

State building and European integration in Ukraine

Wolczuk, Kataryna

DOI:

[10.1080/15387216.2019.1655463](https://doi.org/10.1080/15387216.2019.1655463)

License:

Other (please specify with Rights Statement)

Document Version

Peer reviewed version

Citation for published version (Harvard):

Wolczuk, K 2019, 'State building and European integration in Ukraine', *Eurasian Geography and Economics*, vol. 60, no. 6, pp. 736-754. <https://doi.org/10.1080/15387216.2019.1655463>

[Link to publication on Research at Birmingham portal](#)

Publisher Rights Statement:

This is an Accepted Manuscript of an article published by Taylor & Francis in *Eurasian Geography and Economics* on 19/8/19, available online: <http://www.tandfonline.com/10.1080/15387216.2019.1655463>

General rights

Unless a licence is specified above, all rights (including copyright and moral rights) in this document are retained by the authors and/or the copyright holders. The express permission of the copyright holder must be obtained for any use of this material other than for purposes permitted by law.

- Users may freely distribute the URL that is used to identify this publication.
- Users may download and/or print one copy of the publication from the University of Birmingham research portal for the purpose of private study or non-commercial research.
- User may use extracts from the document in line with the concept of 'fair dealing' under the Copyright, Designs and Patents Act 1988 (?)
- Users may not further distribute the material nor use it for the purposes of commercial gain.

Where a licence is displayed above, please note the terms and conditions of the licence govern your use of this document.

When citing, please reference the published version.

Take down policy

While the University of Birmingham exercises care and attention in making items available there are rare occasions when an item has been uploaded in error or has been deemed to be commercially or otherwise sensitive.

If you believe that this is the case for this document, please contact UBIRA@lists.bham.ac.uk providing details and we will remove access to the work immediately and investigate.

Statebuilding and European Integration in Ukraine

Kataryna Wolczuk

**Manuscript accepted for publication in
the Eurasian Geography and Economics (vol.60)**

2019

(‘Accepted for publication’ version)

Abstract:

The article analyses the impact on statebuilding as an aspect of Ukraine’s integration with the EU. The Euromaidan had a profound, yet hardly recognized, effect on EU-Ukraine relations, particularly in terms of the EU’s subsequent support of domestic reforms in Ukraine. Following the Euromaidan, the EU supported Ukraine’s aspirations to enter “economic integration and political association” by concluding an Association Agreement – an agreement which exceeded the capacity of the Ukrainian state to implement it. To increase this capacity, the EU has supported reform of public administration and has provided far-reaching assistance on capacity building in the government. This article posits that since 2014 European integration has become tantamount with (re)building the state structures in Ukraine. Therefore, the significance of European integration for Ukraine goes beyond the implementation of the Association Agreement and extends to root-and-branch reform of Ukrainian state structures.

Keywords: Ukraine, European Integration, Statebuilding, public administration reform, Euromaidan, Association Agreement, Support Group for Ukraine, capacity building

Introduction

The Euromaidan protests of 2013/14 had a range of consequences for Ukraine and international politics. Societal protests, the fall of the Yanukovych regime and Russia’s aggression against Ukraine have all prompted some actors within the EU institutions to “act differently” by support Ukraine in innovative ways. Indeed, it is one of those paradoxes of history that the latter resulted in a degree of proximity and engagement

between the EU and Ukraine, which was exactly what the Kremlin sought to prevent (Delcour and Wolczuk 2015).

Although membership for Ukraine was out of the question, the EU has concluded an Association Agreement (AA), including a Deep and Comprehensive Free Trade Area (DCFTA) with Ukraine.¹ The AA represented a breakthrough in EU-Ukraine relations: it promotes political association and economic integration while facilitating the modernization of the country, leading to, it is hoped, a more stable, well-governed and prosperous country.

It is well recognized that integration into a more advanced organization, such as the EU, enhances the credibility of domestic reforms in the aspiring countries. Aside from the economic gains from trade, benefits include a multiplicity of other goals, including securing the irreversibility of domestic reforms (Koleshnychenko 2008). This is especially so with regard to the EU. As the most densely legalized organization in the world, with a vast array of rules the participating countries need to adhere to, European integration is not only a foreign policy choice but becomes a causal variable in domestic policy making. While European integration represents a formidable challenge for Ukraine, Kyiv entered into this asymmetrical and complex agreement precisely to stimulate domestic reforms of the state and economy.

This article examines the relationship between these two processes: European integration and statebuilding within Ukraine. It will be noted that the EU, cognizant of the challenges facing Ukraine as it sought to integrate with the EU while facing Russia's aggression, has offered an unprecedented "reform stimulus" to Ukraine by supporting public administration reforms and assisting with capacity building in the government in order to overcome state weakness. This support goes well beyond what has typically been to the so-called "third countries", namely, countries which are not members nor candidate states.

Relatively little has been written about the EU's impact on domestic change in non-member states, outside the context of accession. Therefore, first section takes stock of the research on the impact of EU "beyond enlargement" and argues that the predominantly EU-focused explanations of the impact do not pay sufficient attention to how domestic and EU-level factors interact to shape domestic dynamics and outcomes. Thereafter, it provides an empirically-grounded account of the raft of measures through which the EU has engaged in statebuilding in Ukraine. The empirics points to a move away from the use of external incentives towards a more complex process of external actors engaging with domestic actors in reform coalitions. In Ukraine, it is argued, the EU has become a key transnational actor, working closely with domestic reformers to create "reform enclaves" inside state institutions to spearhead reforms.

As a result, Ukraine's European integration has become intertwined with statebuilding, as conceptualized by Orenstein et al. (2008) who proposed the quadruple transition framework – consisting of the nation-state building, democratization, marketization as well as integration. However, crucially they did not advocate simply inserting integration a neglected fourth component into the study of post-communist transition. Instead they suggested that "the project of nation-state building, democratization and marketization has

been embedded within transnational agenda and pressures, most importantly but not limited to those of the EU” (Orenstein et al. 2008, 6). This is particularly relevant to Ukraine, where domestic developments have been deeply shaped by a process of integration in legal, geopolitical and cultural dimensions (see Wolczuk 2016).

Conceptual Framework

Despite their ubiquity, dominant enlargement theories are of limited use for analyzing post-communist transformations and integration with the EU in the post-Soviet countries, owing to their excessive emphasis on conditionality and the membership perspective.

The external incentive model has been widely used to explain EU’s impact on domestic change in post-communist countries, in which the key instrument of Europeanization is conditionality (Schimmelfennig and Sedelmeier 2019). The EU offers its norms and rules as conditions that the target states have to fulfil in order to receive a reward. The model views the governments as unitary actors – responding to EU conditionality in a rationalist, instrumentalist way to the external conditions and reward. The simplicity of this model is hindered by a noteworthy limitation: it is premised on a specific configuration of conditions found in East-Central European countries, as retrospectively acknowledged by Schimmelfennig and Sedelmeier themselves (2019). This limits the applicability of the model to other post-communist countries. Indeed, the model fails to explain the EU’s role in Ukraine since the Euromaidan.

A more insightful theoretical framework with which to understand the EU’s diverse impact in accession countries was provide by Vachudova (2001). She starts by highlighting the EU’s passive leverage, defined as the traction that the EU has on the domestic politics of credible candidate states by the sheer virtue of its existence. This certainly resonates in Ukraine. Building on this, she posits that the active leverage of the EU includes the promotion of the political and economic benefits of EU membership, the costs of exclusion, and, by extension the relationship between the EU and non-member states. In her view, it is precisely the force of the EU’s passive leverage, which explains why potential future EU member states declare EU membership as their foremost foreign policy goal. However, for some states, such as Slovakia and Romania, the membership perspective was not enough to trigger domestic reform, as a result of which the EU had to step in with detailed and explicit pre-accession conditionality (see Vachudova 2001).

However, in these rationalist, institutionalist accounts, the membership perspective remains central and their limitations are exposed when they are applied to the western Balkans and the eastern neighbourhood. As regards the former, the offer of membership has been an ineffective stimulus to reform; while when it comes to the latter, in some countries, major reforms have been undertaken even in the absence of a membership perspective. Scholars therefore sought to tweak the models by identifying the specific conditions for the external incentive model work. However, by continuing to focus EU-related factors, to the detriment of domestic politics, despite the mounting evidence that in the case of Turkey and western Balkans, the theories struggle for a more universal applicability (see Giandomenico 2015).

Furthermore, the theories fail to account for the role of other regional powers, such as Russia, which has been at the heart of the new impetus behind the EU's relations with Ukraine (see Delcour and Wolczuk 2015; Wolczuk 2016).

Conversely, the EU has become a powerful transnational actor, even where membership is not on offer, such as through the European Neighbourhood Policy (ENP) in 2003-4 and then the Eastern Partnership (EaP) in 2009 – both ambitious and sophisticated policies, using a wide range of instruments and platforms for engagement with EU's eastern neighbours.² Both policies were designed to export EU's normative order to the countries outside its borders which are not prospective members. As was the case during the accession process, under the ENP, the neighbours would benefit from developing and modernising their public policies and economies by anchoring them in the EU model of governance (ENEPO 2007, 9). This process of adopting the EU rulebook (the *acquis*) in domestic legislation is known as legal harmonization. This process comprises both the “download” of EU rules into the domestic legal order and the creation and restructure of domestic institutions to make them capable of implementing the *acquis*.

So far, the neighbourhood policy has not generated much optimism amongst the scholars. Various analyses regarded it as flawed in that, in particular the EaP failed to endow the EU with sufficient leverage over the countries it seeks to influence. The EaP contained inadequate incentives for states to justify the painful process of adopting the EU's rule-setting agenda – in contrast to the ECE states prior to their accession. Vachudova argued that “the incentives that the EU is offering in exchange for reforms are too modest and too vague to be credible” (2008, 37). Yet even this fails to explain why, despite the lack of the membership perspective, integration with the EU – including the conclusion of the AA - has played such a salient role in domestic politics, up to the mass revolt and overthrow of the authoritarian regime in Ukraine. Neither can it explain the enhanced role of the EU in domestic reforms since the Euromaidan. This article seeks to answer this puzzle by an empirically-grounded investigation, which indicates the mechanism, namely EU's formation of reform coalitions and “reform enclaves” within public administration.

European Integration and State Weakness

The AA with the DCFTA represents an important shift in Ukraine's relations with the EU: it is an *integration-oriented* agreement (Van der Loo et al. 2015) – but it does not entail nor imply an offer a membership. The AA-DCFTA goes beyond a ‘standard’ FTA agreement by carrying a promise to eliminate non-tariff trade barriers to trade through a legalized, detailed and binding framework for economic and sectoral integration. It also contains provisions about various sectors, such as transport, environment and energy, whereby Ukraine undertakes to align itself with EU rules and standards (e.g. on anti-monopoly policy and food safety standards). In many chapters of the AA, the regulations to be transposed are listed in extensive annexes, which far exceed the main text of the agreement. The conclusion of the AA-DCFTA entails a profound impact on the regulatory framework of the country associated with the EU.

The AA has two roles: firstly, to enable political cooperation and economic integration with the EU and secondly, to drive the modernization of the economy and state institutions of signatory countries (see Dragneva and Wolczuk 2012; Wolczuk et al. 2017). From the EU's perspective, these roles are intertwined and mutually reinforcing (European Commission 2008, 4). At the heart of this process is institutional and regulatory convergence with the EU, something which is achieved through the 'import of the *acquis*'. The density and precision of these undertakings departs from the previously vague and unspecific frameworks for cooperation between the EU and Ukraine (Dragneva and Wolczuk 2012; Van der Loo 2016). Therein lies the actual salience of the AA: it seeks not only to integrate but also to transform the associated countries at the same time (Adarov and Havlik 2016; Emerson and Movchan 2016).

The EU is more effective than any other international organization in inducing domestic change in the process of integration. This is because European integration is a complex and lengthy process involving virtually all parts of the state and which penetrates deep into the state apparatus, ranging from food safety agencies to anti-monopoly policies. Certainly, the 2004-7 enlargement showed that European integration is positively associated with enhancing state capacity in post-communist countries. This is because, in the accession countries, the demands of integration were of such magnitude that sufficient administrative capacity were the *sine qua non* for dealing with the sheer volume of inter-sectoral matters to be dealt within tight time constraints (Fink-Hafner 2005; Leppert et al 2001). The application of EU law has some bearing on almost every aspect of public policy-making and implementation (Grabbe 2001, 1051). In particular, institutional adaptation was a response to the extensive functional pressures arising from the need to organise relations with the EU, formulate negotiating positions, and implement EU policies (Sedelmeier 2006). This process encompassed both general public administration reforms as well as the building of sectoral and horizontal capacity. The EU explicitly demanded from accession countries that they introduce independent professional bodies and protect civil servants from dismissal and extensive political interference. In particular, with regard to public administration reforms, the EU insisted on, first, the adoption of legislation governing the functioning of the civil service, second, the creation of a public administration reform strategy and, third, civil servant training (Dimitrova 2005: 82). Thus, the process of accession has spawned both comprehensive public administration reform as well as targeted capacity building to coordinate legal harmonization and accession to the EU. The resulting upgrade to state capacity in East-Central Europe has had a lasting positive effect on administrative capacity and policy making in general, and the implementation of the EU *acquis* in particular (Dimitrova et al. 2019; Sedelmeier 2006).

However, the post-Soviet states – apart from the three Baltic states – were left aside, despite their deep-seated problems. Ukraine shares its state weakness with most other post-Soviet states, including Russia. This commonality points to a deeper systemic legacy of misdevelopment in the Soviet period (see Solnick 1998). The USSR was an all-encompassing but ultimately shallow state, the structures of which were formally preserved and yet atrophied soon after its demise. While all post-communist countries suffered from state weakness and faced similar challenges (see Goetz and Wollmann 2001), East-Central

European states conducted public administration reforms in the 1990s, in part to eradicate communist legacies and in part to prepare for EU membership. Ukraine, however, continued to suffer from an “overbloated and yet ineffective apparatus of the state” (Kravchuk 1999).

For all other post-Soviet states, the delay in addressing public administration reforms had profound long-term consequences in terms of state capture – in which various element of the administrative and policy machinery became subordinated to powerful interests – state capacity has been further degraded. More specifically, state capture occurs when economic agents manipulate policy formation and even shape the emerging *rules of the game* to their own advantage (Hellman et al 2000). Administrative roles in individual ministries or other executive bodies provide ample opportunities for rent extraction in the course of regulatory functions, such as tax collection, licencing, registration, inspections etc. State weakness allows state capture as institutions are infiltrated by predatory networks. These networks corrode the capacity to devise and apply rules in a neutral way and indeed, conversely, seek to devise rules to facilitate rent extraction. As such, state capture further erodes the state capacity to devise, implement and enforce the rules in a competent and neutral way, which is necessary to deliver public goods for the public as a whole (van Zon 2001). In Ukraine, in the opaque networks of bureaucrats-cum-business, people become powerful veto players “whose agreement is necessary for a change in the status quo” (Tsebelis 2002, 19).

Against this backdrop, European integration became a way to provide a reform stimulus to Ukraine. The Ukrainian officials seeking closer relations with the EU sought to link domestic reform to European integration (Wolczuk 2004; 2009). In particular the Ukrainian officials, who conducted negotiations on the AA (2007-11) sought to ensure that Ukraine’s extensive commitments could be used as a leverage to promote domestic reform and thereby change the dysfunctional status quo (Langbein and Wolczuk 2012). Ironically, however, while Ukraine concluded the negotiations during Yanukovich’s presidency (2010-14), he systematically and relentlessly hollowed out the state through unprecedented state capture (Dragneva and Wolczuk 2015). The resulting state weakness was vividly exposed during 2014, as analysed by D’Anieri (2017).

As a net result, as Ukraine was concluding a complex and ambitious agreement with the EU, the gap between formal, legal commitment and its capacity to implement that commitment was growing exponentially. By 2014, the scale of domestic change required in Ukraine to strengthen state capabilities in order to pursue integration with the EU was considerably larger than was the case in the East-Central European countries in the 1990s. This dual role of the AA – both as a transformation and integration device – has meant that the agenda for AA implementation is huge in terms of sheer scope, depth of required change, and associated costs for the associated country. Crucially, the challenge of eradicating state weakness per se was explicitly recognized by some in the EU institutions. As a high-level official in the EU Delegation put it:

The government apparatus is probably too big for the purposes the country needs it to serve. And it is certainly not up to delivering the kind of public service quality that

Ukraine requires. We could compare the government's central administration to a company with 220,000–230,000 employees. It is all but bankrupt, but we need this company regardless because it has, so to say, a monopoly on the product it delivers. So we have to reorganize it (De Groot 2016).

The EU supports Ukraine in “ensuring a stable, prosperous and democratic future for all its citizens” (EEAS 2016), this means, that by implication, it also supports the notion of helping create a state which can deliver the above. As was widely realised in international development, “for donors to simply attend to social and economic needs without sufficient attention to the basic functioning of core political institutions makes no sense” (Carothers and De Gramont 2013, 97).

The Euromaidan, the conclusion of the AA, Russia's aggression against Ukraine, and the influx of new pro-EU actors (i.e. willing domestic actors to engage with), provided a unique situation, within which the EU could have an impact.

EU's Support for State Building

European integration – including association – is premised on strong state capacity to enact new rules. State capacity refers to the state's institutional capability to design and carry out a range of public policies that deliver benefits and services to the public and economic actors. Building state capacity entails having a long-term vision that may need to override the short-term political calculus of the political class, which tends to prevail in the post-Soviet states in general. It is particularly important to develop state capacity to implement reforms which is as immune as possible from shifting political configurations within government and parliament (Wolczuk and Zeruolis 2018).

The European Commission has offered assistance to help build state capacity. Four key features of this work are noteworthy. First, the EU engaged in statebuilding in Ukraine, a task it usually leaves to other transnational actors. Second, through a dedicated taskforce, it has developed a dynamic approach, which is designed around the specific needs of the country. Third, the EU officials have worked with domestic actors to form reform coalitions. However, the EU has not only sought to empower reformers within the government but actually funded an increase in their numbers. All of this is evidence that the EU has a deep understanding not only of the state weakness of Ukraine, but also the dangers it represents to Ukraine's European integration and resilience.

The above mentioned taskforce, the Support Group for Ukraine (SGUA), was an innovation conceived in 2014 under the Barosso presidency of the European Commission, which became operational under Junkers' presidency. It was created as a dedicated unite, consisting both European and national officials from EU member states. Ukraine is the only state, which as a “third country” to the EU, has been allocated such a dedicated taskforce. By 2019, staffed with about 35-37 officials (some of whom are located in Kyiv), the SGUA had launched various innovations, under the stern leadership of Peter Wagner since 2016.

Statebuilding, rather than simply implementation of the AA, became an explicit and ambitious priority of the EU's actions in Ukraine:

Actions will enable reform in all sectors of public administration and in public finance management, including law enforcement, border, customs and migration management, judiciary and local government. This will result in delivery of high-quality, secure and user friendly public services to citizens and enterprises, good policy development and strategy, accountability and transparency of state authorities and a motivated, professional, skilled and gender-balanced workforce. New actions will contribute to the rationalisation of state bodies, promotion of cross-sectorial collaboration, and implementation of e-governance (European Commission 2018).

The SGUA has control over design and disbursement of financial assistance since July 2015.³ This, in conjunction with its responsiveness meant it was well placed to help identify and address reform blockages.

While the EU and its member states are the biggest international donor in Ukraine, the SGUA has coordinated its assistance with other international donors (see Wolczuk and Zeruolis 2018). Thanks to the pooling of various sources, extensive funding has become available to Ukraine, well beyond the narrowly defined country allocation within the context of the European Neighbourhood Instrument. While onerous to achieve, close coordination also allows different sources of funding to be “blended”, including those of European Bank for Reconstruction and Development (EBRD) and the European Investment Bank. The EU created a multi-donor account, which receives financial contributions from 17 countries and supports various reform activities (De Groot et al. 2019). As the biggest-by-far financial contributor to this financing instrument, the EU has taken a lead in creating the multi-stranded Ukraine Reform Architecture. This architecture involves both Public Administration Reforms (PAR) and a range of other flanking measures to boost capacity within the public administration, which will be analysed below.

Public Administration Reform⁴

The need for Public Administration Reforms (PAR) in Ukraine had long been known. However, the ongoing political instability made it difficult to launch and sustain the reform process during 2005-9 (see SIGMA, 2007). Under President Yanukovich 2010-14), political resistance to reforms became stronger. For example, the EU's offer of €100 million budgetary support to PAR, was turned down by Prime Minister Mykola Azarov who was discouraged by the associated conditionality and benchmarking.⁵ EU institutions and various EU member states also provided assistance which mainly consisted of technical assistance projects, which were numerous and fragmented, and therefore largely ineffective in terms of reforming state institutions (Wolczuk and Zeruolis 2018). The Euromaidan provided a new impetus for PAR on the understanding that “a thorough reform of public administration is indispensable for the successful implementation of Ukraine's ambitious reform process” (SGUA 2016). A professional, well-motivated and, most importantly, independent civil service can impose limits on state capture and abuse of power by power holders.

Indeed, within weeks of Euromaidan, the European Commission had re-distributing financial resources within the EU assistance programmes, such as the European Neighbourhood

Instrument to create the so-called State Building Contract. The Commission sought to provide support for the creation of an independent, civil service, including, amongst others, separating political positions from administrative positions, and those in the public sphere from those in the private; meritocratic, non-political recruitment; as well as promoting senior and middle level civil servants, offering employment security and adequate remuneration (European Commission 2014, 5).

While Prime Minister of Ukraine Arseniy Yatsenyuk and European Commission President José Manuel Barroso signed the Financing Agreement for the State Building Contract in 2014, with an allocation of €80 mln to supplement salaries of newly-selected public servants to competitive level.

Working in the background, the EU officials helped ensure that the draft law on the civil service met international benchmarks (see below). The Group provided support to various stakeholders in their quest to have the law, which would subsequently be one of the pillars of Public Administration Reform, adopted by the Verkhovna Rada in December 2015, entering into force on 1 May 2016 (De Groot et al. 2019).

In parallel to the legal basis, the Support Group pushed for PAR asking for an overall strategy and implementation plan, which the EU could provide financial support for. Thus, the EU made assistance conditional upon political buy-in as well as a feasible and clear reform strategy. It is indicative that attempts to draw up such a strategy under Prime Minister Arseniy Yatseniuk (2014-16) were inconclusive. Hence, the offer of financial support was therefore suspended and additional high-level advisers were recruited to steer the process.

The appointment of a new government in April 2016 provided another ‘window of opportunity’ for a renewed impetus. The new Cabinet of Ministers adopted a comprehensive Public Administration Reform Strategy (PARS), together with a corresponding implementation plan, in June 2016. The preparation of the law, strategy and implementation plans involved an inclusive consultation process in which civil society had been encouraged to participate. The new law established competitive selection procedures and a dedicated commission was set up to implement them in July 2016. In order to support the reforms, in late 2017, as part of the State Building Contract’, the EU offered €71mln for PAR and €104mln to put in place “a new generation of Ukrainian public servants, organize the government according to European standards, implement best practices in policy-making and advance key sector reforms” (EEAS 2016, 2).

In promoting administrative reforms, the EU has relied on the approach defined by the Support for Improvement in Governance and Management (SIGMA), a joint initiative by the Organization for Economic Cooperation and Development (OECD) and the EU since the 1990s. SIGMA is mainly funded by the European Commission in order to develop a framework for defining and evaluating administrative baseline criteria. The framework was pioneered for the Eastern enlargement candidates and then further expanded, culminating in a comprehensive and elaborate set of principles of public administration grouped into six categories, each with a detailed set of benchmarks and assessments (SIGMA 2017). From mid-2000s, SIGMA had started assessing the capacities to Ukraine from mid-2000

onwards (SIGMA 2007), but Ukrainian and EU officials turned SIGMA standards into explicit and formal benchmarks for PAR in the aftermath of the Euromaidan.

Once the comprehensive Public Administration Reform Strategy (PARS) for 2016-2020 was adopted by the Ukrainian government in June 2016, in December, the European Commission and Ukraine signed a memorandum in support of comprehensive PAR in Ukraine. In return, the EU provided substantial budgetary support to initiate a wholesale reform of its entire public administration. (This PARS was developed in conjunction with OECD's SIGMA in line with the Principles of Public Administration.) Ukraine is also subject to monitoring of the PARS implementation. By request of the Ukrainian government, the SIMGA assessment in 2018 was based on the methodology and indicators developed for the EU candidate countries, which are more rigorous than those designed for ENP countries. The assessment concluded that reform is progressing slowly and is over-ambitious in the short to medium term (SIGMA 2018).

This assessment underscores the fact that comprehensive reforms take time to take root. This is a classic conundrum that the reform process engenders: opting for comprehensive reforms leads to a more fundamental transformation but only in the long terms, while the pursuit of rapid gains is less likely to result in a fundamental transformation. EU officials were only too aware that fundamental reforms are needed but they would take years, if not decades, to accomplish (Dimitrova et al. 2019, 11). So, rather ingeniously EU officials have created “reform enclaves”, which can drive specific reforms while the administration as a whole lags behind, something which temporarily results in a two-tier administration

Multiplying Reform Enclaves within Public Administration

In addition to supporting PARS, there have been several important innovations to spearhead reforms within the government both at the political and administrative levels. Working with other international donors, the EU has supported the creation of dedicated reform units within the government. Starting reforms with relatively targeted and carefully selected reform units that manage tasks linked to policy making - including designing and implementing fundamental reforms and pursuing European integration – promise quicker results. Four particular innovations stand out.

First, the EU has funded the Strategic Group of Advisers (SAGSUR), created by the IBRD. This high-level advisory group led by Ivan Miklos, the architect of Slovak economic reforms, advises the Prime Minister of Ukraine on strategic key reforms, including pensions, health services etc. The strategy involves the creation of a close-knit group who develop a deep knowledge of the country and work closely with the key officials, providing advice on reform of healthcare, education and pensions (Miklos and Kukhta 2019).

Second, the Reform Delivery Office (RDO), which is working with the Prime Minister's office, acts as a permanent advisory body to the Cabinet of Ministers, coordinated by the Prime Minister and headed by the Minister of the Cabinet of Ministers. The RDO is primarily responsible for the development and implementation of the annual government reform plan, overall coordination and ensuring consistency of reform delivery across the Government. The team is particularly focused on the implementation of Ukraine's public

administration reform (Miklos and Kukhta 2019; De Groot et al. 2019). In 2017, the RDO prepared the strategic governmental plan such as the Mid-term Plan of Reform Priorities for 2017-2020. This is the most comprehensive and realistic plan outlining the reforms of the state and economy, that Ukraine has ever developed (*Kabinet of Ministers*, 2017).

Third, Reform Support Teams (RST) have been created in several ministries. Crucially they consisted of reform-minded Ukrainians, rather than international experts. The RST have a dual role, first, to implement the PARS in their respective ministries and, second, to design, develop and implement relevant sectoral reforms. One of the lessons learnt is that a need for systematic reforms needs to avoid limited, random interventions and instead utilise a strategic, sectoral approach. A sectoral approach is pivotal, because the appropriate use of sectoral reform strategies means that tasks are prioritised and done in the right order to enable reforms to build on each other in a systemic way.

The fourth – and arguably the most important – innovation has been the creation of reform posts within the public administration bodies. Thanks to its scale of its funding, the EU was able to provide what international donors can rarely afford to fund in beneficiary countries, namely, support for reform positions across a number of ministries. Coordinated by the SGUA, ten ministries as well as the Secretariat of the Cabinet of Ministers agreed to participate in a pilot where reform positions were established starting with secretary generals down to technical specialists. Most importantly, the SGUA made support available upon adopting a special recruitment process. This procedure allowed the government to hire people experienced in civil service and external specialists with respective competency and experience in business and non-government sector. Ukraine was offered €104 million in funding; the plan is to recruit around 2000 civil servants in an independent selection process by 2020. Apart from ministries, the Secretariat of the Cabinet, which oversees administrative reforms, is also a beneficiary of the scheme. These initiatives have resulted in the recruitment of new, highly talented public servants positioned in strategic positions across government where they can act as a “reform enclaves” and act as “agents of change” inside the government in field such as public finance, agriculture, energy efficiency, environment, economic development and infrastructure. By bringing highly competent Ukrainians from outside public administration, lured by with more job satisfaction and better salaries than state positions usually attracted, the EU not only bolstered reformers, but increased their numbers. This is a vast improvement on the old system of ‘importing’ experts.

In engaging in these initiatives, the EU goes well beyond the narrowly defined implementation of the AA. By focusing on the fundamental preconditions for the AA implementation in terms of building state capacity, the EU is playing a more pivotal role than originally expected. Indeed, it has directly contributed to the emergence of stronger domestic institutions, and the strengthening of the capacity of the state to deliver public goods, while increasing its resilience to the transgressions of political elites seeking to secure their own interests.

Indeed, the EU has hoped to curb state capture. Crucially, PARS have been bolstered by anti-corruption reforms as a second plank of its support for statebuilding (see Lough and

Dubrovskiy 2018). In this regard, the AA has provided a powerful stimulus for EU officials to focus on tackling long-standing weaknesses and challenges, thereby ensuring that Ukraine's integration with the EU results in tangible results in terms of eradicating long-standing problems Ukraine has faced (Mathernova 2019). Like PAR, the anti-corruption reforms are ongoing and will take years if not decades to succeed, if at all

Common to all of these initiatives is the focus on generic institutional reform rather than capacity simply to implement the AA and has supported the meaningful rebuilding of the state. This is in contrast to 2004 enlargement, which emphasised "compliance with the *acquis*", as the East-Central European were further along the path of comprehensive reform than was Ukraine (Dimitrova et al 2018). Only where candidate states lacked capacity, such as Lithuania, did the EU apply conditionality and provide assistance (see Nakrosis 2003). In the Western Balkans, the EU also prioritised the fundamentals of the rule of law and anti-corruption institutions. Rather interestingly, there is little evidence that the instruments developed for the Western Balkans were transferred directly to Ukraine. Rather, the initiative undertaken in Ukraine was developed by a group of EU officials and experts working in tandem with other international donors, especially the EBRD, and domestic reformers. This support was developed in an indigenous way to deliver a 'better-targeted and better-timed support' (Miklos and Kukhta 2019, 4). In comparison to the pre-Maidan period, a seasoned expert assessed the changed approach as follows: "To sum up, the European Commission is implementing a comprehensive, long and apparently well planned pursuit of PAR in Ukraine. It is displaying much-needed leadership and conditionality, which is positively puzzling" (Žeruolis 2019).

Analytical challenges: mechanism and outcomes

As was highlighted above, the limits of the rationalist institutionalist soon became apparent in the aftermath of the 2004-7 enlargements:

[S]tudying the impact of transnational actors on states with an EU membership perspective turns out to be easy [...]. Beyond the line in the sand that separates these states from the rest of the post-Soviet space, the arrows no longer all point in the same direction, and the impact of transnational actors becomes much more murky. In this it resembles more closely other world regions, such as Latin America, the Middle East, and Africa (Vachudova 2008: 37).

In a similar vein, Sedelmeier (2006) noted the analytical challenge of devising a framework in order to explain just how the EU impacts domestic change in neighborhood states, which lack a membership perspective. The approaches stressing the external incentive have limited utility because they underplay the domestic dynamics and demand for reforms inside the countries. Yet, it is precisely these under-appreciated factors which the EU has been able to capitalise on. In fact, this more nuanced picture was already noted. For example, Grabbe (2001; 2004) and Epstein (2008) have observed that domestic reformers, in the face of hurdles tend to turn to international organizations and the influence that they bring. This is certainly resonates in Ukraine: working with the EU was seen as the key to addressing the weak indigenous capacity for reform (Wolczuk, 2009). While the EU is regarded as more effective than any other international organisation in promoting domestic change in non-

member states, this is only the case when it has domestic actors with which it can work as argued by Jacoby (2006, 626-35). Despite its relatively weak incentives (in comparison to enlargement), the “modernisation through integration” agenda can be effective when there are motivated and committed domestic actors who use the EU for guidance and support. The fact that the EU was responsive to the agenda of these actors is also a key element to the success of the process. Indeed, it is striking how closely the EU officials and experts worked with domestic actors and engaged in reform coalitions across a variety of fields and sectors. As noted by Samokhvalov (2019), these coalitions “transgress formal institutional positions and levels with information and action flows cutting across various dimensions”. The utility of the coalitional approach to external influence stems from its linking EU agenda to specific actors at the domestic level because “external influences matter precisely where they best connect with domestic processes, not where they act independently” (Jacoby, 2008: 69) This is certainly how international donors seek to promote reforms in developing countries (see Carothers and De Gramont, 2013).

However, in analytical terms, this precise mechanism by which the process works is hard to discern. As Samokhvalov argues, “even though it is analytically convenient to distinguish various forms of influence, in real life no dimension of EU-Ukraine interaction has been air-tightly isolated from others. They should not be treated separately” (2019). The study of EU’s support for statebuilding since the Euromaidan blurs the dichotomy between domestic and international explanations. While external influence – through coalition building - does not always work, when it does it is “particularly hard to see, precisely because it is so bound up with domestic politics”, as noted by Jacoby (2008: 71). This complexity and blurring perhaps accounts for the scarcity of analysis of EU’s support for Ukraine, something which clearly warrants further investigation.

The second analytical challenge is to gauge the outcomes of the statebuilding agenda pursued. It has become abundantly clear that rebuilding the post-Soviet states is an arduous and drawn-out process (see SIGMA 2018). In Ukraine for sure, within line ministries, rent-extraction provides powerful incentives to resist reforms, which curb the corrupt practices (van Zon, 2000). However, equally important is the sheer scale and complexity of devising and implementing root-and-branch reform across government. Therefore, conceptualising the domestic impact of European integration in Ukraine five years since the Euromaidan presents a considerable challenge. Rather than rapid, comprehensive and harmonized change, we can observe gradual forms of change such as those delineated in historical institutionalism (Thelen 1999), which argues that while various legal and institutional changes are made, yet they are often fragmented, and are impacted on by elements of the existing system which linger on. So, the new elements are introduced – like reform teams or new directorates – work in conjunction with existing bodies, which are subject to slower reforms. The result is overlapping functions, conflict of interests and so forth. While this dynamic is unavoidable, it results in a particularly complex process which is hard to examine and conceptualise (see Kupriy 2019).

Conclusions

Since the events of 2014, much attention has been paid to the EU's role in deterring Russia's aggression against Ukraine, especially the role of sanctions. Yet arguably, the most important event has been the change in EU-Ukraine relations. For sure, the Euromaidan was instrumental in enabling Ukraine's closer integration with the EU, above all through the conclusion of the AA. However, the significance of integration with the EU goes beyond the narrowly defined implementation of the AA. While the AA embodies long-term aspirations, the EU's innovative and tailored support is proving to be transformational. Aside from any trade benefits resulting from economic integration, some of which is already materializing, for Ukraine the salience of European integration lies not so much in the AA - and trade liberalization in a narrow sense – but above all in the stimulus it offers for deeper reforms of the governmental structures. While the process of state building is inevitably slower and more arduous than expected, the underlying rationale for seeking integration with the EU, despite the absence of the membership perspective, has been validated.

By making statebuilding a pre-condition for European integration, the EU innovated and devised a developmental approach, more in tune with the specific needs of the target country. In doing so, the EU's innovations in Ukraine are likely to offer lessons far beyond Ukraine and have wider ramifications for the EU's external action in Eastern Europe and more broadly.

Author:

Kataryna Wolczuk is Professor of East European Politics, Centre for Russian, European and Eurasian Studies, University of Birmingham, Birmingham, UK, e-mail: k.wolczuk@bham.ac.uk

Acknowledgement:

The author acknowledges the support this research paper received from the Horizon 2020 research and innovation programme of the EU (project EU-STRAT 'The European Union and Eastern Partnership Countries – An Inside-Out Analysis and Strategic Assessment') under grant agreement number 693382.

BIBLIOGRAPHY

- Adarov, Amat and Havlik, Peter. 2016. *Benefits and Costs of DCFTA: Evaluation of the Impact on Georgia, Moldova and Ukraine*, Vienna: Vienna Institute for International Economic Studies.
- D'Anieri, Paul. 2017. "Anarchy, the State, and Ukraine", In *Paradox of Power The Logics of State Weakness in Eurasia*, edited by J. Heathershaw and E. Schatz, 200-214, Pittsburgh, Pa.: University of Pittsburgh Press.
- Delcour, Laure and Wolczuk Kataryna. 2015. "Spoiler or facilitator of democratization? Russia's role in Georgia and Ukraine." *Democratization*, 22(3), 459-478.

- Dragneva, Rilka and Wolczuk, Kataryna. 2012. "EU Law Export to the Eastern Neighbourhood", In *EU External Relations Law and Policy in the Post-Lisbon Era*, edited by P. Cardwell, 217-240, The Hague: TMC Asser Press.
- Dragneva, Rilka and Wolczuk, Kataryna. 2014. "The EU-Ukraine Association Agreement and the Challenges of Inter-Regionalism", *Review of Central and East European Law* 39: 213-244.
- Dragneva, R. and Wolczuk, Kataryna. 2015. *Ukraine between the EU and Russia: The Integration Challenge*. Houndmills and New York: Palgrave Macmillan.
- De Groot, Berend. 2016. "EU Diplomat: Ukraine's Public Administration Needs New Talent", Interview for the Ukrainian press, available at <https://euukrainecoop.com/2016/11/01/public-administration/>.
- De Groot, Berend, Maslowska, Maria, Schleuning, Stefan and Wagner Peter. 2019. "Overcoming challenges with innovation. Capacity building in transition countries – examples from the Eastern Partnership and Ukraine", *New Easter Europe*
- Dimitrova, Antoaneta. 2002. "Enlargement, Institution-Building and the EU's Administrative Capacity Requirement." *West European Politics*, 25(4), 171-190.
- Dimitrova, Antoaneta. 2005. "Europeanization and Civil Service Reform in Central and Eastern Europe", in *The Europeanization of Central and Eastern Europe* edited by F. Schimmelfennig and U. Sedelmeier. 71-91, Ithaca and London: Cornell University Press.
- Dimitrova, Antoaneta, Lanbeing, Julia, Mankokas, Klaudijus and Wolczuk, Kataryna. 2019. "Learning from Enlargement@ Compring EU capacity building and monitoring under enlargement with the implementation of the Association Agreement, EU-STRAT Paper.
- EEAS. 2016. "EU-Ukraine relations, European External Action Service", https://eeas.europa.eu/headquarters/headquarters-Homepage/1937/ukraine-and-eu_en [accessed 20 July 2019].
- Emerson, Michael. and Movchan, Veronika (eds.). 2016. *Deepening EU-Ukrainian Relations. What why and how?* London, Rowman & Littlefield International.
- ENEPO. 2007. "Working Paper on concepts and definitions of institutional development (harmonisation) and methodology of measuring them", EU Eastern Neighbourhood: Economic Potential and Future Development, June.
- European Commission. 2008. *Eastern Partnership*. Communication to the Council and to the European Parliament, COM (2008) 823 final, 3 December.
- European Commission. 2014. "Commission Implementing Decision of 29.4.2014 modifying the Commission Decision C(2013) 8059 of 20 November 2013 on the ENPI Annual Action Programme 2013 in favour of Ukraine to be financed from the general budget of the European Union", Brussels.
- Epstein, Rachel. 2008. *In Pursuit of Liberalism: International Institutions in Postcommunist Europe*, Baltimore: Johns Hopkins University Press.
- Fink-Hafner, Darina. 2005. "Europeanization of the Core Executive in the Transition From EU Accession to Full EU Membership", Paper presented at the EUSA Ninth Biennial International Conference, March 31-April 2, 2005, Austin, Texas.
- Goetz, H. Klaus and Wollmann, Helmut. 2001. "Governmentalizing Central Executives in

- Postcomunism Europe: A Four-country Comparison”, *Journal of European Public Policy*, 8, 6, 864–87.
- Giandomenico, Jessica. 2015. Transformative Power Challenged. EU Membership Conditionality in the Western Balkans Revisited. *Skrifter utgivna av Statsvetenskapliga föreningen i Uppsala* 194. Uppsala: Acta Universitatis Upsaliensis.
- Grabbe, Heather. 2001. “How does Europeanization Affect CEE Governance? Conditionality, Diffusion and Diversity”, *Journal of European Public Policy*, 8(6), 1013–1031.
- Grabbe, Heather. 2003. Europeanisation Goes East: Power and Uncertainty in the EU Accession Process, In *The Politics of Europeanisation* edited by Kevin Featherstone and Claudio, Radaelli. 303-323, Oxford: Oxford University Press,
- Hellman, Joel, Jones, Geraint and Kaufmann, Daniel. 2000. “How Profitable is Buying State Officials in Transition Economies”. *Transition* 11, 8-11.
- Jacoby, Wade. 2006. “Inspiration, Coalition, and Substitution. External Influences on Postcommunist Transformations”, *World Politics*, 58..
- Kabinet of Ministers of Ukraine. 2017. Seredniostrokovyi Plan Priorityetnykh Diy Uryadu do 2020 [the Mid-Term Plan of Priority Actions of the Government till 2020. Available at <https://www.kmu.gov.ua/ua/npas/249935442> [accessed 18 July 2019]
- Kolesnichenko, Anna. 2009. “Institutional Harmonization and its Costs and Benefits in the Context of EU Cooperation with its Neighbours”. *CASE Network Studies and Analyses*. Warsaw.
- Kravchuk, Robert. 1999. “The Law on the Civil Service: A Case Study of Administrative Reform in Ukraine”, in *State and Institution Building in Ukraine*, edited by T. Kuzio, R.S. Kravchuk and P. D'Anieri, New York: St. Martin's Press
- Kupriy, Nataliya. 2019. “Public administration reform in Ukraine: A review of accomplishments”, Ukrainian Prism: Foreign Policy Council, available at <http://prismua.org/en/pdf/2019-02-8/> [accessed 20 July 2019]
- Langbein, Julia and Wolczuk, Kataryna. 2012). "Convergence without Membership? The Impact of the European Union in the Neighbourhood: Evidence from Ukraine." *Journal of European Public Policy*, 19(6), 863-881.
- Lough, John and Dubrovskiy, Vladimir. 2018. “Are Ukraine’s Anti-corruption Reforms Working?”, *Research Paper*, London: Chatham House.
- Miklos, Ivan and Kukhta, Pavlo. 2019. *Reforms in Ukraine after Revolution fo Dignity: what was done, why not more and what to do next*. Kyiv: Strategic Advisory Group for Support of Ukrainian Reforms.
- Mathernova, Katarina. 2019. “ Ukraine and the European Union“ in. *Reforms in Ukriane after Revolution fo Dignity: what was done, why not more and what to do next*. Edited by Miklos, Ivan., and Kukhta, Pavlo. 144-165, Kyiv: Strategic Advisory Group for Support of Ukrainian Reforms.
- Nekrosis, Vitalis. 2003. “Assessing governmental capabilities to manage European affairs. The case of Lithuania” in. Pettai, Vello and Zielonka, Jan, *The Road to the European Union*. Vol.2 (Estonia, Latvia and Lithuania), 104-139.

- Orenstein, Michel, Bloom, S., and Lindstrom, N. 2008. "A Fourth Dimension of Transition", in M. Orenstein, S. Bloom, and N. Lindstrom, (eds.), *Transitional Actors in Central and East European Transitions*. Pittsburgh: University of Pittsburgh Press, pp. 1-18.
- Samokhvalov, Vsevolod. 2019. "Linking Linkages, Leverage and Others: The Role of Cross-Dimensional Networks in EU Democracy Promotion", Manuscript in preparation.
- Sedelmeier, Ulrich. 2006. "Europeanisation in New Member and Candidate States", *Living Reviews in European Governance*, 1, 3, available at: <http://www.livingreviews.org/lreg-2006-3>, accessed 25 April 2007.
- SIGMA. 2006. Ukraine Governance Assessment. OECD, SIGMA Programme.
- SIGMA. 2017. *The Principles of Public Administration*, OECD, Paris, http://sigmaweb.org/publications/Principles-of-Public-Administration_Edition-2017_ENG.pdf.
- SIGMA. 2018. Baseline Measurement Report: The Principles of Public Administration – Ukraine. June, OECD Paris.
- SGUA. 2016. "Support Group for Ukraine: Activity Report, the first 18 months". The European Commission, Brussels.
- Solnick, Steven. 1998). *Stealing the State. Control and Collapse in Soviet Institutions*, Cambridge Mass.: Harvard University Press.
- Thelen, K. (1999) Historical Institutionalism in Comparative Politics. *Annual Review of Political Science*, 2, 369-404.
- Tsebelis, George. (2002) *Veto Players: How Political Institutions Work*, Princeton University Press
- Van der Loo, Guillaume, Van Elsuwege, Peter and Petrov, Roman. 2014. "The EU-Ukraine Association Agreement: Assessment of an Innovative Legal Instrument", *EUI Department of Law Research Paper No. 2014/09*, July, Florence: European University Institute.
- Van der Loo, Guillaume. 2016. *The EU-Ukraine Association Agreement and Deep Comprehensive Free Trade Area*, The Hague: Brill/Nijhoff.
- Van Zon, Hans. 2000. *The Political Economy of Independent Ukraine: Captured by the Past*. Macmillan: London.
- Wolczuk, Kataryna. 2008. "Ukraine and Its Relations with the EU." *Ukraine: Quo Vadis*, Chaillot Papers (EU Institute for Strategic Studies, Paris) 108: 87–118.
- Wolczuk, Kataryna. 2009. "Implementation without Coordination: The Impact of the EU Conditionality on Ukraine under the European Neighbourhood Policy", *Europe-Asia Studies*, 61:1, 187–211
- Wolczuk, Kataryna. 2016. "Ukraine and Europe: Re-Shuffling the Boundaries of Order." *Thesis Eleven*, 136(1), 54-73.
- Wolczuk, Kataryna. 2018. "The Development of an Institutional Framework for the Implementation of the Association Agreements in Georgia, Moldova and Ukraine: a comparative perspective". *Study*, The European Parliament, Brussels.

Wolczuk, Kataryna, Delcour, Laure, Dragneva, Rilka, Maniokas, Klaudijus and Žeruolis. Darius. 2017. “The Association Agreements as a Dynamic Framework: Between Modernization and Integration”. *EU-STRAT Working Paper Series*, Berlin.

Wolczuk, Kataryna and Žeruolis, Darius. 2018. “Rebuilding Ukraine: An assessment of EU assistance”, *Research Paper*, London: Chatham House.

Žeruolis, Darius. 2018. “Association Agreement between the European Union and Ukraine: improving the imperfect framework to deliver reforms”, Unpublished Report.

¹ However, the conclusion of the AA was delayed four times (for details see Wolczuk at al. 2017).

² The ENP is a composite policy, framing relations with Union’s neighbours in the east and south. The ENP subsumes a number of initiatives, most notably the Mediterranean Union and the Eastern Partnership, and country-specific bilateral instruments, which are either legally binding (such as new Association Agreements) or are more political in their nature (such as the Association Agendas), as well as various assistance programmes such as the European Neighbourhood Instrument.

³ From 2014 to 2017 bilateral assistance to Ukraine – in the context of the European Neighbourhood Instrument - was provided in the form of annual Special Measures. For 2017-20, the Single Strategic Framework for 2017-20 was adopted, which includes “good governance” as one of the key priorities for funding.

⁴ The empirical section is based on first, an analysis of documentary sources as well as on extensive contacts and seminar presentations with EU and Ukrainian officials and experts held by the Ukraine Forum, Russia and Eurasian Programme at Chatham House in London (of which the author is an Associate Fellow) during 2014-19. Most of those meetings were held under the Chatham House rule so information cannot be attributed to specific participants. The participants included, amongst others, Peter Wagner (head of the SGUA), Katarina Mathernova (deputy director general in the European Commission), Oleksandr Saienko (Minister of the Cabinet of Ministers in charge of PAR (2016-19), Ivanna Klimpush-Tsintsadze, deputy Prime Minister for European and Euro-Atlantic Integration (2016-19). The empirical section also draws on extensive information gathered during fieldwork in Kyiv (in May 2018) to prepare a study on the institutional mechanism for the implementation of the AA in Georgia, Moldova and Ukraine prepared for the European Parliament (see Wolczuk 2018). This fieldwork was greatly facilitated by the EU Delegation in Kyiv. The author is deeply grateful to all EU and Ukrainian officials and experts for sharing their insights.

⁵ Author’s interview with EU official, Kyiv, September 2013.