

The War republics in the Donbas one year after the outbreak of the conflict

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More than one year since the first pro-Russian moves in the Donbas, separatists have taken control of parts of the Donbas and Luhansk oblasts but are still unable to form truly functioning administrative structures. The exercise of power by the central administration of the so-called 'Donetsk People's Republic' (DPR) and 'Luhansk People's Republic' (LPR) is restricted to resolving problems as they arise, while administration proper is the prerogative of the local authorities reporting to them which had been performing this function before the conflict broke out. The way the situation is developing and the fact that access to information is restricted make it difficult to determine the structure of the separatist government in more detail, precisely how it is organised, and what the internal hierarchy is like. The overriding goal of the governments of the DPR and the LPR is to maintain and develop their military potential. In effect, the lives of the so-called republics are subordinate to military goals.

The Donbas separatism is a conglomerate of different groups of interests, with Russia at the fulcrum. Its representatives set the main tactical and strategic goals and thus have a decisive influence on the development of the situation in the region. Individual separatist groupings come into conflict, and some oligarchs linked to the former Party of Regions circles have also been making attempts to maintain their influence. The struggle between individual groups of interest is intensifying as the situation on the war front becomes calmer. Since the situation has temporarily stabilised after the seizure of Debaltseve, the central governments of the DPR and the LPR have made attempts to expand their influence, combating armed criminals who are outside their control and that of Russia.

The civilian population is taking the brunt of the devastation caused by the war and the increasing militarisation of the region. Despite the fact that the intensity of the fighting on the war front is falling, worsening humanitarian problems are causing refugees to continue their flight from the territories controlled by the separatists. 2 million people have fled the conflict zone since the beginning of the war: 1.3 million of them have found shelter in other regions of Ukraine, and more than 700,000 have left for Russia. The region has also sustained great economic losses – most mines have been either destroyed or closed, many industrial plants have restricted or completely discontinued their production, and many firms have been taken over by force. In effect, the region has seen an economic downturn.

The emergence of the so-called republics

When the Revolution of Dignity prevailed and President Viktor Yanukovich was ousted in March and April 2014, Russia started stoking

separatist sentiments in the south-eastern regions of Ukraine, and thus began to implement its plan to set up the so-called *Novorossiya*. In the case of the Donbas, both Moscow and local oligarchs viewed the protests in their in-

itial phase as being beneficial (in Donetsk Oblast those who wanted to benefit most were Rinat Akhmetov and politicians linked to Viktor Yanukovych's oligarchic clan, 'The Family', and in Luhansk Oblast the key player was Oleksandr Yefremov). Russia viewed the pro-Russian

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demonstrations as a factor which destabilised the situation in Ukraine, while for the oligarchs they were one of the elements of negotiations with the new government. A section of the region's political elite wanted thus to put pressure on the central government through a controlled outburst of public dissatisfaction in order to retain their zones of influence and main sources of income. However, the situation was deteriorating on a regular basis and finally the local oligarchs (as a consequence of Russia's political decision) lost control of the way events played out. In effect, self-proclaimed republics were set up (the so-called Donetsk People's Republic and Luhansk People's Republic) and they have taken regular action over the past few months to legitimise their existence. The first stage was marked by an illegal and fraudulent referendum being held on 11 May 2014¹, and this was followed by a central government election being held on 2 November. Neither vote met any democratic standards.

Two weeks after the referendum, on 25 May 2014, it was announced that the Union of People's Republics, Novorossiia, was set up, and was led by a former deputy from the Party of

regions, Oleh Tsaryov. In theory, the union was intended to merge the two 'people's republics' into one, but they have thus far functioned independently from one another, and the union itself exists only on paper. This situation and the fact that two separate political entities have been set up instead of one result from the fact that the separatist movement in the Donbas has been fragmented from the very beginning. Various groups of interest have made efforts to capitalise on the instability, vying for influence and access to the income generated by the region's economy. Furthermore, rivalry dating back to the Soviet times still continues between Donetsk and Luhansk oblasts. Separate business groups were formed in the two oblasts in the 1990s. Donetsk was economically stronger and has always tried to take full control over the entire region. When separatism broke out in the Donbas, these factors played the key role in the failure of the Novorossiia project as a union of people's republics.

Government structure in the Donbas

According to unofficial data, around seventeen separatist battalions operate in the so-called Donetsk People's Republic alone². They control either a given territory or a given economic sector. They make money from businesses they have taken over (for example, petrol stations or illegal mines) or from contraband – the sale of stolen cars, factory machines, etc. Occasionally the zones of influence of individual groupings overlap, and this brings them into conflict. In effect, the situation in the two regions is unstable not only due to military activity but also to infighting between various forces engaged in the Donbas separatism. Both the 'central governments' of the DPR and LPR, and individual volunteer battalions are fighting for their own

¹ 89% of residents of Donetsk Oblast (2,252,000 people) and 96% residents of Luhansk Oblast (their number has not been stated as yet) reportedly voted for the 'republics' to be set up in the May referendum.

² There are dozens of armed groups in the region in total. The best-known armed formations include: Oplot, Vostok, Kalmius, Sparta, Somalia (in the DPR) and Odesa, Prizrak, Zarya, Vityaz, Rus, Modjahed and numerous Cossack regiments (in the LPR).

zones of influence. A part of these battalions is dependent on local interest groups and some of them consist of foreign militants (mainly Russians and Chechens, although small groups of Serbs and citizens of other countries are also present there), and Cossack groups.

Infighting intensified when Debaltseve was seized and the active military operation phase ended. The central governments of the so-called republics made efforts to strengthen their influence in the region – their main opponents are Cossack groups who have shown no intention since the beginning of the conflict to make themselves subordinate to the governments of the DPR and the LPR. The governments want their respective republics to become more centralised. They would thus turn into a political organism which is easier to manage, and this will be an important argument in talks aimed at obtaining a greater degree of independence from Kyiv.

In administrative terms, the governments of the two 'republics' are trying to administer the territories which they nominally control. However, this primarily boils down to resolving current issues, such as the distribution of humanitarian aid from Russia. The main goals of the central governments include maintaining a high degree of militarisation in the region and bringing all armed formations operating in the 'republics' under their control. In effect, life in the occupied territories is subordinated above all to satisfying the needs of soldiers who have to constantly be prepared to continue the fight against Ukrainian troops.

Administration proper in the occupied territories is performed by those authorities which performed these functions under the Ukrainian government. Most staff in local governments and public servants are still in their jobs, and the municipal services are fully operational. Many police officers, public prosecutors and law enforcement officers have decided to serve the governments of the DPR and the LPR. In some cities, working for the separatists is one of the few opportunities to earn a living, be it in military formations or in the state administration.

However, the detailed structure of the separatist governments remains unclear. It is difficult to determine precisely how they are organised and what their internal hierarchy is like. In the case of the DPR it is clear that the separatists have been able to develop certain basic principles of co-operation between individual centres of power. Some of the groupings operating in the remaining part of the 'republic' in exchange for paying money (as part of taxes imposed by the separatists) to the Central Republican Bank of the DPR³ received consent from the central government for further operation in the areas they control. One of the main functions of the DPR is to ensure profits to various militant groups operating within its territory who represent either their own interests or the interests of their principals (oligarchs). The consistent cooperation of most of these groups with the 'republican' government as well as between individual groups is possible partly because their limits of competences and profit areas have been clearly set, and this means a distribution of sources of income which is satisfactory to all of them.

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Though the DPR has achieved a relative setting of the hierarchy between its central government and the battalions fighting there, this remains a problem in the LPR. Various forces are engaged in an intense struggle there. The main divide inside the LPR is between Ihor Plotnitsky (the formal leader) and various Cossack groups who control territories bordering on Donetsk Oblast⁴. The Cossacks have accused Plotnitsky

³ The Central Republican Bank of the DPR, which was established in early December, is mainly in charge of acquisition of funds for the central government's operation, and sometimes pays small benefits to pensioners.

⁴ Various Cossack groups control, for example, Antratsyt, Krasny Luch and Pervomaisk.

of reaping financial benefits for example from trade in humanitarian aid from Russia, and of having connections with Oleksandr Yefremov, who for many years was the leader of the local apparatus of the Party of Regions. Proofs for this thesis include both his past and the composition of his 'government'. At present, most of the LPR's government is formed by staff from the former local state administration, which to a great extent was formed by Yefremov. It should be noted that as Yefremov's position became weaker⁵, part of the people linked to him decided to completely subordinate themselves to the separatists who are controlled by Russia.

Ideological and financial issues are the main reasons behind the conflict between the central government of the LPR and the Cossacks – the Cossacks do not want to subordinate themselves to Plotnitsky because they would thus risk a reduction of their profits from the controlled territories. In effect, clashes between the groups controlled by Plotnitsky and the armed groups who are beyond his control are seen there on a regular basis. Some of their leaders have been executed⁶. The government itself is unable to control the territory of the 'republic' since it does not have sufficient forces to fight all the Cossacks.

The Russian factor in the Donbas

Russia's activity was the key factor which triggered the conflict in the region. It is precisely citizens of the Russian Federation⁷ who in the

⁵ Yefremov himself was accused by Kyiv of supporting separatists. A court trial was launched against him in February 2015 on charges of 'inciting ethnic hatred'. For more on his influence in the LPR see: <http://www.pravda.com.ua/articles/2014/12/24/7053114/>

⁶ Aleksey Mozgovoy, the commander of battalion Prizrak openly criticised the central government of the LPR and was killed on 23 May 2015. Alexandr Bednov, nicknamed Batman, was killed in early January 2015. He was accused of bandit practices by the government of the LPR and was later killed together with his bodyguards by troops reporting to Plotnitsky.

⁷ For example, an FSB colonel Igor 'Strelkov' Girkin, the field commander of Sloviansk or Alexandr Borodai, who served as the prime minister of the DPR for a while.

initial phase of the operation of the 'people's republics' played the leading roles in their government. It took some time until people from the Donbas were put in top positions. The change was mainly an effect of the tactic adopted by Russia – when separatism was fuelled and the first successes were achieved, the decision was made to relinquish senior positions to locals to add credibility to the vision of a 'grassroots movement'. Over time, the separatists forced a greater number of representatives of the local administration to co-operate with them. One effect of this was the 'nationalisation of staff' of the 'people's republics.'

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At present, Russian citizens primarily play the role of last instance in internal disputes between the separatists. They also decide on how military operations will develop, setting the line of operation for individual separatist troops. The number of Russian military units present in the Donbas has fallen since the end of the active military stage. The main military forces designated for fighting the Ukrainian army are stationed in Russia close to the Ukrainian border. They will only be used at critical moments or when it is necessary to achieve a certain military goal.

Russian engagement in the conflict is the basic guarantor for the continuation of separatism in the Donbas. If the DPR and the LPR had not been supported by Russia, the two 'republics' would have had no chance of functioning by themselves and presenting resistance to Ukrainian troops. The key element which guarantees survival to the 'republics' is the open border, a section around 400 km long. This section is used for the regular transfer of funds, financial and military support, and personnel.

The problems of the civilian population

According to the most recent data, around 2 million people have left the occupied territories since the beginning of the conflict. Over 1.3 million of them are domestic refugees, and more than 700,000 have fled to Russia⁸. Given the fact that around 7 million people lived in the two oblasts, this means that approximately 30% of their population has decided to leave. Local pensioners are in the most difficult situation in the territories not affected directly by the fighting. They account for around 50% of the people living in the occupied territories (around 1.2 million people, while the total population of the two 'people's republics' is approximately 2.5 million). A great part of them have been deprived of the possibility of receiving regular social benefits from the Ukrainian state. The main problem is posed by the requirement to re-register at the offices operating in the territories controlled by the Ukrainian army and then to go to indicated places behind the front-line to receive the benefit. This trip was both costly and dangerous due to continued shelling. In effect, many pensioners have been left destitute. The hunger protests seen at the end of November 2014 in a few places (including Yenakiieve and Torez) were incited above all by elderly people who had no money to buy food. At present, according to the Ukrainian government's estimates, already 900,000 out of 1.2 million pensioners living in the occupied territories have been registered on the Ukrainian side, however they still need to cross the front line in order to receive the benefits. The separatist governments, despite numerous declarations made to pensioners, have paid pensions irregularly and to a limited extent. Regardless of the deteriorating humanitarian situation, no major demonstrations of dissatisfaction with the governments' actions have

been seen in either 'republic' since the November protests. A small demonstration (around 500 people) was held on 15 June in Donetsk. Its participants chanted anti-war slogans, but even then part of the demonstrators demanded above all that the front line be moved away from Donetsk. Furthermore, tens of thousands of people took part in the celebrations of the 'national' holidays in May (Victory Day on 9 May and the referendum anniversary on 11 May)

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held by the government of the DPR. It is thus clear that since pro-Ukrainian residents of the region have fled, the people living in the occupied territories either support the new governments or have a neutral attitude towards them. The massive propaganda employed by the separatists, who represent the Ukrainian army as the main enemy of the Donbas, has reinforced the local population's dislike of Kyiv. This process is likely to intensify in the coming months.

The economic disaster

Before the war, the Donbas was one of Ukraine's most important regions in economic terms. Over the past few years the Donetsk and Luhansk oblasts generated 12% and 4% of Ukraine's GDP, respectively. These two oblasts also accounted for a significant part of Ukraine's trade – they had a 25% share in total Ukrainian exports and a 12% share in total Ukrainian imports⁹. In 2013, goods worth US\$15.9 billion were exported from this region,

⁸ Recent data from June 12 by UNHCR: <http://unhcr.org.ua/en/2011-08-26-06-58-56/news-archive/1244-internal-displacement-map>

⁹ Donetsk Oblast accounted for 19% of Ukrainian exports and 8% of imports, and Luhansk Oblast made up 6% of exports and 4% of imports.

while the region's imports were worth US\$9.4 billion. Heavy industry, mainly metallurgy and the production of machines and locomotives, and the fuel production sector (mainly the mining of various kinds of coal) played a dominant role in the production structure.

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The region has plunged into economic collapse since the outbreak of the conflict. Many industrial plants have been closed and some have been destroyed as a consequence of shelling. Others yet have been taken over by the separatists. However, the real scale of damage sustained by the industrial sector is difficult to estimate. Nevertheless, it can be concluded on the grounds of numerous reports from people who still live in the occupied territories that small local factories in many places are still operational and are selling their products in the region, in Ukraine or exporting them to Russia. At the same time, work has stopped at many large companies in the region, including the Alchevsk Metallurgical Plant and the mining machinery factory in Donetsk. The situation in industry depends on how far a given place is located from the front line, on the militant groups who control it, and on the owners of given plants. The factories who sell a great part of their production to Russia are in the best situation. They pay money to their employees, though not full salaries. The industry's operation also depends on the intensity of the fighting on the military front – the increased frequency of shelling towards the end of May resulted in a large coke plant in Avdiivka closing down; this is part of Rinat Akhmetov's assets. Most of his other industrial plants which are now located in the 'people's republics' continue their operation.

Their functioning and the related payment of wages to employees is the guarantor of survival to thousands of residents of the occupied territories (more than 70,000 people are still employed by Akhmetov's plants in the 'people's republics'¹⁰), and this serves the interests of both the oligarch and the separatists.

Mines located in the region are in a particularly difficult situation. Many of them have been closed down. At present about half of the approximately 80 mines located in the occupied territories are still running. The remaining ones ceased production (mainly due to destruction caused by shelling). Those which are still functioning predominantly work to a limited extent, and others have taken action to resume operation. Meanwhile, production is being continued by illegal coal mines, known as *kopanki*. Their output is sold in Russia and Ukraine.

The economic problems have contributed to rising unemployment levels in the region, and this is compounding the social problems there. According to a survey conducted in March by the Kyiv International Institute of Sociology, only 50% of the residents in the 'republics' live on their wages or pensions; the others receive support from their relatives and take loans¹¹. In effect, work for the separatist administration (although problems with wages are also seen here) or joining their military formations has become one of the essential ways to earn a living. Trade and services operate to a limited extent in the occupied territories. It should be noted that until recently most goods were supplied to the territories controlled by the separatists from Ukraine, where prices are much lower than in Russia. However, due to logistical and transport problems, their prices in the 'separatist republics' are significantly higher anyway.

¹⁰ <http://daily.rbc.ru/investigation/politics/15/06/2015/5579b4b99a7947b063440210>

¹¹ <http://www.unian.ua/society/1061590-lishe-tretina-jiteliv-okupovanogo-donbasu-jive-na-dohodi-vid-postiynoji-roboti-sotsiolog.html>

Even the most basic products are thus much more expensive than in Ukraine. Furthermore, since crossing the front line has become more problematic, supplies (of more expensive products and those of lower quality) from Russia have increased.

One of the main impediments to doing business in the occupied territories is corporate raiding, i.e. taking over companies by force.

One of the main impediments to doing business in the occupied territories is corporate raiding, i.e. taking over companies by force. Many functioning businesses have been taken over by armed criminals or local businessmen who decided to take others' assets, taking advantage of the existing chaos¹². Some representatives of small and medium-sized businesses operate depending on the intensity of the fighting – when military activity is less intense, they open their businesses.

The separatist central governments try to profit from companies' activity, as well. Last September, the government of the 'Donetsk People's Republic' ordered that companies be registered at the DPR's administration and imposed a war tax and a sales tax (from 1% to 17%), depending on the form of legal ownership. The corporate income tax rate is 20%, and the personal income tax rate is 13%. Furthermore, a land tax and excise duty have also been imposed – these levies have to be paid to the Central Republican Bank of the DPR. The separatists have also taken control of all marketplaces, introducing their commissioners who collect charges, and have imposed taxes on taxi and bus drivers and the owners of *kopanki* (around US\$850 monthly).

¹² The most infamous example was the takeover of eighteen Amstor chain stores, <http://www.epravda.com.ua/publications/2015/01/29/524255/>

Since the 'separatist republics' are outside the Ukrainian banking system, cash shortages are being observed in the occupied territories. Until the Ukrainian side introduced passes for crossing the front line¹³, many people would go to Ukrainian territories to withdraw cash from their bank accounts. At present, taking this trip has become even more complicated. Therefore, new services have become available: these are points where money can be withdrawn from bank accounts held with Ukrainian banks. The commission fee depends on the amount withdrawn, and can even reach 15% or 20%. Currency exchange is also flourishing.

The separatist governments have responded to the problems with cash shortages by creating a multi-currency zone in the 'republics'. This means that settlements can be made there in several currencies. In theory, it is possible to pay with Ukrainian hryvnias, Russian rubles, US dollars, and euros in the DPR and the LPR. However, only the two former currencies are in common use. Their exchange rate has been fixed by the governments, and is 1:2 (one hryvnia is the equivalent of two rubles). However, there is a shortage of low denomination rubles, so the Ukrainian hryvnia is still the most popular means of payment.

Conclusions

The main goal of existence of the 'Donbas people's republics' is the constant destabilisation of the situation in Ukraine and to put pressure on the government in Kyiv to amend the constitution to include the two autonomous political

¹³ In January the Ukrainian government reduced the number of checkpoints through which people may enter or leave the occupied territories to seven places where the front line is possible to cross. A new requirement to obtain a pass from one of the seven checkpoints beforehand has also been imposed. As the situation on the front line escalated in late May/early June this year, the number of checkpoints possible to pass has been temporarily reduced, and thus the transfer of people between Ukraine and the occupied territories has significantly decreased – individual checkpoints are opened and closed depending on the intensity of shelling.

entities controlled by Russia in the Ukrainian political system. To achieve this goal, a high level of militarisation has been maintained in the occupied territories – the separatist armed forces must be ready to escalate the conflict at any time. In effect, the functioning of the two ‘separatist republics’ has practically been totally subordinated to armed formations operating there. Profits generated by the region’s economy are distributed among the central governments, oligarchs and individual troops which have subordinated themselves to the governments of the DPR and the LPR. Groups which try to operate independently are combated on a regular basis. Thus the term ‘war republics’ appears to be more adequate than ‘people’s republics’ when defining the Donbas separatism, since military needs are at the centre of both of these structures. Continued struggle and further stages of escalation of the conflict – including territorial expansion – are inherent in the meaning of their existence. Issues linked to real administration and the possible reconstruction of the region’s economy have been given a clearly lower priority by the separatists.

Neither the DPR nor the LPR would have been able to function so long if not for support from Russia which contributed to the outbreak of the conflict in the Donbas with its actions. An open border section of around 400 km al-

lows the separatists to receive support in the form of humanitarian aid, military equipment and personnel. They have also made use of it for smuggling and creating transfer channels for weapons and drugs.

The military operation and the increasing criminalisation of the region have led to a mass exodus of the local population. Those who have chosen to stay, even though their situation has deteriorated due to the emergence of the separatists, are putting most of the blame on Kyiv. Ukrainians have been accused of shelling housing estates, and thus of the deaths of civilians¹⁴. Negative sentiments towards Ukraine have been bolstered by the Ukrainian policy of gradually cutting the Donbas off from the rest of the country¹⁵ and by separatist propaganda. In effect, if Ukraine regains control over the occupied territories, it may turn out to be impossible for Kyiv to include the residents of the territories affected by the war in the Ukrainian national community.

¹⁴ According to latest information provided by the UN agency, 6,417 people have been killed and 15,962 people have been wounded (data as of 15 May 2015) in Ukraine since the beginning of the conflict in Donbas.

¹⁵ For more information on Kyiv’s policy on Donbas read *OSW Commentary* by Tadeusz Iwański ‘Still together but apart? Kyiv’s policy towards the Donbas, *OSW Commentary*, <http://www.osw.waw.pl/en/publikacje/osw-commentary/2015-02-06/still-together-apart-kyivs-policy-towards-donbas>

MAP

Situation in eastern Ukraine



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