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Foreigners in the Ukrainian Government: A Unique Solution for Challenging Times

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Although it happens rarely, national governments, including those of EU countries, do sometimes hire foreign experts. In Ukraine, employing Georgians from former president Mikheil Saakashvili's administration seems to be a logical move. His presidency's biggest successes were the establishment of well-functioning police and an efficient fight against corruption, something both of which Ukraine badly needs. Other foreigners, including renowned experts such as Ukrainian American Natalie Jaresko and Lithuanian Aivaras Abromavičius, responsible for economic recovery, may be successful but face extremely difficult tasks. As all these figures are affiliated with the West in one way or another, their failure would be interpreted by pro-Kremlin media as a collapse of President Petro Poroshenko's policies (perceived by Russia as a Western project).

Foreigners as Ministers

Foreigners in national administration or key public institutions are nothing new in Europe. For example, Canadian Mark Carney is the governor of the Bank of England. The fact that they come from another country might be advantageous if their previous experience can help a country to deal with challenging tasks. In the post-Communist and post-Soviet countries, "foreigners" who made political careers were in fact usually compatriots returning to their homeland from abroad, and renowned personalities representing diasporas or educated in the West. Examples include Raffi Hovhannisyán, Armenia's first foreign minister (1991–1992), Valdas Adamkus Lithuania's former president (1998–2003 and 2004–2009), and Mikheil Saakashvili, Georgia's former president (2004–2013). In Ukraine, several non-nationals have joined the government. However, they are mostly representatives of those post-Soviet nations that have experienced a period of transition and faced challenges similar to those of Ukraine.

Nevertheless, it came as a surprise when Poroshenko invited several experts and former CEOs from the corporate sector abroad to join the government in December 2014. The official reason was to accelerate reforms and take advantage of the experiences gained abroad. Unofficially, they were also there to help Ukraine tackle a number of problems such as the high level of corruption, poor functioning of state institutions, and lack of confidence in the state among Ukrainians. The idea was to attract known people from abroad who would not have any links to corruption, who would be free from social or political ties within Ukraine, and who could be symbols of effective reforms in their own countries. The Ukrainian president and prime minister obviously hoped that this would increase public support for the authorities too.

And they were right. In December 2014, research by the Kyiv International Institute of Sociology showed that 45.8% of Ukrainians supported the inclusion of foreigners in government, with 32.5% of respondents taking the opposite position.¹ There have been no more recent polls, but it can be expected that these numbers have not changed significantly. Only those on the extreme right wing, such as Svoboda and Pravyi Sektor, spoke negatively about foreigners in the government. This indicates that society has placed high hopes in the new ministers from abroad. According to a July survey of public opinion, the nomination of Saakashvili as head of Odessa oblast was ranked by Ukrainians as the second most important issue of the first half of 2015 (number one was the beginning of police reform).² The inclusion of other foreigners in Ukrainian authorities was also listed among the successes, but in 12th place.

The foreigners were nominated to crucial positions in the government. Natalie Jaresko, an American of Ukrainian origin, became minister of finance. In 1992–1995 she was head of the economics department of the U.S. embassy in Kyiv, and she then worked as senior vice-president and president of the investment fund Western NIS Enterprise Fund, also based in the Ukrainian capital. Lithuanian Aivaras Abromavičius became minister of economic development and trade. Previously, he had worked at Hansabank, the largest bank in the Baltic States, as well as for the Swedish company East Capital, first in Moscow and then in Kyiv. At the same time, Georgian Alexander Kvitashvili was nominated minister of health. He held the same post in Georgia from 2008 to 2010. Kvitashvili, however, resigned from his post in the Ukrainian government on July 2, and will formally leave office when his resignation is officially accepted by parliament.

The remaining Georgians in the Ukrainian administration are Gia Getsadze (deputy justice minister), Ekaterine Zguladze (deputy head of the ministry of internal affairs, and Poroshenko's favourite to become the head of national police), Davit Sakvarelidze (deputy attorney general), and Giorgi Lortkipanidze (chief of police in Odessa). The newcomers from Georgia are the largest group of foreign officials in the Ukrainian government.

Abromavičius stated that there are more than 140 advisors from European countries, the U.S. and other countries in Ukraine. The key (although only auxiliary) role is to be played by the International Advisory Council Reform, appointed by Poroshenko on 13 February 2015. Among its members are Mikuláš Dzurinda and Andrius Kubilius (former prime ministers of Slovakia and Lithuania), Carl Bildt (former Swedish foreign minister), U.S. Senator John McCain, MEPs Elmar Brok (Germany) and Jacek Saryusz-Wolski (Poland), as well as Anders Aaslund, Swedish economist and analyst, and Mikheil Saakashvili who is chairman of the council.

It should be noted that these foreign holders of high office (such as ministers and deputy ministers, as opposed to the advisors) have received Ukrainian citizenship. Thus, they are no longer, strictly speaking, foreigners. The Ukrainian constitution does not directly prohibit dual citizenship,³ although financial penalties for the possession of two passports are envisaged in a new bill. The Citizenship Act requires new citizens to formally renounce their previous citizenship within two years of becoming Ukrainian.⁴

Overall, the number of people of foreign origin holding important posts in Ukraine is relatively modest, as shown in Table I.⁵

¹ "Mayzhe polovina ukrayintsiv pidtrimuyut' prykhid inozemtsiv v Kabmin – opytuvannya," *Ukrains'ka Prava*, 28 December 2014, www.pravda.com.ua/news/2014/12/28/7053576.

² "Polytychni pidsumy pivrichchia," Fond Demokratychni Initsiatyvi, July 2015, <http://dif.org.ua/ua/publications/press-relizy/politichni-pidsumki-pivrichchia.htm>.

³ "10 faktiv i mifiv pro podviyne hromadianstvo v Ukrayini," *Ukrayina bez koruptsiyi*, 28 January 2015, www.corruption.net/novini/item/14100-10-faktiv-i-mifiv-prro-podviyne-hromadianstvo-v-ukraini.

⁴ See interview with Aivaras Abromavičius: <http://tsn.ua/politika/zavdyaki-lazivci-v-ukrayinskih-zakonah-chinovniki-inozemci-mozhut-dva-roki-mati-podviyne-gromadyanstvo-zmi-431469.html>.

⁵ Sources: Ukraine's government portals: www.gp.gov.ua/ua/guidance_gpu.html, www.minfin.gov.ua/control/uk/publish/article?showHidden=1&art_id=92751&cat_id=29458&ctime=1421251402794, www.me.gov.ua/Documents/Detail?lang=en-GB&id=3c5cb542-2ce5-4240-bab3-7c6a7e616cfd&title=Minister, www.mvs.gov.ua/mvs/control/main/uk/publish/article/699303.

Table I. Foreigners in the Ukrainian government, administration and justice sector

Position	Total number	Foreigners
Ministers	22	3
Deputy ministers and similar	approximately 120	3
Heads of oblasts	25	1
Prosecutor general's deputies	3	1

There are also new proposals to transfer the various tasks of the state to private institutions, such as employing private, foreign companies to work in customs (for example, a British company will work on the border with Poland). After the nomination of Mark Rollins, senior vice-president of the British BG Group as the chairman of the board of oil and gas company Ukrnafta it is likely that other foreigners will become heads of state-owned companies. That could mean a new trend, although it is not known whether salaries in state-owned enterprises (lower than those abroad) will attract foreigners.

The Role of Georgia's Experience

It is no coincidence that the biggest group among the foreign officials are Georgians. Georgia and Ukraine have both been through anti-authoritarian, "colourful" revolutions (Georgia's Rose Revolution in 2003, and Ukraine's Orange Revolution in 2004). The actions of the politicians from the Orange Revolution camp did not, however, bring about any persistent positive changes. Their failure led to Viktor Yanukovich's ascent to power, and to rising authoritarianism and corruption, which led to the Revolution of Dignity in the winter of 2013 to 2014. On the other hand, the Rose Revolution had a significant impact on Georgia's political and economic system. The reforms made during Saakashvili's presidency did not turn Georgia into a model democracy (for example, there were abuses of power by officials from the law enforcement agencies, who were inefficiently controlled by democratic mechanisms⁶), but the Rose Revolution did lead to deep transformation in terms of strengthening state institutions. In particular, Saakashvili's United National Movement party, which was in power from 2003 to 2012, eradicated the previously omnipresent corruption in public administration and the police, and at universities. A corrupt militsiya was replaced by an efficient police force, which enjoys a high level of public confidence. The state became the sole body authorised to use force in maintaining order, after a long period during Eduard Shevardnadze's presidency when criminal activity on the streets and anarchy in several regions had been everyday phenomena. Another unquestionable success of Saakashvili's presidency was the creation of one of the most business-friendly regulatory environments. The legal procedures related to the registration of new enterprises were simplified significantly. In the majority of Georgian towns and cities, special "one stop kiosks" were opened, allowing citizens to take care of all matters related to administration in one place. Georgia was ranked 174th in the 2005 "Doing Business" index, and by 2014 it had risen to eighth place.⁷

⁶ See: M. Radziejowska, K. Zasztowt, "Georgia's Dilemma: A 'Thick Line' Policy or Accountability for the Sins of the Old Ruling Elite," *Bulletin PISM*, no. 111 (706), 1 September 2014, www.pism.pl/publications/bulletin/no-111-706#.

⁷ World Bank, "Doing Business 2014: Understanding Regulations for Small and Medium-Size Enterprises," www.doingbusiness.org/reports/global-reports/doing-business-2014, accessed 14 November 2014.

Saakashvili's Team in Odessa

Strengthening the basic functions of the Ukrainian state, institutions such as the police and the prosecutor's office, was one of the tasks given to officials of Georgian origin. Saakashvili, as "symbol" of Georgia's reforms, was appointed on 29 May by Poroshenko as governor of Odessa oblast, a strategically important region, with the aim of resolving problems with corruption and state agencies there. Indeed, corruption in the Odessa region is at least on a par with the problem in other parts of Ukraine, and may be even more serious than elsewhere. Odessa's maritime port is infamous for smuggling, and for corruption among the customs service officials. Another fragile point of the region is its border with Transnistria, Moldova's territory controlled by pro-Russian separatist authorities, which is also prone to smuggling. Saakashvili work in Odessa with the dismissal of several officials, including the heads of county (rayon) administrations, and invited applications for these posts. In his fight against corruption and organised crime in the region, Georgia's former president will be supported by Giorgi Lortkipanidze, Georgia's former deputy police chief and now head of the oblast's police service.

So far Saakashvili's actions have been a kind of political theatre that will not necessarily translate into the successful reforms, especially as his powers are limited). The new governor fires officials who do not get results in the fight against corruption. He also travels by public transport, and talks with residents of the oblast in the company of journalists and TV cameras.⁸ Such actions may be interpreted as purely PR, but on the other hand such public appearances may help to transform society's way of thinking and attitudes towards corruption. Saakashvili is also an active user of social media. For instance, in July he published a post on Facebook about having received the agreement of the U.S. authorities to pay Odessa police salaries.⁹ While the post did not mention that, in fact, the U.S. embassy plans only to finance some new anti-corruption grant programmes, such as a team of Ukrainian and international experts in the Odessa governor's office, news of the "U.S. funded police" was spread by the Russian pro-Kremlin media as proof of Ukraine's dependency on the U.S. government.

Another, and probably more successful, PR move by Saakashvili was the decision to appoint Russian politician Mariya Gaidar as his deputy. She is a daughter of Russia's former prime minister Yegor Gaidar, author of the liberal economic reform and "shock therapy" from 1992. Gaidar (born 1982) was an active member of Russia's opposition from 2005. She was appointed deputy for a three-month probation period on 17 July, and recently applied to relinquish her Russian citizenship. Gaidar's role as Saakashvili's ally proves that his reform activities are not directed against Russia, but against a corrupt post-Soviet system. Pro-Kremlin commentators and politicians in Russia see it another way, and called Gaidar's actions "high treason."

Although Saakashvili announced in mid July that he does not want to run for the office of prime minister of Ukraine,¹⁰ some politicians have said publically that he may in fact replace Arseniy Yatsenyuk in the autumn.¹¹

Ekaterine Zguladze and Police Reform

Ekaterine Zguladze, another official from Georgia, is responsible for reforming Ukraine's police, based on the Georgian model. She was a deputy minister of interior affairs in Georgia from 2005 to 2012, and as such was directly involved in Georgia's successful police reform.

Her efforts to do the same in Ukraine are backed by the United States. The backbone of the reform was a training programme for 100 police instructors in the United States, who themselves will teach new

⁸ See, for instance, *Saakashvili poehal na marshrutke iz Odessy v Tatarbunary*, 19 June 2015, www.youtube.com/watch?v=9FphYqd9lZA.

⁹ "SShA budut platit zarplatu komande Saakashvili," 6 June 2015, <http://korrespondent.net/ukraine/3536170-ssha-budut-platyt-zarplatu-komande-saakashvily-v-odesse>.

¹⁰ "M. Saakashvili zapevni, shcho ne mae ambitsiy staty prem'ier-ministrom Ukrayiny," *UNN*, 15 July 2015, www.unn.com.ua/uk/news/1482720-m-saakashvili-zapevni-shcho-ne-maye-ambitsiy-stati-premyer-ministrom-ukrayini. There are rumors that Saakashvili may receive an offer to become the prime minister of Moldova.

¹¹ "Pavlovskiy: v oseni Saakashvili mozhe staty prem'ier-ministrom Ukrayiny," *INTV*, 27 June 2015, <http://intvua.com/news/politics/1435435919-pavlovskiy-voseni-saakashvili-mozhe-stati-prem-er-ministrom.html>.

Ukrainian police officers. Poroshenko signed a law establishing a national police force on 4 August, legitimising new police patrol forces in Kyiv and eight other oblasts (Lviv, Odessa, Kharkiv, Zakarpattia, Dnipropetrovsk, Mykolayiv, Khmelnytsky, and Lutsk). The old *militiya* have already started to be replaced by the new police, in Kyiv, Lviv and Odessa. In Kharkiv, the training of the new staff underway. In five other oblasts the process of hiring new personnel has begun.

Gizo Ugulava and the Anti-Corruption Bureau

The real transformation of Ukraine's system can happen only if the fight against corruption is launched across the whole country. The success of anti-corruption reform is dependent to large extent on centrally planned activities, which are only at the initial stage. Although the law that established an anti-corruption agency was passed by the Ukrainian Rada in October 2014, the National Anti-Corruption Bureau will only begin to operate in autumn 2015. It is being organised by Artiom Sytnyk, and his deputy Gizo Ugulava, former chief prosecutor in Georgia, although whether the latter's previous experience will be useful in Ukraine remains to be seen.

Davit Sakvarelidze and Fight against Corruption in the Prosecutor's Office

It is already possible to assess actions of Davit Sakvarelidze, Ukraine's new deputy prosecutor general. On 6 July he initiated a sting operation in the homes and offices of prosecutors, in which two high ranking officials were arrested. They were Volodymyr Shapakin, deputy head of the office's Central Investigations Department, and Oleksandr Korniets, deputy chief prosecutor for Kyiv Oblast.¹² The men were accused of extorting money from a local businessman. The businessman allegedly reported the extortion attempts to the authorities, which set a trap to capture the prosecutors in the act of taking bribes.

Sakvarelidze's bold actions immediately made him the number one of many prosecutors, who are not willing to support reforms. He was also criticised for some procedural mistakes. Yury Stolyarchuk and Volodymyr Huzyr, two other prosecutor general's deputies, are allegedly among his opponents, while the position of Viktor Shokin, prosecutor general, remains unclear. The final outcome of this stand-off will show whether the appointment of Sakvarelidze, an outsider not involved in the informal corrupt network of cronyism and nepotism, will be sufficient to initiate reform of the prosecutor's office. Sakvarelidze's success or failure will also depend on firm support from the president and Rada members from Poroshenko's bloc.

A Lithuanian at the Forefront of Economic Reforms

Aivras Abromavičius, minister of economy and trade, is faced with the challenge of reforming the Ukrainian economy, which is in a dire condition. In 2014 GDP dropped by 6.8%, consumption by 9.6%, and investment by 23%, while at the same time public debt rose to 70% of GDP.¹³ The primary reason for this is the ongoing war in the Donbas, but there are other reasons – the *oligarchisation* of the country, the extremely high level of corruption,¹⁴ opaque law, and the effects of the destructive economic policy decisions from the time of Yanukovich. Abromavičius says that he was managing the largest investment fund in Ukraine (East Capital, which had a portfolio worth \$5 billion) when he became minister.¹⁵ Although the two funds that he managed directly did not return profits (the East Capital Russian Fund lost 46% of its value over five years, and the East Capital European Fund lost 30%), this was mainly due to the conditions under which the funds function and the very bad situation of Eastern European equities.

¹² "Prokurory Shapakin ta Korniyets perebuvaly v izolatori – GPU," 9 July 2015, www.ukrinform.ua/ukr/news/prokurori_shapakin_ta_kornie_ts_perebuvaly_v_izolyatori_gpu_2072806.

¹³ For Ukraine's Economic Outlook, see *Focus Economics*, www.focus-economics.com/countries/ukraine.

¹⁴ According to Transparency International's 2014 Corruption Perception Index, Ukraine was rated 142nd (among 175 countries) and it has the worst situation regarding corruption in the post-Soviet area (excluding Turkmenistan, Uzbekistan and Tajikistan).

¹⁵ "Can This Man Save Ukraine's Economy," *Bloomberg*, 6 January 2015, www.bloombergvew.com/articles/2015-01-06/can-this-man-save-ukraines-economy.

Abromavičius' priorities include acceleration of privatisation, simplification of the tax system, lowering taxes and removing all tax exemptions. He also has some controversial ideas, such as the potentially profitable legalisation gambling businesses (as Saakashvili's administration did in Georgia).

Abromavičius' predecessor, Pavlo Sheremeta, resigned in September 2014, arguing that he was unable to cope with the Ukrainian bureaucracy. It is true that there are 3,500 state enterprises in Ukraine, and that the state purchasing system after proposed reforms should bring savings of \$2 billion a year. It is not known whether Vilnius-born Abromavičius will be able to cope with all the problems, especially if he is not supported by Ukrainian politicians. Parliament's recent adoption of a bill on the restructuring of foreign currency loans at the exchange rate agreed at the time loan agreements are signed (theoretically beneficial for borrowers), could in fact destroy the Ukrainian banking system, and only the veto of Poroshenko can prevent it. Although this bill is unlikely to pass into law, this case shows the strength of populist politicians in Ukraine.

Will the Foreigners Help to Reform Ukraine?

Foreigners in the government are assessed positively by the public. First and foremost, they are considered as outsiders in the Ukrainian political and business milieu, which means that (at least in the first period of their work in Ukraine) they do not rely on any group or individual interests. They bring with them completely new ideas and concepts, and are more easily able to detect improper procedures and poor regulation than are the Ukrainian officials, who are often unable to even imagine systems other than those that already exist.

On the other, hand Ukrainian experts also see problems arising from the presence of foreigners in the government. People from abroad have no base of political support, which means that they are dependent on the individuals (the president, the prime minister, or a specific minister) who were responsible for their appointment. There is also a danger that, if the effects of the reform efforts are too modest, the Ukrainian politicians will use the foreigners as scapegoats.

More importantly, the Russian propaganda machine will capitalise upon any spectacular failure of these foreigners. As Saakashvili and Abromavičius, among others, symbolise the Western model of transformation, their defeat would be a strong argument for the Eurosceptics, and could be interpreted as a defeat of the whole democratic and market reform project in Ukraine, thus discrediting the recommendations of the EU, the United States, and international institutions.

There is another, broader issue, in that the temporary presence of foreigners in the authorities does not strengthen democracy, because it does not build a sustainable system. Political parties forming the government have had some of their responsibilities removed, in as much as there is now at least part of the government that operates beyond their reach. There is a risk that, in the event of the departure of the foreigners, Ukrainian politicians will have difficulties accepting the decisions made without their participation. On the other hand, any failure on the part of the foreigners will reflect on their political sponsors, and especially on Poroshenko. The president's rating is already low, and according to a poll of July 2015, only 29.5% trust him, while 62.5% do not have confidence in his leadership.¹⁶

While few high officials in Ukraine derive from European Union countries, EU citizens do account for a significant proportion of the advisors. In addition to those working permanently in Kyiv and other Ukrainian cities, there are also advisors visiting Ukraine, such as Polish experts in local government reform. As a result, Ukrainian society, assessing the reformatory effectiveness of their authorities, will analyse the situation through the prism of the impact of these advisors.

The European Union should, therefore, and perhaps in cooperation with other countries supporting Ukraine (such as the U.S. and Canada), consider coordinating advisory assistance to Ukraine. The EU's Support Group for Ukraine, an advisory body established in March 2014, providing overview and guidance

¹⁶ "Socio-political situation in Ukraine – July 2015," www.kiis.com.ua/?lang=eng&cat=reports&id=540&page=1.

for the European Commission's work in support of the country, should cooperate closely with the International Advisory Council Reform under Poroshenko. The two groups of experts should avoid giving inconsistent advice to the Ukrainian government. The EU should also consider financing expert technical assistants, to help the group of foreign advisors under Poroshenko. The EU should support the reforms in Ukraine, especially in the sectors led by foreigners, not because of the presence of these outsiders, but because these sectors are particularly important for Ukraine.

The EU should also constantly monitor how its advice is used. The reform agenda is largely related to the Association Agreement between Ukraine and the European Union, which makes it easier for Brussels to monitor the effects of reforms. At the same time, the EU should use its Civil Society Facility to give financial support to projects of local watchdog organisations, in order to monitor the progress (or stagnation) of the fight against corruption. The EU should also seek to ensure that accurate and objective assessments of the reforms should be made available to Ukrainian society.