



IMF Agrees \$16.5 Billion Loan Package

The International Monetary Fund (IMF) has agreed to lend Ukraine a \$16.5 billion loan package to alleviate the financial crisis threatening to imperil the country's economy. The agreement of a 24-month loan facility was announced on Sunday and is subject to approval by the IMF Management and Executive Board.



▲ The Cabinet of Ministers meet to address the financial crisis. Pleased with the IMF agreement Ms Tymoshenko was confident parliament will pass a "balanced anti-crisis bill."

"Consideration by the Board would follow approval of legislative changes to Ukraine's bank resolution program," stated Dominique Strauss-Kahn, Managing Director of the IMF.

A statement from Mr Strauss-Kahn says: "Ukraine has developed a comprehensive policy package designed to help the country meet the balance of payments needs created by the collapse of steel prices, and the global financial turmoil and related difficulties in Ukraine's financial system. The authorities' programme is intended to support Ukraine's return to economic and financial stability, by

addressing financial sector liquidity and solvency problems, by smoothing the adjustment to large external shocks and by reducing inflation. At the same time, it will guard against a deep output decline by insulating household and corporations to the extent possible."

Some six draft laws are being considered by a parliamentary working group which will seek to combine them into one anti-crisis bill that will be voted on by parliament on Tuesday.

"This is very good news," said Prime Minister Yulia Tymoshenko who has urged parliament to focus on approving the necessary legislation rather than preoccupying itself with voting on possible elections. "These measures are necessary to secure the IMF funds and will put the financial sector back on a stable footing."

Currency Reaches Record Low

On Friday Ms Tymoshenko urged the NBU to take measures to stabilise the hryvnia, which last week reached a record low of UAH 6.1 to the dollar. "I want to address the central bank to do their best to urgently stabilise the hryvnia exchange rate," said Ms Tymoshenko, noting that the NBU has reserves left of \$34 billion with which to intervene. Already this month \$3 billion has been spent propping up the currency as investors exited emerging markets for the relatively safe-haven of dollars and euro.



"There is no doubt the legislation will be passed," said Minister for Finance Viktor Pynzenyk, "the IMF agreement is pivotal to restoring financial and economic stability."

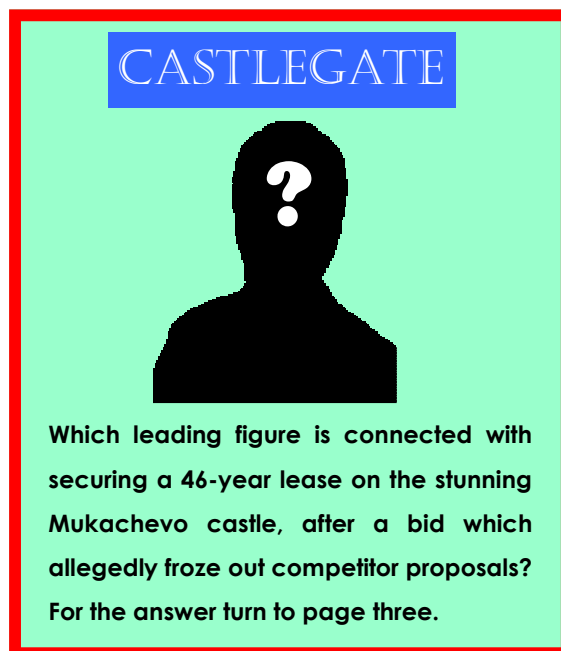
President Out of Touch with Public Opinion

At a press conference last week, Ukraine's President Viktor Yushchenko told reporters that he expected pre-term parliamentary elections to take place on 14 December. A few days later he told the BBC he envisaged a new coalition government would be in place by 1 January 2009. Are these dates realistic? Are they merely wishful thinking or is the president deluding himself?

The position of the Bloc of Yulia Tymoshenko (BYuT) is abundantly clear and was spelled out by Deputy Prime Minister Hryhoriy Nemyria who said, "We categorically oppose spending \$80 million of taxpayers' money and depriving the nation of a government at this critical time. All energies should be focused on averting a financial and economic catastrophe."

Ordinary people appear to support this view. According to a recent public opinion poll for the Gorshenin Institute and published in UNIAN, some 79 percent of Ukrainians believe that a pre-term election will not overcome the political deadlock. Perhaps most tellingly, nearly a third of respondents did not understand the purpose for an early election. And some 61 percent of the 1,000 respondents in the nationwide survey disagreed with the dissolution of the Verkhovna Rada.

It is ironical that President Yushchenko of all people – a man swept to power by a disillusioned electorate – should be so out of touch with public opinion.



14 December Election Date in Doubt



▲ Viktor Yushchenko.

Even before the president cancelled his aptly named decree No. 911, his advisers conceded that the original 7 December election date was unrealistic. The 14 December date looks equally untenable. For a start, the law prescribes a 60 day election campaign. Andriy Mahera of the Central Election Commission told Ukrayinska Pravda that an election before 21 December was impossible.

The suggestion that a government could be in place by 1 January 2009 looks equally strange. When the voting stations close, the Central Election Commission normally takes up to a month to complete its count and agreements on forming a coalition and government can take months.

Yet if elections are delayed until the New Year the president faces a dilemma, as it would be difficult for him to ignore a call for simultaneous parliamentary and presidential elections. Indeed, a majority of Ukrainians prefer the notion of dual elections if they are called early to the polls. According to the Gorshenin Institute poll, 53.5 percent of respondents backed simultaneous elections.

"It is quite alarming," said a British energy trader visiting Kyiv, "the president looks dangerously out of step with the public mood."



"Yushchenko is trying to convince everyone that this pre-term election is the best and only way to get a better parliament and government able to cope with the crisis. Who believes in that?" wrote Alexi Mustafin in Zerkalo Nedeli.

The president's political peers have lined up to give him sound advice. Recently, political leaders from some of Europe's leading parties signed a statement calling for Mr Yushchenko to abandon early elections and establish an enlarged coalition of democratic forces.

But the final word must go to the people. It is not just voter fatigue, or belief that an early election will solve nothing, that most concerns them. They simply want stability – someone to steer Ukraine through the global financial crisis threatening to swamp the economy. A recent telephone poll for Korrespondent.net indicated that half of the population fears another jump in inflation. At present, most people have more immediate concerns than party politics.

"Let's hope the president heeds the will of the people," said Ivan Kyrylenko, leader of BYuT in parliament, "If the Orange Revolution taught us one thing, it is that those who ignore the voices of ordinary people face political obscurity."

Castlegate

Dodgy Dealings in Transcarpathia?



Property of the Week!

On 21 October Gennadiy Moskal, a parliamentary lawmaker in the People's Self-Defence party, part of the Our Ukraine-People's Self Defence (OU-PSD) bloc, appealed to Prime Minister Yulia Tymoshenko and Prosecutor General Oleksandr Medvedko. The request was for the prosecutor general's office to investigate allegations published in the respected weekly Zerkalo Nedeli, on 18 October, concerning the transfer of Mukachevo castle to a private company, Vysokyi Zamok. The spectacular historic castle is a national monument dating back to the 14-18th centuries. The prosecutor's office is now deciding whether to open a criminal case.

On 9 October the city council of Mukachevo, in Transcarpathia, voted to award Vysokyi Zamok a 46-year lease on the castle (2010-2056). The company is obliged, according to its proposal, to build a restaurant-hotel complex on the castle grounds. Vysokyi Zamok, with only a \$3,000 statutory fund, has promised to invest 20 million hryvnia (approximately \$4 million) into the restaurant-hotel complex. Surprisingly, the city budget will only obtain a token 5,000 hryvnia (\$1000) monthly rent on the lease.

Vysokyi Zamok was established on 15 January 2001. Its founders are Oksana Baloha, spouse of the head of the presidential secretariat Viktor Baloha, Maryna Petiovka, spouse of Vasyl Petiovka who is Mr Baloha's cousin and a former mayor of Mukachevo, and Myroslava Tokar, spouse of the head of the Mukachevo state administration (the governor's office).



▲ Viktor Baloha, the Chief of Staff of the President's Secretariat, is linked to Vysokyi Zamok through his wife and cousin.



Vysokyi Zamok is relatively small for such a large project. Dormant for the last few years, it has not registered profits and therefore not paid taxes.

Zerkalo Nedeli claimed that its sources believed that Vysokyi Zamok won the contest through insider contacts that ignored better proposals from more established companies. A number of other companies attempted to participate in the contest, "including a serious structure from Kyiv with experience of similar projects in Chernihiv. Nevertheless, their documents were not even registered," Zerkalo Nedeli reported.



▲ Mounted on a hill, the Mukachevo castle fortress is 14,000 square metres. The rambling castle complex comprises 130 premises with many linked by underground passages.

The decision to award the contract to a company linked to Mr Baloha was made with, "countless infringements. Property questions should be decided at regular, not specially called sessions, the commission that put the issue to a vote did so without a quorum, and the list of questions to be put to deputies were only given the evening before," Zerkalo Nedeli reported. The voting card of an Our Ukraine deputy who had died was used by another Our Ukraine deputy, who took his seat to ensure a slim majority was able to push through the decision in a controversial second vote. The Party of Regions, Bloc of Yulia Tymoshenko (BYuT) and the Revival factions in Mukachevo city council walked out in protest but Our Ukraine, controlled by Mr Baloha's local allies, and Hungarian councillors supported the vote.



Yushchenko's Allies Desert Him

The Popular Movement for Restructuring (commonly known by its Ukrainian abbreviation as "Movement" [Rukh]) has broken ranks with President Viktor Yushchenko's political force, Our Ukraine-People's Self-Defence (OU-PSD). This is the latest in a long line of senior personalities and political parties to have broken with the president, after standing shoulder to shoulder with him during the Orange Revolution.

The list of those deserting the president lengthens each month. Notable names include: Oleksandr Zinchenko, the head of Mr Yushchenko's 2004 campaign; Petro Poroshenko (Chairman of the National Bank of Ukraine) and Davyd Zhvannia, both financiers of the election campaign and godfathers to Mr Yushchenko's children; Party of Industrialists and Entrepreneurs



leader Anatoliy Kinakh; Party of Reforms and Order leaders Taras Stetskiy, Mykola Tomenko and Viktor Pynzenyk; the head of the People's Self-Defence bloc, Yuriy Lutsenko; long time business and political ally Oleh Rybachuk and the head of Mr Yushchenko's 2004 campaign analysis and research; and former Defence Minister Anatoliy Hrytsenko.

A Case of Déjà Vu

One of the last to break with Mr Yushchenko is former Foreign Minister and head of Rukh, Borys Tarasiuk. In an open letter addressed to Rukh members, dated 13 October, Mr Tarasiuk tells of the déjà vu he feels today. He recalls the intense pressure (from Leonid Kuchma in the late 1990s and Mr Yushchenko today) applied to make Rukh conform, with failure to do so backed up by threats to artificially split the party.

As in the past, the presidential apparatus is threatening to split Rukh if it does not obey orders. Today, three Galician branches of Rukh support the president's desire for pre-term elections rather than joining an enlarged orange coalition.

The president's demand is for Rukh to merge with his People's Union-Our Ukraine party into a new pro-Yushchenko party. A refusal to take this step, Mr Tarasiuk told his members, will lead to the presidential apparatus attempting to ensure that Rukh does not enter the next parliament.

Grand Coalition

Furthermore, Mr Tarasiuk predicted that there will be a grand coalition of the Party of Regions with the remnants of the OU-PSD bloc in the newly elected parliament. In this eventuality, Rukh would go into opposition with the Bloc of Yulia Tymoshenko (BYuT).

In conclusion Mr Tarasiuk warns, "Rukh could not be destroyed by the former anti-people's authorities and it cannot be destroyed by "our" authorities for which we struggled so long!"

Rukh has had a presence in the Ukrainian parliament ever since the March 1990 elections and was led by the legendary former dissident Vyacheslav Chornovil until March 1999. Later that month Mr Chornovil died in a suspicious car crash still under investigation.

Limited Options

Mr Tarasiuk does not mention in his open letter with which political force Rukh would enter the new parliament? If Rukh refuses to accept disbanding and fusing with the People's Union-Our Ukraine, as Mr Tarasiuk has stated, then Rukh has only two options.

Firstly, to campaign alone or with other disaffected parties from the nine parties in OU-PSD. This though is doubtful as it is unlikely such a bloc would win sufficient votes to enter parliament. Yuriy Lutsenko, leader of the People's Self-Defence bloc, has already expressed his intention to campaign on a single list with BYuT.

Disillusioned with the President

Left column (from top):

Oleksandr Zinchenko
David Zhavnnia
Taras Stetskiy
Viktor Pynzenyk
Oleh Rybachuk
Borys Tarasiuk

Right column:

Petro Poroshenko
Anatoliy Kinakh
Mykola Tomenko
Yuriy Lutsenko
Anatoliy Hrytsenko



The second option is to campaign with BYuT as its fourth political party (BYuT is composed of Ms Tymoshenko's Fatherland party, the Reforms and Order party and the Social Democratic party). Negotiations towards an enlarged BYuT coalition with Rukh have reportedly been on-going during the last month.

Since its formation in 1987-1988, the biggest electoral victory for Rukh came as a member of the Our Ukraine bloc in the 2002 elections, when the pro-presidential bloc came first. The Communist Party was pushed into second place for the first time and then into fifth and fourth place in the 2006 and 2007 elections.

Declining Fortunes

Unexpectedly, Our Ukraine's unification of centre-right parties unravelled in the Yushchenko era. Our Ukraine and OU-PSD received a 13.95 percent and 14.15 percent share of the vote respectively in the 2006 and 2007 parliamentary elections, compared with 23.57 percent in 2002. This was largely attributable to disillusionment and disappointment with the president over backtracking on implementing pledges made during the Orange Revolution.

Since the 2007 elections, support for OU-PSD has declined even further to 5 percent. As in the case of Mr Tarasiuk, Mr Yushchenko has broken with all of his leading allies from 2002 (when Our Ukraine was established) and the 2004 elections that sparked the Orange Revolution.

With such a narrow support base, fewer political allies and depressingly low opinion poll ratings, the president's strategy of fighting an election is tantamount to political suicide.

It is likely the People's Union-Our Ukraine party will fight the next elections renamed "Our Ukraine Yushchenko bloc," to recall the success of Our Ukraine in 2002. The first five on the list will be Mr Yushchenko, Vyacheslav Kyrylenko, Arseniy Yatsenyuk, Yuriy Yekhanurov and Yuriy Kostenko.

"With such a narrow support base, fewer political allies and depressingly low opinion poll ratings, the president's strategy of fighting an election is tantamount to political suicide."

Flawed Strategy

But the president's strategy ignores a major difference between today and six years ago; namely, that nearly all of the political parties in Our Ukraine (2002-2006) and OU-PSD (2007) have broken with Mr Yushchenko. One wing of the former Rukh (led by Mr Kostenko) will be a member of the Yushchenko bloc in the forthcoming pre-term elections while another wing (led by Mr Tarasiuk) will campaign in the forthcoming elections, hopefully with BYuT.

The Yushchenko bloc is expected to go into the next elections comprising only two parties: the People's Union-Our Ukraine and the People's Party. This means it will fight for the same votes as the other former parties that made up its ranks. However it will be disadvantaged by a narrower support base that translates into a narrower voter catchment. Ironically, its disintegration contrasts with the Party of Regions, which has been busy enlarging its base by absorbing former Kuchma parties.

Low support for the Yushchenko bloc will ruin the president's already weak chances of re-election – a situation made worse by putting his name behind pre-term elections that are deeply unpopular with a public that has grown increasingly tired of politicians.