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# Inside Ukraine

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# The Government Policy

The tragic events near the Verkhovna Rada are a direct result of the nontransparent constitutional process currently taking place under the full control of the government without the inclusion of the public. The vote over constitutional amendments has not only split the Ukrainian Parliament, but it may also become a driver for a reconfiguration in the present coalition and the government. The major point for debate is not decentralization (in fact, the equal extension of rights for local communities, especially in financial affairs, provides a ground for the reconciliation of the country and is positively reviewed by the public), but rather on the constitutional norm of a special order of self-governance in certain districts of Donbas. The reference to the specific law that will regulate these differences is a delayed-action bomb, as when the parliamentary configuration changes, 226 votes will be enough for any manipulation using this law.

The establishment of new institutions will have an impact on the fight against corruption only in the medium- and long-term perspective, while the Ukrainian public requires concrete results in this fight now. However, the full-scale activities of the new anticorruption bodies have not even been launched yet. The National Anticorruption Bureau (NABU) has only selected its first detectives who still have to be trained and need the support of specialized anticorruption prosecutors in their work. As regards the specialized anticorruption prosecution and the National Agency for Prevention of Corruption, the selective commissions have not been even fully formed yet. However, the launch of these new bodies will not bring the desired results unless a comprehensive reform of the prosecutor's office and the court system (as most of the corruption cases are blocked at this level) is implemented.

## Decentralization: the positions of the parties



Voting for amendments to the Constitution will accelerate the reformatting of the political environment in Ukraine. The Radical Party faction has already declared its withdrawal from the coalition and its opposition to the government. Further, the neglect of the arguments of Samopomich and Batkivshchyna by the two largest factions will enhance tensions within the coalition.

The strategic miscalculation was to combine decentralization, which is an equal empowering of

all the regions, with a special order of self-governance in Donbas, which gives a privileged status to one region. These approaches are self-contradictory, and their combination is perceived as a result of international pressure to make Kyiv unilaterally fulfill Minsk-2 and to use a domestic Ukrainian issue of constitutional changes as a stake in geopolitical bargaining with Russia. The obvious asymmetric Western pressure on Kyiv weakens the position of the President of Ukraine and breeds the mistrust of

Ukrainians in the true intentions of Western partners. In addition, the second vote for the constitutional amendments in their present form may cause a new round of internal political conflict and further destabilization of the situation, which will play into Russia's hands.

**Bloc of Petro Poroshenko and People's Front:**

decentralization is an integral part of Petro Poroshenko's peace plan, without which Ukraine risks remaining alone with the aggressor. In general, the constitutional amendments have been approved in the West, and it will be impossible to count on the continuation of sanctions and the expansion of the international anti-Putin coalition without their implementation.

**The Opposition Bloc:** empowering the regions and local government bodies is the first step to settle the conflict in Donbas. At the same time, the Opposition Bloc is up for supporting this draft law even in the second reading if the government supports the legislative initiatives of the opposition regarding the industrial recovery of Donbas.

**Samopomich:** the constitutional process is devoid of social legitimacy and will lead to a concentration of power in the hands of Petro Poroshenko. Representatives of the faction are dissatisfied with

In order to understand the nature of the confrontation as regards constitutional amendments, it is necessary to consider the positions of all the stakeholders:

the authorities of the prefects and the right of the President to temporarily suspend local government bodies and appoint a temporary state commissioner for six months instead.

**Batkivshchyna:** the draft law on decentralization will not lead to peace because it will cause the legitimization of the gunmen and the loss of some territories by Kyiv. Yulia Tymoshenko noted that the Batkivshchyna faction had previously registered nine draft laws, the adoption of which gives a chance for true decentralization and the financial independence of communities.

**The Radical Party and Svoboda:** before the crucial vote, the deputies from the Radical Party blocked the Parliament rostrum, claiming that actions of the government are unacceptable and threaten Ukraine's sovereignty. Representatives of Svoboda called the constitutional amendments a "betrayal" and resorted to violent actions.

**Volya Narodu and Vidrozhennia parliamentary groups:** although the representatives of these deputy groups used to actively criticize the decentralization approach, the majority of their deputies supported the presidential text on the day of the vote.

Voting for the document in the second reading that may be held after the local elections, for instance, in December, still remains the actual issue. Petro Poroshenko may gather 300 votes if he strikes a deal with the deputy groups and the Opposition bloc, which has its own negotiation agenda on Donbas.

## The fight against corruption: new bodies in the old system

The delay in the fight against corruption decreases Ukraine's ability to withstand external threats, questions the authority of the Ukrainian state in the eyes of its Western partners, and undermines the trust of the public in the Ukrainian authorities' commitment to reforms.

Unlike some sectoral reforms, there has at least been some progress achieved as regards the establishment of new anti-corruption institutions. Over the past year, a legislative framework for combating corruption has been elaborated and adopted, the foundations for the functioning of the National Anticorruption Bureau have been laid, and access

to many public registers has been opened (which increases the number of tools for investigative journalists).

The anti-corruption initiatives have been successfully pushed forward due to three key factors:

- 1). a clear picture of the corruption problems and suggestions for overcoming them was consolidated in the first public policy document in Ukraine – Anticorruption strategy for 2014-2017;
- 2). the cooperation between civil society activists and some MPs enabled the adoption of the

so-called big anticorruption package before the parliamentary election;

- 3). there was meticulous public attention directed at any attempt of the government to revise the anticorruption initiatives.

So far, the most significant progress has been achieved in the establishment of the National Anticorruption Bureau (NABU). The appointment of its head (Artem Sytnyk) was likely the first time in modern Ukrainian history when the job requirements for such a high official position were clearly stated and the selection process was transparent. Over the first five months of its work, the structure of the body was approved, 17 employees were appointed, and 70 detectives out of 255 were selected. In September-October 2015, they are expected to undergo training and start performing their duties in November 2015.

Though Artem Sytnyk is quite skeptic about the possibility of starting investigations without specialized anticorruption prosecutors, it is highly likely that at first detectives will have to work without them. Legally, it is possible, but this will impact the chances for the prosecution's success at the court.

The experts who are actively involved in the launch of the NABU argue that the detectives should first improve their skills in more simple cases without going into more complicated schemes. At the same time, the public has high expectations for the work of these new bodies. This can be explained by the inaction of the prosecutor's office, the Security Service, and the Interior Ministry on the issue of fighting corruption, as well as by the deliberate actions of politicians to turn public attention away from the existing bodies toward the new ones, provoking a kind of "pent-up demand."

The specialized anticorruption prosecution will supervise the pre-trial investigation of the NABU and support the charges at the court. Its establishment has been delayed because of the reluctance of the Prosecutor General's Office to lose influence over the new body. Currently, solely the procedure for the selection commission's creation has been determined – the Prosecutor General's Office (PGO) has delegated four representatives, while Parliament has yet to select seven additional representatives. If Parliament fails to do so, the representatives of the PGO

will start the selection on their own, which negates the very idea of this new body's creation.

The National Agency for Prevention of Corruption (NAPC) will elaborate anticorruption policies, monitor property declarations of officials, and deal with conflicts of interest. Formally, it has existed since March 2015, but in fact there is no commission to select its members yet. The commission includes four delegates from NGOs, which deal with the fight against corruption, whereas the President, Parliament, the Cabinet of Ministers, and the National Agency on Public Service will have one representative each.

On August 28, 2015, there was a reelection of civil society delegates, while Parliament has still not decided whom to delegate.

Experts on anticorruption legislation claim that the new system of anticorruption bodies is going to include the State Bureau of Investigations (SBI), which, among other organizations, will deal with corruption crimes that do not fall within the competence of the NABU. However, the bill, which has yet to undergo the second reading, defines the competence of the SBI in the following way: organized crime, terrorism, grave crimes, military crimes, and corruption crimes committed by NABU employees and specialized prosecutors. For the SBI to become a significant link in the system of combating corruption, the draft law on its activities needs serious fine-tuning.

Anticorruption reform requires a consideration of several important issues, including the situation with the fight against corruption in the regions in the context of the decentralization reform:

- 1). Citizens do not believe in the efficacy of new anticorruption bodies without a complete reboot of the courts and the prosecutor's office system, as at the regional level, the corruption cases are blocked at the level of judges and prosecutors.
- 2). Most of the new anticorruption bodies will begin their work from the central level, while in the regions, corruption is hardly less common. At the local level, the focus should be made on corruption prevention through working with local officials, journalists, and activists.
- 3). The government failed to establish effective communication with the public regarding

anticorruption reform and explanations on how the new system will work.

- 4). In order to convince the public on the seriousness of the fight against corruption, the government needs to demonstrate at the minimum several success stories with investigations at the highest level done by the existing law enforcement agencies. This would have a symbolic role

in society and help manage overstated expectations of the public from the new agencies.

- 5). The minimization of corruption rates requires not only punishment for corruption, but also the establishment of effective mechanisms for its prevention and educational activities among the population.
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## Economic situation

The Strategy for the development of technical regulations, which was adopted by the Cabinet of Ministers, will help Ukraine to reconcile its legislative framework with international standards and

improve product safety and consumer protection. At the same time, it carries out some risks for domestic producers who cannot compete with imported goods.

### Transition to the technical standards of the EU and the WTO until 2020



In late August 2015, the Cabinet of Ministers approved the Strategy for the development of technical regulations for the period until 2020 (hereinafter – the Strategy). The Ministry of Economic Development intends to create a system of technical regulation that will be modified to fit the requirements of the World Trade Organization and the EU. It will provide the opportunity for Ukrainian producers to enter foreign markets. The Strategy includes the roadmap of activities in the sphere of technical regulations with the specific designation of responsible central executive bodies, and it lists the final indicators that will be used to determine the progress of the implemented activities.

The adoption of the Strategy, approved by the relevant structures of the EU, should ensure the irreversibility of the initiative throughout the process of adaptation by the Ukrainian system of its technical regulations to the requirements of the European legislation. In turn, this will eliminate technical barriers in trade between the EU and Ukraine, facilitate the implementation of the commitments that Ukraine made upon joining the WTO, ensure the implementation of the

Agreement on conformity assessment and acceptance of industrial products, and improve the investment capabilities and competitiveness of domestic producers.

In particular, the plan foresees the fundraising of EU technical assistance in order to reconcile Ukrainian legislation to international standards, the adoption of the European and international standards as national standards, the technical upgrade of standardization, and the development of the metrology system. In addition, the Ministry of Economic Development intends to gain the recognition of the National Accreditation Agency at the international and European level.

The introduction of a new system of technical regulation will increase the safety level of products and services and improve consumer protection. The higher level of safety means that goods that do not comply with safety requirements, even if they are cheaper, will be taken off the market. This will affect both domestic producers and imported goods of low quality. Therefore, there is a risk that domestic producers who do not adapt to the new conditions will cease to exist.

# Political competition

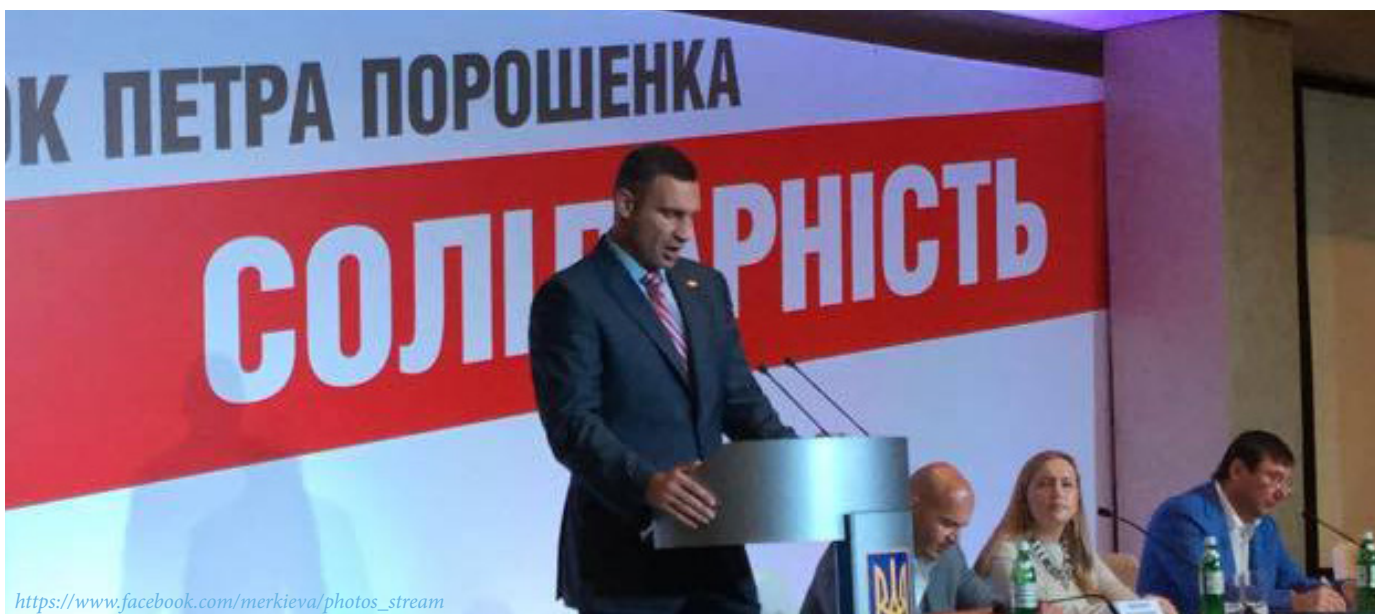
By swallowing up UDAR and establishing a collaboration with People's Front, the President's party has won an extra network of local party branches from the former and a disciplined faction of 81 deputies from the latter, which are expected to provide backing for the President's initiatives. The rapprochement of the two biggest parliamentary factions has raised fears among other coalition members that their interests may be disregarded.

The withdrawal of Radical Party of Oleh Lyashko from the coalition will not lead to an immediate government reshuffle, although it will resume political bargaining between big and small parties within the coalition. Batkivshchyna and Samopomich will assume the role of the inner opposition within the

coalition, preferring to abstain from voting when it comes to the most contentious draft laws.

At the same time, Opposition Bloc expects that ongoing economic woes and political infighting will eventually drive the main coalition members' public approval ratings down. The use of various media resources will play a central role in the Opposition Bloc's electoral campaign. However, Opposition Bloc's chances of high public approval ratings in the South and East may be reduced due to likely competition from two new political projects – Vidrodzhenya (Renaissance), which is linked to Ihor Kolomoiskyi, and Nash Krai (Our Country), which is associated with the presidential administration.

## Political alliance between the Bloc of Petro Poroshenko, UDAR, and People's Front



[https://www.facebook.com/merkieva/photos\\_stream](https://www.facebook.com/merkieva/photos_stream)

Petro Poroshenko is consolidating the political landscape around his parliamentary faction. The President's calls for democratic forces to unite for local elections, the merger of UDAR and Bloc of Petro Poroshenko as well as the unofficial deal between Bloc of Petro Poroshenko and People's Front will have a small impact on the electoral outcomes; however, they will reinforce the President's standing in Parliament.

The alliance between UDAR and Solidarity comes as a logical continuation of the political processes that started last year: Vitali Klitschko's decision to bow out of the presidential race and endorse the candidacy of Poroshenko instead, the concession of local UDAR offices to Petro Poroshenko during the parliamentary elections, and a gradual rapprochement between some UDAR members and the presidential administration. Though previously UDAR



made statements about its decision to run for local elections separately, the two parties agreed to join forces ahead of local elections, the agreement having been brokered by Klitschko's affiliates from the business community.

As a result, Klitschko received guarantees of his victory in the Kyiv mayoral elections, half of Bloc of Petro Poroshenko's seats in the Kyiv city council as well as in some local administrations where UDAR has a strong presence, and an honorable, yet non-influential, position as a leader of the new political party. On the other part, UDAR lost its standing as a national player, focusing instead on specific regions. On the negative side, such a merger will result in the loss of a few influential MPs as well as increased discontent among UDAR local activists who were not invited to have their say in deciding the political future of UDAR.

As for the President's party, it has successfully swallowed up a political player with whom it shared the same electorate niche (though, over the last year, UDAR and Klitschko's approval ratings have significantly fallen). The party also won access to 350 local UDAR branches (First Deputy Head of Bloc of Petro Poroshenko faction Ihor Kononenko has stated that at present Solidarity has as many as 650 local offices).

Political dividends from the merger of Bloc of Petro Poroshenko and People's Front are much bigger. The presidential administration will get additional leverage in the form of a strong and disciplined faction comprising 81 deputies. By joining forces, Bloc of Petro Poroshenko and People's Front will have 224 seats in total. In case any other parliamentary groups or independent MPs join them, Bloc of Petro Poroshenko and People's Front will be able to form a stable majority. A serious challenge for Poroshenko will be to improve intra-party coordination, since Bloc of Petro Poroshenko consists of 5 groups, which are not always unanimous in voting.

Bloc of Petro Poroshenko will also benefit from Arseniy Yatseniuk remaining as PM. Yatseniuk will play the role of a lightning rod for criticism over slow reforms and the current economic downturn. At the same time, a critical drop in People's Front's approval ratings will prevent Bloc of Petro Poroshenko from receiving additional benefits from the merger and can adversely impact their own ratings.

On the other hand, People's Front is interested in retaining the posts of prime minister, interior minister, and minister of justice. In addition, the merger with Bloc of Petro Poroshenko will provide it with a chance to save face after bowing out of local elections.

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## The fears of small members in the coalition

The deeper cooperation between People's Front and Bloc of Petro Poroshenko is fraught with risks for smaller coalition members, namely Samopomich, Batkivshchyna, and Radical Party. The cabinet reshuffle, which was promised by Yatseniuk and may be a tactical step ahead of local elections, is likely to be held at the expense of smaller factions' interests for the sake of the bigger parties.

The Radical Party of Oleh Lyashko has already announced that it would leave the coalition and subsequently withdraw its representative from the Cabinet (Vice Prime Minister Valeriy Voshchevskiy) as well as heads of parliamentary committees. Lyashko's party will try to act under the cloak of a "patriotic opposition", stubbornly opposing any concessions to the aggressor. However, the Radical Party will have to compete with another political

party, Ukrop, as well as the remnants of Svoboda for votes. Nevertheless, the recent confrontation between protesters and riot police outside Ukrainian Parliament on the day of voting for constitutional amendments, which resulted in the deaths of three law enforcement officers, has seriously undermined the position of the aforementioned parties.

By voting against constitutional amendments, Samopomich put its relationships with the presidential administration at risk. As a result, the faction lost five members, who may be used by Bloc of Petro Poroshenko and People's Front to gain the parliamentary majority in case Samopomich and Batkivshchyna follow suit and leave the coalition.

Samopomich will have to compete with Dmytro Dobrodomov's People's Control for the same

electorate. People's Control is said to be linked to the presidential administration. During the electoral campaign, Samopomich will continue to exploit the subject of reforms as well as the government's failure to comply with the coalition agreement, which was signed last year. Other important subjects on Samopomich's agenda will deal with situational voting by the two biggest factions alongside MPs from the former Party of Regions and the use of democratic procedures for making candidate lists before local elections.

Batkivshchyna's electoral campaign will be targeted at issues such as increased tariffs, widespread poverty, and economic problems. Such issues are highly sensitive during the current economic crisis, especially in central and northern Ukraine, which are the main electorate bases of Batkivshchyna.

Batkivshchyna and Samopomich have announced that they will stay in the coalition. However, they are going to distance themselves from the government during the electoral campaign, assuming the role of inner opposition within the coalition.

## Opposition Bloc's silence

Opposition Bloc has taken a wait-and-see position, silently observing the emergence of deep divisions in the coalition. Through its support for the President's initiatives (for example, the appointment of Viktor Shokin as Prosecutor General or voting in favor of constitutional amendments), Opposition Bloc is thus bargaining for certain preferences. Also, it is indirectly contributing to a drop in approval ratings of both Bloc of Petro Poroshenko and People's Front, which are blamed for having sided with ex-members of the Party of Regions during the parliamentary voting for constitutional amendments.

In view of the fact that the upcoming elections are not parliamentary but local, Opposition Bloc will not throw itself into the electoral race and thereby have

to exhaust all financial resources available. Instead, a greater role will be given to local party branches and Opposition Bloc-controlled TV channels, which are the best tool for improving public ratings in the key southern and northern regions. At the same time, Opposition Bloc's opponents in the aforementioned regions will be Renaissance, which is linked to Ihor Kolomoisky, and "Nash Krai", which is reputed to be linked to the presidential administration and whose candidate list features mayors with good public approval ratings.

Like Batkivshchyna, Opposition Bloc will exploit the current economic situation, job loss, and general economic hardship in their electoral campaign. Apart from that, the party will tackle the issue of the political settlement of the conflict in the East.

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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