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Inside Ukraine

October 2, 2014
№31

The logo for the International Renaissance Foundation, featuring the word "Benaissance" in a stylized, cursive font with a green swirl around the letter 'B'.
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The Government Policy

Signing of the Minsk protocol reduced intensity of hostilities in Donbas, but did not stop them. At the same time, reduction in number of victims and ability to provide ATO front positions with logistics support indicate comparative lull, which will allow both sides of the conflict to regroup their forces.

Implementation of the Poroshenko's peace plan allowed him to refocus on another issue important for society — reforms implementation. Effective communication of the President with citizens in times of crisis and a clear explanation of his vision as regards the changes in the country may make his image more charismatic. However, charisma also requires a constant reinforcement by concrete results of work.

The presidential administration is actively engaged in explaining the “Strategy 2020”, which is a mere list of necessary reforms and does not contain any specific mechanisms for their implementation. Both factors, as well as a large number of proposed reforms (62), were heavily criticized by the society and other political forces.

In September 2014, intimidation of Crimean Tatars by the Russian authorities in Crimea aggravated. Consistent pro-Ukrainian position of this people irritates Moscow. That is why a repressive Kremlin machine is getting more aggressive against Crimean Tatar activists.

President's reform course



Petro Poroshenko uses a comparative lull in eastern Ukraine to enhance the process of reforms in the country. Society requires changes in almost all areas of state functioning: from law enforcement system to business environment, from fighting corruption to improving defense capacity and energy security.

The President used a lull in eastern Ukraine to present his vision of reforms

Hostilities in Donbas have become mitigating circumstances as regards the lack of the government's significant achievements, but they have not released the government from responsibility for the zero effectiveness in establishing new institutions or implementing European standards of governance.

Understanding the social demand for a corruption-free democratic governance system, Petro Poroshenko, even in his pre-election program in spring 2014, promised a number of specific chang-

es in the country. Having presented the “Strategy 2020” on September 25, 2014, the President set the tone of public discourse regarding this issue.

The President defined eight priority reforms: anti-corruption and judicial reforms, decentralization and public administration reform, deregulation and entrepreneurship development, law enforcement reform, reform of the national security and defense system, healthcare reform and tax reform. In addition, two special state programs are expected to be implemented: programs on energy independence and promoting Ukraine in the world.

Petro Poroshenko’s statement that the number of proposed reforms is even larger — more than 60 — was negatively perceived in the society. Successful implementation of one or two reforms, such as judicial or anti-corruption ones, would mark the politician in history. Excessively ambitious reform program will lead to money wasting, the increase of system resistance to changes and the incompleteness of reforms. This is exactly the case when quantity will never be transformed into quality.

Demonstratively large number of reforms provoked criticism in the society

The desire to impress the audience with the number of proposed changes is also evidenced by the fact that many reforms indicated in various development vectors are actually interrelated. For example, it is quite possible to unite energy reform, energy efficiency and energy independence programs under one title — energy sector reform.

Most of the 60 reforms can be summarized in one — anti-corruption reform. It is a consistent fight against corruption that will make courts independent, restore public trust in law enforcement bodies and improve business environment. It will upgrade the system of state power and minimize opportunities for money-laundering in the country, including the energy sector. That is why foreign partners mention corruption as a top problem in Ukraine and require the Ukrainian authorities to take concrete measures to combat corruption in order to obtain the next tranche of financial aid.

Most of the reforms can be summarized in one — anti-corruption reform

Ukraine needs not only the officials’ lustration, but anti-corruption lustration of legislation. All

laws must meet several strict principles: violation of the law leads to the inevitable punishment; a civil servant takes decisions according to the rules and regulations, and not at own discretion; and audit for compliance with standards is carried out by independent supervisory bodies. Anti-corruption reform is not a sectoral one. It will affect all aspects of life in the country.

Ukraine needs anti-corruption lustration of legislation

There is a huge gap between what the President says about the need for reforms and the text of the “Strategy 2020” published by his administration. Petro Poroshenko clearly understands that the issue of reforms is a matter of the Ukraine’s survival. He frankly talks about it with citizens and, thanks to such way of communication, his support will only increase.

However, the “Strategy 2020” was presented as a mere list of programs and reforms, which does not contain internal hierarchy and a description of steps required to achieve these targets. Soviet style of the document is proved by the fact that pride for the country is determined as one of the development vectors, and the reforms effectiveness is measured by planned indicators (for instance, increased number of medals which Ukrainian team has to take at the Olympic Games 2020 is mentioned as an indicator).

The published “Strategy 2020” has Soviet-style text

Dmytro Shymkiv stresses that the President’s administration will not deal with the actual elaboration of reforms, as its task is to coordinate their implementation. Detailed mechanisms of country’s reforming should be elaborated by civil society and target groups of experts will be coordinated by the National Council for Reforms.

Thus, the representative of the President’s administration focuses on the vision and public discussion of changes. However, the proposed vision does not provide a complete picture of changes in the country, and it is unclear who will deal with the results of public discussion. In addition, there is a serious problem in implementation of this vision, as there is no systemic cooperation between presidential administration and the Cabinet of Ministers as regards reforms.

Repressive Kremlin policy may radicalize the Crimean Tatars

Russian authorities continue bullying Crimean Tatars, which are both the national minority and indigenous people of the peninsula. For Russia, which introduced criminal responsibility for individuals who do not recognize the Crimea as Russian territory, a consistent pro-Ukrainian position of Crimean Tatars remains a powerful irritant. If suffocation of freedom of speech and conscience towards Crimean Tatars continues to gain momentum, methods of dealing with dissidents will resemble repressive character of Nazi Germany or the Soviet Union of Joseph Stalin era.

Russian authorities continue repressions against Crimean Tatars

Russian occupation authorities in Crimea do not limit the repressions just to entry prohibition for Mustafa Dzhemilev and Refat Chubarov who are the leaders of the Crimean Tatars. These two men have the moral authority over the people which have extremely strong sense of collective identity.

Despite the pressure, Crimean Tatar leaders insist on non-violent struggle for their rights and freedoms. However, the intensification of the Crimean Tatars' oppression may lead to the radicalization of sentiments among Crimean Tatar youth, especially if these incidents will concern their own safety.

Intensification of the Crimean Tatars' oppression may lead to the radicalization of Crimean Tatar youth

On September 28, 2014, near Bilohirsk in Crimea, unknown people in uniform kidnapped two Crimean Tatars Islam Dzhapparov and Dzhevdet Islamov. Police and FSB (Federal Security Service of the Russian Federation) denied any involvement in the incident, although the vehicle, which was used for transportation, belongs to local law enforcement bodies. The kidnapped have not been found over the last 5 days.

It should be noted that it was in the very same Bilohirsk district where on March 15, 2014, Reshat Ametov was kidnapped, tortured and killed. Reshat Akhmetov was a Crimean Tatar who held a single

peaceful protest against the Russian occupation of Crimea. It was reported that the representatives of the "self-defense of Crimea" were involved in this crime. However, the self-proclaimed government of the peninsula has failed to find the perpetrators over the six months.

Recently, Mustafa Dzhemilev stated that "Crimean self-defense" had compiled the lists of Crimean Tatar activists, "subject to liquidation".

Russian authorities continue psychological pressure on Crimean Tatars. Recently, the occupation authorities on the peninsula did a series of searches in households of Majlis representatives. Majlis is the representative body of the Crimean Tatars, the purpose of which is to restore rights and ensure national and cultural self-determination of the Crimean Tatars.

On September 16, 2014, armed police officers conducted a search of the Majlis building for 11 hours, and then they evicted the institution from its premises. In May 2014, the prosecutor of Crimea Nataliya Poklonska, appointed by Vladimir Putin, announced the possibility of ban on Majlis activities in the Russian Federation, including Crimea.

On September 24, 2014 the Ministry of Internal Affairs of Crimea accused the only Crimean TV channel ATR of extremist activities, as this channel "spreads the idea that Crimean Tatars are persecuted on the grounds of their nationality and religion, as well as it [TV-channel] foment anti-Russian public opinion".

Crimean Tatars refuse to recognize Russian annexation of Crimea and do it exclusively in a non-violent way. The majority of Crimean Tatars boycotted the local parliamentary elections held on September 14, 2014. The elections, which were not recognized by Ukraine and international community, made the Parliament of Crimea follow the Russian political pattern. Crimean Parliament will be comprised of 70 MPs coming from "United Russia" party led by Vladimir Putin, and 5 representatives of Liberal Democratic Party of Russia (LDPR) led by Vladimir Zhirinovskiy. Although Crimean residents expected a better life and reforms from Russian authorities, the elections resulted in local politicians coming to power

again, yet this time — under party flags of “United Russia” and LDPR.

While elaborating possible scenarios for peaceful resolution of the armed conflict in Donbas, Ukrainian authorities and key international players should not forget about 250 000 of Crimean Tatars living on the Crimean peninsula. Currently this people is all alone facing Russian repressive machine. If human rights organizations and international community

turn a blind eye on repressions of Crimean Tatars, it will give Russian authorities a sense of impunity and increase the number of refugees from Crimea. Another likely scenario is that some groups among Crimean Tatars will become more radical.

Russian repressions against Crimean Tatars will increase the number of refugees from Crimea

Economic Situation

World Bank defined priority reforms for Ukraine. The most expected ones include macroeconomic stabilization, fight against corruption and energy sector reform. Meanwhile, the EU introduced tougher terms for Ukraine to get the loan in the amount of EUR 1 bln. The focus is on anti-corruption measures.

Progress in trilateral gas negotiations between Ukraine, Russia and the EU makes Ukrainian government optimistic about solving the issue of energy supplies in winter time. It is likely that the gas balance deficit will be covered through signing a short-term contract with Russia.

International organizations specify their expectations as for Ukraine



World Bank set priorities for reforms in Ukraine: economic growth, creation of new jobs and improvement of their quality. Reforms are proposed to be implemented in the following sequence:

World Bank set priorities for reforms

- 1) macroeconomic stabilization and stabilization of banking sector;
- 2) fight against corruption, more accountable government and increase of citizens' trust to state institutions. It will increase efficiency of state expenditure and improve quality of state

services to citizens — both infrastructure and social ones, in particular, in health care and education;

- 3) energy sector reform and improvement of business climate to develop entrepreneurship. It will create new jobs. Another important line of development is to create a reliable system of targeted social assistance.

By the end of 2014 World Bank is going to provide financing to Ukraine in the amount of USD 3.5 bln. USD 2.5 bln. has already been provided, out of which USD 1.25 bln. is a direct budget support for

reforms. Besides, it foresees direct budget support loan as well as investment loans to reform health care and reconstruct energy system in the amount of USD 1 bln.

The EU also reacted to the recent developments in Ukraine. As a result, financing terms for EUR 1 bln. loan became tougher for Ukraine. The EU Delegation changed its mind and will not make concessions for Ukraine. Earlier, terms for financial assistance were supposed to be simplified due to hostilities in Donbas.

The EU made pre-financing terms tougher for Ukraine

The EU could have provided macrofinancial aid to Ukraine in the amount of EUR 1 bln. without additional provisions due to military aggression on the Ukrainian territory. It is expected that the

amount will be provided by the European Bank of Reconstruction and Development.

The EU introduced the following requirements for Ukraine:

- all the action plans in public procurement should be published;
- compliance with the Budget Code in terms of transparency of budget functioning (publication of treasury project and monthly data on its implementation);
- implementation of anti-corruption legislation as for property declarations; legislation on creation of independent anti-corruption bureau;
- timely VAT reimbursement (without T-bills);
- improvement of “Naftogaz” transparency through introduction of yearly IFRS reporting.

Energy sector

“Naftogaz” management proposed to level the gas prices for households and enterprises by the end of 2014, therefore, gas prices for population may increase in four times. Volodymyr Hroisman, vice prime minister on regional development, denied this statement. To his opinion, drop in individual income and difficult economic situation will not allow the government to raise the prices. Yet the official’s statement is of political nature and does not correspond to the actual situation in Ukraine. During electoral races no politician will take responsibility for unpopular decisions, which will directly influence deterioration of social standards. Besides, one of the IMF requirements for the loan in 2014 was to raise gas tariffs for households by 40% and decrease subsidies in energy sphere. Thus, there is no alternative for establishing a single gas price for enterprises and households. It is only a matter of time.

During electoral races no politician will take responsibility for surge in gas prices

It is expected that this issue will be raised after the elections. The risks which the government will face after prices on hydrocarbons are leveled include deterioration of citizens’ payment discipline, higher poverty index, and bigger financial pressure on budget due to subsidy programs.

Industry will reap the benefits of such levelling. It will be able to accumulate savings for development and modernization of companies and, as a result, to lower down prime costs of the end product. Besides, price levelling will eliminate corruption in distribution of resources (there are corruption schemes when gas is used by commercial companies, but written off as one being consumed by households which pay much lower price).

Another question is where the additional funds from gas price increase will be re-directed to. Traditionally, in Ukrainian domestic policy surge in energy resources prices leads to bigger subsidies to poor population. As an alternative, these funds may be used to promote energy saving. Such an initiative may be realized through special offer loan programs to make households more energy efficient, through setting heat counters and purchase of energy efficient technologies, which would decrease volumes of gas consumption in short term.

Last week Ukraine, Russia and the EU held negotiations in Berlin as regards the Ukrainian gas issue. According to the preliminary agreement, Kyiv will be able to buy 5 bln. cubic m of gas at the price of USD 385 per 1000 cubic m, but Ukraine will have to repay the debt of USD 3.1 bln. The negotiations result may be meta-

Gas talks in Berlin will allow Ukraine to buy Russian gas for winter

phorically characterized as a stalemate — “no losers” situation. The EU wanted to prevent potential problems with Russian gas supplies in winter. “Gazprom” fulfilled the Kremlin’s task and did not lower down the price, at the same time having avoided idle burning down of gas. Ukraine mitigated the risk of heating season disruption, having secured itself with Russian gas.

The issue of “forced gas diet” is still topical, regardless of the measures official Kyiv has taken to prevent energy crisis in winter: accumulation of gas in underground gas storage facilities, replacement of gas with black oil, coal import, decrease of electricity export etc. The problems are explained with two factors. First of all, “Naftogaz Ukrainy” failed to convince private mining companies to pump up half of the produce to underground gas storage

facilities to create gas reserves (commercial companies have doubts that they will receive money in time). Secondly, at the Eurocommission level “Gazprom” questions legitimacy of reverse gas supplies to Ukraine (in some gas contracts there is a clear ban on reverse gas supplies).

Thus, regardless of Yatseniuk’s efforts to diversify energy supplies in short run and to implement energy efficiency plan, deficit of gas balance is still large — 5-8 bln. cubic m. Ukraine may solve the issue of gas deficit in two ways: 1) to sign a temporary gas contract with Russia until Stockholm court of arbitration takes its decision; 2) to expand geography of reverse gas supplies from Europe.

Deficit of
gas balance
is 5-8 bln. cubic m.

Political competition

Official statements of pro-government parties on the necessity to implement reforms become more frequent as the electoral campaign moves ahead. The presentation of reform concepts and general strategies for reforms reinforces the position of pro-government players, which are criticized by their political opponents for inaction. Arseniy Yatseniuk and Petro Poroshenko accumulate criticism not only for their own actions, but also for the mistakes made by members of their teams.

“Strong Ukraine” will try to position itself as a team of reformers which know better than the

President how to implement reforms. Beside Serhiy Tihipko, Valeriy Khoroshkovskiy also paves his way to the party leadership.

Public disappointment over former Yanukovich minions not being punished for their crimes is expressed by *trash bucket challenge*, which saw compromised politicians and top public officials dumped into trash bins. This public action will target mainly former members of the Party of Regions who run for parliamentary elections under the banner of “Opposition bloc”.



Advantages and hazards of pro-government parties

Routine work of government officials influences public approval ratings of their own political parties. In particular, Petro Poroshenko’s peace plan and the “Strategy 2020” he recently presented as well as public attitude toward those initiatives will influence public support for “Bloc of Petro Poroshenko”.

Statements made by government officials influence the electoral standing of their political parties

Statements made by Oleksandr Turchynov, the Chairman of the Verkhovna Rada, on the need for

President to sign the law “On the purge of the government”, or criticism of the laws “On the special order of local self-governance in certain districts of Donetsk and Luhansk regions” are indicative of political competition between the two political camps now in power. Arsen Avakov’s concept of police reform, announced one month prior to elections, should be viewed as a component of electoral campaign aimed at showcasing Avakov’s effectiveness as interior minister. Quick and show-off discharge of Oleh Musiy, minister of healthcare of Ukraine, by Arseniy Yatseniuk was aimed to display the lat-

ter as a tough manager. Such behaviour may also bring in some political dividends. In this respect, “People’s front” has a way more possibilities for using official positions for election purposes. It is due to the fact that this party includes the Parliament speaker, Prime Minister, and a number of incumbent ministers.

Petro Poroshenko and Arseniy Yatseniuk are accountable to voters for failures of their teams

On the other hand, Petro Poroshenko and Arseniy Yatseniuk are accountable to their voters not only for their own mistakes, but also for their teams’ errors. It is a burning issue especially for the President, as Ukrainian society is getting more and more dissatisfied with Poroshenko’s team. In particular,

Ukrainians are not happy about the inaction of Valeria Hontariva, Head of the National Bank, as regards the devaluation of hryvnya and protection of interests of individual clients in banking sector. Vitaly Yarema, Prosecutor General of Ukraine, failed to start reform of public prosecutor’s office. Journalists’ criticism against prosecutors’ office abuse and corruption does not find adequate response. Moreover, there was a case when the journalist was officially intimidated for his investigations about prosecutors. The role of Valeriy Heletei, Defense Minister, appointed under the President’s quota, in Illovaisk tragedy is also unclear. The criticism against officials in the President’s team as well as Prime Minister’s team will indirectly hit the electoral standing of those politicians and their parties.

Fuss over Valeriy Khoroshkovskyi’s registration

Valeriy Khoroshkovskyi, number 2 in “Strong Ukraine” party list, is conducting electoral campaign even more actively than Serhiy Tihipko, “Strong Ukraine” leader. This is indicative of Khoroshkovskyi’s desire to return to Ukrainian political mainstream as soon as possible. Mr Khoroshkovskyi spent two years outside Ukraine after his personal relations with Viktor Yanukovich deteriorated. His personal quota in the top of “Strong Ukraine” election list and frequent presence on leading TV channels prove great political ambitions of Khoroshkovskyi, who used to hold various positions in Ukrainian government, ranging from Deputy Head of Presidential Administration to Head of the Security Service of Ukraine and First Deputy Prime Minister in Azarov’s government.

Valeriy Khoroshkovskyi is trying to make up for lost time, spent outside Ukrainian politics

The fact that Valeriy Khoroshkovskyi had been living outside Ukraine for 21 months (since the end of December 2012) was the reason to file a court claim to cancel his registration by Central Election Committee. According to the Ukrainian Constitution, a candidate for MP has to reside on Ukrainian territory for the last 5 years. The appeal

was filed by Mustafa Nayem and Serhiy Leshchenko, renowned journalists and civic activists, who are also running as candidates, but from the “Bloc of Petro Poroshenko” list.

Valeriy Khoroshkovskyi is associated with a number of infamous incidents from the Yanukovich’s times. For this reason, his return to big politics caused much of a debate in the Ukrainian society. The exceptional lenience of Ukrainian court of law in Khoroshkovskyi’s case was seen as a proof that old corruption schemes and political dependence of judicial branch remain the same.

The lenience of Ukrainian court of law in Khoroshkovskyi’s case is another proof of political dependence of Ukrainian courts

However, Khoroshkovskyi is trying to present himself as a successful manager and staunch supporter of reforms. He criticized the President’s “Strategy 2020” for its lack of substance and declared that it would take much time and immense financial resources to implement 60 reforms, whereas only three reforms are pivotal: justice reform, fight against corruption and law-enforcement reform.

Trash bin lustration as a sign of society radicalization

The growing aggressiveness of Ukrainian society towards discredited politicians who are still MPs is another proof how necessary early parliamentary elections are. No top official of Yanukovich regime has been brought to justice, and MPs, involved in the adoption of the so-called draconian laws of January 16, 2014, and in support to separatists in Donbas, are still in the Parliament. It leaves Ukrainian people no choice, but to take justice in their own hands.

Over the last weeks, trash bucket challenge has grown into a new trend over the country. Under trash bucket challenge, some MPs from the Party of Regions were publicly thrown into trash bins. Vitaliy Zhuravskiy, Viktor Pylypyshyn, and Nestor Shufrych already fell victims to this weird flash mob. Nestor Shufrych was severely beaten by members of radical orga-

The impunity of discredited politicians makes Ukrainian society more aggressive

nizations near the Odesa State Administration on September 30, 2014.

The trash bucket challenge shows that Ukrainian citizens become more irritated with the total impunity of politicians involved in corruption and violation of human rights. Trash bucket challenge sent a clear message to the Ukrainian authorities that justice reform is badly needed and political elite should be renewed.

On the other hand, the incidents of this kind will be used by “Opposition bloc” during electoral campaign to create the public image of a victim subject to political repressions. “Opposition bloc” became the safe harbour for many members of the Party of Regions, Nestor Shufrych being one of them. Also, these facts will be used by the party to appeal to international community and to criticize the incumbent government.

“Opposition bloc” will use beating of their member to create the image of a victim

The aim of the publication is to provide objective information on current political events in Ukraine and thorough analysis of major tendencies in domestic politics. Such analysis will assist in setting priorities in the process of implementing reforms in Ukraine and in evaluating quality of state decisions from the viewpoint of their impact and sustainability. Special attention is paid to evaluation of political competition in Ukraine and ability of key political players to address challenges.

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This issue is made possible by financial support of International Renaissance Foundation. Views expressed in the issue do not necessarily reflect those of International Renaissance Foundation