Financial Assistance to Needy Elderly by the German Government Reparations Program: The Case of the Ukraine

Key concepts:

FSU-Former Soviet Union
NIS- Newly Independent States of the Former Soviet Union
Reparations – Financial compensation paid to the victims of World War II, non-Jewish
Survivors – Elderly population forced to work for the German industry during the World War II
Domestic - Ukrainian
Corruption and Bureaucracy
Ukraine of Today

After Russia, the Ukrainian republic was the most important economic component of the FSU, producing about four times the output of the next-ranking republic. Its fertile black soil generated more than one-fourth of Soviet agricultural output, and its farms provided substantial quantities of meat, milk, grain, and vegetables to other republics. Likewise, its diversified heavy industry supplied the key equipment (for example, large diameter pipes) and raw materials to industrial and mining sites (vertical drilling apparatus) in other regions of the FSU. After the collapse of the FSU and formation of Newly Independent States (NIS), the relatively stable Soviet systems of social care, protection and pension provision became obsolete. Major political, economic and social institutions needed to be reestablished. Shortly after independence in late 1991, the Ukrainian Government liberalized most prices and erected a legal framework for privatization, but widespread resistance to reform within the government and the legislature soon stalled reform efforts and led to some backtracking. Loose monetary policies pushed inflation to hyperinflationary levels in late 1993. As a result of such a rapid shift from a centralized and stable Soviet system to a “so called independent” one, NIS have found themselves incapable of quickly overcoming temporary financial, economic and political declines. For the developing bureaucracies of these nations, the absence of experience, transparent leadership, and accountability became major contributors to bribery, corruption, political fraud and financial fraud. As a result of such dynamics, women, children and the elderly became unprotected socially and infringed financially. They became the needy layers of society.

Due to constant changes in political and economic spheres, a vast number of international institutions offered to provide technical, financial, and other types of assistance. Here are just a few of them: UNDP, IMF, WB, IOM, USAID, CIDA, and DIFD. For example, the Ukraine is the recipient of economic aid of about $2.8 billion (2001) form the WB only as well as at about 2.8 billion (2001) from the IMF. However, 2000 external debt comprised $10.3 billion with budget deficiency of 1 billion dollars. International institutions - particularly the IMF - have encouraged Ukraine to quicken the pace and scope of reforms and have threatened to withdraw financial support.

With the current population of 48,760,474 (July 2001 est.) there is a significant decline in the population growth over the past 5 years. If we compare the population of the Ukraine in 1998, which was approximately 52 million people, we see a significant decrease of about 6% or 3 million people. Attempting to explain that phenomena, let’s examine some of the figures such as: 1) negative population growth rate: -

2 Ukrainian Statistics records, 2001
0.78% (2001 est.) 2) increased immigration (-0.9, estimate 2001) 3) high death rate (0.373) 4) expense and inaccessibility of health care and social protection 5) poverty. At about 50% of the population of the Ukraine are below poverty line, 1999 est. Alarming data on Ukrainian decline in financial, political, and social infrastructures indicate the overall vulnerability of general population and country’s development in particular.

Who are the most vulnerable in Ukraine? As in many other FSU countries they are often families with children, elderly living alone, especially pensioners with low labor supply, the unemployed and increasingly the working poor. This paper will examine the status of elderly pensioners over 75-80 years of age who represent the category of World War II survivors. I personally consider this category of individuals to be one of the most unprotected, vulnerable, and poor layers of Ukrainian society. With the presence of many international organizations in the Ukraine only a few have a special focus on assisting needy elderly financially, medically, and socially. According to the Ministry of Employment and Social Policy, of the 14 million pensioners in Ukraine, 2.4 million are handicapped and around 11.6 million are war veterans. Today the elderly make up 28.5 percent of Ukraine's population, or about 14 million people out of the nation's 49.7 million people. Officials estimate that there are about 3 million elderly in Ukraine who are not capable of taking care of themselves, have nobody to help them or are in need of financial support to survive. As an example, the average pension of an elderly person as of April 2001 was $10.45 a month, where as the subsistence level was approximately $ 50 per person. New regulation on pension reform introduced pension increase ranging from 19.27 to $25.76. Indeed, data and facts of that nature prove that elderly are in dire need of state support, fare and increased pensions, and medical and social care provision.

Unfortunately, resolving hardships of needy elderly in the Ukraine is not necessarily the priority of the Ukrainian government at this time. However, in order to somewhat assist elderly population and contribute to their everyday survival, the reconciliation initiative and compensation program was launched 3 years ago. This is a collaborative project between the governments of seven countries that aims to target and financially assist all eligible elderly survivors forced to work for the German Economy during the World War II.

---

2 Ukrainian Statistics records, 2001
4 Kyiv Post, October 26, 2000
5 Interfax news, April 2001
6 Kievpost (March 2001)
This paper will examine the following: 1) some of the ethical issues concerning socially unprotected elderly veterans and other needy victims of World War II; 2) the role of international (representing the US, Israel, Switzerland) and local (Ukrainian government, regional authorities, survivors) stakeholders; 3) mechanisms and logistics of financial distribution on the example of the Ukrainian survivors; 4) bureaucracies of the reparation process; and, finally, 5) recommendations and possible solutions for a more dynamic and simplified mechanism for selection distribution of assistance to deserving survivors of World War II.

The Ukrainian model of German reparations can be used as a useful case study for several reasons:

- **Reparations to NIS** are a cutting edge initiative that is currently in progress in the Ukraine. The Ukraine represents a major population of survivors of World War II, second only to Poland (close to half a million registered Ukrainians illegible for financial compensation). Ukrainian survivors, as well as other survivors of the NIS, are in dire need of financial support. These victims represent an elderly population that is financially and socially unprotected. For most of these individuals, financial compensation will directly impact everyday survival.

- **Corruption, bureaucracy and absence of accountability** in major state-governed Ukrainian institutions cause delays in payment distribution. This reparation process thus provides an opportunity for looking at difficulties faced by the procedural incapability of major actors and affords the chance to recommend possible solutions.

**Reconciliation Initiative and the Background of Compensation Program**

For the past several years the countries of the FSU (Belarus, the Russian Federation, Ukraine, and Moldova) as well as Poland, the Czech Republic, and Israel have gone through multiple negotiations and agreements to enforce the German Nazi Reconciliation Project. Millions of innocent lives suffered during the devastating period of World War II from 1939-1945. 55 years after the end of the war, the German nation refused to admit any responsibility and ask for forgiveness. Action in response to complex ethical questions, faced by the German Government and people, was at stake. Among them was the question of whether half a century later courts should still hear claims? Furthermore, should today’s stockholders pay for human rights abuses committed decades ago? Should companies be held responsible for events that they were ordered to perform during wartime? The governments and people who suffered as a result of the War raised even more questions. Is there a capacity for forgiveness? Who is ready to forgive and how should it be done? Could victims of past war crimes accept reparations from a former enemy?
The 21st century is marked to be the century of forgiveness and reconciliation, where the German government finally agreed to reconcile by compensating victims of war, forced laborers, subjects of inhuman medical experiments, and those whose hearts and minds were darkened by violence the and human rights violations committed by the Nazi regime. Recognition of their own responsibility by the German, Austrian, and Swiss governments for Nazi wrong doings during 1939-1945 is noble. The German Government has asked all the victims throughout the world to accept financial compensation as a sign of care and assistance, especially for needy elderly. This act can be interpreted based on political, ethical, and financial obligations Germany has towards the word.

**Political Negotiations and Stakeholders in the Process**

During World War II, millions of Jews, Roma (Gypsies), Poles, Russians, Ukrainians, and people of other nationalities and religions were forced to work under inhuman conditions in Nazi industries as slave laborers. Many did not survive. No financial restitution was given by Germany and its industries to its former slave laborers after the war. By some estimates: A total of 8-12 million slaves worked for the Nazi war machine. One and a half to two million of these people have survived to reach 1999. The average slave worked for about 1000 hours over a two-year period. The average age of survivors in 1999 was almost 80.

During the last major multilateral negotiation with Germany for the crimes perpetrated during Nazi Germany's reign from 1933 to 1945, German companies (along with Germany's Government) have come to terms, which for decades they insisted were the responsibility of the German Government, if anyone, to address. In so doing, they are providing some restitution, however belated and however small a fraction of victims will be affected by it. This specific project aims to distribute most of its funds for deserving non-Jews slave and forced laborers. It became possible due to the leadership of Germany's Chancellor Gerhard Schroeder who chose to face the wrongs perpetrated by Germany's companies during the WW II, including the German state's employment of forced and slave laborers, and to reach out to surviving victims. Since the founding of the Federal Republic of Germany, it has made compensation and reconciliation for wrongs committed during the Nazi era an important part of its political agenda. American lawyers, through the lawsuits brought in U.S. courts, have also played an important role by placing the long-forgotten wrongs by German companies during the Nazi era on the international agenda. Such efforts have resulted in, among other actions, a settlement of ten billion Deutch Marks, intended to help hundreds of thousands of victims live out their declining years in greater comfort. This may seem like a lot, but it is important to note that it

---

only amounts to a payment of about US$ 0.50 per hour of slave labor, considering an average amount of labor for survivors, and nothing for those who have died.

After the elections of the new German government in 1998, a vast number of lawsuits were filed against a significant number of German/Austrian industrial giants (Allianz, BASF, Bayer, BMW, Daimler Chrysler, Degussa-Huels, Dresdner Bank, Fred Krupp, Hoechst Krupp, Hoechst, Siemens, and Volkswagen). The plaintiffs (primarily victims and/or relatives of both victims of Holocaust and laborers of WW II) claimed financial compensations from the German government for, at the very least, moral and physical damages. Although the end of Communism opened the way for eastern European victims to receive direct compensation, there were threats from class-action lawsuits, 55 of which are in U.S. federal courts, which sparked action 55 years after the end of the war. German firms were especially concerned about protecting themselves against future lawsuits, and a second agreement was signed by the United States and Germany. The United States agreed to support efforts by German industry to have the class-action suits quashed and Nazi-era labor claims channeled exclusively to the German fund.

The central and eastern European governments of Belarus, the Czech Republic, Poland, Russia, and Ukraine the State of Israel, the German Government, representatives of the Bundestag, lawyers for the victims, representatives of German companies, and the Conference on Jewish Material Claims against the Nazi regime have all agreed to provide belated recognition and payments to those eligible.

The International Organization for Migration (IOM) became an official partner of the major Foundation “Remembrance, Responsibility and Future” to assist in implementation of the reconciliation project. IOM was established in 1952 as an intergovernmental humanitarian organization to resettle European displaced persons, refugees and other migrants. IOM has now grown to encompass a variety of migration management activities throughout the world. While not formally part of the UN system, IOM maintains close working relations with UN bodies and operational agencies. In implementing the forced labor compensation program for non-Jews and other claimants, IOM is committed to providing fair and efficient service.

With a fund allocation of 10 billion Deutch Marks the following 8 groups of countries, as well as their eligible amounts of compensations, were determined. (See chart 1.) Victims representing Poland, the Ukraine and the Jewish population claim equally high reparations in the amount of 1.8 Billion Deutch Marks.

---

Project Implementation and Challenges: Ukraine Reconciliation Initiatives in Retrospect

After the collapse of the communist empire, elderly people became the most vulnerable members of society socially, financially and medically. Having had the glory and pride of victory in World War II, many of them led poor lives on meager pension salaries provided by new governments. A quarter of Ukraine's population died during the Nazi occupation and in battles between German forces and the Red Army. Two million more were sent to concentration camps or became Ostarbeiters, Hitler's main slave labor source. Currently, about 610,000 former Nazi victims live in Ukraine, 477,000 of who are currently registered by the Ukrainian authorities as eligible for compensation. When Germany raised the compensation issue in 1983, the Soviet Union refused to listen. It was only in 1993 that Germany reached an agreement with the NIS. Ukraine was eligible for some 400 Deutch Marks million from the settlement. While the victims of Nazism had no choice in where they were sent during the war, what type of compensation they get depends on where they ended up. There are three sources of aid for Ukrainian survivors: the Austrian Fund, the German fund, and the Swiss Fund. Each country is dealing with the matter differently. The amount and timing of compensation varies.

The first wave of the German compensation project started in 1996. By that time more that 100 million Deutch Marks had been misappropriated by the Ukrainian bank Gradobank, where some of the German

---

funds were transferred. With the help of other Ukrainian banks, some 600,000 people eventually received about 600 Deutch Marks each. With lawyers in tow, fund officials approached Germany and asked that assistance be given to the victims still in need of help. In spring 1999 Germany agreed to create a fund “Remembrance, Responsibility and Future”¹¹, financed by German companies that would offer additional aid. Relations among all international and local actors involved are complex and sophisticated. Amounts of paperwork, international law practices, and money allocations have to travel from at least a dozen organizations before compensations finally reach the survivors. Chart 2 explains the structural hierarchy of fund distribution (in case of Ukraine) starting from the German Government all the way to Ukrainian claimants. This chart shows the degree of complexity in networking and cooperating among all actors of a multilevel and multidimensional hierarchy. Represented by two governments the operation of the project is done through NGO structures. The structural and administrative model of the Ukrainian Reconciliation Initiative presented, represents the pilot model used in other countries reparation recipients.

¹¹ Fund “Remembrance, Responsibility and Future”, http://www.stiftung-evz.de/
Chart 2. Structural Hierarchy of Fund Distributions. International and Local Stakeholders

The German Federal Government and the Foundation Initiative of the German Industry (DM 5 Billion each) → Contributions from third parties

International Organization of Migration

Austrian Foundation, separate compensation program

Swiss Foundation, separate compensation program

Foundation “Remembrance, Responsibility and Future”, Germany

Ukrainian Government, catalyst in the reconciliation process

German-Polish Foundation "German-Polish Reconciliation"

Belarus & Estonia, Belarus Foundation "Understanding and Reconciliation"

Russian Federation Russian Foundation "Understanding and Reconciliation"

Czech Republic, German-Czech Foundation "Fund for the Future"

Ukrainian National Foundation “Understanding and Reconciliation”, DM 1,724 billion to be distributed

National Ukrainian Bank, assigned to distribute compensations

Ukrainian Claimants, 610,000 estimated survivors

24 Local offices: distribution and acceptance of application forms, assistance in the collection of evidence and payments, information
Claimants’ Categories: Eligibility and payments

There are a number of eligibility requirements that determine applicant’s category of eligibility and amount of reparation. The German government has come up with several categories of eligibility: Slave laborers, Forced Laborers for a Company or Public Authority, Forced Laborers in Agriculture, Parents of a child, and Heirs.

Challenges of the Process: Corruption and Bureaucracy

Corruption has been around for a very long time and will be around in the future unless governments can figure out effective ways to limit it. Corruption and bureaucracy explicitly characterize both post-Soviet system and post-Soviet mentality. This paper will continue by looking at corrupt public practices – illegal activities that reduce the economic efficiency of governments and private corruption, such as that practiced on individuals and private institutions by organized crime. Excessive and uncontrolled power, coupled with access to information not available to the general public, creates opportunities for public officials to promote their own interests, or those of friends or allies, at the expense of the general interest. Therefore, Ukraine must work hard to establish and nurture mechanisms that give reparations structures the flexibility and the incentive to act for the common good, while at the same time restraining arbitrary and corrupt behavior in dealings with businesses and citizens. Corruption flourishes where distortions in the policy and regulatory regime provide a scope for it and where institutions of restraint are weak. Incentives for corrupt behavior arise whenever public officials have wide discretion and/or little accountability. One of the leading causes of corruption is the absence of strong judicial independence and effectiveness. In the case of a developing country, to prosper, the Ukrainian economy needs 1) institutional arrangements to resolve disputes among citizens and governments; 2) to clarify ambiguities in laws and regulations; and 3) to enforce compliance. Furthermore, Judiciary power that supports sustainable development, by holding legislative and executive branches accountable for their decisions and underpinning the credibility of the

---

13 Persons and children who were held inside or outside their own country in a concentration camp, ghetto, or another place of confinement under comparable conditions and were subjected to slave labor. Comparable conditions include inhumane prison conditions, insufficient nutrition and lack of medical care. Slave laborers may receive up to DM 15,000
- Persons who were deported from their own country into Germany or a German-occupied area and were subjected to forced labor for a company or public authority and were held in extremely harsh living conditions. Forced Laborers for a Company or Public Authority may receive up to DM 5,000
- Persons who were deported from their own country into Germany or a German-occupied area and were subjected to forced labor in agriculture. Forced laborers in agriculture may receive up to DM 2,000
- Parents of a Deceased Child Lodged in a Home for Children of Slave or Forced Laborers. The parents together (or one parent if the other is deceased) may receive up to DM 15,000
- A surviving spouse and children may file a claim for equal shares of any potential payment related to slave labor, forced labor, personal injury or death of a child that would have been awarded to a person who died on or after 16 February 1999. Under the German Foundation Act, heirs of victims who died before 16 February 1999 are not entitled to receive payment.
14 Restraining arbitrary state action and corruption, World Bank, 1997 WDP
overall business and political environment, is needed. Yet, judiciaries can play this role only when three core conditions are met: independence, the power to enforce ruling, and efficient organization. At the same time, one of the causes of corruption is salary and work benefits. Inadequately paid public servants are more vulnerable to temptation than those who are paid well. This is of great relevance to executive staffers rather than high officials. Executive staffers are more subjected to bribery and other forms of illegalities, where as high officials tend to use power abuse for much more sophisticated manifestations of corruption. Therefore, wages and benefit increase for public and governmental officials cannot be the only solutions. Unfortunately, due to (1) overall organizational dependence and structural inflexibility and (2) the absence of accountability and responsibility, the Ukrainian mechanism of financial reparation has turned into a complex and prolonged procedure.

There have also been a number of obstacles and scandals that have involved corrupted Ukrainian bank and government officials. Fraud and bribery have totally destroyed trust and accountability in the Ukrainian authorities. Fund money was stolen, causing delays in payments to Nazi slave laborers. Initially, the Ukrainian government authorized ten Ukrainian (both private and governmental) banks to pay compensations to victims of Nazism. Until then, Ukraina Bank made all the payments. However, due to unstable economy and numerous devaluations of local currency, the Ukrainian financial infrastructure was not capable of handling financial transactions in a timely manner. The Ukraina Bank started paying out compensation to Nazi Victims in 1997, when the Fund for Mutual Understanding and Reconciliation, lost money when Gradobank went bankrupt one year earlier. The Ukrainian cabinet of ministers commanded Ukraina Bank to use loans from the national Bank of Ukraine to acquire government domestic loan bonds and use the dividends on the bonds to pay the compensation. The scandal involving Gradobank resurfaced when the German authorities arrested a Ukrainian parliament member who previously headed Gradobank. The former head of Kyiv's Gradobank faces up to five years in prison for allegedly diverting four million Deutch Marks in 1995. He was accused of transferring money from Germany into a company he founded in London instead of to the Ukrainian reconciliation fund meant to benefit Nazi victims. The Ukrainian government has since made up the lost money. Unfortunately, fraud and misuse of Fund money was repeated several times during the four years. The Ukrainian government tried to stay neutral in resolving financial fraud cases for a number of reasons: scandals and disagreements between country agreements (Germany-Ukraine) undermine overall partnership and cooperation between these countries; state officials have a tendency to hope that illegal actions (e.g. financial transaction, fund misuse, interest decrease rates, etc.) may pass unnoticed and would benefit their personal interest; and finally, it has been a common

---

practice for high state officials be involved in huge scandals where most of the blame is placed on President and those closest to him. As a preventative measure, the President and his apparatus have preferred to stay out of trouble by insuring Ukrainian citizens of their loyalty and innocence.

By August 2001, former Ukrainian victims of Nazi oppression started to receive their first compensation for slave labor during World War II. It was agreed that victims would receive the money in two stages. The first payment is in the amount of 65 percent. The other, 35 percent, is to be paid after all claims are collected and approved. By September 2001, 10,000 Ukrainian victims had already received their first compensation. Between 540,000 and 560,000 Ukrainians are expected to receive money from the German fund by the end of 2003.

**Project Experience of Other Developing Countries of Eastern Europe**

Attempts to force German companies to pay former slave workers directly were rebuffed under the London Debt Agreement of 1953, which said the firms had acted as agents of Adolf Hitler's Third Reich. After that, Germany's reunification and subsequent German court rulings all but destroyed that shield, and reparation payments are about to start. Each foundation had the discretion to decide who would be eligible for payments. In Poland, for example, initially some former slave laborers received payments of no more than 100 Deutch Marks. Currently 350,000 people have applied for compensation and 150,000 more are believed eligible. Polish groups organize trips back to the factories where slave laborers once worked so they can verify their experience through memories and testimony when documentation is lacking. Poland and Czech organizations were the first to receive and distribute the money. First entitlements have been estimated at 57 million Deutch Marks each. Payments were made in two installments: first – 65-75 percent, and second – 25-35 percent. The second stage of payments will be possible after all Nazi survivors in the Ukraine receive their first part of compensation, which is expected to be paid in full by January 2003.

In Moscow, Russia hundreds of elderly people stand in line for hours outside the building housing the Russian fund, whose small premises cannot accommodate all of the people inside. Up to 170,000 Belorussians could receive 5,000 Deutch Marks in payments for being detained in concentration camps or suffering inhumane conditions or 1,500 Deutch Marks for those held in labor camps. These payments will go far in a country where a one-room apartment in the capital, Minsk, can be bought for 5,000 Deutch Marks. But there also are risks: many who apply for the money do so in great secrecy, fearful of bandits. Some victims refuse to apply because of the length of the bureaucratic application process. Others cannot do so because of health and medical reasons.
Lessons learned from the case of the Ukraine:

1. Compensations and financial payments are not entirely new concepts for both the Ukrainian economy and its people. Chased by a number of financial and banking collapses, Ukrainians got used to getting financial compensations, medical and/or other types of, for example, in-kind or barter compensations from the domestic government. This process was characterized as a time consuming, paperwork-oriented mechanism, where time was the only “accountable authority”. People developed a stereotypical perception of governmental services as slow, unreliable and not to be trusted. In contrast, when a developed country initiates a forgiveness act and is ready to pay reparations to eligible elderly, they offer help and ask for nothing in return but cooperation and assistance in local and state levels. The majority of people perceive this initiative as a desirable change, in contrast to the unreliable Ukrainian system. People tend to place high expectation on quick and adequate delivery. Therefore, any foreign initiative will be perceived by local people as an act of good will and get positive assessment. It will be treated with more respect, a higher level of seriousness and greater dedication.

2. The majority of international partnerships are implemented through non-governmental (NGO) or not-for-profit organizations (NPO). For the Ukraine, as well as for the NIS, the concept of NGOs is a new and unexplored area. Charity, community services and volunteerism are hardly practiced in the Ukrainian society. International organizations (for example the Foundation “Remembrance, Responsibility and Future”) tend to operate through NGOs and NPOs. Lack of domestic laws and regulation in the Ukrainian Constitution and unfamiliarity with NGO status activity complicates and delays prompt daily routine and procedural operations. Surely, with more exposure and further emergence of NGOs and NPOs in the Ukraine, laws of the Ukrainian Constitution will be modified and become more open to such activities.

3. Corruption and administrative bureaucracy are major obstacles in both public and business spheres. Combating corruption is a long and arduous process. However, there may be areas in which quick wins can be gained – such as streamlining procedures in customs administration, and opening up public procurement to make it more transparent. Anti-corruption strategies do not have fixed time frames. There should be a focus on the recovery of the whole system not simply on random parts of it. To win public cooperation, a reform program should focus on getting the system right rather than simply taking individuals out of it. Prevention can be more effective and infinitely more economic than investigation and prosecution. Also, the issue of wages and benefits for public servants and governmental officials has to be addressed from a different perspective. Since financial dependence or need can be satisfied through a wide range of acts such as bribes or power abuse, there should be a different preventative mechanism (for example, promotion of high moral and ethical standard of public/governmental...
servant, introduction of reward system and certain professional standards and performance measurements). The latter could be achieved with the enforcement of strong political and social institutions, and new policy and regulatory regime, which are paramount components of combating corruption. Strong judicial independence and effectiveness, together with loyal and ethical public servants and government officials, are also vital.

**Comments and Recommendations:**

1. **Structural management and accountability.** International and local authorities need better mechanisms of cooperation and communication between each other. For countries in transition with an unstable economy, unstable government, and ruined infrastructure, the huge financial installments (although aimed for victims of WW II) will eventually go through corrupt governmental and financial structures. In a rather short-term initiative, such as this project, there are several components international experts need to look at both: professional or skilled domestic staff (managers, executives, staffers) who possess sufficient background and knowledge in the matter; and experienced short/long-term international experts who possess “international incentive” and knowledge of major institutions and infrastructure in the country of project implementation. In an international project such as this, the issues of accountability are vaguely defined. Initiated by the German government, it is accountable to the government of Germany, the German people, other international actors that pushed the project forward, (such as the US, and Israel) and lastly, the people of Ukraine. The Ukrainian counterpart – the Ukrainian National Foundation “Understanding and Reconciliation” is primarily accountable to the Ukrainian people and the government, and finally, German project officials. One of the possible solutions would be to have more centralized control at local offices where executive and administrative powers still belong to international representatives. Domestic staff should be accountable to and for international project goals, taking into consideration domestic peculiarities and differences in legislative, executive and judiciary powers.

2. **Currency change and rate fluctuations.** The compensation is paid in Deutch Marks, but not in local currency through domestic financial structures. This gives Ukrainian financial infrastructures beneficiary opportunity to earn interest on financial transactions. In this case claimants are in powerless position. The longer the money is kept in the bank the higher the interest rate. Although the German Fund also tried to earn interest on initial installments, this was not the purpose of the German Government and their policy. Driven from past experiences, financial problems of different nature always occur in joint international partnerships. Before project implementation, both parties need to look at financial issues and mechanisms of payment. Most developing
countries work hard on inviting international banks and businesses into local economies and markets. As a precautionary measure, the international counterpart needs to look at the presence of internationally reliable banks in the country of project operation and tighten most of financial transactions through such organizations. This solution is possible in a case where the domestic government has no objections to this type of operation. If there is an objection, the international counterpart has to comply with the propositions of the domestic counterpart and cooperate with local banks, imposing explicit responsibilities, time frames and appointing accountable individuals if problems occur.

3. **Euro for all?** On 1 January 2002 the euro banknotes and coins were put into circulation. 12 countries (Germany included) have agreed to use genuine currency. German reparations are split in two shares: initial 65 percent and remaining 35 percent after all claims are collected and approved. Currently, most of the claims were accepted and currently under review. The second installment has not been paid yet. Even though most of the Ukrainian financial structures do not see shift to Euro as a major obstacle on the way of paying remaining share to the survivors, German authorities are hesitant and unsure of the final payment mechanism. The main foreign currency in the Ukrainian financial and banking systems is the US dollar. Ukrainian authorities are somewhat reluctant using other types of currency, such as Euro. Therefore, I perceive a number of complications while determining and implementing new methods of paying final installments of the compensation.

4. **Bigger projects carry higher levels of responsibility.** Bigger countries carry more responsibility and more technical and administrative constraints. Compared to the German approach, Austria has agreed to pay 1.08 shillings each ($65.6 million total) to Ukrainians who worked as slave laborers in Austria during WW II. Talks with the Austrian side differed positively from those with Germany, because they passed in one stage, resolving all key problems of payments at once. According to the agreement, Ukrainians forced to work in Austrian industry during WW2 and their children are to receive 35,000 Austrian shillings (about $ 2, 128). Currently, some 41,251 former slave laborers who worked in Austria live in Ukraine. Thus, smaller funds have to process fewer applications and have to make smaller payment to claimants, which is possible in one installment and a relatively short period of time.

5. **Additional need for social services and assistance in processing claims.** Due to the old age of claimants, the application process is very time-consuming and prolonged. It is solely the claimant’s responsibility to obtain application materials, apply, and submit documented evidence (sometimes
kept in KGB archives) in a timely manner. Unfortunately, Ukrainian social services cannot afford additional personnel that would assist in:

- Creating a regional claimants’ data base
- Finding eligible claimants in order to hasten the procedure
- Filling out application materials
- Finding required documented evidence
- Keeping track of claimants’ health and living conditions

As a result, relatives and/or friends of elderly claimants have to do a fare share of the application procedure. Often times this requires additional documentation (according to Ukrainian civil Law) such as the claimant’s will and interest representation. Unfortunately, the weak Ukrainian economy and social sphere infrastructure cannot afford employment of extra staff for such a project. In this case, the only reasonable solutions for the international counterpart would be to either employ more staff to deal with this range of activities or assign more duties and responsibilities to current staff, and increasing their wages. There are several possible trade-offs in this case: in spending more money on either hiring news staff or increasing salaries to current staff the project saves precious time on finding eligible claimants, processing applications, paying reparations, and eventually completing the project. This scenario is justified only when operational expenditures of this project do not go beyond budgetary limits.

6. Program evaluation/monitoring. From my personal interactions with some key officials from the IOM both in the USA and in the headquarters in Switzerland, program evaluation reports are not available nor have they been conducted in the countries of program implementation. I assume that monitoring and program evaluations are scheduled in the near future for all the participants of this project. At the same time, basic data about program implementation and progress is secluded. Even though general information can be obtained from the local offices, more specific details (such as number of survivors-recipients of the compensation region wise, amounts distributes, anticipated second payment dates, etc.) are hardly available from either online (www) or from the local staff. Once again, from my personal experience working on this project and trying to elicit as much data as possible, I found cooperating with local Ukrainian office to be very difficult and challenging. I believe there are poor information management, data collection strategy, and public relations mechanisms. Local staff needs to pay more attention on other ways of information assimilation, for example, extensive usage of their existing website (which was not updated from the first quarter of 2001).
These recommendations are reasonable, manageable, and achievable with the help of mutual cooperation, leadership, and flexible attitude towards the improvement and reestablishment of an accountable and useful public sector.

**Conclusion**

The German Reconciliation initiative is the right step in the right direction indeed. It addresses the issues of forgiveness, reconciliation, and assistance for needy unprotected elderly. Millions of victims of World War II now face social, medical, and financial difficulties. On the one hand, victims value the compensation and take it as a contribution for better living conditions. On the other hand, many claimants are embarrassed and ashamed to ask for the compensation from their former enemy. What is even more disappointing is that elderly victims and survivors of the war cannot be compensated, protected, and properly taken care of by local governments. Since a vast majority of Eastern European countries are still experiencing transitional difficulties, elderly individuals suffer the most. Cooperation between international and national governments and organizations is problematic. International legal regulations, domestic and foreign administrative constraints, social and economical difficulties, and bureaucracy and corruption of infrastructures all delay effectiveness and accountability of the whole process.

Another aspect worthwhile analyzing is the motive so of the German government regarding the compensation and reconciliation process. On the one hand, it can be viewed as an ethical and humanitarian assistance to needy elderly, a kind of tribute paid to war survivors. On the other hand, the German government was threatened by the law suits and huge financial reparations claimed by survivors and governments of other countries such as the US, Israel, and others. I believe a combination of these two factors enabled the German leadership to design a policy that would satisfy the demands of the country-claimants as well as assists needy elderly in their everyday survival.

This case study provides a better understanding and perspective of the hierarchical complexity of the reparations process, and helps public and governmental organizations learn from other models of the public sphere and work on improvement and modification of domestic infrastructure.

Initiated in 1999, the Reconciliation project will operate for at least four to five years, until all the payments are distributed and tasks of international organizations are completed. Currently, with recent parliamentary elections in the Ukraine and existence of Euro, the Ukrainian government delays compensation practices due to different set of political and administrative priorities. The German government expects political stability in the Ukraine thus partially delaying payments. Meanwhile, hundreds of elderly survivors still patiently wait to be compensated.
References
Since the issue of Financial Compensation for Nazi Laborers is a cutting edge initiative not only in NIS but also in Poland, Israel, and the USA, most of the resources used in this paper were collected primarily from online sources of professional organizations as well as some personal interviews with the staff members of respected organizations such as:

1. Avery, Christopher. Business and Human Rights, 29/11/01
   http://www.stiftungsinitiative.de/eindex.html
5. Interfax, 2001
6. Restraining arbitrary state action and corruption, World Bank, 1997 WDP
7. Robinson, B.A. Association of Religious Tolerance, 06/10/01
   http://www.religioustolerance.org/fin_nazi.htm
9. Stein, S.D. Appropriation of Assets and labor by the Third Rich, 10/10/01
   http://www.ess.uwe.ac.uk/genocide/appropriation.htm

Interviews:
1. Anya Verkhovskaya, AB Data Consulting
   8050 N. Port Washington Road, Milwaukee, WI, 53217, tel: 414 352 4404 fax 414-352-3994
Correspondance:
2. Marie-Agnes Heine, Public Information Officer, German Forced Labour Compensation
   Programme/Holocaust Victim Assets Programme (Swiss Banks), Tel.+41-22-7179220