



## ECONOMIC REFORMS WILL HELP ELIMINATE CORRUPTION IN UKRAINE PUBLIC DEBATE BRIEF



October 13<sup>th</sup>, 2011  
Teacher's House, Kiev, Ukraine

The debate *'Economic reforms will help eliminate corruption in Ukraine'* was the latest in the Public Debates series held monthly by the Foundation for Effective Governance and Intelligence Squared in Ukraine for over past 2 years. Mustafa Nayem, a well-known Ukrainian journalist, moderated the event.

Ukraine is currently ranked 134 out of 178 in the Transparency International Corruption Perception Index. Corruption worsens the country's competitiveness, and ultimately increases the cost of Ukraine's economic growth and well-being of its citizens. In 2010 President Yanukovitch introduced an economic reform package that was intended to lower corruption by providing for appropriate preventive measures, such as deregulation and privatization of public property. The main question to answer is: will it work in corrupt environment? Was it right to initiate economic reforms before corruption was tamed?

Both panels agreed that *properly* designed and implemented economic reforms would diminish corruption. The debate was, therefore, largely about the chicken and the egg problem. The panel FOR the motion argued that effective economic reforms could be pushed through the current system, while the panel AGAINST the motion insisted that no significant improvement would be possible until the system was rid of corruption first. The discussion revealed different philosophical perspectives of the panels: evolutionary development and enhanced monitoring by society on the FOR side versus shock therapy and top-down forced change on the side AGAINST the motion. The debate split the audience nearly evenly from the very beginning. The final vote showed that the balance of opinions did not change materially during the debate, however, the number of 'don't knows' decreased by 8%.

This series of Public Debates serves as a social forum for discussion of issues important to Ukraine's economic development. The project is designed to foster a culture of constructive and substantiated debate, and to assist in forming public awareness on the key economic challenges facing Ukraine.

### Speakers FOR the motion    Speakers AGAINST the motion

**Boris Krasnyansky**  
Managing Partner,  
PricewaterhouseCoopers Ukraine



**Nataliya Korolevska**  
MP of Ukraine,  
Head of the Committee for Industrial and  
Regulatory Policy and Entrepreneurship



**Martin Raiser**  
Country Director,  
World Bank Regional Office  
for Ukraine, Belarus and Moldova



**Alexander Paskhaver**  
Economist,  
President of the Centre  
for Economic Development



## Key Statements

**Boris Krasnyansky:** "Corruption rests on the foundation consisting of the shadow economy, ambiguous laws, low income levels, poor law enforceability and the widespread tolerance towards corruption in society. While the economic reforms will not affect the last two sources of corruption they will have a great effect on the rest. Therefore, if the question is: can we eliminate corruption only via economic reforms? – No. But can we eliminate corruption without conducting economic reforms? – Obviously no as well."

**Martin Raiser:** "Ukraine has experienced frequent turnover of governments but the challenges of corruption have remained the same. Therefore, reforms are a necessary condition to overcome corruption, yet not a sufficient one. It is critical that the impact of reforms is monitored by the citizens. Currently people are satisfied with anecdotal evidence and quickly conclude: 'these guys are no good, let's elect a new team', - only to face the same disappointment a year later on."

**Nataliya Korolevska:** "Conducting economic reforms is a waste of time if you don't perform shock therapy of public governance beforehand. The system is ill with corruption. The corrupt bureaucrats would sabotage the implementation of anticorruption reforms. For example, the recent tax reform conducted by the state tax service increased the burden on Ukrainian businesses and led to the growth of the shadow economy."

**Alexander Paskhaver:** "Nobody argues that the properly conducted reforms will reduce corruption. However, if corruption is of systemic nature, as in our case, the economic reforms could not be conducted properly. Therefore, liberal reforms will not lead to decline in corruption. Furthermore, the bottom up approach in fighting corruption never works. To fight corruption you need the anti-corruptive pressure from the top and several honest people in key government positions".

## Q&A Session with the Audience

**Q:** "Alexander Paskhaver, you said that it is ineffective to fight corruption from the bottom. Does it mean that society should not take any responsibility?"

**A: Alexander Paskhaver:** "Society can change political power, but it cannot implement anticorruption programs. It is the function of the government to do it."

**A: Martin Raiser:** "If you just change government, but do not create conditions for its accountability, don't monitor its performance, why should it work better than previous ones? It is the question of incentives not personalities. You can place any person into a corrupt system and he will get corrupt. So you need to change the system and it includes society and its role as well."

**A: Boris Krasnyansky:** "And in general, I think that shock therapy in isolation would not provide a sustainable result, you need to change the foundation, and it is to be changed by economic reforms in an evolutionary manner. I don't like revolutions."

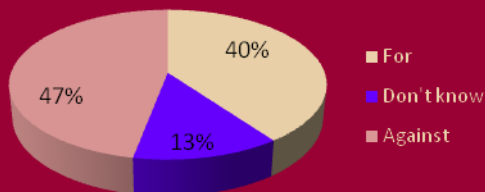
**Q:** "Question to the panel against the motion, you say that there should be political will to fight corruption. But if the system is corrupt how could there appear leaders able to exercise this political will?"

**A: Nataliya Korolevska:** "During the last 20 years a new generation of Ukrainians has formed. Those are people who think differently. We need to provide opportunities for them to be heard by the state."

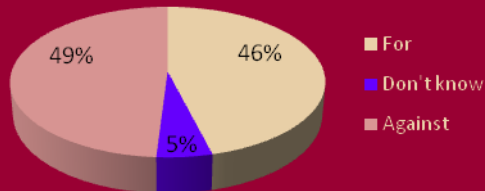
**A: Alexander Paskhaver:** "I call them 'the third society' by analogy with the French revolution, those are representatives of Ukrainian bourgeoisie, people who are personally interested in modernization of Ukraine's economy. However, they are in bad need of consolidation if they are to represent a real power."

## Voting Results

Before the Debate



After the Debate



Further information and the video version of the debates are available on:

[www.debaty.org](http://www.debaty.org) and [www.feg.org.ua](http://www.feg.org.ua)

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