

HOW UKRAINE CAN BE SUCCESSFUL?

Y. Zhalilo, Dr. Sc. habil (Economic Science),
Senior Research Fellow, Honored Economist of Ukraine,
Deputy Director of the National Institute for Strategic Studies

Reloading of all branches of the power – is a potential chance to reload the fundamentals of economic policy – as a way to make it more successful. This is now an ambition of a new Government.

The Government declares the maximal support for investors, maximal withdrawal of the state from the economy, simplification of administrative proceedings based on digitalization.

Business-oriented approach in public administration bases on the experience of successful business-management, carried by majority of representatives of new Government. And consists of the promotion of concrete business projects. But, is project-based approach always optimal in economic policy?

The key task of project-based approach is creating the **focuses of economic success**. However – what is needed to convert it into the focuses of economic growth? **The appropriate institutional framework**. For now – it is the most bottleneck of Government plans.

The Cabinet of Ministers **declares goals – but not the mechanisms** of getting these goals. Next state budget does not clarify it at all, dubbing in fact the proportions of 2019. It is not strange, as the same staff of Ministry of Finance have prepared it.

However, policy is not about goals. It is about the institutional framework.

This limits the trust in the expected results. The Government should prove – to the people, and to the investors as well, **that it is able to reach the goals**. Thus, to show the institutional basis of capacity of the Government. Especially, having declared the withdrawal from the economy.

The mechanisms should show the main thing: how to create the expected from the available resource. Namely, this should be the main source of economic success.

Let us stop on some of the mechanisms.

The land reform. Cancelling the Moratorium and agricultural lands' market

establishment – is only the first step. The next steps are questioned, causing non-transparency and politisation of the issue. Lands records, control over its usage quality, minoritarians' rights protection and exclusion of monopolization. *Market mechanisms* should be implemented into agrarian sector: logistics development, supply and delivery cooperatives, agroindustrial reintegration.

Industrial policy. Fast growth of the weight of modern industries is quite problematic: due to financial scarcity in these sectors and lack of success stories for foreign investors. So far, for the short- and medium-term periods is needed the *modernization of traditional advantages'* exploitation. But: based on digitalization, local resources engagement, and, main,- financial mechanisms of sectorial diversification.

Infrastructural modernization (roads and transportation). It has been highly needed, budget expenditures policy is oriented on in, local communities' capacity to invest have been strengthened, and are concrete *stakeholders*, suffering from poor communication. But – will these communications be the vessels of inflow – or of outflow of resources from the regions? The answer gives the *revitalization* of the regions – as its capacity for development.

Decentralization. Local communities (hromadas) as the new subjects in resources' management. Widening its competences and responsibilities gives a chance – but it has to be used! The hromadas should be armed with the institutional instruments of *development promotion*, should be taught to be independent. Moreover, are needed the regional policies, supportive for the hromadas' development.

Donbas – is the specific case of regional policy. It has to be considered not as a problem – but as a challenge and *opportunity* – with its potential of recovery and new economy building. Firstly – for the controlled territory, but getting this *headquarters* now should be investors' interest for the future expansion after reintegration. This interest of investors should be supported by institutional measures: cohesion policy, strengthening hromadas, infrastructure development.

The main limitation is now the social sphere. Declarations about socialist redirection from the governing “Sluha narodu” party leader are the serious alarm. Really, lack of improvement of life standards of people – can cause the next U-turn of policy. But without rearrangement of approaches to social expenditures they be more and more burdensome.

The social strategies should be suggested as an alternative for social paternalism. Say, quality *improvement of human capital engagement*, turning the trends of migration, integrated social responsibility of Government, business and hromadas. In particular, the accents could be modern regulation of labor market, vocational training systems, stronger orientation on target categories – as youth and elderly people, reforming the public health system involving local level etc.

The mentioned are the interest points for investors – and at the same time the **agenda for technical aid for Ukraine** from international donors. Influencing these points, at the same time they prepare the basis for investors.