

International Centre for Policy Studies

PENSION REFORM

Kyiv 2011

Content

EXECUTIVE SUMMARY	3
GOAL OF REFORM	4
PROBLEMS	6
THE COST OF NON-DOING	7
POLICY DECISIONS	8
ANALYSIS OF STAKEHOLDER POSITIONS	10
Government	10
Business	10
Working-age population	10
Pensioners	10
OBSTACLES TO POLICY	11
TIMETABLE	12
THE EUROPEAN FRAMEWORK	13
CIVIL SOCIETY IMPACT	12
Civil society that is against pension reform	14
Civil society that is in favor of pension reform	15
RECOMMENDATIONS TO INCREASE INPUT FROM CIVIL SOCIETY	17



USAID
FROM THE AMERICAN PEOPLE



This report was prepared by the International Center for Policy Studies (ICPS) on commission from PACT, Inc., which is funded by the US Agency for International Development (USAID). The research for this project was made possible through the generous support of the American people, provided through USAID. The contents of this report are the sole responsibility of ICPS and do not necessarily reflect the opinions of USAID, PACT or the US Government. This report may not be copied or any portion of this research used in any format whatsoever, including graphic and electronic, photocopied or otherwise used in any other form without appropriate reference to the original source.

The purpose of this study was to assess the impact of civil society organizations (CSOs) on the formation of state policy regarding pension reform. This report is part of a project that includes similar studies on reforms in five other sectors: land, education, consumer rights, labor law, and regional integration.

ICPS would like to extend particular thanks to the non-government organizations, government bodies, independent experts and international donor community for their contributions to discussions and for their advice during the preparation of this report.

Project manager: Ihor Shevliakov

Author: Maxim Boroda

Translation: Lidia Wolanskyj

Design and typesetting: TOV Optima Publishing

Executive summary

Pension reform is one of the most urgently needed ones in Ukraine, because the country's social policy, part of which is the pension system, is extremely ineffective. In terms of the GDP share of public spending that goes for social benefits, Ukraine is among the most socially-oriented of European countries: Finland, Sweden and France. But in terms of the level of effectiveness of this spending, it is low beyond compare. In 2010, the Pension Fund deficit was UAH 34.4 billion or about 3.4% of GDP, whereas for most European countries it remains below 2.5% of GDP.

Ukraine's pension system is currently ineffective because it does not match today's demographic, social, economic and political realities. Firstly, the pensionable age in Ukraine remains unchanged since 1928. In the intervening 80 plus years, life expectancy has gone from 45 to 69 years.

Pension reforms were actually launched back in 2004 originally. They included switching from the current PAYGO system to a three-pillar system of pension provision: a state PAYGO pillar, a state accumulative pillar, and a private accumulative pillar. At the moment, the only one of these that continues to operate properly is the PAYGO system. The state accumulative pillar has not been introduced, while the private accumulative pillar is still in an embryonic state. The main dilemma with pension reform is that some of the PAYGO contributions to the Pension Fund will have to be channeled to the state accumulative pillar. This means that the level of reserves in the PAYGO system will go down, which will lead to additional expenditures in the State Budget, given the current Pension Fund deficit.

Ukraine is in an excellent position to transform pension reform from an unpopular move to a popular one. On one hand, there is extreme dissatisfaction among ordinary Ukrainians with the way the current system works, as most retirees get a miserable basic pension. On the other hand, the system has a deeply rooted contradiction that prevents it from functioning effectively: pensioners can continue to work and get a salary while getting a full pension, which the state covers at the expense of the working population. Eliminating this distortion along with introducing material incentives to postpone taking a pension benefit could reduce much of the negative social impact of raising the basic pensionable age.

Using public policy instruments such as identifying all stakeholders, engaging them in determining obstacles to reform and suitable policy decisions, establishing their positions, mobilizing the support of those who favor reform, and neutralizing those who oppose it makes it possible for the Government to choose the best configuration of pension reforms and to ensure public consensus around the need to carry it out.

Goal of reform

The essence of pension reform in Ukraine is to switch from the current PAYGO system to a three-pillar pension system:

- **First pillar**—PAYGO mandatory state pension insurance system contributions from all enterprises and insured individuals go into the Pension Fund of Ukraine to be immediately paid out to today's pensioners.
- **Second pillar**—accumulative mandatory state pension insurance is based on the same mandatory contributions, a portion of which is channeled into the personal accounts of contributing individuals.
- **Third pillar**—the system of non-state (private) pension insurance is a voluntary system that both individuals and legal entities/employers may participate in.

The document that identifies the official government view of the goals of pension reform is the Economic Reform Program. According to this program, the purpose for reforming the pension system is to **improve the social net for those who have lost their ability to work and to ensure them a decent living standard through the stable evolution of the pension system based on a balance between the interests of pensioners and the interests of those who are still working.**¹

Among opposition parties, an alternative vision of what pension reform should be about is presented by Nasha Ukraina (NU): **"To guarantee individuals a pension benefit that matches the level of pension contributions and to draw those working in the shadow economy back into the official one."**²

Other opposition groups are sharply critical of individual components of the pension reforms proposed by the Government, but have not publicly offered their own view of the purpose and means of such a reform. The National Forum of Trade Unions of Ukraine has also presented its view of the goal of pension reform: **"To set up a modern system of decent and fair pension benefits for every citizen."**³

Given that Ukraine has made a commitment to gradually harmonize its legislation with the legislation in the EU *acquis communautaire*, reforming the country's pension system has to match the common approach to forming policy in this area that is used by the EU.⁴ At this time, pension provision is not part of the harmonized areas of EU legislation. What is common to the pension systems of most EU countries is the combination of PAYGO and accumulative components. The model of pension provision that is supposed to be instituted in Ukraine is similar to the one that is in Poland now, which means it will also correspond to EU practice.

The essence of the goal presented by the government is relatively **liberal**. It clearly implies that "ensuring a decent standard of living" is only possible with a "stable evolution of the pension system" and a "balance between the interests of pensioners and the interests of those who are still working." The alternative goal proposed by Nasha Ukraina is more **conservative** in its "guarantee individuals a pension benefit that matches their pension contributions." The one proposed by the unions has more of a **socialist** tinge to it and emphasizes the issue of social justice: "a fair pension benefit for every citizen."

¹ Source: http://www.president.gov.ua/docs/Programa_reform_FINAL_2.pdf

² Source: <http://www.unian.net/ukr/news/news-420163.html>

³ Source: <http://www.nfpu.org.ua/uk/2010-06-09-08-03-55/233-2011-03-15-14-53-04.html>

⁴ In July 2010, the European Commission published a Green Paper called "Towards adequate, sustainable and secure European pension systems."

Despite their ideological differences, the views of the government, opposition and unions coincide in that they recognize the need to ensure a decent living standard for pensioners and to have a properly functioning pension system. Still, right now the discussion is not only about providing a decent living standard for pensioners but for the physical survival of millions of people: of nearly 14 million Ukrainian pensioners, close to half are receiving the minimum pension, which experts say is half as much as the real subsistence minimum.⁵ This means that a consensus view of the purpose of pension reform could be along these lines: **an effective pension system that guarantees the physical needs and a decent standard of living for pensioners.**

⁵ As of April 1, 2011, the minimum basic pension is UAH 764. According to analysts, the real size of the subsistence minimum should have been at least UAH 1,600 in 2009. Source: <http://economics.unian.net/ukr/detail/65226>

Problems

The Economic Reform Program suggests two problems that get in the way of reaching this goal:

- **Small pension benefit.** The majority of pensioners have overly small pension benefits and the levels are unequal: 55% of pensioners receive the minimum basic pension, while the overall cost of providing to this group is only 38% of total pension spending. Only 3,200 pensioners receive high pensions, that is, a benefit over UAH 10,000 per month.
- **Growing pension costs.** Costs are rising far ahead of the growth of the economy needed to cover them. The relative weight of pension costs in Ukraine's GDP is one of the highest in the world and is continuing to rise: over 2004 – 2007, it was 12 – 14%. By the end of 2008 it had risen to 15.8% of GDP.

In addition to the problems noted by the government in the way the pension system currently functions, the opposition has added two more:

- **An excessive tax burden on payrolls:** Today, the size of the contribution is beyond most employers to pay and encourages them to move into the shadow economy.
- **Social injustice in the calculation of benefits:** Specific categories of pensioners, such as government officials, get pension benefits that are as high as 80% of their wages, whereas most people are getting no more than 40%.

Without any doubt, the problems with the current system that the government and opposition have pointed out are genuinely there. However, in terms of obstacles to reaching the goals of pension reform, they are merely symptoms of one fundamental problem. This is the fact that **the existing pension system is incompatible with current political, economic, social and demographic realities:**

- A PAYGO system that gets most of its revenue through employer payroll contributions could function in a command economy, where employment was 100%. But it is absolutely ineffective in a market economy with a shrinking population.
- Ukraine's pensioners have the option to keep working, including in the public sector, while getting a full salary and full pension that is covered by the state based on contributions by those who are employed.
- The retirement age remains unchanged in Ukraine since 1928, when the life expectancy was 43 for men and 47 for women.
- The five-year difference between men's and women's pensionable ages was instituted in Germany at the end of the 19th century to ensure that a husband and wife would get their pensions more-or-less at the same time. At that time, married women were on average five years younger than their husbands.
- The system for calculating pensions is extremely complicated and opaque: the size of a pension is determined not only by the amount of contributions and years insured, but also by the size of the average wage in the country for the relevant period. In short, there is no direct relationship between the size of contributions and the size of someone's pension, which is incentive for the shadow economy to expand.

The cost of non-doing

There is no one public, official position regarding the cost of not undertaking reforms. Various statements by Government officials suggest three critical short-term risks in not reforming the pension benefit system:

- **The bankruptcy of the Pension Fund:** The Pension Fund deficit was already running at 14% in 2010 and continues to rise.
- **Delays in pension payments:** A cash shortfall in the Pension Fund and State Budget could lead to delays in paying benefits.
- **The loss of the next IMF tranche:** Losing the next tranche of the IMF cooperation program would jeopardize the State Budget, the country's financial and monetary stability, and Ukraine's credit rating, while restricting the options for the Ukrainian Government and other agents to draw funding from other sources.

The opposition and unions largely recognize these risks connected to not reforming the pension system, but they also **see no reason to limit the state's social guarantees**, including dropping privileged pension benefits based on professional status and raising the pensionable age and seniority.

De facto, Ukraine's Pension Fund has been bankrupt a long time already, because it has a permanent deficit that is covered by the State Budget. According to ICPS analysts, the long-term cost of not undertaking pension reform will be **the total collapse of the pension system**. The demographic window of opportunity that was available to Ukraine in 2007 – 2008, when the proportion of able-bodied adults was at its peak, has already passed. Further on, the share of adults of pensionable age in the overall population will rise sharply. By 2025, nearly a quarter of Ukraine's population will be over 60, while by 2050, nearly a third will. In short, if reforms don't take place now, those who become eligible for a pension in 10 – 15 years will have little hope of security in their old age—not even the miserly pension that the state can still provide today.

Policy decisions

The Economic Reform Program contains four main steps for the reformation of the pension system:

Regulatory

- raising the minimum term of contributing to insurance to be vested or eligible for a basic old age pension from the current 5 to 15 years;
- providing incentives for people to retire at a later date by increasing the coefficient for calculating each year of extra service or every year that the person postpones retirement;
- reducing the add-on benefits for early retirement and for contributions;
- matching the retirement age for women and men;
- bringing the retirement age gradually to the European level, 65 years, for participants in the second pillar of the pension system.

Institutional

- delegating the function of collecting and administrating the revenues of the second pillar of the pension system to the Pension Fund of Ukraine and introducing a system of consolidated pension accounts;
- providing the option for private companies to manage assets and channeling contributions to the second pillar of the pension system into non-state pension funds at the request and choice of insured individuals;
- diversifying the types of private, non-state pension insurance plans.

Financial

- taking away inappropriate expenditures, such as funding early and privileged pensions, from the PAYGO system, as these do not belong to its remit;
- limiting the maximum pension size provided by the PAYGO system;
- gradually shifting the share of the contribution for pension insurance from employers to their employees;
- instituting a single social contribution.

Alternatives

The alternative concept for pension reforms presented by Nasha Ukraina proposes somewhat different policy decisions:

- bringing all pension benefits directly in line with the actual contributions made;
- making all non-standard pension benefits, including profession-based, privileged and disability pensions come from the State Budget and not the Pension Fund;
- guaranteeing a minimal level of pension provision from the PAYGO system while switching all additional pension benefits to the personalized accumulative system;
- ensuring that the PAYGO system is covered by employer contributions, while the accumulative system is covered by the contributions of employees themselves.

Despite the various ideological positions reflected in these pension reform goals, the steps to reforming the pension system proposed by the government and opposition, especially when it comes to relieving the PAYGO system of spending that is not properly its remit and shifting the share of pension contributions from employers to employees, are not especially far apart. The main **difference in their positions is the question of inequality in the size of pension benefits**: the government insists on a significant cap on the size of the highest pension rate, while Nasha Ukraina wants to bring the size of the pension directly in line with the size of the individual's contributions. The concept of pension reform proposed by the National Forum of Trade Unions offers few specific measures and is more concerned with the general conditions for undertaking pension reforms.

Both concepts of pension reform ignore the one factor that leave little room for any deeply unpopular pension reform to find support among voters and sets up serious risks that it will not be successful. This factor is the absurd rule in Ukrainian law that allows pensioners to continue working while drawing both a full-time salary and their full pension benefit. Undoubtedly, the reality of how low both wages and pensions are is one of the most painful issues in Ukraine today. Still, maintaining status quo will only increase the distortions in the pension system and the labor market and will prevent either of these problems from being resolved.

Making it impossible for individuals to both get a pension and be paid for work, starting with public sector employees, together with the institution of a progressive coefficient for calculating surplus service years **will set up the conditions necessary to get people themselves interested in simply working longer**. It should also help reduce negative reactions among voters towards the raising of the retirement age.

The main dilemma with pension reform is that some of the PAYGO contributions to the Pension Fund will have to be channeled to the state accumulative pillar. This means that the level of reserves in the PAYGO system will go down, which will lead to additional expenditures in the State Budget, given the current Pension Fund deficit. This is the reason why the introduction of the second pillar of the pension system has been delayed repeatedly. The Pension Fund deficit needs to be brought down, especially by raising the retirement age and the term of vesting.

Analysis of stakeholder positions

Government

The Government is clearly interested in successful pension reforms. This will make it possible to stabilize the Pension Fund and reduce public spending to cover its deficit. Reforming the pension system, especially raising the retirement age is also a condition for continued cooperation with the International Monetary Fund, which is playing a major role in providing macroeconomic and financial stability in Ukraine.

On the other hand, the harsh, irreversible consequences of not undertaking reform loom in the longer term, at a time when the Government's political interests are primarily driven by short-term electoral cycles. The risk that voters will be hostile to pension reform and the approach of the Verkhovna Rada elections in Fall 2012 could destroy any political will in the Government to actually carry it out. That this is becoming ever-more likely is confirmed in recent statements by the President and Premiers about their unreadiness to undertake pension reform and the need to postpone it.

Business

Business is primarily interested in reducing the payroll burden of contributions to the Pension Fund. The gradual shifting of the bulk of these contributions from employers to employees is part of the draft pension reform document and clearly responds to business interests. Business could also find such steps as limiting the privileges attached to profession-based pensions and raising the pensionable age and the length of service, which should encourage a higher level of economic activity among the working population and thus the supply of workers on the market. In this way, the Government model of pension reform is fairly acceptable for business.

Working-age population

The working-age population, especially that part of it that is on the edge of retirement or is getting there, will be the first to feel the negative impact of pension reforms, as it currently calls for limits on state social guarantees based on profession, pensionable age and service. The result of one poll⁶ suggested that 86% of the population is not in favor of raising the pensionable age.

Pensioners

Nearly 14 million Ukrainian pensioners are the target group for pension reforms and it is they who should directly feel its benefits. After all, reforms are supposed to ensure the stable functioning of the pension system and the potential to raise its level. Still, because of the lack of broad public awareness campaigns about pension reform, pensioners have not become a support group and are not ensuring the necessary support in society as a whole. Surveys show that pensioners share the hostile attitude of the general population towards the most controversial aspect of pension reform, raising the pensionable age and service years.

⁶ Sociological survey run in June 2010 by GfK Ukraine on commission from the USAID projects called "Capital markets" and "Financial Sector Development." Source: http://www.finrep.kiev.ua/download/pension_survey_22jul2010_ua.pdf

Obstacles to policy

The positions of stakeholders, especially of working age voters, constitute a major obstacle to carrying out pension reforms, especially in terms of revising and limiting state social guarantees. A higher level of pension provision and thus a higher standard of living after retirement could convince voters of the need to reform the pension system, but two major factors get in the way of this:

- **low level of awareness about pension reform:** only 4% of respondents are aware of the intention to institute the accumulative pillar of the pension system;
- **low level of trust in the pension system:** 70% of Ukrainians do not believe that they will have enough income to survive on, once they retire.

Timetable

Pension reform was first launched in 2004, with the adoption of the Laws of Ukraine "On mandatory state pension insurance" and "On non-state pension provision." The introduction of the second pillar of the pension system, the mandatory accumulative system, was planned for 2007, but was then postponed until 2009, and never took place in the end.

The Economic Reform Program provides for three main stages in pension reform:

Stage I (to end 2010):

- instituting a fixed pension contribution for entrepreneurs who are subject to the simplified tax system;
- capping pension benefits.

Stage II (to end 2012):

- establishing incentives for late retirement and increasing the minimum length of insurance service for eligibility for an old age pension;
- dropping all unjustified benefits regarding early retirement and contribution payments;
- starting to gradually establish parity in the retirement ages for men and women;
- instituting a single social contribution;
- gradually shifting the pension insurance contribution from employers to employees;
- instituting an accumulative system of universally mandatory state pension insurance;
- instituting mandatory corporative pension plans to finance early and special pensions for specific categories of professions based on risks to life and limb.

Stage III (to end 2014):

- completing the switch to full contributions to pension insurance for all categories of contributors;
- setting up mechanisms for developing non-state pension insurance.

As of Q2'11, **progress with the implementation of the pension reform plan discussed here could be called "unsatisfactorily low"** at best. For instance, of the measures set in the first stage of reform, which were to have been completed last year, only one has been done: instituting a fixed pension contribution for entrepreneurs who are subject to the simplified tax system. Similarly, of the measures in the second stage of reform, only one has been done: instituting a single social contribution.

The European framework

In relations between Ukraine and the EU at this time, two basic documents regulate cooperation between the two sides in pension issues: the Partnership and Cooperation Agreement (PCA) and the Ukraine-EU Association Agenda (UE AA).

The general framework for cooperation with the EU in pension reform is established in Para. 1 of Art. 51 of the PCA, which contains commitments on the part of Ukraine to use "measures to ensure that its legislation is gradually brought in line with Union legislation," and Art. 71, which states that the two Parties shall pay "special attention to cooperation in social protection which, among others, includes cooperation in planning and undertaking social security system reform in Ukraine." Section 4 of the PCA, Economic Cooperation, contains a provision on the "exchange of best practice in the EU and EU member countries regarding the reform of pension systems with the goal of increasing the stability of the pension system in Ukraine." Still, the question of cooperation in carrying out pension reform was not on the list of priorities that were agreed by the Committee of Senior Government Officials in 2010.

So far, the pension system does not belong to that part of Ukraine's legislation that has been harmonized to EU legislation. Still, the EU has issued a series of directives that establish the requirements for specific aspects of the way pension systems function in EU member countries, especially Directive 79/7/EEC on the progressive use of the principle of parity among women and men in social security. In addition, the European Commission published a Green Paper on "Towards adequate, sustainable and safe European pension systems" in July 2010, which launched the process of public consultations with all stakeholders and interest groups regarding the establishment of a common approach to forming EU pension-related policy.

Moreover, the Government of Ukraine has taken on clear and specific commitments regarding pension reforms, in accordance with the Memorandum with the IMF:

- "raising the minimum contribution period to be vested from 5 to 15 years;
- "gradually raising the pensionable age for women from 55 to 60 years...;
- "extending by 10 years the term of service necessary to receive a full pension."

Civil society impact

In the pension reform arena, civil society is represented by several players: pensioner associations, trade union federations, employer associations, think-tanks and the expert community, and international organizations and projects. Each of these players represents its own interest groups, has its own position regarding pension reform in Ukraine, and takes advantage of its own sources of influence over the Government and its own institutional mechanisms to promote it (see Table 1).

Table 1. Impact of civil society on pension reform in Ukraine

CSO	Interest group	Position on reform	Influence through	Institutional influence
Associations of pensioners	Pensioners (14 million)	Con	activism	public hearings
Union confederations	Hired labor (most of the working age population)	Con	lobbying, activism	social dialog
Employer associations	Business	Pro	lobbying	social dialog
Think-tanks and the expert community	Pro-European part of Ukrainian society	Pro	consultations, advocacy	community councils, working groups
International organizations and projects	Ukraine's international partners	Pro	consultations, advocacy	Working groups under Economic Reform Committee

Civil society that is against pension reform

Associations of pensioners

Associations of pensioners, the main one among them being the All-Ukrainian Association of Pensioners, represent the interests of retirees, who number nearly 14 million today. Strange as it may seem, the associations generally do not support the Government's intentions of undertaking pension reforms, as they do not see any direct connection between reform and a higher level of pension provision.

In Ukraine, associations of pensioners are not a significant social force. They have no capacity to propose their own views of pension reform or to meaningfully respond to the Government's plans. As a result, associations of pensioners have effectively been left outside the public debate over pension reform. At the moment, their only means of influencing the Government is activism in the form of demonstrations and rallies and their only way of communicating with Government officials is participating in public discussions, that is, town meetings.

Union federations

There are three main federations of trade unions in Ukraine: the Federation of Ukrainian Trade Unions (FUTU), the Confederation of Free Ukrainian Trade unions (COFUTU), and the National Forum of Ukrainian Trade Unions (NFUTU). They represent the interests of hired labor, which constitutes the majority of Ukraine's working-age population. Union federations generally are against the Government's intentions of undertaking pension reforms as these will lead to considerable limitations on state social guarantees regarding pension provision for Ukraine's citizens.

The National Forum of Ukrainian Trade Unions proposed its own view of pension reform, based on the Concept of Pension Reform approved by social partners in 2009. It calls for transforming the Pension Fund into a self-run organization and consolidating pension legislation.

Ukraine's union federations are less organized and influential than employer associations. However, a mechanism for three-way social dialog allows them to participate in Cabinet sessions and to affect its position through lobbying. However, if the pension reform is introduced and the union position is ignored, the unions could mobilize their membership and resort to activist methods of influencing the Government: strikes, demonstrations and so on.

Civil society that is in favor of pension reform

Employer associations

Associations of employers, the main ones being the Federation of Employers of Ukraine (FEU) and the Confederation of Employer Associations of Ukraine, represent the interests of business. These employer associations support the Government's plans to institute pension reform, especially as the interest group whom they represent is directly interested in seeing the larger share of contributions to the Pension Fund be shifted from employers to employees.

The view of pension reform presented by the Government can be seen as one that entirely represents the interests of employers. So associations of employers have no need to present an alternative view of pension reforms. Still, they do participate actively in the public debate over these reforms. They underscore the need to adopt the Labor Code in order to reform wage scales and regulate the issue of unreported wages. Associations of employers also support the proposal of the unions regarding a three-way administration of the Pension Fund.

One means of influencing the Government's position that is used by employer associations is lobbying. Thanks to the mechanism of three-way social dialog between employers, unions and the Government, they have the opportunity to directly get involved in Cabinet meetings.

Think-tanks and the expert community

Ukraine's think-tanks and its expert community are generally liberal in orientation, so they represent the pro-European part of Ukrainian society. Understanding the inappropriateness of the existing pension system in Ukraine given current social realities, they generally support the Government's intentions of undertaking pension reforms.

This group can influence the Government's position with the use of consultations and advocacy. Thus, the Institute of Economic Studies and Political Consultations (IESPC) published a report in February 2011 called "Pension Reform in Ukraine."⁷ By taking part in community councils and participating in working groups, analysts from think-tanks and the expert community are able to directly present their recommendations to Government officials. Still, think-tanks and experts lack a connection with the beneficiaries of pension reform and the capacity to effectively carry out advocacy campaigns.

International organizations and projects

Among international organizations and projects that are engaged in the issue of pension reform in Ukraine, the most active and influential are the World Bank, the UNDP in Ukraine and US AID projects, especially the Capital Markets and Financial Sector Devel-

⁷ www.ier.com.ua/files/publications/Policy.../PP_01_2011_ukr.pdf

opment projects. De facto, they represent the interests of the Euroatlantic community, which is interested in a democratic and developed Ukraine as a reliable political and trade partner. International projects and organizations generally support the Government's plans to undertake pension reforms, as this is one of the major conditions for cleaning up public finance in Ukraine.

International organizations and projects influence the Government's position through consultations and advocacy. Experts prepare recommendations for the Government that are then widely disseminated in the press and the media at public events. Specifically, the United Nations Development Programme's Blue Ribbon Advisory Center presented a report back in 2008 entitled "Pension Reform: A challenge for Ukraine."⁸ A USAID project called "Financial Sector Development" runs a website called "Pension Reform in Ukraine."⁹ Representatives of international organizations and projects are able to participate in working groups under the Economic Reform Committee, which gives them the opportunity to directly present their recommendations to members of the Government.

⁸ www.un.org.ua/files/pension_reform_ukr.pdf

⁹ <http://pension.kiev.ua/>

Recommendations to increase input from civil society

The five main obstacles to more active participation on the part of civil society in the development of pension reform and recommendations for how to increase civil society influence are presented in the table below.

Obstacles	Recommendations
The available assessments of the cost of pension reform and the price of not doing it are not accepted at face value by Ukrainian voters because they have been provided by stakeholders such as the government, the oppositions, employers, trade unions, and international organizations and projects.	Ensure the preparation of unbiased, objective assessments of the cost of pension reform and the price of not doing it. The result of this could be used by all stakeholders.
As the direct beneficiaries of pension reform, pensioners are currently not represented by civil society organizations capable of exercising influence over the Government position and are thus excluded from any meaningful public debate on pension reform.	Build the capacity of community organizations that represent the interests of pensioners and their unions to publicly formulate and properly defend their positions regarding state policy, especially in on pension issues.
The absence of public documents on state pension policy that reflect the official position of the Government makes it hard for ordinary voters to understand it and limits the possibilities for meaningful debate on them.	Initiate cooperation between the Government and CSOs to prepare public documents on state pension policy: Green Papers raising problems and White Papers offering solutions.
Public debate of pension reform is taking place without any structure or regularity, which makes it difficult for the Government to establish who the real interest groups are, to analyze their positions, and to take them into account.	Using the EU experience organize the process of debate over pension reforms in such a manner that it will give the Government the opportunity to identify all interest groups, to engage them in determining the obstacles to reform and necessary policy decisions, to analyze their positions, and to mobilize support among those who favor reform and neutralize those who oppose it.
Public awareness of pension reform in Ukraine, of its goals and costs, and of the price of not doing it is very low, which makes it possible for those who participate in the public debate to use inaccurate and distorted facts.	Ensure that information and advocacy campaigns are run with the aim of disseminating information on the need for pension reform and the price of not doing it to all groups of the population.