

Dnipropetrovsk Oblast: new times, old rules

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The war in Donbass and the loss of control over part of the country's strongly industrialised areas resulted in the significance of Dnipropetrovsk Oblast increasing for Ukraine in both economic and political terms. This region already accounts for 20% of domestic industrial production. The fact that the military operation is taking place in neighbouring areas has turned Dnipropetrovsk Oblast into a direct supply base for the Ukrainian army and a migration target for many people from the conflict area. Furthermore, the situation in the oblast may serve as a good case study illustrating Ukraine's problems on the regional level four years on from the Revolution of Dignity. Despite the unprecedented intensification of patriotic and pro-Ukrainian sentiments in the region, it has been impossible to initiate an overhaul of the elite. The old links between politics and business remain intact, politicians linked to the former Party of Regions still predominate in local governments, and Dnipropetrovsk Oblast itself remains under the strong influence of local oligarchs. The election of Borys Filatov, a candidate of the post-Maidan forces, for the mayor of Dnipro gave rise to strong hopes that the dominance of these circles would be challenged. However, two years since his election, no major reform of the government system has been conducted in this city, corruption is still present on a broad scale, and the mayor himself has forged alliances with local representatives of the *ancien régime*. As a result, Filatov turned out to be not a pro-European reformer but a representative of the old regime who has skilfully adapted himself to the new post-revolution reality by employing pro-European rhetoric. Similar tendencies can be observed across the country but, considering its significance for Ukraine, Dnipropetrovsk Oblast is the most interesting region for describing this phenomenon.

Ukraine's industry-driving engine

Dnipropetrovsk Oblast is Ukraine's second largest region in terms of both territory and population – its area of 31,900 km² (around 5% of the country's area) has 3.23 million residents, over 80% of whom live in large cities (two thirds of its population live in the oblast's five largest cities: Dnipro, Kryvyi Rih, Kamianske, Nikopol, Pavlohrad). In contrast to the neighbouring Donetsk Oblast, in Dnipropetrovsk Oblast attachment to both the Ukrainian ethnos and language has predominated since Ukraine regained independ-

ence. According to data collected during the most recent Ukrainian census in 2001, 79.3% of the region's residents perceived themselves at that time as Ukrainians (56.9% in Donetsk Oblast) and 17.6% as Russians (38.2% in Donetsk Oblast). At the same time, the most frequently used language in the region was Ukrainian with 67% of residents viewing it as their first language (only 24.1% in Donetsk Oblast). These factors turned out to be essential for maintaining stability in the oblast and for the failure of the separatism controlled by the Russian secret services which broke out in spring 2014.

The history of the region's development is closely linked to the Russian Colonisation of the Wild Fields which began along with Empress Catherine's conquests towards the end of the 18th century¹. However, the real development boom came only one hundred years later, towards the end of the 19th century, when rich mineral resources were discovered. The favourable natural conditions triggered the region's development².

Ihor Kolomoyskyi, Hennadiy Boholyubov and Viktor Pinchuk, representatives of interest groups based in Dnipropetrovsk Oblast, have been among the top ten richest Ukrainian oligarchs for years.

Already in Soviet times it became one of the key industrial regions of the Ukrainian Soviet Socialist Republic. A few of the country's most important industrial factories are located in its territory, for example: Ukraine's largest metallurgical plant ArcelorMittal Kryvyi Rih; one of Ukraine's largest chemical plants DniproAzot; and Pivdenmash, a factory operating in the rocket and space production sector. Furthermore, the fact that the central office of Ukraine's largest bank (PrivatBank) is located in Dnipro makes it one of Ukraine's financial centres.

In effect, the region is of great importance for Ukraine's economy – in 2015 (the latest available data) it accounted for 10.8% of the country's GDP (US\$8.92 billion) which made it the second largest producer after Kyiv. After Kyiv lost

control of a large section of Donbass's companies, Dnipropetrovsk Oblast became Ukraine's second largest exporter (after Kyiv) – in 2016, it accounted for 16.1% of goods exports worth US\$5.86 billion.

The strongly developed industry and the abundance of natural resources have offered room for the development of local groups of interest – already in the 1990s, the region's economic potential made it a base for creating local oligarchic clans whose representatives still play significant roles in the Ukrainian government system (for example, Yulia Tymoshenko originates from Dnipropetrovsk Oblast). Co-owners of Privat Group, Ihor Kolomoyskyi and Hennadiy Boholyubov and the owner of Interpipe Group, Viktor Pinchuk, have been among the top ten richest Ukrainian oligarchs for years. At the same time, Dnipropetrovsk Oblast is also an object of financial expansion for oligarchs based in the neighbouring Donetsk Oblast – numerous assets in the region are owned, amongst others, by Ukraine's richest person, Rinat Akhmetov³, and Serhiy Taruta, an oligarch linked to the Industrial Union of Donbass.

One of the phenomena that accompanied the unstable situation in the country at the beginning of 2014 was the attempt made by some oligarchs to maintain (and in some cases to strengthen) their position on the national forum. Special efforts in this area were made by Ihor Kolomoyskyi, who in March 2014 was nominated governor of Dnipropetrovsk Oblast⁴ and caused the nomination of Ihor Palytsia, who was linked to him, for head of Odessa Oblast

¹ The region's main city, Dnipro, was founded in 1787 by Empress Catherine (hence its first name: Ekaterinoslav). In 1926–2016, it was named Dnipropetrovsk in honour of the communist activist Hryhoriy Petrovsky. Even though the city was renamed Dnipro, it is still the capital of Dnipropetrovsk Oblast because its name is recorded in the constitution of Ukraine.

² At present, 100% of the country's manganese ores, 100% of its aluminium ores, 90% of the iron ores, 60% of the metal ores, more than half of the nickel and cobalt reserves, 45% of coal deposits, and Ukraine's largest uranium deposits are located in its territory. Data from Dnipropetrovsk Oblast State Administration: [http://cci.dp.ua/tl_files/data/content/for%20your%20information/2016/eDIALOG_4\(25\)_2016.pdf](http://cci.dp.ua/tl_files/data/content/for%20your%20information/2016/eDIALOG_4(25)_2016.pdf)

³ Rinat Akhmetov controls, amongst other assets, a number of the region's mines and metallurgical plants. Since he lost control of part of his companies in Donbass, the firms he controls at present have the largest number of employees precisely in Dnipropetrovsk Oblast: <https://znaj.ua/news/ahmetov-prylashtuvav-u-vladu-ty-syachi-svoyi-lyudej-infografika>

⁴ The nomination of Kolomoyskyi for governor was dictated by the desire to maintain stability in a region bordering on the conflict zone. Both Kolomoyskyi and his people – above all his long-term business partners Boris Filatov and Hennadiy Korban – made a number of moves aimed at neutralising separatist tendencies in the region and organised two volunteer battalions (Dnipro-1 and Dnipro-2) which took part in clashes in the most dangerous sections at the front.

State Administration. Kolomoyskyi's strengthening position led to a conflict between him and the president which ended not only in Kolomoyskyi's dismissal from this office⁵ but also in the nationalisation of PrivatBank⁶. However, the oligarch managed to maintain significant influence in many sectors of the economy, including the oil sector.

The bastion of the old forces

Dnipropetrovsk Oblast is not only an important base for major oligarch groups but also a bastion of politicians linked to the former Party of Regions. The situation has also not changed after the Revolution of Dignity – the parliamentary election in 2014 was won in the region by the Opposition Bloc (a grouping formed after the fall of Viktor Yanukovich by prominent politicians from the former Party of Regions) which was backed by 24.3% of the electorate. The dominant position of this grouping was confirmed by local elections in 2015 – politicians from the former Party of Regions became mayors in three of the five largest cities of the oblast, and the election itself was accompanied by numerous scandals⁷. At the same time,

representatives of the Opposition Bloc won the largest number of seats in four out of five city councils in the region's largest cities⁸ and won 46 out of 120 seats in the oblast council (the largest number among all parties).

Dnipropetrovsk Oblast has been the bastion of politicians linked to the former Party of Regions for years. The situation has not changed following the Revolution of Dignity.

The key factor helping the old elite to maintain its position has been the lack of a strong alternative. New political parties, such as Self Reliance, turned out to be too weak to create well-developed and effective party structures at the local level. Even worse, many of the people linked to the new forces became a source of numerous controversies⁹. It was also not unusual to transfer old politicians to new political projects (especially to the Petro Poroshenko Bloc), which brought only an illusory change because the same people as before remained the decision-makers; the only change being the name of their new party. The dependence structures built by oligarchs also played an important role – they are the major employers in many cities and they had a significant impact on the election result.

⁵ For more information on this subject see R. Sadowski, 'Kijów próbuje ograniczyć pozycję Kołomojskiego', *OSW Analyses*, 25 March 2015; <https://www.osw.waw.pl/pl/publikacje/analizy/2015-03-25/kijow-probuje-ograniczyc-pozycje-kolomojskiego>

⁶ For more information on this subject see T. Iwański, 'Oligarchs making gains: the costly nationalisation of Ukraine's PrivatBank', *OSW Analyses*, 21 December 2016; <https://www.osw.waw.pl/en/publikacje/analyses/2016-12-21/oligarchs-making-gains-costly-nationalisation-ukraines-privatbank>

⁷ The most widely publicised example was the election in Pavlohrad where the main rivals were the Donbass war veteran Yevhen Terekhov and Anatoly Vershina (Vershina had for many years worked for local law enforcement agencies and he is linked to Rinat Akhmetov; he also served as a deputy city mayor in 2010–2015). Among the supporters of the representative of the ancien régime was the Central Election Committee which in a scandalous manner made attempts to prevent the runoff. Finally, the runoff was held after public protests but the candidate of the post-Maidan forces suffered a bitter defeat in it: https://24tv.ua/skandal_u_pavlogradi_istoriya_vikradennya_vivoriv_odnogo_mista_n625106

⁸ In Dnipro, Kryvyi Rih, Kamianske and Pavlohrad. In Nikopol, the best election result was achieved by another grouping formed by politicians of the former Party of Regions, the Revival party (another political project of Ihor Kolomoyskyi).

⁹ For example, a deputy of Dnipro city council who was elected as a candidate of Self Reliance became the object of an investigation conducted by the National Anti-Corruption Bureau of Ukraine (NABU). The motion for launching the investigation was brought to NABU by representatives of Self Reliance. For more information on this subject see: <https://glavcom.ua/news/samopomich-vimagaje-vid-nabu-pereviriti-fakti-mozhlivoji-korupciji-sekretarya-miskradi-dnipra-mishalova-sadoviy--404782.html>

The failed hopes for change

Dnipro was the only major city in Dnipropetrovsk Oblast where a prominent politician from the former Party of Regions suffered a defeat in the local election in 2015. The struggle for the position of the mayor of Dnipro took place between Borys Filatov and Oleksandr Vilkul (Vilkul had served as the oblast's governor during Yanukovich's presidency). The unpromising election campaign in which Filatov resorted to anti-separatist and pro-Ukrainian rhetoric, fiercely attacking politicians linked to the Opposition Bloc resulted in his victory. Filatov, who garnered only slightly more votes than his rival¹⁰, would not have been able to win the election without the consolidation of support from local social activists and pro-Ukrainian post-Maidan forces. They hoped that Filatov would improve the standards of governing the city and curb the corruption schemes.

Only half a year after his election, Filatov formed a coalition in the city council whose members – apart from representatives of Ukrop (Ukrainian Association of Patriots, one of Ihor Kolo-myoskyi's political projects; it backed Filatov in the local election) and Self Reliance – included seven representatives of the Opposition Bloc who, on top of this, were offered senior positions in the local government. A few months later the public were outraged by information that Valery Chernobuk, a former judge of the Appeals Court of the Autonomous Republic of Crimea who had demonstrated an openly pro-Russian stance during the Russian annexation of the Crimean Peninsula, was employed as an advisor and head of security at the city council¹¹. Another scandal was provoked by the nomination of the former commander of local Berkut, Andrey Tkachenko (who had taken part in the pacification of the Maidan protests

in Kyiv), for the head of the City Police¹². Similar decisions outraged local social activists which resulted in a series of protests in the city and Filatov's decision to definitely dissociate himself from his supporters among social activists and non-governmental organisations. In addition to the series of controversial nominations in Donbass, Dnipro was also the scene of numerous corruption scandals. As a result of financial

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decentralisation, the city increased its budget nearly four-fold (from 3 billion hryvnias in 2014 to 11 billion hryvnias in 2016). It embarked upon numerous repairs of municipal buildings, roads and urban infrastructure. The repairs offered room for numerous cases of the misuse of funds linked to corruption. A consequence of that meant that sham companies controlled by local businessmen and politicians (predominantly originating from the Party of Regions) offered services at prices higher than reasonable or made repairs in such a manner that they had to be repeated within a year¹³. Furthermore, pursuant to a decision passed by the city council controlled by Filatov, several areas of public procurement in the city were excluded from ProZorro, a central public procurement system established after the Maidan intended at preventing corruption¹⁴. In many cases the system was bypassed, for example, by breaking one

¹⁰ Filatov received 184,800 votes, i.e. 26,100 votes more than Oleksandr Vilkul.

¹¹ It finally led to Chernobuk being excluded from the bar on charges of lying under oath: https://censor.net.ua/news/462981/eksglave_apellyatsionnogo_suda_kryma_otkazali_v_vosstanovlenii_v_doljnosti_gromadske

¹² A structure established by Filatov himself as a municipal entity which is not part of Ukraine's law enforcement structures and does not report to the Ministry of Internal Affairs.

¹³ The poor quality of infrastructure repairs concerns mainly roads. However, one of the most widely publicised scandals concerned the repairs of lifts in buildings which did not have them: <http://nashigroshi.org/2016/12/06/u-filatova-platyat-miljony-za-neisnuyuchi-lifty-shokuyuchi-foto/>

¹⁴ It was only the compulsory introduction of this system on the national level that forced the government to fully implement it: <https://hromadske.ua/posts/yak-derybanyly-derzhzakupivli-v-dnipri>

large tender into several smaller ones, meaning that the value of a single order did not qualify it to be audited under ProZorro. The mayor's inner circle has also been accused of taking over many buildings in the city. In effect, after two years of his rule, Filatov has turned from the 'hope of post-Maidan forces' into a typical representative of the old system, the only difference being his use of patriotic and pro-Ukrainian rhetoric.

Conclusions

The situation in Dnipro itself and in the oblast as a whole illustrates the processes that have taken place in Ukraine on the local level since the Revolution of Dignity. The stability and the strength of the old arrangements turned out to be so significant that it has been impossible to replace the governing elite or to change the political mechanism. Additionally, the politicians who managed to win elections as candidates of parties which positioned themselves as political post-Maidan and pro-Ukrainian movements decided to enter into alliances and begin co-operation with representatives of the *ancien régime*. The government system that has been formed during the 26 years of Ukraine's independence turned out to also appeal to those who entered it after 2014. In effect, even new politicians lack the sufficient will and strength to change it because it still enables those who hold certain positions to reap gigantic rewards despite the fact that anti-corruption institutions have been established. Most of the mechanisms designed for controlling local government members are too weak or insufficient to eliminate the corruption present at this level of public administration.

Taking, for example, only the financial decentralisation which was conducted after the Revolution of Dignity – this has resulted in increasing the funds that remain in local budgets, which offered the opportunity to significantly increase investments in urban infrastructure. This process has been noticed by voters who, however, are aware of the fact that numerous cases of the misuse of public funds linked to corruption take place on the occasion of such investments – it becomes more important to them that the repairs are made after many years of negligence in this area (due to Ukrainian local governments having insufficient funds at their disposal). This improves the approval ratings of local government members and so many of them have a good chance of being re-elected (for example, Borys Filatov is currently positively evaluated by 59% of the residents of Dnipro¹⁵).

Phenomena similar to those seen in Dnipro have also been observed in other large Ukrainian cities. In effect, it is difficult to hope for a systemic change of practices which have been rooted at the local level for years. Furthermore, the central government does not seem to be interested in changing the status quo because ensuring loyal partners in the regions is a priority for them. In exchange for immunity and an informal right to misuse budget funds, regional elites are obliged to guarantee a good election result to political forces linked to the presidential circles, which will be of key importance during the presidential and parliamentary elections in 2019.

¹⁵ Data taken from surveys conducted by Rating group in late September/early October 2017: http://www.iri.org/sites/default/files/2017-11-28_ukraine_poll_presentation.pdf

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