

**Breakfast with US Ambassador Geoffrey Pyatt**

*Monday 3/31/2014 08:00-09:00*

Participants: Geoffrey Pyatt (US Ambassador to Ukraine); David Meale (Economic Counsellor to the Ambassador); Lenny Benardo (OSF); Yevhen Bystrytsky (Executive Director, IRF); Oleksandr Sushko (Board Chair, IRF); Ivan Krastev (Chariman, Centre for Liberal Studies); Sabine Freizer (OSF); Deff Barton (Director, USAID, Ukraine)

OS: Overview of work of IRF to respond to current crisis.

YB: Possible tracks for US Embassy cooperation with IRF on the four levels of its work

*On most immediate issues needing attention*

Ambassador: The short term issue that needs to be addressed will be the problem in getting the message out from the government through professional PR tools, especially given Putin's own professional smear campaigns.

GS: Agreement on the strategic communications issue—providing professional PR assistance to Ukrainian government would be very useful. Gave an overview of the Crisis Media Center set up by IRF and the need for Yatseniuk to do more interviews with them that address directly with journalists and the public the current criticisms of his decision making.

GS: discussed plan for SAGER and e-governance noting the need for international donor assistance in implementing some aspects of the e-governance program.

*On constitutional reform and Russia's federalization plan for Ukraine*

Ambassador: Lavrov has been pushing the line about constitutional reform and the concept of federalization in Russia. The USG reaffirmed it will not negotiate over the heads of the Ukrainians on the constitutional reform issue and that Ukraine needs to decide on this issue for itself. He noted that there are templates for devolution that can be used in this context but that the struggle will be to figure out how to move forward with decentralization without feeding into Russian agenda.

GS: Federalization plan being marketed by Putin to Merkel and Obama would result in Russia gaining influence and de facto control over eastern regions in Ukraine. He noted Lavrov has clear instructions from Putin to push the line on federalization.

Ambassador: Secretary Kerry would be interested to hear GS's views on the situation directly, upon return from his trip.

SF: There is no good positive model for federalization in region, even models of decentralization are very poor because the concept is not very common. The institutions need for decentralization do not yet exist and need to be built.

YB: Ukraine should pursue a decentralization policy based on the Polish decentralization model. IRF funded the development of a plan based on this model previously and those involved are now advisers to government on this issue. Noted it is also important to encourage the constitution council created by government to be more open and involve independent experts.

Ambassador: Constitutional reform issue as the most urgent issue facing Ukraine—there is a need to decentralize in order to push democracy down to the local level and break the systemic corruption that results from Kiev's authority over the local governments.

IK: Suggested setting up a group of 5-6 international experts on constitutional reform to advise the Ukrainian government during this process.

GS: Suggested that Oshetinsky, expert on constitutional law, be involved as an expert in the constitutional reform process.

OS: Constitutional reform and decentralization as one of the core demands of the Maidan—suggested framing this reform on the principle of restoring rights to people rather than moving authority to regions.

Ambassador: Russian propaganda machine telling Kharkhiv and Donbass residents that the government in Western Ukraine is looking to take away their resources and rights through decentralization process, feeding into Lavrov's line that the Ukrainian government is dysfunctional and not successful as a unitary state, making it a necessity to have federalization.

#### *On reconciliation process and fostering a shared Ukrainian identity*

YB: Need to implement truth and reconciliation process through an expert workshop. IRF is taking the lead in developing civic education model and intercultural dialogue. This will be the main challenge.

Ambassador: Reconciliation process between regions will be necessary, and it should focus especially on youths through any activities possible (i.e. summer camps) to aim to forge a shared Ukrainian identity.

#### *On GS thoughts for what USG should be doing and what the USG is currently doing*

Ambassador: Asked GS for a critique of US policy and his thoughts on what USG should be doing.

GS: Will send Ambassador Pyatt copies of correspondences he previously sent to others and his article in NY Review of Books. Obama has been too soft on Putin, and there is a need to impose potent smart sanctions. He noted the need for a division of labor between the US and the EU with the US playing the bad cop role. The USG should impose sanctions on Russia for 90 days or until the Russian government recognizes the results of the presidential elections. He noted that he is most concerned about transitional justice and lustration.

Ambassador: USG will organize conference with the British at the end of April on financial crimes that will bring together senior level government officials and representatives of the international community to discuss where money went. He noted his worries about the complete implosion of the Party of

Regions and will be speaking to IRI and NDI about offering assistance to reconstruct the party for the post-Yanukovych era.

*On the greatest need for Ukraine at the current juncture*

Ambassador: Personal philosophy on the greatest need for Ukraine right now is the need for national unification. This will not happen under Tymoshenko because she is perceived as a hold over of the old regime and a very divisive personality. He calls the revolution a “revolution of dignity” and Tymoshenko is associated with everything undignified.

GS: Need to cleanse the “original sin” that all of the current presidential candidates are marked with in order for Ukraine to move forward.

Ambassador: Two paths for Maidan: they can continue to focus all their energies on lustration and retribution and it will go nowhere or they can focus energies on building an institutional framework for a transparent and accountable government and be successful.

GS: Idea of judicial reform in the style of Saakashvili—abolishing judges’ tenure and implementing professional examination process to weed out bad judges. The new convocation of parliament will have to pass key provisions on judicial reform.

*On the Pravy Sector and Russia’s destabilization efforts*

GS: Belief that the Pravy Sector is an FSB plot and has been funded to destabilize Ukraine

Ambassador: Agreed that this was at least partly true, but the problem now is that Pravy Sector has become organic and is still armed. There is a need for the government to figure out how to demobilize and disarm the Pravy Sector.

GS: How can we defend against Putin’s attempts to destabilize the May elections?

Ambassador: The international community should send in a flood of observers from the OSCE and other institutions. The US Embassy is also currently working with the local intelligence agencies to monitor the situation and they have already found Russian agents. He noted that a second ambassador, Cliff Bond, will be brought into the embassy to focus on the longer term questions such as decentralization, lustration, e-governance, and anti-corruption and will be coordinating with the donor community on these issues. Obama has instructed the embassy to focus primarily on economic support and assistance for Ukraine, avoiding military support or assistance.

GS: Hopes that going forward there will be close contact and cooperation between the US Embassy and the IRF.

## **Meeting with Serhiy Kvit, Minister of Education**

**Participants:** Serhiy Kvit (Minister of Education and Science); Inna Sovsun (Deputy Minister of Education); Lenny Benardo (OSF); Sabine Freizer (OSF); Oleksandr Sushkov (Board Chair, IRF); Grihorgy Kasianov (Director, Education Policy Center)

**SK:** Thinks that there are good prospects for reform in education sector. His first task is to return the trust of the people to his ministry because it has been known in the past to be one of the most corrupt and there remains little trust among the public because of this issue. Concrete steps include:

- Clarifying all processes within the ministry
- Make accounting within the ministry more transparent
- Make procurement details public by making that information available and accessible on the internet
- Stop corruption schemes that were typical in the past
- Respond to all complaints from pre-school through university level

All these steps will work to restore confidence in the ministry.

**SK:** Noted that the second task that is a priority is to adopt new laws and amendments in the sphere of education.

- Law on higher education; been working on this for 2 years and it is almost ready for approval of parliament—current draft law is the result of long deliberations with NGO groups and civil society experts on the issue
- Law on Education for all levels; Kasianov noted that it is in the initial stage and development will depend upon input from independent experts and NGOs and need to have support from the ministry and parliament committee. This will take more than a year. Potential to send representatives from Council of Europe to help design law so that it complies with EU regulations.
- Other needed laws

**GS:** Regarding education laws, it would be useful to send draft laws to EU institutions to get input and ensure that they are compatible to the EU before passing the laws in Ukraine.

**Kasianov:** Noted that they have been doing this and have been working on giving more autonomy to the educational institutions which is consistent with EU norms and laws.

**SK:** The third priority will involve tactical issues; there is a need to establish a system of independent assessment of knowledge and rules of licensing (including accreditation) in the education system. He noted that for these three priority areas they do not have funding needed to invest in reforms, but they can change the rules of the game so as to build support for a new system and new processes in order to have autonomy and accountability in the education sector going forward.

IS: Ukraine has centralized system of education; the task is to decentralize this system while maintaining accountability and control of education institutions. Until now, the sector has been controlled but not governed and the opposite is needed. Transparency is a critical issue, and they want to use the Ministry of Education as an example in Ukraine for how a transparent ministry can work. Some initiatives involved:

- Implementation of e-governance; current system is outdated and inefficient
- Changes in institutions—need to allow for a degree of self-governance in educational institutions

GS: There is corruption among teachers and students in schools, teachers receive low salaries and rely on bribes or facilitation payments from students—how to combat this?

Kasianov: We are currently working on combatting corruption. Have put in testing systems for admission from kindergarten through university level, which pushed corruption to the daily activities in the education system, like plagiarism. Currently carrying out a public awareness campaign against plagiarism in schools in order to stem this petty corruption.

GS: Noted that if we are sending advisers on e-governance to Ukraine we should make a point of having them contact the Ministry of Education to help with the e-governance efforts there.

YB: Noted there are two levels of e-governance, the first involves the electronic flow of information within the ministry and the second level involves the ministry's relations with the public. We are introducing e-governance on the second level, and the implementation of the first level will be up to the Ministry to accomplish.

GS: Suggested that the Ministry of Education identify issues that might require our help and use Kasianov as a conduit to convey the message to the broader OSF network.

LB: Can we undertake activities in the education sector that would bring together Russian and Ukrainian institutions to tackle substantial issues?

Kasianov: Noted that there are a lot of opportunities on the institutional level for research and other such joint activities and to work on projects focused on mutual understanding and reconciliation. They have actually enjoyed a lot of positive contact with Russian counterparts since 2008 and there are good prospects for continued joint efforts in the future.

GS: Noted that it would be worthwhile to ask the European Humanities University to pay a visit to the university in Kharkhiv quietly in order to try and have a positive effect on the intellectual life of Kharkhiv.

GS: Asked about the language law issue and whether it would be passed, noting that it has been a major irritant.

Kasianov: Noted that the law had been vetoed by Turchynov and would not be passed. In actuality, it is not a huge issue in Ukraine—it is the 29<sup>th</sup> most important issue showing up in sociological polls, but it is heavily instrumentalized during electoral campaigns.

Kasianov: Noted that we want to help the ministry with decentralization and there is currently a coalition of NGOs working on education reform. They are working on the grass roots level as well on issues like anti-corruption, policy expertise, and capacity building.

## **Meeting with Oleg Musiy (Minister of Health)**

**Participants:** Oleg Musiy (Minister of Health); Musiy's Deputy; Olena Kucheruk (Director of Public Health Program Initiative, IRF); Yevhen Bystrytsky (ED, IRF); Lenny Benardo (OSF); Sabine Freizer (OSF)

**Musiy:** Doctor by trade and his second specialty is public health management. He has been an activist working in civil society on the Maidan. He has three goals as Minister of Health:

- Short term goal: replace the management that was linked to corruption in the Ministry of Health; it is a well-known fact that the Ministry of Health has been one of the most corrupt ministries in Ukraine
- Replace old ministry officials with new professionals
  - Have already appointed 15 new advisers and 1 new deputy minister; expecting to appoint 3 other new deputies.
- Focus on the elimination of corruption schemes that had previously existed

**Musiy:** Noted that the biggest issues are:

- To tackle is public procurement, for which 2 billion khryvnas are allocated annually. This is essential because it is traditionally the area in the health system that has been most corrupt.
  - Government proposing new bill on public procurement which is in parliament
- Establishing various steps for permissions (doctor's licensing, nurses, pharmaceutical professionals) to make those professions accessible to all interested
- Developing a new system of health care
  - Have established a 3 year plan based on a clear vision for reform
  - In order to be successful, will need to secure political stability and the political will of the highest leaders in government
  - There will be a focus on changing the system of management in health care to break the monopolization of governance currently existing in the sector
    - To do this, will allow for medical professionals (doctors, nurses, pharmaceutical) to establish self-governing associations by passing laws that delegate the authority from government to those associations
  - Health professionals have historically taken bribes and facilitation payments from patients for services (due to low salaries), this situation creating the need to reform system of funding and introduce mandatory public insurance
    - Will also introduce contract relations between doctors and hospitals to combat this
    - They are hoping to partially privatize the health care system and attract foreign investment to create state of the art hospitals
  - Will need to change the education system for medical professionals in the university and post-grad levels

- While reforms are not typically popular, he believes he could make these reforms popular by getting professionals and civil society representatives involved in the process, launching an awareness campaign on the upcoming changes

Musiy noted that to achieve an impact in the immediate term, the Ministry has been reorganizing its procurement and distribution system for key medicines. They have already done this for high-blood pressure medications and beginning in January 2015 will do the same for medications for HIV/AIDS, diabetes, and tuberculosis.

- These efforts reduce the price of medications by 30-40% and bridges gap between low and high income patients to give all equal access to necessary medications
- They have allocated 200 million khryvna from the budget for this purpose; but in actuality only 150 million is available for this project due to budget constraints
- GS noted that OSF could send Marine to Ukraine to work on this issue and help with the procurement and import of generic drugs to optimize the budget; could do this in partnership with the Clinton Foundation, organizing a pilot project to advance the money to buy and import these drugs and get reimbursement from the Ministry of Health's budget.

Musiy noted that the Ministry of Health could benefit from external expertise and advice in lobbying the government and Ministry of Finance on the budget issues involved in the austerity measures resulting from the IMF package.

Kucheluk noted that austerity measures will result from the conditionality of the IMF package and that there will be two ways to meet these requirements:

- Address corruption in order to cut waste and save money in the budget
- Reduce unnecessary spending in the public health system through conducting an economic analysis to determine what is effective and what is not effective
- IRF is ready to support these initiatives

Kucheluk stressed the need to protect vulnerable populations during this process and expand access to health services to the most marginalized populations (drug users, palliative care).

Kucheluk noted the critical need to see political will within the Ministry of Health for supply of harm reduction services (OST) to Ukrainian people, and to find a way to get this support to people in Crimea subject to Russian law (808 OST patients that IRF was previously supporting).

Musiy noted that there is political will and his Ministry believes there are two ways to accomplish this:

- The government of Crimea can send an official request to the Ukrainian Ministry of Health to assist them and provide OST and methadone to them
- If patients in Crimea are located close to the border with Ukraine and have Ukrainian passports, they can set up OST centers where they can go and receive the assistance and treatments needed



GS noted that if the patients have to leave Crimea for treatment, perhaps we can provide temporary financial support for this effort for three months or so through an emergency grant while they work out international negotiations with Ukraine, Crimea, and Russia.

Musiy was receptive to that idea, and indicated that his ministry will do best to implement the plan and bring the discussion of harm reduction to the forefront.

Kucheruk noted that other categories of patients (those needing controlled substances for pain relief and mental health issues) will be facing similar problems because of the differences between Russian and Ukrainian law.

YB: Noted that the IRF has in its strategy the provision of public assessment of state budget spending in the health sector. The public should have some say and control at all levels over how the ministry spends its budget. The IRF could therefore help the ministry on these issues.

GS suggested bringing in Bob Conrad to Ukraine to provide advice on tax provisions because he has considerable experience working in Ukraine and will be working for OSF full-time over the next year as a Fellow.

## **Meeting with Minister of Justice Pavlo Petrenko**

**Participants:** Pavlo Petrenko (Minister of Justice); Lenny Benardo (OSF); Sabine Freizer (OSF); Yevhen Bystrytsky (ED, IRF); Oleksandr Sushko (Board Chair, IRF); Roman Romanov (Director of Justice Program, IRF)

Petrenko noted that the main priority of the Ministry of Justice now is to figure out how to expand the free legal aid system to cover civil in addition to criminal cases. The program has thus far been very successful, and more and more private lawyers began to join the program from November 2013 to help with cases during the Maidan.

**GS noted that Petrenko should request support for the free legal aid system from the EU. A key component would be to get the EU to recognize that if Ukraine is unable to pay the private lawyers involved in the system, there is the chance that the entire system could collapse due to a dearth of funding. He noted that we will work with our Brussels office (OSEPI) to coordinate advocacy efforts with the EU on this issue. He suggested that Petrenko compose a letter that he can deliver to Fule during his meeting with him on Friday regarding the further development and support of the free legal aid system in Ukraine.**

**Petrenko confirmed that he will compose a letter requesting support for 3 main aspects:**

- **Request funding to cover the overdue fees for private lawyers that have not yet been paid for 2014 (\$4 million)**
- **Request support for continuing the development of the free legal aid centers across the country (support for infrastructural and technological development of the centers)**
- **Request support for the expansion of the free legal aid system to cover civil cases in addition to criminal cases**

Petrenko noted that the second priority for his office is reforming the law on the Bar in Ukraine, developing a new version that would be acceptable to barristers. They are currently working with experts in Ukraine in cooperation with the barristers to draft the new law.

GS noted that it would be possible to send experts from OSJI to Ukraine to work with Petrenko's team in the process of drafting this law. Petrenko was very receptive to the idea. GS noted that people from OSJI should be sent to work with Roman and the Ministry of Justice to work on the structure of the Bar and the role of the procuracy.

Petrenko noted that the next priority is the "lustration" of the judiciary and the re-screening of judges because of the current extreme lack of confidence in that institution. They have submitted a draft law to parliament for a first reading. They have received comments from international experts and the Venice Commission during the process and will wait for the official comments from the Venice Commission before finalizing the draft law. The law will reform the way judges can be appointed and dismissed and implement a qualification process.

GS noted that sequencing will be very important in this reform and that the main issue to be addressed is ensuring that the judges are properly paid and trained in order to maintain any new standards. He noted that having the support of the EU will be crucial for success because it would enable the proper payment of judges. He outlined a few necessary steps:

- Need to get rid of unqualified judges and replenish them to rebuild the system and only then can you change the system of selection and add a degree of self-governance
- Need to create a critical mass of honest judges
- Almost all efforts at judicial reform fail because the system cannot reform itself
- If you can change the membership of the judiciary then you can make self-governance while retaining the new standards

Petrenko noted his concern that it would be not possible right now for the MofJ to dismiss a majority of the judges and do a one time re-qualification process, because he has not received any support for this effort from domestic or international sources.

- On the contrary, the Venice Commission and other institutions have thus far heavily criticized that proposal. Another potential problem is that the judges who are dismissed might be able to go to the ECHR and then Ukraine might face the result of having to reinstate those judges who are successful in their complaints (this happened in Serbia).
- They have the potential to win their complaints because the current constitutional provisions for dismissing judges require very clear proof of violations by the judge to dismiss and while they do have evidence of corruption it is not enough to meet the burden of proof in most cases.

GS reiterated that there is a need to replace a majority of the judges with a new cadre of professionals. It will be imperative to convince the EU to allocate a significant portion of their assistance program to the renewal of the judiciary system because it is the one task that has historically proven to be the hardest to accomplish. To do this one would have to:

- Assure EU support for the process
- Have the EU assistance package cover the difference in the current salary for judges and a decent salary for judges to progressively be returned to the responsibility of Ukraine's state budget eventually

GS stated that we will help to mobilize support behind this effort to encourage its success. He stated that OSF/IRF should make this the top priority in our own work as well because it is the most important thing to accomplish in order to ensure real regime change happens, and the window for acting on this is now.

Petrenko noted that he and his team support the idea of replacing as many judges as possible and the original draft law proposal they can up with established the reevaluation program to assess the quality of judges.

GS noted that originally he was despairing about the prospects of judicial reform, but since speaking to Petrenko he believes that it is possible and that there could be success.

## **Meeting with Andriy Deschytsia (Minister of Foreign Affairs)**

Participants: Andriy Deschytsia (Minister of Foreign Affairs), Danylo Lubkivsky (Deputy Foreign Minister), Lenny Benardo (OSF), Sabine Freizer (OSF), Yevhen Bystrytsky (Executive Director, IRF), Oleksandr Sushko (Board Chair, IRF), Ivan Krastev (Chairman, Centre for Liberal Strategies); Erik Berglof (Chief Economist, EBRD); Alex Pivovarsky (Senior Economist, EBRD)

FM Deschytsia noted that they are currently working on coordinating foreign contacts and reorganizing the processes within the Foreign Ministry to be more effective. He noted that there is a need to address the point that GS brought up—that there is no ministerial position for European Affairs. The government is currently concerning itself with reforming and reorganizing the ministries that do already exist first

FM Deschytsia noted the need to reform the whole government, and especially the diplomatic service. He noted the need to form a coordination body within the FM and that this will definitely be part of future plans once they get their house in order and get through the emergent situation.

Sushko noted the need for the government to prepare itself and set up the necessary prerequisites to be able to successfully implement all aspects of the Association Agreement. He asked if the government has an elaborate vision for the implementation of reforms and whether there would be political will to involve civil society in this process? He asked if the duty of building this plan of implementation of AA requirements would be the responsibility of the foreign ministry, or if it would be the responsibility of another body.

Deschytsia noted that he believes that a separate body should be set up to handle this implementation process. He noted that the FM could accomplish this, but in order to maximize implementation prospects it would be better to create a body outside of the foreign ministry.

Erik Berglof noted that regarding the IMF deal, the IMF will have a short term impact but in the long term it will be the EU acting as the main impetus for reform implementation. This implementation needs to be coordinated but involvement of ministries needs to happen early in order to monitor the process. Ivan Krastev added that this will help with the administrative reform and create job opportunities for educated Ukrainians.

Deschytsia noted that young educated people are unwilling to work in public service or in the Ministry of Foreign Affairs because of the low salaries. At the same time, this presents a dilemma because the ministry is in desperate need of an influx of new talent in order to push out soviet holdovers and a contingent of overly traditional diplomats who are not effective in the current environment.

Yevhen Bystrytsky asked Minister Deschytsia about his ministry's interest in potentially collaborating with the IRF and receive advice and expert technical assistance from the SAGER.

Deschytsia noted that he is for decentralization and other broad reforms of the civil service and economy.

Lubkivsky responded that he sees the need to work on three issue areas at the current juncture: European integration, implementing a reconciliation process, and the need to deal with the issues with Russia and potential for further aggression. Two of these are internal issues, and one is external. All of them require good advice from internal and external experts in his opinion.

Lubkivsky noted that there is a problem with reconciliation because there has been no dialogue between Ukrainians for years now and we will witness a post-traumatic development in Ukraine post-Crimea occupation.

GS agreed that a big challenge for Ukraine will be the transitional justice or reconciliation issue. It is difficult because there is no model that you can import directly into Ukraine to solve the issue—there will be the need to find a solution that is distinctly applicable to the Ukrainian context.

GS noted that the issue with Russia is transitory and it is a problem that will solve itself because already Ukrainian citizens in the East are demonstrating that they are not inclined to join the Russian Federation. He noted that a role for the FM in this situation would be to lead diplomatic negotiations and the diplomatic standoff that is resulting from the Russian violation of the 1994 Budapest Memorandum.

Deschytsia noted that he had a meeting with Lavrov at the Hague a week ago and they agreed to continue discussions at the deputy level, with the next meeting scheduled for 4<sup>th</sup> April. However, they received a call today from the Russian Foreign Ministry cancelling that meeting and inviting them instead to a meeting of CIS countries in Moscow.

Deschytsia and his Deputy discussed their opposition to the federalization plan proposed by the Russians. They noted that they would be willing to accept any help from IRF or other donors regarding technical assistance for strategic communications, including translating more releases into English and other languages and helping to make more regular contacts with the foreign press. In general, they need more experts to be involved in this process and they need their embassies and diplomatic missions abroad to be more proactive because they are not right now.

Krastev noted that the challenge for Ukraine will not be to isolate Russia but will be to garner support for Ukraine in the EU. He doesn't think that the ministry could accomplish this by itself, but they could receive assistance from the IRF. Deschytsia noted that he is open to that idea.

GS noted that while the EU can save Ukraine, Ukraine can also save the EU.

Lubkivsky noted that he has been calling prominent members of the Russian intelligentsia to get support for the new Ukraine and the success of the new government. Krastev noted that he will be bringing 15 prominent international representatives of the intelligentsia community to Ukraine ahead of the elections in a show of solidarity.

Lenny Benardo noted the need to have authentic globalized Ukrainians represented better in the international media, and especially on TV talking about Ukraine.

## Meeting with President Turchynov

**Participants:** Oleksandr Turchynov (Acting President and Speaker of the Parliament of Ukraine); Lenny Benardo (OSF); Oleksandr Sushkov (Board Chair, IRF); Yevhen Bystrytsky (Executive Director, IRF); Sabine Freizer (OSF).

Turchynov discussed the current problems facing the government of Ukraine including reforming the corrupt system of power and averting the impending economic crisis.

- He noted that they have introduced anti-corruption measures and that the parliament has adopted tough laws.
- He noted the need to reduce social problems, which will involve a cut in the number of public servants.
- He noted that the occupation of Crimea and Russian aggression is still viewed as a serious problem and unfortunately they are unable to settle this issue via negotiations.
- He asserted that the Russian military is assembling on the borders in the East and South and are ready for incursion.
  - In response, Ukraine is resuming the combat readiness of its armed forces and are mobilizing citizens to defend against aggression.
- He is hoping to receive military and technical support from international forces because Ukraine is in a confrontation with Russia and in starting this conflict, Russia has challenged not only Ukrainian territorial integrity but also the general world order.

GS noted the need to ensure that free and fair elections take place in May and that the results of these elections are recognized as legitimate by all external observers, and especially Russia. He noted that there is a possibility that Russian “tourists” could disrupt the elections which poses a threat.

Turchynov noted that they want the elections to be exemplary and meet international standards for transparency etc.

- He noted that he views that there is no imminent threat from Russia to disrupt the elections, unless they invade Eastern/Southern Ukraine, which would force Ukraine to respond by deploying its own troops in defense and subsequently declaring martial law, under which elections cannot take place.
- Turchynov noted that Ukraine is taking actions to reduce the threat from Russian spetsnaz infiltration by physically and virtually strengthening the national border with Russia, controlling movement across the border from Russia and planning for the implementation of a strict visa regime with Russia.

Yevhen Bystrytsky noted that GS met with other ministers this morning and put forth the plan to provide assistance on economic reforms, bringing in and coordinating a group of domestic and international experts.

- He asked if the Parliamentary Security Council (of which Turchynov is head) would be interested in cooperating with such an advisory group.
- Turchynov answered that they would be glad to work with such a group, but they would not be able to access classified information or work on security issues.

GS asked that Turchynov present any requests that his government might have and that the IRF and GS's network of foundations if possible would try to do its best to provide assistance. He also asked Turchynov what his government has been doing to ensure that the elections are free and fair.

Turchynov noted that they will be:

- prohibiting the use of administrative resources for campaigning purposes,
- decided that neither Turchynov nor Yatseniuk would run in the election,
- have invited a lot of monitors and observers from the OSCE and the Council of Europe,
- have decided not to put any controls over mass media during the campaign.
- Additionally, they are doing everything possible to stabilize and normalize the country, which is a prerequisite for successful elections.

Regarding constitutional reform, Yevhen noted that the IRF is concerned about the constitutional committee set up in government because it has been very closed. He asked if it would be possible to engage independent experts in the constitutional reform process.

Turchynov noted that for the past few months, constitutional reform has been on the backburner and going forward the nature of the constitutional committee will change so as to include independent experts.



## **Meeting with EU Ambassadors, IMF, and UNDP**

Participants: Lenny Benardo (OSF); Ivan Krastev (Chairman, Centre for Liberal Studies); Sabine Freizer (OSF); Yevhen Bystrytsky (ED, IRF); Oleksandr Sushko (Board Chair, IRF); Alessandra Tisot (UNDP); Jerome Vacher (IMF); H.E. Jan Tombinsky (Head of EU Delegation to Ukraine); H.E. Henrik Litvin (Ambassador- Poland); H.E. Andreas von Beckerath (Ambassador of Sweden)

YB: Introduced our plans and outlined the three pillars

SF: Noted that IRF is the biggest OSF foundation in the region and our value adds are local presence and contacts with civil society and local experts across Ukraine. She also noted our ability to respond quickly and that we are able to come in quickly and start projects with the intent of handing them over to the larger donors for continuation. We need to think about how this hand over would be possible and what the exit strategy for OSF would be from the outset. She elaborated that we will be working with Sasha Pivovarsky and Erik Berglof on the SAGER and that we are currently working on designing this group and at which level it should be placed.

OS: We have three areas in which we aim to contribute:

- Constitutional Reforms: there is a demand from civil society and from the government to help move this process forward and we are currently witnessing the unfortunate trend of non-inclusion of independent experts and civil society in the work of the government's constitutional assembly body
  - There is a need to base any reforms on the work of independent experts together with the government MPs to make the transition process inclusive, maintain civil dialogue, and create this new social contract between state and society
- Economic Reforms: they will only be successful if they are based on a foundation of administrative reforms of the public service and ministry structures in government. We need to help the government to not avoid carrying out these reforms, and local governance will undoubtedly be a part of this.
- Creation of a coordination body or committee to work on the best use of international assistance. There is a need to set up strategic communication channels and use the experiences of other countries and context to work with agencies of responsible international assistance

YB: Noted that a key point is how to coordinate our assistance packages and the intentions to assist the Ukrainian government. Many international organizations and donors have intentions to provide assistance, but it will be important to coordinate and communicate in order to not duplicate work and prevent wasteful overlap.

- Asked if we should set up regular donors coordination meetings or establish a specific institution for this purpose; he pointed out the example of the Millennium Development Corporation

GS: Noted that we are specifically working on assistance packages that are demand driven and we are elastic in this planning process. We are developing an economic and political strategy that is responsive to the demands of civil society and various government entities.

- E-governance initiative with the Ministry of Education and the Ministry of Justice
- Once the general structure of our proposed activities are clear, we will present the first fruits of our efforts

YB: It is not productive to give just high level advocacy support. We need to change and create the new Ukraine by involving new people and using their view in how to transform Ukraine. Therefore, we will rely on two groups of experts in our work, one coming from within Ukraine, and a supporting group of international experts because the local experts understand the nuances of the situation and the international experts can speak to the big picture and global experiences.

H.E. Jan Tombinsky: It has been 40 days since the collapse of the Yanukovich regime. This is enough time to see what is emerging, and the issues you address are very much on our mind.

- The fantastic potential of the people has almost been stolen by the political games going on in the country; there is a need for systemic change, not just change of people.
- The people in the presidential campaign are part of the problem, not part of the solution
- Focus on a set of macro structures to ensure the same mistakes of the past are not made again
- He noted that he is less optimistic now than he was a few weeks ago because he finds the need to shame people to get the message across
- Agrees that assistance should be demand driven and thinks we need to create a single entry point on the level of the PM of the government to coordinate all the assistance coming in because if we can define the concrete needs, we can respond more quickly and effectively
- Need to address transparency issues and anti-corruption—this is obvious
- There is a distinct need for administrative reform; there should be a professional administration, not a personality driven administration with whole teams moving with ministers from one ministry to another
- Need to empower local self government and local institutions involving a decentralization of administration in terms of responsibility and management
- Since the judiciary is what initially triggered the protesting, there is a need to renew trust in this institution and create a framework for public freedoms.
- There are 9 macro structures that need to be immediately addressed
- Need for constitutional reform
- Need to incorporate the long term strategy vision in with the short term plans in order to ensure that there is no contradiction; currently Ukraine is seriously lacking long term vision
- Noted that they have prepared a paper for the government on the platform for international assistance and will be presenting that to the PM
- Need to set up a body that will address the issue of EU integration and the implementation of EU policy and this body should be placed very near the PM in government

YB: Maidan established and helped people to understand the long-term perspective for reform. He noted that we need to harness the energy of civil society groups to lobby concrete changes in law and administration because the current government is lacking the capacity to do so. There is a need to combine the energy of civil society with government and high level experts

OS: Noted that the current government should go back to the idea of creating a special minister for EU Affairs and Integration, and that this should not be part of the MFA. There is hope for this because in our meeting with the Foreign Minister, he noted that this should not be the responsibility of the MFA because they are lacking the capacity to do so effectively.

GS: Noted that the IRF is in a unique position because it has very strong roots in civil society but also has many good contacts and relationships with the transitional government. He noted that he has been impressed with the maturity of the IRF and of civil society as a whole. GS then presented the SAGER idea and the view that this could solve the long versus short term vision dilemma. There is a good chance of providing a workable solution because of the reputation that the IRF has both within and outside the government.

- He noted that we are up against serious external and internal challenges; noting that Putin cannot afford the new Ukraine and his point about the original sin within Ukraine.

H.E. Andreas von Beckerath: All reforms have to be Ukraine-driven. He has found that there is an overt belief that foreigners will come in and fix all of the problems, leading to the need to state very clearly and consistently that Ukraine needs to take the driver's seat in all of these reform and statebuilding efforts.

- He is doubtful about ideas involving international advisory groups because it reinforces that impression; need to include Ukrainian experts when creating initiatives, being mindful to include representatives from the East and South regions of the country
- Lack of absorption capacity within the government—the ministries need more time to work before accepting all of the reform and assistance ideas from donors
- Reiterated the need to convince Ukraine to create a single entry point with the platform for donor assistance.
- Need to cooperate with regional ministries and government bodies because they could potentially have a more immediate impact
- Noted that civil society is important and they are the group that gives him hope in the current situation; there is a need to use Maidan to push modernization and optimize its capacity as a watchdog and driver of reforms

YB: Without the energy and activism of civil society forces, it is impossible to make change in the country. He also noted that there is currently a gap between the Maidan dreams/civil society expectations and the government reality.

IK: Noted the need to quickly decentralize in order to make it easier for the government in the long term because quick decentralization would thwart minority and other issues that Russia might be able to utilize to disrupt the elections and encourage instability.

LB: Offered a note of realism. He pointed out that there is a decent chance that things won't work out the way that we and civil society want them to and there is a need to brainstorm about how we can keep faith with civil society organizations which have matured profoundly and would be able to rebound and deal with distressing political situation.

AS: Thinks that helping to articulate what the Maidan means will help to understand and influence the immediate and intermediate future. She noted that the UN has deployed human rights monitors, and their findings thus far show that most violations are over structural issues. There is a need to create a contemporary narrative to compete with the external narrative and to anchor the truth in Ukraine to the present.

- She noted the need to think about how to contend with large business because they might play a potential factor in future development. There is a need to create space for small and medium enterprises to come in

OS: Large business is not homogenous, there are different groups within that sector with different interests; some interested in modernization, some running for office, and some are connected to the corruption of the past. Big business is therefore not one single actor but is getting more diverse in terms of long term strategies. This sector is also the core element of the Ukrainian economy; hopefully we can create the conditions that change this in the near future. He noted that we have explained to Poroshenko the need to make the decision between politics and business, and that it is not good for Ukraine for him to have both (conflict of interest).

JV: Agrees that judicial reform is the top priority and that salaries do play a role in encouraging the huge corruption in that sector. There is a need for comprehensive and radical reform. But there are a multitude of opportunities in Ukraine for reform because it is so dysfunctional in economic and political institutional terms.

- He noted the importance for society to see comprehensive reform being implemented in the judiciary and that we can't just raise salaries for judges because it would come across very badly
- Noted the need for intensive training of the judiciary
- Need to ensure that there is a role for youth in the new system and that we capitalize on the major potential he sees in the younger generation and this is where IRF could be very helpful
- We need to foster a critical mass of young people who can be active in politics
- Need for a second transformation from mentality of schemes and corruption
- He noted that people on the Maidan, and especially young people, understood the long term direction the country was taking

GS: Regarding judicial reform, there needs to be a change in signals coming from the EU. Currently, the ministry of justice is not feeling encouraged to enact radical and comprehensive reform in the judicial system because of the signals it is receiving from the EU and other international institutions.

HL: He noted that there is not a lack of ideas and coordination, but instead the problem is implementation and the lack of political will for reforms. It is now important to support the good will and determination of Groysman and Semerak and we should be careful not to waste this moment

IK: Asked the group if they believe that the elections will occur on May 25 and whether they will be recognized by the losing candidates in Ukraine

JT: Noted that the EU is about to complete a 350 million euro statebuilding contract which could be used to finance civil service salaries based on need. Civil society groups will be a watchdog over the use of these funds.

- Noted the need to create a platform for internal Ukrainian dialogue between regions
- EU is currently using videoconferencing and regional EU information centers to catalyze this intercommunication
- Need for a public awareness campaign in the East and South that changes the perspectives of the citizens there and explains the benefits of EU integration
- In response to Ivan's constitutional reform question, he noted that there is a need to engage with civil society to create the needed critical mass and identify the particular problems in order to develop solutions
- In response to Ivan's question on elections, he noted that Russia will do all it can to try to undermine the presidential elections and he has stressed that within Ukraine they will have to institute a code of conduct for the electoral campaign to prevent any incidents from happening that could be exploited by the Russian propaganda machine.

AvB: We learned from the Orange Revolution that we cannot support individual people and personalities, but instead we need to support institutional ideas and principles. There is a need to promote systematic change of the country by pushing for ideas and not people, especially in the presidential election campaign.

## Civil Society Roundtable Meeting

Participants: Lenny Benardo (OSF); Sabine Freizer (OSF); Ivan Krastev (Chairman, Centre for Liberal Studies); Yevhen Bystrytsky (Executive Director, IRF); Inna Pidluska (Deputy Director, IRF); Oleksandr Sushko (Board Chair, IRF); Leonid Finberg (Director of Judaica Center); Hennadiy Druzenko; Vladimir Horbach (Institute of Euro-Atlantic Studies); Vasil Filipchuk (Director of International Center for Policy Studies); Svitlana Zalishuk (Coordinator and Leader of the CHESNO Civil Movement); Yulia Tyshchenko (Chair of the Board, Ukrainian Center for Independent Political Research); Viktor Taran (head, Center for Political Studies and Analysis); Oleksandr Solontay (expert, Institute for Political Education); Natalia Sokolenko (activist, *Stop the Censorship* Movement); Vitaly Shabunin (Chairman of the Board, Anti-Corruption Action Center); Natalia Lihachova (Editor-in-Chief, Telkritika); Serhiy Leshchenko (journalist, 'Ukrainska Pravda'); Maksym Latsyba (Chairman of Civil Society Programs, Ukrainian Center for Independent Political Research); Dmytro Kotlyar (Chairman of the IRF's Democratic Practice sub-Board); Ihor Koliushko (Chairman, Center for Political and Legal Reform); Ihor Kohut (Chairman, Agency for Legislative Initiatives); Andriy Kohut (member of the National Platform of the Civil Society Forum of Eastern Partnership; activist of the EuroMaidan Public Sector); Oleksii Khmara (Oleksii Khmara (Chairman, Transparency International, Ukraine); Daria Kaleniuk (Executive Director, Anti-Corruption Action Center); Hanna Hopko (member of steering committee, 'Okhmadyt' National Children's Hospital); Hennadiy Druzenko (activist of the Maidan Medical Service); Iryna Bekeshkina (Director, Ilko Kucheriv Democratic Initiatives Foundation)

- YB introduced the meeting and the topics for discussion, he noted that GS has met with ministers and leading politicians over the past 3 days and has had many impressions. He asked the Civil Society representatives to bring up what they find important and what they feel are the issues needing to be addressed.
  - What are the tasks in moving from old Ukraine through Maidan to new Ukraine and how can we harness spirit of Maidan?
  - What should we do with this moment? How will Maidan continue developing?
  - What are the expectations?
  - How can lustration be carried out if it has to be without violating human rights in a broad sense?
  - How to help those still living in Crimea?
  - What is the prospect for relations with Russia and how can Ukraine look at itself after seeing part of its territory cut off by Russia?
  - How the CS can intensify work on level of Brussels in terms of informing through media about situation in Ukraine—informing 3 audiences
  - How can we use this moment? How can we support civic activities and civic movements in order to bring new life to new Ukraine—these issues that have been identified
- GS noted that he has been following the situation closely and has learned a lot in the last few days, what can we do to help in this very unique moment which is very promising but also very dangerous? How can we continue to give it momentum and maintain the momentum that you have gained since 21 February in Maidan?

- Maksim Latsipa noted there is a need to carry out reforms with cooperation between the government and civil society. More importantly we need to invest into civic initiatives as demonstrated by the experiences of the past month when civil society groups have pushed through and spearheaded the adoption of the laws on access to information, law on lustration of the judiciary, law on public procurement. He also would propose that international donors adopt the line of “money in exchange for reforms” and require the new government to deliver on reforms in order to receive foreign monetary assistance. Finally, he advocated for the need to include civil society groups in all dialogues between international organizations and the government in order to ensure civil control over the process and proper results.
  - He noted that there is a need for broad support of the reanimation package (which involves 50 NGOs) and assistance from international experts as to how laws can be drafted better.
  - The most important achievement of Maidan was empowering people’s belief in themselves and in their country and there is a need to continue to invest in grassroots level initiatives
- Iryna noted that there is a danger of a split in Ukraine coming not from Russia but from internal problems and so there is a need to unite east and west through the launch of joint projects involving NGOs from both sides of the fence.
- Oleksandr noted that we need to think about building institutions because they are not strong enough to protect us in the case of incursion. He noted that as active citizens we should concentrate on two things simultaneously:
  - Reforms
  - Keeping country united because at any moment military intervention could start against us
- Ihor Kol- Centr P and L reforms- noted that the Maidan ushered in a new era and succeeded because there were no elites left that Russia could bribe and Ukrainians received their freedom. He noted the need to work on statebuilding initiatives
  - The key task is to assist communities in self-organizing in order to achieve deep decentralization. IRF should play major role in this and in equipping local cities with the technology needed.
  - Institutional reforms of the state are important because without administrative constitutional, judicial, and anti-corruption reforms, not a single economic reform will take place
- Daria K noted that what is happening in Crimea is not just a challenge for Ukraine, but a global challenge to rethink the rules of the game. At the Maidan people were protesting against large scale corruption and a political system that operates on the basis of corruption in order to protect itself and remain in power. She noted the need to advocate for targeted sanctions imposed by the West against Putin’s inner circle and the need to recapture the criminally acquired assets that corrupt Ukrainian officials have hidden abroad.
  - In order to do this, Ukraine needs help from expert lawyers in US and EU to ensure the repatriation of these assets and that they are not given back to the corrupt officials
- GS noted that he touches on this in his article which is to be published in NY review of books, and suggested that IRF translate it into Ukrainian and distribute it to people at the table in the next day or so.
  - Specifically he noted that he has some allies who have been working on this issue in Africa and regarding Firtazh. It is an extremely long process and legally complex.
  - Global Witness is working on this and is very much engaged, publishing a lot of information on the issue.

- Natalia Ligachova from Telekritika noted the need to learn from the Ukrainian loss of the information war surrounding the Crimea issue and reorient the tactics of the media sector in Ukraine.
  - Now it is very important to support local media in the East/South and in Crimea and we shouldn't forget to support journalists that remain in those areas. We should keep supporting our media organizations in Crimea because they will fill the info vacuum that is typical of Crimea now
  - Need to support local media in Ukraine in east/south/Crimea and support their contacts to central media in Ukraine
  - We need to understand that we won't win against the Russian information war if TV channels don't provide high quality content
  - The third issue to be addressed is the low professional culture of journalists, and the need to build professional capacity of journalists.
  - Telekritika started initiatives of lustration in media based on the information collected when IRF supported monitoring of daily news
  - There is a need to adopt laws on transparency of ownership
- GS noted that we could temporarily reopen the activities of the IRF's media program (which had been shut down) to address these issues and support local language newspapers. He also suggested that Telekritika get in touch with the US Ambassador and USAID in order to potentially receive more funding from Internews to address the issues in Crimea.
- Oleksiy Khmara-noted the need to help those who want to be resettled coming from Crimea and help administratively with registration so that they can become full-fledged citizens
  - IRF knows all the civic activists and needs to continue supporting local civic initiatives in order not to lose that link.
- YB-well lets start with the last thing you said- have now reduced support to grass roots initiatives and are focusing on reforms; there are 3 pillars or areas for our reformist work
  - 1<sup>st</sup>- reanimation package of reforms (anti-corruption)—visited Cabinet of Ministers and discussed with them all who confirmed interest and that they would sup establishment of coordination bureau
  - 2<sup>nd</sup>- e-governance- Groysman will take lead from Cabinet of Ministers
- met Klitschko who basically agrees that this can be done in Kiev in addition to Vinnitsia
  - Main area- SAGER which will consist of support for group of local experts esp. in area of economy with engagement of high ranking international experts- discussed with Yats and Sheremeta- agree something we should do- discussed with Turchynov on Sec Council- all agree need this support
- Sushko noted that Crimea is clearly area requiring some response, but should not be restricted to just providing support to those who want to be resettled.
  - We have to help those who want to stay, to stay and live in dignity which will be difficult and we have already encountered a roadblock with OST in PH program- practically banned (800 ppl affected) b/c of Russian law
  - We would rather have people there as fifth column- pivotal thing for future of Ukrainian society- continue to work with Crimean people
- Svitlana noted that we look at objects too closely and don't see the larger picture of problems. In her view there are 3 things that are absolutely crucial
  - 1- dialogue between east and west because Ukraine has been a "football field" of divisive political games since 2004. It is crucial to change the game and engage the other side in dialogue.



- 2- trust- it is very important to institutionalize trust in society, because it is completely lacking and without it, it is impossible to realize reforms.
- 3- build responsibility of citizens- Euromaidan won and this was done by people not opposition leaders. The culture of citizen responsibility is very new and we need to make people feel that they are responsible for the political system rather than the other way around. Need to engage citizens on every level, and especially the local level, on small reforms and changes in order to really make Ukraine a democratic country.
- Igor Kohut
  - Noted that IRF has always been working on quality of human capital, working on the level of education, civil society activism, government support, and building an open society. Maidan should be transformed into a watchful society that monitors the reform process and shows intolerance to corruption.
  - Development of culture of participation- participatory reforms are needed to include citizens in the decision-making process. Need to engage civil society at all stages of reform development. Need to have CS engagement in constitutional reform process.
  - Ukraine is bankrupt of trust and inter-citizen relations are bankrupt of trust> There is a need to make government think about linking regions between each other and Kiev
  - Decentralization- focus on cities and towns as centers for intellectual and economic activities—focus on universities cities and towns as intellectual capital
- Hennadiy Druzenko-Ukrainian reserve army rep
  - There is no choice but to act directly and defend territory by ourselves- and Ukrainian citizens are ready to sacrifice everything to defend their nation. Those people who are ready to act should be supported more than those who are just talking about it—people who advise should be secondary to those ready to act
  - Doesn't think state could be dramatically reformed- how to reanimate the corpse? Reality is that reforms haven't worked and corruption has only gotten worse the more people have talked about reforms, historically.
  - Maidan brought not only belief in own potential but demonstrated the inevitability of a future disappointment in Europe
  - We should support Georgian model of reforms instead of European model in order to promote small government and active citizens.
- GS- Participatory democracy has not been successful yet in reality, we only have examples of representative democracy and even then it has failed or is failing in some places. That is not saying that it couldn't work though.
  - Revolutions generally speaking don't succeed because they are not able to develop the institutions that would preserve the ideas that and the political will that embodied the revolution—as institutions develop, political will falls away- becomes adversarial rather than cooperative
  - Thinks that fact that Maidan succeeded is certainly unique for Ukraine and it is the birth of a nation—idea of institutionalizing it is an idea that the IRF is going to follow up with- it will try to institutionalize it internally and support it from the outside (gather support)
  - IRF is setting up an expert committee and the main client of that committee is the spirit of Maidan and civil society.
  - You have said that a radical reform is not possible- and I agree with that- because of “original sin”—the regime that prevails is the bastard child of the old regime and it is a rotting element. Everyone who has been involved in government in last 10 years is infected by the original sin and cannot afford to make the transition from the old regime to the new regime because they would lose or surrender their wealth or end up in jail.

- The problem that Ukraine faces is the same problem that Russia faces- oligarchs of Russia would like to move from rubber capitalism to legit capitalism, but they can't do it because they are infected by this original sin.
  - Difficulty in making transition from old to new Ukraine is the original sin, but one area where it would be possible to have radical reform is in judiciary. He outlined his reform suggestion for the judiciary.
  - Need to sell this idea to Europe- convince them to accept it, and that is your job.
  - Kotlyar noted that the plan presented about cleansing judiciary is good but we are overexaggerating problem of Volkhov judgment. It is possible to comply with it, it would just need specific procedures so that those being dismissed could have right to appeal and discuss the situation. We will need to make decisions in clear, consistent, and transparent way in the process of a quick cleanse of judiciary
  - He also noted the importance of access to information and the steps that the CS groups have taken already to ensure this.
- Andriy Kohut- activist of Maidan civic sector and member board of EaP platform
  - First need: training and education- now we have high outburst of civic activity and the experience they have had thus far quite unilateral—only option to protest (with rocks in hand). This is challenge we have to respond to in order to show them other instruments and possibilities for engagement and how to peacefully change country without violence. We need communication channels.
  - Second need: openness of documents that contain info on HR violations- papers found at Yanukovich's house and soviet documents taken from KGB archives
    - it would be very important to open these up now because we have to say clearly that anyone who commits any crime would know that the information would be disclosed broadly
    - very important to complete stage of combatting soviet heritage- dichotomy between Ukrainian approach and soviet approach
- Myhailo S—noted that IRF should have separate program for Crimea because of the need to support those people, and even those taking Russian passports. This is necessary because people will probably have to take Russian citizenship or be kicked out of Crimea and so in order to reduce the danger of breakdown or split in Ukraine, we need to support programs for not only CSOs but also grassroots projects jointly with different regions of Ukraine
  - The de facto war b/c of annex of Crimea and threat of invasion could cause destabilization and chaos and would play into Russian narrative. Need to find the right balance of how to behave in this situation b/c don't want to destroy new government and lose independence but have to influence government

## **IRF Board Dinner Meeting with GS**

Oleksandr Sushko opened the meeting by introducing the board and noting that the IRF chooses its board members from a wide variety of different professional backgrounds in order to best inform and provide strategic vision for the IRF.

Sushko introduced the board members (see attached bios).

George then asked Sushko to brief the board members on the issues discussed during the lunch meeting with IRF program staff earlier in the day. Sushko noted that he had already conveyed the main messages to the board, including the idea that Ukraine is now the main priority for the OSF network. (please see IRF Lunch meeting notes for recap).

George Soros then asked if there are any issues or questions that the board members would like to raise.

Sushko requested that Victoria Siumar go first, as she had to leave early to attend to duties in her post. She began by thanking Soros for all that he has done for Ukraine because without those efforts the revolution might not have succeeded. She noted that partners of the IRF were the main driving force and the foundation of the Maidan movement. Victoria stated that the current period is critical because the government needs to survive through May and June in order to prevent a collapse in the East. She noted that there have been many attempts to jeopardize or destabilize the majority in Parliament (orchestrated by Russia) and that there might be another storming of the Parliament tomorrow. There is a distinct need to demonstrate the government as legitimate. She noted that there have been numerous threats to all the borders of Ukraine and that there is a fear of armed attack. Now that Ukraine has deployed forces to the borders to block any attack, these fears have been somewhat soothed, though the threat is still very real. Now spetsnaz forces have moved to the center of Ukraine, to Kiev, to attempt to destabilize the government. She noted that the Maidan has been the center of good influence on the new government to reform and that the special destabilizing forces have been targeting that in order to promote Putin's narrative of Ukraine as a failed or failing state. Clearly there are many threats to the new government.

Victoria noted the need to secure the IMF deal because for the past month they have been using the newly minted money and if this continues there will be economic crisis ahead that would have major impacts on businesses and a major social impact in the East. The Maidan is currently calling for transparency and accountability in the government and budget process, and if that is achieved the Maidan will disperse. This will not be good because if the Maidan disperses, that watchdog influence will disappear. This then, creates the need to build and develop a new political cadre on the basis of the Maidan ideas. Additionally, she believes that we shouldn't impose any reforms on the government, but instead should cooperate with the government to design and implement reforms.

She noted that strategic communications with the West should be a priority because while the truth of the Ukrainian events is apparent to those inside Ukraine, the Russian media has been replacing these truths with myths and disinformation campaigns. She argues that one of these myths is the proposed

federalism plan. Instead of being a plan that would move Ukraine forward, the federalism plan advocated by Russia will really be a road to destabilization of Ukraine and the Russians know that. Under this plan, the local elites will have more instruments and more ability to destabilize the central government.

Siumar noted that this is a chance to change old ways and get away from old approaches to government and economy, creating a real economic model and a political system that is not just a means for elites to earn/steal money. It is imperative to coordinate reforms with society and NGOs and we should work with them to identify the needs, processes, and necessary evaluations of reforms.

George Soros then noted that what the IRF has achieved most recently is unique, and that his merit is the IRF's merit. He noted that he has been in touch with Sushko throughout this developing situation and he has his own ideas of the dangers facing Ukraine based on the information he received. He then asked Kim to bring down the correspondences he received to disseminate to the board. He noted that Ukraine is in grave danger because Putin knows he cannot allow the new Ukraine to succeed. He reiterated his points about the conversations Putin has had with Merkel and Obama about federalism and his concerns surrounding that development. He noted that he hasn't had direct feedback yet regarding this issue and is basing his worries on second hand information about the reactions of Merkel and Obama. But he reiterated the need for the Ukrainian government to respond loudly and immediately.

Soros then mentioned his idea of what the strongest sanctions the US could apply on Russia would be. He noted that the US and Europe should engage in a "division of labor" whereas the US imposes hard sanctions on Russia to deter further aggression and the EU devotes itself to helping Ukraine without using sanctions on Russia. The US sanctions should involve the freezing of the dollar denominated assets of Russian banks and the strategic release of reserves to depress the price of oil for the next 90 days or until the Russian government recognizes the elections in Ukraine and accepts the results. This will be the strongest deterrent in GS's opinion because the ECB would not freeze assets so there would not be a complete collapse of the Russian markets but there will still be tremendous pressure exerted.

Siumar noted that the Ukrainian government is not completely severing diplomatic ties with Russia but they still have a clear understanding that Russia has to recognize the presidential elections and results. There have been proposals from Russia to discuss everything except the Crimea, which is unacceptable for Ukraine. Thus the negotiations process has been left in that stage. They are hoping to negotiate on humanitarian and social issues with Russian contacts on the lower levels for the time being with OSCE or other international observers.

Ivan Krastev then asked if the Russians have indeed infiltrated the Right Sector and if this is documented in light of the accusations in the Russian media that Right Sector was involved in the sniper attacks on Maidan protestors.

Siumar noted that they must indeed share the evidence that they have on that issue and that they will publish the information on the snipers this month. However, regarding Russian infiltration of the Right Sector, it is very difficult to track these things, though they know that Right Sector is very much

influenced by Russia. She also noted the blurred lines that now exist since Crimea has been annexed. For instance, she asked whether you can call the Firtazh group a Russian or Ukrainian business group. She noted that the business had been heavily integrated with Russians and that the TV channel owned by them is now acting as a propaganda loudspeaker against Ukraine and for Russia.

She also noted the problems that have ensued since the conflict started because there is no real border with Russia. There are many dirt roads that lead from Ukraine into Russia and on these roads there are no border checkpoints. It therefore makes it very easy for the physical transfer of money between Ukraine and Russia.

Siumar also noted that they have arrested 100 Russian agents in Ukraine and are looking to exchange these agents for those Ukrainians that have been detained by Russian forces. She also noted that the Crimea has essentially been turned into a training ground for the pro-Russian subversive groups. When they move these groups from the Crimea they will be looking to target the East.

The Right Sector does continue to be an issue because they are armed with modern weapons and it is unclear whether or not they are replenishing those weapons. The Russian narrative on the Right Sector is very convenient and they have demonized that group, making them out to be a lead force dominating the Maidan when in reality they had only 300 people there.

Sushko then invited Ihor Semyvolos to continue because of his expertise on the Crimea and Crimean Tatars. Semyvolos is still in regular contact with people in Crimea. He noted that in Crimea it was clear that events were quite stable until the invasion. They were confident after the victory of the Maidan that the crisis would be over in Crimea because of the agreement to have a coalition government etc. He noted that no analyst could have predicted the seizure of the administrative buildings and the occupation of Crimea. However, there are two aspects to the current situation, one of which is the position of the Crimean Tatars and the other is the position of what he calls the "political Ukrainians." The Crimean Tatars have started to bargain or negotiate trade offs in order to assess who would offer the better conditions between Ukraine and Russia. Unfortunately, Ukraine has limited possibility to win this because it does not control the territory and Tatars want to launch a territorial integrity campaign. He thinks that Ukraine should support this campaign because they would not be running any risks. Crimean Tatars feel that Ukraine is currently in no position to retake the Crimean peninsula and so they feel that they have to start collaborating with Russia. The decisions that have been made thus far don't appear to be of a high quality. There is currently serious pressure being exerted by Crimean Tatar business groups because they see accession to Russia to be a window of opportunity to gain access to more resources. However, it is important for the leader of the Crimean Tatars to put off meeting on this decision to a later time because he is the only one who will be able to alleviate this pressure coming from business groups. The leader of the Crimean Tatars has to show he is ready to collaborate with other players and the population is looking to see what the Mejlis should do.

George Soros then asked if the Crimean Tatar population wants its leaders to find a modus operandi with Russia.

Semyvolos noted that the Tatars are ready to participate in the Crimean government and participate in talks with the Russians on the status of Crimea. But at the same time, they are asking Russia and the other players to compete for the right to represent/govern the Crimean Tatars.

George Soros then asked with the Tatars are asking to be given territorial autonomy as a basis for negotiation. He noted that they are appealing to the UN Security Council and that since Russia is on the UNSC it would most likely veto the proposal.

Ivan Krastev then noted that he does not believe that Russia would veto the proposal in the UNSC because he believes that it would be the perfect way for them to demonstrate how well they are treating the minority populations.

Semyvolos noted that there are a lot of people currently leaving Crimea for mainland Ukraine and that they are expecting a growth in these numbers in three waves. The first wave has been and will be people leaving for political reasons. The second wave will be those leaving due to other circumstances like not having Crimean residency permits/registrations. The third wave will be those leaving for economic reasons because the security and economic situation in Crimea is expected to continue to get worse in the coming months. A task for civil society would therefore be to provide a possibility for these people to stay in mainland Ukraine and to keep up a permanent dialogue with the Crimean Tatars, even though maintaining this contact will be exceptionally difficult. He noted that one reason these dialogues with Crimean Tatars and NGOs will be difficult is because of the more strict regulation of these groups under Russian law. Obviously, dialogue with Crimean Tatars should continue.

Semyvolos believes that the collaboration intentions with Russia have been forced to an extent and the community is still intent on maintaining close contact with Ukraine, which will hopefully eventually garner enough force to bring Crimea back to Ukraine.

He also noted that the decision to start cooperation with Russia has been very controversial in the Crimean Tatar community and that some may start protesting on Monday depending on the policy changes in the Mejlis.

George Soros then asked whether the Crimean Tatars are displeased in this context because of planned cooperation with Russia.

Semyvolos noted that indeed the displeasure is resulting from the Mejlis's position on collaborating with Russia. He noted that this opposition to the Mejlis's position does not necessarily stem from anti-Russian sentiment but is instead catalyzed by pro-Ukrainian sentiments. Currently, the leader of the Tatars is implementing the idea to hold a referendum on the Russian occupation to bring together the populations in Crimea who are dissatisfied with Russian occupation.

GS then asked Krastev if the US could say that they are freezing the assets of the Russian Central Bank in order to compensate those whose rights have been infringed upon and need to be compensated.

Krastev noted that for the West the Crimea is a done deal and that negotiations are now focused on how to prevent further Russian movement into Ukraine and garner Russian respect for the results of the presidential elections.

GS noted that Crimea needs to be legalized because the annexation of the territory by Russia was accomplished by breaking the 1994 Budapest Memorandum which is not acceptable under international law. In order to normalize the situation there is a need to acknowledge and respect those whose rights have been damaged. He suggested the possibility of putting in place mechanisms that would protect the right to have the Ukrainian fleet in Sevastopol, like was previously the case for the Russian fleet.

GS also brought up the idea of lustration, and invited LB to propose a question.

LB noted that now there is a regulatory committee set up by the government and headed by a former colleague and long-term grantee of the IRF. He asked if it would be in IRF's interest to push for a much more sober or moderate approach to the lustration issue, especially if they foresee the possibility of it getting out of hand. He also asked if they thought it would be of interest to have GS raise this issue in his meetings with the government officials tomorrow.

Yarema Bachynsky noted that he is a lawyer by education and has worked on elections and transitional issues in the past. He thinks that Ukraine finds itself in a very dangerous situation with only the parliament being a legitimately elected body. There is an urgent need to bolster the legitimacy of the Ukrainian government through elections—both presidential and parliamentary—in the near term. He also asked if Ukrainians even understand what lustration really is and whether even the intelligentsia understands this issue. Instead of calling for lustration, why not instead change the conversation to comprehensive civil service reform and a reaffirmation of parliamentary democracy in Ukraine? He noted that it is more important for the presidential election to take place, be competitive and be recognized as legitimate. There is also a need to think about the parliamentary elections because there will in fact be a different electorate resulting from Russia's annexation of Crimea. This will have significant effects on the political system and composition of the next parliament. It is important to establish a fully legitimate parliament and president in order to have a fully legitimate political superstructure.

He proposes that instead of lustration, we should advocate for full civil service reform and an investigation into all of the cases of corruption, especially high corruption because this would build public trust in the system. Bachynsky is not even sure that we need to use the word lustration, but instead should focus on the reestablishment of rule of law in order to get to the point where Ukraine wouldn't need lustration.

Sushko noted that lustration is a very popular idea and one of the core demands of the Maidan. He noted that the general understanding of lustration among the public is that it is a punishment for those who built and operated in the corrupt political system under Yanukovich, and that it should especially apply to judges who sentenced protestors and police who beat protestors. This is a very shallow understanding of lustration. He noted that there is a need to identify who was really guilty of corruption and misdeeds under the prior regime. Politicians are not ready to tell people that classic lustration is not

possible because there is no common denominator by which to judge. The government shouldn't totally overlook the demand for lustration but should help to shape and streamline the approach and employ a case-by-case basis for investigations. Either way, there is a need to establish the system of lustration and the procedures involved and so that is why the government formed the special regulatory committee.

GS then noted that lustration is a very long process and there are then two scenarios—the first would be the suspension of state functions until the process is complete and the second would be to suspend judgment until the process is complete. He noted that you can't suspend the functioning of the state in Ukraine right now because there is a real need to reestablish the state. He would suggest that the judges involved in the lustration process could be handled a la Saakashvili through a process of professional examination. Judges who sentenced protestors could be excluded from being able to take the professional examination.

Ivan Krastev then noted that because of Crimea the lustration process is much more about loyalty to the Ukrainian state and therefore elites could be presented with a choice to either shore up loyalty and cooperate with the new system or be pushed out. For the public, lustration means getting rid of the elites and so therefore there is a need to inform that conversation because otherwise the wrong signals will be sent.

Sushko noted that there is a need for all to be committed to Ukraine, the new system and the defense of the new system and that a lot of traditional Ukrainian practices undermine the credibility of the state. There are also some corrupt people who were involved in the bad dealings under the old regime currently within the majority coalition. This is a dilemma. There is a need to figure out how to punish those who are really guilty without undermining the state. Sushko argues that there should be a clean slate policy going forward coupled with a need to find a mechanism to change behaviors to ensure that civil servants do not revert to corrupt practices. For Sushko, this is the threshold. If officials are ready to contribute to building the new rules, they should be allowed to move forward.

GS thinks that this is a good idea because there is a need to build a new Ukraine and everyone in the government is now tainted by the old Ukraine. Therefore instead of looking and judging by past actions, there is a need to look at how government officials are behaving in the present and going forward. A line should be drawn between past and future. GS once again reiterated the need to develop a strategic communications plan for the new Ukraine as a central question. There is a need to communicate to the public that they as government members recognize that they were part of a corrupt regime and now want to move forward and build a new regime based on democratic principles. They need to recognize that there is no trust in the government right now and in order to convince people they want to change and move forward, they will have to admit that they were part of the corrupt past.

Semyvolos noted that the reconciliation commission has been set up and can use those mechanisms and transitional law to reach this goal. People can speak up and voice grievances to this commission to be addressed. He noted that there is also a need for security sector reform. In this area it might be best to directly involve international experts, or even outsource completely the management of these reforms to external partners such as Germany or the US.



Ivan Krastev then noted that the people want someone to pay and the new Ukraine narrative, if it uses the principle of corruption as a betrayal of Ukraine, could give the new government legitimacy.

Sushko noted that society perceives the reason for the failure of the Orange Revolution to be that lustration was not carried out and no one was punished following those events, but instead returned to government and eventually to their corrupt practices. Therefore, it is not easy to deliver the message of again not punishing those responsible or carrying out lustration.

Krastev noted that Yanukovich is helping this issue because he not only left Ukraine but also sided with Russia.

SF noted that yesterday around 8 people were thrown out of the Party of Regions and so the issue is being dealt with in a way because people are being excluded from continuing in politics. She also noted that human rights activists are currently going after criminally acquired assets in Europe and that an important role for us would be to keep pushing the Austrian and Dutch to make sure that those criminally acquired frozen assets are returned to Ukraine. Sabine also asked if there is still a role for the Council of Europe to engage in the investigations of the Maidan events. She noted that she supports Semyvolos's point on transitional justice.

Yarema Bachynsky noted that in terms of court reform, the legal issues are connected to the life tenure on judges by parliament of Ukraine. He is not sure if this would require legislative changes on the part of parliament and if so, reform could start with the new convocation of parliament in the fall. He notes that there will be approximately 230 members of parliament in the coalition that will be voting consistently on reform issues.

Regarding transitional justice, Bachynsky noted that the reason for this process is to restore the people's trust in the state. This may mean there is a need to come up with a list of priority cases for investigation. If we are applying the basic principles, the Prosecutor General would not be able to ignore Firtazh and others who have made the transition more difficult. He also agrees that if criminally acquired assets are returned to Ukraine this will result in a huge boost, especially in public opinion and confidence in the government. "Citizens won't seek blood justice if government is facilitating the return of billions to Ukraine."

GS thinks that having experts on transitional justice to advise high-level Ukrainian officials is worthwhile and that a high-level conference is needed on this issue. He also noted that it is important to punish some people involved in the crimes of the past in order to ensure reconciliation. He also noted that he would have loved to discuss talking points for the meetings tomorrow regarding strategic communications and transitional justice. He then asked how to create the narrative of the new Ukraine and present that narrative to the Ukrainian public, the Russian public, and the global public.

Alexandra Gnatiuk noted that there is very little information about the US and the EU in the Ukrainian media space because the Russian media has effectively captured that space. There is a need to hear EU and US perspectives in the Ukrainian media and there is a need to educate civil society about EU matters in order to not allow Putin and Medvedchuk to skew the EU as a bad institution.

LB then noted that GS is interested in people's perceptions of Poroshenko and to what extent he will satisfactorily be able to move forward on issues of importance to the IRF strategy.

Yarema Bachynsky noted that while he is not a Ukrainian voter, he has observed every major election since the 1990s. He notes that Poroshenko does have credit on both sides of the fence, despite being more connected to Maidan. He is a centrist and is viewed to be a credible business man who has not built his fortunes on a mountain of bodies. He notes that an important point is that Poroshenko is fluent in English and can get his point across so that nothing gets lost in translation which will be important for strategic communications with the EU and US. Poroshenko was a secretary under Yushenko's overnment and has been a member of parliament for a long time. He is considered to be a fair player. Bachynsky hasn't heard Poroshenko express anything that is in opposition to OSF principles and he thinks that if he were elected president there wouldn't be any contradictions to what the IMF or OSF is doing in Ukraine. There is a need to get his attention now so that if he is indeed elected we can connect with him strongly enough so as to ensure he will not oppose or contradict OSF or IMF plans.

Sushko noted that the biggest challenge for Poroshenko would be for him to deliver on the conflict of interest legislation. He is indeed a credible candidate and runs a pretty transparent business but if/when he is president and administrating Ukraine, he will have to put a clear distance between himself and his business, and not just transfer it to a relative. As for others, some who know him on a personal level say that he tends to adopt decisions unilaterally without proper consultations. There is a need to differentiate between reality and opinions about him, though.

Krastev noted that narrative matters and there is currently a professional campaign against Ukraine being carried out by Russia. The Ukrainian government should share data with the international community and correct its image problem through strategic communications.

Sushko noted that the regulations are being adopted now to prevent conflict of interest and making government decision making involving procurement more transparent and open to the public.

Krastev argued that it would be important to stress that Poroshenko is going to lose money from the revolution because his factories in Russia will close. They really need to address their publicity problem.

## Strategic Advisory Group Meeting with GS

- Yevhen Bystrytsky began the meeting by recapping the lunch meeting we had with the Program Directors and noting that George Soros suggested that a more effective way to organize the SAG would be to establish it on the basis of local experts with background support from high-level experts from international institutions, such as Erik Berglof, to act as European advisors and intermediaries between the Ukrainian expert group and the EU institutions.
- Yevhen noted that there was a preliminary agreement reached with Minister of Economy Sheremeta and that it will be important to bring up the SAG in the meeting with Yatseniuk tomorrow to ensure that he is informed about this initiative and supportive of its engagement with the government.
- YB also noted that currently, there is no systemic work involving a comprehensive program of assistance to the government, and that the SAG is the first attempt to build such a program
- George Soros noted that we discussed the formation of the SAG at the lunch meeting, and the starting document containing ten principles of the SAG that Erik circulated was indeed a good start. George noted that he feels this program needs to be comprised of two pillars; one which purely consists of a purely Ukrainian effort to establish what Ukraine has to do and can do for itself. He stated that this pillar should work to establish rule of law, amend and propose anti-corruption legislation in order to make Ukraine an attractive partner for further EU trade engagement and promote an attractive investment climate for business. The second pillar should be focused on establishing what reforms Ukraine will need foreign assistance to accomplish, and ensure that international donors are aware of those assistance needs. He noted that this second pillar will be in the style of the “Marshall Plan” and that the group of international experts that will be working with SAG in this pillar would be effectively helping to design and to influence the actions of international donors in order to guide them on how to best direct their funding. This group will also advocate for and create public support in Ukraine and internationally in order to reverse the widespread notion that Ukraine will fail. In this model, the foreign participation in the SAG would play two different roles, acting as a link to connect advocates with international donors and also acting as background consultants on issues needing their perspectives. He notes that the role that Erik Berglof and the EBRD could play will be defined by those parties—if the EBRD is interested and ready to take on the role of an institutional partner in this endeavor that would be one option; if not, Erik would be able to personally play the role as partner. Mr. Soros noted that he is in full agreement with the establishment and goals of the SAG, but he presents a slightly different concept. He asked those present to explain the various projects and relationships with the government, with civil society (Maidan), and with special programs like the e-governance program (which would require foreign participation).
- Yevhen Bystrytsky noted that while there will be two channels in the SAG, there will be significant linkage between them. The first channel will involve civil society representatives aiming activism and advocacy toward anti-corruption issues—drafting and proposing legislation projects for approval by parliament. In order to continue with this channel, there is a need for government support from the outset. Currently, there is a preliminary agreement with the vice

premier, Groysman, on regional development. He is very supportive of decentralization reform mainly involving changing budget relations between the center and the regions and territorial reform. The next step following these efforts would be to provide e-governance. When he was mayor of Vinnitsa, Groysman successfully developed and implemented an e-governance project. Yevhen also noted that the IRF is currently supporting the establishment of a coordination center within the Cabinet that will work to coordinate civil society initiatives related to anti-corruption. He noted that the SAG will be kept informed of the successes and failures of civil society initiatives underway as they relate to the work of that group.

- George Soros then noted that an important addition to the current goals is the preservation of the Maidan forum.
- Yevhen explained that after the initial Maidan in Kiev, has followed the development of Maidan forums across Ukraine which are to be used for advocacy and as an instrument of policy change on the national and local levels. This effort is aimed at developing a network of Maidan across the country.
- George Soros stated that the most innovative and important thing is to maintain the Maidan effort and activities in order to ensure that civil society can continue exerting its influence on the government to push the government to establish rule of law and follow through on all of these reform initiatives.
- Sabine Freizer then noted that currently, there are four levels of activity that are currently being enacted by the IRF and partners in Ukraine. The first level is the community level which focuses on strengthening the local Maidans and civil society forums. The second level involves the comprehensive anti-corruption reform package, which involves elite NGOs working directly with the Cabinet of Ministers. The third level is comprised of the SAG and on this level, domestic think tanks and policy experts will be engaging directly with the Cabinet of Ministers on reform. The fourth level involves the engagement of international experts and advisers.
- Yevhen noted that the Maidan level is closely linked to the expert level, as most of those active in the Maidan are also members of the expert community.
- Erik Berglof noted that he has been thinking about his role and how to shape his involvement in the SAG project. The principles that he disseminated to the group note that engaging with civil society will be very critical in every stage of reform, and it will be especially important to engage with civil society early on in order to create reference groups. He then noted that there have been a number of reform programs in the past, and that we should learn from past experiences. This reform program should be wholly Ukrainian, it should by no means resemble the Blue Ribbon package. Erik noted that he would be very happy to play an active role in the second pillar that George Soros described, and he feels he has a competitive advantage in this area. He noted that he will be able to follow-up on the work of the expert group; the Ukrainian expert group will identify areas where EU engagement could be useful and he could work to connect with the relevant institutions. He also noted that it would be useful for him to put together a group of international experts to consult with the Ukrainian group on an ad hoc basis when requested. Erik then noted that the planned structure of the SAG will be for Ihor Burakovsky to chair the group and for Sasha Pivovarsky to act as secretary general.

- Yevhen then noted that the core of the SAG will consist purely of economic advising, which is extremely important right now because of the issues involving Ukraine's trade relationship with Russia and the current crisis in the economy.
- Erik Berglof noted that in his experience, if you think too narrowly on economy, these types of reform programs will inevitably fail. He argues that we need to think more broadly on political economy and themes therein (social issues, healthcare provision) in order to implement a successful program.
- Ihor Burakovsky prefaced that he will obviously have to be appointed to the chairmanship by agreement. He then made two points: firstly, the SAG will be very important for the country because the government is currently taking account of the immediate challenges; and secondly he thinks that when we are discussing the reform program, we need to take into account the necessity to combine ad hoc advice to the government on immediate challenges and also the production of strategic documents. Regarding the production of strategic documents, he foresees the need to create a document on what Ukraine must do to remedy the current situation, a document on what could be done by the international community and for what Ukraine should ask of them. Ihor noted that the SAG should be for a term of one year and that ad hoc advice should be limited in Kiev. He also noted the need to establish a physical headquarters for the SAG, and suggested that they could potentially take advantage of the IRF building for this.
- Yevhen noted some confusion about the state of the IRF buildings, and that this will have to be decided.
- George Soros asked the group where the SAG will be located.
- Ihor noted that there are some facilities available for use by the SAG to start their activities in the Institute at which he works, and that another building could be used to coordinate the four levels of the project. It will be essential to have facilities for the expert group to use if necessary.
- George Soros noted that the technical logistics need to be worked out and clarified, and that we will find something for the SAG. Regarding a term limit for the group, he wasn't keen on limiting the project to one year but would rather it be open ended, depending on performance. He suggested to use a term of 3 years for the SAG, contingent on an annual review. He doesn't think that setting a term limit for the project is a big issue that needs a decision now, but instead he noted it might be best to decide after a year whether to continue the project. George then noted that he has approved the budget for the first year for the SAG to advise the Ukrainian government. He does not know if we need to change the budget figures to incorporate engagement with the Maidan and government, but thinks it could be the same budget. He then asked the IRF to organize and submit a request to international donors for support of the project. There is no reason in his mind why the EU and other donors should not pay for the continuation of the project. We will start the project, but they should finance its continuation.
- Erik Berglof noted that he had a meeting with the Swedes last week and they are, in principle, willing to take up the project.
- George Soros stated that he would like to inform donors at the meeting this week with EU Ambassadors that we have formed this SAG, gauge interest, and note that a proposal and budget will follow. Ihor and George then established that we should submit a three year budget.

George thinks that the project will grow and be successful anyhow, and therefore they should submit a budget for 3 million annually, and the project will be reviewed after the first year for continuation. This is the moment to get this project started.

- Erik Berglof concurred that this is the time to send the signal to other donors about this project.
- Lenny Benardo then clarified with George that the project will be 9 million over the course of three years, which is in addition to the 1 million pledged for the emergency activities.
- Sabine Freizer then asked if the e-governance and decentralization project would fit into the same SAG, or whether that would require a different group.
- George Soros answered that the e-governance initiative would have to be a separate group, and we need to decide how that would fit into the broader plan for reforms. He noted that we need to integrate two thought processes. We have the Maidan, and he thinks that those activities are inherently Ukrainian and should be funded through the IRF. It should be spelled out that the Maidan group will be advocating for reforms with the government through IRF support. In terms of e-governance, there will be some cooperation with government and some with the Vice PM Groyzman. The e-governance plan should be based on the Estonian and Georgian experiences and we would want to begin by implementing it in Kiev as a model and then also establish a training center in Vinnitsa which other regions can participate in on a voluntary basis. The e-governance project would require investment in expanding broadband capacity in Ukraine and we would therefore need to develop a budget for that separately.
- Yevhen noted that he doesn't think that the development of e-governance initiatives will be very expensive, and instead the key aspect of this project is to push the local governments to implement it. Mayors in general have been very interested in implementing e-governance because it could save money and result in a marked and immediate increase in public attitudes toward government. For the project in Vinnitsa implemented by Groyzman, the IRF gave not more than \$200 thousand, and then Groyzman matched the funds from the state budget.
- George Soros noted that the EU is already planning on giving 400 million euros in the next year to Ukraine, and that those funds should be allocated to the e-governance projects, and our advisory group could be charged with advising the EU how to spend those funds on e-governance and how to implement the projects. It is very important to do the model project in Kiev and have Klitschko as our partner. He should ask for funding from the EU and we would help him to do that.
- Yevhen noted that Klitschko could use e-governance as a platform in his election campaign.
- George Soros noted that it is imperative for the newly elected leaders to demonstrate to the international community and donors in particular that they are committed to the new Ukraine. It would be essential to discuss with the Communications Program about how to communicate to the Ukrainian public, to the Russian public, and to the wider global public that the old Ukraine is dissolved and the new Ukraine is committed to moving forward with democratic transitions and reforms.
- Yevhen then returned the conversation to the SAG and invited Sasha Pivovarsky to speak.
- Sasha Pivovarsky noted that he thinks the idea of having a short intensive period for the development of the reform programs and to simultaneously help the government do outreach to all stakeholders (Maidan, government officials, public, international donors) would be a key

first step. At the same time, he noted that the SAG might have to devote some energies to “fire-fighting” techniques for emergent priorities on an ad hoc basis, providing urgent help to find and connect Ukrainian government officials and experts with international experts and assistance. He cited the need to form a comprehensive vision for the program and to ensure that it is supportable by the international community. He has heard a lot of out-of-the-box ideas come up, and it will be important to ensure that the SAG and reform program does not get off track. It will also be important to utilize our time in meetings with government ministers over the next week to get their commitment to work on this program of reforms and ensure that there will be political will.

- George Soros asked for Sasha Pivovarsky, Erik Berglof, and Yevhen Bystrytsky to prepare a paper (one-pager) to be disseminated to the government ministers we are meeting tomorrow.
- Sushko noted that they have previously communicated the basic idea to Yatseniuk’s office and they are aware of the formation of this SAG, but it would be good to modify the description of principles based on the outcomes of this discussion for tomorrow’s meetings. He noted that this could be done. He then noted that the second stage of the SAG will be a double track; the first track will be helping with the Marshall Plan and collecting ideas from Ukrainian experts on where the West can provide assistance in order to connect them with EU institutions; the second track will be the need over the longer term to help implement the ideas collected.
- Lenny Benardo noted that the EBRD president is currently ready to second Sasha Pivovarsky for 25% time pro bono to the SAG project for Ukraine. Erik Berglof noted that the EBRD could also offer more Ukrainian staff to help out with the initiative as well.
- Sasha Pivovarsky noted that there might be gaps in the second stage of the SAG where Ukraine might require more intense help from international donors. He noted that they could identify the gaps and influence the allocation of resources to more focused areas in the second stage. He also stated the need to do independent monitoring of the reform program throughout all stages.
- George Soros then asked if the ideas presented in the 10 principles paper were what they had in mind for the SAG.
- Sasha Pivovarsky answered that those are just examples of where the SAG could help. It will be our role to ensure there is enough focus in some of the areas noted.
- George Soros noted that our role in working with the IMF should be to advise the Ukrainian government what conditionalities they can agree to in the package—for instance, making sure not to cut budgets for health and welfare sectors. The SAG should advise the Ukrainian government in how to proceed in the IMF negotiations.
- George Soros then returned to the e-governance program. He noted that because we will be working in Kiev with Klitschko and on the training center in Vinnitsa, it would be important to advocate with donors and the EU on how to direct their funds for this. Who would be involved in carrying out this advocacy? Would we set up a separate group for this?
- Yevhen answered that we would probably need to set up a group for this that is separate from SAG but still linked.
- George Soros then noted that Krastev mentioned Google as a potential supporter for the e-governance program, and that in addition he would like to bring in the group Smartmetrics, who

work on electronic elections to help with this initiative. He met with them last week and they are developing a second division for e-governance. Soros thinks that this could be an ideal place for Smartmetrics to continue developing this second division and when he mentioned the idea in his meeting with Muhika, he was interested.

- Yevhen noted also that the IRF has good relations with Microsoft and that Microsoft is very active in Ukraine. He suggested that we could partner with them on e-governance as well.
- George Soros liked that idea and noted that Microsoft could potentially donate equipment to the e-governance project in Kiev. He stated that he will be meeting with Smartmetrics again in the end of April and he will invite them to send someone to Ukraine for consultations on the e-governance initiative.
- Yevhen noted that he invited other experts to this meeting and that SAG will be developing a comprehensive approach based on this expertise. He then asked that those colleagues present their views on the key economic challenges facing Ukraine.
- Oksana Kuziakiv, Executive Director of the Institute for Economic Research and Policy Consulting noted that the main problem facing Ukraine is corruption and the “rules of the game” for businesses in Ukraine. There is a need to develop European standards for business in Ukraine in order to ensure the viability and solvency of small business in addition to larger businesses.
- Vasyl Yurchyshyn (Director of Economic Programs, Razumkov Center) then noted that SAG came just in time because while the government has great ambitions for economic reform, they are lacking in capacity. There is a great need to concentrate the efforts of the government, incorporating lessons learned from past experiences. The main issue will be to establish the appropriate institutional network and appropriate behavior of entrepreneurs and civil society in Ukraine. There is a need for institutional reforms in regional policy, and Groysman’s responsibility for decentralization is very important for this. There needs to also be institutional reform in social policy, agricultural economy as well. Right now they cannot optimize private property on agricultural land. Additionally, there will be a need for institutional changes in banking because we don’t yet have a network of special banks (i.e. regional development banks). There are a lot of problems facing Ukraine, the main focal point should be that all policy actions and proposals should be evaluated through public opinion. It will be important for sociological services to be included in the assessments before and after implementation, because it would boost public support and enable the transition.
- George Soros responded by noting that Vasyl is asking for something that doesn’t exist in any other context. However, this is something that is new and it is important to try to pursue this public opinion evaluation. Again, he reiterated that the big issue is communications and there is a need to inform Ukraine on what the government is trying to do and what the Maidan and government are trying to do together. He noted that the institutionalization of the Maidan is unique and is what resulted in the success of the revolution.
- Lenny Benardo then noted that while there were many problems with the Blue Ribbon reform package, the biggest problem was the complete lack of strategic communications, which inevitably led to the failure of the program.
- George Soros noted that the same issue applies to the EU and that his own grand vision for the current situation is not just to utilize the EU to save Ukraine, but also to use Ukraine to save the



EU. He noted that it would be appropriate to set up a focus group on the corruption efforts in order to collect the main issues of corruption that need to be dealt with. The IRF sitting together with the focus group to identify the most pertinent issues would be ideal, because those on the ground know exactly where the problems are and can help guide the process. This process will then need to be repeated in the regions in order to assess local corruption issues as well.

- Erik Berglof noted that focus groups are mentioned in the SAG principles and he agrees with Soros on that issue.
- George Soros then noted that some ideas for the comprehensive EU assistance could be to involve political risk insurance on investments in Ukraine and exports to Ukraine in order to drive up willingness for both activities. In order to attract capital and to facilitate export credit and supply credit given the current political risk, this will be necessary. EU companies should be encouraged to establish joint ventures and subsidiaries in Ukraine to facilitate participation in selling EU products in Ukraine and exporting Ukraine products to the EU market. This would open the private sector for participation in the reforms program. It would also be important for EU companies to provide management training to Ukrainian companies so that they might be competitive on the world market. The EU has temporarily opened its market to Ukraine but this opening needs to be spelled out more and the opening of the Ukrainian market to the EU needs to be phased in to avoid flooding and potential bankruptcy. This should be the core of the EU Marshall Plan for Ukraine.
- Burakovsky noted that there should be a scale set up for insuring political risks. He noted that colleagues at EBRD have experience with this issue—they implemented the Vienna Initiative from 2007-2009 and worked with EU banks to not downgrade business in European markets facing the recession. There could be the opportunity here to ask those EU banks remaining in Ukraine to not withdraw from the Ukrainian market too quickly.
- Erik Berglof noted that they are currently working on this issue at EBRD. In Ukraine, the banking sector is approximately 17% Western European banks, 15% Russian banks, and the remaining percent small banks and state banks. The IMF will ask the private sector banks to stick with their current exposures in the Ukrainian market. This situation is different from the Vienna Initiative because the problem is now the parent institutions that might need to meet regulatory policies and would be inclined to reduce exposure.
- George Soros asked if it would be worthwhile to convene a business focus group in order to assess what Ukrainian companies need in terms of management capacities etc. in order to be successful in the import/export business with the EU.
- Sasha Pivovarsky noted that there are currently business associations like the US Chamber of Commerce and an EU focused group that we can work with. Erik Berglof then noted that it would be useful to set up an investor council for foreign and domestic investors to discuss issues involving investment climate. Sasha Pivovarsky noted that this exists, but has not yet been effective so it would be important to revitalize that group.
- Burakovsky noted that the general business climate will require a lot of efforts because there is a huge issue for Ukrainian producers who export to Russia. It is not always obvious to those businesses how and where to reorient their exports. These issues should be discussed in small focus groups.

- Konstyantyn Kravchuk (Research Fellow, Institute for Economic Research and Policy Consulting) repeated that the main problem facing government is the focus on establishing rule of law and solving the issues involved in Ukraine's economic relationship with Russia. He also noted the need for the Ukrainian government to receive advice and assistance in reorienting exports to other markets from Russia.
- George Soros noted that the issue of relations with Russia is serious and can be tied into the issue of devolution and the immediate danger presented by the deal brewing between Putin and Merkel on imposing federalism in Ukraine. He noted that this issue is potentially being raised between Putin and the US as well, which is why Lavrov and Kerry are meeting today. Putin's plan as suggested to Merkel is to use the German model of federalism for the new Ukrainian constitution, which Soros is worried will be appealing to Merkel but devastating to Ukraine. If federalism is imposed in Ukraine, it will mean a victory for Putin because it will be hugely destabilizing and delegitimizing for the Ukrainian government. It would constitute a de facto partition of Ukraine between East and West and a betrayal of the Maidan. Soros further stated that it would be a violation of Ukraine's sovereignty if this deal is imposed and all parties involved will be complicit in that violation. He noted that he believes the Western powers are susceptible to this idea and that he heard reports that Merkel was taken by it. German public opinion would be in favor of this deal and he is worried that this is the number one problem today for Ukraine. Soros suggested activating the Maidan to come out against any proposed federal system.
- Yevhen noted that they are doing this already in the form of the Ukraine Media Crisis Center that they fund which immediately translates messages from the Ukrainian government into English and Russian for dissemination. Journalists conduct interviews with government officials, experts and activists in order to provide balanced information on the events in Ukraine and combat the Russian disinformation campaign.
- Burakovsky noted that this is a "people to people" approach and that the key is to focus the conversation on decentralization as opposed to federalism in order to explain to Merkel and other international players that federalism would be a significant blow to Ukraine.
- George Soros suggested that we need to have people go to the Ukraine Crisis Center tomorrow to give an interview that would relay this message and come out against the federalism plan.
- Sasha Pivovarsky reiterated that the federalism plan would be the beginning of the end for Ukraine and that it needs to be presented that way in the press and for international consumption.
- George Soros is convinced that the international community, including Merkel and the German business community, don't understand the federalism plan in that way.
- Sabine Freizer agreed with them and noted that it will be important to make it very clear that federalism is not acceptable now. She spoke with the Ambassador in Berlin and noted that he said Germany was not interested in federalism in Ukraine but is only interested in decentralization. Erik Berglof noted that in his meetings with Strobe Talbot in DC there was also this understanding that decentralization as opposed to federalism was key.

- George Soros noted that he was still disturbed by the information he received from the Bundestag Foreign Policy committee which seemed to be in favor of federalism and noted the need to reiterate this point either way.
- George Soros noted that he wanted to see Burakovsky again before leaving Ukraine. Burakovsky will return to Kiev on Tuesday.
- Erik Berglof described the situation in the banking sector at George Soros's request. He noted that after the 2008 economic crisis, a number of EU banks left Ukraine and the Russian banking sector expanded. A few remaining EU banks recapitalized and still operate today. The other banks in Ukraine are large state banks and oligarchic banks, or small independent banks that are poorly run. He noted that Ukraine is vulnerable in this new crisis and there is a need to do a stress test on banks to force shareholders to recapitalize. The system right now can still be rescued, but if steps aren't taken in this direction there could be a real disaster. While he doesn't like working with state owned banks, there is one in particular that would be capable of helping the situation.
- George Soros then asked if the ECB would be able to do a liquidity provision in Ukraine?
- Erik Berglof noted that this idea to do a Vienna Initiative type program in Ukraine is acceptable to the ECB, but that they would most likely not be willing to do a swap line.
- Sasha Pivovarsky noted that it would be important to check with the parent institutions of the current Western banks in Ukraine in order to ensure that they don't put pressure on their subsidiaries to pull back on exposure in Ukraine.
- George Soros noted the need to lump the banking issue in with the political risk issue. He noted there is a need to figure out who will underwrite a political risk insurance program and how that would be done.
- Sasha Pivovarsky noted that part of the IMF conditionality is that the Ukrainian government roll back the bad policies in the banking sector, but this might also result in the government requiring the banks to commit in return.
- George Soros noted that agriculture is a very important part of the economy in Ukraine and asked for an update on the current situation.
- Jaroslav Zhalilo noted that the agricultural system is very fragmented in Ukraine. There is a strong industry for sunflower production and export, but there are also very small farms that make up the bulk of the meats, produce and milk production sector. The issue is that the agricultural sector could have a huge social impact on the rural population if not handled correctly.
- George Soros asked about the current situation and whether reforms have been taken.
- Zhalilo noted that kolkhozes do not exist anymore and have been converted either to cooperatives, private companies, or large holdings dealing in the wheat and sunflower production. He stressed that milk production is 80% produced by small households with only a few cows, which is a problem for exportation because the industrial efficiency required is not there. They can however easily export dry milk because they have the technical capacity to do that and have been exporting that product to Russia and the Customs Union countries.

- George Soros then noted that Putin has a personal interest in making Ukraine fail, hence the federalism plan. But he also noted that Putin will not be able to afford the new Ukraine. He asked how willing the EU really is to integrate Ukrainian agriculture into Europe?
- Zhalilo noted that the Kherson region has a history of success in exporting to Europe. With support from an international grant, a small milk farm was able to produce milk and cheese exports which meet EU regulations. A good next step would be to set up a series of small grants for similar initiatives in Ukraine because people exist who want and can make this happen and it will be important for regional policy development.
- George Soros then noted the need to set up a working group on agriculture in Ukraine.
- Dmytro Shulga (Director, European Initiative, IRF) then noted that during the Association Agreement negotiations, the agricultural aspect was the most difficult to sort out. The compromise that resulted was not a complete openness of the EU market to Ukrainian exports, but instead the establishment of certain quotas calculated on the basis of statistics from the early 2000s. He noted that part of the support that the EU can give the government in Ukraine would be to expand these quotas and the SAG can help to involve people who could assist in these negotiations with the EU.
- Oksana Kuziakiv then noted that we should understand that there are three main centers that have been charged with supporting the development of Ukrainian agriculture and that these centers are supported by USAID grants and the AgroInvest program.
- George Soros noted that he was very encouraged by the conversation he had regarding the SAG and is looking forward to moving ahead.