
The parliamentary elections in Ukraine: new hope?

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BACKGROUND

Ukraine's parliamentary elections on 26 October 2014 seem set to be the most important and most challenging the country has ever held. In addition to the conflict in the East and the ongoing political crisis, there are deep-rooted economic and societal hurdles, as well as the continuing external threat emanating from Russia. Casting the ballot – under the likely fire of Russian-backed separatists and government forces in the East – is no easy exercise. The agreed cease-fire is insufficient to ensure that Ukrainians living in the war-plagued East as well as active soldiers will manage to express their vote.

Yet the elections are crucial because the current composition of the 450 seat Parliament Verkhovna Rada, does not reflect the post-Maidan reality, and is unable to meet the challenges facing the country. A recent poll showed it had only a 15% approval rating. Furthermore, it is important for restoring democratic legitimacy. The removal from power of former president Viktor Yanukovich led to an interim government predominantly composed of some of the most forceful political forces from among the Maiden protesters. This drew significant rebuke from the East and Russia.

For the first time in Ukraine's history, the presidential election of Petro Poroshenko in May gave many Ukrainians new hope. His victory seemed to unite the country, being the first president to have won in most of the regions despite the ongoing conflict in the East. However, with many corrupt elites still in power, reforms have become hostage to vested interests and in-fighting which has raised fears of 'business as usual'. This situation is fostering mistrust among people who supported Maidan, while further reinforcing the mistrust of those who did not.

STATE OF PLAY

Some 6.000 candidates are registered for the elections. Around two thirds of the current deputies are seeking re-elections, including 127 deputies who voted for the January 2014 "dictatorial laws". There are also many new faces. A number of Maidan activists including the prominent journalists Mustafa Nayem and Serhii Leshchenko are amongst those running. However, they are split among different parties so some may not enter parliament (and at the same time lose some of their credibility as pure activists); whereas others may get in but could become paralysed by inter-party rivalries.

This will be the first post-independence election dominated by one party, the Petro Poroshenko Bloc (PPB), as previous elections pitted two relatively evenly balanced parties representing different regional interests against each other. The PPB along with the Radical Party of Oleh Lyashko, Yulia Tymoshenko's Batkivshchyna, former Ukrainian Defense Minister Anatoly Hrytsenko's Civil Position, and Prime Minister Arseny Yatsenyuk's People's Front are all expected to reach the 5% threshold required to enter the Rada. The right wing Svaboda along with the newly created Opposition Bloc, which has risen from the ashes of the Party of Regions (PoR) have also a chance to make it.

Numerous PoR faces are trying to cling to power either by joining established parties, including the PPB, or through new parties. Other parties include the Party of Development of Ukraine, which is led by former PoR deputy, Yuriy Miroshnychenko, the Strong Ukraine Party of oligarch Serhiy Tihipko, and the Industrial Party. The latter was formed by a group of managers and directors from Ukraine's major heavy industries in the southeast linked to Rinat Akhmetov, the country's wealthiest person and include former close allies of Yanukovich such as Borys Kolesnikov and Vadym Novinsky. Several other well-known oligarchs including former head of Yanukovich's Administration, Serhiy Liovochkin and Yuri Boyko, former Energy Minister are also part of the Opposition Bloc.

A far from perfect system

As in 2012, Ukraine will continue to use a mixed electoral system. At the polls voters have two ballots: one to select their local representative and another to select a political party. Unfortunately, this system can be abused in single constituencies which would not be possible in a proportional system with preferential lists. It allows voters (if the candidate receives adequate votes) to improve a candidate's position on the list and thereby increases the likelihood of that candidate being in the 'passing party' of the list. While there had been some hopes that electoral reform could take place before the ballot, draft amendments for a new electoral law proposed at the end of July were blocked. A number of deputies, in particular from the PoR, who would almost certainly lose their seats with a proportional system, were strongly opposed. Ukraine desperately needs far-reaching reforms but having numerous old faces who have contributed to and benefited from, corrupt governance could make it more difficult.

Furthermore, many 'old tricks' are being used to 'buy' votes including giving people food packages. Therefore, between the crisis on the ground and the cunning of many candidates, despite the presence of thousands of international election monitors, there is still a risk of electoral fraud.

The East and other challenges

The election campaign is set amidst serious challenges, which will dominate the agenda for the foreseeable future.

The situation in the East remains most worrisome. A recent report by the UN estimates there are now 360,000 internally displaced persons (IDPs) from Donbas and an estimated 3,600 deaths with the number of casualties continuing to rise despite the ceasefire. The Russian-backed separatists continue to battle to gain key infrastructure such as Donetsk airport, eastern Ukraine's most important transport hub.

Opposition to Russia's actions spans all regions – east (78%), south (89%), central Ukraine (93%) and west (99%). Moreover, 79% of Russian speakers and 95% of Ukrainian speakers oppose Russia's actions. There are different views on what the government should do. While 73% of Ukrainians consider peace a key priority, 50% of Ukrainians outside Donbas believe that Poroshenko is not using sufficient force in the region. At the same time, many Ukrainians support the cessation of Kyiv's antiterrorist operation against the rebels because of the growing casualties.

The "Donetsk People's Republic" and the "Luhansk People's Republic" are increasingly regarded as obsolete and criminal projects even among those who voted for independence in the so-called referendum. Ukrainians both inside (42%) and outside Donbas (57%) believe that the separatists in Donbas only represent a minority of the population in the region. However, a substantial section of people living in the two regions have not switched their allegiance in favour of Ukraine. Pro-Russian sentiments mean different things to different people in the east. Many people feel deceived and manipulated by the rebels but are still not necessarily pro-Ukrainian. In addition, the majority of the population is not EU-friendly and considers the Union's policies to be a trigger for violence. They also expect the EU, together with Russia, to share the costs of the disaster which have befallen their country.

The ceasefire agreement signed in Minsk in September needs to be fully adhered to by the Russians which continue to violate a number of points including failing to secure the Ukraine-Russia border, and removing all of their troops from Ukrainian territory. Despite agreements recently reached in Milan, there is a significant chance of the *status quo* becoming increasingly consolidated.

The economy

According to Global Pew Research over 90% of Ukrainians are concerned about the economy. Ukraine's GDP is down almost 5% from a year ago, and industrial production is collapsing. Luhansk and Donetsk are seeing a particularly sharp decline in economic activity, with GDP set to decline by 15-20% this year. Factories and infrastructure in both regions have sustained direct losses because of the conflict. These losses, in tandem with the significant fall in the output of companies operating in the region, are among the main reasons why the Ukrainian economy is shrinking. Donbas, Ukraine's most industrialised region had a 16% share of the country's GDP in 2013 and generated around 25% of its exports.

The nation's currency, the Hryvnia, is of particular concern. It has been trading near record lows in spite of currency controls, crippling the population's purchasing power. Its fall is unprecedented (over 11%), with Kyiv failing to stem capital outflows. In the first half of 2014, Ukraine's foreign direct investment stock decreased by a record \$6 billion.

While Kyiv has so far managed to remain on track with most of the IMF bailout conditions including energy market reforms, spending cuts and tax rises, it may still become more difficult. Since agreeing a \$17bn standby facility in April the two main risks foreseen by the IMF, an escalation of the conflict in the east and a gas shut-off by Russia have materialised. If the conflict in the east continues throughout 2015, it is now estimated that Ukraine may require as much as \$19bn in additional international financing.

The gas dispute

Ukraine is dependent on natural gas from Gazprom, with gas accounting for some 40% of country's total energy consumption. The fact that Russia cut off gas in June has left Ukraine in a perilous situation and had a direct impact on ordinary people. Electricity prices are set to increase by 10-40% and gas for heat by 50%. Even in Kyiv, hot water and electricity has become a luxury. The conflict in the East has resulted in a serious disruption of coal production, which could have potentially helped offset the gas crisis. Talks between Ukraine, Russia and the EU seem to have reached an agreement on the supply of gas at least for the winter period.

In the meantime other steps have been taken to help shore up Ukraine's energy security. This includes importing coal from South Africa, reverse gas flow via the Ukraine-Slovakia interconnector and steps towards developing its shale gas reserves. Ukraine has also secured a short-term deal with Norway's Statoil to supply Norwegian gas through Slovakia. While the EU has pledged to hook Ukraine up to the EU's energy network, this remains work in progress and is far from complete. Without reforming Ukraine's energy sector and reaching a long-term agreement with Russia the gas dispute is likely to flare up again.

Fighting corruption

Transparency International's 2013 Corruption Perceptions Index ranked Ukraine 144th out of 177 countries. Corruption in Ukraine is deeply embedded, touching all parts of society. It has been widespread at virtually all levels of Ukrainian government and public life since independence. It has become a means for many Ukrainians to get what they need, from healthcare to government contracts, and cracking down on it was a key demand of Maidan. While the Rada recently passed a series of anti-corruption laws, including the creation of an anti-corruption bureau, there is a significant amount of disappointment that in the post-Maidan period little has been done to effectively tackle corruption. Unless there is a serious effort to tackling corruption on all levels, the issue will remain the most significant obstacle towards the modernisation and democratisation of Ukraine.

All these challenges are exacerbated by Ukraine's relatively weak state. Employees in the state institutions still lack incentives and promotion opportunities, while their salaries are low. The Army has been supported by civil society and regular people's efforts: in some cases efforts done despite, not because of, the state. Despite the weakness of the state, the prospects for reform are there, as demonstrated by the vibrancy of the civil society effort that has tried to plug the gaps of the state. In addition to supporting the Army, civil society groups have been active in proposing draft laws and lobbying for change. One such initiative is the Reanimation Reforms Package which includes over 100 civic groups and experts who propose reform legislation and also, crucially, monitor its adoption and implementation. These efforts are not enough, however, as the will of the ruling elite will be crucial in revamping Ukraine's governance system.

PROSPECTS

Current polls show that the PPB is leading by a large margin with some 38% and seems set to have parliamentary majority. However, even with a solid working majority, political stability is far from guaranteed. Political struggle has always followed the 'winner takes all' pattern and in most electoral rounds it has been instigated by regional clan rivalry. While Poroshenko may prefer to appoint a 'technical' prime minister, at this point Ukraine cannot afford to engage in a battle for political positions as this could create a public backlash. Therefore, there is good chance that Yatsenyuk, who is popular, will be returned to the post. Poroshenko will need to continue the balancing act that plays between internal demands and external support and pressure from the US and the EU on the one hand, and Russia on the other, which will be a significant challenge. One way to address some of these challenges could be to create a larger parliamentary majority with parties committing to a genuine reform agenda.

No magic recipe

Despite the trust in Poroshenko, elections are unlikely to act as a magic recipe to resolve all of Ukraine's problems. Beyond possible difficulties of cohabitation, the old establishment seems determined to cling on for as long as it can and this may have a negative impact. Furthermore, vectors of change (activists, journalists and others who will become

deputies for the first time) are inexperienced and it may take them some time to master the ability to form their own coalitions to allow them to push through their reform agenda.

Another issue will be what role those activists, who will not make it to the Rada will play. Going forward, it will be crucial to build a dialogue among different elites and people; also finding ways to pursue conflict resolution; some forms of reconciliation, and confidence-building. Many people lost their loved ones who fought in Donbas. Those who lost their homes, feel confused and uncertain about whom they should support and what they should believe. In the long-term, it is important to think carefully about how to bring everyone closer together, so that the societal conflict does not expand.

It will also be significantly important for the government to gain trust, since Maidan trust in basic government institutions and state services has been low. A poll by the International Republican Institute poll showed that 71% of respondents stated that they held unfavourable opinion of the police, 73% held negative views of the prosecutor's office, 75% have a negative view of political parties and 77% of people had negative views of Ukrainian courts. Gaining back the legitimacy of these crucial state institutions will remain an important issue but will be far from easy.

The importance of the EU

Support for Poroshenko's policy of EU membership has increased from 53% in April to 59%, while support for membership in the Russian led Customs Union dropped to 17% from 24%. European integration can serve as a compass for much needed reforms in several sectors, including those crucial for strengthening governance. While the crisis in Ukraine has strengthened the country's relationship with the Union across the board, a long-term strategy is still missing with the EU sticking to a step-by-step and 'let's wait and see' approach. While this is far from ideal, Ukraine needs to accept that the EU and its members are not ready to go further (yet), and focus on demonstrating their commitment to a European future by forging ahead with reform and having the EU engaged in as many areas as possible which will further strengthen the level of integration between the two.

Understanding nuances of Ukrainian politics can be helped by sedimenting a close link with civil society and other important actors who can act as agents for change. This is something the EU should do, working with them to form alliances and encouraging the reform agenda.

Ukrainians have proved they have the stamina to carry on sacrificing to achieve the goal of an independent, strong and functioning country. In an International Republican Institute September poll, 55% of Ukrainians stated that they were willing to live through some economic difficulties, including the needed reforms, in order to achieve long-term improvements in the quality of life. The majority of Ukrainians also approve of Poroshenko, despite negative views on economy and corruption.

Today the greatest challenge facing Ukraine does not just come from Russia but from Ukraine itself. Security, stability and prosperity will only be achieved if Ukraine's political elites make a complete break from the corrupt and criminal style of governance that has plagued the country for the last two decades. After the elections reform must be the priority. Building a strong and democratic country is the single most important step towards security and stability. Avoiding the much needed reforms and failing to tackle corruption may not just disappoint the Ukrainian people but could lead to a third Maidan.

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