

GETTING RID OF PORK BARRELS AND OTHER POLITICAL BRIBES

CONTENTS

Lobbying without Risks for Political Corruption is Possible. We can Join Efforts to Stand Against a Selective Support to Electoral Constituencies	1
How to Get Rid of Ukrainian Pork Barrels?	3
Pork Barrels and General Welfare. Practices of Citizens Against Government Waste	10
Why are Pork Barrels Dangerous?	12
How to Cooperate with a Member of Parliament to Address Issues Faced by a Constituency and Evaluate the MP’s Contribution to their Solution?	14
Public Policy Agenda of the Constituency District No. 19	16
Public Policy Agenda of the Constituency District No. 97	17
Preventing Political Populism in the State Budget of Ukraine 2017	18
Public Monitoring of the Allocation of Electoral District Funds Project and the Agenda of Ukrainian MPs without Political Corruption Risks Partnership	26
A Methodology Aimed at Discontinuing the Districts “Hand-Feeding” Practices and Political Corruption	28

Lobbying without Risks for Political Corruption is Possible. We can Join Efforts to Stand Against a Selective Support to Electoral Constituencies



Ivan Sikora: "Our efforts aimed at reducing a share of politically motivated budget decisions and preventing risks of political corruption in activities of the Members of Parliament. It is completely realistic to stop pork barrel practices, if we cooperate within the Agenda of MPs without Political Corruption Risks Partnership."

For the second year running, we are witnessing a rise in local budget revenues. The increase has been driven by the fiscal decentralization. However, since 2015 we have seen stronger dependence of local budget execution on transfers from the national budget, particularly on subventions. Resolution No. 6-1 "Conclusions on the implementation of the Law On the 2015 National Budget of Ukraine" adopted by the Accounting Chamber on April 11, 2016 stated that the transfers from the national budget grew by 2.7 percentage points to 59.1%, subventions increased by 28 percentage points to 56.6%, and subsidies dropped by 25.3 percentage points to 2.5%. These changes indicate a redistribution of considerable budget resources at the central level and stronger dependence of the local budget execution on transfers from the national budget. Only two out of twenty-five regions can boast of a smaller share of the transfers in their local budget revenues (49.9% in Dnipropetrovsk Oblast and 29.9% in Kyiv city). Six regions have the share of 50% to 60%; eleven oblasts, 60% to 70%. In six regions, the share exceeds 70%. The increase in transfers has resulted in a greater role of oblast state administration, the Government and MPs as lobbyists for public funds to address local issues.

MPs can start lobbying at any stage. The first stage articulates an issue that cannot be solved lo-

cally and urges to put the issue on the local agenda. Afterwards, a local council should adopt a decision to allocate resources for the development of a project, estimates and other documents. At the next stage, they see that local funds are appropriated to address a particular issue. Then resources are earmarked as co-funding in the local budget. The following responsible lobbying step is to ensure that the tender commission of the Oblast State Administration decides to support or reject the project. In this case, the position of an MP is important, as is the MP's cooperation with members of Oblast Council, officials of the Oblast State Administration and local activists. Lobbying for a local project by MPs should be absolutely transparent, public and reasonable so that the lobbying effects can be measured in terms of benefits for constituents and the MPs are not accused of intentions and actions to reap personal or corporate benefits.

Regrettably, Ukraine has adverse practices where MPs from single-member constituencies lobby for national budget resources for their constituencies in every possible way: in exchange for "proper" voting in the Parliament, by switching parties or using political connections. These practices are championed among voters as achievements rather than corruption. Most MPs use the following logic: the more fa-

cilities, albeit small, are financed by the national budget, the easier it is to report back to the constituents.

Very often MPs help address only issues showed to them by local lobbyists. These issues are not always a priority, i.e. they are not necessarily the biggest, pressing or important. This approach leads to the ineffective use of public funds and a selective response to constituents' requests and local priorities. Voters should be aware of priorities of their MP in addressing local problems. These topical issues should be well-reasoned and discussed with voters. After all, the top 10 problems and facilities should be made public as an agenda of the MP. Every year the progress in addressing the top 10 problems should be evaluated to put some of them on a public agenda and take others off the table as they have been solved or become irrelevant. Regular updates of the public agenda and coordination of the public agenda with the MP are a step towards higher transparency of his/her activities and preventing political corruption risks.

This Bulletin covers the political corruption closely related to the pork barrel politics. In many countries, these practices are synonymous with vote buying with public funds. In Ukraine, the pork barrel politics is also alive and well, where constituencies are widely bribed (with buckwheat and other food products) to ensure the loyalty of voters right after an MP is elected. A Report by the influential Citizens

Against Government Waste describes the pork barrel politics, showing how much pork earmarks cost U.S. voters.

Ultimately, we seek to reduce the share of politically motivated budget decisions and prevent political corruption risks in activities of members of the Parliament. We are pleased to see that our findings have caught the interest of voters, local council members and members of the Verkhovna Rada of Ukraine. If we join efforts within the Agenda of Ukrainian MPs without Political Corruption Risks Partnership, we can secure the synergy, boost the efficiency in identifying the top 10 issues in every constituency and prevent pork barrel projects. This is just the first step towards engagement of constituents, local council members and members of the Parliament to identify jointly the top ten issues and facilities in every single-member constituency where such issues and facilities need public funding or response by MPs. The Partnership is an open platform that can be joined not only by MPs, but also by local council members and representatives of citizens' action groups.

Sincerely,

Ivan Sikora,

*«Public Monitoring of the Allocation
of Electoral District Funds» Project Leader,
Anti-Corruption and Budget Policy Expert*

How to Get Rid of Ukrainian Pork Barrels?

Political corruption is closely linked to the pork barrel politics. In many countries, these practices are synonymous with vote buying with public funds. In Ukraine, the pork barrel politics is also in place, where constituencies are widely bribed (with buckwheat and other food products) to ensure the loyalty of voters right after an MP is elected. Our country still suffers from the political corruption related to the pork barrels approaches even after the fall of Yanukovich's regime. At that time, MPs could receive more than UAH 100 million from the national budget for one single-member constituency. What can voters do to see that activities of an MP from a

single-member constituency become more focused on addressing large-scale, pressing and important issues on the one hand and less prone to politically motivated budget proposals, political corruption and actions to the benefit of the MP, his partners or sponsors on the other hand? The Open Society Foundation has recently made the first step towards reducing the share of politically motivated budget decisions and providing public control over political corruption risks. We have developed a methodology and trained civil activists and journalists to use it to identify the top ten issues of single-member constituencies.

PORK BARRELS AS AN ELEMENT OF POLITICAL CORRUPTION

Political corruption is tightly linked to lobbying for pork barrels for single-member constituencies. In fact, this is how "proper" political position of members of the Parliament with regard to the Government is rewarded. As a rule, voters and lobbyists who contributed to the victory of an MP, such as mayors, local council members, school principals, directors of public utilities and housing offices or heads of homeowners' associations, request the MP to repair a road, school or kindergarten, reclaim a waste landfill, reconstruct worn-out purification facilities that contaminate local water reservoirs and worsen the quality of the potable water, or improve the territory of a park or public garden. They request the MP as they do not want to appropriate money from the local budget or the local budget has no or insufficient money to address the issue.

The MP turns to relevant ministries, agencies, oblast and district state administrations, asking to make earmarks in the national budget. To succeed, the MP should enlist the support of the Government members, while they need his/her positive voting

on the Cabinet's proposals or participation in the parliamentary majority. It happens that some initiatives of the Government are in conflict with the position of the MP or his/her political force. This is the decisive moment to see whether the MP is ready to sacrifice his/her principles for addressing issues of the constituency? This is when party switching is taking place, one of the seven most grievous sins of the political corruption that was widely spread in the Verkhovna Rada of previous convocations. It can also take a form of situational "proper" voting or disregard of an issue or draft law critical for the MP in exchange of public funds for the constituency. This is a pork barrel or bribe used by the MP to buy the loyalty of the constituents and betray his political position or stance of his/her faction.

It is important to differentiate between types of political corruption that are expressly prohibited by law and those that are formally legitimate, but contradict the democratic principles. For example, US lawyers Chris Gibson and Jack Roworth distinguish two types of political corruption. The first category includes illegal practices such as bribes, graft or

other improper advantages. The second deals with deviations from “normal” political behavior that are not necessarily prohibited by law, but take different forms of patronage and clientelism, vote buying and pork barrels. Ukrainian analysts call these practices the public trough or “buckwheat politics” with a pejorative connotation.

The academic community often use a neutral expression of “allocation politics” to mask off the pork barrels politics, describing it shortly as benefits given to particular communities at the cost of the whole nation, i.e. the national budget . These benefits are not related to one another and may be removed without affecting the benefits given to other communities . Pork barrels are by definition a broader form of clientelism, implying particular interdependence between a patron politician and his/her clients who are voters in a specific constituency. Pork barrel projects are financed with public funds, supported by lawmakers primarily to improve the infrastructure or create jobs in their constituencies and presented as political favors to voters. They are usually initiatives in construction, modernization or overhaul of bridges, roads, schools, kindergartens, hospitals, stadiums, parks and public gardens.

Pork barrels are not necessarily expressed in money terms. For example, a Philippine congressman tried to put off a project for highway construction to a period after election. In this case, his potential constituents would not have been resettled from the territory slated for the highway .

Ukraine has a wide range of pork barrel projects of financial and non-financial nature. For example, an MP can ignore a problem for years, failing to submit appeals and requests, use other legal tools to address the issue despite that the problem is evident and cannot be addressed at a local level, or local authorities are reluctant to manage it.

Typical non-financial issues that, however, cost local communities a lot include the unauthorized seizure of coastal lines and restricted access to

SEVEN VICES OF POLITICAL CORRUPTION

1 Unsubstantiated Boosting of Costs



2 Conflict of Interests / Providing Public Resources for Corrupt Rent Extraction



3 Shadow Lobbying



4 Switching Party Faction in Parliament



5 Manipulated Voting



6 Appropriating Others' Successes in Problem Resolution



7 Ignoring Public Policy Problems



waterfronts, unauthorized deforestation and sand wash, spontaneous development, unauthorized installation of small architectural forms and temporary facilities under fictitious documents, fixed contribution evasion by developers where the contributions are used to improve local infrastructure, etc. The non-financial form of a problem means that solutions do not require heavy investments, but the unsolved problem can result in deterioration of living conditions in communities, adverse environmental footprint or siphoning off local budgets, as they would receive no revenues for the land or property.

Financial problems require heavy investments. As a rule, the resources cannot be allocated from local budgets that have insufficient funds. Curiously, these problems are often discussed a year before a scheduled election at best. Perhaps, the best illustration of a pork barrel project for Kyiv citizenry is the construction of a subway extension to Troieshchyna residential district (the subway extension from the right bank to Troieshchyna and Raiduzhny residential areas on the left bank of the Dnipro River). In 1993, Kyiv planned to complete a Podil bridge in nine years. When Oleksandr Olmelchenko was the city mayor (in 2003), they started building a Podil – Voskresenka bridge, a project not yet completed. During 13 years, every mayor or mayor candidate claimed to solve the problem. In particular, Leonid Chernovetsky

planned to launch new subway trains to connect the right and left banks of the capital as early as 2011. In 2013, then-mayor Oleksandr Popov and his officials kept telling Kyiv citizens that the subway line to Troieshchyna would be launched in 2016 or 2018 at the latest, if they built one station and one running line every year. In 2014, the incumbent mayor Vitali Klitschko said that “the subway extension to Troieshchyna will be in place and, if funding is available, it will be launched in two to three years”. There is a joke attributed to ex-Prime Minister Mykola Azarov. Allegedly, he gave a piece of advice to then-mayor of Kyiv Oleksandr Popov: “Start building a subway extension to Troieshchyna in any unclear situation.” Local variations about the subway to Troieshchyna can be versatile, yet the meaning is the same.

Pork barrels for “proper” MPs were a regular practice under Yanukovych. For example, six months before the 2012 parliamentary election, the majority in the Verkhovna Rada mostly represented by the Party of Regions MPs adopted amendments to the national budget six times. Pork barrels in form of subsidies and subventions were transferred from the national budget to particular oblast budgets. Then oblasts appropriated the funds to particular facilities located in constituencies of the Party of Regions MPs, candidates, allies or partners. Ukrainian political institutions operated in way that enabled both oblast state



The construction of the Podil-Voskresensky bridge to unite right and left banks of Kyiv city (the subway extension from the right bank to Troieshchyna and Raiduzhny residential areas on the left bank of the Dnipro River) has been already lasting for 13 years

administration chairmen appointed by the President and the pro-presidential or pro-governmental majority in oblast councils influence the oblast budget appropriations. This approach helped the Party of Regions MPs cut their campaign costs and profiteer from their contributions to solution of voters' issues. Tellingly, over UAH 1 billion (almost 30%) out of UAH 2.79 billion in the 2012 social and economic development subventions were channeled to Donetsk and Luhansk oblasts (UAH 0.9 billion and UAH 0.1 billion, respectively). This was despite that fact that these regions, traditional bases of the Party of Regions, were home to only 15% of the entire Ukrainian population. At the same time, Ternopil oblast residents did not receive any social

and economic development subventions from the national budget in 2012.

Tellingly, single-member constituencies of the Party of Regions MPs and their allies enjoyed the abundant budget support under Yanukovich. In particular, Vladyslav Lukianov's constituency received over UAH 155 million, Artem Pshonka's constituency absorbed almost UAH 100 million, Volodymyr Lytvyn's constituency had UAH 95 million, and Serhiy Kluev's constituency received over UAH 73 million received in 2012. The scale of the budget support was impressive: after the Revolution of Dignity, even entire oblasts have received less than particular constituencies did under Yanukovich's rule.

UKRAINIAN TECHNOLOGIES OF LOBBYING FOR PORK BARRELS

Formally, pork barrels are a legitimate way of public spending. However, if analyzed deeply, these practices prove to be unfair, involving peanut politics very often. In particular, pork barrels are usually related to appropriations for projects that formally meet local priorities, but are not the most pressing or demanded on the ground. For example, an MP



agrees to support a government bill if the Cabinet appropriates funds for a facility on the MP's constituency. There is nothing bad in it for ordinary people: communities benefit from it as this is how roads to schools are built, hospitals and community centers are repaired, etc. However, the society as a whole suffers from such unsustainable utilization of public funds.

Local budgets has two sources of proceeds from the national budget that are used for capital investments on the ground: social and economic devel-

opment subventions and money from the National Regional Development Fund. Subsidies from the Fund to local budgets are more or less public as projects compete against selection criteria, while equally important social and economic development subventions lack publicity and clear selection criteria.

However, selection of projects to be supported by the National Regional Development Fund is not perfect either. Ukraine suffers from the backdoor lobbying for projects submitted to a

special regional commission responsible for evaluation and selection of investment programs and projects for regional development that may be financed by the National Regional Development Fund. In these cases, lobbyists include MPs, members of the special commission in the oblast state administration and oblast council members, with MPs not always having the best lobbying position. A project may be rejected, because it cannot be co-funded by the local budget (at least 10% of its costs), other sources of the national budget or international technical assistance or unreliable information has been submitted about the scope of works/services and/or financial needs. The last issue is quite discretionary as a requested amount of funds from the national budget is based on approved estimates. Therefore, both proponents and opponents of a project may say that the amount is overstated or understated. Those who submit a project at a local level may also “set

up” an MP lobbying for the project by simply forgetting something (a document required by the regional selection commission) deliberately or carelessly. No document — no decision. Thus, the issue is postponed for a least one year.

MPs’ election programs very often lack specific details of local issues, and their action reports feature mainly statistics about voters’ requests and progress in responding to them. An MP’s contribution to solution of local issues is contradictory very often as mayors and/or members of local and regional councils (who may be political opponents) try to take credit for the achievements. What one should do? It is vital for the MP to show how he/she has contributed to solve a particular local issue and how he avoided political corruption risks. The new methodology developed by the Open Society Foundation helps reduce significantly the vote buying with pork barrels.

ON THE WAY TOWARDS PUBLIC CONTROL OF PORK BARRELS

An MP should make his/her priorities public, as it is vital for constituents to understand his/her position on local and regional issues. The alignment between the public agenda of a constituency and the agenda of its MP plays a great role.

This approach helps voters be will informed about local and regional issues that are a priority for the MP, evaluate his/her contribution to address them and know who eventually should take credit or blame for funding or non-funding the local facility from the national budget. Moreover, this approach minimizes discretion of MP’s decisions and offers the Member of Parliament arguments to support or reject a project requiring capital investment in his/her talks with constituents, mayors, local council members, chairman of oblast state administration and oblast council members. It is also true for problems that do not need capital investment, but require the attention of the MP, as they cannot be addressed locally.

Today voters can influence priorities of the MP, assess and prevent political corruption risks throughout his/her term, using the Methodology that has already been tested in several constituencies. It offers five simple steps helping the communities to shape the agenda and identify priority issues to be addressed by their MPs.

The Methodology enables communities to see whether their MPs shape their agendas publicly, take communities’ vision into account, i.e. whether they recognize their top ten issues and facilities identified by local activists and experts of the Agenda of Ukrainian MPs without Political Corruption Risks Partnership. Moreover, the Methodology illustrate whether Members of Parliament exercise their powers effectively in this context or MPs from single-member constituencies are rather focused on their political interests and rely on voters’ loyalty.

5 STEPS TO PREVENT POLITICALLY MOTIVATED BUDGET DECISIONS AND THWART “HAND-FEEDING” OF ELECTORAL DISTRICTS



Forming the public policy agenda (top 10 problem issues of electoral district)



Assessing MP agenda (election promises and periodic reports (bulletins))



Assessing MP eagerness to include public policy problems onto MP agenda



Assessing MP contribution to solving constituency problems



Assessing political corruption risks

MEMBERS OF PARLIAMENT CAN LOBBY FOR VOTERS' INTERESTS WITHOUT ANY RISKS FOR POLITICAL CORRUPTION

Ukrainian society has quite recently raised a point about pork barrels and their control by voters. To date, Ukrainian experts, activists and journalists have lacked an integrated methodology to analyze actual performance of MPs in constituencies. Responding to a need for smaller share of pork barrels, we have developed Ukraine's first tool (the Methodology) for voters to evaluate contribution of parliamentarians to address local issues and assess political corruption risks in an unbiased way. The Methodology offers criteria to evaluate WHAT the MP did and HOW the MP acted to address voters' problems. Most importantly, the tool shows constituents whether activities of the MP meet the actual interests and needs and whether the issues can be solved locally.

Residents of a constituency should join efforts to shape the public agenda (i.e. the top 10 issues and facilities that need to be heeded by an MP). This will help them influence the MP's agenda at the constituency level. The Agenda of Ukrainian MPs without Political Corruption Risks Partnership is a platform for coordination and communication of local initia-

tives. You can join the Partnership now and receive the expert and methodology support to develop the public agenda.

There is no point in waiting for the next parliamentary election, as constituents who are unaware of clear and reasonable requirements to MP's lobbying priorities and influenced by political bribes, billboards and TV advertising are likely to vote for unspecific election programs. If communities are not engaged in shaping MPs' agendas, they should not be surprised to see that public funds are "incidentally" appropriated for facilities that are "incidentally" connected with those who supported the party or MP at the latest election. Moreover, they should not be surprised to see the MP ignores issues that require no investment, but adversely affect communities. We should join efforts and act now to stop falling into the same trap. The Agenda of Ukrainian MPs without Political Corruption Risks is open for every committed voter. We are confident that lobbying is possible without risks of political corruption.

Pork Barrels and General Welfare. Practices of Citizens Against Government Waste

In the United States, the pork barrel practices originated in a pre-Civil War practice of giving slaves a barrel of salt pork as a reward and requiring them to compete among themselves to get their share of the handout. The Oxford English Dictionary dates the political sense of the term from the 1870s. Formally, pork barrels are permitted by the U.S. Constitution. In particular, Article 1, Section 8, establishes the Congress right to collect taxes, duties, imposts and excises, to pay the debts and provide for the common defense and general welfare of the United States. Therefore, pork has been around since the first Congress. Up until the 1980s, however, it was not widespread, and it was often discouraged.

The first Congress (1790) authorized pork in the form of \$1,500 to complete a lighthouse in Mas-

sachusetts. The expenditure had the active support of President George Washington and of Rep. George Thatcher of Massachusetts. On constitutional grounds, however, the same Congress rejected a bill to aid a glass manufacturer. Perhaps, the second bill lacked presidential support. The second Congress solidly criticized the practices. The South Carolina representative Hugh Williamson insisted “the Congress might not have the power ... to gratify one part of the Union [United States] by oppressing another”. Subsequent presidents tended to disapprove the practices. In 1817, President Madison vetoed an earmark aimed at funding a national system of roads, because he did not believe the general-welfare clause permitted it.

Mark Twain described brilliantly the pork barrels: “The Hon. Higgins had not come to serve his coun-



Citizens Against Government Waste



try in Washington for nothing. The appropriation which he had engineered through Congress for the maintenance of the Indians in his territory would have made all those savages rich if it had ever got to them."

The US-based Citizens Against Government Waste (CAGW) government watchdog represents more than one million members and supporters nationwide. Founded in 1984, the organization keeps watch on non-transparent and unreasonable government spending. CAGW's mission is to eliminate waste, mismanagement, and inefficiency in the federal government.

"Cases of out-and-out bribery are rare. But pork-barrel spending is a form of corruption by which tax dollars are doled out on the basis of political favoritism." Activists stress that waste and abuse have proliferated in the absence of transparency and accountability and thanks to lobbying for interests of particular groups.

Citizens Against Government Waste monitors such practices and prints annual Congressional Pig Book. According to the activists, the cost of pork barrels in FY 2016 is \$5.1 billion. For earmarks to be regarded as pork barrels, they should meet seven criteria:

1. Requested by only one chamber of Congress;
2. Not specifically authorized;
3. Not competitively awarded;
4. Not requested by the President;
5. Greatly exceeds the President's budget request or the previous year's funding;
6. Not the subject of congressional hearings;
7. Serves only a local or special interest.



In Philippines, a pork barrel scandal gave rise to the largest protests and impeachment calls. The scandal was around the Priority Development Assistance Fund (PDAF), a discretionary fund available to members of Congress to finance small-scale infrastructure or community projects. The outrage was about a scam plotted by businesswoman Janet Lim-Napoles to misuse great amounts of public funds, with the country's government spending estimated at hundreds of millions of US dollars. Mass media said that 28 members of the Philippine parliament were involved in the scam.

In response to the scandal, Filipinos founded the People's Initiative to Abolish Pork Barrel in 2014. The organization advocated criminalization of such pork barrels and stronger accountability of special funds. The initiative drafted an act abolishing pork barrels. Under the document, all proposed budgets submitted to the Philippines Congress should contain only itemized or line-item appropriations, except appropriations for the purpose of disaster response, contingency fund and the intelligence/confidential funds. The law imposed perpetual disqualification from public office for violation of any appropriation law. The organization gathered several thousands of signatures in support of the draft act. Yet, the document has not been signed into law. Pork barrels have allegedly returned to Philippines in a draft national budget proposed by President Rodrigo Duterte.

Why are Pork Barrels Dangerous?

The pork barrel politics, or the patronizing approach to public expenditure, cements the weaknesses of Ukrainian political system. Principally, there are five key dangers of the practices.

1. Pork barrels reinforce the paternalistic type of political culture in voters' minds. Voters become accustomed to thinking that the core mission of a Member of Parliament is to wheedle money from the national budget for the constituency and thus evaluate their lawmaker from the mercantile perspective only. National and regional projects rank low on the MP's agenda, because he/she is keener on being reelected thanks to masked bribes to voters that involve relatively small appropriations to address local issues. These issues might often be successfully address at a local or oblast level if only the political will were in place.

2. Pork barrels intensify contradictions between the legislative and executive branches. Notably, the executive authorities benefit from pork even more, as these practices remain almost the only way to influence MPs. In the absence of a developed and long-established political culture, this dependence grows stronger, especially in the mixed electoral system where 50% of members of the Verkhovna Rada of Ukraine are elected in single-member constituencies. The responsibility and accountability become indistinct.

3. Selective influence on MP's position. The executive branch is responsible for appropriations for facilities located in constituencies, which substantially offsets the influence of Members of Parliament on the public treasury issues. Even the projects approved by the Verkhovna Rada can be put on the brake by the Cabinet for particular reasons (e.g. appropriated funds reach a local budget at the end of a year when it is hard to absorb them through procurements, works and services without violations), or vice versa, projects previously rejected may be again put on the list of initiatives to be financed by the government. Consequently, pork gives rise to informal rules instead of checks and balances. These practices adversely affect the effectiveness of public administration and discredit budget appropriations.

4. Pork barrels also strengthen the dependence of executive authorities on agendas of political parties in the parliamentary coalition. Interest of political forces and some MPs in particular pork-barrel projects undermines the policy line of the government and diverts focus and resources from reforms and priority projects. This enables corruption in public procurement, as pork-barrel projects select contractors in a biased manner. This politics results very often in a low quality of services and works (because of kickbacks) or in overstated cost estimates.



Serhiy Pansyur: "Pork barrels reinforce the paternalistic type of political culture in voters' minds. Voters become accustomed to thinking that the core mission of a Member of Parliament is to wheedle money from the national budget for the constituency and thus evaluate their lawmaker from the mercantile perspective only. Notably, the executive authorities benefit from pork even more, as these practices remain almost the only way to influence MPs."



Lesya Shevchenko: "The pork barrel identification methodology developed by the Open Society Foundation brings benefits to all actors: voters who become ideologists and controllers of activities of their MP and Members of Parliament who become less exposed to corruption leverage and pressure making them vote "properly" or switch parties."

5. Distortion of democracy. Surprisingly enough, pork barrels are hard to fight, as they have become a cornerstone of activities of many MPs and underpin the nexus between the Cabinet of Ministers and the Verkhovna Rada. This informal institution is not prohibited by legislation. However, it distorts the principles of accountability, transparency and impartiality of a Member of Parliament.

In a move to enhance the impartiality, transparency and accountability of the legislative and executive branches, we should identify and prevent pork barrels by shaping public agenda of an MP, evaluate the MP's contribution to problem solu-

tion and avoid risks for political corruption. The pork barrel identification methodology developed by the Open Society Foundation brings benefits to all actors: voters who become ideologists and controllers of activities of their MP and Members of Parliament who become less exposed to corruption leverage and pressure making them vote "properly" or switch parties.

Joining the Agenda of Ukrainian MPs without Political Corruption Risks Partnership, both voters and Members of Parliament who seek to enhance trust in their activities can contribute to prevention of the pork barrel politics.

How to Cooperate with a Member of Parliament to Address Issues Faced by a Constituency and Evaluate the MP's Contribution to their Solution?

During the training sessions “How to cooperate with a Member of Parliament to address issues face by a constituency and evaluate his/her contribution to their solution” in Khust, Chortkiv, Chernihiv, Kyiv, Kharkiv and Severodonetsk in June and July 2016, the activists found out about “pork-barrel politics” phenomenon, watched the thematic video by US-based watchdog organization Citizens Against Government Waste and learned how to use the innovative methodology developed by the Open Society Foundation to effectively combat political corruption.

Participants of the training sessions received information about legal regulation of local development (Budget Code of Ukraine, the Law On the Status of the Members of Parliament, etc.) and learned to work with documents that affect solving of local problems (such as Regional development strategies and plans for their implementation, the Program of social and economic development, Budget drafts etc). Project experts — **Serhiy Pantsyr**, Director of the Centre for Social Partnership and Lobbying of the Kyiv Mohyla Academy, **Lesya Shevchenko**, President of the Open Society Foundation, and **Ivan Sikora**, “Public Monitoring of the Allocation of Electoral District Funds” Project Leader and anti-corruption and budget policy expert — presented the methodology and trained the participants to evaluate the performance of Members of Parliament against specific criteria. The experts and activists jointly discussed the vision of public policy agenda (top-10 problems and infrastructure objects) in the constituencies.

Training sessions repeatedly stressed that it is vital for MPs to focus on issues that cannot be addressed locally because of short financial resources or insufficient mandates of local authorities. Issues relating to transport and social infrastructure,



unemployment, salaries in arrears, housing and utilities, environment and illegal entrepreneurship were mentioned among top ten problems faced by constituencies in Kyiv city, Kharkiv, Zakarpattia, Luhansk, Ternopil and Chernihiv oblasts.

When discussing transport infrastructure issues, participants stressed the need to reconstruct and overhaul national and local roads and highways, rebuild destroyed bridges in Luhansk Oblast and build Podil Bridge across the Dnipro River.

Moreover, some specific problems were discussed. In Severodonetsk, the pressing issue is to ensure continuous operation of Azot chemicals and byproduct manufacturer and keep jobs there. This is the major employer and taxpayer that ensures the social stability in the monotown. Another challenge is a need to reduce social infrastructure burden caused by the inflow of internally displaced persons.

In Chernihiv, pressing issues are arrears in salaries to employees of production companies and an expected rise in the unemployment rate because of scheduled layoffs and downsizing at Chernihiv plants that make defense orders. Chernihiv Industrial Park to be launched on the site of former Chernihiv Khimvolokno synthetic fiber factory is a relevant issue for MPs. In Kyiv, pressing

issues include a need to lower daily commuting between the rank bank and left bank as well as the construction of Kyiv Business Harbor in Desniansky District that would ensure the effective use of land resources and boost job creation.

In Kyiv, another major problem is debts of Kyivenergo utilities company to Naftogaz of Ukraine. As a result, Kyivenergo's accounts have been blocked, thus disabling the company to prepare properly the heating supply system for the upcoming winter season. In Zakarpattia, people are concerned about the shortage and poor quality of potable water, impoundment and river bank erosion in some localities.

In housing and utilities sector, MPs should focus on overhauls and reconstruction of water supply and sewage networks, including reconstruction of storm water drains and road gulleys in Luhansk Oblast, renovation of unfinished sewage treatment plants and construction of pump stations in Kyiv city, and reconstruction of water supply equipment and overhauls of sewage treatment plants in Kharkiv Oblast.

In the area of energy efficiency and energy saving technologies, major problems are the reconstruction of heating supply system in Mriya residential area, the upgrade of district heating



facilities in Residential Area 81 in Severodonetsk, Luhansk Oblast, overhauls of heating systems in kindergartens in Khust, Zakarpattia Oblast, and retrofitting of heating supply to social infrastructure facilities in Kharkiv Oblast.

A need for construction or renovation of facilities comes from the poor state of social infrastructure buildings (educational, healthcare, cultural, sports, landscaping and recreational institutions and centers). This issue with insignificant differences is on the agenda of all constituencies.

Public agendas of all constituencies feature violations of environmental laws and adverse ecological footprint of industrial and utilities companies that build up municipal solid waste. The problem is mostly about the construction and reclamation of dumps for municipal solid waste and treatment of waste generated by combined heat and power plants.

Illegal entrepreneurship at a local level is no less pressing. This includes operations of illegal sand and black soil pits in Kyiv city, Kyiv and Kharkiv oblasts. In Zakarpattia, illegal logging is one of the major problems. Large-scale violations of land, water and urban planning laws raise big concerns. Predominantly, these violations come from illegal development and unauthorized seizure of coastlines.

The participants of the training sessions showed their interest in further cooperation to increase transparency and effectiveness of MPs' performance. Joining the Agenda of MPs without Political Corruption Risks Partnership, everyone can contribute to prevention of "manual" distribution of public funds to constituencies, the so called pork-barrel practices.

Public Policy Agenda of the Constituency District No. 19



Ihor Huz', MP (2014-current).
Elected in the Constituency District No. 19.
Faction: "Popular Front".

TOP 10 PROBLEM ISSUES AND OBJECT IN THE CONSTITUENCY DISTRICTS NO. 19



Problem Issue 1.
Systematic wage arrears to miners. As of beginning of 2016 the debt reached UAH 30 million.



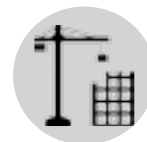
Problem Issue 2.
Construction of the coal mine No. 10 "Novovolynska" of the State Enterprise "Volynvuhillya" (annual coal mining capacity is 900,000 tons; 1500 new jobs; estimated cost UAH 2.3 billion).



Problem Issue 3.
Unsatisfactory transportation and street infrastructure. Object: "Improved access of the Ukrainian-Polish border region through renovation of the state auto road M-07 "Kyiv-Kovel-Yahodyn" (section 487 + 500-496 + 500, km 496+500+505+286 in Lyuboml rayon: from from the Lyuboml crossroad to the regime zone of the international auto border crossing point "Yahodyn"; cost UAH 50 million)."



Problem Issue 4.
Unsatisfactory ecology and negative impact upon the environment of industrial and communal enterprises by means of solid waste. Object: "Construction and renovation of solid waste landfills in Lyuboml and neighboring villages (UAH 2.5 million); Novovolynsk (in Stara Lishnya village of Ivanychi rayon, cost of the 3rd stage UAH 7.1 million); Ivanychi (UAH 1.8 million); periodic pollution emissions by industrial enterprises in Novovolynsk."



Problem Issue 5.
Violations of land and city planning legislation, suspended construction, illegal construction and land zoning. Object: "Finishing the construction of the 44-apartment building for military servicemen in Volodymyr-Volynskiy."



Problem Issue 6.
Poor quality of housing and communal services (heating, natural gas supply, cold and hot water supply for private users and state enterprises, deterioration of water supply and water sewage systems, emergency threats). Object: "Renovation of the water supply infrastructure from the Southern water intake to Novovolynsk (diameter 426 mm running for 6 km (constructed in 1963, 100 per cent depreciation); cost UAH 21.2 million)."



Problem Issue 7.
Long waiting lines as the result of the low allowance capacities on customs crossings "Yahodyn-Dorohusk" and "Ustyluh-Zosyn"; oversight of EU renovation grant to the latter (Euro 5 million).



Problem Issue 8.
Inefficient implementation of energy-saving and energy-efficiency technologies in social and communal housing spheres; replacement of natural gas with alternative renewable resources; use of energy-saving funds provided by international institutions. Object: "Renovation of the boiler house in Zhovtneve (Blahodatne) and installation of solid fuel boilers with capacity of 5 MVatt."



Problem Issue 9.
Unemployment and shadow employment. Object: "Creation of new jobs in Novovolynsk and Zhovtneve (Blahodatne) through finishing of the construction of the roll packing plant in Zhovtneve."



Problem Issue 10.
Unsatisfactory provision of quality medical, education, and cultural services. Object: "Finishing the construction of the Reception Department of the Ivanychi Central Rayon Hospital (UAH 2.4 million)."

Public Policy Agenda of the Constituency District No. 97



Pavlo Rizanenko, MP (2012-current).
Elected in the Constituency District No. 97.
Faction: "Bloc of Petro Poroshenko".

TOP 10 PROBLEM ISSUES AND OBJECT IN THE CONSTITUENCY DISTRICTS NO. 97



Problem Issue 1.

Violation of land legislation and city planning legislation. Land of the State Enterprise "Radio Broadcasting Center" (94.6 hectares, estimated market value UAH 200 million).



Problem Issue 2.

Waterlogging of city districts Stare misto and Microdistrict II in Brovary. The problem is unique and local. It resulted from the destruction of water diversion ditches, poorly planned construction, and the lack of proper sewer and drainage systems. The problem is a priority and urgent matter for the community. It is on the agenda of the Oblast State Administration and local councils.



Problem Issue 3.

Poor quality of communal and housing services. Poor technical conditions and deterioration of most of water supply and water sewage facilities, and infrastructure. Object: "Renovation of water sewage and cleaning facilities on the territory of the Krasyliv village council of Brovary rayon of Kyiv oblast; increasing their capacity from 22,000 m³ to 37,000 m³."



Problem Issue 4.

Low efficiency and competitiveness of enterprises, unemployment, unsatisfactory business environment for enterprises, for modernization of existing and creation of new economic ventures. Object: "Restoration of work of the State Breeding Enterprise 'Ploskivskiy'".



Problem Issue 5.

Unsatisfactory ecology and negative impact upon the environment. Object: "Renovation and development of water supply and water sewage systems in order to provide potable water for Berezan and the Baryshivka rayon" and "Landfill near Berezan".



Problem Issue 6.

Unsatisfactory transportation and street infrastructure. Renovation and road construction on 2 sections of the Kyivska Street in Brovary. The Kyivska Street is the main street in Brovary; construction of new housing building alongside it will result in substantially increased road traffic on the street.



Problem Issue 7.

Unsatisfactory transportation and street infrastructure. Construction of a bypass road in Berezan. One of the biggest road maintenance problems in the community is the unsuitability of local roads for heavy trucks.



Problem Issue 8.

Unsatisfactory conditions of the social infrastructure (education, health, and culture spheres). Two objects: "Renovation of the "Malyatko" kindergarten in village Semenovka of Baryshivka rayon of Kyiv oblast (UAH 9.4 million)" and "Insufficient number of schools and pre-school institutions in Brovary."



Problem Issue 9.

Unsatisfactory public space infrastructure (rehabilitation and recreational facilities). Object: "Renovation of the central city park 'Peremoha'" in Brovary (subject to funding from the State Regional Development Fund – UAH 18.2 million)."



Problem Issue 10.

Violation of environment protection legislation and illegal entrepreneurial activities. Object: "Illegal sand excavation in villages Pohreby and Pukhivka". This lasting problem is on the agenda of local council representatives."

Preventing Political Populism in the State Budget of Ukraine 2017



Ivan Sikora, anti-corruption and budget policy expert, Open Society Foundation, "Public Monitoring of the Allocation of Electoral District Funds" Project Leader

Politically motivated budget decisions are best seen during the budget process. This is the time of populist pledges and promises to take care of certain social groups or territories without any real sources of revenues. This is the time when there is huge lobbying on budget decisions that are inconsistent with Ukraine's international commitments to the IMF and the creditors.

The Ukrainian politicians are known for their rhetorical commitments to protect agrarians and socially vulnerable population groups or public sector employees such as educators and health-care providers. They do not really care about the needed sectoral reforms and they are ready to care about social groups only in words and not in deeds.

There is only one way to make people trust the numbers included in the key financial plan of Ukraine. We must implement structural sectoral reforms, establish clear criteria and procedures for distribution of budgetary funds at all levels, provide an opportunity for all stakeholders to participate in the discussions and put the results of the discussions in public domain. Most importantly, we need to develop the perception that it is possible to receive funds from the state budget without being close or loyal to the government, the mayor, the head of state administration or oligarchic groups.

What is needed is compliance with the criteria and transparent tender procedures in place.

FOSTERING POLITICAL CORRUPTION AT THE FINAL STAGE OF THE BUDGET PROCESS

Unfortunately, the draft State Budget of Ukraine that has been submitted for consideration contains changes and alterations to the current laws of Ukraine, the same as before. The draft State Budget 2017 (No.5000) was submitted to the parliament by the Cabinet of Ministers on 15 September and is linked to the following draft laws:

- draft law on amendments to the Tax Code of Ukraine in connection with the review of certain taxes (No. 5044 dd August 26, 2016);
- draft law on amendments to the Tax Code of Ukraine (No. 5132 dd September 15, 2016);
- draft law on amendments to the Budget Code of Ukraine (No. 5131 dd September 15, 2016);
- draft law on amendments to some legislative acts of Ukraine (No.5130 dd September 15, 2016);
- draft law on amendments to certain legislative acts of Ukraine regarding the ensuring of unjustified assets recovery into the revenue of the State (No. 5142 dd September 20, 2016).

According to the Central Scientific Experts Office, the parliament should adopt the respective draft laws before adopting the State Budget 2017 and ensure harmonization of the provisions in the documents. This will help balance the state and local budget indicators for 2017. In addition, the Central Scientific Experts Office believes that the draft law on the State Budget can be considered only following the decision of the Verkhovna Rada of Ukraine in regard to the draft laws that are used in the calculations of the State Budget 2017.

Thus, the final stage of the budget process is based on the «if/then» formula. If the respective legislative acts or amendments to the current legislative acts are adopted then the proposed revenues and expenditures can be integrated in the draft State Budget.

In fact, the «if/then» formula forces MPs to adopt regulatory and legislative acts in order to meet the state budget timelines, satisfy political and economic interests of MPs in regard to certain expense items of the state budget and comply with the international commitments of Ukraine to the IMF, the EU, donors and creditors. They do not adopt them to pursue structural sectoral reforms, meet the requirements of the coalition agreement or election programmes of political forces or MPs from single-member constituencies. If a legislative act is blocked certain political forces or MPs that are elected in single-seat constituencies can fail to receive the funds for certain facilities, sectors or territories that they have been lobbying.

Since the draft State Budget Law was made public the appetite of MPs has grown to UAH 900 billion. The utopian proposals to the draft State Budget made by the MPs target the Ukrainian voters and smell of populism. It is obvious that they cannot be considered by the government which has to balance the revenues and expenses. Even if their proposals are denied the MPs have nothing to lose as they can give a cast iron alibi to the voters: «We made a proposal but the government refused to accept it. Our proposal was included into the budget but the government failed to finance it because of

wrong revenue forecast, etc.» However, this does not help anyone.

Unfortunately, the situation has not changed over the years and MPs are ready to have more meaningful discussions about the draft laws that can help implement the required structural sectoral reforms only when the time has come to adopt the main financial document or when they need to lobby for funds for their own constituency or certain groups of lobbyists.

The next-year draft State Budget must be formed on the basis of the approved tax base and requires the respective amendments to the laws of Ukraine or certain provisions thereof which affect the budget indicators (reduce revenues and/or increase the budget expenses) must be adopted on or before July 15 of the year preceding the target year, according to Article 27 of the Budget Code of Ukraine. This will help reduce the risk of wrong calculations of revenues and expenses. In addition, this approach will make MPs less dependent on the «if/then» formula and thus reduce the risk of political corruption at the last stage of the budget process.

LOCAL BUDGET SURPLUS, RISKS OF EATING UP OR CUTTING THE BUDGET

The revenues of local budgets have been growing for two years. It would have been right to encourage revenues and implement the structural reforms at the same time. Unfortunately, increase in the revenues of local budgets does not always mean capital investments in important infrastructure facilities. Among the reasons are inefficient and out-of-date design documents, low professional and managerial skills of officials and paternalistic expectations of budget funds through subventions.

As a result, the revenue surplus in excess of plan is usually «eaten up» or used on minor facilities that do not really contribute to the development of the area. Capital projects are mostly focused on construction, reconstruction or repairs

of socially important municipal or social infrastructure facilities. Local authorities hardly ever finance the long-term projects that can bring structural changes, increase employment and boost incomes of the population and serve as the drivers of local development. As a rule, they fail to address major issues such as repairs or reconstruction of municipal roads, introduction of energy efficient technologies, repairs or reconstruction of housing infrastructure, elimination of illegal dumpsites, introduction of waste processing and sorting. They simply postpone the problems till the next budget period.

The government is going to place on the local authorities the burden of paying salaries of non-teaching staff of educational facilities (UAH 9.2 billion), utility services and energy bills of educational and healthcare institutions (UAH 15.3), reduced-fare programmes (UAH 2.2 billion), maintenance of recreation centres (UAH 0.3 billion), indebtedness caused by the difference in previous-year tariffs (UAH 7.3 billion), fines and penalties of utility companies (UAH 12 billion), and maintenance of 30 state healthcare facilities. These amendments to the state budget document are likely to force local heads and politicians to put more pressure on the central authorities and political forces in the parliament and demand the implementation of sectoral reforms. The reforms must include the

review of excessive social expenditures, monetization of benefits, upgrade of the network of educational and healthcare institutions, etc. For example, the issue about compensation for free or low cost travel services has been addressed for more than one year at all levels. It is still pending despite the fact that it is rather an exception than a rule for private carriers providing public transport services to keep records of passengers and reduced-fare travellers. There is a chance that by imposing the local authorities with the obligation to pay for certain categories of passengers who can enjoy free or low cost travel (UAH 2.2 billion) we can accelerate the adoption of regulatory and legal acts on targeted cash assistance.

At the same time the mechanisms proposed by the government to compensate for a part of financial burden connected with the delegation of authorities to the local level are far from adequate. According to various estimates these compensation mechanisms cover only one third of the expenses transferred to the local authorities from the central government. However, vocational schools are expected to be financed from the state budget. In 2016, poor revenue planning and disruption of privatization process have forced the government to transfer the funding of vocational schools to the local authorities that led to redistribution of local budget funds.

THE REVENUE SURPLUS IN EXCESS OF PLAN IS USUALLY «EATEN UP» OR USED ON MINOR FACILITIES THAT DO NOT REALLY CONTRIBUTE TO THE DEVELOPMENT OF THE AREAS

STOPPING THE MARCH OF POPULISM AND VIOLATION OF THE BUDGET PROCEDURES

This year the government has submitted the draft State Budget to the Verkhovna Rada of Ukraine on time which can be seen as a real advantage of the current budget process. Thus, the long-time budget battles that used to take place before the New Year festivities accompanied by the sound of champagne bottle corks popping will give some time to the citizens to better understand and assess the arguments of the parties, listen to the experts' opinions, think of the declared budget priorities and the probability of financing for the next year.

If we comply with the requirements of the Budget Code regulating the formation, consideration and adoption of the state budget and hold public discussions with the stakeholders we will finally stop the march of populism and show the voters that it is not possible to redistribute the funds which do not exist without major structural sectoral reforms. Formative public discussions will help voters understand that we must say farewell to the Soviet paternalism leftovers and revenue-based economy that target to rob the country and lead the people to impoverishment. The sooner Baruch Spinoza's principle «not to laugh, not to cry, not to hate, but to understand» will become the alpha and omega of Ukrainian voters the sooner the public will stop demanding populist performances that have been successfully staged by

the politicians in the parliamentary hall. It is important for them to understand that we need to fill in the budget to be able to distribute funds in anyone's interests. What is the purpose of populist proposals of MPs that are of the size of the whole budget if they cannot be met due to valid reasons?

The voters must understand one simple truth: you cannot be a responsible politician if you, on the one hand, ask for financial assistance from international financial organizations and the EU (Ukraine's creditors or donors) and on the other hand, make proposals to the budget that contradict and undermine the agreements reached. Such actions are inconsistent and demonstrate political irresponsibility and the attempts to manipulate the public opinion and electoral feelings.

What good are the words of concern about the agrarians, in particular the promise to keep special VAT regime if such promises can break cooperation with Ukraine's donors and creditors and reduce the flow of revenues to the state budget? What good can come from the transfer of social financial obligations of the state to the local budgets without implementing structural reforms and without making the respective decisions at the national level in regard to the rules and procedures for providing medical and education services? Political responsibility for the budget decisions is a heavy burden for the political approval rating. Still, we will not be able to move ahead without unpopular political decisions.

THE SOONER BARUCH SPINOZA'S PRINCIPLE «NOT TO LAUGH, NOT TO CRY, NOT TO HATE, BUT TO UNDERSTAND» WILL BECOME THE ALPHA AND OMEGA OF UKRAINIAN VOTERS THE SOONER THE PUBLIC WILL STOP DEMANDING POPULIST PERFORMANCES THAT HAVE BEEN SUCCESSFULLY STAGED BY THE POLITICIANS IN THE PARLIAMENTARY HALL

OVERSTATED REVENUE FORECASTS OR “WILL WE GET THE MONEY?”

It is not enough to develop the revenue plans, you also need to receive the funds. The bright example is the failure of privatization and special confiscation reforms in 2016. The elevated expectations for revenues forced the government to transfer some part of financial burden to local authorities and led to lack of financing.

Another issue of concern is a very optimistic state revenue plan that is based on the sources that do not usually generate quick revenues because of political reasons. The government might fail to receive the following revenues:

- revenues from privatization (UAH 17.1 billion). We should not expect good revenues from privatization considering the failure of privatization process in 2016, complex economic situation caused by impairment of assets because of exchange rate and political interests to use the existing state-run companies to “feed” certain political forces. In addition the government has not yet approved the privatization plan.
- revenues from property confiscation (UAH 10.5 billion). This means filling the trust funds with the money received from disposal of property that was confiscated for corruption offences. The law

on special confiscation has not been adopted yet. The attempts to disrupt the e-declaration system, very few court cases against officials for corruption offences, very slow judicial and law enforcement reform make us doubt that our politicians have real political will to fight corruption. As of September 1, 2016 the revenues made UAH 148,700 against the annual revenue estimates of UAH 7.7 billion;

- increase in the revenues from the operation of state-run companies (UAH 17.5 billion). A UAH 6.5 billion increase (from UAH 11 billion to UAH 17.5 billion) in the revenues is an optimistic outlook and it can become real only if we implement the reform of the corporate public sector which has been always used as a source of shadow revenues for certain political forces.
- transfer of NBU’s UAH 41 billion. The NBU is expected to transfer UAH 41 billion to the state budget of Ukraine. Initially the NBU was going to transfer only UAH 38 billion of profit to the budget of Ukraine. However, the NBU head stated earlier that in 2017 the NBU expects the profit of UAH 31.2 billion only. Thus, according to the NBU head, the revenues will make UAH 10 billion less or UAH 31.2 billion. Even if we assume that the NBU achieves the goal of delivering UAH 38 billion, we still face a revenue gap of UAH 3 billion.

FOLLOWING THE PROMULGATION OF THE DRAFT STATE BUDGET OF UKRAINE AND BEFORE ITS FIRST READING IN THE PARLIAMENT THE APPETITE OF MPS HAS GROWN. ACCORDING TO THE ESTIMATES, IT REACHED THE SIZE OF ONE MORE BUDGET: FROM UAH 900 BILLION TO UAH 1 TRILLION

CAPITAL INVESTMENTS AT THE LOCAL LEVEL

According to the plan, in 2017 the State Fund for Regional Development is supposed to receive UAH 8 billion or three times more than in 2016 (UAH 3 billion). There is a large risk of underfunding of the State Fund for Regional Development programme as well as other budget programmes such as Subvention from the State Budget to Local Budgets for Creation of Infrastructure of Unified Territorial Communities, special programmes for the reform and development of defence and security complex, the programme for the support of agricultural producers (1 hectare of land), etc.

This pessimistic outlook is based on political reasons, in particular low probability to receive funds from special confiscation. Even if we have the expected revenues from special confiscation there are risks that the local authorities will fail to use the capex funds transferred to the local budgets by the State Fund for Regional Development in the second half of the year and thus it will be returned to the state budget. In addition, this amount of UAH 10.5 billion covers also other budget programmes and action plans.

It was a surprise to see that initially the released draft state budget did not include a traditional subvention for social and economic development of certain territories that was usually “manually” distributed between the “needed” MPs. However, before the first reading of the state budget and following the consultations with the MPs the government made the decision to include the subvention at the level of 2016 - a little more than UAH 1,9 billion. To cover these expenses it is proposed to use the additional money that is expected to be generated by the National Bank and the money from redistribution of funds under certain programmes. Considering that there are little chances to receive the full amount of the NBU’s transfer the key source for financing the subvention will be reallocation of expenses within the programmes.

THE GOVERNMENT CAN FINANCE ONLY A QUARTER OF THE ENERGY EFFICIENCY BUDGET

We need energy efficiency technologies to reduce energy consumption of the key state assets: hospitals, schools, kindergartens, housing and utility complex. etc. The budget request of the Ministry of Regional Development, Construction, Housing and Utility Services is covered by 25% only (UAH 0.8 billion). The remaining UAH 3 billion are expected to come from external donors. However, international organizations (first of all the EU macrofinancial assistance) will not provide funds if we fail to adopt a number of legislative acts, first of all the draft law on the national regulator independence. The shift of responsibility and political speculations on the quality and cost of heat supply services have been long the source for different political speculations and corruption schemes at the local level. Without large-scale energy efficiency measures the amount of funds needed for compensating the difference in tariffs and covering the subsidies for housing and utility services in 2017 (UAH 50.9 billion) will remain high. Higher subventions place a considerable burden on the budget. Easy access to subsidies along with the implementation of an important social function do not encourage the population to earn more (as they can be deprived of subsidies) or invest funds to reduce heat losses at home.

We will not be able to reduce household heat and power expenses if we fail to take stern measures focused on the reduction of heat losses and energy saving improvements in households. In addition it is necessary to verify the financial standing of recipients of subsidies.

ROAD ISSUE AS THE SEEDS OF DISCORD BETWEEN THE LOBBYISTS

We must repair and reconstruct roads to improve the internal and external access to settlements and increase investment attractiveness of the facilities on these territories. To solve the road issue it would be good to establish the road fund and provide

the respective funding. For the sake of justice, we should note that the government once created the road fund but it was liquidated later. However, there have never been good roads in Ukraine.

The draft state budget specifies UAH 6.6 billion for the programme Development and Maintenance of General Road Network in Ukraine (plus UAH 7.3 billion for the programme Re-payments on Debt Obligations Related to Loans Taken or Warranted by the State for the Development of the General Road Network). The government expects the Road Fund to receive about US\$1 billion from international donors.

So far the revenues from excise on petroleum products have been used on the issues of priority for the Ministry of Finance rather than on maintenance, repairs or construction of roads. For decades we have been witnessing “kickback schemes” in the road industry, first of all this relates to the so called road patching and pothole repairs. Ukravtodor needs about UAH 36.5 billion to cover its expenses. The Ministry of Finance included only UAH 10.2 billion in the state budget which is less than one third of the funds needed. According to the calculations of the Committee on Transport of the Verkhovna Rada of Ukraine, Ukravtodor is supposed to receive a little over 60% of UAH 30-40 billion allocated for road repairs, 35% of this amount is to be transferred to the local authorities and 3% of the amount is to be used to increase road safety. This means that the government will allocate a little more than UAH 3.5 billion on repairs of roads in settlements of Ukraine out of UAH 10.2 billion.

At the same time, in the last decade road construction was funded at 14-34% of the minimum level suggested by researchers. The funds allocated for the national road industry in terms of the cost of one kilometre of road is several times less compared with the EU countries. It is obvious that the reform of the road industry requires more than an increase in funding. The industry needs sectoral reforms that will ensure control over the quality of performed works, impose liability on contractors for low quality works, make contractors provide and perform

their warranty obligations in terms of the lifespan of roads without “road patching repairs”.

SUPPORTING AGRICULTURAL PRODUCERS WITHOUT PORK BARREL SPENDING

To make it easier for agrarians to cope with the removal of special VAT regime it is proposed to provide support to farmers, and small and middle agricultural businesses (programme Financial Support of Agricultural Production) in the amount of UAH 3 billion. Also, there are plans to add UAH 1.5 billion to cover other expenses related to the support of agrarians (support of livestock, hops production, farmers, interventions of the Agrarian Fund, easing of credit conditions, etc.). Thus, it is very important to prevent any sort of *pork barrels* (politically motivated budget decisions that are intended to benefit certain political forces or MPs in return for their support of government initiatives) that can be “traded” by the government in order to receive support of single-mandate constituency winners. It is not enough to declare a possibility to receive some support. We must introduce transparent and objective criteria for distribution of funds. There are proposals to link distribution of funds to the number of agrarian land plots in each oblast, etc. Similar to the distribution of funds in the State Fund for Regional Development programme it is important to ensure transparency of the distribution process, establish clear criteria and require reports on the use of funds. Without this there is a risk of pork barrels for the “right” agricultural companies and single-mandate constituency winners.

Another important issue is provision of training sessions for agrarians as to how to receive funds from the state budget. They need to learn to write the respective proposals to receive the funding and avoid the situation when they have to look for adequate and feasible projects at the local level that are financed at the expense of the State Fund for Regional Development programme. It might happen that the money is available but there won't be any adequate projects and recipients.

The new budget period brings new possibilities and new challenges. Let's hope that State Budget 2017 will be approved before the New Year festivities. Considering limited financial resources for the development of territories we must focus on the measures and territories that can bring quick wins. If MPs want people to become real citizens and responsible voters they need to accelerate sectoral reforms, avoid paternalistic expectations

and populist manipulations. Then there will be little chances to buy voters for buckwheat or by using pork barrels. Civil society institutions can help substantiate the future state budget proposals of MPs by developing the "public agenda" of constituencies (list of priority problems that cannot be solved at the local level because of lack of funding or authorities) and by organizing discussions of the agenda at the local level.

Public Monitoring of the Allocation of Electoral District Funds Project and the Agenda of Ukrainian MPs without Political Corruption Risks Partnership

The Project «Public Monitoring of the Funding Allocation to Electoral Districts» aims at improving MP integrity, transparency and accountability, preventing politically-motivated budget spending, empower voters with the instruments of civic oversight over the State Budget expenditures in order to prevent political corruption.

The Project is part of the activities of the USAID Program “RADA: Responsible, Accountable, Democratic Assembly». The RADA Program is being implemented by the East Europe Foundation and other Ukrainian CSO organizations, and aims at promoting the development of the responsible, accountable and democratic legislature in Ukraine. <http://radaprogram.org/>, www.facebook.com/radaprogram/

The methodology developed within “Public Monitoring of the Allocation of Electoral District Funds” Project comprises of 5 consecutive steps for every MP for transparent and virtuous lobbying of the voters’ interests without 7 vices (risks) of political corruption. These 5 steps include formation of public policy agenda (top-10 problems and objects for the electoral district), assessment of MP agenda (election promises and activity reports), his/her readiness to include problems of the public policy agenda into own agenda, assessment of MPs contribution to solving the constituency problems, and, last but not least, assessment of 7 risks of political corruption, how did the MP lobby. These 7 risks



During the press-conference, Ivan Sikora and Serhiy Pantsyr present “Public Monitoring of the Allocation of Electoral District Funds” project results

include, among others, the well-known “faction switching”, but also boosting the costs of problem for further lobbying of certain service providers, a conflict of interests, which means a connection of lobbying object which is an instrument of problem resolution to MP’s or MP-related persons’ entrepreneurial activities (such as business partners, relatives or campaign sponsors), shadow or non-transparent lobbying (to present a fait accompli without prioritizing the object in public policy agenda), manipulating the contribution to problem resolution, overlooking (ignoring) problems on the public policy agenda or failing to act on them, and manipulated voting.

Definition of top-10 problems on public policy agenda is an important part of the methodology. These are the most large-scale, salient and important problems and objects, selected using the subsidiarity principle. Unfortunately MPs are often selective about the top-10 problems, or tend to

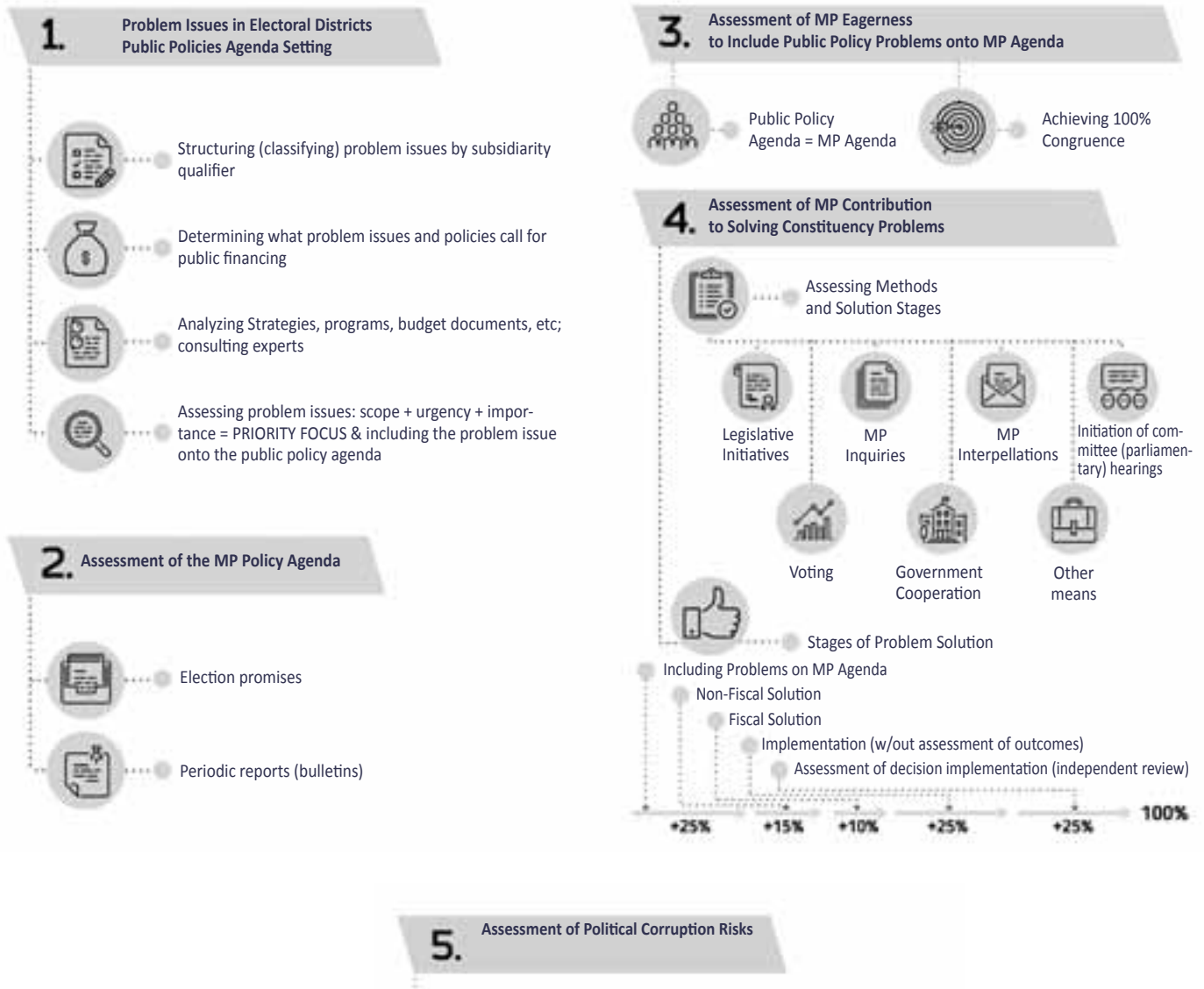
overlook large-scale and important objects that require public finding or MP response through use of oversight powers.

The methodology changes the very principle of MP's performance evaluation. It also allows determining the most important problems and priority infrastructure objects for every constituency, thus contributing to solving the large-scale and salient problems with public funds. While testing the methodology, the public policy agenda was defined us-

ing the agenda and activity reports of the MP, expert evaluations, strategic documents for local and regional development and further discussion of top-10 problems with citizens who joined the Agenda of Ukrainian MPs without Political Corruption Risks Partnership. Holding consultations with MPs active in the constituency is another important part of the methodology. Upcoming are the efforts towards formation of the consolidated local and regional policy agenda. We plan to hold these activities jointly with MPs and all interested parties.

A Methodology

AIMED AT DISCONTINUING THE DISTRICTS “HAND-FEEDING” PRACTICES AND POLITICAL CORRUPTION



An opportunity for all public activists to oversee the activities and influence the priorities of the MP transpires from the OSF-developed methodology

Join the Agenda of Ukrainian MPs without Political Corruption Risks Partnership

Details available on the OSF website

www.osf.org.ua

(in the sections «Events» and «Policy Analysis»)

The information is also available upon request by e-mail:

info@osf.org.ua

RADA: RESPONSIBLE, ACCOUNTABLE, DEMOCRATIC ASSEMBLY



The mission of the Open Society Foundation is to promote the values of the open society by influencing the agendas of public policy and finances. For almost 15 years, experts of the Open Society Foundation have monitored and analyzed the activities of the Verkhovna Rada of Ukraine in terms of implementation of the election promises by political parties and MPs represented in the Parliament.

The Project «Public Monitoring of the Funding Allocation to Electoral Districts» aims at improving MP integrity, transparency and accountability by informing the voters about instances of lobbying for funding for their constituencies.

More information on the Project is available at Open Society Foundation web site
www.osf.org.ua

E-mail:
info@osf.org.ua

Contact:
+38 044 425 77 09

Facebook page of the Open Society Foundation
<https://www.facebook.com/OSF.UA>

This Bulletin was prepared by the Open Society Foundation within the framework of the Project “Public Monitoring of the Funding Allocation to Electoral Districts”, which is part of the activities of the USAID Program “RADA: Responsible, Accountable, Democratic Assembly». The RADA Program is being implemented by the East Europe Foundation and other Ukrainian CSO organizations, and aims at promoting the development of the responsible, accountable and democratic legislature in Ukraine.

The contents are the responsibility of the Open Society Foundation and do not necessarily reflect the views of the USAID RADA Program, East Europe Foundation, USAID or Government of the United States.