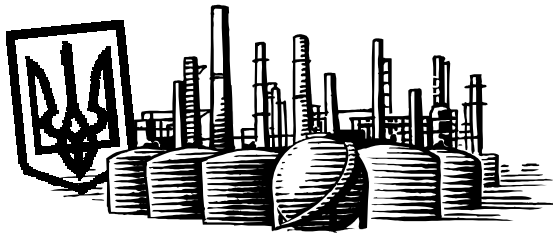




Odesa Portside Plant will be Privatised

The privatisation of the Odesa Portside Plant has again hit the headlines as President Viktor Yushchenko tries to thwart the sale sanctioned by the government and the State Property Fund.



Last Thursday, President Yushchenko moved to halt the sale of the plant by presidential decree. The reason he gave was, "The privatisation of the Odesa Portside Plant threatens the economic security of Ukraine."

Meanwhile, Prime Minister Yulia Tymoshenko is determined that the sale of the Black Sea chemical fertilizer plant goes ahead in an open and transparent fashion.

"I would like to firmly state that a decision on the privatisation was passed by the State Property Fund of Ukraine and it will take place within the term fixed by the fund, and nothing will prevent this," said Ms Tymoshenko.

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Sale of the plant to help fund the budget deficit was one of the conditions of the stand-by facility agreed with the International Monetary Fund (IMF). This latest action by the president therefore beggars belief.

The issue of the plant's privatisation has been touted since Mr Yushchenko's election in 2005 and came to a head in spring 2008. At that time the argument was put forward that any tender would be contrary to national security interests. However, analysts believed the president's real reason for blocking the privatisation was to deprive the government of revenues that could be drawn upon to repay lost Soviet-era bank deposits. The fear was that the repayment programme would increase Ms Tymoshenko's popularity ahead of the 2010 presidential election – something which had to be avoided at all costs.

President's flip-flop policy on privatisation

Interestingly, Mr Yushchenko had promised to repay the deposits in his 2004 election programme but forgot this and much else from his programme after coming to power. Indeed, draft presidential decree number two outlined in great detail how the lost deposits would be repaid.

Today, Mr Yushchenko is replaying the "national security" argument to block the privatisation. Also thrown into the mix is the accusation that the privatisation cannot be permitted to go ahead because it would provide Ms Tymoshenko with election campaign funds. Party of Regions leader



Viktor Yanukovych said openly what Mr Yushchenko believes: "These steps taken by the government to sell off state property ahead of elections is evidence of corruption and also an attempt to obtain additional finances for the candidate's campaign from the authorities."

State Property Fund sanctions sale

This time, the presidential decree contradicts a ruling by the State Property Fund. This institution, long under the control of Socialist Valentyna Semeniuk and loyal to the president, dropped its opposition to the plant's privatisation and launched an open tender on 15 July to sell 99.56 percent of the state's shares. The State Property Fund's starting price was 4 billion hryvnia (€320 million). If successful, the tender could put 8.5 billion hryvnia (€680 million) into the government's coffers.

The auction is planned to go ahead on 29 September, only 12 days after the presidential decree. First Deputy Prime Minister Oleksandr Turchynov argued that the decree cannot block the privatisation as it had already been in motion since July. "There is no law or decree that can be applied to past events. The process has been going on for half a year and it could have been halted up to its start but not a week before the auction," said Mr Turchynov.

The first deputy prime minister also suggested that the attempt to block the privatisation may damage Ukraine's reputation with foreign investors. "Maybe one could say that the president simply does not love his own country and wants it such that the international community did not invest in Ukraine," he complained. He makes a strong point. If a disputed bid goes ahead, unsuccessful bidders may seek to challenge the validity of the auction in court, further damaging the country's reputation.

Significant interest, domestically and internationally, has been shown in the tender. One well-placed consortium comprises three investors from Norway (Yara International ASA), the Libyan Investment Authority and Polish Kulczyk Holding SA. However, the political wrangling may frighten off foreign investors. According to the State Property Fund three companies have filed applications to participate in the auction. They are Azot Servis (Russia), Frunze-Flora (Ukraine) and Nortima (Ukraine).



▲ President Viktor Yushchenko is determined to stop the auction.



▲ Valentyna Semeniuk, the former head of the State Property Fund, supported the president's move to thwart the sale.

Two factors at work

The Ukrainian reality suggests two factors to be at work. Firstly, President Yushchenko and Party of Regions leader Mr Yanukovych are opposed to the privatisation. Oddly, in 2007 they both supported the privatisation. Then, President Yushchenko did not raise "national security" grounds. Sadly, the opposition today rests on a banal factor in Ukrainian politics that the president and opposition leader have policies that amount to the "worse the better." Both leaders have sought to undermine the government's anti-crisis policies through presidential decrees or by blocking parliament.

In a 30 November 2006 letter to Prime Minister Yanukovych, reprinted in *Ukrayinska Pravda* (18 September), President Yushchenko complained about the slow pace of privatisation, pointing



out that only 111 out of 518 objects slated for privatisation had actually been auctioned. President Yushchenko complained that the Yanukovich government was blocking the privatisations of, amongst others, UkrTelekom and the Odesa Portside Plant “regardless of the fact this is harming their effectiveness and attractiveness for investors.”



Not surprisingly, the president had never used “national security grounds” to argue against the plant's privatisation until Ms Tymoshenko became prime minister. President Yushchenko had one rule for the Odesa plant when the government was led by Mr Yanukovich (privatise!) and another when the government was led by Ms Tymoshenko (halt the privatisation!).



▲ First Deputy Prime Minister Oleksandr Turchynov.

Only two months ago, the first deputy head of the presidential secretariat Oleksandr Shlapak had said publicly that the president would support the plant's privatisation. “We have no pretensions. If everything is undertaken in accordance with legislation and established procedures, the sale will go ahead... By Gods it will be sold!” (*Ukrayinska Pravda*, 18 September).

There can be no question about the manner in which any auction would be conducted. The premier said that it is most important to ensure “fair and transparent conditions for all potential investors.”

It should be noted that the Tymoshenko government was the first to launch totally transparent privatisations, as seen in the re-privatisation of the Kryvorizhstal steel mill in October 2005. Mr Turchynov pointed to the fact that “we have a practice of undertaking privatisations in the interests of concrete structures and firms.”

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The move to halt the privatisation may play into the hands of local oligarchs who may benefit from the removal of international bidders worried about the legal efficacy of winning a disputed tender. At the same time it meets the president's goal of starving the Tymoshenko government of funds so that it fails to meet budget commitments to the IMF. In both instances Ukraine loses.



UEFA Praises Ukraine's Turnaround

Michel Platini, the President of Europe's governing soccer body, UEFA, has praised Ukraine's progress in its preparations to co-host the UEFA EURO 2012™ soccer tournament. Following a meeting at UEFA headquarters in Nyon, Switzerland, Mr Platini announced that Ukraine's progress was such that UEFA's alert level in Ukraine has been scaled down from code red to orange.



▲ UEFA President Michel Platini.

Ukraine and Poland were named as hosts for the prestigious tournament in April 2007, beating bids from Italy and Croatia/Hungary. However the pace of Ukraine's preparations – particularly in relation to infrastructure such as airports, roads and hotels – has concerned UEFA officials.

In May of this year, at a UEFA executive committee meeting in Bucharest, UEFA officials confirmed the four host cities in Poland. But for Ukraine, only Kyiv received a tentative thumbs-up, with a stark warning that it could lose out on

hosting the tournament final. Donetsk, Kharkiv and Lviv were effectively put on probation with a deadline to meet UEFA's host city status criteria by 30 November.

The turnaround in Ukraine's preparedness has been dramatic, which is all the more remarkable given that the country's economy has been one of the hardest hit in Europe by the global economic downturn.

Speaking last week, Mr Platini remarked, "I want to congratulate the Ukrainian authorities. All of a sudden they have found new hotels from nowhere, I'm not sure where they've sprouted up from but they have found them." His words came only two weeks after the opening of the brand new 50,000-seat Donbass Arena in Donetsk.

Progress on refurbishment of the National Olympic Stadium in Kyiv is progressing well with work continuing around the clock. Also, the government has earmarked investment of \$1.4 billion to fund tournament preparations next year. Priority areas for investment are airports, roads, stadia and the construction and refurbishment of hotels. At the same time, the government has redoubled its efforts to attract foreign investment in Ukraine's transport infrastructure and pledged to increase government spending in the year leading up to the tournament.

UEFA Approves Qualifying Process

At the UEFA executive meeting in Nyon, Switzerland, officials approved the procedure for the UEFA EURO 2012 qualifying competition draw, which will take place at the Palace of Culture and Science in Warsaw, Poland, on 7 February 2010.

Fifty-one of the 53 UEFA member associations will take part in the qualifying draw, with the two host countries, Poland and Ukraine, qualifying automatically for the final stages of the tournament.

The qualifying competition will comprise six groups of six teams (groups A-F) and three groups of five teams (groups G-I). Sides in each group will play one another on a home and away basis, with qualifying matches scheduled according to the international match calendar between September 2010 and November 2011. The nine winners and the best runner-up qualify directly for the final tournament. The eight remaining runners-up contest play-off matches.



"No one should question Ukraine's ability to fulfil its obligations," said Prime Minister Yulia Tymoshenko, "we are fully committed to making this a most memorable tournament for all the



right reasons."

"It is a showcase opportunity that sends a strong message that Ukraine is ready for Europe," said Hryhoriy Nemyria, Deputy Prime Minister and keen football fan, "not just Europe, but the world will be watching."

Other UEFA officials praised Ukraine's progress. Theo Zwanziger, President of the German Football Federation, said "The traffic light has jumped from red to amber. The chances of it jumping to green have risen."

With the 30 November deadline looming for Ukraine's four host cities to prove their mettle and be declared fit, politicians on all sides of the political divide are in agreement that there is no room for complacency.

UEFA will decide the final list of UEFA EURO 2012 host cities when executive members next meet in December on Portugal's Madeira islands.



For the draw, the 51 teams are allocated to six pots. Pots 1 to 5 contain nine sides each and Pot 6 will have six teams. The sides are classified on the basis of the UEFA national team rankings on completion of the qualifying games for the 2010 FIFA World Cup (last match to be played on 18 November). Spain, the reigning European champions, will be seeded in Pot 1.



BYuT Confirmed Most Conscientious Force in Parliament

A two part exhaustive study of parliamentary political forces, and to what extent they fulfilled their election pledges in the first eight months of 2009, was published in *Ukrayinska Pravda* (11 and 14 September). The author was Ms Lesia Shevchenko, the President of the Kyiv-based Open Society Foundation.



Accountability of politicians is a central component of a consolidated democracy and an area that needs attention in Ukraine. Sadly, low trust in state institutions and politicians is a reflection of politicians who are deemed unaccountable to their electorate. But this disinterest in voters is not the case for all of the political forces represented in parliament. The analysis concluded that, of parliament's five factions, the Bloc of Yulia Tymoshenko (BYuT) is the most conscientious in fulfilling its pledges made to voters in the September 2007 pre-term parliamentary elections.

BYuT deputies were the most productive and active inside parliament, drafting 314 pieces of legislation, more than any other faction. Of these, 14 were signed into law, a low figure because of the president's persistent interference but nevertheless, the analysis pointed out, still higher than any other faction. "BYuT sought to approach fulfilling to the maximum its programmatic aims," *Ukrayinska Pravda* (11 September) concluded.

BYuT draft legislation included many items dealing with the criminal code, fighting corruption and supporting small- and medium-sized business. Other areas included local self-government and launching a television station along the lines of the BBC.



Our Ukraine-People's Self-Defence (OU-PSD), the third largest faction, also achieved a relatively good record in seeking to fulfil its election programme. OU-PSD drafted legislation in the fields of politics, rule of law, economic and social spheres. Of note was OU-PSD's intensive work on the rule of law and tackling corruption issues, including efforts to establish a National Bureau to battle corruption modelled on the US Department of Justice's Federal Bureau of Investigation (FBI).

The Party of Regions, the most populist in its programme and most oligarchic in its composition, had a very poor record in fulfilling its electoral pledges, the analysis found. During 2009, the Party of Regions "has de facto been unable to really fulfil its programmatic principles," the analysis revealed (*Ukrayinska Pravda*, 11 September). This is not surprising given that the Party of Regions has devoted greater time to blocking the functioning of parliament than to implementing its election programme.

The Party of Regions, the most populist in its programme and most oligarchic in its composition, had a very poor record in fulfilling its electoral pledges.

Although the Party of Regions boasts parliament's largest faction (with 173 deputies), its draft legislative attempts only reflected ten percent of its election campaign pledges and party programme.

The Communist Party of Ukraine (CPU) and Volodymyr Lytvyn bloc, parliament's two smallest factions, were the least productive. The CPU drafted the lowest number of pieces of legislation and was successful in only having two adopted. The Lytvyn bloc was successful in only having three pieces of legislation it drafted adopted by parliament.

BYuT most conscientious towards voters

The two-part analysis concluded that in 2009, BYuT was the most conscientious towards its voters in fulfilling its election pledges. Also, BYuT was the most successful in ensuring parliament adopted its draft legislation (14 laws) with the Party of Regions trailing behind with only 8 laws adopted.



BYuT and its coalition partner, OU-PSD, drafted 314 and 188 pieces of legislation respectively, representing a combined total of 502 pieces of draft legislation. If the Lytvyn bloc – which joined the revived democratic parliamentary majority in December 2008 – draft legislation is added to this total, the pro-Tymoshenko ruling coalition would have prepared 566 drafts, or nearly double that of the combined opposition. The Party of Regions prepared 253 draft legislative acts and the CPU another 63, or a combined opposition figure of 316.

Ms Lesia Shevchenko, concluded that the best of all (the factions) that worked towards fulfilling their programmes were the pro-coalition factions in the (parliamentary) majority – BYuT and OU-PSD. Their success could have been greater if the president and opposition Party of Regions had not followed a policy of "the worse the better" for Ukraine, seeking to undermine rather than assist the Tymoshenko government's policies to extricate Ukraine from the global crisis.