

Ukrainian government prepares extreme austerity measures

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Earlier this month, Ukrainian Prime Minister Arseniy Yatsenyuk presented his government's new economic program for 2015-2020 to the Verkhovna Rada, the country's parliament. Lawmakers adopted the program the very same day.

The program proposes to implement extreme austerity policies dictated by the International Monetary Fund (IMF) and other international creditors. In his remarks before parliament, Yatsenyuk insisted, "Nobody will give us aid just for nothing. In order to get it, we need to carry out the very same harsh reforms that we talked about in the elections."

According to the Prime Minister, in 2014 Ukraine "received a total of \$9 billion in financial aid from the IMF, World Bank, and other financial institutions," but overall spent \$14 billion servicing its debts. "We will need \$15 billion more next year," he noted.

In the recently unveiled program, "de-bureaucratization, decentralization, deregulation, and accountability" are declared as the guiding principles of state policy. Its goals include the doubling of export volumes by 2019, "large-scale privatization of state property under the appropriate economic conditions," "de-monopolization of the economy," "capitalization of state banks," financial restructuring of the state-owned oil and gas company Naftogaz, restructuring of the judicial system, reform of law enforcement, and efforts to establish "energy independence."

Overall, the state budget is to be reduced by ten percent relative to the country's gross domestic product over the course of two years. Most of the cuts are to come from the so-called social sector. These include the laying-off of ten percent of the country's public employees and the partial privatization of health care and education. The pharmaceuticals market is to be deregulated. Remaining subsidies and price controls on

gas and electric power, "inefficient" social benefits, and "special" pensions are to be abolished.

Andriy Kobolev, head of Naftogaz, has stated that the elimination of price controls will lead to an increase in gas prices of three to five times for consumers, which will come on top of large utility price hikes already implemented this year.

A large-scale "reform" of the coal-mining industry is to be undertaken, including the shutdown of 32 unprofitable mines, the temporary shutdown of 24 mines, and the privatization of 37 mines during 2015-2019.

At the same time, a number of taxes, as well as a number of agencies that regulate business activity, will be abolished. Income taxes and taxes on small and medium businesses are to be reduced.

Yatsenyuk scolded the population in advance for daring to express any opposition to his program. "Don't cry. Don't be afraid. Don't ask for anything," he stated. The program is so extreme that some members of the parliamentary opposition and one member of the ruling party called it "genocidal."

Even as it savages the living standards of Ukraine's already poor population, the Kiev regime is increasing spending on the military and law enforcement, which it plans to raise to five percent of gross domestic product (GDP). The government has said it will renounce its "non-aligned" status and seek "compliance with NATO standards."

Alongside the militarization of Ukrainian society, the government is promoting nationalism and a number of law-and-order policies aimed at stoking up right-wing sentiment and crushing dissent. A new state bureau of investigations is to be created, and there are plans to construct a security wall along the Russian border. "National patriotic education" classes will become a

mandatory component of school educational programs.

A 120-page government “instruction” produced by the Ministry of Finance and circulated widely on the Internet has revealed some of the more specific austerity measures currently being considered. These include constitutional amendments reducing free, compulsory school education from 11 to nine years, abolishing constitutional guarantees of the rights to free education and health care, and reducing the number of members of parliament from 450 to 150.

Other legislative “reforms” proposed include increasing the retirement age to 65 for both sexes and the closure of educational institutions and libraries. Social benefits to be abolished include free meals for school children and hospital patients, free health resort treatment for children, free participation in youth sports centers, most state-funded scholarships, and reduced fees on public transport for students and teachers. Inflation indexing for the salaries of public sector workers is to be suspended. Price controls on medicines are to be abolished.

Numerous social benefits are to be “monetized”—i.e., in-kind benefits are to be replaced with cash subsidies that will lag behind inflation. Social benefits to single mothers and various categories of pensioners are to be “revised.” Pensions for working pensioners are to be reduced by up to 90 percent. A moratorium on indexing pension benefits to inflation will be prolonged indefinitely.

Benefits for victims of the 1986 Chernobyl disaster are to be cut, and the boundaries of the officially designated radioactive hazard zone will be revised. Military servicemen are no longer to receive benefits for the rental and purchase of living quarters and uniforms, and the state will no longer pay employers for holding jobs for workers who have been drafted.

The Ministry of Finance document also recommends that school teachers’ weekly hours of classroom time be increased from 18 to 20 hours per week in 2015 and then to 25 hours per week in 2016. The Trade Union of Education and Science Workers of Ukraine has issued an open letter to President Petro Poroshenko warning that this measure will result in layoffs in 2015-2016 of approximately 100,000 teachers. A significant portion of the country’s other education workers will also lose their jobs in the coming years.

Parliament is expected to consider a budget based on

these Ministry of Finance recommendations on December 23. Under the draft currently under review, approximately 400 schools in rural areas with low numbers of students are to be closed. Spending on education is to be axed by approximately 20 percent, while spending on health care is to be reduced by approximately 40 percent. The actual extent of the cuts may turn out to be even greater due to the country’s very high rate of inflation.

The budget of the National Academy of Sciences of Ukraine (NANU) is likewise to be reduced by 25 percent. NANU trade union chair Anatoly Shirokov has noted that the academy is currently financed at just 65 percent of its minimum requirement, and that scientists “simply won’t be able to survive the proposed financing cuts.”

Ukrainian politician Volodymyr Oliynyk, a former member of parliament and ally of ex-President Viktor Yanukovich, has commented that the proposed austerity policies will inevitably lead to a “social explosion.”

Already protests have occurred over wage arrears among different sectors of workers. In the city of Ternopil in western Ukraine, teachers organized a street protest on December 4 over the failure of authorities to pay wages and bonuses owed to them. Ternopil provincial authorities later explained that they lack the funds to pay off wage debts to the teachers.

Educators likewise protested proposed cuts last Thursday in Ivano-Frankivsk. Public transportation workers struck in Kiev the same day, demanding payment of wage arrears. Protests of university students and instructors in Kiev are planned for December 23.

Kiev emergency physician Ihor Khlobov told Vesti, “They pay us wages, but in parts and not all at once. They promise to pay out all the money before the end of the year.” Khlobov explained that emergency medical service workers are frequently fined by their employer, for example, when their ambulance takes more than 10 minutes to reach its destination.



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