

PROSPECTS OF PENSION REFORM IN UKRAINE – EXPERT POLL

IMF Minimizes Stakeholders' Risks Demanding Pension Reform in Ukraine – Experts

The Gorshenin Institute has polled experts to learn the prospects of pension reform in Ukraine and whether it will be possible to receive the next tranche from the IMF by not changing pension legislation.

An MP of the Yuliya Tymoshenko Bloc and former Economics Minister, Serhiy Teryokhin, has said that Parliament is likely to approve a new pension law in the short-time perspective. However, Teryokhin said that changes which may be approved as a result of negotiations with the IMF are not real pension reform. "An increase in the pension age, promises for future setting up a pension saving system for those who are only under 35 and the cancellation of privileged pensions – this is not pension reform," Teryokhin said. Teryokhin also explained the essence of the IMF's requirements: "The IMF is a joint stock corporation, which loaned the money of its stakeholders to Ukraine. To ensure refunding, the borrower has to be sufficiently solvent for the payback. For this, a number of measures should be taken: the budget deficit, national debt and deficit of the pension fund shall remain within certain limits», Teryokhin said. He recalled that the IMF's statute does not require the fund to be responsible for qualitative changes in the economies of countries: "This is not the IMF's function. This is the function of the World Bank and EBRD". Teryokhin also said that the IMF's next tranche will support the stability of Ukraine's financial institutions but not the development of the country's economy. He added that "the government does not realize its capacities if it really wants to receive the tranche".

Deputy Chairman of the Ukrainian Federation of Trade Unions, Serhiy Kondratyuk, has said that by imposing conditions for reform of the Ukrainian pension system the IMF is brutally abusing its financial powers. "The dictates of social issues of any sort to an independent state are totally unacceptable," Kondratyuk said. He also said that the approval of pension reform in the short-time perspective is not likely. "The IMF's first attempt to force the approval of pension reform autumn last year failed because of the active position of the trade unions. According to the second requirement that was formally declared, the reform should have been approved in February of this year. We made great propaganda all over the country and as of today many members of parliament together with the president admitted that the pension reform in the format as proposed by Serhiy Tihipko (deputy prime minister, minister of social policy) is unacceptable. Thus, I am certain that in the near future there will be no pre-requisites for the approval of pension reform. Will it be approved? It will be. Does society need it? Yes, it does. But not in the format they propose it," Kondratyuk said.

The former head of the State Committee for development of entrepreneurship, Oleksandra Kuzhel, has said that the statements made by many politicians that Ukraine won't get along without IMF's loans is an act of political adventurism. "Being aware of problems at a large number of state-owned companies, of problems with the state budget, I still believe it is a bluff," Kuzhel said. Kuzhel also said that it is not pension reform itself that is important to the IMF. "Make some steps to reduce the budget deficit, tighten people's belts, reduce your own programmes, reduce your trips, allowances, refurbishments of residences, etc. Stop non-transparent public procurement. Demonstrate that your country is not bankrupt. Do not search for an enemy in the person of the IMF," Kuzhel said.

The secretary of the parliamentary committee for pensioners, veterans and disabled people, member of parliament of the Party of Regions, Oleksiy Zhuravko, has said that reducing the size of the country's shadow economy is needed to solve the problem with the Pension Fund deficit. "To make people to come out of the shadow, taxes have to be reduced and a possibility for the development should be provided," Zhuravko said. However, Zhuravko did not rule out the approval of pension reform. "It is hard to say what will happen tomorrow. They can change their minds and alter something at any moment. If it is possible to change the structure easily, without a referendum, what else can one say?" Zhuravko said.

