



I C P S

International
Centre
for Policy
Studies

Office 15, 17/5 Instytutska St., Kyiv, Ukraine, 01021
Tel.: +38 (044) 253-52-29
www.icps.com.ua | office@icps.com.ua

INSIDE UKRAINE

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PUBLIC POLICIES



NEW ELECTORAL LEGISLATION AS A FORGOTTEN REFORM IN UKRAINE

Effective fight against corruption and restoration of institutional capacity is possible only after overcoming of political corruption and elite renewal. The main prerequisite for such transformations is the change of electoral legislation. As a rule, Ukrainian electoral legislation is changed for the elections and is a result of compromise between main parliamentary factions, which want to be reelected and create appropriate conditions for this. As a consequence, the current electoral legislation preserves the corruption-oligarchic system of state governance and it is possible to overcome it if the electoral rules are changed and there is a support of the civil society and international community.

Forgotten Promises

During 26 years of independence, eight parliamentary elections with three different electoral systems types took place. The last change of the Ukrainian electoral system took place in 2011, when there was an introduction of a mixed system envisaging the election of 225 MPs in a general mandate constituency under the electoral lists of political parties and 225 MPs according to the majoritarian system in single-mandate constituencies. The elections in 2012 and in 2014 were held according to this system. Due to the high level of corruption and possibility of using administrative resources, the majoritarian component was negatively assessed both by representatives of civil society and international organizations, in particular by the Venice Commission and OSCE/ODIHR. In addition, this system creates the conditions for sale of inclusion into closed party lists. That is why the introduction of a proportional electoral system with open lists was one of the require-



ments of Maidan. This was mentioned in the coalition agreement and election programs of Petro Poroshenko and his political force.

Now, there is a consensus among the international organizations, some politicians, experts and civil society representatives on the necessity to conduct the elections of MPs under the proportional electoral system with open party lists. In particular, the PACE Resolution #1755(2010) and the conclusion of Venice Commission on the Ukrainian law "On the election of People's Deputies of Ukraine" stated this requirement back in 2011. This consensus is based on the belief that such a system contributes to the institutional development of the party, renewal of political elites, and also increases the influence of voters on the party and candidates through the right to choose the sequence of MPs from the same party getting into the parliament.

The introduction of a proportional electoral system is a requirement of civil society and a commitment of post-Maidan political forces

The first step towards the electoral reform is to change the members of Ukrainian Central Election Commission (CEC) whose term has already expired. In addition to some 'odious' personalities, there are much more serious comments on the activities of this body. For example, during the elections in 2015 the decision of CEC not to hold the second round of the mayoral election in Pavlohrad provoked a scandal. By this decision, CEC completely changed the existing electoral system. Without reaching a broad compromise and taking into account the interest of all factions, it is actually impossible to appoint the new members of CEC. That is why

change of CEC members is a question of complex political intrigue and struggle for influence.

Election innovations

The electoral reform has to be a comprehensive one and envisage not only the change of the system of election, but also include the elaboration of the Electoral Code setting out the framework conditions for holding elections in the country to avoid permanent change of election rules. It is important to consolidate the principle⁶ according to which, any changes to the electoral law could be applied only starting from the next elections, so that in the current composition of the Verkhovna Rada there was no temptation to change the legislation in their favour. Apart from this, an important part of such a Code should be the introduction of an effective system of legal responsibility for violations of electoral law that will eliminate the possibility of bribing voters and using administrative resource.

The comprehensive electoral reform envisages the elaboration of the Electoral Code of Ukraine

A new law on the election of People's Deputies should be the starting point for changes in the country, since only a change of the rules regarding the formation of a representative body towards the introduction of a proportional system with open regional lists may supplant the corruption-oligarchic element. At present, there are several draft amendments to the law "On elections of People's Deputies of Ukraine". In our opinion, the key indicators of qualitative changes have to be the introduction of following innovations.

Implementation of a proportional system with open regional lists includes the important innovations

Territorial election organization. To create multi-mandate constituencies, which will engage not one or more regions (oblasts), but their parts. It can be done in two ways. First, directly to determine boundaries of the districts in law. Secondly, set clear requirements for districts

(for example, the principle of continuity of the districts, the establishment of districts with the same number of voters, etc.). All foreign polling stations should belong to one of the multi-mandate constituencies.

Nomination and registration of candidates. To prescribe the right to nominate candidates for elections only by registered parties that only nominate two types of candidate lists: lists for the respective regional districts and a list for a nationwide constituency, which will include all candidates nominated by the party in multi-mandate constituencies. The amount of the election deposit has to be at a level not lower than 2000 minimum working salaries and should be provided by parties which have overcome the electoral barrier or scored at least 4% of the votes. To define a clear and complete list of reasons for refusal of registration of candidates.

Formation of election commissions. To prescribe the three-tier system of election commissions – the CEC, territorial election commissions (TECs) and polling station election commissions (PECs). To determine that each electoral party may propose to TEC/PEC one candidate, and also have to nominate at least 2/3 of all TCEs and PECs.

Pre-election agitation. To make mandatory the holding of debate between parties on national television channels. To introduce restrictions on the placement of paid political advertising and advertising on radio and television by political parties or candidates during the election and inter-election period.

Voting, counting of votes and ascertainment of election results. To prescribe for voters the possibility of voting for both the list of party candidates in the multi-mandate constituency and for the individual candidate in this list. To consolidate the right to participate in the distribution of deputy mandates only in those parties, which in the national constituency received at least 5%-support of the actual votes. To consolidate the procedure of distribution of deputy mandates in three stages: 1) determining the number of mandates received by each party that overcame the electoral threshold; 2) identification of candidates who are elected as deputies in specific multi-mandate constituencies; 3) distribution of mandates between the

party candidates in the national constituency remaining unallocated in multi-mandate constituencies.

These are the main conceptual provisions that should be reflected in the amendments to the law on the “Elections of People's Deputies” to ensure qualitative changes in electoral rules.

It is extremely important to start the electoral reform as soon as possible, as it requires serious preparation both from the political players themselves, who must have time to adapt to the electoral innovations as well as from the citizens, who need to explain the complexities of the new system – the voting, votes counting procedures and election results.

What is next?

Currently there is no political will in Ukraine to change the electoral law. The authorities are not ready to give up the “majoritarian” component, because it allows to “gather” the necessary MPs for the pro-government coalition. Also, the “majoritarian” system is beneficial to oligarchs, which due to having considerable financial resources and strong positions in specific regions can easily ensure representation of their interests in the parliament.

There is no political will to change the existing electoral rules of the game in Ukraine

In addition, closed lists allow political forces to build a clear hierarchical structure and form a sense of personal commitment to the lead-



er, as well as makes it possible to earn money through the sale of sequence numbers in the list. Conduction of early and regular elections under current electoral legislation will only lead to the preservation of corruptive-oligarchic system of state governance.

The political forces, which are not present in the incumbent parliament, some active MPs and representatives of civil society actively advocate for the change of electoral legislation. Thus, on September 20, the «new opposition forces» announced the beginning of mobilization for the All-Ukrainian campaign in support of a major political reform, the key component of which is change of election rules as well as limitation of parliamentary immunity and creation of an anti-corruption court. The national action is scheduled for October 17 in Kyiv and all regional centers of Ukraine.

Change of electoral legislation is a key component of political reform from the "new opposition"

Thus, electoral reform is possible only with active participation of civil society, when parliament under its pressure will be forced to vote for the change of election rules. And new representative body will have a chance for a qualitative renewal. A consolidated position of the international community is also important that should place the issue of changing the electoral law from the category of "recommendations" to the category of "basic requirements".

Electoral reform is possible only with active participation of civil society and international community

UN PEACEKEEPING MISSION IN DONBAS: ANY CHANCES FOR SUCCESS?

Vladimir Putin made an unexpected proposal regarding the deployment of UN peacekeepers in Donbas amid peace negotiations deadlock. Russia's proposal seized the initiative on peacekeeping operation made by Ukraine in early 2015. Despite the Kremlin changed its po-

sition, it is unlikely that Ukraine, Russia and third parties will be able to agree on peacekeeping mission due to deep contradictions in its format. Nevertheless, Russia's peacekeeping proposal may result in increasing international pressure on Ukraine with a view of implementing political provisions of the Minsk agreements. In response, Kyiv will have to step up diplomatic efforts and persuade the international community of the need in UN multifunctional mission in Donbas, which would to the fullest comply with Ukraine's national interests.

On September 5, 2017, the President of Russia Vladimir Putin made a statement that demonstrates a change in Kremlin's position regarding the UN peacekeeping operation (PKO) in Donbas. Putin said that peacekeepers could contribute to conflict resolution in Eastern Ukraine. Originally, the President of Ukraine Petro Poroshenko and the Verkhovna Rada of Ukraine announced this initiative shortly after the Minsk agreements had been signed, though Kyiv was inconsistent in promoting this idea. Until recently, Russia had been refusing to discuss this issue, referring to the Minsk agreements which do not provide for the deployment of UN peacekeepers while the OSCE Special Monitoring Mission to Ukraine (SMM) is tasked with monitoring and verification of ceasefire and pullout of heavy weapons.

It was Ukraine's original initiative to deploy peacekeepers in Donbas

Putin's unexpected initiative may be a result of several recent developments in Ukraine and worldwide. First, Putin's peacekeeping initiative is aimed, inter alia, at preventing the US from supplying lethal weapons to Ukraine. Second, the Kremlin put forward a peacekeeping initiative after the draft law on 'Peculiarities of state policy of the restoration of Ukraine's state sovereignty over the temporarily occupied territories of Donetsk and Luhansk regions' (known as Donbas reintegration bill) had been elaborated, in which Russia is recognized at legislative level as an aggressor state with respect to developments in Eastern Ukraine. Third, presenting the UN Security Council draft resolution on peacekeeping mission in Donbas, Russia seeks to demonstrate its interest in improving relations with the West, particularly following new

US sanctions. Fourth, Putin's peacekeeping initiative is meant to convince the White House that Russia could be a constructive and equal partner of the United States in resolving global security issues, particularly after reaching an agreement with the US and Jordan on 'de-escalation zone' in southern Syria and supporting new sanctions against North Korea at the UNSC.

Putin announced a peacekeeping proposal to prevent a negative scenario for Russia

Despite Putin's support for the Blue Helmets in Donbas, Russia, Ukraine and external actors have divergent views on details regarding the PKO deployment. Contradictions between Ukraine and Russia over mission's mandate, presence area and other aspects arise from the fact that both sides consider the conflict in Donbas as a zero-sum game. Meanwhile, the US will use the idea of peacekeepers as an additional means of pressure on Russia, Germany will be a principal mediator between the conflicting parties, and France will limit itself to supporting Germany's diplomatic efforts given other international priorities.



Ukraine and Russia have polar positions on the role of the UN peacekeeping mission in Donbas

Putin's proposal highlights that Russia seized the Ukraine's initiative on deploying peacekeepers in Donbas. This allows Russia to demonstrate to the international community its intentions to step up peace process. Having proposed the deployment of peacekeepers in Donbas, Russia seeks to meet formal demands by Ukraine, the US, Germany and other Kyiv's partners who insist that implementing security provisions of the Minsk agreements shall take precedence.

	Ukraine	Russia	Germany	US
Interests	Liberating Donbas from Russian troops and mercenaries; Restoring sovereignty and territorial integrity	Easing sanctions; Normalizing relations with the US and EU; Increasing international pressure on Ukraine	Achieving meaningful progress in peaceful settlement; Strengthening European security; Normalizing relations with Russia	Restoring Ukraine's sovereignty and territorial integrity; Establishing constructive cooperation with Russia
Mandate	PKO with broad mandate to ensure lasting peace in the entire region	Armed mission to ensure safety of the OSCE SMM personnel	Will be discussed in consultations with Russia	PKO with broad mandate to ensure peace and security in the entire region
Presence zone	Entire territory of Donbas, including state border	Along the contact line; also possible in other locations of OSCE SMM personnel	Entire territory of Donbas	Entire territory of Donbas, including state border
Specific conditions	Russia's participation shall be ruled out; Negotiations with separatists shall be ruled out; PKO shall not be ground for lifting sanctions against Russia	Troops and heavy weapons shall be pulled out; Kyiv shall be engaged in negotiations with separatists	Negotiations with separatists shall be ruled out	



Finally, if the international community supports this initiative, Russia will be able to secure that international pressure on Ukraine will increase with a view to implementing political provisions of the Minsk agreements: conducting elections in certain areas of Donetsk and Luhansk regions, amnestying pro-Russian militants and granting special status to these areas.

Russia seeks to demonstrate progress in peaceful settlement in Donbas

Ukraine faces a dilemma following Putin's unexpected statement. On the one hand, Ukraine cannot formally reject Moscow's proposal since it was Kyiv's original initiative. On the other hand, Ukraine cannot agree on PKO deployment on Russia's terms that are unfavourable to Kyiv, including mission's narrow mandate, agreement with DPR/LPR etc.

Taking into account this situation, 'Normandy Four' members – Germany (to a greater extent) and France (to a lesser extent) – will seek a compromise as regards the UNSC draft reso-



lution on PKO in Donbas. However, these countries will be able to step up diplomatic efforts in this issue only after a coalition is formed in Germany following the results of recent parliamentary elections.

There are four scenarios for developments around PKO in Donbas following hard bargains and long consultations.

Scenario 1: No PKO. It is the likeliest scenario given deep contradictions over PKO between all actors. The conflict in Donbas will continue in a low-intensity phase while negotiations will not lead to a progress in peace process. Instead of the Blue Helmets, political and economic risks will deter both Kyiv and Moscow from excessive escalation of violence.

PKO in Donbas is unlikely as both parties are unwilling to make concessions

Scenario 2: Armed monitors. Russia will manage to pass a resolution on the UN armed mission through the UNSC, which will actually, only supplement the OSCE SMM. It is highly likely that such mission will be short-lived (up to a year). Its mandate may be suspended for many reasons such as keeping sanctions against Russia, dangers to safety of the mission personnel, lack of progress in political process.

Scenario 3: First-generation PKO. The parties will manage to agree on deploying the UN peacekeepers along the contact line in Donbas that will lead to freezing the conflict. However, this will not help Ukraine to restore sovereignty over certain areas of Donbas. Moreover, countries that participated in the PKO formation may exert pressure on Ukraine with a view to political concessions within the Minsk process.

A typical PKO will not help Ukraine to restore sovereignty over certain areas of Donbas

Scenario 4: Second-generation PKO. This would be the PKO most compliant with Ukraine's national interests, providing conditions for peaceful reintegration of non-controlled areas. In addition to disengagement of parties along the contact line, such PKO may also include police and civilian personnel which is capable of exer-

cising transitional administration over certain areas in Donbas pursuant to the UNSC mandate. However, this scenario is highly unlikely due to Russia's unwillingness to significant concessions and high costs of such mission.

Concluding, Putin's initiative on peacekeepers in Donbas is aimed at strengthening Russia's bargaining position in the international arena. However, PKO in Donbas is unlikely due to a number of contradictions between Ukraine and Russia over details of such mission. Moreover, the idea of peacekeepers in Donbas may soon take a back seat in case of aggravating political competition or other domestic problems.

Nevertheless, a typical PKO will not help Ukraine to restore sovereignty over certain areas of Donbas. In this regard, Ukraine must insist on a complex and multifunctional PKO, which would have a mandate both to disengage parties across the contact line and exercise transitional administration over non-government-controlled areas.

Ukraine needs to persuade key actors that only full-fledged PKO may contribute to peace process

ECONOMIC ANALYSIS



THE IMF'S FIFTH TRANCHE FOR UKRAINE: REFORMS OR STAGNATION?

Ukraine has been working with the IMF under the EFF program since March 2015. It is designed for 4 years with a funding of USD17.5 bln. However, every time, the IMF's tranche is accompanied with a problem of political consolidation regarding the need for reforms to receive a tranche that leads to a prolonged process of obtaining the credit funds. The current situation is not an exception, in particular, regarding such urgent reforms as pension, healthcare and other reforms.

The IMF mission, which is going to visit the country in October, will determine whether Ukraine can receive the next tranche.

IMF requirements

After the Maidan, Ukraine took on responsibility for reforms implementation. At the same time, the IMF remained the only means of pressure for it. Currently, Ukraine is entering a period of political turbulence and the IMF has the last chance to accelerate its reforms. In the nearest future, during the pre-election period, the reforms can be "frozen" and will be implemented only in the interests of certain political forces aiming at increasing the electorate's share.

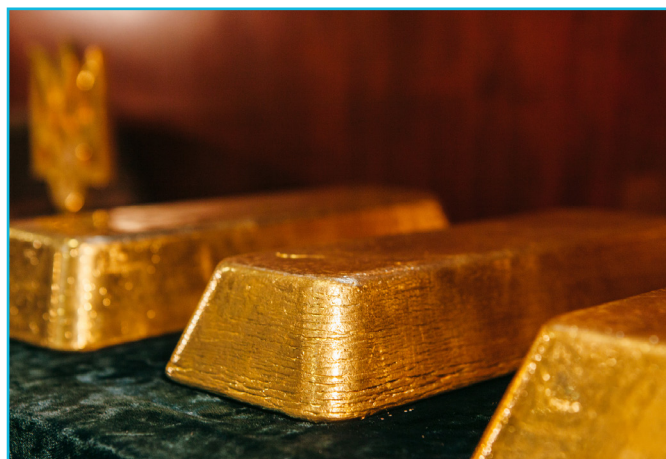
Therefore, the demand for reforms needed to receive the IMF's tranche was clearly stated during the visit of the IMF Deputy Director David Lipton to Kyiv on September 12–14. He emphasized that the final approval of the terms for the tranche will take place in the coming months. If there is a positive decision regarding the implementation of reforms, the mission may rec-

commend the IMF Board of Directors to provide the loan.

Commenting on the progress concerning the fourth revision of the program within the framework of the Extended Funding Mechanism, the IMF representatives note the following areas for improvement:

- Pension reform, the draft of which was discussed with the IMF. Execution of this key requirement can allow Ukraine to obtain the loan;
- The main directions and indicators of the state budget for 2018, which is approved by the Cabinet of Ministers and registered in the Verkhovna Rada;
- Peculiarities of educational and health-care reforms implementation;
- Acceleration of privatization in Ukraine;
- Fight against corruption in Ukraine – creation of the Anti-corruption court;
- Compliance with the fiscal and energy policy target indexes foreseen by the IMF program;
- Land reform, the requirement for which is currently delayed in time.

Ukraine can expect the IMF tranche only after the implementation of reforms



The factors of influence

The following factors will influence the position of Ukraine in the negotiation process with the IMF:

✓ **ECONOMIC FACTORS:**

The amount of gold and foreign exchange reserves equals to \$18,035 billion as of the beginning of September. This amount of reserves covers 3.6 months of future imports (while the minimum requirement is 3 months) and, according to the information from the National Bank of Ukraine, is sufficient to fulfill the Ukraine's commitments together with the current operations of the Government and the National Bank. However, net international reserves amount only to \$5.431 billion. All other funds are the attracted loans, in particular, from the IMF.

The position of Ukraine in the negotiation process with the IMF is influenced by the economic, political and reputational factors

Year	State debt, USD billion		
	Payments	Servicing	Including the debt to IMF
2018	2,05	1,52	1,455
2019	4,729	1,74	1,089
2020	5	1,89	0,479
2021	3,93	2,42	0,479
2022	3,08	2,37	0,479

By the end of this year, Ukraine has to pay \$1.1 billion for external debt and \$1.47 billion for its servicing. In particular, on the 4th of August 2017, Ukraine has already paid \$448.7 million under the IMF Stand-by program for the year 2014.

The overall macroeconomic situation remains vulnerable, especially on the background of the future payments for servicing the public debt

Nearly UAH 118 billion are planned for repayment of the state debt for the next year in accordance with the draft budget 2018 and with the foreseen average dollar rate of UAH 29.3.

The payout schedule for the upcoming years is as follows:

At the same time, the National Bank of Ukraine keeps the forecast of international reserves growth up to \$20 billion by the end of this year, due to the \$2 billion acquisition from the International Monetary Fund. In addition, this forecast takes into account the possible receipt of \$600 million from the European Union. Moreover, Ukraine expects to attract nearly \$2 billion due to borrowings from the foreign markets in 2018 and in 2019.

Thus, Ukraine will have to repay \$30 billion of old debts in the next 5 years that can significantly affect the stability of the national currency. The new IMF loan will allow for restructuring of the commitments and will reduce the burden on the budget. Therefore, the Ministry of Finance hopes to receive two IMF tranches by the end of the year.

☑ **POLITICAL FACTORS:**

The "cheapness" of IMF loans for the interests of Ukraine as a state contrasts with their "expensiveness" in terms of political and economic decisions for the interests of the Ukrainian society.

The fourth attempt to implement a pension reform is an evidence for that. The main problem is that although the IMF requires to provide a decent level of pensions, it emphasizes the need for a later retirement.

Political attitude and the lack of consolidation on the reforms adversely affects the prospects of receiving the IMF tranche

Under the framework of the Ukrainian pension reform, the latter requirement can be implemented due the pension draft paragraphs relating to 25 years of insurance record requirement in 2018 and its annual increase up to 35 years within 10 years. The abovementioned requirement of the pension reform results in the confrontation between the different political forces. On the other hand, the draft law can be passed due to the announcement of raising the pension amount that provides for the electoral advantage. At the same time, the IMF is still not satisfied with the manual management of pensions, namely their insensitivity to the real level of inflation.

In addition, there is no common position regarding the healthcare reform in the Bloc of Petro Poroshenko (BPP), as the main pro-presidential political party, that greatly complicates its adoption. The issue of healthcare reform also concerns the business representatives, who, through the affiliated political parties, will try to lobby their own interests.

The additional factor affecting the prospects of cooperation with the IMF is the negotiation on the gas price for the population in order to prevent its growth. At the same time, the IMF emphasizes that Ukraine should maintain the market mechanisms for energy resource pricing.

Thus, political forces may fail the implementation of reforms' benchmarks and may refuse to cooperate with the IMF in order to consolidate the electorate under the pretext of protecting the population from excessive tariffs or from the 'belt-tightening' policy. The statement of the Minister of Finance Oleksandr Danyliuk regarding the hopes that the sixth IMF program will be the last one for Ukraine can also serve as a signal of the above-mentioned. This thesis may be aimed at calming down the people on the prospects for continuation of cooperation with the IMF and on the adoption of socially (and electorally) disadvantageous decisions. The critical attitude of the society regarding Ukraine's cooperation with the IMF may disrupt the implementation of reforms.

☑ **REPUTATIONAL FACTORS:**

The Cabinet of Ministers has not yet provided the payment of \$3 billion in the draft budget 2018 in favor of the Russian Federation for the Eurobond case, known as “Yanukovych debt”. At the same time, there is a real risk of possible requirement to fully pay these commitments, given the fact that the High Court of London has not accepted the arguments from the Ukrainian side regarding Russia's political pressure on Ukraine and has approved an accelerated consideration of this claim.

Therefore, together with the uncertainty on the future decision of the Stockholm arbitration of the “Gazprom” and “Naftogaz” claims, the possible prospect of additional payments does not play in favor of the Ukrainian government. Further Ukraine's decisions on these issues may impact the future cooperation with the IMF, other organizations and investors, as they serve as a benchmark for the state to fulfill its obligations.

The government's decision regarding the payments for “Yanukovych debt” can serve as a “benchmark” for investors and the IMF

Possible scenarios

The following scenarios for obtaining the IMF tranche are possible:

- **Positive:** Ukraine will implement the key reforms and the tranche will be received within 4–5 months. The funds will stabilize the macroeconomic situation that under correct state measures can lead to the economic growth in the future.
- **Basic:** Systemic negotiations with the IMF can be protracted for a long period of time, while not bringing the fruitful results. The tranche will be postponed.
- **Negative:** Due to the political turbulence, reforms will not be carried out and the cooperation with the IMF will be stopped. In this case, in short-term period, there is no threat of the macroeconomic situation worsening, because currently there is a



sufficient amount of gold and foreign exchange reserves. However, there is a risk that major investors can stop cooperation with Ukraine because of its inability to fulfill obligations.

There are three possible scenarios for receiving a tranche from the IMF

Thus, nowadays the need of obtaining the next IMF tranche concerns not only the economic sphere, but rather the issues of political will to implement reforms. At the same time, the IMF must continue to act as an incentive for their implementation. In the future, Ukraine will need to carry out land reform, to improve the management of state-owned enterprises and to continue cleaning up the banking system. To enhance both these and other areas of cooperation, the IMF should raise its stakes: to provide greater incentives in case of implementation of reforms, while providing the understanding of possible consequences in case of failure. The systemic list of new IMF requirements for reforms can also be an incentive to accelerate the above mentioned processes.

Only well-considered and comprehensive decisions of the government will allow the Ukrainian economy to accelerate its growth

In addition, Ukraine can not afford a “free floating”, given its dependence on the existing confrontational paradigm of development. Otherwise, it risks losing the political and economic support on the international level, decreasing the value and the entire sense of the current diplomatic relations and reforms.

Political competition



New Political Alliances: DEAL with Everyone, trust no one

The upcoming regular or extraordinary elections forces political actors for consolidation. Currently, two camps are outlined: a new party of power and a new opposition party. Political turbulence, internal conflicts and confrontation, as well as the ambitions of leaders, all these make the process very complicated. In addition, parties continue operating as closed oligarchic clubs, which enables any alliance to qualitatively upgrade the political elite. To change the current situation, it is critically important to introduce a new electoral law, which should create new rules of the game aimed at upgrading Ukrainian politics.

Political giant?

Not only three political forces are involved in the process of unification of BPP and NF, but a considerably larger number of groups including: 1) the President and his inner circle (Ihor Kononenko, Ihor Gryniv, Serhiy Berezenko, Yuriy Lutsenko and others); 2) current Prime Minister Volodymyr Groysman; 3) Oleksandr Turchynov and his circle; 4) Minister of Internal Affairs Arsen Avakov and his deputies; 5) Former Prime Minister Arseniy Yatsenyuk and part of PF deputies; 6) group of Andriy Parubiy.

Unification of BPP and PF involves agreement between at least six groups

Each of these groups and their leaders have their own interests and ambitions. In addition, conflict situations are constantly arising between them. One of the main issues that caus-

es dispute between the leaders of a new future union is party quotas – either 50/50 or 70/30 in favor of the BPP. Another issue is the distribution of majoritarian districts.

These two problematic issues led to a cessation of talks on a new prime minister, rotation of ministers and other new appointments. Until early autumn, there had been active discussions regarding replacement of the “too self-sufficient” Groyzman by a closer person or PF representative Oleksandr Turchynov. Yuriy Lutsenko also did not conceal his desire to become prime minister, who began to actively probe criminal proceedings both with regard to MPs and ministers within the framework.

Party quota and distribution of majoritarian districts are central disputes between leaders of a new alliance

All of the above make the prospects of such alliance very problematic. It is worth considering the disposition of the main players in more details.

President and BPP. The Presidential Administration demonstrates great self-confidence and takes a hegemonic position with respect to its partners. Representatives of the BPP oppose the merger with the PF in the format of 50/50. The BPP are confident in Poroshenko's unequivocal advance into the second round of presidential elections, and their main task is to find a convenient sparring partner for victory. For the BP, victory in the presidential election will be a guarantee of the success in the parliamentary elections as many parties will be oriented on a newly elected president in any way. Poroshenko's circle is confident that Western partners have no alternative but support the current president since he is understandable and convenient for them. Moreover, the Presidential Administration does not believe in unification of the opposition, considering this format to be a new Kaniv Four (a non-viable association of several political forces). In addition, the president's team believes that there is currently no possible oligarchic coup in Ukraine that could create a powerful opponent for Poroshenko in the upcoming elections.



The Presidential Administration demonstrates self-confidence and takes a hegemonic position in relation to its partners

Yatsenyuk and Turchynov groups. The PF is not united in terms of view on such an alliance. Arseniy Yatsenyuk talks about a common party while Oleksandr Turchynov talks only about a common “movement” that does not provide for the merger of party structures. Some MPs call such an alliance Titanic, predicting the fate of the famous ship. Turchynov's supporters say that it is not necessary to hurry up, but it is better to facilitate the existing team with new faces.

After proposing Oleksandr Turchynov on the post of prime minister, the relationship between him and the PF leader Arseniy Yatsenyuk have become quite cool. Prior to it, Poroshenko actively offered Arseniy Yatsenyuk for the position of the Head of the National Bank of Ukraine and even the post of prime minister. But while the PF leader was considering this opportunity, the president proposed the candidacy of Oleksandr Turchynov. Frequent game of the NSDC Secretary on the President's side also contribut-





Avakov keeps aloof from all unifying processes and takes an obvious wait-and-see position

In addition, relations between chiefs of security agencies worsened after searches in the house of Deputy Minister of Internal Affairs Vadym Troyan. Without exaggeration, it can be said that the key question of a potential union is the relationship between Avakov and Poroshenko, which is frankly unfriendly.

Groysman Group. Groysman, who is becoming increasingly tight in President's embrace, is considering his own political project. He wants to keep in touch with all the key players and, if necessary, is ready to become an alternate unifying candidate. Currently, as prime minister, he is seeking maximum electoral bonuses for future elections.

Parubiy Group. The current speaker and his circle have not yet been particularly active in comparison with Arsen Avakov. They are waiting, but ready to listen to the suggestions of their colleagues.

Formation of political alliance between Lutsenko and Turchynov is possibly, albeit very unlikely. Both politicians deny such talks, but a common "action" against the Minister of Finance Oleksandr Danylyuk, who "interfered" with the defense order is the evidence of good communication between Lutsenko and Turchynov.

Thus, in any case, the negotiations on the merger will be complicated. Permanent scandals and demarches of one or another participant will be their permanent attributes. In addition, there is a question regarding electoral future of the "giant" since the elections cannot be won solely by an administrative resource. The socio-economic situation and the lack of "success stories" in reforms do not help the pro-government political force.

Electoral future of pro-government "giant" is an open question

The alliance of the PF and the BPP may have been formed by the end of the new political season (by December), but if the agreement is still not reached, then an independent game or even a collapse of coalition is expected.

ed to this coolness. For example, it is Turchynov who actively advised Yatsenyuk to leave the post of prime minister and not to argue with the president. Turchynov also opposed the constitutional amendments providing for the diminishment of presidential powers, initiated by Yatsenyuk.

Relations between Yatsenyuk and Turchynov are becoming colder and less consolidated

Avakov Group. Arsen Avakov on whom a significant part of PF deputies (and not only of this political force) rely on play a separate game in this process. He keeps aloof from all these processes and takes an obvious wait-and-see position. Avakov has a very good position and perfectly understands the possible gain from any outcome of Poroshenko-Tymoshenko confrontation. Recently, Avakov has had a difficult relationship with Lutsenko, especially after making the last submission for the removal of parliamentary immunity from the PF deputy Yevhen Deydey who is close to Avakov.



between two parties. The initiator in this case may be PF, which will go through the rebranding. Its leader Arseniy Yatsenyuk will nominate his candidacy for the presidency. Although it is also possible to preserve the status quo until the presidential election and new political force can be created immediately after their termination, provided that Petro Poroshenko wins.

The failure of the union can lead to the collapse of the coalition

New opposition?

Mikheil Saakashvili's return to Ukraine launched the unification of so-called "democratic pro-European opposition forces". The announcement of such a union was made by Yuliya Tymoshenko, who actively helped Mikheil Saakashvili return to Ukraine. The inadequate steps of the government actually helped the opposition to revive protest moods and lay the foundation for the start of unification. Before that, the opposition was divided and the authorities exploited conflicts between them. Now the situation can radically change.

Mikheil Saakashvili pushed for consolidation of democratic forces

Headliner of such alliance is «Movement of New Forces» by Mikheil Saakashvili, «Batkivshchyna» of Yuliya Tymoshenko, «Samopomich» by Andriy Sadovyi, «Hromadska Pozytsia» by Anatoliy Grytsenko, movement «Spravedlyvist» by Valentyn Nalyvaichenko and a part of «Euro-optimists». Most likely, it's not about creating a united political force, which may be a distant prospect for the elections, but about coordination of actions by these political forces to approach extraordinary parliamentary elections.

The formation of a single opposition party is not discussed yet

The situation around Mikheil Saakashvili is beneficial to Poroshenko's allies from the PF. The former Head of the Odessa Regional State Administration directly criticizes the current President,



forcibly keeping silence about the role of other coalition members. PF as junior partner can use this situation to weaken the president and improve his position in relations with the Presidential Administration.

Saakashvili's factor is also beneficial to the PF

Thus, Saakashvili's arrival made the Ukrainian government (first of all, the President) in the situation of Zugzwang, when any of its actions would lead to deterioration of the position. In turn, the "new opposition" has gained a good impetus for unification and consolidation efforts, at least towards approaching early elections. Emerging opposition to Poroshenko has a serious potential, according to sociological polls.

It is expected that Saakashvili plans to warm up activities by mid-October when Poroshenko will either be forced to pass unpopular bills to the Verkhovna Rada such as a law on the temporarily occupied territories, on special status, a pension or land reform, or make any expected



mistake that will again public anger and force the authorities to proclaim early elections.

Saakashvili plans the peak of his activity in mid-October, gathering a large-scale protest rally in Kyiv

But at the same time, Saakashvili's circle understands that Russia and its agents of influence can use Saakashvili's actions to further destabilize the situation in Ukraine. Any incident during protests (murder, blast, mass clashes) can easily lead to an uncontrolled situation with unpredictable results. That is precisely what deters Saakashvili and even more political forces which would like to use him to climb to power, but which are afraid of chaos. In the near future, it will be visible who still controls the situation in the country and in what direction it will evolve: cleaning through rebots and elections or destabilization and chaos.

Waiting game of other political actors

Considering the two main camps, one should not ignore other political actors, who currently play the role of observers, but have the potential influence on the political situation.

Opposition block. OB cannot get out of internal contradictions and still stands for expectations. Currently, there are two largest groups in the OB: 1) Akhmetov group; 2) Firtash-Lyovochkin group. The first one is quite actively cooperating with the Presidential Administration, the second is more inclined to re-election, because it strongly believes that Poroshenko did not comply with their previous agreements. Despite such contradictions, the OB still maintains its integrity. The failures of political opponents have already at least twice led the predecessors of this political force to power, but in the current situation (under the conditions of Crimea's annexation and the conflict in Donbass) their strategy may not work which relies on expectation and victory through the consolidation of the protest electorate in the southern and eastern regions. Therefore, it cannot be ruled out a formal or informal alliance of the OB with other opposition forces and the formation of a

"broad anti-Poroshenko coalition" or lend their shoulder to the authorities and become their unofficial partners.

OB is split into two groups with different interests

Radical party of Oleh Lyashko. At present, radicals do not have a significant impact on the political process. They tend to the Presidential Administration. They became the main promoters in the process of depriving Saakashvili of citizenship. Radicals became the main critics and "revealers" of Yuliya Tymoshenko in the public sphere. Oleh Lyashko repeatedly called the leader of the "Batkivshchyna" "Moscow cuckoo". In view of this, it is very complicated for the Radical Party to enter a new opposition movement.

Radicals tend to the Presidential Administration, doing "dirty work" for the government

UDAR. Vitali Klychko and his force is another player that is not often mentioned. Despite the official announcement on the unification of the efforts by the BPP and the UDAR in August 2015, the regional party structures of Klychko's party were not liquidated, but only transformed into a frozen state. This indicates about possible desire of the mayor of Kyiv and party sponsors to resume activities as elections approach. At the moment, UDAR's ranking is estimated at the level of statistical error, although Vitaliy Klychko's rating has a positive dynamic. It is possible that UDAR may join negotiations between the BPP and the NF on creation of a united power party. Whatever it was, but Klychko may become Poroshenko's undesirable competitor in the presidential election. Therefore, the Presidential Administration is forced to take this option into account while it is unclear whether Klychko and his sponsors will be satisfied with his current post as the Mayor of Kyiv.

Klychko's UDAR may become a third subject of pro-government ally

"Jokers". Svyatoslav Vakarchuk, who relies on the support of Ukrainian oligarch Victor Pinchuk

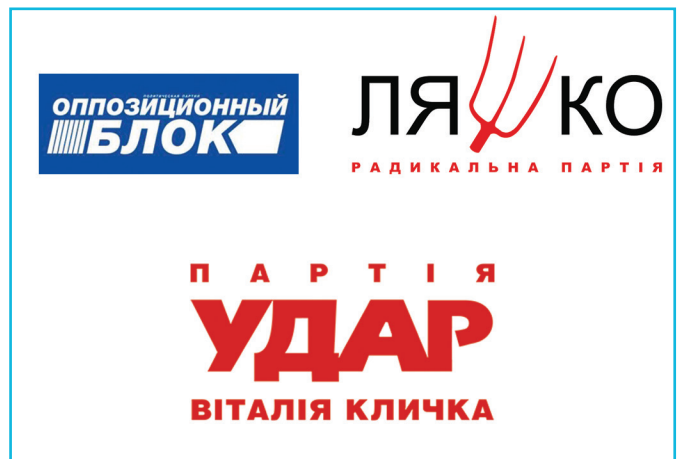
and Russian businessman Mikhail Fridman can be considered a peculiar political joker. At the moment, it is difficult to talk about the prospects and directions of this political project, but one cannot ignore the increased activity of the singer's public performances where he advocated his active civic position on daily issues of Ukrainian society. It is difficult to ignore that his life position (not to mention creativity) finds real support in a large number of citizens, especially young people. It cannot be ruled out his participation in the elections as a convenient second number for Poroshenko. Ihor Kolomoiskyi can respond to Victor Pinchuk in a peculiar manner by promoting the candidacy of Volodymyr Zelenskyi, who can act as another "joker" of Ukrainian politics.

Svyatoslav Vakarchuk may become a joker in political game

Right radicals. Far -right parties – "Svoboda", "National Corps", "Right Sector" can be a separate political force. These parties have been talking about a common political future for long and had several joint actions. However, they are not talking about merging into a single party yet, focusing on coordination of actions and possible formation of a single list for the elections. Arsen Avakov is a "manager" of radical groups.

Far-right parties also make attempts towards unification

In general, the current politico-unification forces can be characterized by an expression: "deal with everyone, trust no one". Prior to elections in Ukraine, there will be two main theaters



of political war: 1) line "power vs opposition": 2) within the current pro-government coalition, since they all rely on the same electoral groups. Position of the oligarchs is one of the decisive factors of success for the unions and subsequent political stability or instability. In the oligarch camp, there are currently two main groups: 1) Kolomoiskyi, Firtash, Lyovochkin who seek to change the current political elite and regain lost positions; 2) Pinchuk and Akhmetov who strive for stability and preserve the current structure of political forces. Ukraine's future political map will depend on who takes over and how far he is ambitious.

The position of the oligarchs remains the decisive factor in the success of possible unions

In any case, all potential political turmoils will not be able to change domestic situation, since most of the united parties are typically oligarchic political forces who are interested in cementing rather than updating the political system. Only changing the rules of the game, primarily the electoral ones, is the main prerequisite for qualitative changes in Ukraine.

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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Responsible for the project: Ihor Petrenko

Responsible for the chapters:

Public Policies – Ihor Petrenko

Economic Analysis – Vasyl Povoroznyk

Political Competition – Ihor Petrenko

Team of ICPS experts:

Yevgeniy Yaroshenko, Vasyl Povoroznyk,

Anhela Bochi, Iryna Ivashko, Vadym Perebyinis, Yulia Gomeniuk,

Iryna Stepanova, Veronika Shygirt



International Centre for Policy Studies
Telephone: +38 (044) 253-52-29
E-mail: office@icps.com.ua
www.icps.com.ua



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