

ICPS newsletter[®]

Lessons in democracy for Ukraine

On 13 July 2007, the ICPS and the National Academy of Public Administration under the President of Ukraine held a roundtable called *Lessons in Democracy: World practice for Ukraine*. During the roundtable, ICPS experts presented a compendium of ICPS articles that analyze global experience in the operation of key political topics, such as coalition governments, oppositions, cohabitations, primaries, lobbying and the transfer of power from one government to another. Politicians, journalists and experts who were present at the roundtable also had the opportunity to receive firsthand information about the operation of these institutes from representatives of the embassies of Finland, Sweden, Romania, Canada, the US, Spain and France

Ukraine is going through democratic transformations

In the course of its democratic transformation, Ukraine is experiencing a process that is not unique. Other countries that are currently democratic had similar problems.

Conditions in Ukraine have finally given way to political competition and a system for dividing powers is being formed. However, this transformation is spontaneous and disorganized. Ukraine has to go through in an accelerated manner what most other countries have gone through during an extended period of time. According to Ambassador of Sweden to Ukraine John-Christer Ahlander, "Sweden has been creating its parliamentary system for more than 500 years and this system is still constantly being discussed. For Ukraine, it is a real challenge to go through similar changes within a short transitional period."

Accordingly, the experience that western democracies have accumulated in the process of building their own political institutes during a long period of time must become the subject of captious examination for Ukraine. It should be done not in order to copy certain models or practices, but to avoid the typical mistakes other countries have made and deduct what political principles and practices make a country a real democracy.

Previous history defines the political system

One of the main conclusions of this roundtable was that any political system is successful if it is focused on the needs of the country and learns from its past mistakes. According to French Advisor under the Ministry of Justice of Ukraine Nikolas Maziau, "the lesson that we learned was the following: When we

ask ourselves about the needed type of a political regime, we first must answer the question: what are we expecting from it and what previous experience do we have? It is impossible to ignore previous history in choosing a political regime".

France is a model example concerning this issue. According to Mr. Maziau, "The French people tried almost all types of existing political regimes": constitutional monarchy and parliamentary and presidential republics. But he said the final choice in favor of the "semi-presidential" model was made because the French "admitted to themselves that they are convinced republicans, but, at the same time, need a strong leader."

The example of Romania presented by Ambassador of Romania to Ukraine Mr. Traian Laurentiu Hristea showed the impact of the dictatorial ruling of Nicolae Ceausescu on his country's current political system. According to Hristea, the country's experience "is very fresh in the heads of politicians... All of them are aware of this experience and are careful to not centralize all powers in the hand of one person."

Representatives of other countries also emphasized that their political systems are determined by history and the desire of politicians to resolve their country's domestic problems. Striving to have a parliament that would represent all nationals from various parts of the country, Finland traditionally has a majority electoral system. Adhering to traditions, Canada still formally continues to be a constitutional monarchy headed by Queen Elizabeth II.

The systems are different, but the principles are identical

Despite the differences among the political systems of various countries, all democracies

have similar governance principles and institutions that serve as a basis for democracy in these countries.

These institutions, mentioned by almost all of the foreign participants in the roundtable, include a professional civil service, separated and protected from politicians. Also, there is a parliamentary opposition that has guaranteed rights for participation in governing the country, even if these rights are not found in the country's legislation. Other institutes that were mentioned by the majority of presenters are strict party discipline within parliamentary factions and the existence of an ongoing dialog among the key political forces in the country.

Legislation is not a panacea

Presentations made by foreign participants during the roundtable proved that legislation that introduces similar institutes is not mandatory for the functioning of democracies. Frequently, similar norms are developed as a result of traditions and agreements and only afterwards become legislation. According to Ambassador of Finland to Ukraine Mrs. Laura Reinila, "today, the rules of the game are written into the constitution, but, before that, they were in effect for many years". In other words, first, politicians reach a consensus on certain rules and these rules work specifically because of the existence of such a consensus and not because they were enforced by the state.

Many countries establish the rights of their opposition informally. For example, according to Mr. John-Christer Ahlander, the rights of the opposition in Sweden are not written into any document. Nevertheless, chairmanship in parliamentary committees is divided between representatives of the government and of the opposition in proportion to their representation in the parliament, while the government always consults the opposition before making decisions that are important for the country, especially in the area of foreign policy. ■

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Analysts upgraded their consensus forecast

On 19 July 2007, ICPS Economic Analysis and Publications Director Oleksiy Blinov participated in a quarterly macroeconomic forecasting seminar. This event was organized by the Ministry of the Economy with the support of the United Nations Development Program (UNDP) as part of the Millennium Development Goals (MDG) project. During the seminar, organizations presented their macroeconomic forecasts for 2007–2008 and their medium-term forecasts for 2009–2011.

The results of H1'07 demonstrated a continuing positive dynamic of economic growth. This was reflected in the upgraded forecast estimates of participants in the seminar.

The majority of organizations forecast high investment activity among companies. The need for commodity producers to attract financial resources in order to introduce energy-saving technologies and to upgrade

fixed assets to manufacture competitive products in the environment of growing prices for energy resources will provide incentives for investment activity and the attraction of foreign capital.

Estimates of participants related to wages continue to be high and outpace the forecasted growth of the real GDP. The consensus estimate of the average monthly wage in 2007 grew 1.9%, to UAH 1,286.

The consensus forecast for the growth in real disposable personal incomes in 2007 is 11.9%, a 1.9 pp increase compared with the previous consensus forecast.

The consensus estimate for the average annual UAH/USD exchange rate in 2007 remained at the level of the March forecast—UAH 5.06/1 USD.

According to experts, the main risk is that of political instability, that is, uncertainty in the

expectations before and after the pre-term Verkhovna Rada elections. This could result in shrinking foreign capital flows, a shortage of foreign currency, shrinking international reserves of the NBU, accelerating inflationary processes, an unstable exchange rate, slower growth of output and investment and growing defaults in payments. ■

Indicators for this consensus forecast are determined as the average of all forecasts provided by participating government, non-government and international organizations.

Greater detail on these quarterly macroeconomic forecasts can be found on the Economy Ministry's website at http://www.me.gov.ua/control/uk/publish/article?art_id=103738&cat_id=38461 (in Ukrainian).

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Consensus forecast for 2007–2008

Index	2007		Change	2008 Forecast	Index	2007		Change	2008 Forecast
	July 2007 Forecast	March 2007 Forecast				July 2007 Forecast	March 2007 Forecast		
Real sector	mn UAH				Export volumes	46.3	45.2	↑	45.1
Nominal GDP	659,127	631,357	↑	788,308	Import volumes	50.3	49.2	↑	49.6
Consumption	520,014	507,534	↑	622,292	Revenue balance	-1.7	-1.6	↓	-1.7
private	393,188	391,267	↑	472,418	Official transfers (net)	2.6	2.6	=	2.3
public	124,517	117,943	↑	144,543	Capital account balance	4.9	3.8	↑	4.5
Investment	165,126	149,084	↑	204,570	FDI	3.9	4.1	↓	3.5
Gross accumulation of fixed capital	160,694	145,992	↑	194,573	Exchange rate	UAH/USD			
private	138,464	122,420	↑	169,557	<i>average</i>	5.06	5.06	=	5.08
public	22,150	19,370	↑	26,032	<i>YE</i>	5.07	5.08	↓	5.11
Net exports of goods and non-agency services	-23,744	-28,015	↑	-30,688	Public finance	mn UAH			
Gross national savings	141,645	120,456	↑	183,371	Total revenues	218,407	206,295	↑	259,780
Real sector	index				Total expenditures	231,177	218,469	↑	273,186
Real GDP	106.9	106.5	↑	106.4	Overall balance	-12,770	-12,174	↓	-13,406
Consumption	108.2	107.3	↑	106.8	<i>Financing items</i>				
private	110.4	109.7	↑	108.9	Privatization	5,291	6,567	↓	6,819
public	103.4	102.6	↑	102.6	Public finance	% of GDP			
Investment	113.4	112.2	↑	111.0	Total revenues	33.1	32.7	↑	33.0
Inflation	index				Total expenditures	35.1	34.6	↑	34.7
GDP Deflator (<i>average annual</i>)	114.9	112.4	↑	112.4	Overall balance	-1.9	-1.9	=	-1.7
CPI (<i>average annual</i>)	109.8	111.0	↓	109.2	<i>Financing items</i>				
Dec. on Dec.	108.6	109.9	↓	107.9	Privatization	0.8	1.0	↓	0.9
PPI (<i>average annual</i>)	116.5	114.1	↑	111.8	Money and credit				
Dec. on Dec.	115.7	112.3	↑	110.5	Monetary base, YE	120,698	119,132	↑	145,991
External sector	mn USD				Dec. on Dec., %	24.2	22.5	↑	21.0
Current account balance	-4,097	-3,726	↓	-6,112	Money supply (M3)	337,996	333,200	↑	428,147
Export volumes	60,314	56,402	↑	70,015	Dec. on Dec., %	29.5	27.6	↑	26.7
Import volumes	65,503	61,330	↑	77,052	Average weighted interest rate on commercial hryvnia loans, % pa	13.9	14.2	↓	13.1
Revenue balance	-2,232	-2,043	↓	-2,650	NBU international reserves, mn USD	23,908	22,869	↑	25,411
Official transfers (net)	3,324	3,245	↑	3,575	Social indicators				
Capital account balance	6,403	4,694	↑	7,039	Population, millions	46.4	46.4	↑	46.1
FDI	5,056	5,094	↓	5,476	Average wage, UAH	1,286	1,262	↑	1,577
External sector	% of GDP				Disposable household income, % change over previous year	11.9	10.0	↑	10.4
Current account balance	-3.1	-3.0	↓	-3.9					

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