

UKRAINE WATCH

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Minister Abromavičius resigned in protest against nepotism and corruption: Minister of economic development and trade Aivaras Abromavičius announced his resignation in protest against the practice of corrupt appointments of which, in particular, he [accused](#) Ihor Kononenko, deputy chair of the *Petro Poroshenko Bloc* parliamentary group and the president's business partner. According to Abromavičius, Kononenko tried to impose Andriy Pasishnyk as Abromavičius' man in charge of the lucrative "Naftogaz of Ukraine" national joint stock company. The lobbying also allegedly included phone calls from the Presidential Administration. Abromavičius pointed to the existence of "gray eminences" in Ukrainian politics, that is, people with informal power to systematically influence key appointments. Among those, he claimed, were Kononenko as well as Mykola Martynenko, a former MP for Arseniy Yatseniuk's *Popular Front* who came under investigation of the National Anti-Corruption Bureau. While Pasishnyk and Kononenko deny allegations, [according to Abromavičius](#), Kononenko's recent lobbying was only "the straw that broke the camel's neck". When he started working for the Ukrainian government fourteen months ago, the disappointed minister said, he was promised full political support for key reforms and a free hand in personnel policy. Instead, the team of [young, Western educated professionals](#) faced what Abromavičius [called](#) active steps taken to block any important systemic reform in Ukraine. This suggests that the presidency of Petro Poroshenko has brought Ukraine into yet another cycle of cronyism, with oligarchic business now seeking to find [new ways](#) of holding on to its usual grip on Ukrainian politics. As some commentators observe, however, Abromavičius has shown an unprecedented degree of political boldness when he decided to go public. His announced resignation is, thus, likely to mark the beginning of a major political crisis as the parliament Speaker Volodymyr Groysman was quick to [warn](#). Furthermore, as [senior experts](#) immediately [pointed out](#), such gross displays of corruption would surely sow doubt in the West as to whether Ukraine deserves to receive international political support.

Western partners grow impatient over reforms in Ukraine: The G7 ambassadors [reminded](#) Ukrainian authorities of fulfilling their commitments to the International Monetary Fund in case Ukraine wishes to continue to receive financial assistance. Earlier IMF Managing Director Christine Lagarde [confirmed](#) that

Ukraine requested a “multi-year arrangement with the Fund” that was to replace the existing Stand-by Arrangement in order to support “broad and deep economic reforms”. International assistance to Ukraine is conditioned primarily on reform and the eradication of corruption. However, the Ukrainian authorities seem to have not been living up to Western expectations. Their current personnel policies help preserve the old practices of corruption and nepotism that come to be publicly associated with top Ukrainian officials. Thus, certain figures appointed by President Poroshenko as part of the reform implementation process have caused controversy. For instance, Ukraine's Prosecutor Viktor Shokin has been [accused](#) by the Kharkiv Human Rights Protection Group of sabotaging the reform of the prosecutor's system. As a result, activists argue, it was staffed predominantly with the “old guard” that had served under Yanukovich. Ukrainian media also [report](#) that the sacking of Shokin has become one of the preconditions for financial assistance as communicated to Ukrainian civil servants by the Department of State during their visit to the United States. Failure to implement effective reform has resulted in high corruption rates and inefficient governance. According to a [statement](#) made by Yatseniuk, direct losses from corruption and inefficient management in public procurement amount to an annual loss of 20% or 50bn hryvnias (cca 1.7bn EUR).

Clan feuds persist as a major challenge to reform: The agenda of anti-corruption reform has continued to be captured by the warring political factions as each side blamed the other for instrumentalizing state institutions for its own selfish purposes. As part of these verbal duels the Supreme Court [accused](#) Minister of the Interior Arsen Avakov of engaging in populism and manipulating public opinion in his quest to reform the judiciary. Avakov had earlier [proposed](#) a radical solution whereby all incumbent judges would be dismissed and a new selection procedure run subsequently to completely re-staff Ukraine's judiciary. Prime Minister Yatseniuk [called](#) for a national plebiscite on constitutional change which is interpreted as [retaliation](#) against Poroshenko's team for not sticking to their part of the deal at the end of the year. Meanwhile, Yatseniuk faced a series of accusations. Following the resignation statement of Abromavičius, Mikheil Saakashvili [accused](#) the Prime Minister of political corruption that had turned the government into „a quagmire for reforms”. The *Batkivshchyna* and *Samopomich* parliamentary groups also [said](#) they were not willing to work with Yatseniuk's government. Earlier *Samopomich* [announced](#) it would revoke its agrarian policy minister Oleksiy Pavlenko due to Yatseniuk's practice of corrupt appointments that interfered with the minister's work. Parliamentary group representatives also promised not to vote for the constitutional amendments on Ukraine's decentralization, which is seen as an essential part of the constitutional reform. Mutual accusations intense and factional conflict rife, the ruling coalition thus remains unstable. The danger looms of early elections significantly slowing down the reform process. Forming a new government seems to be a milder option for Ukraine but also likely to bring more political turmoil.

Russia and separatists accused of violating Minsk agreements: Peace in East Ukraine continues to be unstable as Kyiv [accuses](#) Russia and the separatists of provoking the Ukrainian military. According to [reports](#) from the Ukrainian intelligence services there are nearly 34,000 guerillas active in the Donetsk and Luhansk regions. The Ukrainian side also [estimates](#) the number of Russian regular armed forces present in East Ukraine to be around 8,500. Ukrainian military intelligence [claims](#) that Russia continues to train the guerillas and supply them with military equipment. President Poroshenko [stated](#) Ukraine had irrefutable proof of Russia smuggling arms across the Ukrainian border. In the areas of Debaltseve and Mospyne, in the Donetsk region, movement of tanks and other military equipment banned by the Minsk agreements

has also been [reported](#). Ukrainian representatives in the Joint Center for Control and Coordination (JCCC) [complain](#) that Russia is unable to secure a ceasefire from the guerillas even when it comes to reconstruction works on electricity supply networks, water-supply, and other areas stated in the Minsk agreements as priority. The militants have also fired shots at an OSCE patrolling mission vehicle, JCCC members [claim](#). Western leaders have expressed their concern over ceasefire agreement violations. Lithuanian president Gribauskaitė [confirmed](#) that Europe is aware of Russia's non-compliance with the Minsk agreements and is, therefore, prepared to uphold the existing sanctions. She also suggested that Russia should agree to the idea of an international peace keeping operation. Earlier [calls](#) for such an operation were made by Ukraine's permanent representative to the United Nations. Boris Gryzlov, who represents the Russian side in the Trilateral Contact Group, paid a visit to Kyiv to meet with President Poroshenko. According to [Gryzlov](#), there was "no alternative to the Minsk agreements", though, he claimed, there were "forces" whose interest was to keep the negotiations in a deadlock. However, the Russian side has [argued](#) for a special status of the Donetsk region to be included as a point in Ukraine's constitutional reform. This is a demand to which many in Kyiv are strongly averse. The Ukrainian authorities [insist](#) that a full ceasefire should remain the precondition for constitutional reforms on decentralization. The key problem here is that the Minsk agreements do not specify the precise sequence of policy steps which, in turn, creates plenty of room for procrastination and scapegoating.

Russia and Ukraine entered a trade war, Ukrainian economy in need of westernization: In January, the hryvnia [reached](#) its lowest official exchange rate for the past nine months. Reacting to the implementation of the Deep and Comprehensive Trade Area with the EU, Russia has suspended its free trade agreement with Ukraine as of 1 January 2016. The loss of access to Russian markets posed a serious immediate challenge, whilst the benefits of free trade with the EU have a more long term nature and are yet to be reaped, Ukrainian commentators [observe](#). Ukraine [retaliated](#) against Russia by banning a long list of Russian imports. However, without effective domestic reform, as well as Western financial assistance that hinges on the successful implementation of these reforms, Ukraine's economic prospects are likely to remain dim.

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