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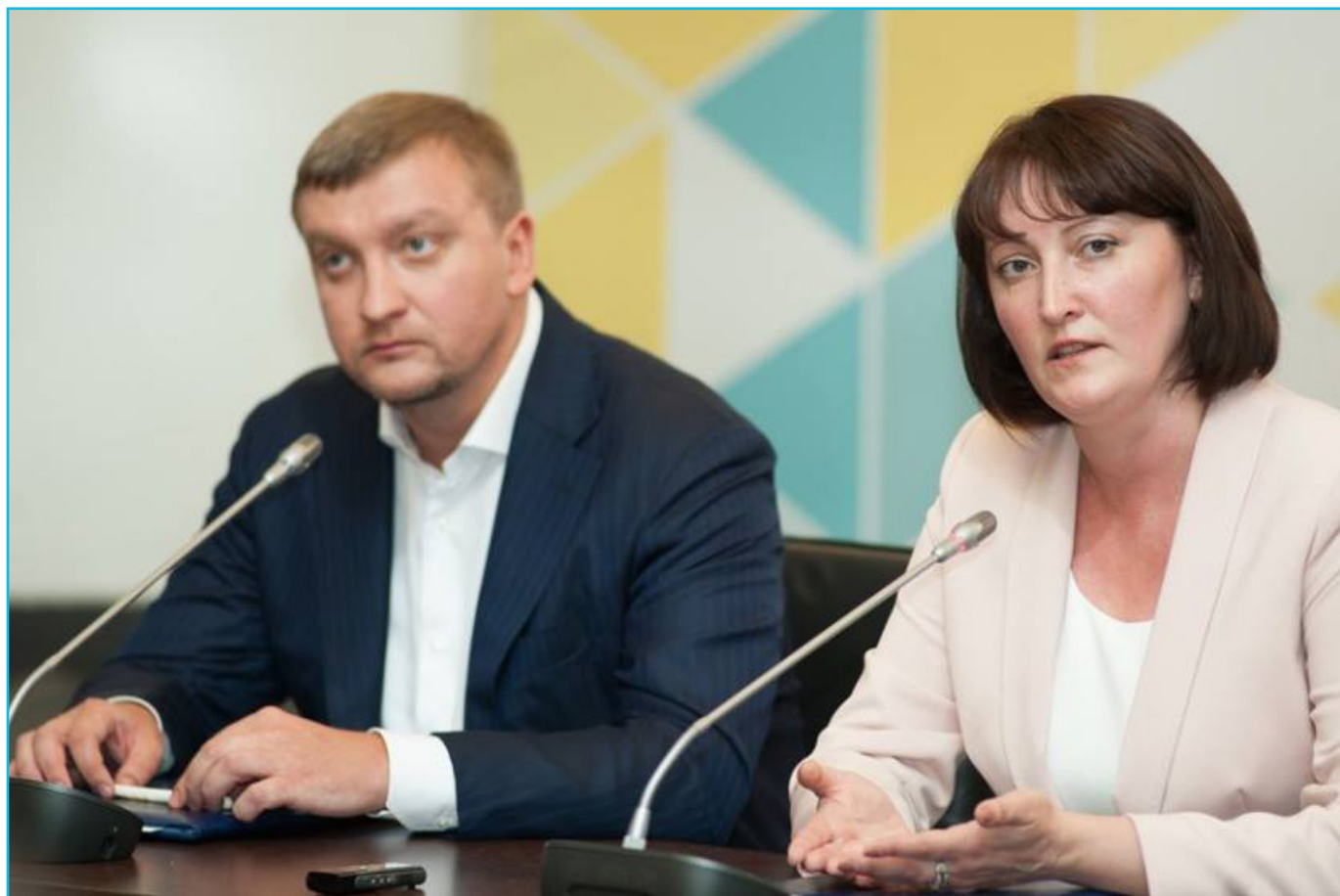
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Public Policies



One Year of the Work of the National Agency for the Prevention of Corruption: Results and Challenges

On August 15, it was one year since the beginning of the actual work of the National Agency for the Prevention of Corruption (NAPC), whose task is to create a system for preventing corruption. Over the year, this body demonstrated the inability to work in a full complement, and its work was accompanied by constant scandals, including the persecution of anti-corruption activists and critics of the current government. Now the Agency's work is de-facto blocked and needs to be restarted. The society, in turn, is waiting for an answer: will NAPC really become an institution for systematic corruption prevention, or will it finally turn into a body of political competition and persecution of the government's opponents?

The National Agency for the Prevention of Corruption is a central body of executive power with a special status that provides for the development and implementation of the state anti-corruption policy, identifies conditions and incentives for corruption, develops anti-corruption programs and detects facts of corrupt enrichment for further criminal investigations. The agency has a preventive role, in particular, regarding the verification of civil servants' declarations and their lifestyles, disclosure of any information regarding corruption or misuse of office. The launch of the Anti-Corruption Agency is one of the requirements of the European Union as regards the introduction of a visa-free regime between Ukraine and the EU.

Difficult start

The "Law on Combating Corruption", which regulates the activities of NAPC was adopted

by the Verkhovna Rada in October 2014. Only 5 months after the adoption of the law (in March 2015), the relevant decision of the Cabinet of Ministers was published and only a year later (in March 2016), the formation of the composition of this body was completed. According to the law, NAPC must have 5 members (the minimum number is 3), but only four of them have started to work – Ruslan Radetskyi, Ruslan Ryaboshapka, Oleksandr Skopych and Nataliya Korchak, who was elected as the Head of NAPC. The People's Deputy of Ukraine Viktor Chumak (BPP) refused to head the agency, although his candidacy was supported by the selection commission.

NAPC's work began only two years after the adoption of the relevant law

Criticism of the new anti-corruption body began at the stage of the selection of its members. Thus, representatives of NGOs called the selection procedure of NAPC members as non-transparent. Also many questions arose immediately to Nataliya Korchak, who is called as “the creature of Arseniy Yatsenyuk”, a former Prime Minister and leader of the People's Front party. In addition, today Nataliya Korchak has an open conflict with several members of NAPC and due to this, the agency's work is actually blocked.

Criticism of NAPC began at the stage of the selection of its members due to the non-transparency of the procedure



Long-suffering e-declaration system and other scandals

One of the important tasks of NAPC is the verification of electronic declarations of officials. The electronic declaration system had to be completed on August 15, 2016. However, a few days before, the State Service for Special Communications and Information Protection announced the denial of certification of the Unified Register of Electronic Declarations. The reason was the discrepancy with the technical task. After that, Nataliya Korchak decided to launch the system without a certificate in the test mode. Such a decision of the Head of NAPC has caused a sharp criticism from the public, because these systems cannot serve as evidence in the court without a certificate, which would have made it possible for unscrupulous officials to avoid punishment.

The launch of e-declaration system has demonstrated the administrative failure of NAPC

The problems also arose during the process of declarations' submission, because the system was working very slowly, with failures and without proper explanation from the agency. As a result, NAPC extended the reporting period for a month. Nataliya Korchak put all the blame of such a situation on the state-owned enterprise “Ukrainian special systems” which is responsible for the technical work of the web site and servers.

On May 2017, the Prosecutor General of Ukraine Yuriy Lutsenko stated that the system of electronic declarations was actually developed by the students of the Kyiv Polytechnic Institute named after Igor Sikorsky, and a grant from the Government of Denmark for its development was misappropriated. In fact, the PGO and other high-level officials, instead of objectively and thoroughly investigating the situation surrounding the launch of e-declarations, are pursuing the prosecution of the “Miranda” software company.

The problems with the electronic declaration system are much deeper than mere technical failures. The fact is that the NAPC is the owner of the system of electronic declarations, but

the control over it is in the hands of the State Service of Communications and its subordinate enterprises, which, in turn, are subject to the Cabinet of Ministers, which enables political influence on the NAPC's work. In April 2017, the government registered a draft law № 6335 in the Parliament, which would allow the introduction of sole governance instead of a collective form of governance.

The premiums of the NAPC leadership have become another resonant story that has received a resonance in the society. The budget of the agency for 2017 is UAH 162.8 million. In February this year, the salary of Nataliya Korchak amounted to 101 thousand hryvnias and her deputies received 76 thousand hryvnias. Despite this, the members of NAPC didn't stint themselves of receiving premiums that reached up to 200 thousand hryvnias. The premiums have also become the cause of internal conflicts within the structure. Nataliya Korchak accused her colleagues Ruslan Radetskyi and Ruslan Ryaboshapka of striving to usurp the appointment procedure for premiums. In this context, it is worth mentioning the claims of NAPC to the former head of the Odesa Customs Service, Yulia Marushevskya, who was accused by NAPC of receiving 500 UAH premium devoted to the International Women's Day or an investigation against MP Yegor Soboliev on receiving a fee for lectures in the amount of 2400 hryvnias from ICPS.

The amount of premiums received by the NAPC members caused a resonance in the society

Work of the NAPC in figures

During a year, out of more than 1.2 million declarations submitted in 2015 and 2016, NAPC began only 313 inspections of 244 declarants. 39 inspections were completed and only 4 cases were forwarded to NABU and other law enforcement agencies in connection with the failure to submit declarations or the provision of inaccurate information. On the basis of the administrative protocols of NAPC, the courts decided to confiscate the contributions of political parties in the amount of 983.1 thousand UAH.



NAPC completed only 39 inspections out of 1.2 mln of submitted declarations

Over the year of NAPC's work, 276 administrative protocols were drawn up on corruption-related offenses. More than half of them (150) were considered in courts, 60 are now at the stage of appeal. NAPC has issued 15 regulations on corruption risks: five – for heads of ministries, six – for heads of central executive bodies, and four – for authorized persons of local self-government bodies.

It is unlikely that such indicators can be attributed to the positive achievements of the NAPC's work.

Personnel turbulences and discreditation of NAPC's members.

Recently, NAPC's personnel issues have only worsened. Ruslan Ryaboshapka resigned in June. He urged the Verkhovna Rada to adopt a draft law on the reorganization of the agency as soon as possible. Another member of NAPC – Ruslan Radetsky has problems with the law and was accused of drunk driving. However, later the Pechersk District Court found him innocent. After this, the Ministry of Internal Affairs initiated an investigation under an administrative clause violating the requirements for preventing conflicts of interest. According to the investigation, Ruslan Radetsky helped the judge, who acquitted him, to avoid verification of the income declaration.

The level of discredit on the agency is critical

Recently, the selection committee has elected a new member of NAPC – lawyer Oleksandr Seryogin. However, his candidacy has still to be approved by the Cabinet of Ministers. That is, today NAPC consists of three members out of five, one of which (Ruslan Radetskyi) has a dubious reputation. Nataliya Korchak, who is associated with a specific political force – the People's Front, can be called discredited and due to the story with premiums and problems with verification of electronic declarations, she has a questionable image as a fighter against corruption or as a leader of a key institution in this field.

Today, NAPC consists of three members out of five needed.

It should also be noted that the units of the Agency to this day remain under-staffed, they employ 70% of the prescribed number of staff members.

Challenges for NAPC

The main challenges for NAPC are the political impact on its work and institutional weakness. Some influential circles in the Ukrainian government do their best to ensure that the NAPC won't become a leading anti-corruption body that should develop and implement anti-corruption policies in the country. The top officials' declarations are still behind the attention of the agency. In particular, real estate property of high-ranking officials abroad is still out of the focus.

In order to increase the effectiveness of the agency, the following steps should be taken as a priority: 1) to change the administrator of the Unified Register of Declarations (NAPC should become the administrator); 2) to conduct independent testing of the electronic declaration system with the help of international auditing companies in order to stop manipulations with software; 3) in the process of declarations' verifications, to start using program modules of automatic verification of declarations and their verification by accessing the priority state registries in automatic mode. These steps will allow to analyze a huge amount of declarations on a monthly basis. It is also important to create ter-

ritorial divisions of the agency throughout the territory of Ukraine.

At the moment, NAPC has become a body whose main task is solely the collection and verification of electronic declarations. And the function of forecasting, identifying the conditions and incentives that generate corruption and minimize it is almost not fulfilled. It is necessary to correctly set the priorities in NAPC's work, provide them with the right of legislative initiative and the opportunity to use the potential of non-governmental think-tanks which under contract would be able to conduct appropriate anti-corruption studies with the development of relevant proposals. NAPC should focus on the study of the peculiarities of Ukrainian corruption and the development of preventive anti-corruption norms, which should be included in a number of legal acts, for example, on civil service, regulations of the Verkhovna Rada, funding of political parties, etc.

The function of forecasting, identifying the conditions and incentives for corruption and their minimization is almost not fulfilled by NAPC.

It is expected that the Parliament may consider the situation with the NAPC and take appropriate decisions this autumn. Two draft laws on the reorganization of the work of the agency are already registered – one of them is developed by the Ministry of Justice, another one – by a group of MPs headed by Viktor Chumak. Both draft laws envisage a full re-boot of the agency's composition, whose members now have four-year immunity. Although considering the agenda of MPs, who first of all, will have to solve the problems with healthcare, pension reform and a number of other commitments to the IMF, the NAPC's issues may go away to the background. Especially considering that the agency doesn't make a real "harm" to the Ukrainian corruption.

Such a lack of success in the NAPC's work can lead to discrediting a truly useful, progressive and necessary idea – the creation of a central body for the development of a comprehensive anti-corruption policy and whose main task is to prevent, detect and minimize the conditions and incentives for corruption.

Economic analysis



The economy of Ukraine in the first half of 2017: the dynamics factors and development prospects

The gross domestic product of Ukraine in January-June 2017 grew by 2.5%, while inflation fell by 7.6%. Positive factors that determined the dynamics of the Ukrainian economy in the first half of this year were the restoration of domestic and investment demand against the background of improving consumer expectations. The key negative factor was the final break of economic relations with uncontrolled territories in the East of Ukraine that negatively affected the dynamics of industry. In the second half of 2017, we can expect a slowdown in economic growth due to the expectation of a lower crop and negative cumulative impact by reason of the termination of trade with uncontrolled territories.

The volume of industrial production decreased by 0.4% y/y

Despite the positive dynamics of GDP in general, the Ukrainian industry in the first half of 2017 demonstrated a slight, but still negative dynamics. The volume of industrial production decreased by 0.4% y/y: in the extractive industry and the energy sector, output fell by 6% and 5.6%, respectively, and in the processing industry there was an increase by 3.6%. The volume of production in agriculture decreased by 2.1%. In crop production, the fall was 8.5%, and in livestock – a decrease by 0.9% y/y. Due to unfavorable weather in the spring and early summer, the harvest of winter wheat was much lower than last year – on July 1 it was 33.4 q / ha (–12.3% y/y). Relatively high yield was in the Odesa region – 55.8 q / ha and western areas.

The GDP of Ukraine in January-June 2017 increased by 2.5%



A key role in the development of the economy belongs to the restoration of domestic demand and events in the east.

In the first half of the year, positive dynamics was demonstrated by wholesale trade turnover (+ 1.5% y/y), and cargo turnover increased by 9.1% y/y. The growth in construction was significant – by 24.6% y/y. The volume of construction of building structures increased by 28.7%, non-residential buildings – by 27.3%. The growth rates in these two sectors were the highest since the beginning of the year. The volume of construction of residential buildings increased by 16.5% – more than five months of the year, but lower than in the first quarter.

Large and medium-sized enterprises of Ukraine in January-June 2017 received UAH 186.3 billion in profit before taxation, which is 3 times higher than the same period last year at the level of UAH 62.9 billion. The share of loss-making enterprises in Ukraine in January-June 2017 decreased to 31.2% from 34.6% a year earlier.

In the first half of 2017, a key role in the development of the economy belonged to a recovery of domestic demand and events in the east. The termination of trade with certain regions of Donetsk and Luhansk regions and the involvement of a number of enterprises in the middle of the quarter were expected to have a negative impact on the rates of economic growth. At the same time, the support of the economy in early 2017 was provided by private consumption due to the growth of real incomes and the further growth of investments at high rates. In the first quarter of 2017, the growth of nominal incomes of the population significantly accelerated due to their major components: social benefits and other current transfers received (increased by 31.8% y/y) and wages (increased by 25.9% y/y).

In the second quarter, the termination of trade with uncontrolled territories continued to affect the indicators of economic activity, primarily industry. Under the influence of weather conditions, the situation in the energy sector and agriculture has somewhat deteriorated.

On the other hand, improvements in business expectations of enterprises and consumer sentiment continued. In addition, the capital expenditures of the consolidated budget have significantly increased in the second quarter. Accordingly, volumes of construction work continued to grow at high rates, even despite the increase in the base of comparison. In particular, the construction of engineering facilities significantly intensified due to the transfer of a large part of customs duties within the framework of a “customs experiment” for the restoration of road infrastructure. This indicates the preservation of the role of investment in economic growth. Consumer demand continued to grow in conditions of rising real wages of the population, the formation of positive consumer expectations against the backdrop of strengthening the hryvnia against the US dollar, as well as the gradual recovery of consumer lending. Also positive factors include the successful completion of the third revision of the IMF's EFF program, which allowed the government to receive another tranche of macro-financial assistance from the European Commission.

Fiscal policy remained restrained in the implementation of budgets of all levels with a surplus. In January-May 2017, the positive balance of the consolidated budget reached 50.5 billion UAH due to the surplus of budgets of all levels. Consolidated fiscal revenues increased by 46% year-to-year, including due to tax changes and additional resources (NBU transfers and confiscated funds). High growth rates of tax revenues (31.1% y/y) were primarily secured by significant income from the personal income tax, corporate income tax and VAT.

Fiscal policy remained restrained

The factor of nationalization of PrivatBank until mid-year lost its urgency, but remains relevant in the medium-term. Nationalization of PrivatBank solved the systemic problem in the banking sector, but created a long-term problem as a result of the sharp increase in the state share in the banking system (according to the NBU, the share of the state in the banking sector reached 56% on net assets and 62% on deposits of the population). At the same time, starting with the beginning of 2017, there are practically no results of the reform of state-owned banks.

The factor of nationalization of PrivatBank until mid-year lost its urgency

Forecast by the end of 2017

The key risks and factors that may have a negative impact on the dynamics of Ukraine in the second half of 2017 are as follows:

- The intensification of hostilities in the east of Ukraine
- Aggravation of the domestic political crisis
- Deployment of the “hybrid war” in new areas
- The loss of export earnings due to deteriorating market conditions of traditional raw materials and commodity markets
- Lack of budget revenues and the need for additional borrowings
- Low availability of investment resources
- Failure to comply with existing arrangements with international financial organizations that may lead to “freezing” of assistance or credit resources for the implementation of certain projects

Previously, the National Bank of Ukraine decided to worsen the forecast for GDP of Ukraine for this year from 1.9% to 1.6%. The Cabinet of Ministers has worsened forecasted GDP and inflation rate by 2017 to 1.8% and 11.2%, respectively. The IMF has also worsened its economic growth forecast for Ukraine this year – to 2% from 2.9%. By 2018, the forecast, on the contrary, has improved – from 3% to 3.1%.



According to the ICPS forecast in 2017, Ukraine's GDP will increase by 1–1.5%. We expect that in 2017 the volume of production in transport, construction and retail trade will grow significantly. Instead, in the industry, there will be a drop in production triggered by a trade blockade. Loss of production capacities of export-oriented industries in uncontrolled territories against the backdrop of growing demand for energy imports will determine the negative contribution of net exports in the change of GDP.

According to the ICPS forecast, in 2017 Ukraine's GDP will increase by 1–1.5%

According to our forecast, in agriculture, production will also decrease as the harvest will be less than 2016. If the assumption of crop reduction is not fulfilled, GDP growth rates may be higher. The consumption of households and the public sector will increase in 2017 and the gross fixed capital accumulation will increase significantly.

Private consumption will continue to be the main driving force behind economic growth



throughout the forecast period, which is largely due to the growth of real wages under the influence of government policies on raising social standards. At the same time, a constraining factor will be the continuation of the policy of gradual reduction of the rates of subsidies for utility services that will partially offset both the growth of wages and pensions. The expected gradual recovery of credit activity, which will contribute to lowering interest rates in the economy, will be an additional factor in the further growth of private consumption in the medium term. The growth rate of investment in the Ukrainian economy will slow down somewhat in 2017 as a result of rising business expenses on payment for work labor, but will maintain positive dynamics. Exports and imports in real terms will not change significantly (although they will increase significantly in nominal terms due to the increase in world prices). Additional de-

mand for imported products is expected from households due to the continued increase in their real disposable income.

It is critically important that the government has taken a proactive stance in maintaining the positive dynamics of Ukraine's economic development. First of all, it is about the need to accelerate the pace of reforms. It is critically important to attract investment resources (both external and internal), which seems impossible without a significant improvement of the business climate in Ukraine. The unreasonable state interference in economic processes, in particular in the context of poor protection of property rights, remains an urgent issue. The continuation and acceleration of reforms is also important given the constructive cooperation with the IFOs, in particular the IMF, as the break of relations will have a very negative effect on the image of Ukraine.

Political competition



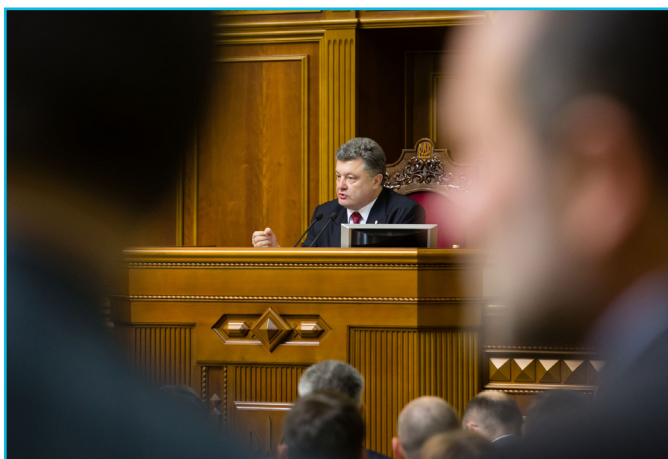
New political season: in anticipation of the unknown

Due to the difficult socio-economic situation and the growing tension between the key political players, a new political season in Ukraine is likely to become one of the most turbulent periods in the history of post-Maidan Ukraine. One should expect a rigorous clash of diverse interest groups, a sharp institutional, party and personal confrontation against the background of the actual start of the presidential election campaign, the deadlock in implementation of the Minsk accords, and the government's attempts to hold a parliamentary vote on a number of important reforms and efforts to provoke early elections. Preservation of the existing political architecture by the end of the year is probable, although fragile political stability can easily be destroyed by unpredictable events.

Among the main factors that will affect the domestic political situation in Ukraine, it is worth to highlight the growth of protest sentiments amid a difficult socio-economic situation; further steps by president Poroshenko to strengthen his influence and total control over the country against the backdrop of a personal rating downfall; increasing confrontation between the key groups of influence in the parliamentary-governmental coalition and the closest entourage of the president; activation of opposition forces and leaders; gradual weakening of the support of the incumbent Ukrainian authorities by the Western partners; continuation of the conflict in Donbas; preservation of destabilizing influence from Russia.

For the president, the main challenge will remain the settlement of the conflict in Donbas and implementation of the Minsk agreements in one or another format. At the same time, for the presidential team, the preparation period for the re-election of the current head of state

Poroshenko's re-election plan entered its active phase



for a second term began. In this context, the Presidential Administration is increasingly engaged in establishing control over the media, growing "convenient" sparring partners and neutralizing by all possible means of dangerous competitors, uncontrolled media and other factors of influence.

The Donbas issue remains a challenge for the president

In the near future, the strategy of re-election of Petro Poroshenko will be finally understood – both regarding the time of the presidential elections, and the content and tactics of the election campaign. In the presidential circles, discussions are continuing between a group of "political technologists" who believe that Poroshenko or his loyal candidate has a better chance of winning the pre-term presidential election, and "businessmen" who believe that there is no need for early elections and there should be preparations for regular elections in 2019. In the event of the victory of the first group and the decision on early presidential elections, the content of the election campaign will be built around the PR on Ukraine's accession to the EU and NATO. The road map is under discussion that will contain tasks and deadlines for their implementation on the path of Ukraine's membership in these associations. In turn, it will form the basis of his election rhetoric. The pro-presidential expert circles are also actively discussing the updating of the constitutional reform issue, in particular, the revision of powers of the president, the introduction of two-chamber parliament, etc. Certainly, it is not about a serious reduction of the presidential powers.

An important task for Petro Poroshenko is also the search for "friends" and neutralization of "enemies". In this context, the priority is to neutralize serious competitors, the main one of which is Yulia Tymoshenko, and finding a comfortable opponent for the second round of the future presidential race. This is not an easy task, because now, according to various sociological data, the incumbent president can only win over Yuriy Boyko (leader of the Opposition Bloc) or the leader of the party "For Life" Vadym Rabinovich. The key thing here is to ensure the withdrawal of one of the two given comfortable candidates, since they both play on the same electoral field, making it impossible for them to enter the second round with Petro Poroshenko. Another option is to support Oleh Lyashko getting into the second round. This option also gives the chance to neutralize Yulia Tymoshenko, with whom the "radicals" have a common electoral niche. In addition, given the level of cooperation between the Presidential Administration and Rinat Akhmetov, who is now the main sponsor of the "radicals", there are real levers of control over Oleh Lyashko, who will not allow him to defeat Petro Poroshenko. Both of these options are quite risky because they do not provide reassurance guarantees and are linked to numerous agreements that may not be met. It is the lack of confidence in the realization of both these tasks and the unwillingness of the Administration to risk the idea of early presidential elections.

The group of the People's Front (primarily – Interior Minister Arsen Avakov, Secretary of the National Security and Defense Council Oleksandr Turchynov and former Prime Minister Arseniy Yatsenyuk and their entourage) is sharply opposed to the conduction of early parliamentary elections, and has a rather significant resources, an impact on the security bloc and militarized groups. Given the exceptionally low ratings of this political force, representatives of this group have been increasingly raising the issue of "reformatting" the political field of the game through implementing a systemic constitutional reform, under which the president will lose a number of key powers. Any constitutional reform is a lengthy process where the parlia-

mentary faction of the People's Front plays a key role, and it is expedient to hold elections only after the adoption of a new Constitution.

The main interest of this political force is the increase, and, ideally, the restoration of its control over the government. In recent weeks, its representatives have been taking systematic steps to convince Petro Poroshenko to initiate the resignation of the Groyzman government, to appoint Oleksandr Turchynov as Prime Minister, who has developed constructive and confidential personal relations with the president, and to further reshuffle the government.

The Block of Petro Poroshenko and the People's Front remain the main players in Ukrainian politics, and the further development of the situation in Ukraine depends, to a large extent, on the balance of their interests. Between these forces there was a dichotomous connection of cooperation and confrontation with a variable agenda. The confrontation between these forces has its limits, because one without the other, in the existing political configuration, they can not continue to rule the country. At the same time, both factions are not homogeneous, they include several groups that not only compete, but sometimes enter into an outright confrontation. However, the calculation of benefits and losses for each of the two, as a result of the break-up of their partnership, today is such that, for all differences, it is advantageous for both political forces to maintain the alliance rather than go into one or another form of conflict. It is the search for a balance of interests will determine, to a large extent, the development of the situation in the autumn 2017.

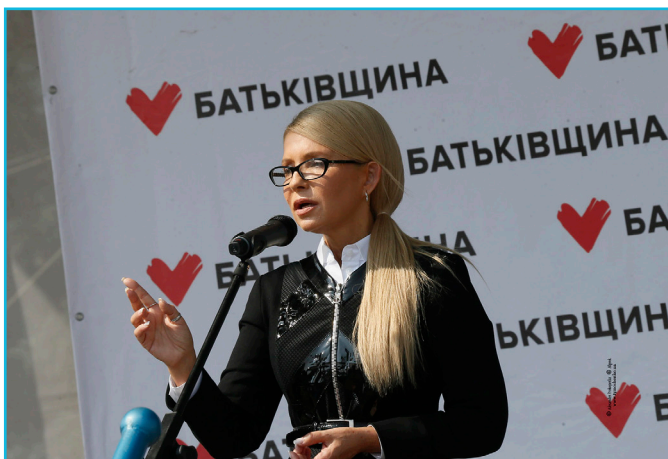
For its part, the current head of the government has a limited arsenal of resources to influence the decisions of both political forces. At the same time, the list of contradictions between BPP and the PF remains significant, and the chances for attracting an additional parliamentary force for the appointment of the prime minister are not high. Therefore, PM Groyzman still has significant chances to retain his post. In any case, for his political future, he needs success stories now, and the government will seek to introduce through the parliament a package of reforms. It is primarily about the pension and healthcare reforms, introduction of the land



market, education reform. The prime minister will have to actively and without hindrance to seek compromises with MPs with the aim of finding votes critically needed in the coalition. The main stimulus for the adoption of reformist bills for the government is the IMF tranche, which is absolutely necessary for Ukraine to level the balance of payments. The government will also try to intensify the process of privatization of a number of state-owned enterprises that will undoubtedly affect the interests of many groups of influence in the parliament.

The government activities in the autumn will be marked by the efforts to implement a number of reforms

In fact, even in addition to the issue of changing the head of government, there is already a critical number of problems that require a comprehensive solution with the involvement of other parliamentary forces, except for BPP and People's Front. These are three major reforms, appointments, privatization of state-owned enterprises and possibly a package of decisions on the implementation of the Minsk agreements. A positive vote on these issues is possible only in the case of a serious compromise with the involvement of other parliamentary factions, the distribution of posts, etc. There is a probability for such a "broad agreement", but more importantly, the adoption of key reforms or the appointments to such positions as an ombudsman depends on political bargaining and it demonstrates that since Maidan, qualitative changes have not taken place in the Ukrainian politics, and the same political mechanisms and tools that triggered the events of 2004 or 2013–2014 are still working.



The opposition seeks to reformat the political field by announcing the early parliamentary elections. The “new” opposition forces (Valentyn Nalyvaichenko, Mikheil Saakashvili, Anatoliy Grytsenko, Serhiy Leshchenko and others) are looking for the grounds that can consolidate their positions. This is a difficult task given the ambition of the leaders. Yuliya Tymoshenko also intensifies contacts with the “new” non-parliamentary parties. She continues to lead socio polls and has real chances to win the next presidential election. She builds her system of relations with both Arsen Avakov and “new politicians”. In the case of an exacerbation of the socio-economic and political situation, Yuliya Tymoshenko can lead the “anti-Poroshenko movement”.

The opposition seeks to reshuffle the political field

The Opposition Bloc cannot get out of internal contradictions and takes the wait-and-see stand. The failures of political opponents have already led the predecessors of this political



force to power at least twice, but in the current situation – under the conditions of the annexation of Crimea and the conflict in Donbas – the wait-and-see strategy and victory through consolidation of the protest electorate of the south-eastern regions may not work. Therefore, a formal or informal alliance of “Opposition Bloc” with other opposition forces and the formation of a “broad anti-Poroshenko coalition” cannot be ruled out.

Now the “Opposition Bloc”, Radical Party of Oleh Lyashko and “Samopomich” have no significant influence on the political process. But in the case of aggravation of the situation they can join different camps. Thus, the “radicals” and the “Opposition Bloc” can support the current authorities, and “Samopomich” can enter the “anti-Poroshenko movement”.

An important factor in the development of the political situation may be the return of Mikheil Saakashvili to Ukraine, who, along with other opposition politicians, is interested in the announcement of early elections. The scenario of Saakashvili's return to Ukraine, the failure of the authorities to arrest or provoke him, that can turn the ex-governor into a truly national leader or victim of the regime and provoke unmanaged processes, can be easily predicted. In order to control the situation in the country, the authorities will traditionally try to control the mass media even more densely and use repressive measures against political opponents. The Prosecutor General of Ukraine Yuriy Lutsenko has already promised to provide a package of submissions for the removal of parliamentary immunity from the next group of MPs in autumn 2017. This may provoke a new round of inter-factional struggle. In autumn, we should expect the intensification of resonant court trials, which will somehow affect the political situation in the country. First of all, it is about the cases of Viktor Yanukovych, Roman Nasirov or Mykola Martynenko.

Resonant court trials and intensification of law enforcement agencies' activities as a trend for a new political season

As for external players, whose position will affect domestic political processes, the United States and Russia will play a key role. The US

has been intensified its activities in the Ukrainian direction, but it is too early to conclude that Washington has a "magic formula" to resolve the conflict in Donbas. The chances of reaching an agreement between the United States and Russia to resolve the "Ukrainian crisis" still remain low, taking into account the differences in the positions of the parties, the "Russian factor" in the American domestic politics and the need for any progress in making unpopular decisions on the implementation of the Minsk agreements.

The increasing pressure from the West on the Ukrainian authorities as regards the political part of the Minsk agreements will become a factor of political destabilization, because the 'hawkish' political forces will consider such actions as actual surrender and can take radical steps within the country.

The Russian Federation will remain an important destabilizing factor affecting the situation in Ukraine. At the same time, it should be kept in mind that Russia entered the phase of the election political cycle. In 2018, the presidential elections will be held in Russia, therefore, it is unlikely to escalate the conflict in Donbas.

Preserving the status quo is objectively beneficial for the current leadership as "horror story" for Russian voters. In the Ukrainian politicum, the thesis of Russia's refusal from Donbas is heard louder, as if this issue has already been resolved and only the conditions on which Russia will leave eastern Ukraine are being discussed.

Such an approach is rather superficial and, importantly, diverts the attention from the discussion about real reintegration problems of the uncontrolled territories.

As for the EU, today there is a certain fatigue of key partners due to the lack of progress in the systemic internal reforms implementation and fighting against corruption in Ukraine, as well as in the Minsk agreements' implementation. At the same time, the EU will remain the main external partner, first of all, in the implementation of reforms and the pressure and systematic work with the government and political circles influences whether during the autumn it will be possible to implement the above-mentioned reforms.



There is a certain fatigue of Western partners from the Ukrainian issue

In general, the influence of external players will not have a decisive influence on domestic political development, with the exception of voting on a package of bills under the Minsk agreements. The main role will be played by the current political forces, their leaders and sponsors – the new and old oligarchs, who continue to control the main financial flows, media, regions and political structures. However, as we have already noted, the influence of some "non-system" players, such as Saakashvili, may be possible, which can largely transform the political landscape.

That is why it is possible to identify several scenarios of the "political autumn of 2017". The "crisis scenario" is the most discussed among the expert circles and it envisages blocking of the activities of the parliament, while the main players will not reach an agreement on reforms, key appointments or other issues and will be forced to go to early parliamentary elections. As with the decision on early presidential elections, the "managed crisis scenario" can be mentioned here. The "unmanaged crisis scenario" is possible in the case of mass protests that at present seem to be unlikely, but may break out if relevant 'irritants' occur. Such irritants may be the draft laws on the settlement of the conflict in the East, on religious issues, etc. The other irritants may be the events whose consequences are difficult to predict – for example, the return of M. Saakashvili to the country that may become an event seriously destabilizing the situation.

Three possible scenarios of the "political autumn of 2017" are as follows:

- 1) "managed crisis scenario"
- 2) "unmanaged crisis scenario";
- 3) "stagnation scenario".

However, the experience of the last two years has shown that even serious contradictions between political forces didn't lead to the announcement of early elections, and serious corruption scandals or economic problems – to mass protests. In the society, there is some apathy and disbelief as regards the possibilities of influencing the situation in the country and

changes for the better through protests. The war neutralized the most radical forces, economic problems weakened the middle class, which could have become the basis for protest actions. Most of the political elite is concerned about early elections, for which there is currently a limited financial and human resource and which will definitely weaken the positions of those who are in power today. Therefore, with all the existing contradictions, the scenario of "stagnation" is possible, in which, despite political turbulence, the existing political architecture will be preserved until next spring, when the proper preparation for the next presidential and parliamentary elections will begin.

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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