

Atlantic Council.- 08.01.2018

Melinda Haring

Even Out of Government, Former Finance Minister Danyliuk Has Big Plans for Ukraine

Навіть поза урядом колишній міністр фінансів Данилюк має великі плани щодо України

Автор статті Мелінда Харінг, редактор блогу UkraineAlert та науковий співробітник Інституту зовнішньої політики, розмовляє з колишнім міністром фінансів України Олександром Данилюком. "Я дійсно переживаю за 2019 рік", - сказав він у широкомасштабній розмові у Вашингтоні. О.Данилюк відвідав західні столиці, щоб висловити тривогу з приводу проблем України. "Якщо країна не реформується, вона погіршиться", - сказав він. Данилюк має великі, довгострокові плани перетворення країни.

Він хоче створити новий аналітичний центр, який розглядає державну політику на «цілісному шляху». У Києві аналітичні центри занадто спеціалізовані. Турботи Данилюка виходять за рамки макроекономіки. Хоча економіка України, нарешті, починає зростати, він хвилюється через зіткнення між Росією та Україною у Чорному морі та про вибори 2019 року. Політична невизначеність і війна завжди погані для інвестицій.

<https://www.atlanticcouncil.org/blogs/ukrainealert/even-out-of-government-former-finance-minister-danyliuk-has-big-plans-for-ukraine>



Former Finance Minister Oleksandr Danyliuk speaks at the Ukrainian Corporate Governance Academy in Kyiv, Ukraine. Credit: Ukrainian Corporate Governance Academy

It was June 5 and Ukraine's ebullient and energetic finance minister was under tremendous strain. The Economist had just reported that forty-three-year-old Oleksandr Danyliuk was about to be sacked after speaking out too many times about corruption at the highest levels. He'd made too many enemies, including the president and prime minister.

But Danyliuk is an optimist who brims with good humor even when he's under fire. Speaking with him in his office in Kyiv, I asked if he was worried. "I'm going to stay," he said decisively.

I asked jokingly, "What's your theme song? 'I Will Survive'?"

Too negative, he said. Without skipping a beat, he suggested with a laugh, "We Are the Champions."

The next day, Danyliuk was indeed fired. But that light-hearted exchange captures the ex-minister well. He wants Ukraine to thrive, and he thinks he knows how to get there.

Now Danyliuk is out of government and can speak freely.

"I'm really worried about 2019," he said in another wide-ranging conversation on November 29 in Washington. He's visiting Western capitals to sound the alarm about Ukraine's problems. "If the country doesn't reform, it will deteriorate," he said.

"It's a pity that five years after the revolution we are back at this." He sees only old leaders and old stories on offer for the 2019 presidential and parliamentary elections. "Something is clearly wrong. The IMF has invested billions of dollars in Ukraine, but it's still Europe's poorest country," said the former investment banker.

"Sometimes you need a big shake to change the country," he said with a serious look in his eye. The shake he had in mind is radical. He thinks international financial institutions should have been tougher on Ukraine.

In 2017, he said the IMF should have stopped its \$17.5 billion lending program altogether after Ukraine went back on its word twice. Ukraine's leaders refused to liberalize gas prices and dragged their feet on the establishment of an anti-corruption court.

But Danyliuk's worries extend beyond macroeconomics. While Ukraine's economy is finally starting to grow, he's worried because of the November 2018 clash between the Russian and Ukrainian navies in the Black Sea and the 2019 elections. Political uncertainty and war are always bad for investment.

In spite of the hype about improvements in doing business in Ukraine—the country has set up several offices to promote business and started an ombudsman's office to address complaints—Danyliuk is decidedly unimpressed. Foreign direct investment hasn't changed much since the Euromaidan, ranging between \$2.5 and 3 billion per year. "\$10 billion would be a big deal," he said.

To get there, Ukraine would need to embrace land market reform, privatization, and more energy reform, and would also have to reform the SBU and tax police.

In government, Danyliuk tried to champion these issues. One of his signature ideas was to reduce shakedowns on business. He wanted to slash the number of officials who investigate financial crimes in the SBU and among the police and tax police—often the culprits behind these shakedowns—from 15,000 to 3,000, and put the new unit under the minister of finance. "Solving economic crimes is different from police work," he pointed out sensibly.

But President Petro Poroshenko insisted that the effort should be under him, not the finance ministry, and the effort—like many good ideas in Ukraine—died on the vine.

Rather than go back to Ukraine's bruising politics where few reformers are still standing, Danyliuk has bigger, longer-term plans to turn the country around. He wants to start a new think tank that sees public policy in a "holistic way." Think tanks in Kyiv are too specialized, he said, pointing out that war, national security, economic issues, and energy are all intertwined.

Danyliuk has pragmatic advice for future policy makers: if you want to fix a ministry, change the financing, as was done with health care in 2017. State financing now follows a patient and isn't automatically allocated to each hospital based on the number of beds.

He points to higher education, which is lousy, expensive, and bloated in Ukraine, largely because of lingering Soviet-era policies. Too many Ukrainians get a higher education financed by the state. While 40 percent of Europeans enroll in universities, in Ukraine, 80 percent of young people do. Instead, the state should finance the top 25 percent fully, pay 60 percent for the second 25 percent, and force everyone else to pay.

This isn't the only problem, though. The ministry of education decides how many lawyers Ukraine needs and allocates a certain number of spots each year for legal education. Danyliuk thinks the market should do that. "You should trust people. This is their life," he says.

"Give money to students and let families make their own decisions. Kids will go to the best universities," he said. Changing the financing would force bad universities out of business, which is OK by him, especially since Ukraine's universities are not internationally competitive. On the Times Higher Education ratings, only one Ukrainian university makes the list.

State funding is also rigid. Students cannot take state funding to private universities like the highly regarded Ukrainian Catholic University in Lviv or the Kyiv School of Economics, which raise all of their funds privately. Indeed, the state regulates even the scholarship criteria for the allocation of private scholarships at private universities.

Danyliuk says that the state could save 50 percent if it finally de-Sovietized its higher education system.

Now out of government, the former minister may finally have the time he needs to devise a strategy to give Ukraine the big shake it needs.

Melinda Haring is the editor of the UkraineAlert blog at the Atlantic Council and a fellow at the Foreign Policy Research Institute. She tweets @melindaharing.