

A NEW UKRAINE PRIME MINISTER AND THE GOVERNMENT FORMATION

August, 2019

A new Prime Minister has been appointed and a new government has been formed in Ukraine (please see Appendix 1). The allocation of seats in the Presidium and committees of the Verkhovna Rada are already known (please see Appendix 2). From this it is possible to make some conclusions, which are relevant for businesses (in terms of a decision-making system that is being formed and the impact of key personalities on the process):

- With a strong role of the Office of the President of Ukraine (OP), the Prime Minister and the government are supposed to be mere executors of the Office's policies:
 - Without the Parliament's support, a Prime Minister depends on a President and can easily become a political bargaining chip, which creates some risks for businesses in terms of communication with public stakeholders;
 - Thus, dualism/division of power – the conflict between a President and a Prime Minister traditionally observed in Ukraine – is going to be eliminated (probably temporary). Decisions on key appointments will be made in the OP.
- Horizontal ties are likely to become more important: heads of the departments within the OP and presidential advisers have a significant influence on the decision-making process, compared to those of ministers and their deputies. It is necessary to establish dialogue with structures and individuals from the OP supervising certain areas of the government's activities.
- The Ukrainian President's team has full control over the Parliament:
 - Sluha Narodu («Servant of the people») has a majority (254 out of 450 votes) in the new Rada. Party representatives run 19 Parliament committees out of 23;
 - Holos («Voice») led by Svyatoslav Vakarchuk, as well as most non-affiliated deputies are likely to become the presidential party's satellites in the Parliament and, if necessary, can ensure a constitutional majority (more than 300 votes).
- The team of President Zelensky is heterogeneous, which may result in conflicts between different interest groups inside of it:



- Certain deputies of «Sluha narodu» are influenced by businessman Ihor Kolomoyskyi and Minister of Internal Affairs Arsen Avakov;
- The struggle for control over its own fraction will become one of the key challenges for the President's team for the following months. The fact that the President's team is heterogeneous should be taken into account when communicating with deputies.

The appointment of the government ends President Zelensky's political «honeymoon». This autumn he will have to face a number of challenges:

- Settlement of the Donbas conflict (a key challenge in terms of President Zelensky's electoral promises).
- Going through the heating season taking into account the unsettled conflict with Russia over transit and export of natural gas to Ukraine.
- A launch of the land market and preparation for the next stage of state property privatization.
- Building relations with Ukraine's institutional creditors (the IMF, the World Bank, etc.), achieving a balanced budget and national currency stability.

Other economic and regulatory challenges will be outweighed by the problems listed above. However, the projects that deal with government digitalization and investment attraction will remain the focus of attention of the President's Office:

- These projects may alleviate/draw attention from the possible struggles of Volodymyr Zelensky's team in more difficult and complex matters (gas supplies, the Donbas conflict, etc.), as well as show the effectiveness of the new government in the implementation of reforms.
- Businesses may take advantage of this interest to make a statement of their positions on relevant regulatory initiatives in the context of the above-mentioned priorities.

Taking into consideration the Prime Minister's personality, we should also note the increasing influence of international business associations (the European Business Association, the US Chamber of Commerce, etc.). Their political weight is growing not only in terms of launching certain regulatory or economic initiatives, but also in relation to their promotion (*formal or semi-formal procedures may be introduced to negotiate certain initiatives with foreign or Ukrainian business associations*). Thus, business associations are becoming a more efficient way to promote business initiatives.



The Prime Minister and a new Government Profile



Oleksiy Honcharuk (35 y.o.), who is now Deputy Head of the OP responsible for economic development, has been appointed Prime Minister.

Earlier Oleksiy Honcharuk led an expert centre under the Cabinet of Ministers responsible for designing and implementing economic reforms – BRDO (Better Regulation Delivery Office).

BRDO is grant-funded by the European Union. Before that Mr. Honcharuk had been an adviser to former First Vice Premier Stepan Kubiv in the outgoing Volodymyr Groyzman government (2016 – 2019).

Oleksiy Honcharuk is supported by the Head of the President's Office, Andriy Bohdan. In case Mr. Honcharuk is appointed, he will have little influence on the government formation, with a key role reserved for the OP.

The government has been fully formed by President Zelensky's team and reflects the interests of different interest groups around the President. Although other parliamentary political forces have not delegated representatives to the executive branch, certain ministers in the Honcharuk government may have links with the inner circle of ex-president and leader of «European Solidarity», Petro Poroshenko.

In this context we evaluate the stability of the government and its ministers as below average (certain ministers and the government as a whole may be dismissed at a time of a high political turbulence).

Appendix 1. Ministers and agency heads appointed to the Oleksiy Honcharuk government

Office and name	Connections, background
<p>Vice Prime Minister for European and Euro-Atlantic Integration of Ukraine Dmytro Kuleba</p> 	<ul style="list-style-type: none"> • A career diplomat and a former Permanent Representative of Ukraine to the Council of Europe.
<p>Vice Prime Minister - Minister of Digital Transformation Mykhailo Fedorov</p> 	<ul style="list-style-type: none"> • External advisor for digitalization to Volodymyr Zelensky. • Entrepreneur, founder of a digital agency.
<p>Minister of Finance Oksana Markarova</p> 	<ul style="list-style-type: none"> • The current minister. • The fact that Oksana Markarova retained her post may be dictated by the need to maintain continuity in dialogue with the IMF, other institutional creditors and Ukrainian bonds' holders. • Markarova began her work at the Ministry as Deputy Minister of Finance under Natalie Jaresko (who is now working for the American non-governmental organization Atlantic Council Dinu Patriciu Eurasia Center).
<p>Minister of Economic Development, Trade and Agriculture Tymofiy Mylovanov</p> 	<ul style="list-style-type: none"> • President of the Kyiv School of Economics, Associate Professor of Economics in the University of Pittsburgh. • Deputy Chairman of the Council of the National Bank of Ukraine. He has connections to ex-president Petro Poroshenko.



Minister of Internal Affairs

Arsen Avakov



- Arsen Avakov retained his post. He to a large extent controls security services' and «street» resources (Azov battalion, «Natsionalnye druzhiny» (a national volunteer public patrol), etc.)
- Controls certain non-affiliated deputies in the Verkhovna Rada of Ukraine.
- Appears to be a political partner of Ihor Kolomoyskyi at this time.

Minister of Foreign Affairs

Vadim Prystaiko



- The First Deputy Foreign Minister of Ukraine in the Groyzman government. Head of the Mission of Ukraine to NATO.
- Loyal to the foreign policy of ex-president Petro Poroshenko.

Ministry of Energy Generation and Protection of Environment

Oleksiy Orzhel



- The Head of the «Energy Industry» Sector at BRDO, the Chairman of the Ukrainian Association of Renewable Energy.
- A member of Oleksiy Honcharuk's team.

Minister of Justice

Denys Maliuska



- A specialist in business regulation and consultant to the World Bank.

Minister of Healthcare

Zoriana Chernenko



- An expert for a grant organization «Reanimation package of reforms».
- May have some connections to the head of the Parliamentary Committee on Healthcare, businessman Mykhailo Raduckyi.

Minister of Education and Science

Anna Novosad



- An employee of the Ministry of Education and Science under Serhiy Kvit (Advisor to the Minister). The Head of the Office of International Cooperation and International Integration at the Ministry of Education and Science.

Minister of Defence

Andriy Zahorodniuk



- Used to head the Project Office of Reform in the Ministry of Defence. External Advisor to President Zelensky.
- A social activist and a volunteer.

Minister of Culture, Youth and Sports

Volodymyr Borodiansky



- A former CEO of the STB channel and Head of the StarLightMedia group.
- He has connections to businessman Viktor Pinchuk.

Minister of Infrastructure

Vladislav Krykliy



- Advisor to Minister of Internal Affairs Arsen Avakov, a former Head of the Central Service Center of the Ministry of Internal Affairs (it deals with car registration, etc.).

Minister of Development of Communities and Territories

Alyona Babak



- A former Deputy from the party «Samopomich» («Self Help»), a former member of the working group on the municipal services reform under the Ministry of Regional Development.
- Has been probably proposed for the office by Volodymyr Zelensky.

Minister of Temporarily Occupied Territories, IDPs and veterans
Oksana Koliada

- A former Deputy Minister of veterans.
- A member of Petro Poroshenko's team.



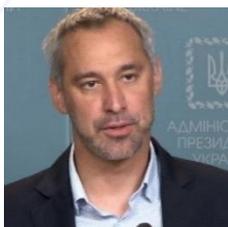
Minister of Social Policy
Yuliya Sokolovska

- A former Advisor in the Ministry of Finance, before that – a Director of the Department for Public Expenditures on Social Programs in the Ministry of Economic Development.



Minister of the Cabinet of Ministers
Dmytro Dubilet

- A son of the former CEO of PrivatBank Oleksandr Dubilet.
- A businessman, founder of a mobile bank Monobank.
- He has connections to the businessman Ihor Kolomoyskyi.



Ruslan Riaboshapka has been appointed General Prosecutor of Ukraine. Before that Mr. Riaboshapka was a Deputy Chief of Staff in the OP. In the Yatsenyuk government he was a Deputy Minister of Justice, and in the Groysman government he was a member of the National Agency in Prevention of Corruption.

Ivan Bakanov (a friend and an associate of President Zelensky), who used to be the Acting Head of the SBU (Security Service of Ukraine) has been appointed the **Head of the Security Service of Ukraine.**



Appendix 2. Chairman of the Verkhovna Rada and allocation of seats between the Heads of Parliament Committees



Dmytro Razumkov (35 y.o.) has been appointed **Chairman of the Verkhovna Rada**. He is the leader of the party «Sluha narodu» («Servant of the people»). Before that he used to be the Managing Partner and the Managing Director of the Ukrainian Politconsulting Group.



Ruslan Stefanchuk, who used to be the Representative of the President of Ukraine Volodymyr Zelenskiy at the Verkhovna Rada, was appointed **First Deputy Chairman**.



Olena Kondratiuk, a representative of «Batkivshchyna» («Fatherland»), has become **Vice Chairperson**.

The allocation of seats in the Parliament Committees is as follows:

Name of the Committee and the Name of its Head	Party	Connections, Background
Committee on Agrarian Policy and Land Relations Mykola Solsky 	Sluha Narodu	<ul style="list-style-type: none"> • Co-founder of the law firm Solsky and Partners. • Close to the Head of the OP, Andriy Bohdan.

Committee on Anti-Corruption Policy

Anastasia Krasnosilka



Sluha Narodu

- An expert with the Anticorruption Action Center.
- Has connections to «grant corruption fighters» of Vitaliy Shabunin.

Committee on Budget

Yuriy Aristov



Sluha Narodu

- A businessman, the CEO of the LLC «Atlantic-UMMA» (a major seafood importer), a restaurateur.

Committee on Humanitarian and Information Policy

Oleksandr Tkachenko



Sluha Narodu

- The CEO of the «1+1» channel.
- He has connections to the businessman Ihor Kolomoyskyi.

Committee on Environmental Policy and Nature Resources Utilization

Oleh Bondarenko



Sluha Narodu

- A human rights activist, expert on ecology. Head of the all-ukrainian organization «Green Fund».
- Businessman: has several businesses in construction and jewelry making.

Committee on Economic Development

Dmytro Natalukha



Sluha Narodu

- A lawyer, Euromaidan activist, a son-in-law of a prominent Kyiv lawyer Ivan Shkrum.
- Worked for the «Movement of New Forces» formed by Mikheil Saakashvili. A former Head of the Lyman District in the Odessa Oblast.
- His wife, Alyona Shkrum, is a Deputy from «Batkivshchyna».

Committee on Energy and Utilities

Andriy Gerus



Sluha Narodu

- A former member of the National Commission for State Regulation of Energy and Public Utilities.
- Famous for his criticism of the coal price formula «Rotterdam+» and its main beneficiary – DTEK company that belongs to the businessman Rinat Akhmetov.

Committee on Public Health, Medical Care and Health Insurance

Mykhailo Radutsky



Sluha Narodu

- The President and a co-owner of a large private ambulance chain «Boris».
- A former Deputy of the Head of the Kyiv City State Administration, Vitali Klitschko.

Committee on Foreign Affairs and Interparliamentary Cooperation

Bohdan Yarenenko



Sluha Narodu

- A career diplomat, a Ministry of Foreign Affairs employee.
- A Euromaidan activist, founder of a social organization «Maidan of Foreign Affairs».
- A former member of the party «UKROP» («Ukrainian Association of Patriots»). May have some connections to the businessman Ihor Kolomoyskyi.

**Committee on Ukraine
Integration into the EU**
Ivanna Klympush-Tsintsadze



European Solidarity

- A former Vice-Prime-Minister for European and Euro-Atlantic Integration of Ukraine in the Groysman government.
- Has connections to Petro Poroshenko.

**Committee on Youth Policy and
Sports**
Andriy Kozhemiakin



Batkivshchyna

- A Deputy of multiple Rada convocations.
- An associate of the leader of «Batkivshchyna» Yulia Tymoshenko.

**Committee on National Security,
Defence and Intelligence**
Oleksandr Zavitnevitch



Sluha Narodu

- The CEO of the Smila Foundry Plant («Smelyansky Liteyny Zavod»).
- A husband of President Zelensky's classmate.

**Committee on State Building,
Regional Policy, Local Self-
Government and Urban
Development**
Andriy Klochko



Sluha Narodu

- Assistant to the Vice-Rector of the Kyiv National University of Construction and Architecture.
- Previously ran for the City Council of Kyiv for the «Revival» party.
- Influenced by Ihor Kolomoyskyi.



**Committee on Education,
Science and Innovations**
Serhiy Babak



Sluha Narodu

- Education programs director for the «Ukrainian Institute for the Future».
- A son of the former Rector of the National Aviation University, Vitaly Babak.
- Has connections to Minister of Internal Affairs Arsen Avakov and ex-Deputy Anton Herashchenko.

**Committee on Human Rights,
Deoccupation and Reintegration
of Temporarily Occupied
Territories in Donetsk, Luhansk
regions and the Autonomous
Republic of Crimea, the City of
Sevastopol, National Minorities
and Interethnic Relations**
Dmytro Lubinets



Non-fractional

- Ex-Deputy from Petro Poroshenko's Bloc.
- A businessman, co-owner of a mall.

Committee on Legal Policy
Iryna Venedyktova



Sluha Narodu

- Head of the Civil Law Department at the Karazin Kharkiv National University.
- Vice-President of the Medical Law and Bioethics Fund.

Committee on Law Enforcement
Denys Monastyrsky



Sluha Narodu

- An expert for the program of law enforcement and judicial systems reforming for the «Ukrainian Institute for the Future».
- He has connections to the Minister of Internal Affairs Arsen Avakov and ex-Deputy Anton Herashchenko.

Committee on Rules of Parliamentary Procedure, Deputies' Ethics and Support to Work of the Verkhovna Rada of Ukraine

Serhiy Kaltchenko



Sluha Narodu

- A lawyer, expert on electoral legislation.
- Cooperated with the USAID on the projects in Ukraine.
- Worked for the law firm Hillmont Partners.

Committee on Freedom of Speech

Nestor Shufrych



Opozytsiyna Platforma – Za Zhyttya (Opposition Platform – For Life)

- Ex-member of the «Party of Regions», the Minister of Emergencies in the Azarov government.
- He has connections to the politician Viktor Medvedchuk.

Committee on Social Policy and Veteran Rights' Protection

Halyna Tretyakova



Sluha Narodu

- A former CEO of the Ukrainian Insurance Federation. Expert on insurance and pension reform.
- A former expert for the grant organization «Reanimation package of reforms» (financed by Western institutions).

Committee on Transport and Infrastructure

The position is vacant.

Sluha Narodu

Committee on Finance, Tax and Customs Policy

Danylo Hetmantsev



Sluha Narodu

- A lawyer, Honorary President of Jurimex, a member of the European Association of Tax Law Professors.



Committee on Digital Transformation
Mykhailo Kryachko



Sluha Narodu

- A former COO of the SMMSTUDIO.
- Has connections to President Zelensky's Advisor Mykhailo Fedorov (owner of the SMMSTUDIO).