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# Inside Ukraine

**February 20, 2015**  
**Nº43**

# Content

<b>The Government Policy</b> .....	<b>1</b>
Minsk-2: what next? .....	1
Lack of interaction between MPs and President in judicial reform .....	2
<b>Economic Situation</b> .....	<b>5</b>
IMF assistance will help avoid default .....	5
Budget 2015 — version 2.0 .....	6
Oil and gas sector: IMF requirements, reserves and reality .....	7
<b>Political competition</b> .....	<b>9</b>
The President tries to increase his influence in regions .....	9
New challenges for “Opposition bloc” .....	10

# The Government Policy

Insisting on a three-day delay of cease-fire during the Minsk talks, Russia believed that this time will be enough for militants to win Debaltseve, but Ukrainian soldiers held the town. February 15, 2015, brought less intensive shelling along most of the frontline, with the exception of Mariupol and Debaltseve. Near this town, a considerable formation of Ukrainian troops faced a critical situation, which ultimately resulted in their withdrawal from the beachhead.

Moscow sought to repeat the events of late August 2014, when Ukrainian troops were encircled by Russians near Ilovaisk, a military parade devoted to the Independence Day was held in Kyiv and Ukrainian military command denied the critical situation on the frontline. This time, the encirclement in Debaltseve coincided with the official commemoration of the Maidan shooting anniversary. The only way to avoid this scenario was to arrange a safe withdrawal of Ukrainian soldiers from the encirclement and immediately appeal to the international community to

strengthen sanctions against Russia for its blatant violation of the Minsk agreement.

Kyiv is expected to provide a clear strategy on how Ukraine will act after Minsk-2 is violated. The introduction of martial law, the possibility of which was mentioned by Ukrainian President Petro Poroshenko, will not change the situation drastically. Ukrainian society should get used to the idea that this is a long-term conflict. Under these circumstances, it is necessary to promote the army, increase domestic military production, fight corruption in procurement and improve HR policy at the Ministry of Defense. At the same time, an increase in military expenditure should not be an obstacle for economic growth and the necessary reforms.

An inability to agree on key documents in terms of judicial reform shows a lack of cooperation between the presidential administration and MPs. The disregard of expert criticism and the desire to adopt the subsequent laws in a rush after months spent in vain in negotiations undermines popular trust in reforms.

## Minsk-2: what next?



The agreement signed last week in Minsk will bring neither peace, nor a cease-fire. The de-escalation of the situation is not in the Kremlin's best interest. The constant delay of measures within the peace plan (a complete ceasefire in three days after the document was signed, the establishment of Ukraine's control over its borders only by the end of 2015) proves Moscow's endeavor first to

**The Kremlin is not interested in the de-escalation in Donbas**

postpone and then to derail the implementation of the peace agreements. Meanwhile, such actions will consolidate Western support around Ukraine.

The passage of time plays against Russia as low prices for oil, Western sanctions and the need for resources to fuel the Donbas conflict create serious financial pressures. Fully understanding all of these implications, Putin will try to speed up the game in order to reach his goals: the federalization and neutral status of Ukraine. Therefore, the relative lull

will end faster and the cease-fire regime will be violated more frequently than it was after the similar agreement in September 2014.

Though Minsk-2 will not bring about a complete cease-fire, a decrease in shelling intensity will allow Ukraine to regroup its forces. In the meantime, it is necessary to avoid large human losses, conduct qualitative mobilization and provide the army with modern weapons (both through work with international partners and the use of domestic production facilities and the promotion of technology development).

Decrease in shelling intensity should be used to increase Ukraine's defense capacity.

Several factors prove the impossibility of the second Minsk arrangements. First of all, the document contains many vague formulations, which will allow both parties to loosely interpret the provisions to their advantage. Second, the OSCE will be responsible for monitoring the cease-fire regime, but last autumn the organization did not fulfill this function and Ukrainian society talks more and more about the increasing Russian influence on this organization. Third, pro-Russian separatists will refuse to be the first to withdraw their artillery from the frontline, whereas unilateral actions of Ukraine in this regard will again lead to an increase of the territory controlled by the militants. Fourth, the Minsk agreements do not mention Crimea, which cannot be ignored by Ukraine. Finally, the package of measures to implement the Minsk agreements does not include clear obligations for Russia, which insists on its role as a mediator, not a party in the conflict.

The fragility of the Minsk agreements will require the Ukrainian government to immediately develop a back-up plan — a long-term strategy

Fragility of Minsk agreements requires plan B from Ukraine

on how the lower intensity of fire will be used and what steps Kyiv will take after Russia and separatists continue the offensive.

On February 14, 2015, Petro Poroshenko stated: "If there is no peace, martial law will be introduced throughout the country, not only in Donetsk and Luhansk". At the same time, the country's defense capacity should be improved even without the introduction of martial law. First of all, this includes the eradication of corruption at the Ministry of Defense and its General Staff, an increased quality of mobilization, which will focus on military specialists and motivated individuals, and the promotion of military service throughout Ukraine.

Militarization may give a push to the economy under crisis, especially taking into account the number of military enterprises in Ukraine and jobs they can provide. According to the Ministry of Defense, in 2015, a third of the ministry budget (UAH 14 bln.) will be spent on the development of armaments. Meanwhile, an increase in military expenditure requires a tougher control on their use and the eradication of corruption in procurement.

Defense may be improved even without martial law

Taking into account that the conflict may become long-term and last several years, Ukrainian society must learn how to live under war conditions. Israel would be a good illustration of a country with a high level of civil security and constant prevention of terrorist attacks.

Further, during mobilization in Israel, soldiers are grouped according to their skills and interests. As a result, citizens who did military service together often start jointbusiness and launch start-ups, especially in the IT sector. The military is not only a factor of socialization, but it also develops a sense of patriotism and national identity among Israeli youth.

## Lack of interaction between MPs and President in judicial reform

The drawn-out simultaneous consideration of two draft bills on judicial reform ended last week, when the presidential variant was finally adopted. However, the strong

Judicial reform got two draft bills at once.

lobbying of the draft law by the presidential administration, the disregard of expert criticism in the final text and the lack of time to study it thoroughly cast serious doubts whether the President is serious in his attempts to make the judicial branch inde-

pendent and change the system.

Throughout the last year, the President and Prime-Minister several times emphasized the high priority of judicial reform, given that without it, it is impossible to reform law enforcement agencies, fight corruption efficiently and create a systems of checks-and-balances in the President-PM-Parliament triangle. The year of 2014 showed that the lack of changes in judicial power makes it impossible to punish those guilty in crimes against the Maidan or the embezzlement of funds by previous and current government and ATO failures, which resulted in numerous casualties on the Ukrainian side.

The officials' promises, correct in their merit, have remained empty declarations. The only outcome of judicial reform was the adoption of the law "On restoring trust to judicial branch of power" in April 2014, but it did not bring any results due to the resistance of judges and the lack of interest among politicians in increasing court independence.

Though there was a year to elaborate respective draft laws, the presidential document was registered in the Verkhovna Rada in a rush. Thus, neither experts of the Chief Administration at the Parliament nor civil activists had the opportunity to properly study the 150-page document. Meanwhile, the remarks expressed by some experts and MPs were effectively ignored.

Though elaboration of the presidential draft bill was slow, its consideration in the parliament was sped up.

In December 2014, the presidential administration and MPs started a rivalry as each party wanted to seize initiative in the implementation of judicial reform. On December 17, 2014, a group of MPs headed by Oksana Syroid registered draft law No. 1497, "On organization of courts and status of judges", elaborated together with experts of the Reanimation Package of Reforms (RPR). On December 26, 2014, the presidential administration registered the draft law, No. 1656 "On ensuring right for fair justice", elaborated by the presidential Council on Judicial Reform, which included international experts and professional judges.

As early as on December 27, 2014, the presidential draft bill was considered by the according parliamentary committee, which, however, did not find time to study the text submitted by the MPs. The authors of the draft law No. 1497 complain that the document designed by the presidential administra-

tion was not registered as an alternative, although it was submitted later and had the same subject of regulation. They claim that the Verkhovna Rada apparatus is responsible for such manipulations.

Manipulations of parliamentary committee and apparatus with two draft laws

After civic activists started to criticize bill No. 1656 for its expansion in presidential influence on judicial power, on January 13, 2015, a compromise was achieved through the simultaneous adoption of both documents in the first reading. It was expected that by the time the Verkhovna Rada considers both bills for the second time, the authors of the presidential bill will manage to address the major points of criticism and incorporate the recommendations of MPs. However, on February 12, 2014, the Verkhovna Rada was fast to adopt the presidential text with only minor corrections.

At the same time, "Samopomich" and the Radical Party, which are coalition members, took a rigid stance not to support the presidential bill. Such approaches to lobbying the bills by the presidential administration may increase tensions between the President and certain coalition members and negatively influence the stability of the parliamentary coalition.

Such approaches may negatively influence stability of the parliamentary coalition.

The major point of criticism against draft law No. 1656 concerns the increased functions of the President, who would be entitled not only to create and reorganize but also liquidate the courts and transfer judges to courts of lower level (this increases the potential to exert pressure on judges). Civic activists insisted that only the Council of Judges should be able to influence a judge's career. The President also received such routine tasks as signing judges' IDs and listening to the judges' oath, which may slow down the working of the system and give additional tools for influence on judges. The MPs who were authors of the alternative bill also insisted on the gradual liquidation of the economic courts due to their high risks of corruption and the establishment of a Qualification and Disciplinary Commission

The law is criticized for stronger influence of the President on judges' career.

of Judges instead of the High Qualification Commission of Judges. Provisions of the presidential draft law such as the introduction of qualification classes among judges, the vagueness of the disciplinary punishment procedure, the excessive number of judicial self-governance levels, the lack of changes as regards the High Council of Justice

and the electronic administration of courts were negatively perceived by activists.

In general, out of 3,000 amendments, only 300 have been fully or partially considered in the final text of the presidential law. Most of them concerned technical details, rather than the provisions that caused most of the public criticism.

# Economic Situation

Ukraine will receive a new IMF financial rescue plan worth USD 17.5 billion for a period of four years. The new IMF bailout will replace the existing stand-by loan program, which will help Ukraine avert a default. However, the IMF financial assistance will be contingent upon the government's capacity and willingness to implement much-expected reforms, in particular as regards the country's fiscal and energy affairs, deregulation and the fight against corruption.

Based on the agreement with the IMF, the government submitted relevant draft amendments to the state budget. However, the aforementioned draft

amendments do not correspond to the Ukraine's current economic conditions. The implementation of the 2015 budget may fail due to overestimated budget revenues, unreasonable budget expenditures and the likelihood of great emissions of currency, which can accelerate inflation.

Instead of reorganizing "Naftogaz of Ukraine" PJSC by splitting it into four independent companies, the IMF proposed to enhance the corporate management of this state-run oil and gas company. The establishment of the energy reserve fund will require special legislation and the coordination of decisions implemented in the energy sector.

## IMF assistance will help avoid default



On February 12, 2015, Ukraine and the IMF signed a memorandum on the new bailout package for Ukraine worth USD 17.5 billion within the Extended Fund Facility. The signing of a new agreement with the IMF will allow Ukraine to receive additional funding from international organizations and other countries. According to preliminary estimates, the total sum of collected funds (without the IMF funding) may exceed USD 22 billion.

**The IMF assistance will allow for collecting funds from international donors**

The IMF financial assistance will help Ukraine avoid both default in 2015 and a liquidity crisis. Accordingly, this will foster economic stabilization in the short term. However, economic stabilization will be contingent on the end of hostilities in Ukraine's east. In case of the escalation of armed conflict, the IMF-promised funds may not suffice to secure the stabilization of the hryvnya.

The IMF demands that Ukraine move ahead with economic reforms to ensure the renewal of economic growth. The IMF expects reforms to be carried out in the following sectors: fiscal policy, energy sector, the fight against corruption, eco-

conomic management (deregulation and de-monopolization), improvements and reduction in public expenditures, an increase in investment spending up to 3% of GDP, contraction of the state apparatus, reduction and abolishment of the so-called special pensions and improvements in the tax administration system.

The main demand issued by the IMF is to implement economic reforms

In particular, it is expected that the budget deficit will increase from 3.7% to 4.0% of GDP. The primary cause for this will be the provision of welfare benefits to low-income citizens, which is conditioned by an increase in public utilities costs. It is also expected that there will be an increase in a progressive individual income tax.

As regards monetary policy, it is expected that a flexible FX rate system will be further applied. Financial reforms should be directed at strengthening the banking system. In the energy sector, Ukraine sought to gradually increase gas and heating tariffs for households as well as ensure the restructuring of “Naftogaz of Ukraine”. The aforementioned measures should ensure that “Naftogaz of Ukraine” functions properly and that inflation rates remain below 10%.

Ukraine will be able to receive the first tranche within the new bailout program only after the revi-

sion of the state budget. The Ministry of Finances expects that the total sum of the first tranche will be considerable — more than USD 10 billion. It should be stressed that there is no fund distribution schedule in place yet. For that reason, the question over the timing and amount of the upcoming IMF tranche remains open.

It should be mentioned that the stand-by program provided for the allocation of USD 17.1 billion over the period of two years. Ukraine received the first and second tranches in the amount of USD 3.1 billion and 1.4 billion, respectively. In autumn 2014, the Ukrainian government asked the IMF to put together the next two tranches and allocate them to Ukraine by the end of 2014, i.e. ahead of time. However, most of the IMF funding was never received.

There is no fund distributions schedule in place yet

It is possible that Ukraine will not receive the full amount of the IMF funding under the new financial bailout program, as was the case with the previous standby program. The main fears are that the Ukrainian government may turn out to be unable to meet the strict IMF conditions as regards reform implementation.

## Budget 2015 — version 2.0

On February 15, 2015, the government submitted draft amendments to the 2015 state budget to the Verkhovna Rada of Ukraine, which drew on the previous agreements between Ukraine and the IMF.

Despite the criticism by the expert community of tax and budget initiatives at the end of 2014, amendments to the 2015 state budget do not solve the problem of overestimated budget revenue and unreasonable public expenditures. For example, the draft amendments provide for an increase in budget revenue up to UAH 498 billion, which is UAH 134.4 billion more than in 2014. Even if the inflation rates reach 26%, the expected budget revenues do not seem feasible.

Amendments to the budget do not solve the problem of overestimated revenue and unreasonable public expenditures

It is expected that extra budget revenues will be

secured through increases in a VAT (on domestic goods by UAH 4.9 billion and on imported goods by UAH 8.9 billion), a corporate income tax by UAH 2.3 billion, an import duty by UAH 2.1 billion and rent pay by UAH 9.1 billion. It should be pointed out that the previous draft budget provided for a considerable increase in budget revenue in comparison with the 2014 budget.

According to the Ministry of Finances, in 2014, the state budget revenues totaled around UAH 356.9 billion, which is UAH 17.7 billion (equivalent to 5.2%) more than in 2013. This serves as additional proof of how ill-founded the expected 37% increase in budget revenue is.

The budget amendments provide for the reduction of government bonds from UAH 31.5 billion to 29.7 billion. Of this sum, UAH 10.7 billion will be used to compensate for losses suffered as a result of natural gas supplies to the ATO zone. As the bor-



ders of the ATO zone are unclear, whether this sum is reasonable is open to question.

The NBU contribution to the state budget will be reduced from UAH 65.4 billion to 60.5 billion. Since the aforementioned sum is relatively large, there is a likelihood that the NBU will have to resort to the emission of money, which will drive up the inflation rates.

The expected NBU revenue indicates the possible emission of currency

Adopted at the end of 2014, these tax changes do not create a favorable climate for entrepreneurs. In the budget revenue plan, the suspension of economic activity of companies in eastern Ukraine and the subsequent decrease in tax revenues have not been account for. An unrealistic budget revenue plan increases the risk of budget failure. This, in turn, may lead to a currency devaluation due to growing currency emission.

The growth of expenditures and loans by UAH 35.6 billion is assumed due to the devaluation of the national currency and the current economic development. This growth is provided by:

- An increase in expenditures related to public and publicly-guaranteed debt to UAH 21.5 billion due to the devaluation of the currency;
- USD 15.3 billion is directed at social protection policy, including UAH 12.5 billion for benefits and housing subsidies for utilities and utility payments

Increase of expenditures on debt repayment and IDP protection is planned.

as well as UAH 2.85 billion for providing targeted aid to those who move from the temporarily occupied territories and ATO zones;

- UAH 554 mln. — to the Ministry of Energy and Coal Industry, including for the purposes of the restructuring of the coal and peat industry in the sum of UAH 353.4 million. (due to the abolition of subsidies);
- UAH 561 mln. — to the Ministry of Foreign Affairs, including for the operation purposes of foreign diplomatic missions of Ukraine and the expansion of Ukraine property for the purposes of these institutions — UAH 407 mln.;
- approximately UAH 1 billion — to the Ministry of Infrastructure, of which UAH 700 million — to repay loans;

Thus, most of the above proposed amendments to the expenditure budget do not contain significant innovations. The increase of the fiscal burden can cause the further growth of the shadow economy and business collapse.

Draft amendments to the budget have nothing to do with the actual economic situation — the budget will not be executed upon conditions of a real GDP decline of 5.5%, an inflation rate of 26.5% and an increase in the refinancing rate up to 19.5%. The only way out of the difficult economic situation and the high budget deficit is to revise government expenditures, which will help reduce fiscal pressure and optimize governance. However, the government is not yet ready for such changes.

Budget amendments have nothing to do with actual economic situation.

## Oil and gas sector: IMF requirements, reserves and reality

According to the IMF experts, one of the main “diseases” of the Ukrainian budget is inefficient spending in the energy sector. As a result of negotiations with the mission, this year’s funding of “Naftogaz” was cut from UAH 31.9 billion to UAH 29.5 billion, while in previous years the monopolist received state support worth over UAH 110 billion annually. In practice, the reduction of state

The IMF requires to raise gas prices again.

funding to “Naftogaz” means raising gas prices. These requirements — a 50% increase in the gas price for public utilities and 100% increase — for individual consumers — were announced to the Ukrainian government by the IMF mission.

With regard to structural changes of “Naftogaz” the compromise seems to be reached: although earlier the IMF insisted on its division into several companies, today the official statement of the fund discusses “improvement of corporate management

in “Naftogaz”. However, according to the coalition agreement, the comprehensive reorganization of “Naftogaz” with a separation of activities into the production, transportation, storage and supply of natural gas is scheduled for Q4 2015. This suggests that in the short term (3-4 years), both international investors and the Ukrainian government refused to split the oil and gas monopolist. Thus, the implementation of the first item in the coalition agreement on energy sector reform is postponed for an indefinite period of time.

However, “Naftogaz”, with its UAH 103 billion deficit, which is almost twice as much as the Ukrainian budget deficit (UAH 68 bln.), inevitably brings Ukraine closer to default. Therefore, a delay in its reform or radical transformation increases the risk of state insolvency, which entails the devaluation of the hryvnia, capital drain, corporate bankruptcy and mass unemployment.

Taking into account the number of negative factors for the national gas sector, the government has decided to form a reserve of natural gas and fuel oil worth USD 1 billion by getting loans secured by state guarantees. Negative factors include the outflow of investment and the reduction of private companies’ activities due to an increase in the tax burden last year. They also include the complicated nature of future gas negotiations in the EU-Ukraine-Russia format, as well as the potential spread of hostilities closer to gas fields (in Kharkiv and Dnipropetrovsk regions) in case of the escalation of the conflict in the east. According to European practice, a state should have strategic energy reserves for 90 days of consumption. However, it is not only referred to as gas or oil — each country chooses specific amounts of certain energy products it needs.

Unreformed  
“Naftogaz” makes  
default closer.

For Ukraine, which is at war with its major supplier of energy resources (gas, oil, coal, electricity and nuclear fuel for nuclear power plants), it is vital to create a reserve fund of energy supplies. In average, Ukraine consumes 3.5 bcm of gas every month (according to the statistics of the Ministry of Energy and Coal Industry, 42.6 bcm of gas was consumed in 2014). It means that the special reserve fund must be enough to buy 300-400 mcm of gas or 4-7 days of its usual consumption. Further, the question remains over why a reserve fund of coal and oil is not created. It was a shortage of coal in the current heating season that caused the emergency work of national electricity generation.

Ukraine needs to  
create a strategic  
reserve of energy  
supplies

Under current circumstances, the government initiative to create a reserve fund of gas and fuel oil is an urgent and necessary decision. For this reason, the Parliament should shortly adopt legislation that would regulate creation of energy reserves (structure, number, amounts and logistics) and their use. The category of strategic energy resources includes natural gas, oil, petroleum products and steam coal. The government should take advantage of the global decrease in oil and gas prices. Having large gas storage facilities, so called gas hubs, Ukraine is already able to form strategic reserves. As for coal, the difficulty and duration of the logistics processes should be taken into account and the creation of necessary reserves for the next heating season should be launched as soon as possible. Ukraine already has all the necessary infrastructure to take this step.

Ukrainian  
infrastructure  
allows creation of  
reserves.

# Political competition

Petro Poroshenko is reformatting the management of regional state administrations as he seeks to increase his political influence before the local elections. As regards the personnel policy, the regions, which are under control of regional elites, oligarchs or coalition partners, remain a challenge for the President. As a result, the President's administration has to compromise and negotiate on the appointments with all stakeholders.

The arrests and searches among the members of Viktor Yanukovich's team may consolidate or ruin

the "Opposition bloc", which has a heterogeneous structure of political stakeholders. First and foremost, investigations regarding the embezzlement of public finances or the involvement of ex-regionals in other criminal activity may hasten the formation and public presentation of the "shadow government". If the procedures during pretrial investigations are violated and the evidential basis as regards the violations of high officials is incomplete, this will lead to the actualization of the issue of political persecution and repression of the opposition.

## The President tries to increase his influence in regions



The political players understand that the results of the local elections will determine the format of decentralization and are therefore willing to avoid direct conflicts in the center as well as in the regions along the "council-administration" line. On the other hand, compromise approaches to the appointments in the regions provide a margin of safety for the coalition and decrease the appetite of regional elites, who are looking forward to increased decentralization and financial autonomy from Kyiv.

On February 10 and 17, 2015, Petro Poroshenko signed a decree on the appointment of local administrations' heads in Rivne, Kharkiv, Poltava,

Sumy and Mykolaiv regions. In total, 49 appointments were made. In fact, the President has completed the formation of the executive vertical of local authorities with the exception of Dnipropetrovsk, Zaporizhia and Odesa regions.

Appointments are delayed in Dnipropetrovsk, Zaporizhia and Odesa regions.

The Dnipropetrovsk region is headed by the oligarch Ihor Kolomoyskyi, who defines HR policy in the region. Heads of local administrations in 15 out of 22 districts of Dnipropetrovsk region have not been appointed yet. A similar situation is observed

in Odesa region, which is headed by Kolomoyskyi's partner Ihor Palytsia.

The situation is more complicated in Zaporizhia region, which is located near the front. After the dismissal of the Head of Regional Administration Valeriy Baranov, the President's administration cannot fill that vacancy for 4 months. In the region, which consists of 20 territorial units, only six administrations received their heads.

The complete control over some regions was given to the coalition partners, e.g. Kyiv and Lviv region. The capital is almost entirely subordinated to the leader of the "UDAR" party due to Poroshenko's commitments to Vitali Klitschko, who withdrew his candidacy in the presidential election.

The Lviv Regional State Administration is headed by the former deputy mayor Oleh Syniutka, appointee of Andriy Sadovyi. The "Samopomich" party completely determines the personnel policy in Lviv region and partially in Ivano-Frankivsk region.

A number of regions in Ukraine are under the strong influence of business elites, without which it is difficult to control the situation in the localities, especially when it comes to appointments. Zakarpatya and Volyn belong to such regions.

Zakarpatya and Volyn have strong regional elites

The group of Baloha's brothers controls Zakarpatia. They have won most of the majority districts in the region and control almost all financial flows there. In Volyn region, "Continuum", the business

group of Ihor Yeremeyev and Stepan Ivakhiv, has achieved a political hegemony over the last five years. The Volyn MPs managed to create their own parliamentary group and lobby their representatives in the government and other executive bodies.

Thus, most of the heads of regional administrations in Volyn and Zakarpatya are oriented towards the representatives of large businesses, which determine and set trends in regional politics.

In some regions, the appointments reached an impasse. Potential candidates for the positions in local administrations failed to pass conventional interviews and approval in the Cabinet of Ministers, which blocked the appointments in Chernivtsi and Kharkiv regions. Representatives of the "People's Front" have strong political influence in these regions.

Arseniy Yatseniuk's group is the most influential force in Bukovyna. On February 6, 2015, Oleksandr Fyshchuk, the "People's Front" party representative, became the head of the Chernivtsi Regional Administration. He stated that he was willing to work in districts only with trustworthy personnel. Thus, this region is also to be under the influence of the "People's Front".

The positions of the former head of Kharkiv Regional Administration, the current Interior Minister Arsen Avakov, remain quite strong in the Kharkiv region. In this region, Ihor Raynin, who is considered to be loyal to Arsen Avakov, has been appointed as the head of the Regional Administration.

## New challenges for "Opposition bloc"

The "Opposition bloc" is a diverse political union, as it consists of different oligarch groups, which are associated with the regime of Viktor Yanukovich. None of these groups managed to win the struggle for the electoral heritage of the Party of Regions and a developed structure of party organizations. Party functionaries created or revived several electoral projects, which used the resource base of the Party of Regions, e.g. "Strong Ukraine", "Party of the development of Ukraine", "Zastup", "Liberal party of Ukraine" and other technical projects.

As a result, the "Opposition bloc", which was created on the basis of the Party of the Development of Ukraine and Party of Regions, gained 9% and formed a deputy faction. The major shareholder of

the "Opposition bloc" is a triumvirate consisting of Rinat Akhmetov, Vadym Novinsky and Serhiy Liovochkin. None of the competing groups were willing to make concessions and sought to completely dominate in the policy-making process. Thus, intraparty competition is pretty stiff.

Rinat Akhmetov, Vadym Novinsky and Serhiy Liovochkin are major stakeholders in "Opposition bloc"

On February 13, 2015, investigators of the Prosecutor General's Office conducted a search in the office of Vadym Novinsky, an MP from the "Opposition bloc". The next day, the SBU officers detained Oleksander Yefremov, who is not a member of the

“Opposition bloc” but is related to many politicians in this political force. The former leader of the Party of Regions is accused of power abuse and official forgery during the vote for the “dictatorship laws” on January 16, 2014.

These actions mobilized a team of ex-regionals. First, fellows of Oleksandr Yefremov, including Mykhailo Dobkin, came to support him at the court trial.

Second, according to media reports, the former party members paid the bail for Yefremov in the amount of UAH 3.6 mln. Nevertheless, a politician’s lawyer said that there were new charges prepared for his client. In addition, the website of the Party of Regions posted Yefremov’s comment regarding political repression and the persecution of the opposition.

Further actions of the Prosecutor General’s Office and the Security Service of Ukraine taken against high officials of Yanukovych’s regime will determine the strategy and tactics of the “Opposition bloc”. The traditional blocking of the parliamentary rostrum or mobilization of their supporters for protests in Kyiv will not bring expected results for the representatives of the “Opposition bloc”. In the near future, one should expect the presentation of the “shadow government”, speculations in the media as regards political persecutions and increased international attention toward the functioning of the parliamentary opposition in Ukraine.

“Opposition bloc”  
may soon  
present shadow  
government

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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If citing please give reference on the ICPS*

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