

## Ukraine's Performance

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Curbing Corruption in Ukraine's Energy Sector

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I am honored to be with you for this important [Helsinki Commission Briefing](#). In 1999 I served as the U.S. Department of State Adviser at the Commission, and so it is a special pleasure again to assist in its vital work.

To help set the stage for speakers on Ukraine's energy security, I will briefly discuss the country's political and economic performance. I will also comment on Ukraine's security and Western support for it.

In assessing Ukraine's performance let's compare it with that of Ukraine's four most [populous](#) neighbors — Poland, Romania, Russia, and Turkey — according to three global indices that are proxies for political performance, and three for economic performance. They are:

### Political Performance

1. The World Justice Project, [Rule of Law Index](#)<sup>1</sup>
2. Freedom House, [Freedom in the World](#)<sup>2</sup>
3. Transparency International, [Corruption Perceptions Index](#)<sup>3</sup>

### Economic Performance

1. The World Economic Forum, [Global Competitiveness Index](#)<sup>4</sup>
2. The World Bank, [Ease of Doing Business](#)<sup>5</sup>
3. UNDP, [Human Development Index](#)<sup>6</sup>

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<sup>1</sup> Rule of Law (113 countries globally): Poland (25), Romania (29), Russia (89), Turkey (101), Ukraine (87).

<sup>2</sup> Freedom (0 – best, 7.0 – worst): Poland (1.5), Romania (2.0), Russia (6.5), Turkey (5.5), Ukraine (3.0).

<sup>3</sup> Corruption Perceptions (180 countries): Poland (60), Romania (48), Russia (135), Turkey (40), Ukraine (130).

<sup>4</sup> Competitiveness (137 countries): Poland (39), Romania (68), Russia (38), Turkey (53), Ukraine (81).

<sup>5</sup> Ease of Doing Business (190 countries): Poland (27), Romania (45), Russia (35), Turkey (60), Ukraine (76).

<sup>6</sup> Human Development (188 countries): Poland (36), Romania (50), Russia (48), Turkey (71), Ukraine (84).

To allow comparisons, rankings are normalized in percentiles, and then averaged. A low percentile equates to better performance. The results are:

	Political Performance	Economic Performance
Poland	25	20 (best overall performer)
Romania	27	34
Russia	82	24
Turkey	63	36
Ukraine	61	48

These comparisons allow several observations.

First, Ukraine is mid-ranked in political performance — better than Turkey and Russia, and worse than Poland and Romania. Ukraine’s 21-point lead over Russia reflects, in part, Ukraine’s experience of having held multiple national elections in which the opposition won and assumed power peacefully. The 30-plus-point lead of Poland and Romania over Ukraine suggests that it has a long way to go to meet the democratic standards of European Union members.

Second, Ukraine is the bottom economic performer. The next worst, Turkey, has much higher productivity. [Per capita income](#) in Turkey, measured by purchasing power parity, is just over three times higher than Ukraine’s, which is \$8,270. Russia’s per capita income is also three times higher than Ukraine’s..

Third, corruption, competitiveness, and the rule of law — dimensions of importance to investors — may be getting worse in Ukraine, at least relatively. In the Corruption Perceptions Index, Ukraine ranks 130th, but a decade earlier was 118th. In the Competitiveness Index, Ukraine ranks 80th, but a decade earlier was 73rd. In the Rule of Law Index, Ukraine ranks 77th, but in 2014 was 68th.

This deterioration owes in part to poor governance associated with the rule of former President Viktor Yanukovich. But systemic factors are also important, and the Poroshenko government has a mixed record on reform. At times Ukraine seems to make reforms only at the urging of the IMF and Western donors. An example is the delayed establishment last week of the [anti-corruption court](#).

At the same time, Ukraine deserves praise for [progress on reform](#), perhaps more in the last 4 years than in the preceding 23. Ukraine's vibrant civil society is a key driver of reform. According to the World Bank, [reforms since 2014](#) include: reducing large public spending, moving to a flexible exchange rate, reforming energy tariffs and social assistance, making public procurement more transparent, simplifying business regulation, restructuring banking, reforming healthcare, and establishing anti-corruption agencies and asset disclosures for public officials. Ukraine has climbed up sharply in the Ease of Doing Business index; in the latest rating Ukraine ranked 76th, versus 128th a decade earlier.

Ukraine's security plummeted in early 2014 when Russia seized and annexed Crimea, and launched a war in eastern Ukraine. Ukrainians quickly learned how to fight and began pushing back Russia's mercenaries. To stave off defeat, the Kremlin in August 2014 intervened with regular ground forces. They remain in Donbas, and Russia continues to fund and control mercenaries and armed separatists there. At a Helsinki Commission Briefing on May 5, U.S. Special Representative for Ukraine Negotiations Ambassador Kurt Volker rightly pointed out that the Donbas conflict will be resolved only if Russia decides to [remove its forces](#).

As it did with the Baltics in the Cold War, the West is unlikely to recognize the forcible incorporation of Crimea into Russia. As it did with the Soviet military occupation of Afghanistan from 1979 to 1989, the West is likely to continue opposing aggression in Ukraine. The West is largely unified in using sanctions to raise the cost to Russia of its actions. The West also provides military aid to Ukraine.

Some observers urge that the West accept Russian control over Crimea, or that the West consign Ukraine and other "in-between" post-Soviet states to permanent limbo outside the European Union and NATO. This would unwisely tempt Russia, and render its neighbors permanently vulnerable.

The West has an interest in the sovereignty, independence, and territorial integrity of all countries in the post-Soviet space. The West also has an interest in Russia's being at peace with its neighbors. In pursuit of these goals, the current direction of Western policy is sensible.