resources' and will receive about 38 per cent of the EU budget (of which 80 per cent is for agriculture and the rest for rural development and fisheries). The EU external relations and foreign policy will absorb about 10 per cent of all allocations, and 'Justice and citizens' rights' – 2 per cent. Spending on administration accounts for the balance of spending from the Budget.

**Financial Costs of Membership** Membership in the EU implies acceptance of the *acquis communautaire* – the EU rules and regulations. Compliance with the EU regulations, especially those related to agriculture and environmental protection, implies significant costs for the CEE countries. According to some estimates the stringent EU environment regulations impose costs of up to 120 billion euros on the CEE countries<sup>14</sup>. The costs of adaptation of the Polish agricultural sector to meet EU requirements were estimated at 6 billion USD between 1999-2004. In order to facilitate compliance with the high standards required by the EU, the new members were granted several transitional periods to effect the changes, received technical assistance and then had access to the pre-accession and then regular EU funds. Membership of the EU also requires contributions to the overall EU budget, which are calculated on the basis of economic and financial criteria including GDP per head. Therefore, for many years the new members will remain net beneficiaries of the EU budget.

**Implications for Ukraine** Integration with the EU during the pre-accession period provided tremendous political and economic support for all CEE countries and there is every reason to believe that over the long-term further European integration will bring substantial efficiency and welfare gains to Ukraine through liberalized access to the EU single market. The main gains are likely to be with respect to trade and investment. The free trade agreements with the EU ensured an enormous boost to the growth of trade for the CEE countries. However, EU free trade agreements do not usually include all agricultural produce and therefore the widest possible access to the EU agricultural market would be an important benefit for both Ukrainian food producers and EU consumers. Some EU requirements in environment and agriculture are, however, extremely costly and if they are not already part of the Ukraine government's policy objectives, they may have to wait until the prospect of EU membership becomes closer. However, wherever possible, double certification should be avoided to benefit Ukrainian consumers long before the EU membership is concluded.

While Ukrainian exports to the West are growing, Ukraine is still very dependent on the Russian market. Because of a combination of low household incomes, low prices and low product quality, many Ukrainian consumer products are sold either in the domestic

<sup>13</sup> Allocation of 2005 EU expenditure by Member States, European Commission, Budget. September 2006, p. 15.

<sup>14</sup> See Marian L. Tupy, EU Enlargement. Costs, Benefits, and Strategies for Central and Eastern European Countries, Policy Analysis, 18 September, 2003, the Cato Institute.

or Russian market. Thus rapid European integration could result in radical changes to some Ukrainian industries involving short and medium-term economic and social adjustment. However, gradual improvements both, in the competitive position of Ukrainian business that should follow economic restructuring, and in the access to the single market, will have a major positive impact on the prospects for exports, and also for export-related FDI.

An important development was Ukraine signing a Protocol on WTO membership in February 2008, which, assuming it is ratified by the Rada no later than July 2008, would enable Ukraine to become a formal member of the WTO 30 days after such ratification. This has three immediate consequences for Ukraine. Firstly, WTO membership should of course be beneficial for Ukraine's trade as a whole, not least with respect to resolving trade disputes. Secondly, it should enable negotiations to proceed with the EU on a free trade agreement and finally it implies that Ukraine will become a member of the WTO before Russia. This will have some implications for trade arrangements between Ukraine and Russia vis-à-vis those between Ukraine and the EU. Although these relations are often claimed to be in conflict with each other, as may be seen from Box 3.1, in practice they are rather complementary, and as soon as Russia also becomes a WTO member country, the conflict of interest will largely become irrelevant.

The experience of the new member states suggests that the largest benefits of economic integration with the EU can come in the form of foreign direct investment (FDI) that can be attracted by geographic proximity and preferential access to the single market. As the new member states' experiences show, this FDI can have unparalleled advantages in terms of restructuring and modernizing manufacturing, energy, and financial sectors.

Many factors, such as market size, geography, transport and telecommunications infrastructure, the absence of preferential access to EU markets, can explain Ukraine's relatively low level of cumulative per-capita FDI to date. In contrast to the new EU member states, however, Ukraine still faces major challenges in developing the state capacity needed to maintain level commercial playing fields and a business-friendly investment climate. The major obstacles are associated with the taxation system and high corruption levels, which contribute to the existence of the large informal sector. FDI should increase substantially once Ukraine has open access to the EU market and once investors have developed greater trust in the predictability of policies and the rule of law in Ukraine. The confidence of foreign investors can be improved if the executive powers in Ukraine show their determination to implement EU standards in a consistent manner.

To date the amount of EU funds made available to Ukraine have been modest in comparison with the pre- and post-accession assistance offered to CEE countries. This should be the subject of continuous negotiations between the European Commission and the Government, supported by Ukraine's friends in the EU. Nevertheless, the technical assistance provided by the EU in preparing

legislation, building new institutions, developing local governments' human and resource capacity, strengthening human capital in general, is robust even if sometimes underutilized.

### 3.5 Conclusions

This chapter has shown that the UN human development agenda and the EU Integration agenda are fully compatible, albeit they address different stages of the same process and do this to different depths. The European integration agenda is much more country specific and operationalized, it takes into account intricate political processes. It is also by far more extensive in terms of democratic governance than the UN human development agenda. The latter, however, can be more easily monitored through the system of measurable indicators; therefore, it also enables cross-country comparisons. If the government of Ukraine really wishes to promote human development, there is apparently only one choice – to follow the European integration agenda which will enable Ukraine to succeed in the current competitive world by ensuring that its governance system is effective and of the highest integrity.

Given the complementarity between the MDGs and European integration agendas, and the importance of focusing at the local level to deliver the MDGs, the Chapter identifies three areas where reforms are required to improve local government in Ukraine. These include better representation of the local population, especially at rayon and oblast levels, improving the basis for funding for services, especially through the adoption of clear criteria to ensure the minimum quality of a service is provided and finally the adoption of measures widely used in many other European countries to ensure that services are provided in as efficient manner as possible.

The Chapter then reviews the EU's broad approach to human development, with particular focus on the programmes to reduce poverty and promote employment. These include the European Social Fund for investing in people, the European Globalisation Adjustment Fund to assist with the problems of economic adjustment and PROGRESS to support social inclusion policies, all supported by substantial amounts of funding. The amounts of EU assistance to support human development in Ukraine to date have been modest.

Drawing on the experience of the new members of the EU, some of the economic costs and benefits of EU membership are explored. The overwhelming conclusion is that membership was beneficial for these countries, with substantial increases in both trade and investment occurring in the pre-accession period. The EU provided funding to support the accession process and all the new members from the region will be net beneficiaries of the EU budget arrangements proposed for the period 2007-13. If Ukraine were to become a formal candidate for EU membership, it could reasonably expect similar advantages. In the meantime Ukraine's recent signing of the Protocol on WTO membership opens the way for negotiations on a free trade agreement with the EU.





# CHAPTER 4

## PUBLIC PERCEPTIONS OF UKRAINE'S EUROPEAN CHOICE<sup>1</sup>

### 4.1 Ukrainians' Perception of the Meaning and Significance of European Choice

**General Foreign Policy Guidelines in Ukraine** Survey data show that the people of Ukraine place importance on two main directions of foreign policy – integration with the west, especially with the European Union (EU), and closer relations with the CIS, especially with her immediate neighbours. In 2005, thirty six per cent of those surveyed supported the re-establishment of close relations with Russia and Belarus with the prospect of joining the Union of Slavic States, while 23 per cent supported European integration. A further 14 per cent also supported Ukraine's integration into Europe, provided that this integration was accomplished with Russia. However, some 17 per cent of Ukrainians were against the concept of integration, preferring that Ukraine develop its own specific approach to foreign policy issues (see Table 4.1 below). These results of the public's choice of the two main foreign policy options are generally supported by the results of other surveys (not shown) for example those of the Razumkov Centre.

Furthermore these foreign policy preferences have not changed significantly over the last ten years, according to the results of annual surveys conducted by the Institute of Sociology of the National Academy of Sciences of Ukraine. According to these results (see Table 4.2) the proportion of the population supporting the development of relations with Russia and the CIS has never fallen below 42 per cent and in 2006 was 56 per cent, while the proportion of the population favouring closer relations with the west has been fairly steady at around 14-15 per cent.

However, it is crucially important to differentiate between foreign policy options and the choice of models for the development of

the society and economy which reflect the public's view as to the acceptability of certain principles of the way in which society is organized. Thus, despite the fact that the dominant foreign policy preference is cooperation and building closer relations with Russia and the CIS countries, 50 per cent of Ukrainians believe that Ukraine needs to follow the way of development of the western countries (although 21 per cent of respondents disagreed), according to the data of the "Social Expectations" survey<sup>2</sup>. Hence, the European Choice in its foreign policy dimension is not equal to European Choice in its social dimension, especially in the context of the acceptability of particular values and ways of organizing society. Thus it is conceivable that Ukrainians in general share European values, but at the same time are Russia-oriented in the sphere of foreign policy preferences owing to their shared history, intense cultural relations and the experience of living in one country.

**Attitudes towards Integration** In general, Ukrainians are positive in their views about the EU. This is reflected in the results of a number of surveys taken in recent years which show that around half of those surveyed felt that Ukraine should join the EU. However, at the same time there is also strong support for the project of post-Soviet integration (for instance, within the Single Economic Space, or the union with Russia and Belarus). Frequently, in the course of one and the same polling, the same respondents express their preference for Ukraine's joining the EU as well as for its integration with Russia and Belarus. This ambivalent tendency of foreign policy choices is shown in Tables 4.3 and 4.4 below.

These survey results illustrate that the number of Ukrainians who are positive about Ukraine's joining the EU from 2001 to 2006 changed from 44 per cent in 2002 to 61 per cent in 2006 and always

1 This analysis is based on various social surveys carried out by the Kyiv International Institute of Sociology, the SOCIS Center for Social and Political Studies, the Institute of Sociology of the National Academy of Sciences of Ukraine, the Kyiv Center for Political and Conflict Studies, the Ukrainian Centre for Economic and Political Studies named after Olexander Razumkov, the Democratic Initiatives Fund, the Public Opinion Foundation, the Center for Social Monitoring, 'Eksor' research firm, 'Ukrainian Democratic Circle' and research agency Taylor Nelson Sofres. Most data used here are the results of quantitative national representative surveys; the Taylor Nelson Sofres' data are representative for 6 EU member-states.

2 Conducted in 2003 by the Kyiv International Institute of Sociology under the supervision of E. Holovaha.

Table 4.1

Question	August 2005 <sup>b</sup>
Ukraine's development should be Western-oriented, with the prospect of joining the European Union	23
Ukraine should first of all re-establish close relations with Russia and Belarus, with the prospect of joining the Slavic States Union	36
Ukraine, together with Russia, should integrate into Europe	14
Ukraine's future is in the preservation of full independence and the development of its own particular way, which is different from existing world practices	17
It's hard to tell	9

### What should be the priority for the direction of Ukraine's foreign policy? (%) <sup>a</sup>

<sup>a</sup> The question asked was: 'This card represents the main opinions regarding the directions of Ukraine's development. Please look through them and choose the direction you think is more rational than the others.'

<sup>b</sup> Survey data of the Kyiv Center for Political and Conflict Studies and of the SOCIS Center for Social and Political Studies; all-Ukrainian representative sample of 2500 people.

exceeded the number of those opposed to the EU, although it is noteworthy that the proportion of the latter group has tended to increase in the survey period – to 25 per cent by 2006. This may be partly explained by political developments such as the polarization in views related to the presidential elections of 2004 and subsequent developments. In the period under review the number of supporters of Ukraine's joining the Union with Russia and Belarus also exceeded 50 per cent and always exceeded the number of opponents of this way of integration.

It should also be noted that although the very formulation of the question implies that the respondent should make a choice, in practice the answers are not mutually exclusive. Thus most Ukrainians give positive answers to both options, aspiring for Ukraine's joining the European Union as well as with the Union with Russia and Belarus. The widespread tendency of Ukrainians "to sit on the fence", thus avoiding having to make such a choice, is also evidenced by the answers to questions about the conditions on which Ukraine should join the Single Economic Space with Russia, Belarus and Kazakhstan (see Table 4.5).

The range of answers to this question shows that most Ukrainians (between 40 to 50 per cent in different years) see joining the EU as a strategic goal to be achieved by Ukraine and thus they wish other integration projects (in this case Ukraine's joining the Single Economic Space) should not impede this aspiration. Many survey results show that in the case of a referendum on Ukraine's joining the EU, the number of those voting "for" would exceed the number of those voting "against" (see for example Table 4.6)<sup>3</sup>. However, these data do not provide sufficient grounds for concluding that the European Choice is the dominant foreign policy option of Ukraine's population. As was shown above, Ukrainians' foreign policy choices are characterized by a significant ambivalence. For instance, other survey data show that Ukraine's joining the Single Economic Space would also attract strong support – 62 per cent "for" and 17 per cent – "against"<sup>4</sup>.

**The European and East-Slavonic Integration Dilemma: Regional Aspects of Ukrainians' Choices** Given that on the basis of these survey results most Ukrainians simultaneously support integration with the EU as well as with the East Slavonic states, it is important to find out where their priority lies. To answer this question Ukrainian sociologists use a range of methods, which not only explore the at-

tractiveness of each integration option, but also request respondents to make a strict choice between rival integration projects. For instance, given that accession to the EU would require the introduction of visa and customs controls with Russia, one set of survey results carried out between 2003-05 showed that about half of those surveyed would not be prepared to join the EU on these terms while about a quarter would, proportions which were very stable in each of the three years<sup>5</sup>.

The responses from these surveys are crucial for understanding the hierarchy of foreign policy choices of Ukrainians. As shown above, a range of public opinion indicators leads to the conclusion that Ukrainians as a whole are positive towards the idea of Ukraine's joining the EU. However, this is true only in cases where the wording of the question does not envisage that Ukraine's joining the EU may complicate Ukraine's relations with Russia and impede free migration of residents between these two countries. Thus on the basis of these results, one can conclude that where Ukrainians are asked to make a direct choice between the EU and Russia (or in association with the countries of the former USSR)<sup>6</sup>, then their priority is the preservation of friendly and close relations with Russia even if this implied losing the chance of joining the EU.

The answers in these surveys were also consistent with the responses to the question about the preferable direction of foreign policy development of Ukraine. Between 50-60 per cent of those surveyed placed importance on developing partnership relations with the former USSR countries, firstly with Russia and Belarus, with the prospect of joining the union with these states, while only between 15-25 per cent supported building relations with the West with the eventual prospect of joining the EU. These conclusions on foreign policy preferences are further supported by the results of a survey where Ukrainians were asked on their probable response if there were to be a referendum on the choice between Ukraine's joining the EU on the one hand or in a union with Russia and Belarus on the other. As may be seen from Table 4.7 below, almost half of those surveyed indicated they would support joining a union with Russia and Belarus<sup>7</sup>.

There is also evidence that while over 60 per cent of Ukrainians were committed to the idea of Ukraine pursuing an equal-distance policy in its relations with the European Union and Russia, only 18 per cent of respondents insisted on a policy of supporting Ukraine joining the EU. At the same time, when a similar question was asked regarding Ukraine's joining a union with Russia and Belarus, 46 per cent of

<sup>3</sup> Except for the survey of Kyiv International Institute of Sociology conducted in December 2005. It should be noted that other sources confirm some weakening in support for the EU. According to the Razumkov Ukrainian Center for Economic and political Studies the proportion of Ukrainians who think that Ukraine should join the EU had fallen from 66 per cent in January 2002 to 58 per cent by April 2007 and the number of those opposed to joining the EU had risen from 13 to 26 per cent over the same period.

<sup>4</sup> Data of the Kyiv Center for Political and Conflict Studies and of the SOCIS Center for Social and Political Studies, August 2005.

<sup>5</sup> Survey of 2000 people throughout Ukraine conducted by the Kyiv International Institute of Sociology in 2003 and 2004 and a comparable survey of 2500 people carried out by the Kyiv Centre for Political and Conflict Studies and the SOCIS Centre for Social and Political Studies in 2005.

<sup>6</sup> Other options are unpopular.

<sup>7</sup> It was noted earlier that about one fifth of Ukrainians may be considered "isolationists".

**In case a referendum is called now to decide whether Ukraine should join the European Union, or the union with Russia and Belarus, or stay outside both unions, which variant would you vote for? (%)**

Question	March 2006 <sup>a</sup>
Joining the European Union	22
Joining a union with Russia and Belarus	47
Staying outside both unions and maintaining relations with all parties	25
It's hard to tell	6

a Data of Kyiv International Institute of Sociology, all-Ukrainian representative sample of 2000 people.

Table 4.2

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Development of relations within CIS	24	24	19	15	16	13	13	13	11	14
Development of relations mainly with Russia	5	5	5	4	7	9	10	11	8	10
Strengthening East-Slavic bloc first of all (Ukraine, Russia, Belarus)	24	24	24	23	29	34	34	34	29	32
Building relations primarily with developed western countries	14	13	16	17	13	13	11	14	18	15
Relying primarily on own resources, strengthening independence	16	18	20	26	21	22	21	17	20	20
Different regions should pick their own way themselves	4	5	4	4	4	3	-	-	3	2

### Which way of Ukraine's development do you give preference to? (%)

Source: Social monitoring survey data of the Institute of Sociology of the National Academy of Sciences of Ukraine, representative sample for Ukraine; sample size 1800 respondents.

Table 4.3

Attitude	2001	2002	2003	2004	2005	2006
Rather negative	8	15	10	12	20	25
It's hard to tell	36	40	42	40	33	14
Rather positive	56	44	48	48	47	61

### What is your attitude towards Ukraine's joining the European Union? (%)

Source: Monitoring survey data of the Institute of Sociology of the National Academy of Sciences of Ukraine

Table 4.4

Attitude	2001	2002	2003	2004	2005	2006
Rather negative	26	23	20	20	28	26
It's hard to tell	22	19	18	17	18	14
Rather positive	52	58	62	63	54	60

### What is your attitude towards Ukraine's joining the Union with Russia and Belarus? (%)

Source: Monitoring survey data of the Institute of Sociology of the National Academy of Sciences of Ukraine

Table 4.5

Questions	September 2003 <sup>a</sup>	April-May 2004 <sup>a</sup>	August 2005 <sup>b</sup>
Should not be joined by Ukraine under any circumstances	13	11	15
Should be joined only on conditions allowing for joining the European Union at a later stage	50	44	40
Should be joined even on conditions impeding joining the European Union at a later stage	19	28	27
It's hard to tell	18	17	18

### Views on the Single Economic Space with Russia, Belarus and Kazakhstan (%)

a Survey data of the Kyiv International Institute of Sociology; all-Ukrainian representative sample of 2000 people.  
b Survey data of the Kyiv Center for Political and Conflict Studies and of the SOCIS Center for Social and Political Studies.

Table 4.6

Question	June 2004 <sup>a</sup>	February 2005 <sup>b</sup>	August 2005 <sup>c</sup>	December 2005 <sup>d</sup>	December 2006 <sup>e</sup>
Would vote for Ukraine's joining EU	53	44	48	33	50
Would vote against Ukraine's joining EU	16	28	29	39	21
Wouldn't participate in referendum	13	28	7	8	17
It's hard to tell	18		16	19	12

### How would you vote in a referendum on Ukraine joining the European Union? (%)

a Data of Democratic Initiatives Fund and of the Center for Social Monitoring.  
b Data of Democratic Initiatives Fund and of the Kyiv International Institute of Sociology.  
c Data of Kyiv Centre for Political and Conflict Studies and of the SOCIS Center for Social and Political Studies.  
d Data of Kyiv International Institute of Sociology.  
e Data of 'Eksor' research firm.

those surveyed were ready to give up equal relations with EU and Russia in favor of Ukraine's joining a union with Russia and Belarus (see Table 4.8).

According to social survey data, supporters of Ukraine's union with Russia and Belarus are more numerous than those supporting joining the EU – 56 per cent against 31 per cent in early 2006, which again demonstrates the preference for the East-Slavonic integration project (see Table 4.9).

Based on these survey results of foreign policy options it may be concluded that Ukrainians are positive towards the closer integration with Europe. At the same time, however, their priority is the preservation of special relations with Russia and the former USSR republics with the possibility of joining the East-Slavonic integration project at some stage in the future. Thus if a choice has to be made, there are likely to be more supporters of integration with Russia and other member-states of the former USSR than for joining the European Union.

## 4.2 Regional Variations in the Perception of European Choice in Ukraine

Taking into account the regional, political and cultural diversity of Ukraine it is important to examine whether there are strong regional variations in the attitudes of Ukrainians towards the policy of "European Choice" as well as foreign policy choices in general. For analyti-

cal purposes oblasts have been grouped into four regions, following the technique proposed by Professor V. Khmelko (Kyiv International Institute of Sociology).

The results of the analysis demonstrate that significant regional differences exist in Ukraine in terms of public attitudes towards European Choice and foreign policy preferences in general. Only in the Western region was there a majority in support of the idea that Ukraine should be oriented towards the West, with the prospect of joining the EU. In the other three regions supporters of this foreign policy option were in the minority. The same regional pattern is demonstrated in the distribution of answers to the question as to the direction in which Ukraine should concentrate its efforts on integration – joining the EU, or the union with Russia and Belarus. In the Western region, 66 per cent of residents supported the necessity of Ukraine's joining the EU. The majority of residents in the three other regions support the development of economic and political ties with Russia and Belarus, with the prospect of Ukraine's joining a union with these states<sup>8</sup>. These results correspond closely with the responses on the issue of a possible referendum to decide which union Ukraine should join – European or the one with Russia and Belarus. In three out of four regions (Central, Southern and Eastern), as well as in Ukraine as a whole, there would be more supporters of integration with Russia and Belarus<sup>9</sup>.

The key factors determining the differences in foreign policy preference in different regions of Ukraine, especially in the attitudes towards European Choice, is shown to be the lingo-ethnic features of

- 8 Survey data of the Kyiv Center for Political and Conflict Studies and of the SOCIS Center for Social and Political Studies; all-Ukrainian representative sample of 2500 people. The wording of the question was as follows: 'Which variant of Ukraine's strategy in the next several following years would you support?' Alternative answers were as follows: 1) I'm sure it is necessary to concentrate efforts on Ukraine's joining the European Union and its economic structures. 2) It is rather necessary to concentrate efforts on Ukraine's joining the European Union and its economic structures. 3) It's hard to tell which direction the efforts should be concentrated on. 4) Ukraine should rather concentrate efforts on developing economic and political relations with Russia and Belarus within the Single Economic Space. 5) I'm sure that Ukraine needs to concentrate efforts on developing economic and political relations with Russia and Belarus within the Single Economic Space.
- 9 Data of the Kyiv International Institute of Sociology, March 2006; sample of 2000 people.
- 10 In Ukraine there are 42% Ukrainian-speaking Ukrainians, 41% Russian-speaking Ukrainians and 17% Russian-speaking Russians. The idea of this classification belongs to Professor V. Khmelko of the Kyiv International Institute of Sociology.

### Survey responses on Ukraine's Relations with the EU and Russia and Belarus

Question 1		Question 2	
Ukraine should pursue a policy of even relations with European Union and Russia	Ukraine should make efforts to join the EU	Ukraine should pursue a policy of even relations with the European Union and Russia	Ukraine should make efforts to join a union with Russia and Belarus
62%	18%	37%	46%

Source: Data of the Kyiv International Institute of Sociology; all-Ukrainian representative sample of 2000 people. Survey conducted in 2006.

### Which union of states would be more favorable for the people of Ukraine? (%)

Reply	2001 <sup>a</sup>		January 2006 <sup>b</sup>	
undoubtedly, EU membership	18	33	16	31
more likely EU membership	15		15	
more likely union with Russia and Belarus	29	56	24	56
undoubtedly, union with Russia and Belarus	27		32	
It's hard to tell	12	12	13	13

a Data of Public Opinion Foundation, all-Ukrainian representative; sample of 1800 people.

b Data of Kyiv International Institute of Sociology, all-Ukrainian representative sample of 2000 people.

Ukrainians – the language spoken while communicating (Russian or Ukrainian) as well as the ethnic group they identify themselves with – Russians or Ukrainians<sup>10</sup>. The most pro-European group is represented by Ukrainian-speaking Ukrainians. In response to a range of questions (which were not mutually exclusive) – 66 per cent would vote at a referendum for joining the EU (only 13 per cent were against); 50 per cent consider that Ukraine should develop economic and political relations with the European countries and try joining the EU; 63 per cent of this group believe that one day Ukraine shall join the EU. However, 43 per cent were not ready to give up open borders with Russia with no visa and customs regimes in favor of joining the EU.

Among the Russian-speaking Ukrainians there is almost equal number of those who would vote for joining the EU as those who would vote against – 40 to 38 per cent. Fifty six per cent of them consider that Ukraine should develop economic and political ties with Russia and Belarus, with a perspective of joining the Union of Slavic States; 59 per cent of this group of representatives are ready to give up Ukraine's joining the EU for the sake of preserving open borders with Russia, with no visa regime and customs. Obviously, the strong preference for this group is the East-Slavonic integration project.

The most pro-Russia oriented is, of course, the group of Russian-speaking Russians. Among them almost half would vote against Ukraine's joining the EU (a quarter would vote for it). Seventy four per cent of them are sure that Ukraine should concentrate its efforts on deepening its ties with Russia and Belarus with a perspective of joining the Union of Slavic States. Seventy five per cent of this group are ready to give up Ukraine's aspirations to join the EU for the sake of preserving open borders with Russia, with no visa regime and customs.

Thus analysis of the sociological survey data shows that in three out of four regions of Ukraine, and in two out of three lingo-ethnic groups, the supporters of the East-Slavonic foreign policy integration option outnumber those in favour of European integration. However, when account is taken of the preferred political and social system then the survey results show that these differences almost disappear when choosing the model of development of society. In fact, social surveys indicate that residents of oblast centers in the West, Center, South and East of Ukraine accept that an economic and social model much the same as that of the EU could be beneficial for Ukraine (see Tables 4.10 and 4.11). Thus those Ukrainians who choose the priority of East Slavonic integration as regards foreign policy do not necessarily reject the EU model of economic and social development.

The survey results show that residents in Ukraine's different regions, who differ from each other in their assessment of the priority of foreign policy integration projects, have much in common regarding their choice of political and economic development. In Western Ukraine as well as in the East and South, most respondents agree that Ukraine needs the same kind of political democracy as the EU - from 76 per cent in Rivne to 58 per cent in Simferopol, and the same kind of economic development as in the EU countries – from 74 per cent in Vinnytsia to 54 per cent in Kharkiv. It should be noted that the number of opponents to Ukraine developing political and economic systems oriented on the EU countries is small in all cities irrespective of the region.

**Age as a Determinant of the European Choice Option** Along with the regional aspect of the European Choice, age is also an important factor in determining choices on Ukraine's desirable integration options. According to popular opinion, Euro-skepticism is widespread among the elderly (aged 60 years and older), who are considered to represent the Soviet generation, having grown up according to Communist dogmas, and who are often thought to be nostalgic for the Soviet-era socialist system and welfare policies. In contrast, the younger generation (under 35) grew up in a very different society and socio-political environment, and are more enthusiastic towards Ukrainian membership of the EU.

The 2005 survey results on opinions towards Ukraine's choice of development/integration options, shown for the country as a whole in Table 4.1, have been broken down by age group (see Table 4.12 below). These show that there is no strong variation among the different age groups of supporters of a Western oriented Ukrainian development and towards joining the European Union, except for respondents who are 60 and over where only 16 per cent support such a trend. The clear preference of many of those in the oldest age group (over 44 per cent) is to support close relations with Russia and Belarus, with the prospect of joining the Slavic States Union.

Equally interesting are the responses regarding Ukrainians' choices in the case of a referendum on Ukraine joining the EU. As may be seen from Table 4.13 below (which shows the same survey results as shown in Table 4.6 for August 2005) the total number of those voting "for" would significantly exceed the number of those voting "against", especially among the youngest age groups. The exception is those aged 60 and over where those who would vote against (a little over 35 per cent) slightly exceeds those who would vote in favour.

These survey results provide evidence that there is a strong correlation between age and attitudes to the European integration agenda. The European integration project enjoys more or less the same relative support among all age groups (25.4 per cent on average), except for respondents aged 60 and more. The results also show that the elderly population shows strong support for closer relations with the former Soviet republics (primarily Russia). At the same time, although all younger age groups are more supportive of European integration than those aged 60 and over, nevertheless a higher proportion of those in all age groups give their support for closer relations with Russia and Belarus and an eventual Slavic States Union than to the European integration project.

**Political Culture and Democratic Values** The concept of European Choice is understood here to mean not only the readiness to support the political project of Ukraine's joining the EU, but also the readiness of Ukrainians to accept the underlying system of values and model of society that exist in the countries of the EU. The foundation for these models is, of course, the system of democratic values.

In Evgen Holovaha's opinion, in Ukrainian society there is a contradictory attitude towards democratic values; certain features of democratic society are acceptable and important for Ukrainians while and the others are not<sup>11</sup>. Relying on the survey data of the Institute of Sociology of the National Academy of Sciences of Ukraine, Holovaha indicates the following democratic features of Ukrainian society: i) the support for acts of social protest that are within the law and opposi-

<sup>11</sup> See [http://dialog.org.ua/dialog.php?id=8&op\\_id=241#241](http://dialog.org.ua/dialog.php?id=8&op_id=241#241). According to the 2000 survey data of the Kyiv International Institute of Sociology, for 54% citizens of Ukraine the right to speak about everything is important even if it increases tension in the society (for 24% it is not important); for 64% - the right of every citizen not to follow any order contradicting the state law is important (for 9% it is not important); for 55% the possibility to publish newspapers of any political orientation is important (for 24% it is not important); for 48% the freedom of establishing political parties competing at elections is important (for 24% it is not important). It is also noteworthy that 85% Ukrainians disagree with the idea that a state should be ruled by an army.

tion to non-democratic acts and acts of violence; ii) the low level of xenophobia and thus a high level of tolerance, which leads to the elimination of serious interethnic conflicts; iii) the fact that Ukrainians tend to be individualistic, which may serve as grounds for the development of liberal values, and the latter, in turn, may provide the basis for a democratic transformation following the Western pattern. The negative features in Holovaha's opinion include social atomism, which leads to a reluctance of citizens to form voluntary organizations engaged in protection of their rights, and also a high level of paternalism.

According to social survey data, Ukrainians also place importance on the right of political debate, on the right to establish political parties and to act within the confines of the law. All these attributes indicate a democratic orientation. At the same time, residents of Ukraine are mainly oriented on a powerful and charismatic leader, and not on law enforcement and political intermediation, which shows an insufficient acceptance of democratic norms<sup>12</sup>. There is also some evidence that Ukrainian society is less tolerant in its attitude towards minorities compared to other European countries<sup>13</sup>. In addition in recent years xenophobia appears to have increased in many European countries, including Ukraine and Russia. In Ukraine this is evidenced by the rise in the frequency of incidents on racial and ethnic ground, and is supported by survey data from the Institute of Sociology of the National Academy of Sciences of Ukraine which reveals a rise in the xenophobia index (measured on the Bogardus scale)<sup>14</sup> after 2000 as compared with the 1990s.

#### Regional peculiarities of political culture and European Choice

According to Ukrainian social research, while there is little regional variation in political culture<sup>15</sup>, the residents' foreign policy choices differ greatly. However, there is little evidence from the survey data that the residents of some regions are any closer in their preferences for European values than those of other regions. Thus it would be wrong to conclude that weaker support for European Choice in some regions of Ukraine is due to European values being less acceptable to them compared to the residents of other regions<sup>16</sup>. This may be illustrated by reviewing the results of a 2005 survey of the incidence of authoritarian attitudes among residents of different regions of Ukraine (see Table 4.14).

The survey results reveal a clear preference for the idea of a 'strong arm' being a better arrangement than more democratic methods

across the country as a whole, with little regional variation. In addition, according to the same study, there was little regional variation in the level of political involvement<sup>17</sup>, while the residents of all regions of Ukraine agree on non-acceptance of unlawful ways of social protest and support legal means of defending their own rights. Thus, it can be argued that differences in foreign policy choices of residents of different regions of Ukraine are not linked with differences in the support for democratic values.

#### 4.3 Views of the Residents of the European Union on Ukraine Joining the EU

Given the recent enlargement of the EU, it is also relevant to ascertain the public's views within the EU as to the possible membership of certain other countries, including Ukraine. Following a request of the international non-governmental organization, Yalta European Strategy<sup>18</sup>, the research agency Taylor Nelson Sofres conducted a survey in six countries of the EU in December 2006 and January 2007 about further enlargement of the EU and the possibility of Ukraine joining it. The six countries concerned comprised 75 per cent of EU residents and the potential candidate countries were Ukraine, Turkey, Russia and Morocco.

According to these survey results, Ukraine's possible membership has strong public support with 55 per cent in favour and 34 per cent against (see Table 4.15). Furthermore in 5 out of the 6 participating countries the number of supporters of Ukraine's joining the EU outnumbered opponents (the exception was Germany where 40 per cent of respondents voted for and 50 per cent - against)<sup>19</sup>. The strongest support came from Poland (where 73 per cent were in favour and only 15 per cent were against) and also in Spain (66 per cent for and 19 per cent against)<sup>20</sup>. In addition, in four of the six EU countries, respondents indicated Ukraine was their preferred candidate for membership out of the four potential candidates, coming ahead of even Turkey which has long been thought of as a potential member of the EU (and where the survey results were 40 per cent for and 50 per cent against). Overall, opinion in the EU towards Ukraine joining the EU was positive.

The results of earlier research related to this survey (and carried out in 2005) provide some information on the reasons behind the survey results. Respondents could select a number of reasons why Ukraine should join the EU. The basic argument was the view that "Ukraine is

<sup>12</sup> For instance, according to the same survey data 46% of Ukrainians agree that a powerful and charismatic leader could give the country much more than any legislation (around 30% disagree with this opinion). Almost the same share of respondents (44%) considers that it would be better to dispose of Verkhovna Rada and elections, and have a strong leader who could immediately solve any problems (about 44% disagree with this opinion). Also, by way of example of non-democratic attitudes, it should be noted that 61% of Ukrainians do not approve of a large number of candidates and parties at parliamentary and presidential elections. A negative attitude of Ukrainians to a multiparty system is evidenced also by the monitoring survey data of the Institute of Sociology of the National Academy of Sciences of Ukraine, according to which in Ukraine only in 1994 there were more supporters of a multiparty system than of its opponents. In 2006, for instance, their ratio constituted 46% against it to 22% for it.

<sup>13</sup> According to the data of a 2005 comparative European Social Survey, Ukrainians demonstrated one of the lowest levels of tolerance in Europe to sexual minorities. For instance, in Ukraine only 37% of respondents agree that gays and lesbians should feel free to live the way they like (the number of supporters of this statement is lower only in Turkey – 25%). At the same time, in the countries of 'old' Europe (Austria, Belgium, Switzerland, Germany, Spain and France) the number of supporters of this idea is over 70%.

<sup>14</sup> The Bogardus Social Distance Scale is a psychometric scale which empirically measures people's willingness to participate in social contacts of varying degrees of closeness with members of diverse social groups

<sup>15</sup> See N. B. Pogorila, Regional divisions in Ukraine as evidenced by political culture, in: Political culture: theory, problems, and perspectives, – K. 2004, pp. 63-81.

<sup>16</sup> For instance, A. Stegnyy notes that in 1994 the largest frequency of authoritarian attitudes was observed among the residents of East and South, while in the Centre and in the West there was an opposite situation. Ten years later there was an increase in number of supporters of a 'strong arm', first of all, among the respondents in the West and Center regions, while residents of the East and South became more democratic oriented. The situation changed dramatically after the Orange Revolution (see A. Stegnyy, Regional factor of development of political culture of Ukraine's population, 'Sociology: theory, methods, marketing', 2005, No. 3).

<sup>17</sup> The used indicator of political involvement was composed of such indicators as (i) membership in non-governmental or political organizations, (ii) frequency of participation in political meetings, and (iii) frequency of direct contacts with activists of socio-political movements and parties.

<sup>18</sup> See <http://www.yes-ukraine.org/ru/mission.html>

<sup>19</sup> On condition that the country meets EU entry requirements.

<sup>20</sup> As is stated by the authors of the survey, the most active supporters of Ukraine's joining EU were men, youth and persons with higher education and/or better social status. These categories give most support to the idea of general EU enlargement.

**Table 4.10**

Answer	Vinnytsia		Cherkasy		Rivne		Khmelnysky		Zaporizzhia		Simferopol		Kharkiv	
Fully agree	45	74	45	69	43	71	44	72	40	64	30	59	26	54
Rather agree	29		24		28		28		24		29		28	
It's hard to tell whether I agree or disagree	13	13	21	21	20	20	21	21	25	25	30	30	26	26
Rather disagree	10	13	6	10	6	9	7	9	11	13	7	12	10	19
Fully disagree	3		4		3		2		2		5		9	

**To what extent do you agree that Ukraine needs the same kind of economic development as the European Union? (%)**

Source: Data of the Democratic Initiatives Fund and of the SOCIS Center for Social and Political Studies, sample of 400 city residents, 2003-2004.

**Table 4.11**

Answer	Vinnytsia		Cherkasy		Rivne		Khmelnysky		Zaporizzhia		Simferopol		Kharkiv	
Fully agree	42	71	41	72	40	76	46	76	38	68	24	58	30	65
Rather agree	29		31		36		30		30		34		35	
It's hard to tell whether I agree or disagree	12	12	14	14	9	9	11	11	7	7	21	21	6	6
Rather disagree	9	18	9	11	11	15	7	11	16	21	11	17	14	27
Fully disagree	9		3		4		4		7		6		13	

**To what extent do you agree that Ukraine needs the same kind of democracy as the European Union? (%)**

Source: Data of the Democratic Initiatives Fund and of the SOCIS Center for Social and Political Studies, sample of 400 city residents, 2003-2004.

**Table 4.12**

Age group	Opinions <sup>b</sup>					Total (%)
	Ukraine's development should be West-oriented, with a perspective to joining the European Union (%)	Ukraine should first of all recover close relations with Russia and Belarus, with a perspective to joining the Slavic States Union (%)	Ukraine, together with Russia, should integrate into Europe (%)	Ukraine's future is in preservation of full independence and development by its particular way, which is different from existing world practices (%)	It's hard to tell (%)	
18-29 years	27.8	30.6	14.2	19.4	8.0	100.0
30-39 years	26.9	32.4	15.9	16.7	8.1	100.0
40-49 years	22.5	34.7	15.8	18.3	8.6	100.0
50-59 years	24.3	36.5	13.6	16.8	8.7	100.0
60+	16.1	44.4	12.7	14.9	11.9	100.0
Total	23.0	36.2	14.3	17.2	9.3	100.0

**Main opinions regarding the direction of Ukraine's development; by age group a**

a The question asked was: 'This card represents main opinions regarding directions of Ukraine's development. Please look through them and choose the one you think is more rational than others'.

b Survey data of the Kyiv Center for Political and Conflict Studies and SOCIS Center for Social and Political Studies, all-Ukrainian representative sample of 2500 people

**Table 4.13**

Age groups (years)	Opinions				Total (%)
	Would vote for Ukraine's joining EU (%)	Would vote against Ukraine's joining EU (%)	Wouldn't participate in referendum (%)	It's hard to tell (%)	
18-29	57.1	25.6	5.2	12.1	100.0
30-39	55.9	27.3	6.2	10.6	100.0
40-49	49.1	28.6	8.0	14.3	100.0
50-59	48.1	27.8	7.2	16.8	100.0
60+	33.6	35.4	7.5	23.5	100.0
Total	47.9	29.4	6.8	15.9	100.0

**Voting intentions in a referendum on Ukraine joining the European Union; by age group a**

a Data of the Kyiv Center for Political and Conflict Studies and of the SOCIS Center for Social and Political Studies, August 2005.

a part of Europe”, according to 38 per cent of residents in the six EU member–countries. Some 34 per cent believed that “joining (the EU) shall lead to strengthening democracy in Ukraine” while others also believed that “Ukraine’s joining (the EU) shall increase the economic cooperation with this country”. It should be noted that the argument of supporting Ukraine ‘to spite’ Russia – the wording of the argument being: ‘Ukrainians put their relations with Russia at risk turning to the EU and therefore need support’ – was only the fourth factor mentioned – 24 per cent of survey participants shared this opinion.

Among the main reasons why some survey respondent’s were opposed to Ukraine joining the EU were that democracy in Ukraine needed further development (supported by 38 per cent); a general reluctance towards enlarging the EU and admitting new countries (34 per cent); economic considerations – “Ukraine is a poor country, it’s joining may weaken the EU” (33 per cent). It should be noted that the argument of ‘appeasing’ Russia – ‘we have to placate Russia which does not approve of Ukraine’s joining the EU’ was not an important factor– only 7 per cent of residents in the six survey–participating countries shared this opinion.

Europeans are optimistic in evaluating Ukraine’s chances of joining the EU – 56 per cent of respondents residing in the six countries thought that Ukraine will become an EU member within 10 years. This compares with the views of the “European optimists” in Ukraine, only 41 per cent of who believe Ukraine will join the EU within 10 years. The residents of the six survey–participating countries believe that Ukraine should not be denied the chance of joining the EU in the future. Half of the respondents considered that the EU should encourage Ukraine to implement necessary reforms in order to meet the requirements with a perspective to start negotiations on future membership, while 10 per cent believed that negotiations regarding Ukraine’s joining the EU should commence right away. However, a quarter of those surveyed thought that the EU must not give Ukraine any signs regarding the possibility of joining the EU in the future.

**Do you agree with the opinion that several powerful leaders can do more for our country than all the laws and political discussions? (per cent)**

Answer	Center	West	East	South
Agree	58	61	64	58
Disagree	24	23	16	24
Don’t know	18	17	20	18

Source: A. Stegniy, Regional factors of development of political culture of Ukraine’s population, ‘Sociology: theory, methods, marketing’, 2005, No. 3.

**Imagine that the following countries applied to join the European Union and met all the requirements. Are you personally for or against each of these countries joining? (%)<sup>a</sup>**

Opinion	France	Germany	Italy	Poland	Spain	Great Britain	All six countries
Fully support	9	8	17	28	22	17	15
Rather support	47	37	43	46	44	30	40
Total ‘for’	56	44	60	73	66	47	55
In general do not support	22	30	15	10	12	18	20
Absolutely do not support	13	20	14	5	7	23	15
Total ‘against’	35	50	29	15	19	41	35
Don’t know	8	6	12	18	15	13	10

<sup>a</sup> Opinions only regarding Ukraine.

## 4.4 Conclusions

Ukrainians appear divided over their broad foreign policy options, with a small majority favouring the development of Ukraine’s relations and cooperation with Russia and Belarus and a slight minority supporting Ukraine’s development along the model of Western countries with the prospect of joining the EU. It is noteworthy, however, that the division in foreign policy preferences is not identical with the Ukrainians’ choice of the preferred models of economic and social development, or with the appropriate models of the organization of society.

Generally, Ukrainians are positive towards EU, its goals and activities and the idea of Ukraine’s joining EU is popular among Ukrainians. However, at the same time, there is also strong support for integration with Russia and Belarus. Thus the foreign policy choices of the Ukrainians are ambivalent; many people wish that both integration projects – joining the EU and integration with Russia and Belarus could be realized simultaneously. However, when they have to make a choice between these two alternatives, the majority of Ukrainians chooses integration with Russia and Belarus, and not with the EU countries.

It should also be pointed out that attitudes towards the European Choice of Ukraine vary greatly by regions as well as by the lingo-ethnic characteristics of the Ukrainian population. However, the majority of residents in most regions of Ukraine consider that EU political and economic models of society organization fit well for Ukraine too. At the same time Ukrainians’ attitude towards democracy as the basis of the European Choice is ambivalent. On the one hand, they acknowledge the importance of particular democratic principles as well as the value of democratic society as such, while on the other hand, the present political culture includes a number of non-democratic characteristics. EU residents in general are positive about the prospect of Ukraine’s joining the EU, reflecting their views that Ukraine is part of Europe and that joining the EU would help to strengthen democracy in Ukraine.



# CHAPTER 5

## ASSESSMENT OF HUMAN DEVELOPMENT IN UKRAINE IN 2000-2006

### 5.1 Macro-Economic Developments

Ukraine's economic growth has been robust in the period under review, with real GDP increasing at an average of some 7.5 per cent a year. The growth has contributed to rising standards of living and declining poverty. The growth of GDP reflected strong growth of domestic demand, both consumption and fixed investment, as household incomes rose steadily, and rapid growth of exports. These trends were reflected in strong output growth, especially from the industrial sector, while more generally economic growth was supported by domestic economic policy changes and reforms, and institutional development.

However, towards the end of the period, the current account had moved into deficit. Although the trade balance had been in deficit since 2003, mainly the result a rise in imports of capital goods and growing competition from other countries, the traditional surplus on services had been sufficient to ensure the current account remained surplus. However, more recently higher import prices for oil and gas have contributed to the emergence of a current account deficit. After some initial success in lowering inflation, the result of tighter controls over government spending and greater currency stability, inflation has remained stubbornly at double digit levels in recent years and by the end of 2007 was over 16 per cent (see Table 5.1 and Annex 19).

On the supply side the growth in domestic consumption supported the growth of manufacturing output, especially of food processing and machinery, which together represent about 30 per cent of Ukraine's manufacturing output. Although the growth of agricultural output has had some setbacks, notably in 2003 and 2005,

nevertheless the agricultural sector has become a reform leader. Among the most important reforms that have been introduced are those to strengthen the private ownership of land and property and the introduction of market mechanisms to provide rural areas with financial and technical resources, including credit. However, many complex problems remain to be solved and the moratorium on agricultural land trading, which was prolonged until 2008, has constrained the development of true market conditions in the sector.

Underpinning the growth of consumption has been the growth of real incomes (per capita) and average wages, which increased 3.2 and 2.9 times respectively between 2000-06. The growth in incomes was the result of an increase in employment, higher minimum social benefits (i.e. the minimum wage rate and minimum retirement pension rates), rising pensions for some categories of the population and improved business profits. The share of the wage bill in total household incomes increased, evidence of the improvement in the economic activity of the population. However, the share of social transfers in relation to household incomes remains very high (39.2 per cent in 2006) which indicates the very high dependence of household incomes on these transfers.

However, not all sectors enjoyed rapid wage growth. Employees in the social sector and in agriculture remain in the low income categories. In particular, in 2006 the average wage of medical and social security workers was 1.6 times lower than the average wage in the economy and more than three times lower than in the financial sector. The average wage rate in agriculture was 2.2 times lower than in manufacturing, partly the result of the strength of the employers' position in the countryside.

The official unemployment rate (ILO methodology) has been

**Table 5.1**

	2000	2001	2002	2003	2004	2005	2006	2007
Real GDP	5.9	9.2	5.2	9.6	12.1	2.7	7.3	7.3
Industrial output	13.2	14.2	7.0	15.8	12.5	3.1	6.2	10.2
Agricultural output	9.8	10.2	1.2	-11.0	19.1	-0.1	0.4	-5.6
Investment in fixed assets	14.4	20.8	8.8	31.3	28.0	1.9	19.0	28.5 <sup>a</sup>
Real population income	4.1	10.0	18.0	9.1	16.5	19.8	16.3	12.5 <sup>b</sup>
Exports of goods and services	18.8	9.7	11.1	24.1	39.0	6.3	13.7	25.7
Current account balance (\$bn)	1.5	1.4	3.2	2.9	6.9	2.5	-1.6	-2.2 <sup>a</sup>
Budget balance (% of GDP)	0.6	-0.3	0.7	-0.2	-3.2	-1.8	-0.7	0.9 <sup>b</sup>
CPI Inflation (Dec to Dec %)	25.8	6.1	-0.6	8.2	12.3	10.3	11.6	16.6
Unemployment (%)	12.4	11.7	10.3	9.7	9.2	7.8	7.4	6.7

**Main Macro economic indicators in 2000-2007 (growth rates in %)**

a January-September period.  
b January-November period.

declining and is presently of the same order as the EU average unemployment rate. However, official statistics fail to take account of hidden unemployment, such as involuntary part-time employment and so-called forced “administrative vacations” on the one hand and employment in the shadow economy on the other hand.

The government has been successful in reducing the budget deficit to below 3 per cent of GDP in most recent years (except for 2004), despite a continued growth in spending. One of the main objectives of the government’s socio-economic policy has been to reduce extreme poverty through increases in social payments to the most vulnerable members of the population. These payments rose 2.6 times in real terms between 2000-06.

The main social standard in Ukraine is the minimum subsistence level on the basis of which the government determines the volume of social security payments and calculates the overall standards of living. The main Government guaranteed social security payments include the minimum wage rate; the minimum retirement pension; the tax-free minimum income threshold and state social allowances. Over the last seven years (2000-2006), the minimum subsistence level has increased by 1.7 times, from UAH 270.10 per month in 2000 to UAH 472.00 per month at the end of 2006. The minimum retirement pension rate increased 12.2 times in the same period – from UAH 30 per month in 2000 to UAH 366 at the end 2006 and had reached the subsistence minimum for those who have lost the ability to work by the end of 2005. The minimum wage rate increased from UAH 118 to 400 per month between 2000 and 2006 - by a factor of 3.4, but was still then only 79.2 per cent of the subsistence minimum of people fully able to work.

However, the continued trends, incidence and depth of relative poverty show that many of these social programs are either inefficient or insufficiently targeted. Even though socially-oriented budget allocations have tended to increase, the quality of social services remains low owing to the higher costs of maintaining the social infrastructure. As a result the government is unable to deliver social services as needed and the share of private business in providing certain social sector services is rising (for example some health and education services). Thus an improvement of social aid programs depends on better targeting, so that support is given to those really in need. Constant monitoring is required, not only of budget expenditure on social benefits, but also of their efficiency and effectiveness.

Any figure of the poverty level depends on the actual definition of poverty. In 2006 it ranged between 1.0 per cent of the total population when the poverty threshold is defined as the daily consumption of a typical adult being less than USD 4.30 (at purchasing power parity - PPP) to 67.0 per cent of total population when the threshold is defined as the daily consumption of a typical adult being lower than USD 14.76 (at PPP), the different thresholds reflecting differences between living standards in countries in transition and in developed countries. Overall, poverty in Ukraine has gradually declined in recent years, in terms of both international poverty criteria and those defined in Ukrainian legislation. According to the Ukrainian definition of national poverty (where consumption of an individual is lower than 75 per cent of the median consumption of a typical adult expressed in terms of current prices), it nevertheless remained high at 28.1 per cent at the end of 2006.

## 5.2 Progress Towards Achieving MDGs and Improving Human Development <sup>1</sup>

### MDG 1: Poverty Reduction

The first target of the Global MDGs Goal 1 encourages countries to halve the number of people whose daily consumption does not exceed USD 1.00 USD in PPP over the period 1990-2015. However, in Ukraine this category comprised less than 1 per cent of the population in 2000. At the same time, the severity of the climate results in considerable expenditure on accommodation, clothes and food. Therefore, for Ukraine, as well as for other countries undergoing economic and political transition, the absolute poverty line is determined at USD 4.3 per day. Ukraine therefore set a much more ambitious for Target 1 – to halve the number of people by 2015 whose daily consumption is below US \$4.30, measured in average PPP (as compared to 2001). Moreover, taking into account European experience, where relative rather than absolute

<sup>1</sup> A summary of all the MDG goals and targets, as planned and actually implemented as measured by the monitoring indicators, is shown in Annex 20. However, it is important to note that there are likely to be some small differences between the data shown in the text tables and those in the Annex. The former are mainly from the State Committee for Statistics and given that the MDGs were not actually implemented until 2003, they include estimates of the planned levels for certain indicators for earlier years. The data in the annex are from the Ministry of the Economy.

### Implementing the MDG poverty reduction targets (Goal 1) (%)

Indicator	2000	2002	2004	2006
The share of population whose daily consumption is below 4.30 USD measured as average PPP (as planned)	11.0 <sup>a</sup>	...	9.8	8.6 <sup>b</sup>
Proportion of population with daily consumption below US \$4.30 (PPP) (actual)	11.9	6.9	3.2	1.0
The share of population below the nationally defined poverty level (as planned)	27.2 <sup>a</sup>		25.0	22.6 <sup>b</sup>
Actual indicators of the depth of poverty	20.0	21.9	18.8	17.2

<sup>a</sup> 2001.

<sup>b</sup> Planned for 2007.

poverty is assessed, the MGD Target 2 for Goal 1 was defined as Reducing the share of the poor by one third (based on the nationally defined poverty level).

The most direct result of the rise in household incomes was the vigorous reduction of absolute poverty. Consequently, the first target under MDG 1, which required that the 2000 rate of 11.0 per cent should be reduced to 5.5 per cent by 2015, was met in 2003, and by 2006 absolute poverty was almost eliminated in Ukraine, reaching the natural minimum of 1 per cent. The risk of absolute poverty remains in families with more than 2 children (and was 5.6 per cent in 2006). However, significant progress has been made given that the comparable figure for this group in 2000 was 32.4 per cent.

It has proved more difficult to secure a reduction in relative poverty (Target 2) owing to the lack of success in bringing down material inequality, together with rapid growth of incomes of the wealthiest members of the population (see Table 5.3).

Some specific groups within Ukraine remain vulnerable, partly reflecting the inadequacy of monetary support. This applies to families with at least one member unemployed, where the risk of poverty rose from 37.4 per cent to 45.4 per cent, between 2000-06 (see Figure 5.1) and also to families consisting only pensioners, where the risk rose from 16.8 per cent in 2000 to 21.4 per cent in 2006 (not shown in Figure 5.1). The significant increase in the maternity allowance in 2005 contributed to a decline in poverty for families with children less than 3 years of age between 2004 and

2006, although this only partly offset a rising trend since the year 2000.

The Global MDGs include another Target for Goal 1 – “To halve the share of starving population between 1990-2015”. In the absence of any information on mortality caused by starvation in Ukraine, the main indicator of implementation of this Target is the share of underweight children under 5. However, in Ukraine as this share is only about 1 per cent, and also conforms to the analogous indicators in most developed countries, the target is not applied in Ukraine.

**MDG 4: Improvement of Health**

An increase in the financing of health care and education, unaccompanied by reforms to improve the management of these services, has not led to improvements in the quality of services provided or to their accessibility. It is estimated that over 16 per cent of the population do not have adequate access to quality medical facilities and services, although 93 per cent of households are considered to be in need of such services. Less than 40 per cent of the population evaluates its health status as good<sup>2</sup>.

One of the most serious health problem that Ukraine faces – that of low life expectancy, mainly because of the extremely high mortality rates of men between 25-65 years of age (especially among those residing in rural areas) is not directly included in the MDGs. Efforts to address the problem of tuberculosis epidemics, of which the majority of middle-aged men suffer, have proved unsuccessful and mortality caused by disease to digestive organs has soared.

2 This follows from the results of the Survey of living conditions in 10,000 households conducted systematically by the State Committee of Statistics.

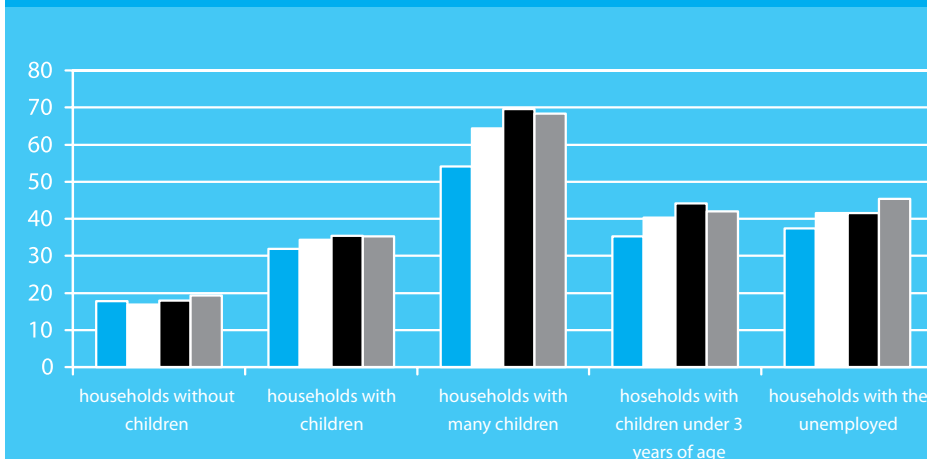
**Table 5.3**

Indicator	2000	2002	2004	2006
Planned levels for MDG Goal 1, Indicator 2	27.2 <sup>a</sup>	...	25.0	22.6 <sup>b</sup>
Actual values of poverty level indicators	26.4	27.2	27.3	28.1
Actual values of poverty depth indicators	23.8	23.9	24.0	23.8

a 2001  
b 2007

**Implementing the MDG target of reducing the level of relative poverty by one third (%)**

**Figure 5.1**



**Index of the Rule of Law in Ukraine and some other countries, 2000-2006**

■ 2000  
■ 2002  
■ 2004  
■ 2006

Ukraine does therefore have a serious demographic problem.

Nevertheless significant progress has been made in tackling some of the health care issues defined by the MDGs. For instance, all the indicators listed under Goal 4, "Improved Maternal Health and Reduced Child Mortality", are over implemented (see Tables 5.4 and 5.5). The maternal mortality rate had fallen below its target by 2003 (although the rate rose in 2005) while the number of abortions per 1000 women of child bearing age has steadily declined and is now well below the target set for 2015. Actual rates of child mortality are also lower than the current targets (see Table 5.5).

Health and knowledge are presently acknowledged to be the non-material components of human development of paramount social value. The advance of human development in Ukraine depends not only on economic, but also on social and demographic factors. Improvements both in the health status of the population and in the quality of education may significantly help to break the vicious circle of poverty.

Some of this progress reflects the success of government policy measures aimed at increasing the birth rate. However, domestic health care (in particular, obstetric and pediatric services) have not experienced much progress. In these areas effective measures should be implemented immediately in order to improve medical services. In particular, account needs to be taken of the transition from 2007 to international standards in defining live births (including a lowering of the benchmark for weight to 500 grams) which will inevitably lead to an increase in infant mortality (where to date the fall in the mortality rate for under 5s has been quite impressive).

However, the situation with respect to infant mortality does not appear so good when compared with the countries of the EU. Only the two countries which joined EU in 2007 – Bulgaria and Romania, have infant mortality rates which are worse than those of Ukraine

(see Figure 5.2).

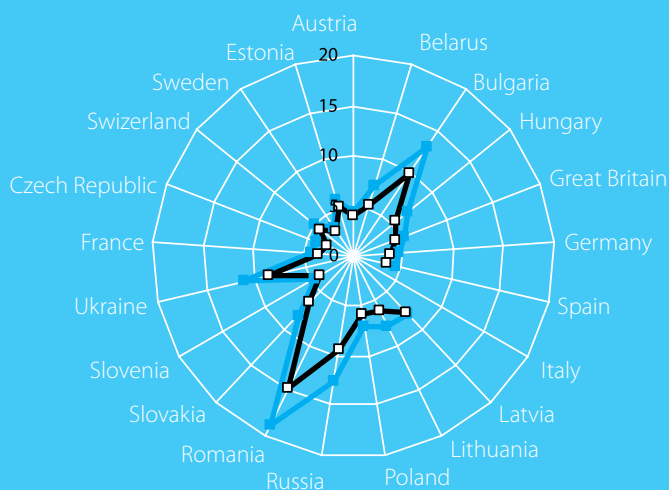
However, today greater use is made of the indicators of under-5's mortality than infant mortality because modern health care has been very successful in "gaining" one or two years of life for even for an infant who is very ill, yet it is not always possible to prevent the subsequent death of the child. There has also a general improvement in quality of infant care. For both these reasons international organizations tend to use the under-5's mortality indicators in their international comparisons. The development of this indicator in Ukraine is quite satisfactory, although the comparison with the EU is similar to the experience with infant mortality rates (see Figure 5.3). The main reason for the gap between Ukraine's and other countries' under-5s mortality rates, especially the Czech Republic, Poland, Hungary and France, is the excessive mortality due to external factors. Although total number of child deaths is not very large in Ukraine, the gap in those rates between Ukraine and average of other countries is very high.

### MDG 5: Reducing and Slowing Down the Spread of HIV/AIDS and Tuberculosis

Progress in reaching this goal is proving much more difficult as these diseases continue to spread, and their relevant mortality rates raise. The number of new cases of HIV-infections per 100,000 people has more than doubled since 2001 rather than fallen. Although there have been improvement of diagnostics and a reduction in the share of latent cases, there has also been a surge in AIDS-related mortality. In the last four years the number of such deaths per 100,000 people increased more than five times and arguably would have been higher had it not been for the success achieved in the prevention of HIV transmission from mother to child. Mainly because of the support of international organizations, the share of HIV-infected children born by HIV-positive mothers dropped from 35 per cent in 2001 to 8 per cent in 2005 (see Tables 5.6 and Annex 20).

#### Infant mortality rates per 1000 for selected countries, 2005

Figure 5.2



**Table 5.4**

Indicator	2000	2002	2004	2006
Number of death from complications during pregnancy and delivery, or post-delivery, per 100,000 live births, as planned	24.7	...	22.0	20.3 <sup>a</sup>
Actual indicator of maternal mortality, per 100,000 of live births	24.7	21.8	13.1	15.2
Number of abortions per 1,000 women of childbearing age, as planned	34.1	...	26.7	26.1 <sup>a</sup>
Actual indicator of abortions , number of abortions per 1000 women of childbearing age	34.1	27.6	23.2	18.7

a 2007.

**Implementing MDG Goal 4, Target 1: progress towards reducing maternal mortality by 17 per cent**

**Table 5.5**

Indicator	2000	2002	2004	2006
2.1. Under -5 mortality rate (number of death per 1000 children under 5), planned	15.6	...	14.3	14.3 <sup>a</sup>
Actual indicator of mortality among under 5's, per 1000 of live births	15.5	13.5	12.4	12.0
2.2. Infant mortality rate (number of death per 1000 children less than one year old), planned	11.9	...	10.4	10.4 <sup>a</sup>
Actual indicator of infant mortality, per 1000 of live births	12.0	10.3	9.2	9.8

a 2007.

**Implementing MDG Goal 4, Target 2: progress towards reducing mortality among under-5's by 17 per cent**

**Table 5.6**

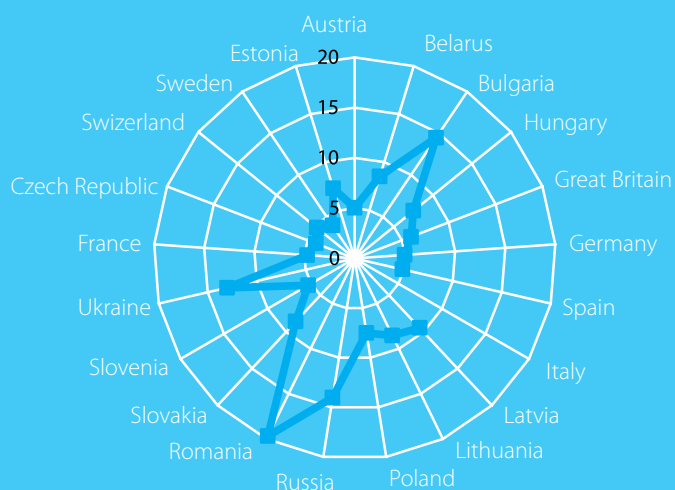
Indicator	2000	2002	2004	2006
Number of new HIV-infection cases, per 100, 000, as planned	12.6	...	15.4	14.1 <sup>a</sup>
Actual indicator of the number of new HIV-infection cases, per 100, 000 people	12.7	15.5	25.8	34.4
Number of AIDS-related deaths per 100,000, as planned	0.8 <sup>c</sup>		1.2 <sup>c</sup>	0.6 <sup>c</sup>
Actual indicator of the number of AIDS-related deaths per 100,000 people	1.1	2.3	3.8	5.2
Target indicator of the proportion of HIV-infected children born to HIV-infected mothers (%), as planned	0.8	...	1.2	0.7 <sup>a</sup>
Actual indicator of the proportion of HIV-infected children born to HIV-infected mothers (%)	...	...	10.0	8.0 <sup>b</sup>

a 2007  
b 2005

c MDG Ukraine 2000+5

**Implementing MDG Goal 5, Target 1: reduce the rate of the spread of HIV/AIDS by 13 per cent**

**Figure 5.3**



**Under-5s mortality rates per 1000 live births, selected countries, 2005**

### MDG 2: Improvement of Educational Levels and Professional Development

In a knowledge society education and training rank among the highest political priorities. Acquiring and continuously updating and upgrading a high level of knowledge, skills and competencies is considered a prerequisite for the personal development of all citizens and for participation in all aspects of society from active citizenship through to labor market integration. Lifelong learning has emerged as an overarching strategy for enabling citizens to meet new challenges.

#### *European Report on Quality Indicators of Lifelong Learning, EC, Brussels 2002*

Considerable progress has been achieved in fulfilling this goal, relating to "Quality life-long education", partly no doubt because of the high levels of literacy which have been attained<sup>3</sup>. The targets on all indicators have been successfully implemented, and in some cases there have been significant advances in relation to the schedule. This includes net enrollment rates for children aged 5 years in pre-school programmes and for those aged 18-22 in higher educational programs (see Table 5.8).

There has also been an impressive increase in the number of specialists who have received higher education, although this aspect is not covered by the MDGs indicator monitoring system. Unfortunately, there are also no clearly defined indicators to track changes in such critically important areas as adult education and the implementation of the European Standards of Education. Although the latter are covered by a specific target (Goal 2, Target 2) to "Raise the quality of education", and is linked to indicator 2.1 (the Proportion of current state education standards that comply with those of the EU), no system of indicators was elaborated to monitor progress towards reaching these particular targets. The number of those who underwent re-training and upgraded their professional skills has risen (from 157,700 in 2001 to 193,000 in 2005). However, the enrollment rates for the adult population remain well below the corresponding rates in developed countries. This in turn clearly impedes the growth of demographic potential as well as the competitiveness of the Ukrainian labour force.

### MDG 3: Environmental Improvement

Environment and its key issues, including climate

change, natural hazards, air pollution, genetically modified crops and biodiversity, will dominate the 21st century as they are absolutely crucial for the future of the planet. More sustainable use of water, managing marine resources, reducing waste, and improving energy efficiency are all essential for creating wealth and improving quality of life as well as for environmental sustainability.

All of the main environmental indicators have tended to deteriorate compared with the position at the beginning of the decade and thus the third MDG goal of "Sustainable Environmental Development" is on the verge of failure. There has been no significant improvement in providing the population with access to clean water (see Table 5.9), the volume of harmful emissions into the atmosphere from stationary sources has increased by 10 per cent instead of stabilizing (see Table 5.10) and there has been no expansion of natural reserves and national parks (see Table 5.11). The reasons for the lack of progress lie in the government's lack of appreciation of the importance of these targets, which resulted in insufficient financing.

### MDG 6: Gender equality

Gender equality means the importance of ensuring equal opportunities for women's participation in all areas of public life. It is a basis of human development and human rights that promotes women's empowerment and advancement. It influences the capacity of women to be involved, participate actively and benefit from development processes in a sustained and effective manner. It also contributes to the elimination of women's discrimination and exclusion, increases their access to decision-making and control over resources such as land and economic assets, and fully recognizes their contributions as actors in the economy and other areas of public life.

The extremely high rate of male mortality in Ukraine has resulted in a large gap in life expectancy at birth between women and men, amounting to at least 11.5 years during the current decade (see Figure 5.4). High male mortality rates are common for almost all countries of the former USSR, even for the Baltic States. In Ukraine

<sup>3</sup> The literacy level of the adult population was 99.4 per cent in 2004.

#### Implementing MDG Goal 5, Target 2: reduce the number of TB cases by 42 per cent

Table 5.7

Indicator	2000	2002	2004	2006
Number of new TB cases (including pulmonary TB) per 100,000 (planned)	60.4	...	80.0	56.4 <sup>a</sup>
Actual indicator of the number of new TB cases, per 100,000 people	60.4	76.0	81.2	84.1 <sup>b</sup>
Number of TB-related deaths per 100,000, planned	22.2	...	19.0	17.0 <sup>a</sup>
Actual indicator of the number of TB-related deaths per 100,000 people	22.3	20.5	22.7	22.3

<sup>a</sup> 2007

<sup>b</sup> 2005

Table 5.8

Indicator	2000	2002	2004	2006
Net enrollment rate for children aged 3-4 in pre-school programs, planned (%)	50.7	...	57.0	60.0 <sup>a</sup>
Actual net enrollment rate for children aged 3-4 in pre-school programs (%)	...	...	...	...
Net enrollment rate for children age 5 in pre-school programs, planned (%)	47.6	...	53.0	55.0 <sup>a</sup>
Actual net enrollment rate for children under 5 in pre-school programs (%)	99.2 <sup>b</sup>	...	99.3	99.3 <sup>c</sup>
Net enrollment rate for children aged 6-9 in primary programs, planned (%)	96.7	...	99.3	99.5 <sup>a</sup>
Actual net enrollment rate for children aged 6-9 in primary programs (%)	...	...	99.3	...
Net enrollment rate for children with a secondary education, planned (%)	90.0 <sup>b</sup>	...	92.0	95.0 <sup>a</sup>
Actual net enrollment rate for children with a complete general secondary education (%)	...	...	92.0	...
Net enrollment rate in post-secondary institutions for those aged 18-22, planned (%)	53.4	...	60.0	63.0 <sup>a</sup>
Actual net enrollment rate for those aged 18-22 in higher education programs (%)	...	...	65.2	...
Target rate of specialists with higher education (thousand People)	...	...	...	...
Number graduates from post-secondary institutions (planned) <sup>d</sup>				
Cumulative gross indicator of persons that undergo re-training of professional development (planned) <sup>d</sup>				
Actual rate of specialists with higher education (thousand People)	422.2	512.2	464.4	551.5

a 2007

b 2001

c 2005

d MDG Ukraine 2000+5

**Implementing MDG  
Goal 2, Target 1: raise  
enrollment rates by 2015,  
in comparison with 2001**

Table 5.9

Indicator	2001 <sup>a</sup>	2004	2006
Percentage of drinking water that meets national standards for urban areas, planned	86	87	88 <sup>b</sup>
Actual indicator of proportion of urban population using drinking water that meets national standards (%)	86	87	87 <sup>c</sup>
Percentage of drinking water that meets national standards for rural areas, planned	63	64	66 <sup>b</sup>
Actual indicator of proportion of rural population using drinking water that meets national standards (%)	63	63	63 <sup>c</sup>

**Implementing MDG Goal  
3, Target 1: increase the  
proportion of people with  
access to clean drinking  
water by 12 per cent from  
2001 to 2015**

a Data for 2000 are not available.

b 2007

c 2005

Table 5.10

Indicator	2001 <sup>a</sup>	2004	2006
Volume of harmful emissions into the atmosphere from stationary sources of pollution, planned (millions of metric tons per year)	4.05	4.15	4.20 <sup>b</sup>
Actual indicator of volume of harmful emissions into atmosphere from stationary sources (millions of metric tones per year)	4.05	4.15	4.45 <sup>c</sup>

**Implementing MDG Goal  
3, Target 2: stabilize air  
pollution from stationary  
sources**

a Data for 2000 are not available.

b 2007

c 2005

Table 5.11

Indicator	2000 <sup>a</sup>	2004	2006
Total area of natural and biospheric reserves and national parks, percentage of territory of Ukraine, planned	4.2	6.1	7.5 <sup>b</sup>
Actual indicator of total area of the natural reserve stock, percentage of the overall territory of Ukraine	4.2	4.6	4.7 <sup>c</sup>

**Implementing MDG Goal  
3, Target 3: expand the  
network of natural and  
biospheric reserves and  
national parks by 10.4 per  
cent of the overall territory  
of Ukraine**

a Data for 2000 are not available. b 2007, c 2005

the gap in life expectancy has tended to increase over the last 40 years and the only period when a considerable reduction was recorded was in the 1980s when the state took action to combat alcoholism and the consumption of alcohol at the work place. The main reasons for the high rate of male mortality were discussed in Chapter 1, and include alcoholism, harsh working conditions and more recently the greater likelihood that they will be infected by socially dangerous diseases such as HIV/AIDS and tuberculosis than women. The gap in male/female life expectancy is appreciably higher than that of the "older" EU member states where the difference in male and female life expectancy at birth is close to the normal biological level of about 5 years. However, by the age of 60, when many of the work related risks of adult mortality are over, the difference in male and female life expectancy in Ukraine falls to 3.9 years, which fully conforms to the EU average.

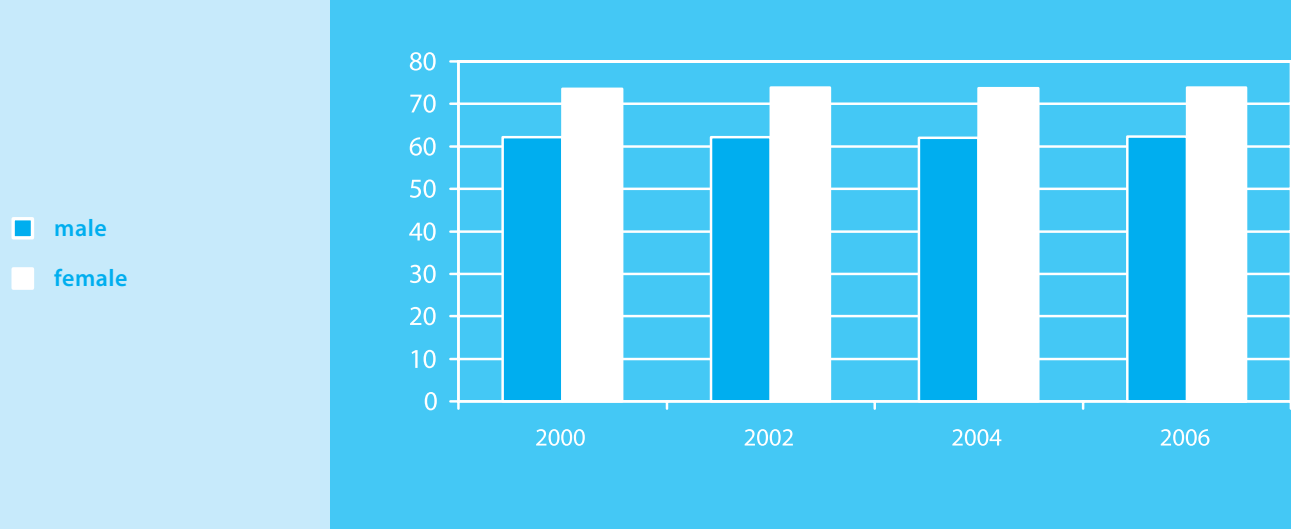
Gender equality is best achieved in education (see Figure 5.5) and in this respect considerable progress has been made given that women in Ukraine are well educated and oriented to pursuing

an active professional life. Although the literacy rate for Ukrainian women is lower than that for men (99.2 per cent and 99.7 per cent respectively) this can be attributed to the high proportion of women who are 80 years and more and the fact that the majority of those who are illiterate are in this age group. Male and female enrollment rates at primary and secondary school levels are nearly identical, but at higher levels of education, the female enrollment share is 19 per cent higher than for males. As a result, the share of the economically active female population with complete or incomplete higher education constitutes 47.5 per cent of the total, while the comparable share for men is only 39.5 per cent.

The MDG targets to promote gender equality refer to the need to lower the income gap between men and women (Target 6.2) and promote greater representation of women in public life (Target 6.1). In the case of incomes the ratio of women's to the men's average wage rate was to reach 73 per cent in 2004 and 76 per cent by 2007. By 2006 the ratio was just 69 per cent, having risen steadily from 64.6 per cent in 2000 (see Figure 5.6). Although the

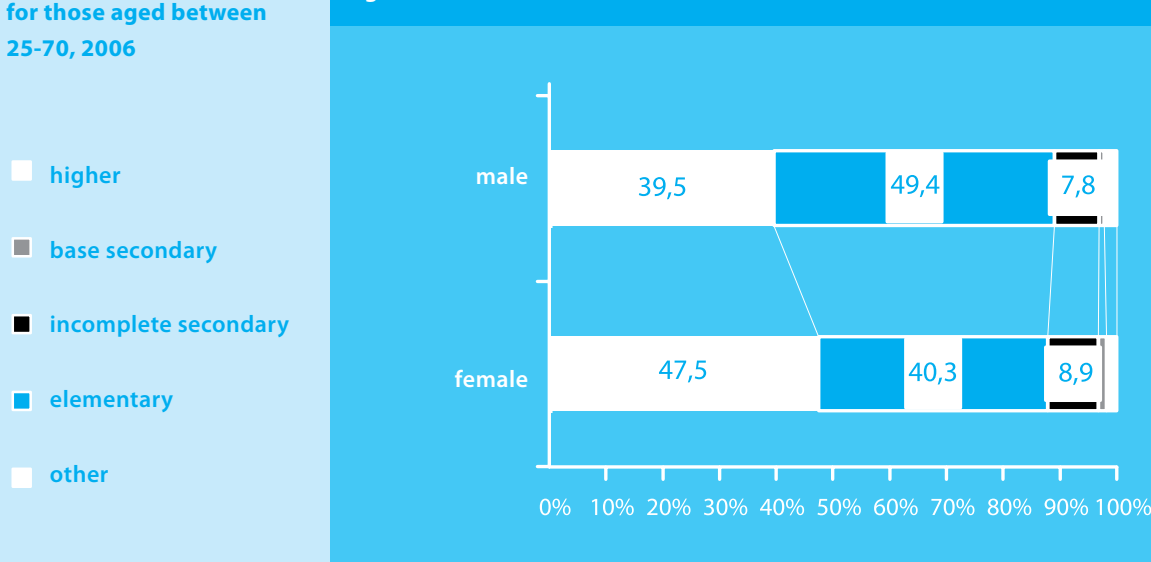
Life expectancy at birth in Ukraine, 2000-06 (years)

Figure 5.4



Education levels by gender for those aged between 25-70, 2006

Figure 5.5





**Men and women in  
the government and  
managerial positions in  
2001-2006**

		2001						2004						2005						2006									
		Total, persons		Shares, %		men		Total, persons		Shares, %		men		Total, persons		Shares, %		men		Total, persons		Shares, %		men					
		women	men	women	men	women	men	women	men	women	men	women	men	women	men	women	men	women	men	women	men	women	men	women	men				
Number of employees holding position of managers/chiefs and specialists including:		199720*	74,2	25,8	42,1	57,9	241452	75,1	24,9	247124	75,4	24,6	255129	75,3	24,7	51203	57,9	42,1	65807	61,8	38,2	64820	62,9	37,1	65831	63,5	36,5		
Managers/Leaders, position rank:																													
First		213	5,6	94,4	92,2	7,8	243	7,8	92,2	297	13,8	86,2	315	14,6	85,4														
Second		857	18,9	81,1	80,9	19,1	1061	19,1	80,9	1152	23,9	76,1	1244	23,0	77,0														
Third		2687	28,0	72,0	66,2	33,8	3269	33,8	66,2	3127	36,1	63,9	3144	38,1	61,9														
Fourth		6340	41,3	58,7	54,9	45,1	7744	45,1	54,9	7180	45,5	54,5	7200	46,4	53,6														
Fifth		13990	59,4	40,6	35,6	64,4	18812	64,4	35,6	18086	65,5	34,5	18126	65,5	34,5														
Sixth		27116	65,7	34,3	31,6	68,4	34678	68,4	31,6	34978	69,2	30,8	35802	69,9	30,1														
Specialists, position rank:																													
position rank:																													
Second		46	30,4	69,6	35,8	64,2	95	64,2	35,8	85	41,2	58,8	99	34,3	65,7														
Third		2236	57,1	42,9	59,9	40,1	2891	40,1	59,9	3117	60,1	39,9	3317	61,8	38,2														
Fourth		2086	70,8	29,2	64,3	35,7	3285	35,7	64,3	3215	63,7	36,3	3544	62,4	37,6														
Fifth		16106	68,1	31,9	71,4	28,6	21923	28,6	71,4	23354	71,8	28,2	24984	71,0	29,0														
Sixth		44581	77,2	22,8	80,3	19,7	61393	19,7	80,3	64413	80,1	19,9	66329	79,2	20,8														
Seventh		83462	84,2	15,8	83,4	16,6	86058	16,6	83,4	88120	83,2	16,8	91025	83,2	16,8														

\* Since 2001 the local government servants, who fall under the Law "On service in local government authorities", are included in another statistical review.

## BOX 5.1

## MDGs Progress in Countries of South-East Europe and the CIS

Transition countries of South-Eastern Europe and the CIS have been on a socio-economic roller coaster since the early 1990s, with progress towards the Millennium Development Goals seemingly tied to the sharp rises and falls of extreme poverty and income inequality. The proportion of people living on less than a dollar a day jumped from less than 1 per cent of the population in the CIS countries and South-Eastern Europe in 1990 to 5.5 per cent and 1.3 per cent respectively in the two regions in 2004, and then fell back to the low levels of the pre-transition period of the 1980s. But the slowdown in extreme poverty was accompanied by rising rates of income inequality in the region. Inequality in the CIS countries was very low in the 1990s. The share of consumption (or income) by the poorest quintile of the population in the CIS countries went from among the highest among all regions (nearly 8 per cent) in 1990 to just over 6 per cent in 2004. By the turn of the century, the overall situation was again showing signs of improvement although other long-standing problems continued to afflict the CIS and South-Eastern European countries.

There are sharp distinctions between CIS countries in Europe and CIS countries in Asia. For instance, in the first group of countries, the total net enrolment ratio of children in primary school fell from 91 per cent in 1991 to 83 per cent in 1999, and then bounced back to 90 per cent in 2005. By contrast, primary school enrolment levels in the Asian CIS countries, which were lower than CIS Europe's in 1990, rose steadily throughout the transition period, reaching 94 per cent in 2005. Similarly, the mortality rate for children under the age of 5 declined significantly in the European parts of CIS and in the countries of South-Eastern Europe, dropping to 17 deaths per 1,000 births. By contrast, in the Asian

CIS countries, the slow rate of progress was dramatized by figures showing that child mortality there is the third highest among all regions.

Yet the CIS and South-Eastern European countries entered the last decade in a situation of relative advantage compared to all other developing regions. Examples include the relatively high rate of measles immunization (85 per cent coverage in 1990), widespread health care for women in childbirth (which already stood at 99 per cent in 1990); relatively high access to improved sanitation facilities (82 per cent in 1990); and in the declining incidence and prevalence of diseases such as tuberculosis. But the region's pace in addressing such problems as poverty eradication, prevention of major infectious diseases and gender equality was slow which impaired progress in moving more rapidly towards implementation of the MDG targets.

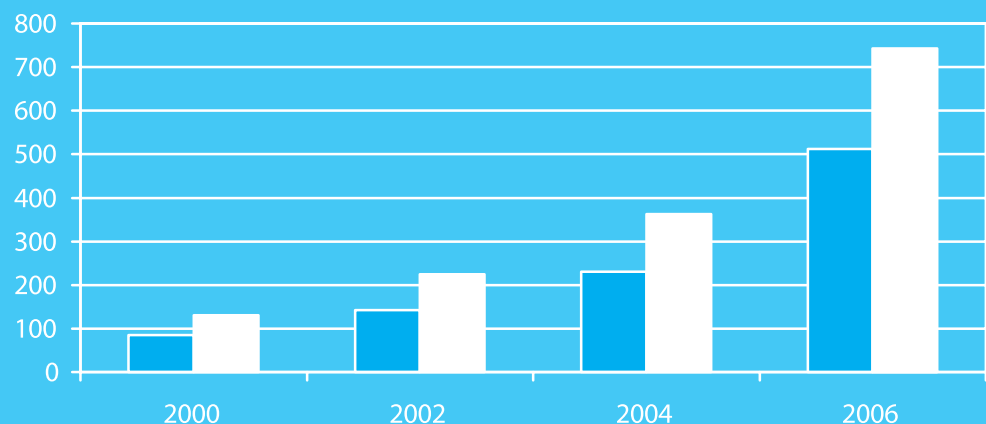
In the case of tuberculosis control the region will have to step up the pace of its efforts if the MDG target of halving TB prevalence and death rates is to be met. The latest statistics show that the region's low prevalence of 83 cases per 100,000 in 1990 doubled to 163 cases in 2000. In the drive for gender equality, women in the CIS and South-Eastern European countries have traditionally enjoyed easy access to paid employment and political participation, the report noted. But with the onset of the transition, parliamentary representation by women dropped dramatically, since their participation in national politics was no longer guaranteed. The trend has since been reversed, and women are slowly gaining ground again.

*Millennium Development Goals Report 2007, United Nations, New York 2007.*

## Gender differentiation in average income rates, UAH

■ male  
■ female

Figure 5.6



ratio is below the MDG target, it exceeds the corresponding ratios in most post-socialist countries (of between 60-65 per cent) and almost reaches the levels of some of the most successful countries in terms of gender equality (Sweden, Norway, Denmark, Iceland and Finland) where female and male income parity rates exceed 70 per cent.

However, the improvement in the ratio is partly the result of changes in overall standards of work remuneration, including several increases in the minimum wage rate, and a unified wage-rate system made applicable to everyone employed in the budget sector irrespective of their gender. An examination of changes in wage rates within any given sector, and of the number of women in top-paid jobs, do not provide evidence of any clear tendency towards reducing gender income inequalities. In general a larger proportion of men are employed in higher paid jobs than women, especially in the government and business sectors. Furthermore, wages are one source of income, albeit a very important one, and female and male wage ratios tend to be lower than the corresponding income ratios.

The progress towards a larger share of women in positions of authority is to be measured by quantitative guidelines in terms of clearly spelled out 9 gender ratios in representative authorities as well as at the top level of executive authorities, many of which ultimately require a gender ratio of 30:70 for either gender by 2015. However, monitoring is currently done for only a few indicators. In some key areas of political life the representation of women is very low. For example women only represented 8.5 per cent of all deputies of the Verkhovna Rada in its 5th convocation. In most European countries this indicator ranges between 23-38 per cent and in Sweden it is some 45 per cent. In the Cabinet of Ministers, women were to hold 15 per cent of all positions, while in fact they occupy only 8 per cent

The almost complete absence of women at the top level of political decision-making in Ukraine is in contrast to their relatively satisfactory participation in positions of economic decision-making. Women represent the majority of the officials within

government, accounting for over 63 per cent of all those classed as managers/leaders and almost 80 per cent of those classified as specialists (see Table 5.12). However, the majority of women occupy posts which are in the lower grades – a far smaller proportion of women hold the most senior posts in public office. These figures, which are in line with those of Russia and Moldova, are partly explained by the relatively low share of professionals and specialists in total employment, a feature of the former employment structure. In most European countries the share of women among top government officials and managers is close to their representation in Parliament, and their share among professionals, specialists and technical officers is equal to almost 50 per cent.

Many of the MDG targets are indeed challenging and the experience of some other countries in the region in this respect is summarized in Box 5.1. Ukraine is also behind other European countries in terms of human development (a summary of progress in these countries is included at Annex 21), indicating that the government has to do more to emphasize the importance of its policies in these areas.

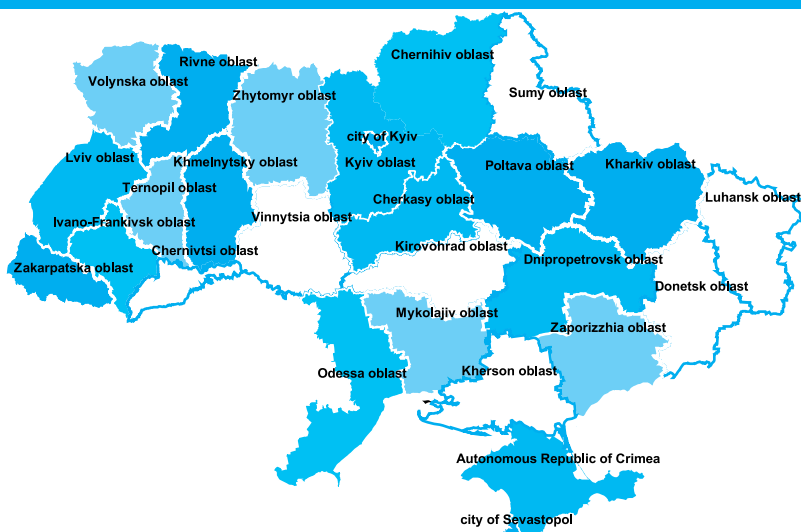
### 5.3 Human Development in Ukraine: a Regional Assessment

**Overview** A distinctive feature of regional differences in human development in Ukraine is the lack of any positive correlation with economic development. High mortality rates, especially among those of working age, co-exist with relatively high income levels in the most economically developed regions of the south east of the country. Regional differences in education are insignificant. All this suggests that the fruits of economic growth are not always directed towards the achievement of human development goals and do not necessarily assist the human development of the region.

When economic development is compared with the index of human development of individual regions, the lowest value of the regional development index (HDIR) is found in industrially developed Donetsk oblast (0.401 – rated 27th) and Lugansk oblast (0.416 – rated 26th)<sup>4</sup>. At the same time relatively high HDIRs are found in

4 Calculated according to UN methodology and by the Ukrainian methodology of a hierarchy of HD indicators.

Figure 5.7



#### Differentiation of Ukrainian regions by the Human Development Index, 2005

##### HDI, 2005

- 0.509 - 0.628
- 0.486 - 0.509
- 0.47 - 0.486
- 0.455 - 0.47
- 0.401 - 0.455

agrarian and relatively poor Zakarpatska and Poltava oblasts (0.511 – rated 5 and 6th) and in Rovno oblast (0.509 – rated 7th).

Donetsk and Lugansk oblasts occupy two the last positions in the national rating of human development in the whole period 2000-2005. Ecological pollution, common in all industrial regions, is exceptionally high in these oblasts, owing to the concentration of mining, metallurgy and other heavy industries. Environmental pollution, together with the high proportion of people working in harmful conditions, are the main reasons for the low level of human development indices in these oblasts. Consequently, the high frequency of occupational traumas is accompanied by low life expectancy, high infant mortality and adverse social factors (including alcoholism, criminal incidence, and homelessness). The latter, in turn, contribute to a poor family environment and lack of attention for children, which results in the low school enrollment rates.

Kherson and Kirovograd oblasts also achieve persistently low ratings on the HDIR rating lists. In these regions economic challenges overlap with social ones and result in a crisis in almost all aspects of human development. The inadequate levels of education and health care infrastructure contribute to low youth enrollment in higher education, high infant mortality, the spread of socially dangerous diseases and low life expectancy. Rivne oblast, on the other hand, is one of the few regions which managed to significantly improve its rating. Despite the low indicators of material welfare and high rate of infant mortality, Rivne oblast achieved great success in increasing child enrollment at school as in improvements to the social environment more generally.

There is no single reason underlying this particular pattern of developments at the regional level, except for the peculiarity and complexity of the HDIR which allows it to take account of various aspects and factors of development. The map of regional human development is shown in Figure 5.7. However, some of the main differences in regional human development in Ukraine are linked to the peculiarities of regional labor markets, incomes, health status and education of the population, which are examined further below.

**Labor market and incomes of the population** Labor market developments are the key to determining incomes, especially the rates and duration of unemployment. Non-government statistical studies also point out the much more vulnerable position of residents in agrarian or rural oblasts (except only for Mykolajiv oblast) as they do not have access to the more developed labor markets in cities. Thus, considering that 66 per cent of regional variations in wage rates are attributed to unemployment, the differences in the ease of access to labour markets are an important determinant of the variations in regional income.

The considerable regional differences in labor remuneration reflect differences in the sectoral structure of regional economies as well as large variations in wage-rates in individual sectors of the economy. This, in turn, gives rise to many problems related to establishing a single, national system of living standards that would be applicable to all regions, as well as to overcoming poverty. Regional differentiation of wage rates leads first of all to price differentiation, and thus to differences in purchasing power of public sector employees as well as those dependent on the state social benefits system. Regional differences between the average national wage rate and the regional subsistence minimum for the working age population are shown in Figure 5.8.

The chart shows the relatively privileged position of residents of Kyiv, and of Dnipropetrovsk and Donetsk oblasts where the ratio of the national average wage rate to the regional subsistence level was 319, 218 and 214 per cent respectively. The lowest ratios were observed in Ternopil, Chernihiv and Kherson oblasts (155, 156 and 159 per cent respectively). In Zakarpatska and Ivano-Frankivsk oblasts the purchasing power of the average wage rate provides for almost 178 per cent of products and services which comprises subsistence minimum. The corresponding figure in Lviv oblast was 190.6 per cent (almost the same, for example, as in Odessa oblast). Hence, the traditional thesis about lower living standards in the western regions of Ukraine appears to lack support.

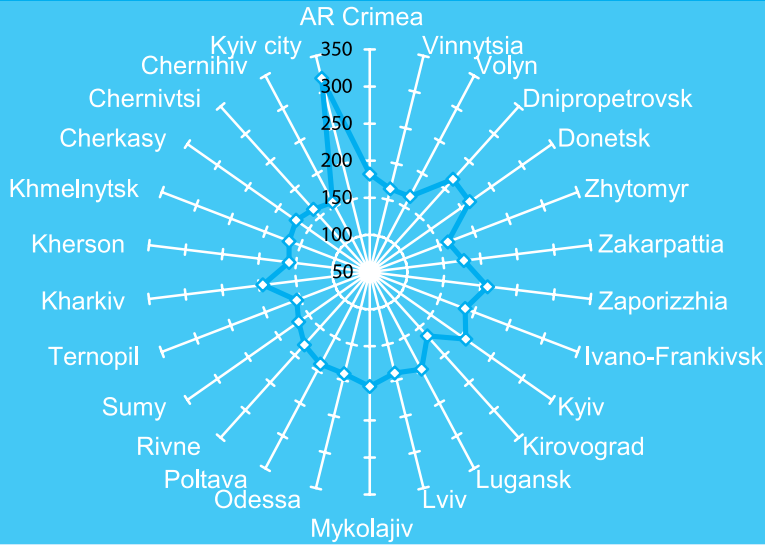
Of course, wages represent only one source of income for many households. In Ukraine a large proportion of household revenue is also represented by incomes of the unemployed, from pensioners, as well as from incomes earned in the informal economy which by various estimates represent between 15-45 per cent of total household income. Thus, it is very important to take account of shadow incomes while determining regional variations in household incomes. Total household incomes find indirect expression in other measures, for example in the volume of bank deposits, in prices of accommodation per square meter, in numbers of vehicle owners or in expenditure overruns of incomes. Cross-correlations of these variables leads to the conclusion that there is no link between the amount of income earned from these informal sources and registered income, except for the Odessa, Zaporizzhia and Volyn oblasts. This is explained by the presence of very large employers including auto factories as well as the Black Sea Fleet at Sevastopol. The relationship between average wage rates, total household revenues and the number of cars for the regions of Ukraine is shown in Figure 5.9.

An important determinant of regional social equity is the poverty rate. As discussed above, poverty can be defined according to many criteria although the most important ones are those reflected in the MDGs - absolute and relative poverty. Given that the absolute poverty line threshold of daily consumption under 4.3 USD is meaningless in Ukraine (see above), the statutory subsistence minimum is used for examining regional poverty rates. The correlation between regional levels of absolute and relative poverty is very high ( $r=0.959$ ). The regional variation is quite significant: 150.7 per cent of the Ukraine's average indicator of relative poverty, and 120.3 per cent in relation to the absolute poverty indicator.

It follows that regional differences in both labour markets and incomes are quite significant in Ukraine. A more developed housing market might reduce these differences by assisting more migration of labour as economically active workers would tend to migrate to regions of high demand for labor with relevant skills and therefore better remunerated, and those no longer of able-age would migrate to regions with lower prices). However, in Ukraine the possibilities of intraregional migration are limited and the lack of adequate transport network impedes development of push-pull migration.

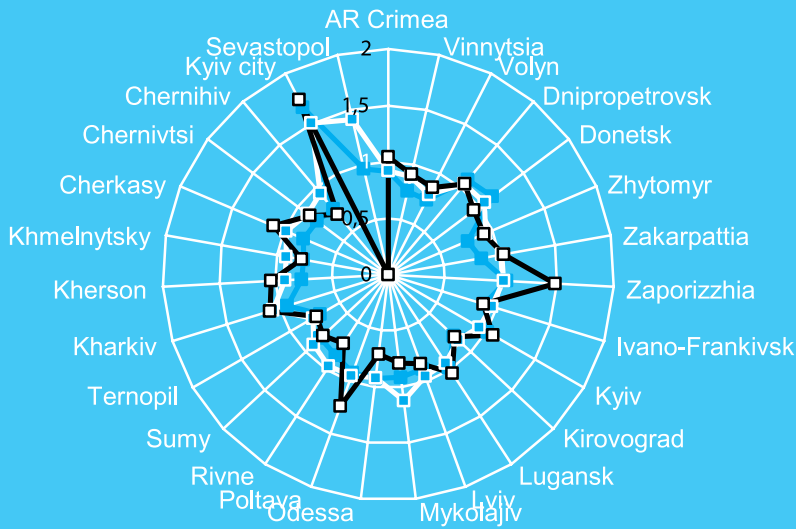
**Health status** Substantial regional differences in the access to quality medical services are directly reflected in differences in infant mortality. The rates vary from 6.3 per cent in Sevastopol to 13.3 per cent in Kirovograd oblast, with a national average of 9.8 cent in 2006. Rural residents are mainly affected by the lack of access to medical services, – in cities primary medical care is provided irrespective of the health-status of the patient. In Kyiv,

Figure 5.8



Regional differences in the ratio of average wage rates and the regional subsistence minimum (November 2006, )<sup>a</sup>

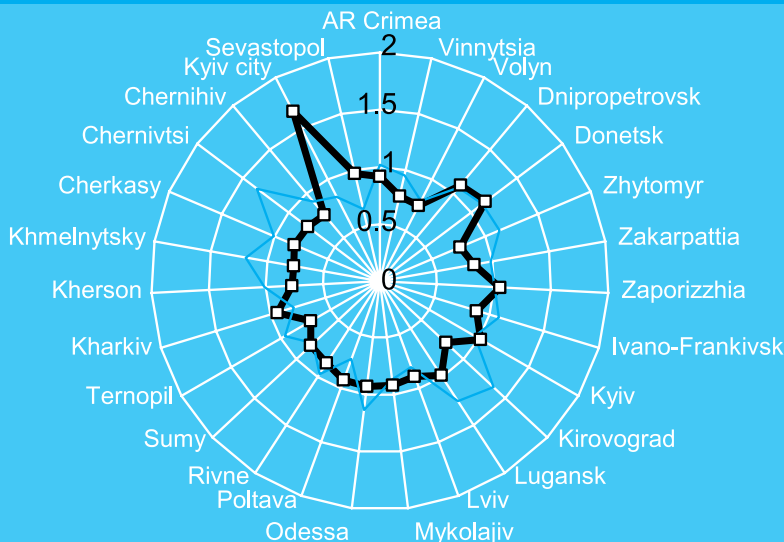
Figure 5.9



Regional differences between average wage rates, household incomes and the number of cars by regions, %<sup>a</sup>

- ◆— wage rates
- household incomes
- number of cars

Figure 5.10



Regional wage and infant mortality rates<sup>a</sup>

- wage rates
- ◆— infant mortality

however, the rate of infant mortality is as high as 8.1 per cent, which most probably reflects doctors' inclination to send pregnant women with complications to the capital. There is also no close correlation between infant mortality rate and economic development. Regional wage rates and regional infant mortality rates in relation to the respective rates for Ukraine as a whole are shown in Figure 5.10.

Many regions which have enjoyed high rates of economic development have, however, also experienced high sickness and mortality rates. This is shown by the spread of the main chronic diseases, such as hypertension, ischemic heart disease and arthritis, which taken together represent 76.5 per cent of the regional variation of chronic diseases. The highest incidence of circulatory system diseases is observed in industrial regions, including Kharkiv oblast where 30 per cent of the population is affected, in Donetsk oblast (24.4 per cent), in Lugansk oblast (23.2 per cent) and in Dnipropetrovsk oblast (22.4 per cent). Surprisingly, these indicators are also high in some rural regions including Vinnytsia (26.4 per cent), Cherkasy (23.9 per cent), Poltava (21.2 per cent) and Zakarpattia (20.5 per cent) oblasts. Unfortunately, circulatory system diseases are combined with excessive mortality rates. The spread of the main chronic diseases by regions in Ukraine is presented in Figure 5.11.

Regional differences in the average life expectancy at birth range from 71.5 years in Odessa to 76.2 years in Lviv oblasts for women and from 59.9 years in Chernihiv to 65.9 years in Kyiv for men. The differences are explained by a wide range of factors, including environmental (primarily the consequences of the Chernobyl accident, which resulted in excessive mortality rates of the rural population in the Kyiv, Zhytomyr and Chernihiv oblasts), employment, crime, traffic accidents and life style peculiarities. A very close correlation between male and female mortality rates in any single region is evidence that similar factors apply and gender specificity manifests itself in the intensity of their operation. The variation of life expectancy by regions exceeds the standard difference common for European countries. This diversity in life expectancy is common for countries of different social and economic development rather than for different regions of one country. The maxi-

imum gender difference in mortality rates is observed in Chernihiv oblast, where it is 14.0 years, and the minimum in Zakarpattia oblast - 8.5 years.

Although overall mortality rates are high, the situation in the western regions of the country is relatively favourable, especially in Ternopil and Chernivtsi oblasts (see Figure 5.12). At the same time, there is a distinctive "black belt" covering the whole economically developed South-East part of the country. From 2004, it was supplemented by the "island" around the Chernobyl nuclear power station.

Population mortality rates in Ukraine fall far behind those in the EU countries. Moreover, in the regions discussed above mortality rates, and especially those of male mortality, do not conform to the standards attained by developed countries in the 21st Century. Indeed, comparisons could be made with mortality rates in the middle of the past century and geographically with developing countries. What is striking is the lack of any progress in these regions which limits human potential and threatens to aggravate the demographic crisis.

**Education standards**

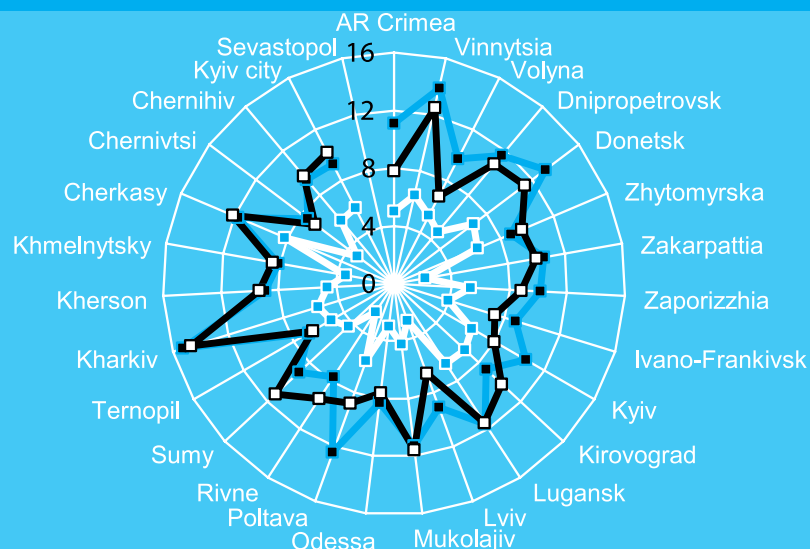
The role of education and its development lies at the heart of today's knowledge society, being vital for sustained human development, poverty reduction, promotion of universal human values and new information and communication technologies. Lifelong education is essential to empower people with the knowledge, skills and competencies necessary for meeting new challenges and creating a sustainable future.

Significant regional differences in education standards are more closely related to economic development and the labor market situation than the health status of the population. However, the dominance of heavy industry in the economy, combined with a high proportion of unskilled workers among the employed, means

**Spread of main chronic diseases by regions in Ukraine in 2005**

- hypertension
- cardiovascular diseases
- arthrosis, arthritis

**Figure 5.11**



that the industrial centers do not always attract those that have the best education. However, the centers of some of the industrial regions, such as Donetsk, Dnipropetrovsk, Kharkiv and Odessa, and of course Kyiv, attract most financial institutions and large transnational corporations. Thus in the larger cities there are more opportunities of finding good jobs and so it is there (and not in the region as a whole) where the more highly skilled and better educated sections of the population are concentrated. Much depends also on the availability of higher educational establishments. Hence, because of the lack of such institution, education standards in Lugansk oblast are significantly inferior to those in Donetsk, Zaporizzhia oblast to Dnipropetrovsk, Rivne and Ternopil to Lviv, and Mykolajiv and Kherson oblasts to Odessa.

A regional focus on re-training and the professional development of the population is a key factor of human development. It could be attained by a more equal distribution of educational centers around the country, and by the actual implementation of a single system of quality standards of education which would ensure equal access to education for all members of the population irrespective of their place of residence.

## 5.4 Conclusions

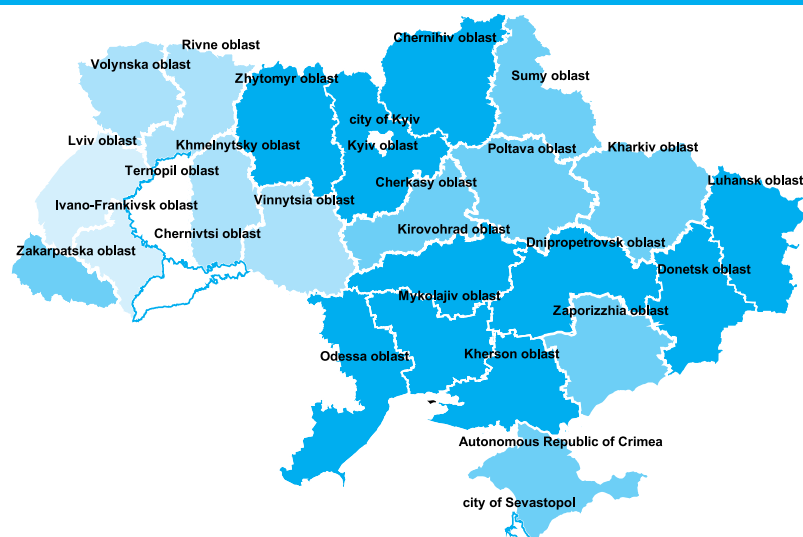
Ukraine's progress to date in meeting the MDGs has been mixed. Among the successes has been the strong growth of incomes which have contributed to a fall in absolute poverty to very low levels, although relative poverty is little changed. The education targets are either being met or exceeded and there has been a marked improvement in maternal health and in lowering child mortality. Some progress has been made in reducing gender inequality. The ratio of women's to men's income was 69 per cent in 2006 (compared with the target of 76 per cent in 2007), and further progress partly depends on increasing the number of women in senior positions. In addition a higher proportion of women have benefited from higher education, although this is not a formal MDG target. However, meeting the environmental goals is proving a challenge while arguably the most serious shortfall in terms of

the targets is the rapid growth of HIV infections, the increase in AIDs related mortality and the spread of tuberculosis.

When the main human development indicators are assessed on a regional basis it is evident that while there are strong regional variations and that there are no strong positive links with economic prosperity. Thus, partly because of environmental problems, some regions which have experienced strong economic growth also record high mortality rates, high rates of infant mortality and social problems. This reflects a number of factors including the extent of economic specialization, mainly a legacy of the former command economy; differences in the effectiveness of regional management as well as different rates of adjustment to market conditions; the preservation of strict financial centralization which was also a feature of the command economy, but remains largely unchanged.

Underlying all these factors is the slow pace of economic and institutional reform in the years since independence. A dynamic regional policy should not be aimed exclusively – or even mostly – at reducing regional, social and economic differentiation. The main policy objective should be to create the foundations and the incentives for rapid regional development, while at the same time solving the important issues affecting human development.

Figure 5.12



Regional mortality rates in Ukraine in 2004 (per 100,000 of population)

Mortality rates in Ukraine in 2004 (per 100,000 of population)

- 1108 - 1183
- 1184 - 1258
- 1259 - 1333
- 1334 - 1408
- 1409 - 1482





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## ANNEXES

Annex 1								
	2000	2001	2002	2003	2004	2005	2006	2007
General information								
Population at the beginning of the year (1,000 people)	49430	48923	48457	48004	47622	47281	46930	46646
Male	46.3	46.3	46.3	46.2	46.2	46.2	46.1	46.1
Female	53.7	53.7	53.7	53.8	53.8	53.8	53.9	53.9
Annual population growth/decline rate at the beginning of the year (%)	-0.98	-1.03	-0.95	-0.93	-0.80	-0.72	-0.74	-0.61
Urbanization								
Urban population at the beginning of the year (%)	67.4	67.4	67.2	67.3	67.5	67.7	67.9	68.1
Population in largest city at the beginning of the year (as % of urban population)	7.9	8.1	8.0	8.1	8.2	8.3	8.4	8.6
Population in cities of more than 1 million at the beginning of the year (as % of urban population)	21.6	22.3						22.3
Age characteristics								
Average age of population	38.5	39.0						39.8
Population aged 60 and over (%)	20.7	21.3			21.0	20.7	20.4	20.3
Life expectancy at the age of 60 (years)								
Female	14.1							
Male	18.9							
Dependency ratio (%) *	74.9	72.3			68.1	66.9	65.6	
Birth/ mortality								
Number of live births (1,000 people)	385.1	376.5	390.7	408.6	427.3	426.1	460.4	
Number of deaths (1,000 people)	758.1	746.0	754.9	765.4	761.3	782.0	758.1	
Infant mortality rate (per 1,000 of live birth)	11.9	11.3*	10.3	9.6	9.5	10.0	9.8	
Under 5 mortality rate (per 1,000 of live birth)	16.0	14.4*				13.0		
Maternal mortality rate (per 100,000 live births)	24.7	23.9*					17.4	
Death rate (per 1,000 people of the respective age group)								
Population aged 60-64	24.8	24.6	25.3	25.4	25.6	26.5	24.8	
Population aged 65-69	35.3	34.1	34.2	34.3	34.5	35.2	34.1	
Population aged 70 and more	86.4	83.9	84.5	87.4	85.8	88.3	86.8	
Social indicators								
Registered marriages (thou)	274.5	309.6	317.2	371.0	278.3	332.1	355.0	
Registered divorces (thou)	197.3	181.3	183.5	177.2	173.2	183.5	179.1	
Share of children born out of wedlock (% of total births)	17.3	18.0	19.0	19.9	20.4	21.4	21.1	
Migration								
Immigration to Ukraine (1,000 people)	53.7	45.8	42.5	39.5	38.6	39.6	44.2	
Emigration from Ukraine (1,000 people)	100.3	88.8	76.3	63.7	46.2	35.0	30.0	
Migration balance	-46.6	-43.0	-33.8	-24.2	-7.6	4.6	14.2	

## Demographic Profile of Ukraine

Notes: \* Calculated as the ratio of population defined as dependent on the working age population.

Source: Demographic data of the State Statistics Committee, presented in relevant surveys and official web-page of the Committee <http://www.ukrstat.gov.ua/> and <http://www.ukrcensus.gov.ua/> served as sources of data for developing this table.

### Ukraine's Human Development Index (HDI), 1998-2005

Source: Based on data in the UNDP's annual global Human Development Reports for 2000-2007.

Annex 2								
	1998	1999	2000	2001	2002	2003	2004	2005
Indicator values								
Life expectancy at birth (years)	69.1	68.1	68.1	69.2	69.5	66.1	66.1	67.7
Adult literacy (%)	99.6	99.6	99.6	99.6	99.6	99.4	99.4	99.4
Combined gross enrolment ratio (%)	78	77	77	81	84	86	85	86.5
GDP per capita (PPP USD)	3194	3458	3816	4350	4870	5491	6394	6848
Index values								
Index of life expectancy	0.73	0.72	0.72	0.74	0.74	0.69	0.69	0.711
Index of education	0.92	0.92	0.92	0.93	0.94	0.95	0.94	0.948
Index of GDP per capita, PPP	0.58	0.59	0.61	0.63	0.65	0.67	0.69	0.705
Human Development Index (HDI)	0.744	0.742	0.761	0.766	0.777	0.766	0.774	0.788
Rank	78/174	74/162	80/173	75/175	70/177	78/177	77/177	76/177

### Ukraine's Gender related development index (GDI), 1998-2005

Source: Human Development Report, 2000/2007, <http://hdr.undp.org/en/reports/global/hdr2007-2008/>

Annex 3								
	1998	1999	2000	2001	2002	2003	2004	2005
Indicator values								
Life expectancy at birth (years)								
Female	73.9	73.5	73.5	74.4	74.6	72.5	72.4	73.6
Male	64.2	62.7	62.7	64.1	64.5	60.1	60.1	62.0
Adult literacy (%)								
Female	99.4	99.5	99.5	99.5	99.5	99.2	99.2	99.2
Male	99.7	99.7	99.7	99.8	99.8	99.7	99.7	99.7
Combined gross enrolment ratio (%)								
Female	80	78	78	79	86	87	87	87
Male	74	77	77	83	83	84	83	86
Estimated earned income (PPP USD)								
Female	2327	2488	2716	3071	3429	3891	4535	4970
Male	4191	4576	5085	5826	6493	7329	8583	9067
Gender related Development Index (GDI)	0.740	0.739	0.744	0.761	0.773	0.763	0.771	0.785
Rank	63	67	66	63	57	59	62	69

Annex 4		
Goal	Target	Indicator
<b>Goal I: Poverty reduction</b>	1. Halve the share of people by 2015 whose daily consumption is below 4.30 USD, measured in average PPP	1. The share of the population whose daily consumption is below 4.30 USD measured as average PPP
	2. Reduce the share of the poor by one third (based on the nationally defined poverty level)	2. The share of population below the nationally-defined poverty level
<b>Goal II: Quality of life long education</b>	1. Raise enrollment rates by 2015, in comparison with 2001	1.1 Net enrollment rate for children aged 3-4 in pre-school programs
		1.2 Net enrollment rate for children aged 5 in pre-school programs
		1.3 Net enrollment rate for children aged 6-9 in primary programs
		1.4 Net enrollment rate for children with a secondary education
		1.5 Net enrollment rate in post-secondary institutions for those aged 18-22
		1.6 Number of graduates from post-secondary institutions
	1.7 Cumulative gross indicator of persons that undergo re-training or professional development	
2. Raise the quality of education	2.1 Proportion of current state education standards that comply with those of the EU (%)	
<b>Goal III: Sustainable environmental development</b>	1. Increase the proportion of people with access to clean drinking water by 12% from 2001 to 2015	1.1 Percentage of drinking water that meets national standards for urban areas
		1.2 Percentage of drinking water that meets national standards for rural areas
	2. Stabilize air pollution from stationary sources	2. Volume of harmful emissions into atmosphere from stationary sources (tones per year)
	3. Expand the network of natural and biospheric reserves and national parks to 10.4% of the overall territory of Ukraine	3. Total area of natural and biospheric reserves and national parks, % of territory of Ukraine
<b>Goal IV: Improved maternal health and reduced child mortality</b>	1. Reduce maternal mortality by 17%	1.1 Number of deaths from complications during pregnancy and delivery, or post-delivery, per 100,000 live births
		1.2 Number of abortions per 1,000 women of child-bearing age
	2. Reduce mortality among under 5's by 17%	2.1 Under 5 mortality rate (number of deaths per 1,000 children under 5)
		2.2 Infant mortality rate (number of deaths per 1,000 children less than 1 year old)
<b>Goal V: Reducing and slowing down the spread of HIV/AIDS and tuberculosis</b>	1. Reduce the rate of spread of HIV/AIDS by 13%	1.1 Number of new HIV-infection cases per 100,000
		1.2 Number of AIDS-related deaths per 100,000
		1.3 Proportion of HIV-infected children born to HIV-infected mothers (MTCT), %
	2. Reduce the number of new TB cases by 42%	2.1 Number of new TB cases (including pulmonary TB) per 100,000
2.2 Number of TB-related deaths per 100,000		
<b>Goal VI: Gender equality</b>	1. Achieve a gender ratio of at least 30:70 for either gender in legislative and executive office	1.1 Gender ratio among deputies of the Verkhovna Rada, number of women/number of men
		1.2 Gender ratio among deputies in local government, number of women/number of men
		1.3 Gender ratio among deputies in oblast governments, number of women/number of men
		1.4 Gender ratio among deputies in county governments, number of women/number of men
		1.5 Gender ratio among deputies in municipal governments, number of women/number of men
		1.6 Gender ratio among deputies in village governments, number of women/number of men
		1.7 Gender ratio among deputies rural offices, number of women/number of men
		1.8 Gender ratio in the Cabinet of Ministers, number of women/number of men
		1.9 Gender ratio among high-ranking state officials (categories 1 and 2), number of women/number of men
	2. Halve the gap in incomes between men and women	2.1 Ratio of average wages of women as a % of average wages of men

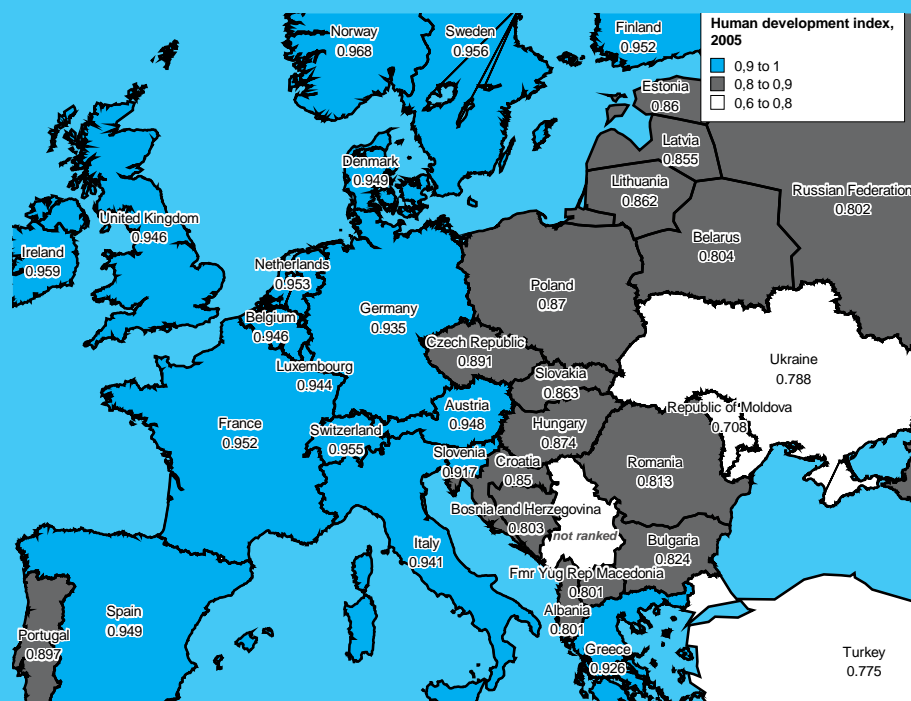
### Millennium Development Goals in Ukraine, 2001-2015

**Main indicators of Human Development in EU member states as well as states neighboring the EU, 2005**

Annex 5										
	Rank by HDI	HDI	Index of health	Index of education	Index of wages	Gender – oriented index	Average life expectancy, years	Level of education enrolment, %	GDP per capita, USD by PPP	Life expectancy by 60 years of age, %
EU-15 (old EU members)										
Ireland	5	0,959	0,890	0,993	0,994	0,940	78,4	99,9	38 505	8,7
Sweden	6	0,956	0,925	0,978	0,965	0,955	80,5	95,3	32 525	6,7
Netherlands	9	0,953	0,904	0,988	0,966	0,951	79,2	98,4	32 684	8,3
France	10	0,952	0,919	0,982	0,954	0,950	80,2	96,5	30 386	8,9
Finland	11	0,952	0,898	0,993	0,964	0,947	78,9	101,0	32 153	9,4
Spain	13	0,949	0,925	0,987	0,935	0,944	80,5	98,0	27 169	7,7
Denmark	14	0,949	0,881	0,993	0,973	0,944	77,9	102,7	33 973	10,3
Austria	15	0,948	0,907	0,966	0,971	0,934	79,4	91,9	33 700	8,8
United Kingdom	16	0,946	0,900	0,970	0,969	0,944	79,0	93,0	33 238	8,7
Belgium	17	0,946	0,897	0,977	0,963	0,940	78,8	95,1	32 119	9,3
Luxembourg	18	0,944	0,891	0,942	1,000	0,924	78,4	84,7	60 228	9,2
Italy	20	0,941	0,922	0,958	0,944	0,936	80,3	90,6	28 529	7,7
Germany	22	0,935	0,902	0,953	0,949	0,931	79,1	88,0	29 461	8,6
Greece	24	0,926	0,898	0,970	0,910	0,922	78,9	99,0	23 381	8,2
Portugal	29	0,897	0,879	0,925	0,888	0,895	77,7	89,8	20 410	9,5
EU-10 (new EU members)										
Slovenia	27	0,917	0,874	0,974	0,902	0,914	77,4	94,3	22 273	10,8
Cyprus	28	0,903	0,900	0,904	0,905	0,899	79,0	77,6	22 699	...
Czech Republic	32	0,891	0,849	0,936	0,889	0,887	75,9	82,9	20 538	11,6
Malta	34	0,878	0,901	0,856	0,877	0,873	79,1	80,9	19 189	7,6
Hungary	36	0,874	0,799	0,958	0,866	0,872	72,9	89,3	17 887	17,9
Poland	37	0,870	0,836	0,951	0,823	0,867	75,2	87,2	13 847	14,5
Slovakia	42	0,863	0,821	0,921	0,846	0,860	74,2	78,3	15 871	14,6
Lithuania	43	0,862	0,792	0,965	0,831	0,861	72,5	91,4	14 494	20,0
Estonia	44	0,860	0,770	0,968	0,842	0,858	71,2	92,4	15 478	21,4
Latvia	45	0,855	0,784	0,961	0,821	0,853	72,0	90,2	13 646	19,8
States, which joined EU in 2007										
Bulgaria	53	0,824	0,795	0,926	0,752	0,823	72,7	81,5	9 032	15,9
Romania	60	0,813	0,782	0,905	0,752	0,812	71,9	76,8	9 060	17,7
Neighboring countries										
Croatia	47	0,850	0,839	0,899	0,813	0,848	75,3	73,5	13 042	12,7
Belarus	64	0,804	0,728	0,956	0,730	0,803	68,7	88,7	7 918	24,8
Russian Federation	67	0,802	0,667	0,956	0,782	0,801	65,0	88,9	10 845	32,4
Albania	68	0,801	0,853	0,887	0,663	0,797	76,2	68,6	5 316	11,3
Macedonia (TFYR)	69	0,801	0,814	0,875	0,714	0,795	73,8	70,1	7 200	13,5
Ukraine	76	0,788	0,711	0,948	0,705	0,785	67,7	86,5	6 848	26,5
Turkey	84	0,775	0,773	0,812	0,740	0,763	71,4	68,7	8 407	...
Moldova	111	0,708	0,724	0,892	0,508	0,704	68,4	69,7	2 100	24,2



## Annex 6



Map showing HDI scores for EU countries and states neighboring the EU, 2005

Source: Human Development Report, 2007, <http://hdr.undp.org/en/statistics/>

## Annex 7

	2002		2003		2004		2005	
	Income equalization reference year 2001		Income equalization reference year 2002		Income equalization reference year 2003		Income equalization reference year 2004	
EU (25 countries)			15	s	16	s	16	s
EU (15 countries)			15	s	17	s	16	s
Belgium			15	b	15		15	
Bulgaria	14		14		15			
Czech Republic							10	b
Denmark			12	b	11		12	
Germany							13	b
Estonia	18		18		20	b	18	
Ireland			20	b	21		20	
Greece			21	b	20		20	
Spain	19	b	19		20	b	20	
France	12		12		13	b	13	
Italy					19	b	19	
Cyprus			15				16	b
Latvia							19	b
Lithuania							21	b
Luxembourg			11	b	12		13	
Hungary	10		12				13	b
Malta							15	b
Netherlands	11	p	12	p			11	b
Austria			13	b	13		12	
Poland							21	b
Portugal	20	p	19	p	21	p	20	p
Romania	18		17		18		18	
Slovenia	10		10				12	b
Slovakia							13	b
Finland	11		11		11	b	12	
Sweden	11	b			11	b	9	
United Kingdom	18		18				18	b
Ukraine	20	e	19	e	20	e	19	e

### The EU and Ukraine; the share of the population at risk of poverty after social transfers

Share of persons with an equalised disposable income, after social transfers, below the risk-of-poverty threshold, which is set at 60% of the national median equalised disposable income

Notes: b: break in series; p: provisional; s: Eurostat estimate; e: For Ukraine the poverty line is defined as 60% of median national expenditure. Poverty indicators pertain only to monetary expenditure (without income in kind).

Source: Eurostat, Social Cohesion, [http://ept.eurostat.ec.europa.eu/portal/page?\\_pageid=1996,45323734&\\_dad=portal&\\_schemata=PORTAL&screen=ExpandTree&open=/strind/sochoe&product=\\_STRIND&nocodeid=1651&vindex=6&level=2&portletid=39993100\\_QUEENPORTLET\\_92281242&scrollto=0](http://ept.eurostat.ec.europa.eu/portal/page?_pageid=1996,45323734&_dad=portal&_schemata=PORTAL&screen=ExpandTree&open=/strind/sochoe&product=_STRIND&nocodeid=1651&vindex=6&level=2&portletid=39993100_QUEENPORTLET_92281242&scrollto=0)

Household survey of income and expenditure for Ukraine in 2004 (according to selective study of household living conditions). Statistical compendium. State Statistics Committee of Ukraine.

Household survey of income and expenditure for Ukraine in 2002 (according to selective study of household living conditions). Statistical compendium. State Statistics Committee of Ukraine.

## The EU and Ukraine: Inequality of Income Distribution

Ratio of total income received by the 20% of the population with the highest income to that received by the 20% of the population with the lowest income.

Notes: b: break in series; p: provisional; s: Eurostat estimate; e: For Ukraine: ratio of monetary expenditure

Annex 8								
	2002		2003		2004		2005	
	Income equalization reference year2001		Income equalization reference year2002		Income equalization reference year2003		Income equalization reference year2004	
EU (25 countries)			4.6	s	4.8	s	4.9	s
EU (15countries)			4.6	s	4.8	s	4.8	s
Belgium			4.3	b	4.0		4.1	
Bulgaria	3.8		3.6		4.0			
Czech Republic							3.7	b
Denmark			3.6	b	3.4		3.5	
Germany							4.1	b
Estonia	6.1		5.9		7.2	b	5.9	
Ireland			5.0	b	5.0		5.0	
Greece			6.4	b	5.9		5.8	
Spain	5.1	b	5.1		5.1	b	5.4	
France	3.9		3.8		4.2	b	4.0	
Italy					5.6	b	5.7	
Cyprus			4.1				4.3	b
Latvia							6.7	b
Lithuania							6.9	b
Luxembourg			4.0	b	3.9		3.8	
Hungary	3.0		3.3				4.0	b
Malta							4.1	b
Netherlands	4.0	ip	4.0	ip			4.0	b
Austria			4.1	b	3.8		3.8	
Poland							6.6	b
Portugal	7.3	ip	7.4	ip	7.2	p	8.2	p
Romania	4.7		4.6		4.8		4.9	
Slovenia	3.1		3.1				3.4	b
Slovakia							3.9	b
Finland	3.7		3.6		3.5	b	3.6	
Sweden	3.3	b			3.3	b	3.3	
United Kingdom	5.5		5.3				5.5	b
Ukraine	6.0	e	5.7	e	5.7	e	5.5	e

Source: Eurostat, Social Cohesion, [http://ept.eurostat.ec.europa.eu/portal/page?\\_pageid=1996,45323734&\\_dad=portal&\\_schema=PORTAL&screen=ExpandTree&open=/strind/socohe&product=\\_STRIND&nodeid=1651&vindex=6&level=2&portletid=39993100\\_QUEENPORTLET\\_92281242&sc](http://ept.eurostat.ec.europa.eu/portal/page?_pageid=1996,45323734&_dad=portal&_schema=PORTAL&screen=ExpandTree&open=/strind/socohe&product=_STRIND&nodeid=1651&vindex=6&level=2&portletid=39993100_QUEENPORTLET_92281242&sc). Statistical Compendium for Ukraine, 2005. State Statistics Committee of Ukraine.

## The EU and Ukraine: Life Expectancy at Birth

Annex 9								
	2002		2003		2004		2005	
	males	females	males	females	males	females	males	females
EU (25 countries)	74.5	80.9	74.6	80.8				
EU (15 countries)	75.0	81.3	75.1	81.2				
Belgium	75.1	81.2	75.3	81.1	76.0	81.8	75.8	81.8
Bulgaria	68.8	75.5	68.9	75.9	69.0	76.2	69.2	76.4
Czech Republic	72.1	78.7	72.0	78.6	72.6	79.2	72.7	79.1
Denmark	74.8	79.4	75.0	79.8	75.4	80.2	75.5	80.1
Germany	75.7	81.3	75.8	81.3	76.5	81.9	76.2	81.8
Estonia	65.3	77.0	66.1	77.1	66.5	77.9	65.5	76.8
Ireland	75.2	80.5	75.9	80.8	76.5	81.4	76.0	80.9
Greece	76.2	81.1	76.5	81.2	76.6	81.3	76.7	80.9
Spain	76.3	83.2	76.3	83.0	76.9	83.7	77.2	83.8
France	75.7	82.9	75.8	82.7	76.7	83.8	76.6	83.7
Italy	77.4	83.2	77.1	82.8			83.2	77.2
Cyprus	76.4	81.0	77.4	81.6	76.8	82.1	76.6	81.5
Latvia	64.7	76.0	65.6	75.9	65.9	76.2	66.5	77.3
Lithuania	66.2	77.5	66.4	77.8	66.3	77.7	66.9	78.0
Luxembourg	74.7	81.5	74.8	80.8	75.9	82.3	75.4	81.4
Hungary	68.3	76.7	68.4	76.7	68.7	77.2	68.8	77.0
Malta	76.3	81.3	76.4	80.8	77.4	81.2	76.8	81.1
Netherlands	76.0	80.7	76.3	81.0	76.9	81.5	76.9	81.4
Austria	75.8	81.7	75.9	81.5	76.4	82.1	76.5	82.2
Poland	70.3	78.8	70.5	78.8	70.6	79.2	71.0	79.4
Portugal	73.8	80.6	74.2	80.6	75.0	81.5	74.5	80.9
Romania	67.4	74.7	67.7	75.0	68.3	75.5	68.4	75.6
Slovenia	72.6	80.5	72.5	80.3	73.5	80.8	73.6	81.1
Slovakia	69.8	77.7	69.8	77.7	70.3	78.0	70.3	78.2
Finland	74.9	81.6	75.2	81.9	75.4	82.5	75.6	82.0
Sweden	77.8	82.2	78.0	82.5	78.4	82.8	78.3	82.7
United Kingdom	76.0	80.6	76.2	80.5	76.8	81.0	76.7	81.2
Ukraine (e)	62.6	74.1	62.6	74.1	62.2	74.0	62.0	73.6

The mean number of years that a newborn child can expect to live if subjected throughout his life to the current mortality conditions (age specific probabilities of dying).

Notes: e: For Ukraine: 2002 — 2002-2003; 2003 — 2003-2004; 2004 — 2004-2005

Source: Eurostat, Population and social conditions, [http://ept.eurostat.ec.europa.eu/portal/page?\\_pageid=1996,39140985&\\_dad=portal&\\_schema=PORTAL&screen=detailref&product=Yearlies\\_new\\_population&language=en&root=/C/C1/C14/cba10000](http://ept.eurostat.ec.europa.eu/portal/page?_pageid=1996,39140985&_dad=portal&_schema=PORTAL&screen=detailref&product=Yearlies_new_population&language=en&root=/C/C1/C14/cba10000)  
 Annual Statistical Review for 2005, Statistical compendium. State Statistics Committee of Ukraine.  
 Human Development Report, 2007/2008, <http://hdr.undp.org/en/statistics/>

## The EU and Ukraine: Unemployment rates

Unemployment rates represent unemployed persons as a percentage of the labour force. The labour force is the total number of people employed and unemployed. Unemployed persons comprise persons aged 15 to 74 who were: a. without work during the reference week, b. currently available for work, i.e. were available for paid employment or self-employment before the end of the two weeks following the reference week, c. actively seeking work, i.e. had taken specific steps in the four weeks period ending with the reference week to seek paid employment or self-employment or who found a job to start later, i.e. within a period of, at most, three months.

Annex 10															
	2002			2003			2004			2005			2006		
	total	males	females	total	males	females	total	males	females	total	males	females	total	males	females
EU (25 countries)	8.7	7.7	10.0	9.0	8.0	10.2	9.0	8.1	10.2	8.7	7.9	9.8	7.9	7.1	9.0
EU (15 countries)	7.5	6.5	8.8	7.9	7.0	9.2	8.0	7.1	9.2	7.9	7.0	9.0	7.4	6.5	8.5
Belgium	7.5	6.7	8.6	8.2	7.6	8.9	8.4	7.5	9.5	8.4	7.6	9.5	8.2	7.4	9.3
Bulgaria	18.1	18.9	17.3	13.7	14.1	13.2	12.0	12.5	11.5	10.1	10.3	9.8	9.0	8.6	9.3
Czech Republic	7.3	5.9	9.0	7.8	6.2	9.9	8.3	7.1	9.9	7.9	6.5	9.8	7.2	5.8	8.8
Denmark	4.6	4.3	5.0	5.4	4.8	6.1	5.5	5.1	6.0	4.8	4.4	5.3	3.9	3.3	4.5
Germany	8.2	7.1	9.5	9.0	8.1	10.1	9.5	8.7	10.6	9.4	8.7	10.3	8.4	7.7	9.2
Estonia	10.3	10.8	9.7	10.0	10.2	9.9	9.7	10.4	8.9	7.9	8.8	7.1	5.9	6.2	5.6
Ireland	4.5	4.7	4.1	4.7	5.0	4.3	4.5	4.9	4.1	4.3	4.6	4.0	4.4	4.6	4.1
Greece	10.3	6.8	15.6	9.7	6.2	15.0	10.5	6.6	16.2	9.8	6.1	15.3	8.9	5.6	13.6
Spain	11.1	8.1	15.7	11.1	8.2	15.3	10.6	8.0	14.3	9.2	7.0	12.2	8.5	6.3	11.6
France	8.7	7.8	9.8	9.5	8.5	10.6	9.6	8.8	10.6	9.7	8.8	10.7	9.4	8.7	10.4
Italy	8.6	6.7	11.5	8.4	6.5	11.3	8.0	6.4	10.5	7.7	6.2	10.1	6.8	5.4	8.8
Cyprus	3.6	2.9	4.5	4.1	3.6	4.8	4.6	3.6	6.0	5.2	4.3	6.5	4.6	4.0	5.4
Latvia	12.2	13.3	11.0	10.5	10.6	10.4	10.4	10.6	10.2	8.9	9.1	8.7	6.8	7.4	6.2
Lithuania	13.5	14.2	12.8	12.4	12.7	12.2	11.4	11.0	11.8	8.3	8.2	8.3	5.6	5.8	5.4
Luxembourg	2.7	2.0	3.7	3.7	3.0	4.7	5.1	3.7	7.1	4.5	3.5	5.8	4.8	3.5	6.2
Hungary	5.8	6.2	5.4	5.9	6.1	5.6	6.1	6.1	6.1	7.2	7.0	7.4	7.5	7.2	7.8
Malta	7.5	6.6	9.3	7.6	6.9	9.1	7.4	6.6	9.0	7.3	6.5	9.0	7.3	6.5	8.9
Netherlands	2.8	2.5	3.1	3.7	3.5	3.9	4.6	4.3	4.8	4.7	4.4	5.1	3.9	3.5	4.4
Austria	4.2	4.0	4.4	4.3	4.0	4.7	4.8	4.4	5.3	5.2	4.9	5.5	4.8	4.4	5.2
Poland	19.9	19.1	20.9	19.6	19.0	20.4	19.0	18.2	19.9	17.7	16.6	19.1	13.8	13.0	14.9
Portugal	5.0	4.1	6.0	6.3	5.5	7.2	6.7	5.8	7.6	7.6	6.7	8.7	7.7	6.5	9.0
Romania	8.4	9.1	7.7	7.0	7.6	6.4	8.1	9.1	6.9	7.2	7.8	6.4	7.3	8.2	6.1
Slovenia	6.3	5.9	6.8	6.7	6.3	7.1	6.3	5.8	6.8	6.5	6.1	7.0	6.0	4.9	7.2
Slovakia	18.7	18.6	18.7	17.6	17.4	17.7	18.2	17.4	19.2	16.3	15.5	17.2	13.4	12.3	14.7
Finland	9.1	9.1	9.1	9.0	9.2	8.9	8.8	8.7	8.9	8.4	8.2	8.6	7.7	7.4	8.1
Sweden	4.9	5.3	4.6	5.6	6.0	5.2	6.3	6.5	6.1	7.4	7.5	7.3	7.0	6.9	7.2
United Kingdom	5.1	5.6	4.5	4.9	5.5	4.3	4.7	5.0	4.2	4.8	5.1	4.3	5.3	5.7	4.9
Ukraine	10.1	10.3	10.0	9.1	9.4	8.8	8.6	8.9	8.3	7.2	7.5	6.8	6.8	7.0	6.6

Source: Eurostat, [http://ept.eurostat.ec.europa.eu/portal/page?\\_pageid=1996,39140985&\\_dad=portal&\\_schema=PORTAL&screen=detailref&language=en&product=sdi\\_ed&root=sdi\\_ed/sdi\\_ed/sdi\\_ed\\_emp/sdi\\_ed1431](http://ept.eurostat.ec.europa.eu/portal/page?_pageid=1996,39140985&_dad=portal&_schema=PORTAL&screen=detailref&language=en&product=sdi_ed&root=sdi_ed/sdi_ed/sdi_ed_emp/sdi_ed1431)

State Statistics Committee of Ukraine, <http://www.ukrstat.gov.ua>

Human Development Report, 2007/2008, <http://hdr.undp.org/en/statistics/>

## Annex 11 Climate Change and Energy Efficiency: the Impact on Human Development in Ukraine

### Climate Change

- The main aspects of Ukraine's contribution to global climate change are:
- Ukraine is the world's most energy inefficient country;
- Ukraine is the world's sixth largest emitters of greenhouse gasses, with per capita emissions of CO<sub>2</sub> at about 4.75 tons of carbon per year;
- In the Ukrainian heating sector losses in transmission and distribution of between 25 – 40 per cent are not uncommon.
- It is several decades since the issue of climate change, which is commonly referred to as global warming, came to be recognized as the main global environment problem which threatens the sustainability of ecosystems and results in serious economic and social challenges for people and states around the globe. Climate change has serious effects on different fields, described below.

All these effects will slow economic development and poverty reduction, and make it harder to achieve the Millennium Development Goals. In response to the emerging challenges of global warming the United Nations Framework Convention on Climate Change (UNFCCC) was signed at the 1992 Rio Earth Summit, calling for countries to reduce anthropogenic emissions of greenhouse gases (GHG), the substances which are proved to cause global warming. The Convention laid the foundations for global climate change policies which were further elaborated in the 1990s and were significantly reinforced after the Kyoto Protocol

entered into force in 2005. The Kyoto Protocol offers economic instruments to reduce GHG emissions to countries that agreed to take responsibility to reduce their levels of GHGs between 2008 and 2012 when the Protocol ends.

Ukraine has been a Party to the UNFCCC since August, 1997. Ukraine signed the Kyoto Protocol in March 1999, thereby assuming the commitment, as an Annex I party, to stabilize its GHG emissions in 2008-2012 at the 1990 volume. The Parliament of Ukraine ratified the Kyoto Protocol in February, 2004. In order to meet its obligations under the UN Framework Convention on Climate Change the Government adopted the "National Plan of Activities to Implement the Kyoto Protocol to the UNFCCC" (Cabinet Decision No 346-r, of August 2005), and two other key resolutions. These instruments provide legal and procedural grounds for attracting foreign investments to Ukraine under the Kyoto Protocol mechanisms, and allow Ukraine to start implementing mutually agreed projects on GHG emission reduction.

Available information on the Ukrainian GHGs emission inventories shows that in the first commitment period under the Kyoto Protocol (2008-2012), Ukraine will comply with its quantity target. In fact, Ukraine has considerable potential to trade some of its GSG emission surpluses on the international market, since its GSG emissions are unlikely to reach the 1990 volume, which is the base year of reference for allowable GSG emissions under the Convention. Thus, there are ample opportunities for Ukraine to participate in the flexible mechanisms of the Kyoto Protocol and attract considerable financial resources for its economy at the expense of increasing other countries' contributions to global climate warming. However, to date only a few projects have been registered in Ukraine as Joint Implementation projects (i.e. projects which give

Annex 11	
Agriculture	Rising atmospheric temperatures, longer droughts and side-effects such as higher volumes of ground-level ozone, are likely to lead to a substantial reduction in crop yields in the coming decades.
Insurance	Over the past three decades 35–40 per cent of the worst catastrophes have been climate change related, the proportion of the global population affected by weather-related disasters doubled along a linear trend, rising from some 2 per cent in 1975 to 4 per cent in 2001.
Infrastructure	Roads, airport runways, railway lines and pipelines may require increased maintenance and renewal as they become subject to greater temperature variations.
Investment	Massive resources are needed for enhanced infrastructure as well as clean technologies that could help reduce emissions of global warming gases. These include the business sector investing in clean energy technologies (solar energy and wind power), production of biofuels and biobased plastics that supplant petroleum-based ones, IT development (hard-and software to create a more efficient, "smart grid"), development of new generation chemicals ("green chemistry" alternatives to petrochemicals), and manufacturing of more efficient motors for aircraft, automobiles, and industrial use
Energy	While the annual consumption of energy resources for heating purposes might decrease, its use for cooling may increase.
Migration	The UN Intergovernmental Panel on Climate Change estimated that there will be about 150 million environmental refugees in 2050, due mainly to the effects of coastal flooding, shoreline erosion and agricultural disruption (1.5 per cent of the world's predicted population by 2050).
Environment	Changes in ecosystems (possibly the extinction of some of them), decrease of biodiversity.
Water scarcity	Positive eustasy (a rise in the sea-level) may contaminate groundwater, affect drinking water and agriculture in coastal zones. Increased evaporation will reduce the effectiveness of reservoirs. Increased extreme weather means more water falls on hard ground which is unable to absorb it, leading to flash floods instead of a replenishment of soil moisture or groundwater levels. The availability of freshwater runoff from mountains for natural systems and human uses may also be impacted.
Health	Reduced deaths from cold; increased heat-related deaths instead. Extension of zones nourishing infectious diseases, such as malaria, plague, etc.

countries the opportunity to achieve cost effective reductions of GHG emissions through access to international investments, increasing their technical and managerial capacity), and thus Ukraine's experience in this field is very limited.

### Recommendations:

Ukraine's government should focus on:

- following-up on implementing agreements, contracts and other relevant documents related to establishing mutual projects in Ukraine;
- maintaining effective relations with the UNFCC Secretariat (including regular submission of the National Reports), international donors and companies on issues related to mutually established projects in Ukraine;
- preparing a package of documents for Interdepartmental Board review, including 'expert conclusions' drawn from the results of recommendations on the approval or rejection of offers;
- monitoring mutually established projects, both in general and at separate stages, with further proposals on their improvement or stopping the completion;
- providing consulting services on the implementation of the Kyoto Protocol implementation for the private sector, both national and international;
- facilitating a national awareness campaign on Climate Change.

### Energy Efficiency

The improvement in human life expectancy over the last two centuries could not have occurred without high-level energy inputs, whether for household use, for raising crop productivity and thereby reducing hunger, or for transportation and industrial purposes. As economies advance, improved technologies help reduce energy use per unit of output. However, in general economic growth has proceeded at a faster rate than efficiency gains, and the total energy intensity of production is still increasing. With growing concerns over the impact of fossil fuels on pollution and climate change and thus on life expectancy, effective policies to promote energy efficiency are of the utmost importance.

The efficient use of energy resources, their cost and availability have a considerable impact on economic development and standards of living. Moreover, improved energy efficiency – through reductions in fuel use translates into fewer emissions of air pollutants and reductions in the accompanying use of water and other resources – contributes to environmental protection.

However, Ukraine remains a highly energy-inefficient economy. In 2003 the energy intensity of the Ukrainian economy (as expressed in Total Primary Energy Supply per GDP) amounted to 0.53 kg of oil equivalent per unit of GDP, whereas in Poland, Hungary, and the Czech Republic the levels were 0.22, 0.19, and 0.27 respectively. In France and Germany, countries of comparable size and population to Ukraine, energy intensity was 0.17 kg oil equivalent. Yet policy changes to improve energy efficiency are slow.

In the residential sector there is ample room for rationalizing energy use considering that heat and hot water typically account for about 70 per cent of residential energy consumption. Energy-efficiency improvements and better heating controls could reduce the energy costs of apartment buildings by at least 25 per cent with a payback period of five years or less. Higher residential energy costs have contributed to severe budgetary pressures on those municipal governments which continue to subsidize housing and utility costs, even after apartments have been privatized. Costs for heating and hot water averaged \$30 to \$50 per month for a typical apartment, between 25 to 40 per cent of the average monthly wage. Typical subsidies average 50 to 70 per cent of actual costs and municipal governments spend on average between 30 to 40 per cent of their total municipal budgets on these subsidies. In response, municipal authorities have had to reduce utility services. As a result, there is growing dissatisfaction among the population who experience inadequate supplies of heating and hot water.

The Ukrainian Government needs to play a key role in supporting reforms to reduce energy use. Market-determined energy prices, the phased elimination of subsidies, and privatization of enterprises and apartments are all important steps to promote energy efficiency. However, these market mechanisms need to be supported by the Government elaborating a meaningful energy saving strategy. In addition it needs to enforce strong regulatory legislation and institutional arrangements in highly monopolized supply markets, especially prior to privatization.

Ukraine clearly has considerable opportunity to improve energy efficiency. The Government should also not be over concerned at the prospect of higher gas prices. The evidence from Central European countries unequivocally indicates that rising energy prices to cost-recovery levels provide a pivotal opportunity to undertake further economic restructuring. The experience of Poland, Hungary and the Czech Republic clearly shows that reforms that provide the appropriate market incentives for businesses and households can result in radical reductions of energy consumption per unit of output or service delivery, and to marked improvements in energy intensity. These reforms will also help Ukraine to meet EU standards for energy efficiency, environmental protection and infrastructure safety, and finally, will directly affect the well-being of every Ukrainian.

### Recommendations: The Government should:-

- introduce policies that strengthen legal and market institutions and assist energy efficiency investments along with all forms of investment;
- promote homeowner associations as vehicles for improving energy efficiency;
- introduce public education campaigns for educating households about energy efficiency;
- develop successful state and community energy efficiency projects to support measures to reduce electricity loads;
- enforce energy efficiency standards and labels for energy conversion, industrial equipment, systems and processes, household appliances, and buildings.

## Annex 13

No.	Indicator
1.	Income quintile ratio (S80/S20) <sup>a</sup>
2.	Gini coefficient
3.	Regional cohesion: dispersion in regional employment rates <sup>a</sup>
4.	Healthy Life Expectancy and Life Expectancy at Birth, at 65 (by Socio-Economic Status when available) <sup>a</sup>
5.	At-risk-of-poverty rate anchored at a moment in time <sup>a</sup>
6.	At-risk-of-poverty rate before social cash transfers (other than pensions)
7.	Jobless households by main household types
8.	In-work poverty risk, breakdown full-time/part time
9.	Work pay trap indicators: unemployment trap, inactivity trap (esp. second earner case), low-wage trap
10.	Net income of social assistance recipients as % of the at-risk-of poverty threshold for 3 jobless household types
11.	Self reported limitations in daily activities by income quintiles, by sex, by age (0-17, 18-64, 65+)

## The EU Social Inclusion Context Information

a Included also in the overarching portfolio of IS indicators.

Source: As in Annex 12.

## Annex 14

Sector contributing to human development	Share in total State Budget expenditures, %	
	2005	2006
Social security and assistance (including that of pensioners)	35.3	29.4
Education	11.1	11.8
Health care	3.9	4.0
Culture and sports	1.4	1.3
Environmental protection	1.1	1.3
Housing and public utilities	0.1	0.2

## Share of financing of sectors related to Human Development in total expenditures of the State Budget of Ukraine for FY 2005 and 2006

Source: Budget monitoring: Analysis of budget execution for 2006, Municipal Budget Reform Projection

## Annex 15

Region	Expenditures of local budgets on education, per capita (UAH)	Expenditures of local budgets on health care, per capita (UAH)	Expenditures of local budgets on social security and assistance, per capita (UAH)	Volume of social transfers from the State Budget of Ukraine, per capita (UAH)	Share of expenditures on education in consolidated social expenditures (%)	Share of expenditures on health care in consolidated social expenditures (%)	Share of expenditures on social protection and support in consolidated social expenditures (%)
AR of Crimea	2488,6	293,0	151,3	521,4	47,4	34,7	17,9
Vynnytsia	1980,0	240,1	170,2	610,9	45,7	31,8	22,5
Volyn	1933,2	236,5	216,1	697,3	46,2	28,1	25,7
Dnipropetrovsk	2114,7	257,6	141,0	339,5	45,2	35,4	19,4
Donetsk	1983,4	252,8	123,0	312,2	43,3	38,1	18,6
Zhytomyr	2128,3	238,4	170,4	620,5	48,4	30,1	21,5
Zakarpattia	1871,4	217,0	160,0	636,7	50,9	28,3	20,8
Zaporizhzhia	2206,8	268,8	146,7	426,3	45,1	35,5	19,4
Ivano-Frankivsk	1856,1	233,1	190,4	670,3	46,3	29,5	24,1
Kyiv	2278,3	251,6	152,4	491,9	48,2	32,3	19,5
Kirovohrad	2168,3	240,7	181,9	596,4	46,5	30,5	23,0
Luhansk	1788,9	236,0	130,6	385,8	41,5	37,6	20,8
Lviv	1806,4	221,2	155,4	528,3	46,9	31,2	21,9
Mykolaiv	2159,5	222,6	166,5	480,2	48,5	29,5	22,0
Odessa	1910,9	224,6	146,8	412,6	46,4	32,4	21,2
Poltava	2210,5	251,6	169,6	472,2	45,5	32,6	22,0
Rivne	1846,9	240,5	182,3	633,5	47,8	29,7	22,5
Sumy	2163,1	234,0	161,0	521,2	46,1	31,9	22,0
Ternopil	1920,7	228,3	192,0	657,4	45,9	29,4	24,7
Kharkiv	2051,2	234,6	145,5	397,8	43,6	34,8	21,6
Kherson	2135,6	232,5	159,5	588,3	48,9	30,3	20,8
Khmelnytsky	2219,3	232,6	168,0	637,6	49,3	29,4	21,3
Cherkasy	2253,5	251,2	177,9	589,1	46,4	31,3	22,2
Chernivtsi	1844,0	220,7	171,0	612,3	47,6	29,5	22,9
Chernihiv	2371,9	256,0	162,4	598,4	46,3	32,8	20,8
Kyiv City	3050,3	374,3	169,7	560,7	43,9	38,6	17,5
Sevastopol	2690,7	273,2	147,7	489,9	47,6	34,0	18,4

## Financing Social Development in 2005 by Regions of Ukraine

Source: State Statistics Committee of Ukraine, 2005.

## Annex 12

EU SI and EU NAT SI indicators		UMDG indicators <sup>a</sup>
Indicator	Definition	
<b>EU:</b> <b>At-risk-of poverty rate</b>	Share of persons aged 0+ with an equivalised disposable income <sup>b</sup> below 60% of the national equivalised median income <sup>c</sup> (age groups: 0-17; 18-64; 65+). This index is complemented by the value of the at-risk-of-poverty threshold (60% median national equivalised income) in PPS for two illustrative households: a single-person household and a household consisting of two adults and two children.	<b>The share of the population whose daily consumption is below US \$4.30, measured at average PPP.</b>
<b>EU:</b> <b>Persistent at-risk-of poverty rate</b>	Share of persons aged 0+ with an equivalised disposable income below the at-risk-of-poverty threshold in the current year and in at least two of the preceding three years (age groups: 0-17; 18-64; 65+).	
<b>EU:</b> <b>Dispersion around the at-risk-of-poverty threshold</b>	Share of persons aged 0+ with an equivalised disposable income below 40%, 50% and 70% of the national equivalised median income (age groups: 0-17; 18-64; 65+).	
<b>EU:</b> <b>Relative median poverty risk gap</b>	Difference between the median equivalised income of persons aged 0+ below the at-risk-of-poverty threshold and the threshold itself, expressed as a percentage of the at-risk-of-poverty threshold (age groups: 0-17; 18-64; 65+).	
<b>EU:</b> <b>Long term unemployment rate</b>	Total long-term unemployed population ( $\geq 12$ months' unemployment; ILO definition) as a proportion of total active population aged 15 years or more.	<b>The share of the population below the nationally-defined poverty level.</b> Defined criteria for measuring poverty in Ukraine as 75% of median cumulative spending per adult.
<b>EU:</b> <b>Population living in jobless households</b>	Proportion of people living in jobless households, expressed as a share of all people in the same age group (age groups: - 0-17; - 18-59). Students aged 18-24 years who live in households composed solely of students are counted in neither numerator nor denominator. This indicator should be analyzed in the light of context indicator N*7: jobless households by main household types (see table XX).	
<b>EU:</b> <b>Early school leavers not in education or training</b>	Share of persons aged 18 to 24 who have only lower secondary education (their highest level of education or training attained is 0, 1 or 2 according to the 1997 International Standard Classification of Education – ISCED 97) and have not received education or training in the four weeks preceding the survey.	<b>Net enrollment rate for children aged 3-4 in pre-school programs.</b>
<b>EU:</b> <b>Persons with low educational attainment</b>	Share of the adult population (aged 25 years and over) whose highest level of education or training is ISCED 0, 1 or 2 (age groups: 25-34; 35-54; 55-64; 65+; 25-64). <sup>d</sup>	<b>Net enrollment rate for children aged 5 in pre-school programs.</b>
<b>EU:</b> <b>Low reading literacy performance of pupils</b>	Share of 15 years old pupils who are at level 1 or below of the PISA combined reading literacy scale.	<b>Net enrollment rate for children aged 6-9 in primary programs.</b>
<b>NAT:</b> <b>Employment gap of immigrants</b>	Percentage point difference between the employment rate for non-immigrants and that for immigrants. Immigrants are defined on the basis of the variable 'born abroad EU' (and it is up to each EU member country to decide whether to include nationals born abroad or not, as appropriate).	<b>Net enrollment rate for children with a secondary education.</b> Net enrollment rate in post-secondary institutions for those aged 18-22. Number of graduates from post-secondary institutions. Cumulative gross rate of persons undergoing re-training or professional development. Proportion of current state education standards that comply with those of the EU (%).

**List of the EU agreed SI indicators (EU SI), the EU agreed National SI indicators (EU NAT SI) and Ukraine's MDG indicators.**

a MDGs indicators set for Ukraine are monitored by the Ministry of Economy of Ukraine and the State Statistical Committee and are accounted for in the annual MDGs monitoring reports.

b The income that a household needs to attain a given standard of living will depend on its size and composition. For example, a couple with dependent children will need a higher income than a single person with no children to attain the same material living standards. 'Equalisation' means adjusting a household's income for size and composition so that one can look at the incomes of all households on a comparable basis. Official income statistics use the McClements (1977) equivalence scale, in which an adult couple with no dependent children is taken as the benchmark with an equivalence scale of one.

c Equivalised median income is defined as the household's total disposable income divided by its 'equivalent size', to take account of the size and composition of the household, and is attributed to each household member. Equalization is made on the basis of the OECD modified scale.

d Definition subject to change following current Eurostat work on this indicator.



<b>EU: Infant mortality</b>	Infant mortality rates	Infant mortality rate (number of deaths per 1,000 children less than one year old).
<b>EU: Life expectancy</b>	Life expectancy	Number of deaths from complications during pregnancy and delivery or post-delivery, per 100,000 live births.
<b>NAT: Proportion of the population covered by health insurance</b>	Proportion of the population covered by insurance when ill or in need of care starting by both mandatory and voluntary public and private insurance including individual and employment group health insurance and including primary, outpatient and inpatient secondary care, pharmaceuticals, medical devices, dental care, preventive care, mental health care and long term care. Long term care should be reported separately where available. Report on partial covering if necessary.	<b>Under-5 mortality rate (number of deaths per 1,000 children under 5).</b>
<b>EU: Total health expenditure per capita</b>	a) Total health expenditure per capita in PPP, and b) annual growth rates of per capita expenditure in real terms (over a twenty-year period with sub-periods of five/six years)	<b>Infant mortality rate (number of deaths per 1,000 children less than one year old).</b>
<b>EU: Total health expenditure as % of GDP</b>	a) Total, public and private expenditure on health as % of GDP, and b) trends of total and public expenditure in the last ten years and computing the rate of change in health expenditure as % of GDP over a five/six-year period.	<b>Number of new HIV-infection cases per 100,000.</b>
<b>EU: Gender differences in the risk of poverty</b>	Gender risk of poverty rate (total and women/men living alone).	Number of AIDS-related deaths per 100,000.
<b>EU: Gender differences in the relative income of older people</b>	Relative income for 65+, in relation to the 0-64 population (total and women/men living alone).	Proportion of HIV-infected children born to HIV-infected mothers (MTCT).
<b>EU: Gender differences in aggregate replacement ratio</b>	Aggregate replacement ratio.	Number of new TB cases (including pulmonary TB) per 100,000.
		Number of TB-related deaths per 100,000.
		<b>Gender ratio among deputies of the Verkhovna Rada</b>
		<b>Gender ratio among deputies in local government.</b>
		<b>Gender ratio among deputies in oblast governments.</b>
		Gender ratio among deputies in county (rayon) government.
		Gender ratio among deputies in municipal governments.
		Gender ratio among deputies in village government.
		Gender ratio among deputies in rural office.
		Gender ratio in the Cabinet of Ministers
		Gender ratio among high-ranking state officials (categories 1 and 2)
		Ratio of average wages between men and women

Source: Rearranged on the basis of Joint Report on Social Protection and Social Inclusion, European Commission, Brussels, March 6, 2007, Supporting Paper SEC (2007) 329, pp. 132-5, [http://ec.europa.eu/employment\\_social/social\\_inclusion/docs/2007/joint\\_report/sec\\_2007\\_329\\_en.pdf](http://ec.europa.eu/employment_social/social_inclusion/docs/2007/joint_report/sec_2007_329_en.pdf)

## Annex 16 Blank Matrix of the European Integration Agenda and of the EU – Ukraine Action Plan 2005

Goal/Objective/Aim	“Copenhagen” section				“Luxembourg” section				European Neighbourhood Policy Ukraine-EU Action Plan
	No progress	Preparation for action	Decision-making	Generation of next aims	No/Little progress	Some progress	Good progress	Excellent Progress	
<b>Goal 1. Stability of institutions guaranteeing democracy, the rule of law</b>									+
<b>Objective I. Effective structure and functioning of the Parliament</b>									
Aim 1. Ensure conduct of free and fair parliamentary elections									+
Aim 2. Adopt consistent and permanent electoral legislation, which regulates issues such as voters' list, out-of-country voting and campaign financing in a transparent manner									+
Aim 3. Ensure independence of relevant state election commission									
Aim 4. Ensure smooth handover of power after elections									
Aim 5. Ensure respect for the powers of the Parliament by other branches of power									+
Aim 6. Ensure stable functioning of the Parliament									+
Aim 7. Define clear and equal conditions for functioning of the political parties, including regulation of financing									
Aim 8. Ensure efficient role and involvement of opposition									
Aim 9. Guarantee the representation for minorities in the Parliament to ensure conduct of free and fair parliamentary elections									
<b>Objective II. Effective structure and functioning of the Executive</b>									
Aim 1. Ensure smooth functioning of the central institutions of the State									+
Aim 2. Introduce regulatory impact assessments into legal system									
Aim 3. Conduct reform of the state administration at central, regional and local levels with a view to devolve central government powers to local administrations and fiscal decentralisation									+
Aim 4. Fully implement public administration reform measures on recruitment, promotion and training, and improve human resource management in all bodies of public administration in order to ensure accountability, efficiency, openness, transparency, de-politicisation and a high level of professionalism of the public service									+
Aim 5. Establish the institute of an ombudsman, which creates an institutional framework for the monitoring of public administration by citizens									

Goal/Objective/Aim	"Copenhagen" section				"Luxembourg" section				European Neighbourhood Policy Ukraine-EU Action Plan
	No progress	Preparation for action	Decision-making	Generation of next aims	No/Little progress	Some progress	Good progress	Excellent Progress	
Aim 6. Introduce clear and transparent rules and procedures with regard to local elections and the forming of governments at the local level									
Aim 7. Ensure efficient interaction between directly elected officials and local assemblies									
Aim 8. Conduct reform of the civil service, including introduction of an open, competitive career system and ensuring de-politicisation of civil service									+
Aim 9. Ensure civilian control of all security services									
Aim 10. Ensure the balance between the interest of the public to be informed and the protection of national security needs in management of data secrecy									
Aim 11. Conduct reform of the police to address weaknesses in recruitment and human resources management									
<b>Objective III. Effective structure and functioning of the Judiciary</b>									
Aim 1. Implement the strategy and action plan for judicial reform in consultation with interested bodies, including the adoption of necessary new legislation									+
Aim 2. Ensure independence of the judiciary									
Aim 3. Establish an open, fair and transparent system of recruitment, evaluation and promotion and to enhance professionalism in the judiciary by ensuring adequate state funding for high quality training for judges, prosecutors and administrative staff									+
Aim 4. Take measures to reduce the backlog of cases in all courts									
Aim 5. Rationalise the organisation of courts, including the development of modern information technology systems									
Aim 6. Ensure proper and full execution of court decisions									
Aim 7. Ensure consistency in the judiciary approach to the interpretation of legislation									
Aim 8. Ensure access to justice and legal aid and to make available the corresponding budgetary resources									
<b>Objective IV. Fight against corruption</b>									

## Annex 16 Blank Matrix of the European Integration Agenda and of the EU – Ukraine Action Plan 2005

Goal/Objective/Aim	“Copenhagen” section				“Luxembourg” section				European Neighbourhood Policy Ukraine-EU Action Plan
	No progress	Preparation for action	Decision-making	Generation of next aims	No/Little progress	Some progress	Good progress	Excellent Progress	
Aim 1. Adopt and to implement a national strategy for preventing and combating corruption and to provide for the proper coordination among the relevant bodies									+
Aim 2. Establish specialist units for combating corruption within the appropriate services and provide them with adequate training and resources									
Aim 3. Ensure that the standards set by international instruments will be met, by putting in place the appropriate legislative and administrative measures									+
Aim 4. Take steps to ensure that the legal framework for tackling corruption is aligned and uniformly implemented and enforced and to ensure greater efforts to prevent, detect and effectively prosecute corruption, especially high-level corruption									
Aim 5. Continue to develop codes of conduct/ethics for officials and elected representatives as well as action plans to prevent corruption in the relevant law enforcement agencies (border police, police, customs, judiciary)									
Aim 6. Raise awareness of corruption as a serious criminal offence									
Aim 7. Ensure transparency in the public administration									+
Aim 8. Ensure optimal scope of parliamentary immunity									
<b>Goal 2. Criterion of human rights, and respect for and protection of minorities</b>									
<b>Objective I. Observe international human rights law through ratification and proper implementation of human rights instruments</b>									
Aim 1. ECHR (European Convention on Human Rights)									+
Aim 2. Protocol 1 (right of property)									+
Aim 3. Protocol 4 (freedom movement et al.)									+
Aim 4. Protocol 6 (death penalty)									+
Aim 5. Protocol 7 (ne bis in idem)									+
Aim 6. European Convention for the Prevention of Torture									+
Aim 7. European Social Charter									+
Aim 8. Revised European Social Charter									+
Aim 9. Framework Convention for National Minorities									+
Aim 10. ICCPR (International Covenant on Civil and Political Rights)									+

Goal/Objective/Aim	"Copenhagen" section				"Luxembourg" section				European Neighbourhood Policy Ukraine-EU Action Plan
	No progress	Preparation for action	Decision-making	Generation of next aims	No/Little progress	Some progress	Good progress	Excellent Progress	
Aim 11. Optional Protocol to the ICCPR (right of individual communication)									+
Aim 12. Second Optional Protocol to ICCPR (death penalty)									+
Aim 13. ICESCR (International Covenant on Economic, Social and Cultural rights)									+
Aim 14. CAT (Convention against Torture)									+
Aim 15. CERD (Convention on the Elimination of All Forms of Racial Discrimination)									+
Aim 16. CEDAW (Convention on the Elimination of All Forms of Discrimination against Women)									+
Aim 17. Optional Protocol to the CEDAW									+
Aim 18. CRC (Convention on the Rights of the Child)									+
Objective II. Implement properly the decisions of the European Court of Human Rights									+
Objective III. Develop and begin to implement a comprehensive anti-discrimination strategy									+
Objective IV. Ensure cultural diversity and to promote respect for and protection of minorities in accordance with international standards									+
Objective V. Ensure all cases of ethnically motivated crimes are properly investigated and prosecuted									
Objective VI. Elaborate the strategy and the action plan for the protection and integration of Roma and to ensure availability of the necessary means									
<b>Goal 3. Existence of a functioning market economy</b>									+
Objective I. Adopt, implement and enforce properly the internal market acquis									+
Objective II. Ensure free interplay of market forces so that the required equilibrium between demand and supply is established									+
Objective III. Ensure liberalisation of prices and trade									+
Objective IV. Ensure that the legal system, including the regulation of property rights, is in place and laws and contracts can be enforced and protected in the courts									+
Objective V. Ensure proper macroeconomic stability and general consensus on the essentials of economic policies									+
Objective VI. Provide for a well-functioned financial sector and banking reform									+

## Annex 16 Blank Matrix of the European Integration Agenda and of the EU – Ukraine Action Plan 2005

Goal/Objective/Aim	“Copenhagen” section				“Luxembourg” section				European Neighbourhood Policy Ukraine-EU Action Plan
	No progress	Preparation for action	Decision-making	Generation of next aims	No/Little progress	Some progress	Good progress	Excellent Progress	
Objective VII. Ensure absence of significant barriers to market entry (establishment of new firms) and exit (bankruptcies) and improve the business environment by simplifying the rules for market entry and exit. In particular, to speed up registration procedures and to improve the implementation of bankruptcy rules and to improve conditions for the development of private enterprises and foreign direct investment, including through improving administrative efficiency									+
<b>Goal 4. Capacity to withstand competitive pressure and market forces within the Union</b>									
Objective I. Ensure stable macroeconomic framework with a sufficient degree of macroeconomic stability for economic agents to make decisions in a climate of stability and predictability									+
Objective II. Provide for ever deeper trade integration with the EU									+
Objective III. Provide for the framework for increasing the ability of the enterprises to adjust through opening access of enterprises to outside finance and their restructuring and innovating									
Objective IV. Ensure proper restructure of state-owned enterprises, in particular in Poland it covered enterprises of coal, steel, defence and chemical industry									+
Objective V. Provide for sufficient amount of human and physical capital, including infrastructure, education and research, and future developments in this field									+
Objective VI. Conduct pension and social security reforms									
Objective VII. Modernise agricultural sector and to accelerate land reform, in particular the registration and privatisation of agricultural land, through the establishment of a modern and efficient cadastre and land registry in order to eliminate the obstacles to the development of land and housing markets									
Objective VIII. Provide for improvement of infrastructure, transport and telecommunications									+
Objective IX. Provide for encouraging climate for foreign direct investments									+
<b>Goal 5. Achieving Social inclusion criteria</b>									
<i>Objective I. Establishment and development of an inclusive labor market in accordance with the State economic policy, support for employment and employability and reaction to ongoing structural changes</i>									

Goal/Objective/Aim	"Copenhagen" section				"Luxembourg" section				European Neighbourhood Policy Ukraine-EU Action Plan
	No progress	Preparation for action	Decision-making	Generation of next aims	No/Little progress	Some progress	Good progress	Excellent Progress	
Aim 1. Support the motivation and active involvement of the unemployed and those under threat of unemployment to seek and accept employment and their participation in counseling and retraining program									
Aim 2. Make work pay so as to minimize the passive receipt of social welfare benefits									
Aim 3. Increase the business sector's motivation to create new jobs, including the provision of incentives to companies, and to fill these jobs especially with job-seekers who are difficult to place, particularly in the regions facing high unemployment levels									+
Aim 4. Modernize the education system in collaboration with employers and to launch the principle of lifelong learning in order to match education with labor market requirements and individuals' need									
Aim 5. Support the improvement of educational structure by means of retraining (educational) activities aimed at obtaining or keeping a suitable job									
Aim 6. Increase employment and employability of disadvantaged groups, such as persons with disabilities, persons from a disadvantaged social and cultural environment, older persons, migrants, etc.									
Aim 7. Create conditions for entry in the labor market by means of social services' counseling activities									
<b>Objective II. Secure minimum income and resources for maintaining a dignified life and for protection from social exclusion</b>									
Aim 1. Ensure that minimum income ensures sufficient and equivalent protection from material distress in all types of households and, together with the minimum wage, that it provides higher motivation for persons with lower qualifications to take and keep a job; it is necessary to achieve a more positive relation between the minimum wage and the minimum income not only for individuals but for more numerous families and thus to strengthen the weight of work-related income in relation to social support income									
Aim 2. Approximate the relation between the minimum wage and average wage to those in the EU countries									
Aim 3. Prevent the consequences of the pension reform from causing pensioners to fall below the poverty line, for instance by introducing the category of minimum pension (income)									
<b>Objective III. Eliminate disadvantages in access to education</b>									

## Annex 16 Blank Matrix of the European Integration Agenda and of the EU – Ukraine Action Plan 2005

Goal/Objective/Aim	“Copenhagen” section				“Luxembourg” section				European Neighbourhood Policy Ukraine-EU Action Plan
	No progress	Preparation for action	Decision-making	Generation of next aims	No/Little progress	Some progress	Good progress	Excellent Progress	
Aim 1. Gradually improve the conditions for integration of pupils with serious disabilities, pupils with disabilities and pupils from socio-culturally disadvantaged environment into normal schools (with special attention to the Roma ethnic group), to ensure adaptability and flexibility of schools not only through the development of preparation classes but also through support of transfers to higher levels of study, primarily secondary but also tertiary									
Aim 2. Support further training of teachers working with disadvantaged children									
Aim 3. Provide conditions for access to lifelong learning for all groups of the population									
Aim 4. Develop information society, especially to introduce information technologies into school curricula and life, including access to the internet									
<b>Objective IV. Secure housing for all</b>									
Aim 1. Eliminate economic and legal obstacles preventing the establishment of a functional housing market and gradually to make arrangements for the social housing sector									
Aim 2. Ensure access to good-quality housing and to increase its overall and financial accessibility									
Aim 3. Support more strongly vulnerable groups which have found themselves outside the scope of the housing policy support instruments, such as persons with disabilities and impaired self-sufficiency, young people leaving institutions or persons who lost housing owing to an unfavorable life situation, and members of ethnic minorities, especially Roma									
Aim 4. motivate municipalities to cope better with the problems of people vulnerable to social exclusion and spatial segregation, and to deal with them effectively and efficiently from the economic point of view									
<b>Objective V. Maintain family solidarity, to protect the rights of children and to prevent socially pathological phenomena</b>									
Aim 1. Support families at risk of poverty, particularly single-parent families and families with more children, especially by extending the current “passive” family policy to include more measures to support their activation									
Aim 2. Change the tax system so that it is even more advantageous for families with children									



Goal/Objective/Aim	"Copenhagen" section				"Luxembourg" section				European Neighbourhood Policy Ukraine-EU Action Plan
	No progress	Preparation for action	Decision-making	Generation of next aims	No/Little progress	Some progress	Good progress	Excellent Progress	
Aim 3. Assist families in reconciling their professional and parental obligations by supporting flexible forms of employment and the option for both partners to take parental leave and by providing access to pre-school establishments									
Aim 4. Increase the protection of families (including children and older persons) from socially pathological phenomena, especially from the phenomenon of domestic violence and child abuse, through public promotion, legislative changes (amendment to the Penal Code) and further improvement and widening of the network of organisations and institutions dealing with assistance to the victims of domestic violence and therapy for perpetrators									
Aim 5. Support crime prevention among children and adolescents, especially in socio-culturally disadvantaged and excluded communities/areas									
<b>Objective VI. Secure equal access to high-quality social services</b>									
Aim 1. Complete the decentralisation and transformation of social services, including the funding system of social services and their legal basis									
Aim 2. Widen the range of social services provided, with the emphasis on provision of services in the user's home environment									
Aim 3. Introduce independent quality audit for social services, based on the social services quality standards defined in legislation, which will be targeted at services' users									
Aim 4. Create and develop partnership and planning at the level of regions, municipalities, NGOs and social service users in the framing of regional social policy									
Aim 5. Create and put into practice a system of human resources development in social services									
<b>Objective VII. Ensure equal access to high-quality health services</b>									
Aim 1. Ensure provision of a financially sustainable health care system									
Aim 2. Complete and introduce standards, including the system of certification which would ensure a minimum level of care in terms of both quantity and quality									
Aim 3. Create integrated community care, i.e. to interconnect health and social care, particularly taking account of specific target groups such as persons with disabilities, elderly living alone, Roma, alcoholics and drug addicts									
Aim 4. Support the comprehensive rehabilitation system for people with disabilities									

## Annex 16 Blank Matrix of the European Integration Agenda and of the EU – Ukraine Action Plan 2005

Goal/Objective/Aim	“Copenhagen” section				“Luxembourg” section				European Neighbourhood Policy Ukraine-EU Action Plan
	No progress	Preparation for action	Decision-making	Generation of next aims	No/Little progress	Some progress	Good progress	Excellent Progress	
<b>Objective VIII. Increase transport accessibility</b>									
Aim 1. Improve transport accessibility, especially in disadvantaged regions in order to stabilize the population in remote and rural areas and to achieve its better integration into the labor market									
Aim 2. Eliminate technical obstacles to the use of and access to public transport by persons with disabilities and senior citizens, and to continue with the development of accessible means of transport									
<b>Objective IX. Promote the revival of disadvantaged regions in line with the principle of sustainable development</b>									
Aim 1. Alleviate interregional differences, especially to gradually regenerate the affected regions									+
Aim 2. Give attention to special development programmes in these regions									+
Aim 3. Develop social and societal infrastructures in these regions									+
Aim 4. use other instruments of active employment policy, such as investment incentives and support for industrial zones, in order to regenerate the economic and social level of disadvantaged areas									+
<b>Objective X. Promote coordination and monitoring of social inclusion strategies</b>									
Aim 1. Strengthen ongoing coordination and mainstreaming of policies and programs on the elimination of poverty and social exclusion									+
Aim 2. Extend cooperation at national and regional levels and mobilize all relevant players									
Aim 3. Promote involvement of social partners at all levels									
Aim 4. Establish a system for monitoring poverty and social exclusion									+
Aim 5. Develop an appropriate institutional structure for coordination, monitoring and evaluation of policies and activities in the field of social policy									+

## Annex 17 The European Neighborhood Policy

The European Neighborhood Policy (ENP) was formulated by the EU as a necessary response to post enlargement realities. It was initiated in 2002 with Ukraine, Moldova and Belarus, all of which would border the then soon to be enlarged EU and has subsequently been transformed into a comprehensive policy instrument that covers not only neighbors, but also Mediterranean countries.

In 2003 the European Commission presented its Communication on “Wider Europe – New Neighbors,” which outlined the basic principles and goals of the neighborhood policy, and proposed instruments for their achievement. It was further developed and put in more concrete terms in the 2004 “Strategy Paper on European Neighborhood Policy” and then, after two years of implementation, in the Communication of December 2006 “On Strengthening the European Neighborhood Policy.” All these documents were endorsed by the EU member states at the General Affairs and External Relations Council, and the European Council levels.

The underlying idea of the ENP was the creation of a “ring of friends,” meaning an area of stability, prosperity and security, by means of unification of heterogeneous neighbors around common values of democracy, rule of law, respect for human rights, and establishment of an open and integrated market on a pan-European scale on the basis of harmonized rules, gradual liberalization of trade regimes, and effective implementation of political, economic and institutional reforms, including the approximation of national legislations to EU legislation. The ENP was conceived as a means of avoiding new dividing lines in Europe and to offer the EU neighbors the possibility of ever deeper political, security, economic and cultural cooperation. From the very beginning the EU member states made it clear that the Neighborhood Policy was a strategy distinct from enlargement, although, as often reiterated by the EU officials and politicians, the ENP by no means excludes the right to EU membership for the countries which possess it according to Article 49 of the Treaty establishing the EU.

Depending on the progress achieved, and adhering to the principle of differentiation, the EU may propose to each neighboring country a stake in the EU internal market and the prospect of further integration and liberalization, which will encourage the free movement of persons, goods, services and capital – the EU “four freedoms.” This level of integration is the maximum possible for countries that are not EU members.

As of October 2007, the ENP is based primarily on the existing contractual framework – the Partnership and Cooperation Agreements with the partners in Eastern Europe, and the Euro-Mediterranean Association Agreements with the partners in North Africa and the Middle East. The ENP has used established political dialogue formats and functioning mechanisms of cooperation between the EU and its neighbors, while adding a number of new elements that go beyond the limits of the agreements in force.

The three Communications of the European Commission regarding the ENP outline only the EU’s general approach to developing further relations with the ENP partners. The ENP’s practical aspects and its concrete measures and initiatives are reflected only in the “action plans” agreed between the EU and each neighbor.

## Annex 18 The Council of Europe, the OSCE and EFTA

The Council of Europe The Council of Europe was set up with the view to (i) protecting human rights, pluralistic democracy and the rule of law, (ii) assisting in the consolidation of democratic stability in Europe by supporting political, legislative and constitutional reforms, (iii) promoting awareness and encouraging the development of Europe’s cultural identity and diversity, and (iv) seeking solutions to such problems as discrimination against minorities, xenophobia, intolerance, environmental protection, AIDS, drugs, terrorism and organized crime. Any European state can become a member of the Council provided it accepts the principle of the rule of law and guarantees human rights and fundamental freedoms. In case of a serious violation by a member state of its commitments to the Council, the state’s right of representation can be suspended or even terminated.

The Council’s work program covers the issues of human rights, media freedom, legal cooperation, social cohesion, health, education, culture, heritage, sport, youth, local democracy and cross-border cooperation, environmental protection and regional planning. This work leads to the adoption of European conventions and agreements that are legally binding on states that ratify them. Member states are expected to harmonize their legislation with legal instruments adopted by the Council and properly enforce their implementation.

As of mid-2007 the common values of the Council are stipulated in approximately 190 conventions and more than 1,000 recommendations. Special controlling mechanisms have been established, such as the European Court of Human Rights and the European Commission on Prevention of Torture. According to Article 57 of the European Convention on Human Rights, the Council Secretary-General may inquire of any Party to the Convention about the ways national legislation ensures effective implementation of any provision of the Convention. If member states face any problems with ensuring their commitments to the Council, they may count on the assistance from the Council of Europe through special programs on strengthening democratic stability.

The European Social Charter (1961) and the revised European Social Charter (1996) set out economic and social rights and freedoms, including in particular housing, health, education, employment, social protection, personal travel and non-discrimination. The Council of Europe is also actively engaged in promoting equality between women and men through combating any interference with women’s liberty and dignity, eliminating gender discrimination and promoting a balanced representation of women and men in political and public life. In the field of legal cooperation the Council encourages the harmonization of European legal systems so that they serve democracy, and make justice more effective and able to face new challenges. The priority areas in this direction are public international law, and fighting terrorism, organized crime, cybercrime, money laundering and corruption. Concerning corruption, the Council adopted the Criminal and Civil Law Conventions on Corruption and established a special institution – the Group of States against Corruption (GRECO).

Another Council priority area is institutional reform in the member states. This covers, in particular, such important issues as constitutional reform, strengthening an independent judiciary, training the legal professions, including law enforcement authorities, and reform of penitentiary systems. The constitutional issues are dealt with by the Council through the institution of the

European Commission for Democracy through Law (the Venice Commission), which provides relevant studies, reports, advice on the adoption of constitutional acts and opinions on the interpretation of various legal acts.

The Council of Europe is also active in promoting social cohesion, which was identified as its leading priority in 1997, with a view to (i) guaranteeing an adequate level of social protection, (ii) promoting employment, (iii) providing protection for the most vulnerable groups of society, (iv) promoting equal opportunities for all, (v) combating exclusion and discrimination, and (vi) consolidating European cooperation on migration.

The Council of Europe Strategy for Social Cohesion (first drafted in 2000, adopted in 2001, and finally approved in 2004, defines social cohesion as the capacity of a society to ensure the welfare of all its members, minimizing disparities and avoiding polarization. The Strategy is grounded in the principles of equality of rights for all, without discrimination; availability of quality services affordable by all; giving special attention to the needs of the vulnerable; avoiding stigmatization of those with special needs; maintenance of equitable and sustainable fiscal policies; and partnership with civil society bodies, in particular trade unions, employers' representatives and NGOs.

Promoting social cohesion requires proper protection and implementation of the rights of those social groups that are at particular risk, in particular, (i) children, (ii) young people in general, from the point of view of sustainable development; (iii) families in precarious life situations, especially single-parent families, (iv) migrants and ethnic minorities, (v) people with disabilities, (vi) elderly people, especially those who live alone or have no more support of their families.

According to the Strategy, the state is the main guarantor of ensuring social cohesion through the establishment and improvement of an effective social security system, based on solidarity and designed to protect all members of society against life's risks, through a wide scope of social services for all and social assistance for those in need. The key to eliminating poverty and social exclusion is providing real access to basic social rights, extending the standards of social protection to all member states, promoting employment, providing access for all to housing, health and education. The state should also use economic development for the purpose of achieving the aims of social cohesion, which, in response, makes its own contribution to further economic development through generating a favorable environment for the business sector, investments and the market economy in general.

The role of the Council of Europe is to inspire and support state efforts by means of its standard-setting instruments, its intergovernmental cooperation machinery, and targeted activities designed to assist individual states or their groups in putting into practice Council of Europe standards and recommendations. The Council closely cooperates on these issues with other international institutions, in particular, in the framework of Joint Programs with the European Commission, and with the International Labour Organization on issues related to work on social security. As an international financial institution working for social development, the Council of Europe Development Bank plays a major part in giving practical meaning to the Strategy.

The OSCE In 1975 the Conference on Security and Cooperation in Europe (from 1995 Organization for Security and Cooperation in Europe) was established as the forum for the discussion of security issues in Europe. The Helsinki Final Act of 1975, its

first major document, stipulated the ten principles, the so-called "Decalogue," designed to guide relations between participating states. The principal objective of this forum was to provide a free, democratic and more integrated area without dividing lines. The main innovation of the "Decalogue" was that it broadened the concept of security and divided it into three dimensions: (i) politico-military, (ii) economic-environmental and (iii) humanitarian. This concept of security as common, comprehensive, cooperative and indivisible makes the OSCE an indispensable part of the European security architecture.

Over the three decades since this project was established, upheaval in Europe has spurred OSCE to adapt to new demands and to incorporate economic and environmental factors into its understanding of security. In 2003 participating OSCE states approved a new strategy to address threats to security and stability in the 21st century, in which they noted that security could be endangered by (i) the failure of a state to ensure the values of respect for human rights and fundamental freedoms, democracy and the rule of law, (ii) deepening economic disparities between and within the states, (iii) environmental degradation, (iv) degradation of health, (v) deterioration of demographic factors, and (vi) lack of openness and transparency in politico-military matters. If not addressed properly, such factors could provoke many potential threats at national, regional and global levels.

The OSCE's response to economic and environmental challenges to security was articulated in the 2003 Strategy Document for the Economic and Environmental Dimension. The strategy outlined the following directions for future actions to address economic and environmental threats: (i) promotion of economic and environmental co-operation within the OSCE area on the basis of solidarity, transparency, equal and non-discriminatory partnership, mutual accountability and full respect for the interests of all OSCE participating states with a view to avoiding new divisions and to narrowing disparities between and within countries, (ii) mutual support in integration into the international economic and financial system, primarily the World Trade Organization (WTO), (iii) promotion of mutually beneficial regional and sub-regional economic integration, (iv) increase in international trade with a view to establishing open and integrated markets functioning on the basis of compatible or harmonized rules and further liberalization as well as encouraging investments as a necessary condition for sustainable and environmentally sound economic growth, increased employment, higher living standards and reduced levels of poverty, (v) ensuring financial stability, (vi) provision of a high level of energy security through a predictable, reliable, economically acceptable, commercially sound and environmentally friendly energy supply, (vii) development of transport networks, (viii) necessity to provide good governance and strong institutions as the prerequisite for a sound economy which can attract investments, and reduce poverty and inequality, increase social integration and opportunities for all and protect the environment, (viii) fight against corruption as a factor having an extremely detrimental effect on economy and society, (ix) promotion of social partnership and cohesion with a view to ensuring improved access for all to basic social benefits, such as employment, affordable health services, pensions and education, and for adequate levels of protection of socially vulnerable groups, and the prevention of social exclusion.

The Human Dimension is also a pillar of the European security architecture, along with politico-military and economic-envi-

ronmental issues. It covers the norms and activities of the OSCE related to respect for human rights and fundamental freedoms, democracy and the rule of law. It is worth recalling that the 1975 Helsinki Final Act acknowledged as one of its ten guiding principles the “respect for human rights and fundamental freedoms, including the freedom of thought, conscience, religion or belief, for all, without distinction as to race, sex, language or religion.”

A fundamental aspect of the human dimension of OSCE is that human rights and pluralistic democracy are not considered an internal affair of any state. The participating states “categorically and irrevocably” declared that the “commitments undertaken in the field of the human dimension of the OSCE are matters of direct and legitimate concern to all participating States and do not belong exclusively to the internal affairs of the State concerned” (Moscow Document, 1991). OSCE participating states cannot invoke the non-intervention principle to avoid discussions about human rights problems within their countries. In achieving this goal, the OSCE works through its institutions: the Office for Democratic Institutions and Human Rights (ODIHR), the High Commissioner on National Minorities (HCNM), and the Representative on Freedom of the Media (RFM), and its field missions.

With regard to the election process, according to their OSCE commitments participating states agree to invite other participating states to observe their elections. The role of the ODIHR is to provide the methodology and coordination for the observation process. Teams of experts are sent to observe the entire electoral process and to verify if elections are conducted in compliance with the principles of universality, equality, fairness, secrecy, freedom, transparency and accountability. The ODIHR also provides assistance in reviewing electoral legislation, advice on specific topics and assistance in implementation of recommendations in the final election observation report.

The objective of the democratization dimension of the ODIHR is that citizens participate freely, genuinely and equitably in decision-making at all levels of society. There are three main areas of the ODIHR’s democratization activities: (i) the rule of law (providing ongoing assistance to encourage reforms in criminal-justice systems), as well as legislative support (assisting states in bringing national legislation into compliance with OSCE commitments and other international standards), (ii) democratic governance (with an emphasis on increasing transparency and expanding participation in policy making) and increased participation of women in democratic processes (in order to advance the role of women at all levels of decision-making and ensure the principle of equal rights), and (iii) freedom of movement and enhancing respect for the rights of migrants (assistance in reforming migration legislation).

On human rights issues the ODIHR monitors the implementation of the commitments of OSCE participating states and provides assistance in the promotion and protection of human rights. The ODIHR is very active in the fight against trafficking and terrorism, and in training and education activities on human rights. It also works on the issues of freedom of assembly and association, trial monitoring and the death penalty.

Discrimination and intolerance are among the factors that can provoke conflicts, which undermine security and stability. In 2004 the ODIHR started a tolerance and non-discrimination program to support the participating states in implementing their OSCE commitments as well as to strengthen civil society’s capacities to respond to these challenges. The ODIHR’s activities are focused

on providing legislative assistance, law-enforcement training, monitoring, reporting hate-motivated crimes and incidents, and educational activities to promote tolerance, respect and mutual understanding. The ODIHR also established a Panel of Experts on Freedom of Religion or Belief in order to promote freedom of thought, conscience, religion or belief, and to support the implementation of OSCE commitments in this area.

These areas of activity suggest that the OSCE agenda could be useful for any country striving to fulfill political reforms aimed at strengthening institutions and guaranteeing democracy, the rule of law and respect for human rights. Economic and social issues, by contrast, are less pronounced in the OSCE profile.

The European Free Trade Association The European Free Trade Association (EFTA) was established in 1960 by Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the UK, four years after the Treaty of Rome on establishing the European Economic Community was signed. In 1970 Iceland became an EFTA member. In the following years the EU member countries left EFTA and its present membership consists of Iceland, Liechtenstein, Norway and Switzerland. EFTA is an intergovernmental organization set up to promote free trade and economic integration to the benefit of its four member states. More specifically, the Association is responsible for the management of:

- The EFTA Convention, which forms the legal basis of the organization and governs free trade relations between EFTA members;
- EFTA’s worldwide network of free trade and partnership agreements;

The European Economic Area (EEA) Agreement enables three of the four EFTA countries (Iceland, Liechtenstein and Norway) to participate in the EU’s Internal Market.

The EFTA Convention regulates the free trade relations between member states and provides the legal framework for EFTA as an organization. In June 2003 the scope of the Convention was expanded to include trade in services and investment, mutual recognition of conformity assessments, free movement of persons, social security and mutual recognition of diplomas, land and air transport, public procurement and intellectual property rights, as well as broadening the functions of the EFTA Council. Using EFTA, the member states have created one of the world’s largest networks of free trade partners. The EFTA free trade agreement (FTA) network secures economic actors free access to markets with a total of some 440 million consumers.

The Agreement on the European Economic Area (EEA), which entered into force in 1994, brings together the 27 EU member countries and the three EFTA countries in a single market, referred to as the “Internal Market.” The EEA Agreement provides for the application of EU legislation covering the four freedoms — the free movement of goods, services, capital and persons — throughout the 30 EEA states. In addition, the Agreement covers co-operation in other important areas, such as research and development, education, social policy, environment, consumer protection, tourism and culture.

On human development issues, the EFTA states have endorsed the EU’s strategic goal, set out in the conclusions of the 2000 Lisbon European Council, to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and

greater social cohesion. In October 2000 the Standing Committee of the EFTA states established an ad hoc group on the follow-up to the Lisbon summit. In January 2002 the group established an action plan identifying areas for follow-up on Lisbon Strategy initiatives of common interest to the EEA and EFTA States. Through the EEA Agreement, the EFTA member states are involved in most initiatives covered by the follow-up to the Lisbon strategy. In their 23-24 March 2001 Statement to the Stockholm European Council the EFTA countries acknowledged that Europe needed a knowledge-based economy, which offered great potential for reducing social exclusion both by creating appropriate economic conditions for greater prosperity, and by opening up new ways of participating in society. In this regard, strengthening the coherence between employment, economic reform, research and innovation, and social cohesion has been recognized as of great significance to all European countries.

Annex 19		
	1995	
<b>General information</b>		
Nominal GDP (1990.1995 — bn krb., from 1996 — bn UAH)	5451642	170.1
Annual growth/decline of real GDP (%)	-12.2	5.9
Annual growth/decline of real GDP per capita (%)	-11.5	6.7
CPI inflation (Dec-to-Dec, %)	181.7	25.8
<b>National accounts</b>		
Production structure (% of VA)		
Industry	34.6	31.4
Agriculture	14.9	16.2
Consumption structure (% of GDP)		
Private consumption	49.7	54.3
Gross fixed capital formation	23.3	19.7
<b>Balance of payments</b>		
GNFS exports (% of GDP)	47.1	62.4
GNFS imports (% of GDP)	-50.2	-57.4
Trade balance (% of GDP)	-3.1	5
Stock of Foreign direct investment in Ukraine (mn USD)	896.9	3875.0
Average official exchange rate (UAH/USD)	1.473	5.44
<b>Budget</b>		
Budget expenditures (bn UAH)	...	48.15
Budget expenditures (% of GDP)	...	28.31
Including:		
Public administration	...	1.99
Law-enforcement activities and security of the country	...	1.65
Social and cultural purposes	...	11.21
Education	...	4.17
Health care	...	2.87
Social security and social provision	...	3.52
Culture	...	0.37
Mass media	...	0.13
Recreation and sport	...	0.15
Industry, energy and construction	...	2
Agriculture, forestry, fish and hunting industries	...	0.52
Transport and communication	...	1.11
Housing and communal services	...	0.64
National defense	...	1.35
Budget deficit (% of GDP)		
(Ukrainian definition)	-6.6	0.6
<b>Energy consumption</b>		
Electrical energy (bn kWh)	191	136.4
Coal (mn tonnes)	85	63.3
Natural gas (bn m3)	78	68.4
Oil, including gas condensate (mn tonnes)	15	9.4

#### Ukraine; Main Macro-Economic Indicators, 1995 and 2000-07

2001	2002	2003	2004	2005	2006	2007	2007	2008	2009	2010	2011
							planned	(	expected)		
204.2	225.8	267.3	345.1	441.5	537.7	630.01	679.5	921.2	944.2	1100.0	1275.4
9.2	5.2	9.6	12.1	2.7	7.3	7.3		6.8	6.8	6.5	6.5
11.1	6.3	10.5	13.0	3.5	7.8						
6.1	-0.6	8.2	12.3	10.3	11.6	16.6			6.2	5.4	4.9
24.4	25.1	25.2	24.5	25.4	25		29.6				
16.3	14.6	12.1	11.9	10.9	8.7		7.0				
55	55.1	54.7	52.3	57.2	58.7		58.2				
19.7	19.2	20.6	22.6	22	24		25.2				
55.4	55.1	57.8	63.6	51.5	47.2		47.3				
-53.8	-50.7	-55.2	-56	-50.6	-50.1		-51.5				
1.6	4.4	2.6	7.7	0.8	-2.9		-4.2				
4555.3	5471.8	6794.4	9047.0	16890.0	21186.0	29489.4					
5.372	5.327	5.333	5.319	5.125	5.050	5.050		4.95-5.25			
55.53	60.32	75.79	102.54	141.99	175.28	188.3 <sup>1</sup>					
27.2	26.71	28.35	29.71	33.43	32.6	29.9 <sup>1</sup>					
1.85	3.8	3.75	3.56	3.64	3.71	2.662					
1.97	2.23	2.19	2.28	2.41	2.36	2.19 <sup>2</sup>					
12.64	15	14.85	15.21	20.17	18.45						
4.73	5.43	5.6	5.31	6.31	6.28	5.75 <sup>2</sup>					
3.09	3.34	3.63	3.52	3.64	3.67	2.97 <sup>2</sup>					
4.13	5.6	4.85	5.6	9.40	7.69	6.45 <sup>2</sup>					
0.41	0.36	0.43	0.43	0.47	0.47						
0.13	0.11	0.12	0.13	0.13	0.12						
0.15	0.16	0.21	0.22	0.21	0.21						
1.9	1.1	1.34	1.4	1.00	1.09						
0.54	0.61	1.05	0.86	1.16	1.24						
0.89	0.8	1.04	1.9	1.28	1.68						
0.77	0.62	0.68	0.77	0.92	1.49	0.35 <sup>2</sup>					
1.51	1.57	1.97	1.79	1.42	1.19	0.84 <sup>2</sup>					
-0.3	0.7	-0.2	-3.2	-1.8	-0.7	0.9 <sup>1</sup>					
135.8	137.1	143.4	149.6	152.9	143.4	148.3					
64.2	62.9	66.9	65.9	63.9	70.6						
65.8	65.5	72.2	72.2	73.0	71.0						
16.9	21.9	22.9	22.9	19.2	15.4						

Source: Annual Statistical Reviews for the respective years; forecasts from Ministry of Economy for 2008-2011

Compendium of National Accounts of Ukraine for the respective years

National Bank of Ukraine [www.bank.gov.ua](http://www.bank.gov.ua);

Ministry of Finance of Ukraine [www.minfn.gov.ua](http://www.minfn.gov.ua);

Ministry of Economy of Ukraine <http://www.me.gov.ua>;

Ministry of Fuel and Energy of Ukraine <http://mpe.kmu.gov.ua>

## Annex 20

Goal	Target/Indicator										
Year	2000	2001	2002	2003	2004		2005	2006	2007	2011	2015
1	2	4	5	6	7		8	9	10	11	12
	actual	actual	actual	actual	actual	planned	planned	actual	planned	planned	planned
<b>Goal 1. Poverty reduction</b>											
Target 1.1.	Halve the number of people whose daily consumption is below US \$4.30, measured in average PPP										
Indicator 1.1.	The share of the population whose daily consumption is below US \$4.30, measured as average PPP										
	11,9	11,0	6,9	3,7	<b>3,2</b>	<b>9,8</b>	1,3	1,0	8,6	7,1	5,5
Target 1.2.	Reduce the share of the poor by one third (based on a nationally-defined poverty level)										
Indicator 2.1.	The share of the population below the nationally-defined poverty level										
	26,4	27,2	27,2	26,6	<b>27,3</b>	<b>25,0</b>	27,1	28,1	22,6	21,5	18,4
<b>Goal 2. Quality life-long education</b>											
Target 2.1.	Raise enrollment rates by 2015, in comparison with 2001										
Indicator 1.1.	Net enrollment rate for children aged 3-4 in pre-school programs (%)										
	50,7	55,6	n/a	61,9	<b>67,2</b>	<b>57</b>	72,1	76,9	60	63	65
Indicator 1.2.	Net enrollment rate for children aged 5 in pre-school programs (%)										
	47,6	50,5	n/a	54,5	<b>56,1</b>	<b>53</b>	61,9	63,7	55	57	60
Indicator 1.3.	Net enrollment rate for children aged 6-9 in primary programs (%)										
	96,7	99,2	n/a	99,2	<b>99,3</b>	<b>99,3</b>	99,3	99,3	99,5	99,8	100
Indicator 1.4.	Net enrollment rate for children with a secondary education (%)										
	n/a	90	n/a	91	<b>92</b>	<b>92</b>	99,7	98,9	95	97	99
Indicator 1.5.	Net enrollment rate in post-secondary institutions for those aged 18-22 (%)										
	53,4	57,5	n/a	64,2	<b>65,2</b>	<b>60</b>	66,8	66,0	63	65	67
Indicator 1.6.	Number of graduates from post-secondary institutions (thousands)										
	n/a	460,3	n/a	565	<b>579</b>	<b>n/a</b>	794,8	559,6	n/a	n/a	n/a
Indicator 1.7.	Cumulative gross rate of persons undergoing re-training or professional development (thousands)										
	n/a	157,7	n/a	166,6	<b>188</b>	<b>n/a</b>	193	193	n/a	n/a	n/a
Target 2.2.	Raise the quality of education										
Indicator 2.1.	Proportion of current state education standards that comply with those of the EU (%)										
	In the process of definition in line with Bologna process										
<b>Goal 3. Sustainable environmental development</b>											
Target 3.1.	Increase the proportion of people with access to clean drinking water by 12% from 2001 to 2015										
Indicator 1.1.	Proportion of population drinking water that meets national standards for urban areas, %										
	n/a	86	n/a	86	<b>87</b>	<b>87</b>	87	86	88	90	93
Indicator 1.2.	Proportion of population drinking well water that meets national standards for rural areas, %										
	n/a	63	n/a	63	<b>63</b>	<b>64</b>	63	63	66	69	75
Target 3.2.	Stabilize air pollution from stationary sources										
Indicator 2.1.	Volume of harmful emissions into atmosphere from stationary sources of pollution (million tonnes per year)										
	n/a	4,05	n/a	4,09	<b>4,15</b>	<b>4,15</b>	4,45	4,82	4,20	4,20	4,10
Target 3.3.	Expand the network of natural and biospheric reserves and national parks to 10.4 % of the overall territory of Ukraine										
Indicator 3.1.	Total area of natural and biospheric reserves and national parks, as % of overall territory of Ukraine										
	n/a	4,2	n/a	4,5	<b>4,57</b>	<b>6,1</b>	4,65	4,73	7,5	8,6	10,4
<b>Goal 4. Improved maternal health and reduced child mortality</b>											
Target 4.1.	Reduce maternal mortality by 17%										

Ukraine's progress in meeting the MDG targets (set in 2003 by the Ministry of Economy of Ukraine and compared with actual outcomes)



Indicator 1.1.	Number of deaths from complications during pregnancy and delivery or post-delivery, per 100,000 live births										
	24,7	23,9	n/a	17,4	<b>13,7</b>	<b>22,0</b>	17,6	11,5	20,3	20,0	19,8
Indicator 1.2.	Number of abortions per 1,000 women of childbearing age										
	34,1	29,1	n/a	23,4	<b>21,3</b>	<b>26,7</b>	19,5	18,6	26,1	25,3	24,4
Target 4.2.	Reduce mortality among under-5's by 17%										
Indicator 2.1.	Under-5 mortality rate (number of deaths per 1,000 children under 5)										
	15,6	14,9	n/a	12,9	<b>12,4</b>	<b>14,3</b>	12,9	12,0	14,3	13,7	12,3
Indicator 2.2.	Infant mortality rate (number of deaths per 1,000 children less than one year old)										
	11,9	11,3	n/a	9,7	<b>9,5</b>	<b>10,4</b>	10	9,8	10,4	9,8	9,3
<b>Goal 5. Reducing and slowing down the spread of HIV/AIDS and TB</b>											
Target 5.1.	Reduce the rate of the spread of HIV/AIDS by 13%										
Indicator 1.1.	Number of new HIV-infection cases per 100,000										
	12,6	14,2	n/a	20,8	<b>26,2</b>	<b>15,4</b>	29,2	34,4	14,1	13,7	12,4
Indicator 1.2.	Number of AIDS-related deaths per 100,000										
	0,8	0,9	n/a	2,7	<b>3,7</b>	<b>1,2</b>	4,6	5,2	0,7	0,6	0,5
Indicator 1.3.	Proportion of HIV-infected children born to HIV-infected mothers (MTCT)										
	n/a	35,0	n/a	10,5	<b>10,0</b>	<b>30,0</b>	8,0	n/a	25,0	15,0	5,0
Target 5.2.	Reduce the number of TB cases by 42%										
Indicator 2.1.	Number of new TB cases (including pulmonary TB) per 100,000										
	60,4	69,5	n/a	77,5	<b>81,2</b>	<b>80,0</b>	84,1	83,2	56,4	49,0	40,0
Indicator 2.2.	Number of TB-related deaths per 100,000										
	22,2	22,4	n/a	21,8	<b>22,6</b>	<b>19,0</b>	25,3	22,1	17,0	12,0	10,0
<b>Goal 6. Gender equality</b>											
Target 6.1.	Achieve a ratio of at least 30:70 for either gender in legislative and executive office										
Indicator 1.1.	Gender ratio among deputies of the Verkhovna Rada										
	n/a	8/92	n/a	5/95	<b>5/95</b>	<b>5/95</b>	5/95	9/91	13/87	20/80	30/70
Indicator 1.2.	Gender ratio among deputies in local government										
	n/a	42/58	n/a	42/58	<b>42/58</b>	<b>42/58</b>	42/58	35/65	43/57	44/56	45/55
Indicator 1.3.	Gender ratio among deputies in oblast governments										
	n/a	11/89	n/a	10/90	<b>10/90</b>	<b>15/85</b>	10/90	12/88	19/81	20/80	30/70
Indicator 1.4.	Gender ratio among deputies in county (rayon) government										
	n/a	21/79	21/79	21/79	<b>21/79</b>	<b>24/76</b>	21/79	21/79	27/73	28/72	30/70
Indicator 1.5.	Gender ratio among deputies in municipal governments										
	n/a	22/78	22/78	22/78	<b>22/78</b>	<b>25/75</b>	22/78	26/74	28/72	29/71	30/70
Indicator 1.6.	Gender ratio among deputies in village government										
	n/a	47/53	47/53	47/53	<b>47/53</b>	<b>47/53</b>	47/53	40/60	48/52	48/52	50/50
Indicator 1.7.	Gender ratio among deputies in rural office										
	n/a	47/53	47/53	47/53	<b>47/53</b>	<b>48/52</b>	47/53	50/50	49/51	50/50	50/50
Indicator 1.8.	Gender ratio in the Cabinet of Ministers										
	n/a	0/100	n/a	1/99	<b>1/99</b>	<b>10/90</b>	8/92	0/100	15/85	20/80	30/70
Indicator 1.9.	Gender ratio among high-ranking state officials (categories 1 and 2)										
	n/a	15/85	n/a	16/84	<b>13/87</b>	<b>17/83</b>	19/81	19/81	20/80	25/75	30/70
Target 6.2.	Halve the gap in incomes between men and women										
Indicator 2.1.	Ratio of average wages between men and women										
	n/a	71	n/a	68,6	<b>68,6</b>	<b>73</b>	70,9	72,8	76	85	86

## Annex 21 Progress in Social Inclusion in the EU Countries

**Poverty.** In 2004, 16 per cent of EU-25 citizens lived under the poverty threshold defined as 60 per cent of their country's median income, a situation likely to hamper their capacity to fully participate in society. This rate ranged from 9-10 per cent in Sweden and the Czech Republic to 21 per cent in Lithuania and Poland. Children are often at greater risk-of-poverty than the rest of the population (19 per cent in the EU-25). This is true in most countries except in the Nordic States, Greece and Cyprus.

**Unemployment.** In 2006, almost 10 per cent of EU25 working age adults (aged 18-59, and not students) lived in households where no one was working. This rate ranged from less than 5 per cent in CY, LU and SI to more than 13 per cent in PL and BE, a similar proportion of children lived in jobless households, 9.5 per cent in the EU in 2006. However, families with children are more affected by joblessness in some countries than in others. The share of children living in jobless households varies greatly across Member States, and ranges from less than 3 per cent in LU to 14 per cent or more in BG and the UK. Living in a household where no one works affects both children's current living conditions, and the conditions in which they develop by lack of an appropriate role model.

**Poverty among those in work.** Having a job does not always protect people from the risk-of-poverty. In 2004, 8 per cent of EU25 citizens in employment (aged 18 and over) lived under the poverty threshold, thereby facing difficulties in participating fully in society. This rate ranged from 5 per cent or less in the CZ, DE and the Nordic countries to 13-14 per cent in EL, PL and PT.

**Employment of pensioners.** One of the ways to ensure both sustainability of pension systems and an adequate level of income for pensioners is by extending working lives. The Lisbon target is to reach 50 per cent employment rate of older workers by 2010. In 2004 the employment rate of older workers for

the EU 25 was 43 per cent compared to 38 per cent in 2001 and Sweden, Denmark, UK, Estonia, Finland, Ireland, Cyprus, Portugal have reached the 50 per cent. However, the target is still far away for a group of countries where the employment rate of older workers is still around 30 per cent. Currently pension systems have in general managed to achieve widespread elimination of poverty of older people, and people aged 65+ have an income which is around 85 per cent of the income for younger people, ranging from 57 per cent in Cyprus to more than 100 per cent in Hungary and Poland. Recent reforms in many Member States though, have led to decreases in the average pension compared to the average wage of an average worker at a given retirement age (replacement rates).

**Health and long-term care.** Life expectancy has increased spectacularly in the last half century. On average, life expectancy from 1995 to 2005 has increased by 3 years for men and 2 years for women. However, there are currently wide disparities in health outcomes across the EU, with men's life expectancies ranging from 65.4 (Lithuania) to 78.4 years (Sweden) and those of women from 75.4 (Romania) to 83.9 (Spain).

**Resources allocated to healthcare.** Total healthcare expenditure in the EU ranges from 5.5 per cent of GDP in Estonia to 10.9 per cent in Germany – still well below the countries with the highest healthcare expenditure, the US, at 15.3 per cent, and in the EU it employs between 3 and 10 per cent of the population. Total healthcare expenditure includes both public and private expenditure, including direct out of pocket payments by households. Private expenditure in the EU is about a quarter of overall expenditure.

**Joint Report on Social Protection and Social Inclusion,  
MEMO/07/66, Brussels, February 2007**

# Ukraine in 2015:

## Millennium Development Goals adapted for Ukraine

### Goal 1: Reduce poverty

Target 1: Reduce by half the proportion of people whose daily consumption is below USD 4.30, measured in average PPP (parity purchasing power), as compared with 2001

Target 2: Reduce the share of the poor by one third (based on the nationally defined poverty level)

### Goal 2: Increase access to quality life-long education

Target 3: Raise enrollment rates by 2015, in comparison with 2001

Target 4: Raise the quality of education

### Goal 3: Ensure sustainable environmental development

Target 5: Increase the proportion of people with access to clean drinking water by 12% from 2001 to 2015

Target 6: Stabilize air pollution from stationary sources

Target 7: Expand the network of natural and biospheric reserves and national parks to 10.4 % of the overall territory of Ukraine

### Goal 4: Improve maternal health and reduce child mortality

Target 8: Reduce maternal mortality by at least 17%

Target 9: Reduce the mortality rate of children under 5 years by at least 17%

### Goal 5: Reduce and slow down the spread of HIV/AIDS and TB

Target 10: Reduce the rate of the spread of HIV/AIDS by 13%

Target 11: Reduce the number of TB cases by 42%

### Goal 6: Ensure gender equality

Target 12: Achieve a ratio of at least 30:70 for either genders in legislative and executive offices

Target 13: Halve the gap in incomes between men and women



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