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# Inside Ukraine

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# The results of the first year of Petro Poroshenko's Presidency



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One year ago, Petro Poroshenko succeeded in winning the first round of the presidential elections due to the public demand for his peacekeeping rhetoric, his confident leadership in the opinion polls, the effective technological organization of his campaign and his well-developed political program. Against the backdrop of positive and high expectations after the Revolution of Dignity, Poroshenko offered an attractive picture of how Ukraine will “live in a new way”.

Many points of Poroshenko's election program and statements were too ambitious – some were even beyond the President's competencies under the current Constitution – but in general the program offered the public a path toward peace, reform, European integration and economic prosperity. Poroshenko received a strong mandate of trust and a variety of tools to carry out his election promises. Moreover, given that Poroshenko became the President immediately after the Maidan, he took on a burden of moral responsibility for implementing the values and dreams of the Ukraini-

ans who died during the Revolution of Dignity. The international and European communities under the influence of Maidan gave a significant level of trust to the new Ukrainian leadership and demonstrated their readiness to make a financial contribution to the reconstruction and modernization of Ukraine. Together, all these factors provided Poroshenko with significant opportunities for reforms and changes within the country. On the contrary, however, the President has been thus far been responsible for wasting this historic opportunity and preserving old corruption schemes and ineffective public institutions.

Over the past year, Poroshenko has not often reported to citizens on the fulfillment of his election promises, having forgotten that activists monitor his every word and in particular his every action. Ukraine will be able to live “in a new way”, as promised by Poroshenko, only when the politicians are accountable to society for their actions and deeds and their official decisions are based on position of a statesman and not on political expediency.

In order to analyze the first year of Poroshenko's presidency, we identified 10 key points based on his presidential election program, which was then almost entirely copied for the parliamentary campaign of the "Bloc of Petro Poroshenko" and his election campaign statements. Although many promises of Poroshenko are beyond the constitutional powers of the President, he maintains not only the right of legislative initiative but also the largest faction within the parliament and many people on key posts in ministries and state ad-

ministrations. Poroshenko together with Arseniy Yatsenyuk are fully responsible for the current situation in Ukraine, especially regarding reform implementation and the fight against corruption. An evaluation of the first year of Poroshenko's presidency should become the last signal to the head of state that the time is running out, and without real, not declarative, "radical changes required by the country", he will soon be the main target of criticism from politicians, society and the international community.

## Peace plan

The peaceful settlement of the conflict in eastern Ukraine, the situation surrounding the annexation of Crimea and relations with Russia were one of the main election promises of Poroshenko. In his official program, he promised "to live safely", "to use all his diplomatic talent and political experience to ensure de-escalation of the conflict, avoid war and maintain peace" and "to find acceptable ways of cooperation with Russia".

Immediately after his inauguration, the President presented his peace plan, which included 15 points on conflict de-escalation in the east. The President considered its implementation primarily through the use of his own channels of communication with the Kremlin alongside the involvement of the German Chancellor and other influential European leaders in the negotiations with the Russian Federation (RF). In fact, the peace plan was only Poroshenko's "wish list" as regards separatists' actions and the RF, and it did not address the root causes of the Russian aggression and did not propose a compromise acceptable for Russia regarding the main components of the bilateral conflict, such as the Crimea question.

This sort of peace plan resulted in the passing of the Minsk agreements in August-September 2014 and, after the first phase's failure, again in February this year. This peace plan allowed for the recognition of the separatists and not the RF as a party to the conflict, and the Kremlin thereby gained the opportunity to position itself "above" rather than "inside" the conflict.

Mistaken expectations that it would be possible to reach an agreement with Russia on the basis of this "wish list" and a number of other foreign policy

failures led to the escalation of the conflict and, after serious military strategic and tactical mistakes, to the Ilovaisk tragedy. The President did not take these mistakes into account, and the events of autumn 2014 and winter 2015 led to a repetition of this scenario, which ended in the defeat near Debaltseve.

So far, the President has not proposed an idea for a systemic revision of the European security architecture, which has been destroyed by Russian aggression and without which it is hard to achieve lasting peace in the east of the country through diplomatic means. The President continues to play a game that is disadvantageous in strategic terms under the current settlement scenario, which was imposed primarily by Russian interests. It was also a mistake not to touch on the Crimea question, as without the systemic solution of this issue, it is impossible to fully normalize relations between Ukraine and Russia. It is impossible to settle the conflict in Ukraine's east without considering its own vision of Russia's place in Europe and the common position of the US-EU-Ukraine on the settlement of relations with Russia.

Another component of the ongoing aggression is the need to ensure Ukraine's own security and defense capacities, the adaption of the economy and public service under war conditions and the mobilization of all internal reserves for the strengthening of the country's defense. In 2015, the budget for the defense ministry has increased significantly, but due to widespread corruption, much of the money does not reach its intended destination.

The country's defense capability is increasing not because of prudent strategies of the military leadership, but instead through trial-and-error

methods thanks to the dedication of military officers and volunteers' support. Currently, there have been some achievements in the improvement of the combat capability of the Ukrainian army, but they have been due more to soldiers' patriotism and volunteers' support than to systemic reforms of the Ministry of Defense.

As the Supreme Commander in Chief, the President is responsible for the strategic miscalculations of the defense ministers and General Staff that led to significant losses for the Ukrainian army near Ilovaisk, the Donetsk airport and Debaltseve. The attempts to present anything as an achievement and any defeat as a victory undermines public confidence in the state leadership, demotivates the public and sends the wrong signal inside and outside the country.

Poroshenko promised to undergo a political and diplomatic struggle for the return of the temporarily occupied Crimea. However, the hostilities in Donbas turned the attention of the international community and the Ukrainian leader's efforts away from that issue. Since June 2014, the fate of the occupied peninsula has been permanently taken out of discussion during the negotiations on the conflict settlement in Ukraine, and the authorities have not offered solutions on how to restore the country's territorial integrity.

The program "to live in a new way" envisaged the protection of the Ukrainians in Crimea and the Crimean Tatars, but Kyiv virtually does not have an

opportunity to influence the situation on the peninsula. The only available mechanism is to not allow the discussion on Ukrainians' rights violations in Crimea disappear from the international information agenda. Despite the creation of a separate Ministry of Information Policy, the Ukrainian authorities pay very little attention to the coverage of the situation in Crimea.

As of today, Ukraine is suffering from a continuously smoldering conflict in the east, inefficient negotiation processes and the lack of a systemic vision as regards the restoration of the country's territorial integrity and the normalization of relations with Russia. Poroshenko should immediately focus the activities of the state apparatus on strengthening Ukraine's defense capabilities by implementing reforms that will restore economic growth and stabilize the domestic socioeconomic situation (this will prevent the conflict from moving far inland). It is necessary to qualitatively increase the effectiveness of ministries and departments, the special security sector and the foreign policy dimension in order to process a new concept of the peaceful settlement of the Ukraine-Russia conflict as part of a reset of the pan-European and global security and cooperation system. Only a proactive foreign policy alongside a reformed, financially ensured and effective defense and security policy will allow for the restoration of the territorial integrity and security of Ukraine both within and at its borders over the next few years.



## European integration, foreign policy

European integration was one of the main components of Poroshenko's election program. However,

apart from the signing of the economic chapters of the Association Agreement (AA) with the EU

on June 27, 2014, no further progress on European integration has been made thus far. Though Ukrainian goods received preferential access to the EU market, Ukrainian exports to the EU underwent a drop in the first quarter of the current year that amounted to more than 30%.

The EU has become a major financial donor and has provided both the necessary macro-financial aid and a number of other programs to support Ukraine's state-building initiatives, the development of its civil society, the strengthening of its energy security, etc. However, in response, despite political declarations on the part of Ukrainian ministries and agencies, neither systemic work on the preparation for a free trade area, nor the implementation of the regulatory and legal framework of the EU and inter-agency coordination of cooperation with EU institutions have been carried out.

The most striking failure of Poroshenko's euro-integration policy is the issue of a visa-free regime. At the moment of inauguration, the legislative phase of the Action Plan on Visa Liberalization had almost been completed, and the implementation of the second phase throughout the year appeared quite realistic. Moreover, considering the events of the Maidan and the fact that 10 years have passed since the introduction of a visa-free regime with the EU by Ukraine, there was a political consensus within European institutions on the necessity to adopt a corresponding decision on Ukraine at the Riga Eastern partnership Summit. This is why, in his election program, Poroshenko also pledged to establish a visa-free regime with the EU within the first year of his presidency. Nevertheless, Ukrainian officials have failed to meet the technical requirements of the Action Plan on Visa Liberalization. Under the best-case scenario, one can expect that visas for Ukrainians might be abolished in 2016.

This is the most clear demonstration of the results of Poroshenko's first year of presidency; much-needed and charismatic political statements followed by a consistent failure of implementation have led to the loss of real prospects such as the announcement of a visa-free regime at the Riga Summit and the gradual discrediting of the new government in the eyes of society and the international community.

While Poroshenko's presidency began with a "honeymoon" phase with the EU, which has only

now begun to express its disappointment with the lack of reforms and widespread corruption in Ukraine, the country's relations with the RF were at a point of freezing. As of May 2014, "efforts" of the Prime Minister and Acting Minister of Foreign Affairs have delivered neither a package of proposals on conflict settlement, nor even an adequate negotiation channel for communication between Moscow and Kyiv. Having realized the importance of both, Poroshenko clearly indicated in his program his desire to normalize bilateral relations and established a channel of communication with the Russian president before the elections. He also formulated and passed on his vision for a possible compromise between the parties.

In summary, as of today — one year since Poroshenko assumed the role of President — his initiative to improve relations with Russia in view of backroom agreements with Putin has ultimately failed. The exploitation of personal communication of presidents, a number of trustees or key European leaders has not built a reliable communication channel. Although Kyiv made some tactical concessions to Moscow, including the postponement of the entry into force of the DCFTA with the EU, the parties did not reach a systemic solution to bilateral problems. Kyiv agreed to the establishment of the negotiation formats that identified Ukraine's leaders as well as the leaders of LPR and DPR as the negotiating parties. This allows Russia to withdraw itself from the status of a conflict party and rise above suspicion. Kyiv refused to use "big guns" in negotiations in the sense of the steps and requirements for the complete isolation of Russia such as the removal of its seats in the UN Security Council. Ukraine has confined itself to verbal rhetoric, which in no way facilitated the finding of a solution. If international diplomacy follows the principle of "a diplomat thinks three times before saying nothing", Ukraine has already left the clear impression that it "says three times and does nothing."

Over the entire year during which Poroshenko has served as President, Ukraine's foreign policy can be characterized as chaotic and crude. This was mostly obvious on the issue of the intervention of international peacemakers in Ukraine. Despite the insistence of experts on the need for appealing to the international community for peacekeeping intervention with the purpose of solving Ukraine's



conflict far before the presidential elections Poroshenko has strongly opposed the initiative. Only this February did the President officially request that the EU and the UN send peacekeepers without first monitoring, analyzing and preparing. The initiative was not based on the stated conceptual basis for the legal registration of peacekeeping, the determination of sources of financing, peacekeeper recruitment as well as Russia's place and role in the process, etc. This fact left Ukraine's foreign partners largely surprised.

Similar initiatives in relations with the United States were accepted without understanding and were not worked out. Public declaration of requests for giving Ukraine the status of a US ally outside of NATO and public dissatisfaction with the refusal of the American President left bad impressions in Washington of the unprofessionalism of the Ukrainian party with its focus on public promotion in foreign policy. Although the US demonstrates systemic and consistent political and financial assistance for Ukraine, the potential of the Ukrainian-American strategic partnership has

been weakened, and the US is increasingly leading dialogue with Russia on the Ukrainian crisis.

The President was quite successful in activities with the German leadership, whose politics have become increasingly more pro-Ukrainian than before. Kyiv actively led dialogue with Poland and other countries in the region, but the failure of voting on the ratification of the Association Agreement with the Czech Republic as well as the increasingly pro-Russian slant of Hungary have showed that Ukraine's position in the CEE region is quite unstable. Japan has quite actively supported Ukraine during the past year when the other world power – China – was absent among the priorities of Ukrainian foreign policy.

Overall, Poroshenko was not only active in foreign policy, but often took over the functions of the Minister of Foreign Affairs over the past year. These activities of the President as well as those of Minister Klimkin did not contribute to the institutional strengthening of the Ministry of Foreign Affairs and the efficiency of the national diplomatic service.

## Public administration reform and anti-corruption lustration

During his election campaign, Poroshenko repeatedly stated that it was necessary to reform public administration, create a professional body of public servants, improve social welfare and enhance responsibility.

Public administration reform remains the baseline for all other reforms. Only those professional public servants who are selected in a transparent and fair competition, make decisions based on clear functions and procedures instead of acting on their own judgment, have sufficient financial resources and are constantly monitored by independent institutions can effectively ensure the functioning of the state as a democratic mechanism.

Unfortunately, no progress has been made on public administration reform thus far. The post-communist nomenklatura-style subordinate and passive public service in Ukraine has not been changed. Political and administrative positions have not been separated, and neither the institute of state secretaries nor an independent body that would be responsible for the functioning of public service in compliance with European standards have been introduced. The fact that it took two to three months for the system to take in and then expel new public managers that came from business (e.g., Sasha Borovyk, Denys Brodskiy) points to the absence of real changes. Some positive episodes such as a transparent competition for the position of the head of the anti-corruption bureau are better viewed as the exception that proves the rule.

Although the parliament has made some progress on a new law on public service, the main problem stems from the apparent lack of political will to create a professional body of public servants that would be free from political influence. One of the

most concrete proposals for the change of the system of public administration was to pay some public servants from the EU-provided funds. This idea is rather controversial and dangerous as it can cause misbalances in the system of public administration rather than make it work more efficiently.

While there has been no progress on the reform of public administration, the lustration process has been marked by some steps that violate the principle of the presumption of innocence and the principle of fairness rather than purge the government of corrupt officials.

The law on “On the purging of government” was passed in September 2014; however, since then, the law has been subject to many accusations regarding its constitutionality and effectiveness. As of May 19, 2015, the list of officials affected by the law includes 593 persons. According to Yatseniuk, as many as 1,500 public servants resigned of their own accord.

Lustration processes are fraught with corruption risks, target too many officials and are based on the presumption of guilt. Further, in practice, it is middle-level public servants that get sacked instead of the most notorious officials from the previous government. Recently, a high-profile case and corruption-related accusations have resulted in the resignation of a number of deputy internal ministers that occupied top positions during Yanukovich's tenure.

Moreover, over the last month, there have been several cases of non-disclosed profits gained by public servants, their enrichment through shadowy means and the return of officials linked to former president Yanukovich. The aforementioned cases are a clear signal of the absence of changes in the political system of the country.

## Political reboot and electoral reform

Poroshenko's promise on elections was fulfilled by 50%: the pre-term reboot of the parliament took place by the end of 2014, but it was not held according to the proportional system with open lists as was promised in the presidential candidate's program. The preservation of the old system prevented a complete renewal of the Verkhovna Rada as hundreds of experienced politicians returned to

the parliament on the backs of several dozens of civil activists.

Electoral reform may have become a good indicator of the authorities' willingness to change the country. First and foremost, its implementation did not require significant financial and time resources. Second, throughout the year, the change in electoral systems was discussed by politicians, journalists and

experts as a mechanism to renew the political system, and most political parties agreed that Ukraine needs a proportional system with open lists. All in all, this promise, which was popular in society, helped many parties get to the parliament. Third, it is better to make amendments to electoral legislation right after rather than before the elections, as it is easier to find the votes in the parliament and one will not be accused of speculations.

Volodymyr Hroysman formed a working group to improve electoral legislation in February 2015. Over the course of three months, it met only twice. In April 2015, a smaller group, which consists of five MPs and six experts, who are finishing the elaboration of the respective bill, was also created. The latter is going to be registered next week. Some alternative bills have been submitted to the parliament, one of which is being prepared by “Batkivshchyna”.

At the same time, the work of the MP group may be solely a nice cover behind which another text is being prepared. Ruslan Knyazevych, MP from the presidential faction, is writing an alternative draft bill based on the German electoral model. According to this system, voters choose both candidates and parties, but the number of mandates is defined by the party's results. The list of future MPs is first formed with the party's majoritarian candidates who received high results and then with candidates of the party's national list. This is not a bad sys-

tem. However, it is a type of hybrid system rather than a proportional system with open lists, which was promised by Petro Poroshenko both before the presidential and parliamentary elections.

The use of a proportional system with open lists at the local elections is a good way to test this model before the next parliamentary elections. Taking into account the population numbers, the use of this system at the parliamentary elections will also require regional rather than national lists of candidates.

An analysis of the electoral legislation elaboration thus shows the lack of a comprehensive vision of public policy both within the coalition and in relations between the parliament and the government. In October 2014, the Verkhovna Rada adopted the anticorruption strategy, according to which the change of electoral law is defined as a mechanism to combat political corruption. In the action plan for 2015-2017, which was recently elaborated by the government to implement the strategy, the anticorruption expertise of electoral laws is to be completed by June 2016 and the new law is to be adopted only by December 2016.

The question arises why the same job should be done twice if anticorruption risks may be eliminated while elaborating the electoral code this year. On the other hand, it shows the lack of desire of the government to change the electoral system soon, regardless of its numerous promises.

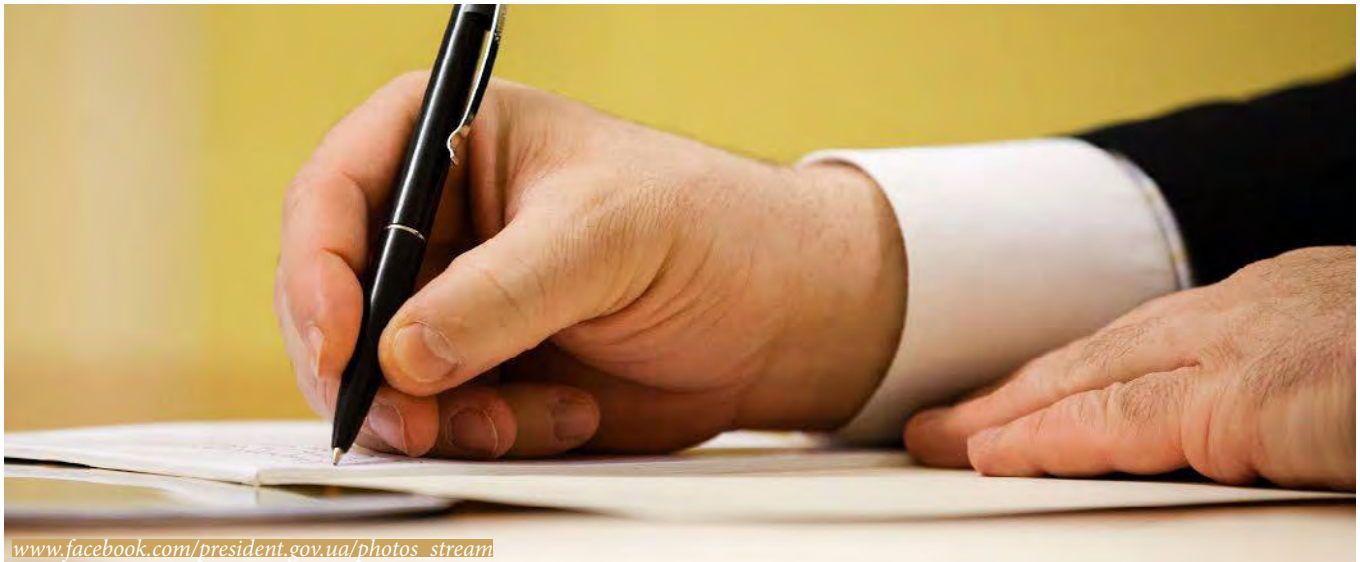
## Constitutional reform and decentralization

One of the key provisions of Poroshenko's political platform was decentralization, which was seen as the Ukrainian government's attempt to pursue its own scenario to counter Russia's manipulative acts regarding the federalization of Ukraine. The corresponding cosmetic changes to the Constitution were presented in the month following the presidential elections. However, due to much criticism, the behind-close-doors elaboration of the draft Constitution and hostilities in eastern Ukraine, the announced amendments to Ukraine's Constitution were postponed. As the President's draft Constitution was prepared behind closed doors, the authors of the draft were not identified, while the public was familiarized with the draft on the day of its official publication. Contrary to Poroshenko's statements, the process of the elaboration of the new Constitu-

tion was accompanied neither by relevant public consultations nor by expert analysis of the text of the document.

In general, the draft Constitution drew criticism both from Ukrainian experts and members of the Venice Commission. The draft contains a whole range of negative aspects, which can grant more powers to Poroshenko. In addition, decentralization was not reflected in the draft Constitution. The future status and powers to be granted to the office of the prosecutor, law enforcement bodies and courts did not correspond to European practices. After such public obstruction, the President's draft Constitution was taken off the table.

With the establishment of the Constitution Commission, the issue of constitutional amendments was brought up again. Headed by Volody-



myr Hroysman, a relevant working group has been created to work on decentralization. The Constitutional Commission includes 72 members and foreign advisors, who are neither moral authorities nor opinion makers. The working group works on three areas: decentralization, the judiciary and human rights. However, the public has not been given any explanation as to why it is, these three factors that were chosen as priority directions. The Constitution Commission works behind closed doors without consultations with the public and stakeholders.

The Chairman of the Verkhovna Rada states that in percentage terms, the level of agreement between members of the Commission on the subject of devolving more powers to the regions is estimated at 70%. According to the Chairman, the Commission will be done with this issue by July 2015. The heads of local state administrations will be replaced with special representatives of the President, and they will be in charge of the observance of the Constitution. Executive committees of local councils will be responsible for the executive branch. Territorial communities will be expanded and will receive more powers.

## Judicial reform and reform of law enforcement bodies

Despite the fact that the President declared judicial reform as a priority, it has been limited to several approved laws. The most recent is entitled “On ensuring the right for fair trial”, and its adoption was held under the strict control of the Presidential administration.

Its text poses many issues. There are still the ways for the President to influence judges’ careers. Further, a number of provisions require amendments to the Constitution, and the independence of the judiciary is not guaranteed, as the High Council of Justice is still subject to political influence. Although this state body has to carry out disciplinary proceedings against judges and dismiss them from the posts, it has not been working for a year.

The High Council of Justice needs 14 members for quorum (it has 20 members in general), but currently only 13 of them can fulfill their duties. The Prosecutor General of Ukraine along with three

members delegated by the Congress of Judges cannot take the oath unless juridical mismatches are corrected in the legislation. Thus far, only six Council members are the professional judges. Further, a number of appointed persons are directly associated with Poroshenko and Yatsenyuk, which impedes the independence of this state body.

Judicial reform is impossible without changes in the Prosecutor’s office. Although a related law was passed in October 2014, representatives of the Presidential faction themselves initiated the postponement of its implementation several times. In order to influence the political situation, the President is not interested in losing such a powerful tool as the loyal Prosecutor General with his current level of authority.

The “live in a new way” program included the establishment of public control over the appointment and activities of judges, but the progress in this area

became possible due to the involvement of civil activists, not the presidential administration.

Much time has been wasted with the police reform, but all the responsibility goes to Arsen Avakov personally, as the Minister of Interior in not associated with the President. Public attention was diverted by regional pilot projects and the bright presentations of concepts, whereas the real actions started only in January 2015 with the beginning of the selection and training for the new patrol police in Kyiv. The first conclu-

sions about the quality of these processes may be drawn only this June when the new patrol police starts working in Kyiv.

Meanwhile, people guilty of crimes against the Maidan have not yet been punished. Both MIA and the Prosecutor-General's Office are responsible for this, with Prosecutors-General Vitalii Iarema and Victor Shokin being the President's appointees and close affiliates. For the last year, the police numbers have not been reduced and the new law on police has not been adopted.

## Fight against corruption

In his electoral program, Poroshenko proposed "zero tolerance to corruption" as a new national idea and the total elimination of "corruption tax on economics".

Over the last year, the biggest progress in anticorruption reform includes the adoption of public policy on the fight against corruption and respective legislation prior to the parliamentary elections as well as a transparent competition for the position of the head of the National Anticorruption Bureau. However, the bureau may start its work only by the end of the year, whereas the implementation of the anticorruption legislation is constantly being delayed, as it was the case with the National anticorruption strategy for 2014-2017.

Since the law was adopted in October 2014, the Cabinet of Ministers had three months to elaborate the implementation mechanism. Nevertheless, the respective resolution No. 265 was adopted only on April 29, 2015, and moved the implementation of many important components of the Strategy for 2016-2017.

For instance, one of the ways to separate big business from politics is to adopt a transparent law on lobbying. According to the government resolution, this change is expected by December 2017.

Periodically, civil activists and international partners have emphasized that Ukrainians have a

critically low trust in government, which can be explained in part by the delay in reforms and the non-punishment of corrupt politicians from the previous government. The attitude to public institutions may be somewhat improved through the introduction of public consultations with stakeholders. Citizens would then feel that their opinions do matter and are taken into account by the authorities. Again, the resolution No. 265 foresees that the respective law will be approved as late as by the end of 2016.

Regardless of the overall positive assessment of anticorruption legislation, there have been attempts to make amendments to the laws that will eradicate all progress made. Further, Ukrainians have not seen any actual results of the fight against corruption on the part of the Interior Ministry and the Prosecutor-General's Office. The public's attention is distracted by high expectations from new anticorruption bodies, whereas billions of budget hryvnias spent on the law enforcement agencies do not ensure their proper work.

Celebrated criminal cases against representatives of the former government and Party of the Regions have not ended up with the punishment of those people, whereas many corrupt officials in the Ministry of Interior Affairs and the Prosecutor-General's Office feel comfortable with the current government as well

## Media reform

In the "live in a new way" program. Poroshenko promised to create a public broadcasting company and make media ownership transparent.

The President supported the law "On public broadcasting", which should be launched through the merger of state national and regional TV and



radio companies. It will receive budget financing worth 0.2% of GDP (UAH 800 mln. this year). Public broadcasting is Ukraine's international commitment before the EU and the Council of Europe, and international experts positively assessed this law. Currently, the organizational work to create the

National Public Broadcasting Company of Ukraine is ongoing.

On the other hand, the media ownership structure has not become transparent, though the bill in this area was registered in January 2015 by MPs from "People's Front" and "Bloc of Petro Poroshenko".

## «Live out of poverty!»: Economic reforms, social standards

In the economic sphere, Poroshenko's election program was not particularly rife with major promises. The majority of election promises were too general, which makes it harder to analyze their execution. The main motif of Poroshenko's election rhetoric (especially in the economic part) was the implementation of systemic reforms and the eradication of poverty.

The main focus in the election program was on the tax sphere, namely a reduction of taxes (both the number of taxes as well as tax rates), an increased application of the simplified tax system for small and medium-sized businesses and the fight against off-shore companies. As for trade, the signing of the eco-

nomic chapters of the AA was prioritized. As regards the energy sector, the election program contained provisions on energy independence and the diversification of energy sources. In order to improve the business climate, the election program provided for law reform in order to fight corruption and improve the investment climate. The AA was supposed to lay the foundations for the reforming of the economy. Also, the program contained provisions regarding access to the global markets for Ukrainian goods.

The fulfilment of a variety of election commitments in the economic sphere is beyond the President's authority and will take more than one year.

Poroshenko's dubious initiative to make the Anti-Monopoly Committee the main regulatory body in the economic sphere as well as impose non-conventional functions on it was never carried out. Although anti-monopoly reforms were also mentioned in the Coalition Agreement, no progress has been made in this respect.

There are a few achievements in the budget sphere. As of today, several concepts of tax reforms have been elaborated and presented to the public by various working groups. However, measures to be taken in connection with budget reforms were reduced to some novelties introduced during the process of drafting and approving the state budget. In particular, the number of taxes was reduced, though in practice the reduction of taxes turned out to be a mechanical combination of the existing taxes.

Successes in the fight against corruption do not look very optimistic when judged against the backdrop of a sharp devaluation of the hryvnia, a significant drop in real profits and rapid inflation. Furthermore, promises to eradicate poverty do not quite correlate to Ukraine's commitments under its cooperation with the IMF. Under the 2015 budget, public utilities costs have risen sharply and welfare

benefits have been cut. In connection with the government's plans for the eradication of poverty and the improvement of the business environment, the activity of the NBU headed by V. Hontariev, who is reputed to be a close affiliate of the President, comes into question, including a non-transparent policy on the refinancing of several banks against a sharp devaluation of the national currency, the expediency and timeliness of specific actions of the regulator amid panic on the interbank market and the effectiveness of the fight against the shadow FX market.

It is difficult to analyze how successfully the election promise of increasing Ukraine's access to global markets is being fulfilled. Formally, one can conclude that there have been no special achievements in this regard. Moreover, 2014 foreign trade data as well as data for the first quarter of 2015 suggest negative trade dynamics. A drop in foreign trade with Russia in 2014 amounted to 41.3% on a year-over-year basis and was not compensated for by the increase in trade with the EU (+2.6% in 2014). However, the solution to this problem is beyond the President's authority and calls for the coordination of actions between all branches of government and representatives of business.

## Energy independence and energy diversification

The President's promises were limited to providing energy independence, diversifying gas supplies and reducing energy consumption by the modernization of enterprises along with a simultaneous reduction in energy consumption intensity. However, the energy sector reform is progressing extremely slowly.

The reform of the national energy sector started with a new concept of "Energy Strategy of Ukraine – 2035". The authors used a scenario approach, but not the departmental one, that became a distinctive feature of the document. The scenario approach comprises trends of the global energy market, technological progress and external challenges as well as peculiarities of internal state development. The working draft of the document was published in January 2015, but it is still being discussed. Postponing the adoption and implementation of the amended Energy Strategy affects the energy security of the state.

The extremely complicated situation in power generation during the period from November 2014

to February 2015 hindered the process on the energy market liberalization.

On the issue of diversification of gas supply, the import of Norwegian natural gas and gas reverse from Slovakia, Poland and Hungary was established. The law "On the natural gas market" was adopted in order to liberalize the gas market. This law introduces the principles of the Third EU Energy Package on the gas market demonopolization and the separation of activities of companies, which are involved in mining, transportation and distribution.

Delay with the "Naftogaz" reform, namely the postponement of the company reorganization from the year 2015 to 2017 within the framework of the program on cooperation with the IMF (EFF), will affect the liquidity of state energy assets and will hinder the attraction of foreign investments for technology enhancement of the gas transportation system and the storage facilities.

## What is next?

While Petro Poroshenko's election program remains unfulfilled, it is still relevant. His initiatives have significant potential for reforms. The actual execution of Poroshenko's main election promises may rebuild public and international trust in the Ukrainian state. Further imitation of reforms, the

continued preservation of corruption practices and an aggressive political rhetoric may discredit the Ukrainian state as well as accelerate negative social, economic and political consequences. The President's words should translate into real actions and demonstrate his ability to work in a new way.

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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