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# KyivPost

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## Fiala, EBA president and Dragon Capital CEO, says 'patience is thin'

**BY BRIAN BONNER**  
[BRIBONNER@GMAIL.COM](mailto:BRIBONNER@GMAIL.COM)

Tomas Fiala, president of the European Business Association and CEO of Dragon Capital in Kyiv, is determined not to let the promise of another revolution slip away from Ukraine. → 18

"I would hate for the 2005 post-Orange Revolution to repeat itself," Fiala said, referring to the unsuccessful rule of President Viktor Yushchenko and Prime Minister Yulia Tymoshenko, which opened the way to Viktor Yanukovich's election as president in 2010.



**U.S.-Ukraine Business Forum**

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## Shymkiv readies upbeat pitch to woo American investors

**BY BRIAN BONNER**  
[BRIBONNER@GMAIL.COM](mailto:BRIBONNER@GMAIL.COM)

Dmytro Shymkiv, the former Microsoft Ukraine CEO who is now a year on the job as deputy head of the Presidential Administration, is putting the finishing touches on his pitch to U.S. investors for next week. Shymkiv said he will focus on Ukraine as a "homeland for innovators" in agriculture, engineering, aerospace, metallurgy and other areas. He will sprinkle his talk with personal success sto- → 16



A demonstrator holds out a golden cup near a shovelful of excrement as someone enters the General Prosecutor's Office in Kyiv on July 8. The stunt was meant to call attention to the rampant corruption among the nation's 20,000 prosecutors. The sign on the right mockingly says "Glory to Shokin" and "Glory to Poroshenko," meaning Prosecutor General Viktor Shokin and President Petro Poroshenko, who appointed Shokin. (Anastasia Vlasova)

**BY ALLISON QUINN AND JOHANNES WAMBERG ANDERSEN**

This week's sting operation, during which two high-ranking prosecutors were arrested on suspicion of bribery with some \$500,000 in valuables being found at their homes and offices, was a flamboyant display of law enforcement. It was meant to publicly show that authorities mean business in eradicating the scourge of corruption. Yet it was nothing more than a cheap spectacle, anti-corruption activists, political scientists and current and former lawmakers told the Kyiv Post. Scenes of the dramatic bust were → 17

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# 10 facts about Kyiv's new police officers

BY OLENA GONCHAROVA  
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**2,000** patrol officers hit Kyiv's streets as a part of an Interior Ministry pilot plan to overhaul the nation's corrupt and ineffective police force. The new units will police traffic and patrol neighborhoods. Their duties include responding to service calls, conducting pre-trial investigations, making arrests, imposing fines, resolving disputes, taking criminal reports and traffic enforcement. The police officers are equipped with a Fort-17 semi-automatic pistol, rubber truncheons and a body camera. They are, however, a mere drop in the bucket in an Interior Ministry with more than 200,000 employees.

**27 percent** of the new officers are women. It is one of the highest figures among European countries. For instance, in Estonia, home to 2 million people, female officers account for at least 34 percent of the police force, according to the latest data.

It took **three months** to train the new police officers.

**25 years** is the average age of police officers. Seventy percent of the new officers have a university degree.

**68 new employees** out of 2,000 are former traffic police officers.

**Hr 8,000-10,000** (\$376-\$470) is the average salary of the new officers.

**Hr 61 million** (\$2.9 million) was allocated from the budget to create the new police force, according to the Interior Ministry.

## Odesa and Lviv

will be the next cities to get the new police starting Aug. 20. The new patrol police officers there will be trained by experts from California, the U.S. A number of other cities, including Kharkiv, Kmelnytskyi, Lutsk, Mykolaiv and Dnipropetrovsk will get new police officers by the end of the year.

Ukrainian police received some **348 cars** with environmentally friendly engines from Japan as part of the Kyoto Protocol, of which 200 were given to Kyiv police.

Interior Minister Arsen Avakov promised that it will take **4-7 minutes** for every patrol group to get to an accident scene. The new police officers are scheduled to work one 12-hour work day followed by two days off.

Numbering 2,000, Kyiv's new police force, who will police both vehicle traffic and patrol neighborhoods, stand during their swearing-in ceremony presided over by President Petro Poroshenko in Kyiv on July 4. (Andrew Kravchenko)



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Ukrainian prisoners of war and emergency workers work in the ruins, extracting from the rubble the bodies of dead Ukrainian soldiers inside a destroyed airport building in the eastern Ukrainian city of Donetsk, on Feb. 26. (AFP)

# Work, but no freedom, for Ukrainian POWs in Russian-occupied Donbas

BY STEFAN HUIJBOOM  
STEFANHUIJBOOM@GMAIL.COM

**DONETSK, Ukraine** – On the road from Donetsk towards the small suburb of Makiyivka, a small white bus rattles through a Russian-separatist checkpoint. Through its windows, the wary-looking faces of several men are just visible. They are Ukrainian prisoners of war who are being sent on a work detail, among the more than 300 Ukrainians still being held prisoner in Russian-occupied zones.

None of the vehicles passing through here is stopped and checked, but the bus with the Ukrainian prisoners does attract some attention from the Russian-separatist fighters manning the checkpoint.

“What scumbags they are!” two of the fighters shout laughingly at each other as the bus rumbles away. Their commander isn’t amused.

“Don’t act like kids!” he screams at the two young fighters, who quickly apologize and return to their duties – fetching cold water for some of the older fighters.

The checkpoint commander, who introduces himself only as “Sasha,” will not allow a journalist to follow the bus or talk to the Ukrainian prisoners.

“They’re going to work,” Sasha says curtly, staring at me over his sunglasses like a bossy high school teacher. “Don’t even try to talk to them, or you’ll have problems.”

I get into the taxi I hired and it pulls away from the checkpoint. As the separatist post disappears into the far distance, I ask the driver, Vitaly, to try to catch up with the bus. Vitaly, who’s 29 and whose wife works for the self-proclaimed authorities in Donetsk, doesn’t want his full name to be published for fear of reprisals against his spouse.

“My guess is that the bus will go to

Khartsyzk,” Vitaly says, as we accelerate along the rather dilapidated highway leading into the heart of the separatist-occupied territories.

Sure enough, just as the taxi passes the sign for Khartsyzk, the white bus pops into view again, heading towards the north of this industrialized town located to the east of the separatist stronghold of Donetsk. It looks like the prisoners are being sent to work on repairs to one of the small towns in the area that were damaged in last summer’s fighting. The area, which was the scene of fierce fighting as Ukraine’s military advanced, is now back under full separatist control since the Russian army’s intervention to help them last August.

The bus slows and lurches to a halt on a section of damaged road. Five Russian-separatist fighters are there, waiting for it, and randomly checking the few cars that pass by.

The Ukrainian prisoners exit the bus one-by-one, all wearing civilian clothes, making it hard to distinguish them from regular civilians. There are only eight of them – all apparently fit enough to work in the searing summer sun on an unshaded road.

They are ordered to clear dirt from the road surface – a desultory task seemingly designed more as an insult than as a much-needed job that has to be done. Next, the prisoners are told to fill in some trenches by the side of the road. Apparently, the Russian-separatist forces aren’t expecting to have to defend this area again, which since the advances they made after the Minsk I agreement and “ceasefire” is no longer close to the front.

Sweat pours from the faces of the Ukrainians as they labor in the heat, and they don’t appear to be given any water. Although prisoners of war can be put to work under the Geneva Conventions, it’s not clear if the separat-

ists are following their provisions to the letter, as proper work conditions must be provided for working prisoners.

The tough-looking group of fighters, armed with assault rifles and small arms, oversees the prisoner work detail. But approaching them and attempting to talk to them turns out not to be the best of ideas.

“Halt!” shouts one of the soldiers, aiming his weapon at me, “What do you think you’re doing here?” he shouts, as two of his fellow fighters rush towards us.

I’m told by the fighters overseeing the prisoner work detail, in no uncertain terms, to leave Khartsyzk immediately. Although there’s no explicit provision in the Geneva Conventions preventing the press from talking to prisoners of war, and journalists are not bound by them, the detaining party is within its rights to prevent reporters interviewing prisoners.

Back in Donetsk, a spokeswoman for the Ministry of Defense of the separatist Donetsk People’s Republic told the Kyiv Post that “no violence is being used against Ukrainian prisoners.” Asked why the press wasn’t allowed to talk to the prisoners, the spokeswoman, who would only give her first name “Yulia,” said that the authorities in Donetsk “regularly organize press tours.”

Also according to the “Defense Ministry” the prisoners are treated “properly” and in full compliance with international law.

“However, it’s difficult to comment on the issue,” Yulia the spokeswoman said when asked if the Russian-separatists fully observe the Geneva Conventions with regard to the treatment of prisoners.

“The Ukrainian authorities have ratified the Geneva Conventions, so they have to apply them to the soldiers that they’ve captured and hold in prison.

We cannot ratify [the conventions] because the international community doesn’t recognize us. However, we try to act according to them.”

Meanwhile, there seems little hope that prisoners from either side will be freed soon – the Minsk II agreements of Feb. 12, which foresaw an “all-for-all” swap of prisoners held by the warring sides, are becoming increasingly irrelevant with the further fighting and violations of the supposed “ceasefire.”

Both sides have halted the exchanges of prisoners, which are supposed to

be monitored by Organization for Security and Cooperation in Europe monitors in Ukraine, amid mutual recriminations and accusations of bad faith. And both sides have continued to take more prisoners in the regular armed clashes.

And until some measure of trust can be restored between the two sides, there seems little prospect of further prisoner exchanges in the near future. In the meantime, Ukrainian prisoners seem set to continue to suffer back-breaking punishment in the searing summer heat.

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## ON THE MOVE



Sergey Denisenko

### AEQUO Law Firm Announces Expansion of its Management Team

Aequo law firm has announced promotion of Sergey Denisenko to Counsel.

Sergey has over 9 years’ experience in antitrust and competition and in his new role he will be responsible for further strengthening this practice and significant new business development. He advises clients on various competition issues, including those related to merger clearance, unfair commercial practices and competition compliance. He regularly represents the clients in competition investigations initiated by the Antimonopoly Committee of Ukraine.

Sergey has strong expertise in a number of key industries, including retail, FMCG, food products, agro and financial sectors, with a particular focus on competition compliance and regulatory issues.

#### About the firm

Aequo is an advanced industry-focused Ukrainian law firm made up of highly qualified, internationally recommended lawyers who work proactively to help their clients reach their business goals. The list of Aequo’s representative clients includes leading Ukrainian and international companies such as DuPont, Google, NCH Capital, Samsung Electronics, UniCredit Group, Pioneer Hi-Bred International, etc.

AEQUO

Editorials

# Shokin must go

We've seen this horror movie many times: Officials start feeling the heat for lack of progress in fighting crime and corruption as well as their inability or, more likely, unwillingness to make structural changes.

So they make highly publicized busts to create the impression something is being done. The arrests, more often than not, are legitimate. But often, the charges get forgotten, the suspects are released on bail, the cases get silently closed and nothing changes.

Some will look on the July 5 arrests of two high-ranking prosecutors, suspected of shaking down a businessman, as a sign of progress. We look at it as proof that the General Prosecutor's Office is riddled with corruption and that General Prosecutor Viktor Shokin, like his predecessors, Vitaly Yarema and Oleh Makhnitsky, should be fired.

New Deputy Prosecutor General Davit Sakvarelidze, a Georgian brought in to clean up the mess, comes off looking good in this case. He deserves credit for the arrests of prosecutors Volodymyr Shapakin and Oleksandr Korniets.

But this is no victory against corruption. Shokin, on summer vacation, was a no-show through the spectacle as acting Prosecutor General Volodymyr Huzyr tried to foil the probe. He even expressed dismay about the searches of offices and homes where investigators found \$400,000 in cash and other valuables – evidence of bribes.

Huzyr's firing should be a given, especially in light of Samopomich Party lawmaker Pavlo Kostenko's credible claim that Huzyr was responsible for stalling hundreds of high-profile corruption cases against judges and other officials.

Shokin has shown he is nothing more than a Soviet-era fossil who will not prosecute the greatest crimes against the state or stop the nation's 20,000 prosecutors from feeding at their bribery trough.

President Petro Poroshenko had to intervene in this sordid case, going on television and declaring that prosecutors are not above the law. It should be unimaginable that investigating a flagrant case of corruption requires presidential intervention to go forward! We are skeptical that the suspects will face any consequences.

Poroshenko did the right thing in this instance, but he's no hero. He is responsible for the dismal performances of every prosecutor general he has appointed. "He is in dire need to show he's taking action," criminal lawyer Igor Fomin said of Poroshenko's intervention.

As part of this presidential deal, Sakvarelidze had to delete allegations he had made on Facebook that corruption is rife in the prosecutor's office. Too late. We got the message – and so did Ukraine.

Poroshenko needs to fire the entire prosecutorial leadership, which should be placed under emergency external management by a team of the world's best prosecutors, perhaps with Sakvarelidze in charge. This team will be responsible for who stays and who goes and will prioritize investigations based on the severity of the crime and strength of evidence. Aside from the 50-plus officials from the Viktor Yanukovich era who are fugitives from justice, can no competent investigator find any illegal activity by the former chief of staff, Serhiy Lovochkin, and former deputy minister, Yuriy Boyko, to a president who allegedly stole \$40 billion from the nation?

Inaction against corruption only breeds more of it. When it comes to keeping corrupt and ineffective prosecutors, Poroshenko gets the blame.

# Stiff resistance

The political leaders who took over after Ukraine's EuroMaidan Revolution have not changed the nation substantially for the better and they know it.

"We have resistance from the oligarchy. We have resistance from bureaucrats. We have resistance from those who would like to keep the status quo," deputy presidential chief of staff Dmytro Shymkiv told the Kyiv Post this week. "We need to understand that there are a lot of people who are corrupted and will continue to do everything possible" to keep their sources of income.

We applaud his candor and the tough stance by the European Business Association, led by president Tomas Fiala and executive director Anna Derevyanko, against the piecemeal reforms under way.

The oligarchs are as strong as ever, lawmaker and former investigative journalist Serhiy Leshchenko said in a podcast with the European Council on Foreign Relations.

Russia's military invasion is clearly hurting, so are the consequences of \$40 billion in additional debt created — and stolen — by ex-President Viktor Yanukovich and his allies.

Energy mogul Dmytro Firtash damaged President Petro Poroshenko and Kyiv Mayor Vitali Klitschko with testimony that he orchestrated a political deal between them ahead of last year's elections. Billionaire Igor Kolomoisky is still trying to keep control over control energy assets and lucrative flight routes.

Then there's blowback from the bloated and corrupt Soviet-era bureaucrats who sabotage change that takes away their ability to extort bribes.

We fear that patience will run out before year's end if drastic changes for the better are not made.

**NEWS ITEM:** A new police force started patrolling the streets of Kyiv on July 4, becoming a big hit in social media during the process. The trend of people taking selfies with the new recruits is well under way showing trust toward the newcomers. Many of the photographs were later posted in social networks with hashtags #KyivPolice and #selfewithacop. The account of Kyivpolice in Instagram hits 15,600 subscribers in a few days.



**NEWS ITEM:** President Petro Poroshenko sternly told acting Prosecutor General Volodymyr Huzyr that the days "when prosecutors had immunity are over" on July 6 after Huzyr interfered in a raid on prosecutors accused of extortion, outraging many lawmakers and other citizens.



**NEWS ITEM:** Two high-ranking officials at the Prosecutor General's Office were arrested this week after a sting operation revealed \$400,000 in cash, securities, jewelry (including 65 diamonds) and a Kalashnikov automatic rifle in their offices. But many believe the two suspects will be able to evade justice after the acting Prosecutor General Volodymyr Huzyr nearly foiled the raid. Bail has already been set for the pair, deputy head of the office's Central Investigations Department, Volodymyr Shapakin, and the deputy chief prosecutor for Kyiv Oblast, Oleksandr Korniets. Shapakin was released on bail on July 9.



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# Russia wants to be paid for shipping weapons to kill Ukrainian protesters



HALYA  
COYNASH

So what was on the plane from Russia, organized with unprecedented speed on Feb. 19, 2014, the day before unarmed protesters were gunned down on the Maidan and why was all information about the flights classified as secret in both Ukraine and Russia?

Russia's Gazeta.ru has reported a strange court case over unpaid aviation costs for secret flights between Russia and Ukraine on Feb. 19, 2014, during the bloodiest days of the Euromaidan protests. The planeload to Ukraine was almost certainly 'anti-riot' equipment for use by the Berkut special forces believed to have been involved in gunning down unarmed protesters. Since information about the flights is classified, the newspaper can only quote unnamed sources who believe the original flight to Russia may have transported furniture and other items which the then President Viktor Yanukovich and his allies were evacuating to Russia.

The newspaper states that the Russian state enterprise OrVD [Organization of Air Transport], which is subordinate to Russian Aviation, has won in legal proceedings against Ukraine's Interior Ministry internal forces for unpaid services for the flight of a secret plane through Russian territory. The flight was operated by the Internal Forces Military Unit No. 2269 in the Kirovohrad oblast in Ukraine to an unspecified Russian aerodrome and back on Feb 19, 2014. The amount sought for the flight, conducted under a contract from September 2010, is actually not very high – 29,347 roubles and 21 kopecks (around 466 euros).

A source in OrVD told Gazeta.ru that flights organized by the enforcement bodies of other countries over Russia are agreed with several departments, including the FSB and Defence Ministry. "Consideration of an application for such a flight takes several days. On that occasion everything was decided in a matter of hours."

The same source said that they had billed the relevant body in Ukraine around 9 days later, but the money had not been received and a representative of the respondent did not appear in court. He adds that with the court case won, they can – via Russia's Justice Ministry – seek to get payment through international legal institutions.

The mind boggles and not only because of the relatively modest amount in dispute, but due to the questions the case would inevitably raise.

These pertain, for example, to the highly specific timing. The An-26 plane carried out the flight on Feb. 19, 2014. Although there had been deaths before, the real killings on Maidan began on Feb 18, 2014. On that day, Berkut officers were photographed shooting at peaceful protesters. The initial bullets appear to have been rubber, but a number of those who died even on that day were killed by real bullets.

A very large number of unarmed protesters were gunned down on Feb 20. It was in response to the carnage, that the EU finally imposed sanctions in the late afternoon of that day. In the evening, Ukraine's parliament voted to condemn the violence and to revoke



**EuroMaidan Revolution protesters carry demonstrators wounded by gunfire on Instytutska Street near Independence Square in Kyiv on Feb. 20, 2014. Nearly 100 protesters were killed, most by sniper fire, before Viktor Yanukovich fled power as president on Feb. 22, 2014. (Kostyantyn Chernichkin)**

what the Yanukovich regime was calling an anti-terrorist operation.

The resolution was not legally binding, but did indicate that Yanukovich had lost his guaranteed majority in parliament. Yanukovich fled that Friday night; however, Gazeta.ru notes reports in the Ukrainian media suggesting that the 'evacuation' of Yanukovich's sumptuous estate at Mezhyhirya began on Feb 19. Among those who fled with Yanukovich and who are now in hiding in Russia are the ex-Interior Minister Vitaly Zakharchenko and former Prosecutor General Viktor Pshonka, who had amassed huge wealth and possessions, more than enough to fill a plane.

Gazeta.ru received conflicting reports from the aviation people, on the one hand, and enforcement bodies, on the other as to whether the plane was loaded on its flight to Russia. The question remains whether the secrecy around the flight is not connected with what the plane was carrying.

The newspaper's source in the Russian enforcement bodies told them that on the way back the plane was full of anti-riot weapons for Berkut officers. He claimed that "Ukraine didn't have non-lethal weapons and it bought all these things from us". He asserts that the load included rubber bullets and stun grenades, as well as equipment for special force officers.

The newspaper suggests that there is indirect confirmation of this in a letter from Ukraine's Foreign Ministry sent on April 4 to the Russian Foreign Ministry, asking for information about two loads of anti-riot equipment (spets sredstva) – 2,394 kilograms on Jan 21 and 2,774 kilograms on Jan 24.

This does not explain why the information about the flights on Feb 19 is described by all who could provide information as secret.

There were no reports of rubber bullets being used on Feb 20, when at least some of the Berkut officers can be seen on countless videos shooting protesters trying desperately to hide behind shields. Some of the most distressing footage and witness accounts suggest that those shooting were deliberately aiming to kill.

The freights reported in January came shortly after Ukraine's parliament voted in draconian anti-protest legislation, which in many aspects aped

that passed over recent years in Russia. Although the protests did not abate, and Yanukovich backed down, many of the provisions, including those allowing seriously dangerous forms of 'anti-riot' equipment against protesters, were slipped in through Cabinet of Ministers and Interior Ministry decisions.

Civic activists in Ukraine, as well as many western commentators, repeatedly warned of likely pressure on Yanukovich from Russian President Vladimir Putin. Many suggested that Putin was push-

ing for a violent end to Maidan, with blood on Yanukovich's hands serving to distance Ukraine from Europe and effectively ensure that the EU-Ukraine Association Agreement was never signed.

None of this can be proven, but questions must arise over a planeload organized with unprecedented speed on the eve of the bloodiest day of Euromaidan. They are questions that Russia is clearly trying to conceal.

*Halya Coynash is a member of the Kharkiv Human Rights Group.*



## Little Ukraine: A story about Ukrainians living in New York

Daria Genza, who left Ukraine at the age of five in 1946 eventually emigrating to America in 1953, sits at her office in New York City's East Village neighborhood, where she sends packages to Ukraine, including humanitarian aid, for the Ukrainian army and others. See Kyiv Post staff photographer Anastasia Vlasova's photo gallery and video in the multimedia section of the Kyiv Post website. (Anastasia Vlasova)

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BY CONAL CAMPBELL  
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President Petro Poroshenko, in promising to clean up Ukraine's corrupt energy sector in his annual speech to parliament, said "opaque gas fumes will no longer light up Forbes global rich list with Ukrainian names."

Ukraine's energy sector has been plagued by an alliance of Russia, local oligarchs and a popular belief that home heating should be free.

One of Ukraine's biggest lenders, the International Monetary Fund, estimates that energy subsidies cost the global economy more than \$500 billion per year.

This gigantic figure shows that energy flows are highly vulnerable to capture by corrupt business groups and their political allies, who claim democracy can be traded for protection from modern economic realities.

Until as recently as the turn of the millennium, oil prices were comfortably below \$30 per barrel (gas prices are linked to oil prices). Not only was energy cheap, Ukraine was a major oil and gas producer. While the pipelines running through Ukraine are now famous for bringing Siberian gas to Europe, much of this infrastructure was built to bring western Ukrainian gas to Russia.

Ukrainian natural gas production peaked in 1975 at 68.1 billion cubic meters (bcm), 37 percent more than the country's entire consumption last year.

From the 1970s onwards, the Soviet Union shifted its energy extraction to large Siberian fields being discovered and unlocked by new technologies.

Gas production in Ukraine was left to wither to last year's level of 13.7 bcm, down 80 percent on the 1975 figure, but massive extraction elsewhere in the Soviet Union more than made up the shortfall. In this environment of cheap global prices and plentiful regional production, millions of Ukrainians grew up believing that gas was essentially free.

After Ukrainian independence in 1991, several factors combined to turn the natural gas market into one of the country's biggest weaknesses.

The fact that Ukraine had allowed its energy production to be outsourced to Russia created a political dependency that only now is beginning to be broken through "reverse flows" of gas from the European Union, which have surpassed 60 percent of total imports at times this year.

Billions of dollars of transactions at Ukraine's borders created rich pickings for oligarchs ranging from former Prime Minister Yulia Tymoshenko to Dmytro Firtash. As the more gas was wasted in Ukraine, the more gas would need to be imported from Russia; this led to energy inefficiency on the level of Ukrainians opening apartment windows in spring and autumn to let heat out.

Eventually, someone had to pay the bill for the deals and side deals between the Kremlin and their Ukrainian part-



ners. The suspicion, of course, is that the tradeoff of such sweet deals was subservience to Moscow.

The cost of these schemes can be seen in Ukraine's appalling roads, schools and hospitals, which have been starved of investment as the government continued to give essentially free gas to households, even though the global oil price quadrupled between Ukrainian independence and the EuroMaidan Revolution last year.

The cost came in other ways as well: \$500 million to \$1 billion in monthly subsidies from taxpayers to state-owned Naftogaz, which have now been significantly reduced.

The energy company's new 36-year-old CEO Andriy Kobolyev described the old gas market model as one where the population was bribed with cheap gas in exchange for not questioning how the industry was generating billions of dollars for a tiny elite.

Whether corruption has been stamped out from Ukraine's energy sector is a hotly debated topic.

Dragon Capital energy analyst Dennis Sakva told the Kyiv Post: "Proving the absence of something is famously scientifically impossible. Seeing 1,000 white swans doesn't prove that black swans don't exist. The former leaders of Ukraine's energy sector were quite openly corrupt, for example, signing procurement contracts with their friends for twice or three times the market price. This has changed and there are several other examples of noticeable improvements in the gas sector especially in Naftogaz corporate governance standards."

Citing past corruption at Naftogaz, its current CEO Kobolyev told *Ukrainska Pravda* that the company's former leaders didn't become wealthy by some minor schemes such as, "buying office pens for Hr 100," they enriched themselves through well-known schemes such as using intermediaries to buy gas from Russia and selling gas to allies at preferential rates.

Pensioner Irina Skabinska recently had a patriotically-colored gas meter installed, a unit which Naftogaz claims was the 10-millionth such unit in Ukraine as the state seeks to have citizens pay for the gas they use. (UNIAN)



On three occasions, the voraciousness of Ukraine's gas sector extended beyond the capacity of state finances and the IMF had to be called in.

In 2008, the government of former gas trading mogul Yulia Tymoshenko promised to introduce market prices in the course of three years. Instead prices fell further in dollar terms.

Again in 2010, the Ukrainian government, this time led by Mykola Azarov, promised market prices within 2.5 years. Again this promise was entirely ignored the moment IMF funding was unlocked.

Ukraine's new IMF program penned this year appears to be different.

Firstly, there seems to be a case of the IMF having wised up and become serious about holding Ukraine's government to its word.

Secondly, Ukraine is now unable and unwilling to auction off its sovereignty to Russia in exchange for cheap gas and continuation of corrupt schemes.

Naftogaz spokesperson Aliona Osmolovska told the Kyiv Post that charging market prices for gas will lead to many positive outcomes such as stamping out corruption, improving

efficiency, and boosting local production and thus lowering imports.

While the volatility of Ukraine's currency over the past year and the outgoing system of Byzantine price categories makes economic analysis difficult, it is safe to say that gas prices for households in dollar terms have tripled despite the currency having fallen nearly threefold.

The government promises subsidies for those who cannot afford to pay, but with most of the Ukrainian population living uncomfortably close to the global poverty line, more economic pain is ahead.

The economic crisis, alongside public impatience with slow reforms and an ineffective battle against corruption, have led to a drop in popular support for Prime Minister Arseniy Yatsenyuk and, to a lesser extent, President Petro Poroshenko.

But if Poroshenko and Yatsenyuk end up helping to spur changes that reduce corruption in Ukraine's energy sector and put the nation on a path to energy independence despite the other severe challenges the country faces, they – like the Ukrainian consumers who will pay market rates for gas – may find the price is worth it.

### ON THE MOVE



Gleb Bialyi

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#### GLEB BIALYI APPOINTED PARTNER AT EGOROV PUGINSKY AFANASIEV & PARTNERS UKRAINE

EPAP Ukraine has promoted **GLEB BIALYI** to the partnership, with effect from 1 July 2015. The promotion brings the total number of partners in Ukraine to 6, and the total number of partners worldwide to 32. In his new position Gleb will continue as Co-Head of Domestic Litigation Practice and Head of International Trade and Customs Practice at EPAP Ukraine.

Gleb has over 10 years of experience in domestic litigation in Ukraine, international trade law, trade remedies and WTO law. His extensive litigation experience includes advising on complex corporate disputes, insolvency cases, securities and asset ownership disputes, debt collection and recovery, commercial and other types of disputes. Gleb has represented national and international companies across a broad range of industries in the courts at all levels and before various administrative authorities. Mr. Bialyi also has considerable experience in international trade and customs law, including in consulting on anti-dumping, anti-subsidized and safeguard trade investigations in the EU, USA and the CIS.

Gleb obtained his Master of Public International Law degree from the Institute of International Relations of National University of Taras Shevchenko. He is admitted to the Kyiv Regional Bar Association.

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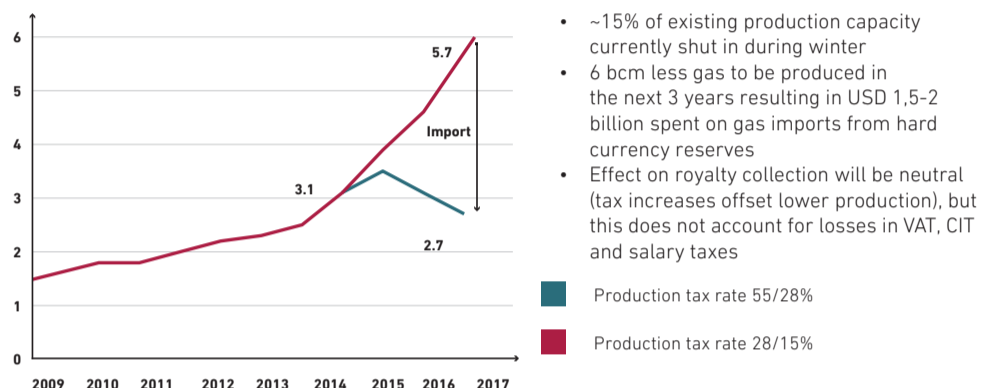
# Ukraine's energy opportunity

## 1. The current environment in Ukraine's oil and gas sector

Ukraine has significant production potential which, if developed, would reduce the reliance on imports and increase energy security, as well as provide internal economic benefits. Independent oil and gas companies have led the growth in Ukraine's gas production from 2006 through 2014. In August 2014 Ukraine doubled taxes on gas production to generate tax revenues. Ukraine's current royalty rates of 55%/28% — are some of the highest in the world. The current tax and royalty environment has created significant losses and has destroyed further investment and incentives in the sector.

## 3. The result: less gas produced, more imports and lower tax collection in 2015-2017

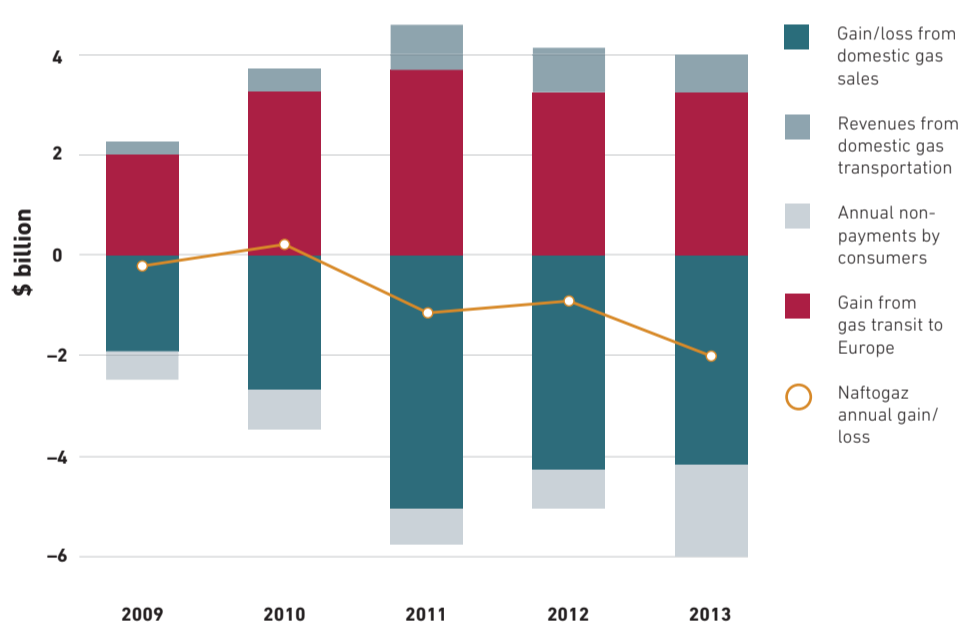
Gas production by private producers under two tax regimes



Assumption: 250\$ per 1000 m<sup>3</sup>, 2015-2017 years

1. Excluding gas of private companies within JAAs and joint ventures with state-owned enterprises.
2. Excluding CIT, VAT and salary taxes.
3. Exchange rate — USD 1 = UAH 17.

## 5. Naftogaz' key problem has been non-payments

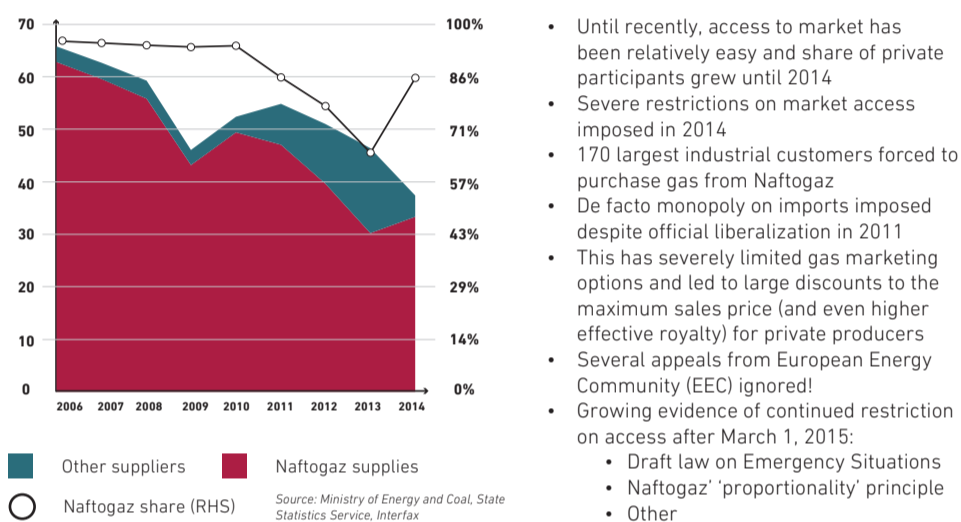


## 2. Independent producers: the only source of Ukraine's gas production growth in recent years

Gas production by state-owned companies has stagnated and recently declined due to lack of investment and loss of the Crimea. Independents experienced a gas production surge, responding to favorable changes in market conditions (high netbacks, access to market). Over the past two years independent gas production has surged, reaching 30% growth in 2014. Private gas production is now at 3.1 bcm (17% of total; 25% with JAAs). Independents hold nearly 100 bcm of reserves, which means they could, in theory, increase their production to 5-6 bcm/year quickly.

## 4. 'Temporary' gas market restrictions imposed — monopoly by decree for gas sales to industrial users — to cover Naftogaz' financial deficit

Share of Naftogaz in Ukraine's domestic gas market



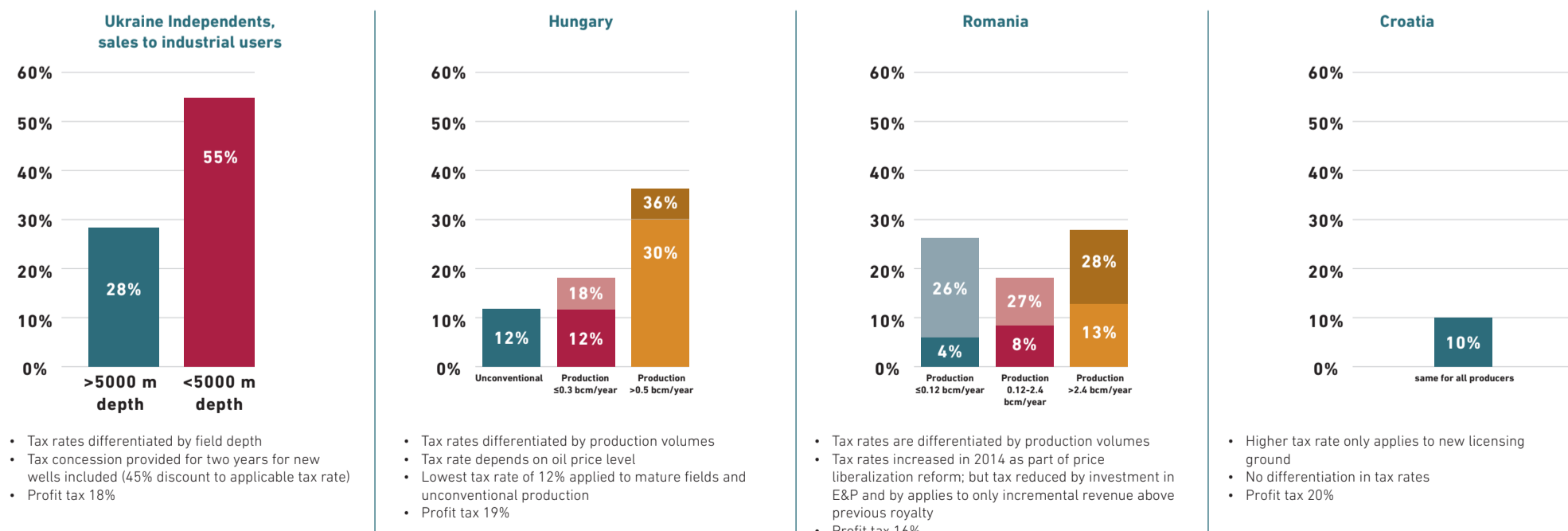
## 6. Ukraine needs more small independents to develop its still large but increasingly mature resource base

- After over 100 years of production, Ukraine's main producing areas — Carpathian and Dnepr-Donetsk basins — are very mature:
  - Cheap Soviet-era gas fields operated by Naftogaz rapidly running out
  - Remaining reserves increasingly harder to extract due to depletion, volumes and depth
- Great deal of recent focus on developing unconventional gas resources, but timeline for their development is likely to be long (uncertainty around geology and development cost)
- Meanwhile, 1 tcm of conventional gas reserves still remain
- R/P ratio is close to 50 years compared to 14 years on average for the EU suggesting that Ukraine could significantly increase its gas production in the short term
- Opportunities for quick wins include:
  - Existing fields redevelopment (more than half of Naftogaz reserves are not fully in production, due to lack of investment and technology)
  - Small fields development (third of Ukraine's reserves now in 'small' fields (less than 5 bcm); nearly 100 discovered small fields not in production)

These will require capital, technology and focus, namely a large number of small hydrocarbon producers developing their own niche business.

## 7. Ukraine now has by far highest royalty rates in Eastern Europe on upstream production

Ukraine's marginal tax rates now resemble those of a hydrocarbon exporter rather than those of its true peers



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## BUSINESS ADVISER

## 2015 ENERGY SECTOR REFORMS AND INVESTMENT OPPORTUNITIES



**ARMEN KHACHATRYAN**  
Senior Partner, Asters  
Law Firm

In 2015 Ukraine has finally fully focused on the reform of its energy sector due to obvious economic challenges and a number of its international commitments. The action plan includes adoption of the new Gas Market Law, legislation improving feed-in tariff scheme, introduction of ESCO contracts, and some other initiatives.

Armen Khachatryan, Asters' Senior Partner and Chair of the Firm's energy practice, explains the essence of the undertaken changes.

#### How the new Gas Market Law may help attracting foreign investments for modernization of the Ukrainian gas transportation system?

The recent adoption of the Law on the Natural Gas Market ("Gas Market Law") is a significant progress on all counts. The main purpose of this law is to create more open, efficient and competitive environment in the natural gas market as required by the European Union's Third Energy Package which Ukraine committed to implement as a member of the European Energy Community.

The new regulatory regime compatible with European market standards is an investment attraction by itself. Ukrainian government is clearly interested in involving foreign capital to modernization of the Ukrainian state-owned gas transportation system ("GTS") which otherwise cannot be privatized. International involvement is important as this matter is not entirely of economic nature, but is also heavily political. Ukraine's gas pipelines remain (notwithstanding never-ended discussions of by-pass options) a key transportation route for supplying Russian gas not only to Ukraine, but also to the rest of Europe. Under the new law, GTS' operator and operator of the storage facility (such facilities are also owned by the state and cannot be privatized) may be either (a) a 100% state-owned company, or (b) a joint venture between such a state-owned company and a foreign company. As provided by the law, a foreign participant may be owned and controlled by residents of the USA or members of the European Energy Community. Such possible foreign participant should also act as an operator of the gas transportation system in its respective country of origin with at least five-year experience in management of gas transportation system in the US or EU markets.

#### Is there any improvement of investment opportunities in the upstream?

Unfortunately currently there is a cumbersome situation in the upstream sector where the government keeps talking about its interest in foreign investment, but due to apparently high royalty rates introduced in the middle of 2014 and survived through 2015 the incentives for investment remain now at a low point. There is hope that broadly discussed but still outstanding royalty issue will be resolved in 2015. The government has also initiated a legislative reform supporting conversion of joint activity agreements, currently one of the principal forms of upstream activities by state-owned license holders, into production sharing agreements (PSA). The PSA format allows a new basis for the governmental involvement and much broader opportunity for the participants to contractually self-regulate their business, including royalty payments.

#### Do you think that Bill 2010-d will help to bring new investments into the renewable energy sector?

Adoption of the Law on Amending Certain Laws of Ukraine on Provision of Competitive Conditions for Generating Electricity from Alternative Energy Sources, also known as Bill 2010-d, appears to be a significant step for re-opening the Ukrainian renewable energy market to foreign investors because it overcomes obstacles for investments to renewable energy projects. The President is expected to sign this law without delay.

#### What exactly changes Bill 2010-d?

The main changes include the following:

##### Special aspects of compensation of green (feed-in) tariff

Addressing certain issues with indexation of the green tariff in late 2014 and early 2015 the law re-established the rule that the green tariff must be paid until 2030 in local currency amounts linked to euro subject to quarterly (not monthly as in the past) indexation.

##### Cancellation of the local content requirement and introduction of a surcharge to the green tariff

The new law abolishes so called "local content" requirement. Besides, as an enhancement of the green tariff incentive, it provides for a higher feed-in tariff available to the companies using locally manufactured equipment.

##### Adjustment of the green tariff applicable to certain renewable energy sources

While the green tariff for most of renewable energy sources remain intact in the new law, it decreases the green tariff applicable to entities generating solar energy. Starting from 1 July 2015 the green tariff for solar power plants is reduced to the 0.17 euros per kWh. Although somewhat lower than in the past this figure is still twice the value of the average European feed-in tariff and, naturally, the solar energy market in Ukraine retains its investment relevance.

#### What is the role of the recently adopted law on energy saving services for improvement of investment climate in energy sector?

The President of Ukraine has recently signed into law two strategic bills creating incentives for investment into energy saving programs specifically through ESPCs — energy saving performance contracts. By adoption of these laws Ukraine opens the door to the use of well-established internationally model. While concluding an up to 10-year ESPC upon a narrowly regulated tender procedure energy service company (ESCO) commits to provide a public or municipal client with a broad range of energy saving solutions leading to substantial savings for a client. The relevant financing of the projects is arranged by ESCO which receives its annual remuneration from the amounts saved as a result of the contractual project.

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# Rising bills spur need for household energy conservation programs

BY OLENA GORDIENKO  
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Investing in home energy efficiency is not something the average Ukrainian has traditionally thought of doing. But gas bills will be incrementally rising to market levels, increasing almost four-fold by 2017.

The higher costs have prompted many to seek out state programs that support energy-efficiency renovations in homes.

Ukraine is one of the most energy inefficient countries in the world and its energy intensity is 3.8 times higher than the European Union average. Ukrainian households, particularly multi-storey apartment buildings, hog energy — encouraged by state-subsidized cheap prices and usage that was often not metered.

"In energy, people were isolated from price signals and decision-making," leader of the Greencubator non-profit organization Roman Zinchenko told the Kyiv Post. "Paternalistic approaches by government became toxic hindrances for people's own initiative. It's the people's duty to make their private premises comfortable for living."

Investing in energy efficiency can reduce consumption by as much as 50 percent, with payback periods ranging from two to 10 years.

A state program for private homeowners to switch from gas to solid fuel boilers and renovate houses with energy-efficient materials started in October.

State-owned Oschadbank has since issued Hr 131 million (\$5.6 million) in loans for the program. Program participants benefit from the government's promise to absorb up to 30 percent of the loan.

High-rise apartment blocks represent the biggest challenge. State support has targeted such dwellings since May with Oschadbank and another lender, Ukrgazbank, issuing three loans each to upgrade apartment buildings. Around 120 applications are under consideration, according

## → Grants, state loan programs seek to boost energy efficiency

to Grzegorz Gajda, who manages a residential energy efficiency project financed by the International Finance Corporation.

"It's a long way to go...but there is quite an improvement" in people's perception, he said.

The government has allocated some \$15.6 million for similar programs this year. Yet, people are still hesitant to change old habits and make investments with their own money.

To create incentives, "what is needed are successful pilot projects, maybe first by 'freak communities,' ready for complex, rapid modernization of their houses," Zinchenko said. "When a Ukrainian enters his neighbor's house and feels warmer, and then gets to know that for such comfort the neighbor is also paying less, this is where the motivation will come from."

Gajda says five to seven years will be needed for Ukraine to reach \$500 million in energy efficiency loans per year. Total investment needed in the sector is \$15 billion, he said.

Some projects to date reflect narrow thinking, or "only in the borders of one's flat," which doesn't work, Zinchenko adds. "What works is rehabilitation of the whole building's energy system."

International development banks are also active, lending through Ukrainian commercial banks or giving grants. These programs mostly target companies and municipalities. Although public buildings like schools or hospitals could vastly benefit from modernization programs, local authorities often lack information, awareness or the capacity to write a good project proposal. Existing corruption schemes tied to vested interests also impede progress, experts say.

"The money is there and there can

be even more cash from international donors if there is demand," said Arthur Denisenko, energy expert at the National Ecological Centre of Ukraine, a non-profit group. The problem, he says, is a lack of quality projects to invest in.

"There is initiative at the local level, but a systematic state policy is needed," said Sergei Volkov, an expert at the U.N. Development Programme, in an interview. Grant organizations cannot replace government, people or private businesses. "Our task is to share knowledge, to show how it can be used and create partnerships," Volkov said.

The government will still provide subsidies to needy households, although now this funding is more targeted. This year, government set aside Hr 24.5 billion (\$1.1 billion) to subsidize household energy bills, 70 times more than is budgeted for energy efficiency programs.

"Such practices will bring only losses in the long term," said Andriy Stetskevych, deputy chairman of Oschadbank. "Money spent on subsidies will not enhance the quality of services, nor will subsidies decrease overall energy consumption."

Direct subsidies to people might spur private investment in energy efficiency.

"Poor people should receive some assistance from the state, but in Ukraine they are not receiving this help in cash," Gajda of the International Finance Corporation said. He suggests that if people themselves had to decide whether to pay higher energy bills or invest in their own homes, they would make the right decisions.

Kyiv Post staff writer Olena Gordienko can be reached at gordienko@kyivpost.com.

### Lending programs for energy efficiency projects in Ukraine

	Target	Amount	Annual interest rate*	Possibility of a grant	Commercial bank (intermediary)
The Nordic Environment Finance Corporation (NEFCO)	Mainly for municipal energy efficiency projects	\$136,400 - \$5 million	3-9%	yes	Bank Lviv
European Bank for Reconstruction and Development	Municipal projects and private companies	€1-15 million	7-10%	yes	Raiffeisen Bank Aval, Ukreximbank, MGB Megabank
International Bank for Reconstruction and Development	Cooperation with Ministry of Regional Development, credit for private companies	~\$30 million	N/A	N/A	Ukreximbank
European Investment Bank	Municipal projects	up to €400 million	2.4-4%	N/A	Ukreximbank, Oschadbank, Prominvestbank, Forumbank, Unicredit
KfW Development Bank	loans for companies, especially SMEs and infrastructural projects	€100,000-200,000	EURIBOR+7,5%	N/A	ProCredit
Ukrainian state-supported credit program	residents and housing cooperatives. Boilers, insulation, materials	up to \$136,364	17-25%	20-40% of the loan	Bank Lviv, MGB Megabank, Oschadbank, Okci Bank, Ukrgasbank, Ukribank

\*interest rate is usually defined for each project individually, rates indicated in the table are indicative

Source: USAID Municipal energy reform project in Ukraine, Oschadbank, OECD "Environmental lending in EU Eastern Partnership countries" report

# Green tariffs 2015 — a step towards worldwide average electricity tariffs



On June 4 the Parliament (Verkhovna Rada) of Ukraine adopted, with 273 votes, the draft law “On amendments to some laws of Ukraine to ensure competitive conditions for electricity production from alternative energy sources (No. 2010-d)”

Thus, the Verkhovna Rada reduced the green tariff for solar power plants. Furthermore under the adopted draft law the 1.8 peak coefficient shall no longer be applied. The law introduces the incentive coefficient applied to the “green tariff” when using equipment of Ukrainian origin. In addition the document allows individuals to install not only solar but also wind-power plants with capacity up to 30 kW (currently — up to 10 kW) and to sell the excess energy.

The draft law was developed with the purpose to bring state stimulation of alternative electric power production in line with the worldwide standards and to create favourable conditions for the balanced development of a market for electric power generated from alternative sources.

The author of the draft law, the people’s deputy of Ukraine Oleksander Dombrovskiy, pointed out that today the development of renewable energy sources is of strategic importance for the Ukrainian economy. Adoption of this draft law will ensure establishment of a new, promising and innovative sector of renewable power production thus contributing to the energy independence of Ukraine. The draft law provides for introduction of an absolutely transparent and clear approach to the policy of state stimulation of alternative energy production as an ecologically safe and economically efficient industry.

## Key points of the Draft Law No 2010-d:

1. Introduction of uniform formula for calculating the “green” tariff for all energy types: the peak load coefficient is excluded from the formula of “green” tariff calculation for electric power generated from solar radiation and micro-, mini- and small HPP.
2. The Wholesale Electricity Market (the guaranteed purchaser) guarantee to purchase the electric power generated from alternative energy sources is extended only to the net electricity supply (except for volume of electricity consumed for own needs in electric power of such power facility).
3. Due to exchange rate fluctuation the “green” tariff rate is revised quarterly — at the average official exchange rate of the National Bank of Ukraine for the last 30 calendar days preceding the date of the last in each quarter meeting of the National Commission for State Regulation of Energy and Public Utilities.
4. Pegging of the “green” tariff to the Euro shall be in force until the “green” tariff expires (till 2030) but is not extended to the power facilities put into operation after 2025.
5. The “green” tariff for power facilities put into operation from 01.07.2015 shall be established as follows:
  - solar — for surface SPP: 17.0-16.0-15.0 €ct/kWh for the next 3 years, 10% reduction from 2020 and 2025
  - for roof SPP -18.0 €ct/kWh
  - for private households — 20.0 €ct/kWh
  - geothermal energy: 15.0 €ct/kWh
  - wind — unchanged as compared to the current tariffs (10.2 €ct /kWh)
- hydro — unchanged as compared to the current tariffs (17.5, 14.0 and 10.5 €ct /kWh for micro-, mini- and small HPP respectively).
6. The “green” tariff for private solar/wind facilities is extended to plants with capacity up to 30 kW: subject to revision due to exchange rate fluctuation.
7. Local share requirement is excluded.
8. Premium rate of the “green tariff” for using equipment of Ukrainian origin shall be applied till 2030 but is not extended to power facilities put into operation after 2025:

Premium rate, %	Use of the Ukrainian origin equipment, %
5	30
10	50

9. Feed-in tariffs for connecting power facilities generating electric power from alternative sources to the grid are cancelled.
10. The term “biomass” is brought to compliance with requirements of the Directive of European Parliament and Council 2009/28/EC.
11. For surface SPP, the rated capacity of which exceeds 10MW and that had been put into operation prior to 01.07.2015, the temporary stimulation mode is granted (their “green” tariff coefficients are calculated excluding the peak coefficient).

**For private households the following tariffs are proposed subject to the date on which the SPP is put into operation.**

	From July 1 to December 31, 2015	From January 1 to December 31, 2016	In 2014	Prior to July 1, 2015
Tariff in Euro (€) NBU exchange rate 1€ = UAH 23.5	20 €ct /kWh	19 €ct /kWh		
Tariff in Hryvnia (hrr)	4.7 hrr/kWh	4.45 hrr/kWh	8.4 hrr/kWh	7.5 hrr/kWh
Tariff change as compared to the previous law	higher by 1/3	higher by 1/4	2.2 times as much	2.2 times as much
Tariff under the previous law	3.5 hrr/kWh	3.5 hrr/kWh	3.89 hrr/kWh	3.5 hrr/kWh



## About Helios Strategia

Helios Strategia is a market leader for consulting, planning, design, and distribution of photovoltaic equipment. Driven by our commitment to your satisfaction, our engineering department supports, accompanies and guides you in all your photovoltaic projects (“on-grid” and “off-grid” systems). We offer varied solutions across a wide range of high-quality products: photovoltaic panels, inverters, mounting systems, and accessories best suited and adapted to the customers’ needs. We maintain solid and privileged partnerships with the major players in the photovoltaic market, such as STECA, SMA and Schneider ELECTRIC, LDK, Suntech to guarantee you reliable, high-performance products. For our generation, a sustainable future is within reach and Helios Strategia looks forward to being a part of this process. Founded eight years ago, the company is active in Ukraine and abroad on four continents (Europa, South America, Asia and Africa) and has not finished sparkling with plans to expand its operations to the Middle East.

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## BUSINESS ADVISER

## CONSIDERATIONS FOR UKRAINE'S 2015 PRIVATISATION PROGRAMME



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Ukraine has recently launched the largest privatisation programme held in the last 20 years ("2015 Privatisation Programme") in the course of which over 300 state-owned enterprises representing various sectors of economy are to be privatised in 2015. Included in 2015 Privatisation Programme are stakes in the following companies: a 99.567% stake in Odessa Port Plant PJSC, one of the largest chemical producers in Ukraine; a 78.29% stake in Centerenergo PJSC, one of the major coal-fired power generating companies; various regional power distribution companies, including a 60.248% stake in Zaporizhzhiaoblenergo OJSC, a 70% stake in Mykolaivoblenergo PJSC, a 65.001% stake in Kharkivoblenergo JSC and a 50.999% stake in Ternopiloblenergo OJSC; various combined heat and power generating companies, including a 100% stake in Mykolaivska CHP PJSC, a 99.99% stake in Odeska CHP PJSC and a 99.833% stake in Khersonska CHP PJSC.

## Privatisation objects

The following categories of state-owned assets in the energy sector may be privatised under 2015 Privatisation Programme: (i) integral property complexes of companies which include all types of assets that are used for carrying out their business activities (including the underlying state-owned land plots) and (ii) shares in companies.

Most companies available for privatisation in the energy sector belong to assets of the so-called Groups C and D (in Ukrainian — групи В та Г) which represent the largest and strategic assets, according to the privatisation classification. The schedule for their sale was approved on 8 June 2015 by the State Property Fund of Ukraine (the "Fund"), being the state body responsible for overseeing the privatisation process, and is currently scheduled for July - December 2015.

## Privatisation methods

The state-owned assets may be privatised in different ways, including through auctions, tenders with open price offers, buyouts and via stock exchanges. The exact method for privatisation of the state property ultimately depends on the type of an asset and the Group to which it belongs. For Groups C and D assets with the approved schedule for sale through December 2015 the Fund has established the following methods of privatisation: (i) sale through tenders with open price offers (using the auction principle) and (ii) sale at stock exchanges and at regional open cash auctions.

Where an integral property complex is to be sold or a stake to be acquired allows to control more than 25% or 50% of the votes in the highest governing body of the privatised company, the buyer will need to obtain an approval from the Antimonopoly Committee of Ukraine prior to the acquisition, provided that the relevant asset/turnover or market share thresholds triggering the filing are met.

## Eligible buyers

2015 Privatisation Programme is open to all domestic and foreign investors, subject to certain exceptions which include: (i) legal entities where state ownership exceeds 25%, (ii) state business associations or state joint-stock companies as well as their subsidiaries; (iii) persons registered in offshore areas approved by the Ukrainian Government (e.g., Isle of Man, Belize, etc.) or in FATF's non-cooperative jurisdictions and (iv) persons which are directly or indirectly controlled by the above entities and persons.

During the privatisation process foreign bidders will be required to submit the relevant documents confirming the origin of funds to be used for acquisition of the property being privatised. Foreign buyers are entitled to make payments for the privatised assets in Ukrainian Hryvnia or in freely convertible currency, provided that the terms of sale of a particular object allow making payments in foreign currency.

## Privatisation sale and purchase agreements

Where privatisation is carried out at through auctions or tenders, the winning bidder will sign a sale and purchase agreement with the appropriate state privatisation authority (the Fund or regional privatisation authorities). Such agreement is subject to mandatory notarisation and, in certain cases, state registration.

The buyer will be required to assume certain post sale investment obligations under a sale and purchase agreement (including financial, social and production undertakings, such as repayment of debt, ensuring social guarantees for the employees, modernisation of production, etc.). Such obligations will need to be performed by the buyer within the established timeframe, which, as a general rule, does not exceed 5 years. Failure to comply with such obligations, among other things, may result in termination of the agreement and return of the privatised property back to the State.

Any subsequent sale of the privatised property (shares) during the validity of investment obligations is possible only upon receipt of an approval from the privatisation authority. Once such subsequent sale is completed, the investment obligations will become binding on the new purchaser.

## Does the existing regulatory framework allow privatisations to be carried out in accordance with international standards?

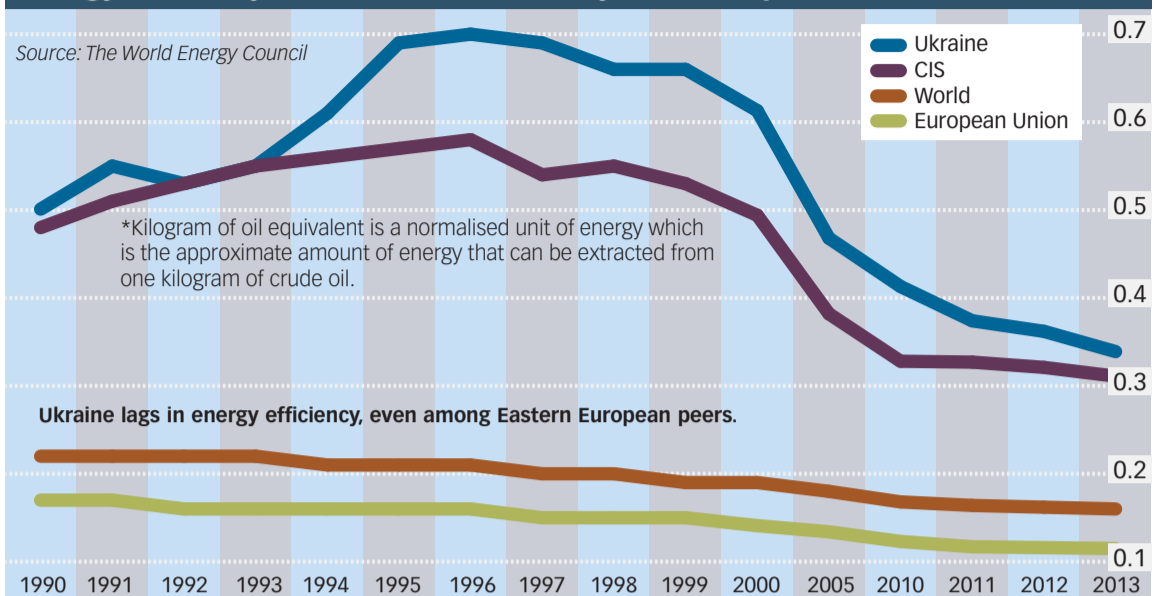
Whether or not 2015 Privatisation Programme will be a success will depend on a number of factors. Based on our past experience in successful privatisations in other jurisdictions, foreign investors will naturally be expecting to receive guarantees from the Government in respect of the privatised property (known as 'representations and warranties'), as well as other assurances regarding protection of their investment. They would also expect the privatisation sale and purchase agreement to be governed by law of an independent country, such as English law. The existing regulatory framework in Ukraine does not offer off the shelf solutions with respect to the above issues. Nevertheless, with effort on both sides some middle ground can be found to address these issues in a manner which would be attractive to foreign investors and at the same time would not expose the Government to unnecessary risk.

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## Energy intensity of Ukraine's economy (koe/\$05p\*)

Source: The World Energy Council



Ukraine lags in energy efficiency, even among Eastern European peers.

# Ryabchyn says energy reforms have been all 'shock' and no 'therapy'

BY ILYA TIMTCHENKO  
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Alex Ryabchyn, head of parliament's subcommittee on energy savings and efficiency, has Ukraine's coat of arms, the trident, pinned to the lapel of his navy jacket. But like his knee-hole blue jeans, the lawmaker says the nation's energy strategy is still incomplete.

Ukraine is nearly four times more energy intensive than the European Union average when counting per unit output of gross domestic product. When Russia started waging war against Ukraine in February 2014, Ukraine turned away from its main energy supplier and started focusing on integration with the EU.

"That's a great strategy but it is just one pillar," Ryabchyn told the Kyiv Post at a hotel café in Kyiv on July 8.

Another no less important pillar is that Ukraine must consume less. And yet another one is to actually create an energy market to replace the "monopoly" in place now, he says.

One of the reasons why Ryabchyn entered parliament was to promote the creation of what he calls more "green collar" jobs in energy efficiency.

"It's really hard to do with the current structure of the energy ministry and the people who work there who are not dedicated to this idea," says the 32-year-old legislator.

That attitude isn't stopping Ryabchyn from pushing his "green" agenda.

The Batkivshchyna Party member from war-torn Donetsk Oblast received his innovation and sustainability master's degree from Sussex University in England. Before entering politics, Ryabchyn taught energy economics at the Donetsk National University.

Like Ryabchyn, half of the 20-member energy efficiency subcommittee consists of newcomers. The rest have energy business backgrounds. On one hand, "you can combine the expertise and experience with fresh ideas," Ryabchyn says. On the other hand, bias exists towards specific businesses.

Ryabchyn's overall view of the existing \$17.5 billion agreement between the government and International Monetary Fund is positive yet he believes that tariff increases alone cannot solve the prevailing problems.

"The structure of gas tariffs right now is questionable," Ryabchyn says.

He claims Naftogaz's previous debts — the nation's state-owned oil and gas company — account for 40 percent of

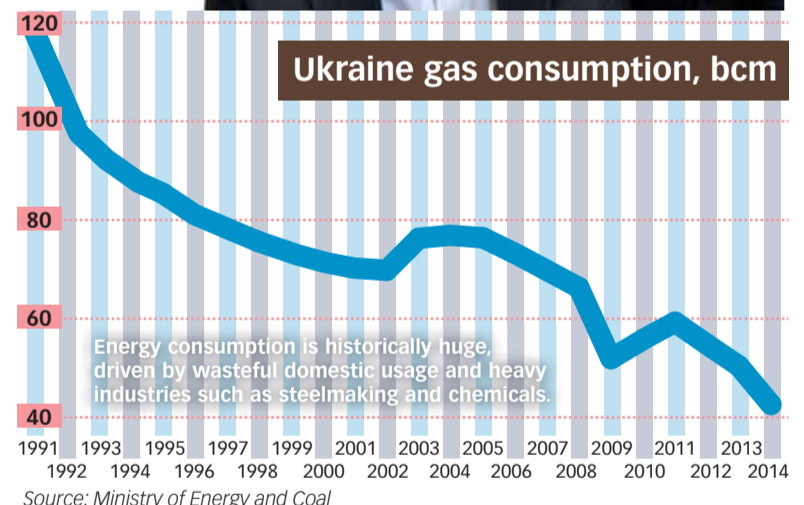
the new gas tariffs. He considers it unfair for households to pay that price.

Naftogaz spokesperson Aliona Osmolovska told the Kyiv Post that tariffs for gas are not calculated to include past debts.

Another criticism of the Ukraine-IMF program agreement, according to Ryabchyn, is that it prioritizes macro-economic stability ahead of investing



Alex Ryabchyn, a member of Ukraine's parliament. (Kostyantyn Chernichkin)



Source: Ministry of Energy and Coal

in energy efficiency. "We are trying to stabilize the economy but there is no strategic planning," says Ryabchyn.

He wants to see market prices for gas, but so far says he doesn't see a market in Ukraine.

The Donetsk native is critical of current gas extraction royalties of up to 55 percent, which he says are causing investors to turn their backs on Ukraine. Over the past decade Ukraine has domestically been extracting more or less the same annual volumes of gas, about 20 billion cubic meters. Ryabchyn says that Ukraine can produce at least twice as much.

Ryabchyn says lower gas extraction royalties can be used to boost domestic production and thus lower gas bills.

Naftogaz's Osmolovska countered, saying that the recently raised domestic gas prices do not fully cover the costs of local production and importing gas.

Today's new energy tariffs are hard to afford, considering that the average Ukrainian's salary decreased by more than 50 percent in U.S. dollar terms over the past year, says Ryabchyn.

He says rising household tariffs need to be done in tandem with

energy efficiency programs so that people consume less. The lawmaker highlighted energy regulators such as meters and independent boilers as key mechanisms to reduce wastefulness.

Without meters, households do not know how much they consume.

"It should definitely be calculated and communicated to people," Ryabchyn says. "When you personally know how much you consumed, it will change your behavior."

Instead of spending money on gas subsidies, Ryabchyn wants to see it directed towards energy efficiency projects such as upgrading housing insulation. This will provide more jobs for the unemployed coming from the Donetsk and Luhansk oblasts and will also attract more international investors as well as homegrown small- and medium-sized businesses.

Overall, Ryabchyn said: "If it's (a case of) 'shock therapy' then people need to know for what they are suffering ... (but thus far I would say) it is a shock without any therapy."

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Ukraine's  
IT Edge

Editor's Note: This article is part of the Kyiv Post IT Fellowship project, sponsored by Aventures Capital, Ciklum, FISON and SoftServe. Content is independent of the financial donors.



An Ecoisme electronics engineer works on a prototype sensor in Hacklab in Kyiv on June 8. (Kostyantyn Chernichkin)

# Ukrainian tech startup's energy-saving solution

BY BOZHENA SHEREMETA  
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To promote energy efficiency, Ukrainian startup Ecoisme has designed household sensors which look like wireless Internet routers.

These devices track energy usage by domestic appliances, such as refrigerators, or by lights in the house. Data are

sent to users' smartphones along with energy-saving tips.

Ecoisme recently collected more than \$67,000 from around 600 backers worldwide through the global Indiegogo crowdfunding platform. Only 47 contributions totaling \$3,355 came from Ukraine, mostly from personal contacts. Before the campaign kicked off, Bas Godska, a

Dutch angel investor, contributed an unspecified but substantial amount.

Buying the tech company's product under Ukraine's old system of energy tariffs might not be a sensible purchase, according to CEO Ivan Pasichnyk.

Consumer energy prices until recently were extremely low compared to the U.S. or European Union, thanks to government subsidies, meaning savings would be slight, Pasichnyk estimates. New, higher energy tariffs may cause both Ecoisme and ordinary citizens to value energy conservation.

Ukraine's energy market is highly monopolized and consumers cannot change their provider easily. That eliminates competition. Moreover, monopoly utility providers don't work with consumers to help them lower their bills, as many regulated ones do in Western countries.

Ecoisme's eight-member team plans to release their product in October and is currently deciding which production facility to use. Pasichnyk says there are several high-quality and relatively cheap options in Ukraine and there is no need to spend \$5,000 on traveling to China to arrange production there.

Pasichnyk estimates Ecoisme's solution could save up to \$40 monthly in a regular two- or three-room apartment in Poland, for example.

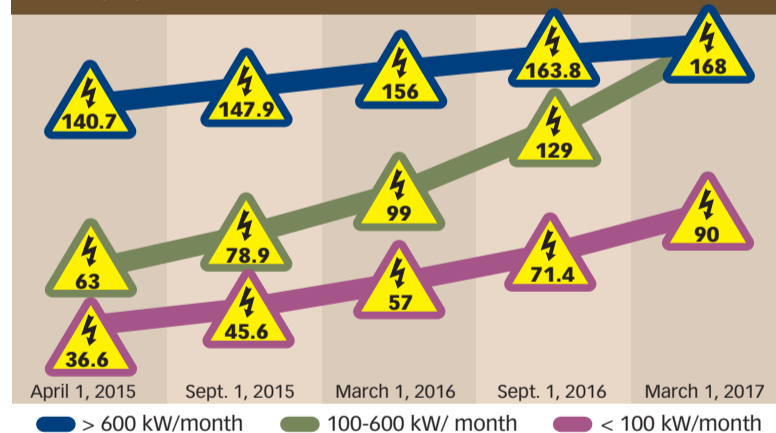
The four co-founders of Ecoisme lived in Poland last year thanks to the support of Deutsche Telekom's T-Venture fund that invested around \$100,000 in the company. But now the team has relocated to Ukraine.

For the campaign, the team spent around \$4,000 on designing the sensor, \$5,000 more was spent on the promotional video for the campaign and around \$8,000 on public relations activities and marketing.

Also 5 percent of the money raised will go to Indiegogo for hosting the crowdfunding campaign and an additional 4 percent will be taken by the payment processor.

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## Plan of rate increase for electricity (kopyyky per 1kW)



Source: Ukraine's National Commission for State Regulation of Energy and Public Utilities Regulation on prices for electricity as of Feb. 26.

In line with the memorandum between Ukraine and the International Monetary Fund, the National Commission for State Energy and Public Utilities will increase the average price of electricity for Ukrainian consumers by March 2017 to cost recovery levels. The availability of coal from Donbas is a major concern for the electricity market.

## Ukraine budget expenditures, 2014

	Hr, billion	\$, billion
Social welfare (including pensions)	138	6.4
Naftogaz deficit	103	4.8
Education	100	4.7
Health	57	2.7
Debt service	49	2.3
Policing and courts	45	2.1
Defense*	27	1.3

\*Defense spending is up approximately four-fold compared to the previous year  
Source: Ministry of Finance

State-owned Naftogaz's deficit last year was driven by importing gas at international market prices while the population paid in local currency and oligarch-controlled intermediaries were accused of withholding payments.

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## BUSINESS ADVISER

### GEOHERMAL ENERGY AS FOUNDATION FOR ENERGY INDEPENDENCE



VADIM POZHARSKYI

Advisor to the Board of Directors at Burisma Holdings

Despite the drop in world energy prices, most European politicians are focused on renewable energy and energy efficiency, with alternative energy taking center stage. As of today, the most sought-after resource in most countries is geothermal energy.

Ukraine has already taken the first step. The Verkhovna Rada adopted the Law of Ukraine "On amendments to some laws of Ukraine concerning the competitive conditions of electricity production from alternative energy sources." Now, President has a final say. If he signs it, Ukraine will make a huge leap in the implementation of national strategy on energy independence.

Above all, this law will make it possible to balance the energy market in general, as well as to assure fair play on the alternative energy market. It will also help bring the "green tariff" for electricity generated from alternative sources in line with the worldwide average. Together with that, it will abolish all privileges on joining power facilities that produce electricity from alternative sources, and end the need for local content that runs contrary to the requirements of international treaties ratified by Ukraine.

It will also set remuneration in the form of supplements to the "green tariff" for the use of components of Ukrainian origin in the design and construction of energy facilities on alternative energy sources. This will create new jobs in Ukraine, and will allow qualified engineers to improve technology. However, most importantly — these changes will solve the problem of excessive stimulation of electricity production from solar energy and the lack of bioenergy and geothermal energy stimulation.

There is every reason to believe that especially in the long run, this can serve as a key driver for investors and a firm basis for an energy independent Ukraine, particularly when it comes to geothermal energy. With this in mind, hot water reservoirs are rightly considered to be a "special gift from mother nature." Indeed, geothermal energy resources are inexhaustible, since the Earth's temperature will remain unchanged for as long as the planet exists.

By all means, the interest in geothermal energy has not just occurred overnight. Back in June 2004, at the Bonn International Conference on Renewable Energy, the World Bank Group announced a significant increase in the volume of lending programs for renewable energy. Following the Bonn recommendations, developing countries increased the use of renewable energy and improved energy efficiency by means of necessary and cost-effective energy sector components. As conceived by the World Bank, this program will help countries to diversify their energy supplies, and to secure political and economic independence from supplier countries.

In the first fiscal year alone, from June 2004 to July 2005, total funding reached \$748 million.

This marked the start of a global program of the Millennium Declaration aimed at increasing energy supplies; reducing generation and distribution costs; partially solving energy security problems, while at the same time improving the quality of life of the underprivileged, as well as improving the environment, both locally and globally.

Geothermal energy is nothing short of a panacea, not only for the least developed countries. Europe is also seeking to diversify its supplies and to ensure its energy security and independence. Therefore, the EU took a different innovative model based on partnering with private investors and political stakeholders. To stimulate the development of renewable energy sources and energy efficiency, as well as to attract private investments, Italy and Germany introduced a high fixed "green tariff." As a result, there are 19 geothermal plants operating in Germany today, with another 19 currently in the construction phase. The Germans are actively developing new technologies, and over the last decade, the volume of public investment in these projects is estimated at 4 billion euros. Italy has become a leader among European countries in the use of geothermal energy, with 916 MW of installed capacity. Today, we are witnessing a visible change in European consciousness relating to the exploration and development of renewable energy and energy efficiency. Policies conducted by Russia's Gazprom towards its neighbors and European partners made the transition to alternative energy gain pace and become even more revolutionary.

Now, it is Ukraine's turn! We should not stay on the sidelines of the global energy trend and watch it pass us by. Together with NJSC "Naftogaz of Ukraine" Burisma Holdings conducted research on the gas well to confirm the presence of geothermal resource and calculate economic feasibility of geothermal project. It was also decided to gain the support of international financial institutions, investment funds and private investors interested in financing geothermal projects.

Besides the domestic market, Burisma Holdings is actively exploring the geothermal area internationally. We are the first Ukrainian company to join the Italian network of geothermal energy RETE Geotermica, the German Bundesverband Geothermie eV (BVG) and the most globally renowned organization in this area — the US Geothermal Energy Association (GEA).



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# One developer's solution to energy efficient houses

BY MARK RACHKEVYCH  
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**MYKULYCHI VILLAGE, Ukraine** – Some 20 kilometers northwest of Kyiv stands a 129-square meter, single-family country home that is as green as it is smart.

Built in June using the latest available energy efficient building materials, it uses 65 percent less energy than a similar home built to existing standards. Thanks to such features as solar panels, insulation, natural lighting, and energy recovery ventilation, the two-story house needs just 8,000 kilowatts of energy a year instead of 23,000 kilowatts that related homes consume. Its frame is made of pre-fabricated wood filled with insulation and has walls as thick as 350-400 millimeters.

Although the residence is used for show, it is ready for a family of three to move in. Ivan Perehinets, program manager of Dostupne Zhytlo, a non-profit housing cooperative that develops the property, wants to competitively choose a family to live there for two years so that he could monitor energy consumption and savings.

"They would receive Hr 2,000 month to use the energy efficiency data, provide us with monthly energy consumption rates and offer proposals on how to improve the system," Perehinets told the Kyiv Post.

The units sell for about \$129,000 or at \$1,000 per square meter, and can be built on site anywhere in Ukraine. It comes with an electric oven, refr-

erator, a bathtub, two toilets, vacuum cleaner, electrical boiler, and light fixtures.

The buyer just needs to own a land plot and join the housing cooperative by paying a Hr 1,000 membership fee, according to Perehinets. Once that happens, the buyer gives the non-profit group a mandate to design, build and register the house in their name.

The home is branded as Optima House by a group five international companies involved in building materials, as well as Dostupne Zhytlo. They each have equal parity rights to the trademark, according to Tatyana Turanova, spokeswoman for the Ukrainian unit of Saint-Gobain, a French maker and distributor of building materials.

According to the group's brochure, some 45 percent of energy the house consumes is powered by renewable energy sources. It lets in 10 times more natural sunlight than the average home, accounting for 3-5 percent of interior lighting. It relies on solar energy to heat water, power appliances, and uses an air-to-air pump to cool and heat the air. Primary energy accounts for less than 150 kilowatts per hour a year per square meter, and an electric boiler heats water when not enough solar energy is available.

"In old homes, energy consumption typically reaches 240 kilowatts per hour, in new ones – 150 kilowatts an hour per square meter a year," said Sergey Nazrov, CEO of Saint-Gobain Construction Products Ukraine, in a



Ivan Perehinets describes the energy efficient features of Optima House, a 129-square meter single-family home that he is promoting, located in the village of Mykulychi 20 kilometers from Kyiv on July 7. (Pavlo Podufalov)

news release. "In Optima House we aim to achieve energy consumption up to 40 kilowatts an hour per square meter."

More air is released in pipes so that 25 percent less water is used, or on average, the equivalent 45-50 liters a day in savings.

Thanks to the modern climate-control system, the temperature in winter is never less than 21 C and not more than 24 C in summer. Due to less energy consumption, carbon dioxide emissions reach about 1 ton

a year, or three times less than a similar house.

The real-time house monitoring system provided by Schneider Electric also tracks the presence of indoor carbon dioxide concentration. The ventilation system never allows the home have over 900 parts per million – more than 1,000 is hazardous to one's health.

"By 'smart' we mean that all data such as, electricity consumption...carbon dioxide, humidity, temperature and wind speed, are monitored in real

time," said Mariya Dudnyk, spokeswoman for Schneider Electric.

Home buyers are given a computer tablet with which to monitor the home, adjust settings, and take with them to remotely control the residence.

"For example, when the house is empty, sensors detect storms or excessive sunlight and automatically activate awnings and blinds in the relevant areas as a protective measure," Dudnyk said.

Kyiv Post editor Mark Rachkevych can be reached at rachkevych@kyivpost.com.

## Optima House's primary energy efficient features

Velux sun tunnels provide an additional source of natural light where roof windows cannot be installed. It looks like an ordinary roof window and is embedded in the ceiling cover at a diameter of 35 centimeters. These two elements are connected to each other by a corrugated or fixed pipe with a reflective coating.

Up to 10 Velux roof windows with blinds contribute to providing natural sunlight, accounting for 3-5 percent of interior lighting, 10 times more than in standard homes. The blinds help keep rooms cooler by 4-6 C, and are remotely controlled and powered by solar batteries. This helps save on electricity costs and offers natural ventilation when open and cuts down on overheating when shut. Even when closed, the windows allow for fresh air to enter rooms through a ventilation valve that comes with a replaceable filter which protects against dust and insects.

Heat and sound insulation is provided by a highly elastic material provided by Isover. Its low thermal conductivity allows for maximum heat protection and lasts for 50 years. The material increases the efficiency of heating and cooling systems, and helps to reduce noise penetration.

A part of the façade is made of wooden block house that is processed with a protective solution. Other parts, as the roof, are made of lightweight Metrotile composite shingles, which serves as an energy-saving system.

A combination of energy efficient features make this single-family home of 129 square meters one of the greenest homes available on Ukraine's market. Branded Optima House by its developers, it is located in the village of Mykulychi, 20 kilometers northwest of Kyiv. It sells for \$1,000 per square meter and is built to order anywhere in Ukraine through Dostupne Zhytlo, a non-profit housing construction cooperative. (Pavlo Podufalov)

The multi-layer, sound-insulation frame construction of walls is an effective means of noise protection. They consist of several layers of Rigips hard dry-wall and soft Isover sound-proof materials. Exterior walls have water-resistant cement boards.

The wooden frame is made by the Dostupne Zhytlo building cooperative using Mitek Industries technologies. The antiseptic and fire retardant treated wood is connected together with jointed metal plates.

Composite Metrotile roofing shingles reliably protect the house from severe weather thanks to a steel base and special protective covering. A special fastening system makes it resistant to winds and hurricanes. The cover tiles made of natural stones make them silent, energy-efficient and very comfortable for living.

Solar thermal collectors heat the water and are placed on the eastern and western side of the roof. Solar energy heats 86 percent of the water and provides 10 percent of the heating, while a Mitsubishi Electric air-to-air pump provides heating and cooling.

The Veka windows reduce costs by preventing heat loss by up to 30 percent.

Six Metrotile solar panels, each having 56 watts of output, provide electrical lighting and power for household appliances – the homebuyer can add more if they want. They are installed at the factory to ensure air-tightness and quick assembly of the main roof covering. The panels generate electricity at any time of the year and are independent of the primary power source.

A "smart home" operating system by Schneider Electric controls heating, electrical equipment, including, lighting, air-conditioning and shading. It is fully programmable, saving time and energy. The user can control the system remotely with either an iPad or smartphone, reducing energy consumption, increase flexibility and adaptability, and makes residents feel safe.

Veka sliding doors reliably protect against the cold, noise and intrusion, yet bring in natural sunlight. They can be opened in such a way to adjoin the living room with the patio, offering maximum space.

The foundation is sealed with reinforced concrete at a depth of 1.2 meters with a diameter of 250 millimeters and a foot bearing of 600 millimeters with a load capacity of up to 20 tons. The top insulated fiber-reinforced concrete monolithic slab is processed with Weber waterproofing materials.

Source: Optima House

Advertisement

# Burisma Holdings as a National Gas Business Driver

## Burisma Holdings launches new facilities amid economic slump in the country

Gas production in Ukraine is experiencing trying economic times. Due to a fiscal policy introduced by the government last year, investment projects in the gas industry literally hit the wall. Foreign investments slowly but surely started flowing out of the country. The Ministry of Energy and Coal Industry recognizes the fact that lower rent rates are critical for gas companies to overcome an industry crisis and win back investors.

At the same time, despite outrageous conditions, some private producers still manage to keep projects going, develop new fields and commission new wells. A bright example would be Burisma Holdings that opened a number of new facilities in the Kharkiv region — a well on Vodyanivske, a temp test separator (TS), and a “Zhuravlyna” gas preparation unit (GPU).

The first well drilled on Vodyanivske field dates back to Soviet Union times in 1982-1985. Intense gas showings and critical conditions rendered exploration of promising gas-bearing formations nearly impossible, so all works had to be suspended.



Drilling rig in the Vodyanivske field

Today, it hosts one of the most productive wells in Ukraine. Modern technology helped overcome drilling difficulties and reach a 5600 m. depth. Currently, Burisma Holdings' contractor “Sistemoylinzhenering” LLC is finalizing well completion.

According to the Head of Department for extraction and gas preparation at “Sistemoylinzhenering” Mr. Oleg Kudlay, serious complications in the drilling process were caused by existing gas showings. Due to this, mud weight had to be

increased up to 2.17 g/cm<sup>3</sup>. Like thirty years ago drilling workers uncovered high-pressure reservoirs and, thanks to the efforts of a large team of experts, well deepening went successfully.

“The equipment we have can cope with such difficulties. We took care of gas showings and drilled deep enough wells” — says Oleg Kudlay.

Drilling was started last year, and it has already reached its maximum depth. As he explained Kudlay now is working on securing the well bore, in preparation for the descent of the last of the third section of the casing.



Drilling rig assembly

A total of 120 drilling people, including four American specialists, work on a drilling site, since all equipment used for drilling was brought from the United States. Ukrainian workers had special training to operate the US made machinery.

Western equipment allows to efficiently and safely drill wells at great depths monitoring the entire process. Powerful high-performance pumps through flow and pressure help adjust the supply of drilling fluid over a wide range, which is especially important at the start of drilling. According to Mr Kudlay, winch load capacity and mud weight supplies directly affect drilling potential. The process cycle of a modern drilling minimizes environmental impact. Mud weight reutilizations can dramatically alter water, chemicals and weighting materials consumption, since after drilling it is taken for further use on other wells.

The construction of a temp test separator, which will be later used for gas



BOP Control System of OCO (USA) used for well sealing, fire and pollution prevention

preparation and submission to the gas main, is currently underway. Started only in the beginning of April, by mid-July, construction works already reached a halfway point. We are carrying out installation works, building platforms, a tank farm, as well as underground and above-ground pipelines. “The work is very intense. People are working in two shifts — from four in the morning until two in the afternoon and from two in the afternoon hours to ten at night,” — said Mr Kudlay.



The 2nd degree separator and the divider are already installed

According to forecasts, the well pressure will be around 800 atm, the pressure in pipelines from a well to a temp test separator — up to 320 atm, and will reach 25 atm in the outlet pipeline.

Although the situation in Ukraine is far from easy and a number of companies are forced to cut costs, we made a strategic decision to complete this project. “By all means, this is not a case where we should tighten our belt. Any savings whatsoever will affect the pace and quality of work. It is absolutely unacceptable to save on equipment, when it is quality and reliability that we are after. We are using best in class materials and technologies for well construction, of course, taking into account the principles of energy efficiency and waste-free production, as well as environmental legislation”, — says Mr. Kudlay.

In addition, the company doesn't dismiss its social obligations, continually improving infrastructure and investing in social development of the surrounding villages. Driveway repair and maintenance works were conducted in the Vodyanoe village. The Company also repaired the artesian well, and is now building a water pipeline for the Vodyanoe and Alekseevka locals to use (Kharkiv region).

What looks like an ordinary construction site at first, right after launching transforms into the epitome of cleanliness and neatness. At least, it holds true for the already completed “Zhuravlyna” gas preparation unit (GPU) completed

by Burisma Holdings a few weeks ago. Currently, it is used for processing gas coming from an adjacent well with capacity for multiple wells.



Working well near “Zhuravlyna” gas preparation unit (GPU)

Gas dehydration with inlet pressure of 210 kg/sq. cm is done in two stages. In the first stage separator, cleaning liquid is separated by mechanical movements of special blades. The fluid drains to a separate vessel, thus, gas enters the second stage separator. Then, the liquid is separated by gas cooling to as low as -20°C. The heat exchanger saves energy for cooling and subsequent gas heating.

Ejector, special equipment is used for low-pressure gas selection, which is at the same time goes to gas transportation system, and is used for heating stations. Mostly, it is either burned or discarded; however, Burisma Holdings seeks to recycle it for environmental good. The plant has two shifts of seven people living in the administrative and residential building. Burisma Holdings lives by such key values as first and foremost, people, effective business processes, technology and innovation. It allows us to maintain leadership among private gas producers and keep top industry positions.



People — the key value of Burisma Holdings



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## Ukraine's Heroes

*Editor's Note: Ukraine's Heroes is a Kyiv Post project devoted to Ukrainian army heroes injured in Russia's war against the nation. Periodically we will tell the stories of these wounded warriors, many of whom need money for treatment, surgeries and prosthesis.*

# Injured army captain tries to build new life

BY DARYNA SHEVCHENKO  
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The pain is obvious on Ruslan Hudz's face as he attempts to walk unassisted. The 32-year-old lost half of his weight since last August, when he was injured during the battle for Savur Mohyla, a hill of strategic importance in Donetsk Oblast close to the Russian border. His pelvis was crushed by two mine fragments, his intestines cut and his urinary bladder torn apart.

A professional soldier, he was promoted to captain during the war and claims he's been leading the luckiest active-duty squadron in the Ukrainian army – only one of his soldiers has been killed since spring 2014. His squadron saw service throughout Donbas starting from Volnovakha, Snizhne, Maryinka, Torez and later Avdiivka, Amvrosiivka and Savur Mohyla.

Savur Mohyla, a hill surrounded by soccer fields, had long been fought over before Hudz's unit was sent there. "If supplied with enough food and armor, 50 people inside a pillbox on top of the hill could hold the location for months because of the fact that the place was

surrounded by enemy forces from three sides," Hudz says.

His squadron, together with other Ukrainian army units, stormed the hill twice. "We succeeded the second time, when we stormed it during the day and the enemy wasn't expecting us," he explained. Five weeks later Savur Mohyla was re-taken by Russian-separatist forces with the support of heavy artillery from inside Russia.

Immediately being wounded, Hudz was sent to a hospital in Dnipropetrovsk and later to Kyiv and Khmelnytsky.

"Even though I am no longer in a war zone, my war is still going on," he says as he signs in for his 19th surgery at the Kyiv Urology Institute. He wages war for his health and the comfort of his 7-month-old daughter and wife.

While the surgeries are free, the rehabilitation medicine has to be covered by the soldier. "I spend Hr 370 every day for painkillers and other necessities such as, a urine drainage bag, we also rent an apartment, which is not a fortune in the regions but still," Hudz says.

He wanted to postpone his surgery for two weeks until he got his salary so his



Capt. Ruslan Hudz awaits to sign in for his 19th surgery at the Kyiv Urology Institute on June 30. (Konstantyn Chernichkin)

wife and daughter won't be left penniless. The soldier says he understands why he gets less attention now. "The war goes on, and it is no longer news, people get used to it as there are more and more wounded soldiers every day," he says.

Hudz was called up to the army in spring when he says "no one thought actual fighting would start."

Returning soldiers often complain

they receive little support when they come home. "It is like a different world in the war zone, all your comrades are patriots fighting for the right thing... but then you go home and it feels like people couldn't care less about the war," Hudz says.

He gives thanks to those who offer support though. "When I was in the hospital it seems like hundreds where

coming, bringing food, gifts and kind words," he says.

Home was where the biggest gift awaited the hero. While Hudz was defending Ukraine from Russian aggression, his wife Olha gave birth to their daughter, who he didn't know was even expected.

"I kept it a secret from almost all his relatives and himself of course for 9 months, I wanted him to worry more about himself than us," his wife said, explaining her decision.

Named Alina, their daughter is now 7 months old, and looks and smiles a lot like her father. Her parents' wishes are that she will one day have a brother and both could live in peace.

The family is in need of monetary assistance.

To help the family contact the volunteer in charge Vyacheslav Trachuk - +380638209146  
Or use the following bank details:  
PrivatBank card number  
5168 7423 2867 1155  
Trachuk Vyacheslav Pavlovych  
PayPal: garbuz.news@gmail.com

# Russian command-control structure in Donbas outlined in Ukraine report

BY OLEG SUKHOV  
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The Ukrainian authorities have provided a detailed report about the vast scale of Russia's aggression in order to make a strong case for more substantial military aid, a Ukrainian member of parliament told the Kyiv Post.

Andriy Levus, a lawmaker and former ex-deputy chief of the Security Service of Ukraine (SBU), outlined the scope and extent of the Kremlin's command and control structure of Russian-separatist forces.

He also talked about his trip to the United States last month, when he submitted ex-SBU chief Valentyn Nalyvaichenko's report on Russian aggression to U.S. authorities and presented another report on the Kremlin's influence on the Ukrainian economy.

Part of the report on Russian aggression – a 30-page presentation – was leaked last week to news agency Bloomberg. Levus said the entire report could not be published to protect sources of intelligence and agents who obtained it.

The full report is about three times larger than the part that was leaked, Levus said, adding that it was based on open sources, data gathered by agents within the Russian-separatist forces, and intelligence data.

The unpublished part of the report includes a more detailed survey of Russian troops, photos, serial numbers and identification data for Russian equipment, as well as information on Russia's plans. It also includes information on the Russian regular army's



A girl looks at a Russian-made Grad multiple-rocket launcher at an exhibition of evidence of Russian aggression on Mykhailivska Square in Kyiv on Feb. 22. (Volodymyr Petrov)

role during the Massacre of Ilovaisk last year and the Russian takeover of Debaltseve in January-February this year, specifying which Russian units took part and who gave orders.

Levus, who is a member of the People's Front faction and heads parliament's subcommittee for national security, said that he had talked to U.S. members of Congress, including senators. The goal of the Ukrainian delegation was to prove that the war in Donbas was "Russian aggression, not an internal conflict," he said.

"We often hear the words 'Ukrainian crisis' and 'internal conflict,'" Levus said. "Political decisions are often made based on these concepts."

He said he had gained the impres-

sion that many decision makers in the U.S. did not know the actual scale of Russian aggression, and that their perceptions were influenced by the European press, which he said downplays the Kremlin's role in the conflict.

Some of the information presented by the SBU will be eventually used in criminal cases and international lawsuits against Russia and its proxies over the Kremlin's annexation of Crimea and invasion of Donbas, Levus said. The cases and lawsuits concern the destruction of economic infrastructure, the theft of Ukrainian businesses, terrorism, war crimes and crimes against civilians.

Commenting on the six Russian commanders allegedly in charge of

Kremlin-separatist forces that are mentioned in the report, Levus said some of them were active generals. Others are formally retired but de facto still report to Russia's defense minister, since they have not been stripped of their military rank and are on standby for duty, he said.

There is also a Russian general supervising separatist troops who is not mentioned in the presentation published by Bloomberg – Alexander Lentsov, Levus said. Lentsov is a member of the Joint Center for Control and Coordination (JCCC), a group of Russian and Ukrainian officers that monitors the implementation of the Feb. 12 Minsk ceasefire deal.

Levus accused Lentsov of using the information on Ukrainian positions he obtained during meetings with Ukrainian generals to help Russian-separatist forces during the battle of Debaltseve in January and February. Lentsov was not available for comment.

"Oleksandr Razmaznin, a Ukrainian general and member of the JCCC, says that the JCCC binds the Ukrainian army hand and foot and transfers intelligence data to militants," Levus said.

Outlining the "structure of Russian occupation," Levus said the about 9,000 Russian regular troops in Donbas were separated into battalion-sized tactical units attached to several sectors.

These units consist entirely of Russian servicemen. During military action, they may change their uniforms and disguise themselves as separatists, Levus said.

Apart from Russian regular army

troops, "each separatist brigade has a Russian instructor as its chief of staff, or a deputy commander who de facto makes all tactical decisions during military action," he said.

In each separatist brigade, there is also a unit of Russian regular troops enforcing discipline and obedience to the Russian General Staff's orders, Levus said. Such units are used to train separatists and purge their ranks of disloyal elements.

Levus compared such Russian units to the "barrier troops" used by the Soviet Union to shoot retreating soldiers during World War II, as well as to the Bolshevik commissars, who made sure troops toed the party line.

While separatist troops are used more often as "cannon fodder" on the frontline, Russian regular troops are mostly used for artillery support, the operation of armored vehicles and sabotage operations, Levus said.

The Russian army's headquarters moves around the Donbas depending on the location of current hotspots, according to Levus. For instance, during the siege of Debaltseve, it was transferred to the north of Donetsk, he said.

Over the past two months, Russia has moved in a large amount of Russian intelligence equipment and more drones to Ukraine, which proves that it is gearing up for an expansion of the frontline, Levus said. He said he thought the next escalation might come this fall.

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# Reform Watch

*Editor's Note: The Kyiv Post tracks the progress made by Ukraine's post-EuroMaidan Revolution leaders in making structural changes in the public interest in six key areas: economy & finance, security & defense, energy, rule of law, public administration and land. The following measures were in focus on July 2 – July 9.*

**1 Overview**  
Parliament cancelled an extraordinary session planned for July 9, during which it was supposed to vote on cancelling a loan conversion law passed on July 2. The measure, which allows borrowers to repay foreign-currency loans at the exchange rate at which they were initially taken, violates the current International Monetary Fund agreement, according to critics. It would also cost Ukraine's banks Hry 100 billion or nearly \$5 billion.

Parliament speaker Volodymyr Groysman said on July 8 the legislature would not go on its summer break, scheduled for July 17, until it adopts all of the important legislation on its agenda.

"I want to appease those concerned about the cancellation of the extraordinary session: We ... will continue to work after July 17," he said.

**2 Rule of Law**  
On July 2, parliament passed key laws on public prosecution reform, a national police force and the structure of the Interior Ministry.

On July 3, Ukrainian President Petro Poroshenko approved a motion by parliament's national security and defense committee to exempt ex-Kyiv Police Chief Oleksandr Tereshchuk from lustration. Oleksandra Drik, head of the non-governmental Public Lustration Committee, criticized Poroshenko's order, saying he could just as easily reinstate Vitaly Zakharchenko, the fugitive former interior minister. "Why pretend he cares about EuroMaidan values, the people who were killed and wounded?" Drik asked rhetorically.

Tereshchuk headed the Volyn Oblast regional Interior Ministry in November 2012-February 2014, and was dismissed under the terms of the lustration law, meant to cleanse government of former Communists and officials who worked for the regime of ousted ex-President Viktor Yanukovich.



People collect money for the volunteer Kyiv-2 Battalion on Oct. 5. The Cabinet of Ministers on June 30 voted to endorse collections only by the Defense Ministry and charity funds. (Volodymyr Petrov)

**3 Security & Defense**  
Only charity funds and the Ministry of Defense are now allowed to collect money for Ukraine's soldiers, according to a July 7 decree issued by the Cabinet of Ministers.

From July 7, applicants can file documents online to cross the demarcation line in the east, according to the Security Service of Ukraine. "After obtaining a permit, individuals are allowed to pass through checkpoints provided they identify themselves with a passport or other identification," the SBU statement says.

**4 Energy**  
On July 7, Prime Minister Arseniy Yatsenyuk proposed the testing of a new energy market model in September-October. It will introduce an exchange where direct contracts between consumers and energy producers can be traded. Yatsenyuk also ordered the Energy and Coal Industry Ministry to report in September on its readiness for the winter heating season.

**5 Public Administration**  
Deputy General Prosecutor Davit Sakvarelidze announced competitive openings for

700 new prosecutors. The selection process starts on July 15.

"For the first time in Ukraine's history, we will announce an open competition for the heads and deputy heads of local prosecutor's offices," Sakvarelidze said.

To support Ukraine's woodworking and furniture industry and create new jobs, Poroshenko signed a law prohibiting the export of raw lumber and timber products for 10 years. The law was adopted on April 9. Furniture manufacturers and associations of woodworking organizations were insisting on the immediate signing of the law by Poroshenko. The head of the committee on ecological policy, Mykola Tomenko, said he would sue parliamentary speaker Groysman for

delaying the signing of the law.

Starting from July 7, violators of road traffic rules are allowed to pay their fines online at [gospay.com.ua](http://gospay.com.ua)

Austria will be removed from the list of countries subject to transfer pricing controls on Aug. 1. The decision was taken based on information received from an Austrian diplomatic envoy on June 18, according to Cabinet of Ministers. Austria, Turkmenistan, Hong Kong and Niue were included in the list on May 14, while Albania was excluded.

On June 3, parliament sent a draft of the public procurement bill to prepare for the first of two readings. If adopted, it would open up access for Ukraine to the world's \$1.7 trillion procurement market. Deputy Minister of Economic Development and Trade Maksym Nefedov said: "Besides the quality seal confirming Ukraine meets international standards, we will obtain access to the procurement markets of 43 members of this [World Trade Organization's Government Procurement] agreement... that were previously closed to Ukraine."

The State Fiscal Service has reduced the time it takes to register a business to 24 hours.

To extend the role of society in democratic governance, on July 2 parliament adopted the law on e-petitioning. If signed by a minimum of 25,000 citizens within three months on the website of a non-governmental organization or addressee – the president, parliament, or Cabinet of Ministers – a petition must be considered by the respective government body or agency. If the petition is viable, the responsible body has to take action on the issues presented. Following an examination of the petition, authorities can introduce bills to address the questions raised in the petition.

On July 1, Ukraine's Ecology Ministry introduced the first electronic declaration service in Dnipropetrovsk Oblast. Now businesses can declare production waste through an electronic form at [menr.in.ua](http://menr.in.ua). This service will become available throughout Ukraine by the end of the year.

By Johannes Wamberg Andersen and Mariana Antonovych



## Training to defend Ukraine

Ukrainian anti-aircraft gunners take part in military exercises not far from the southeastern Azov Sea coastal city of Mariupol in Donetsk Oblast on July 7. More than 6,000 people have been killed in Russia's war against Ukraine 17 months into the conflict, expelling more than 2.2 million people from their homes, 1.4 million of whom internally, according to the U.N. (AFP)

## ON THE MOVE

Advertisement

### Cargill Welcomes new Country Lead

Cargill's Kyiv office welcomes Martin Schuldt, who joined the team as Country Lead effective June 1<sup>st</sup>, 2015.

Mr Schuldt began his career with Cargill in Germany, as a member of a commercial team, before moving to Bucharest 10 years ago to run commercial operations for Cargill's grain and oilseeds business in Romania and Bulgaria. In 2010 he was appointed Cargill's country lead for both countries. In 2014 he moved back to Germany to take a functional role focusing on Central and Eastern Europe.



Martin Schuldt



# Russian-separatist underground still plotting to spread war farther west

BY ALLISON QUINN  
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While Russia's war continues in the east, the Ukrainian authorities have warned that a separatist underground flourishes in other parts of the country — with subversives plotting bombings and using well-organized campaigns on social media to recruit new members.

In one such case, a Mariupol resident was detained on July 7 for running 500 different websites calling for a violent overthrow of the Ukrainian authorities and support for separatists in Donbas. A statement released by the Security Service of Ukraine (SBU) said the female suspect, who was not identified, had gained more than one million followers on the politically charged websites.

Investigators are now trying to determine whether she was coordinating activities with Russian-separatist forces in Donbas — possibly helping them recruit, or acting as an informant.

Vyacheslav Tseluiko, an expert at the Center for Army, Conversion and Disarmament Studies, said such groups — which operate mostly in the dark, unlike the separatist fighters in the east — are still a serious threat to the rest of the country.

“Such propaganda enables the consolidation of anti-Ukrainian forces, so it might help with the recruitment of separatists, who might carry out sabotage within Ukraine or go fight in the east, or even go to train in Russia for further attacks,” Tseluiko said.

The case serves as a stark reminder that there is a second front in the war in Ukraine, one the SBU said includes Odesa, Kharkiv, Zaporizhzhya, Kherson and Mykolayiv oblasts.

More than 16 months into Russia's war, numerous websites in support of “people's republics” still remain — and many of them are asking for donations to support the separatist cause.

While similar websites may be harmless, authorities are concerned that they may be used to groom new recruits for the separatists, or to provide them with financing.

This week alone, 14 people were detained on suspicion of plotting bombings in Odesa and Mykolayiv, and another three were arrested in

Kharkiv, according to the press service of the SBU.

The suspects, who have not yet been identified, were “planning explosions on railways, in areas close to volunteer centers, bridges and military bases,” reads a statement from the SBU released on July 6.

Searches of the group's residences revealed a well-coordinated scheme and impressive array of weapons: detonators, explosive devices and materials, photographs of targets, and pro-Russian symbols.

“One of the leaders of the terrorist organization planned to travel to a western European country after the bombing with the aim of reporting on his work to his supervisors in the Russian security services,” the statement said.

Members of the group are believed to have been responsible for other such attacks, including one on a railway in Odesa.

Judging by the number of those detained for such offenses in recent weeks, the problem is proving to be a many-headed Hydra for the authorities.

Ihor Rassokha, an activist in Kharkiv who witnessed a fatal bombing of a pro-Ukraine rally in February, said while the Ukrainian authorities have been keeping things under control in the city, a “Russian underground still remains.”

Those seeking to carry out bombings “are clearly not being managed by locals,” he said, citing an incident last year in which subversives mistook a local theater for the administration building.

“But there are locals in this Russian underground as well, especially from the ranks of Berkut (former riot police) and fired police officers,” Rassokha said.

Diana Berg, a pro-Ukrainian activist in Mariupol, which was taken back from separatist control by Ukrainian forces in June of last year, said separatism still plagued the city.

“But separatist supporters here are generally more passive now than they were before,” she said, adding that “there are still a lot of people here who sympathize with the separatist cause.”

It should come as no surprise then that Vasyl Khrytsak, the new → 18



Dmytro Shymkiv, the deputy head of the Presidential Administration, speaks at a briefing following a meeting of the National Reform Council on June 24 in Kyiv. (Mykhaylo Palinchak)

## Shymkiv to promote Ukraine in D.C. as a nation of innovators

→ 18 ries and also hopes to be able to have announcements to make about new investments coming to Ukraine.

But perhaps more than anything else, Shymkiv sees the July 13 U.S.-Ukraine Business Forum in Washington, D.C., as an opportunity to dispel Russian lies about Ukraine's history and to inject optimism about Ukraine's future — to foreigners and Ukrainians alike.

“Ukraine has a good story about what's happening today. It's very often twisted by Russia,” Shymkiv said in an interview from his Bankova Street office. “A bit of positive stories and a bit of positive attitude will drive us to much better energy and a positive state of mind. When a country is in a positive state of the mind, even with Russian aggression and everything, it just drives a different dynamic. Very often we are too skeptical. But we do need to celebrate success.”

Like others, Shymkiv sees the human and national tragedy inflicted by Russia's war against Ukraine. But he also sees the opportunities the war presents if Ukraine prevails.

Right now, Ukraine is holding off the Russian army, something that no other army in the world is doing. And, as its ability to defend itself improves during the 17-month-old conflict, Shymkiv sees Ukrainian innovation playing out with advancements of drones, precision marksmanship and artillery control.

Where others bemoan the ruined infrastructure of the Russian-occupied Donbas, Shymkiv sees opportunities — after the war is won — to create modern infrastructure to replace the destroyed parts, much of which was old and deteriorating anyway.

“Why don't we look at this as an opportunity?” Shymkiv asks. “A lot of engineering and innovations came from the military. Leonardo da Vinci started as a military engineer... We see today an interesting possibility for transformation, where the needs and desire to protect the country (can stimulate) new inventions for science and human history.”

In reciting Ukraine's history of innovation, Shymkiv talks about Sikorsky helicopters, started by a Kyiv native, the Antonov airplanes, space research,

rocket launchers, high tech and health care innovations. Some of the achievements came during the Soviet Union and seem to bolster Vladimir Putin's argument that Ukraine and Russia are one country.

That's not the case at all, Shymkiv said.

“For centuries, Ukraine has always been deprived of being independent,” Shymkiv said. “The Soviet Union was bad. It was bad for creativity and extremely bad for those who were engineers. To those who are preaching the engineering success of the Soviet Union, sorry: People and engineers had to suffer and had to live in unbearable conditions.”

Shymkiv, 39, described himself “as a faithful Soviet Union person until I saw the truth” and learned about his relatives, including his grandparents, killed in the Soviet era, some during the 1932-33 Holodomor.

After learning about “all the ugly things the Soviet Union did,” Shymkiv also studied how Ukrainian engineers and scientists saw opportunities and emigrated to the West, “where they can be prosperous and wealthy people.”

Nonetheless, “Ukrainian engineering and scientific schools are still very strong today, going from the secondary level and up,” giving the nation a platform to build on, Shymkiv said.

Shymkiv's faith in Ukraine's turnaround even extends to its criminal justice and legal system, which many people — including lawyers — have written off as hopelessly corrupt and in need of a complete overhaul.

Shymkiv still has faith in General Prosecutor Viktor Shokin and sees modest victories on the legal front through the creation of the National Anti-Corruption Bureau and the new Kyiv police force.

But he said that he, of all people, does not underestimate the enormous resistance to change since he encounters it all the time.

“We have resistance from the oligarchy. We have resistance from bureaucrats. We have resistance from those who would like to keep the status quo,” Shymkiv said. “We need to understand that there are a lot of people who are corrupted and will continue to

do everything possible” to keep their sources of income. “When they were stealing billions, they were hiring the best” lawyers and companies to protect their assets, he said.

“We can win,” he said. “I know it's a complex, complex problem. We need to figure out a shorter path” to instilling rule of law. “If the government has the passion to fix it, then it will be fixed. The current government — the prime minister, the justice minister — have a strong passion to fix it.”

None of the problems, however, should deter multinational companies from staying or investment funds from entering Ukraine. He sees, in particular, mid-sized investment funds as being more aggressive, less deterred by risk and more likely to seize opportunities in Ukraine's economy, which, despite the problems, have made many firms and people spectacularly wealthy.

On a grander scale, Ukraine has been trying to get the West to come up with a Greek-sized financial package, which was more than \$200 billion. But it appears that Ukraine will have to survive with multi-year commitments of about \$40 billion, mainly in loans and hopefully debt writedowns. He said money would have been much better spent on Ukraine than Greece.

Ukraine, of course, also hopes for more help from America in defending from Russia's war or, as Shymkiv said, getting “the big guy” to stand next to the “small guy” under attack from another “big guy.” A tougher stance can get Russia to back off, he said, especially because so many Russians have invested so much in the United States.

“There's a lot of ways that the U.S. can make a difference,” Shymkiv said. Even without more immediate financial assistance, the United States can help by creating a pool of risk insurance to open up lines of credit for trade deals.

In the end, the message to Washington, D.C., is that, despite all of Ukraine's challenges, it is “our responsibility to make the changes. Is it going fast, no? Do you have commitment of right people to do it? Yes. In the end, that's more important.”

Kyiv Post chief editor Brian Bonner can be reached at [bribonner@gmail.com](mailto:bribonner@gmail.com).



Ukrainian special troops stand guard in the southern Ukrainian city of Odesa during an anti-terrorist operation on Jan. 5. (AFP)

# Stiff resistance emerges to even modest crackdown

→ **1** broadcast on TV screens across the nation. Masked men were shown breaking into a safe to reveal diamonds and jewels, stacks of cash and a Kalashnikov rifle. Then the “bad guys” were marched out to face justice.

Anyone familiar with recent Ukrainian history has seen such images before. Experts and lawmakers alike are convinced that these arrests are just the latest fabrication in a Potemkin village of empty crackdowns.

A similar spectacle was aired live on television as recently as March when Serhiy Bochkovsky, head of Ukraine's State Service for Emergency Situations, was detained in the middle of a Cabinet meeting on suspicion of corruption.



Deputy prosecutor of Kyiv Oblast Oleksandr Korniyets

Many applauded the move.

But days later Bochkovsky was released and Kyiv's Pechersk District Court refused to issue an arrest warrant.

Daryna Kalenyuk, head of the Anti-Corruption Action Center, said Bochkovsky's case undermined her faith in law enforcement.

“I personally doubt that the suspects will remain in custody for very long,” she said, adding that the raid “smelled like a show” and lamented the fact that many cases against officials fall apart when they go to court.

Caught red-handed in 2013 taking a \$15,000 payoff in return for enrolling two students, the former rector of the Tax Academy in Irpin, Petro Melnyk, was acquitted by that city's court on July 8 in yet another case smelling of corruption.

On July 9, Volodymyr Shapakin, deputy chief of the investigative branch of the general prosecutor's office, was released on bail, while Oleksandr Korniyets, deputy prosecutor of Kyiv Oblast remained in custody.

Despite their arrests, lawmakers and analysts say the problem runs much deeper, and the current system is rotten to the core, shaped by vested interests who don't want to lose their power – which gives them the ability to charge bribes.

That became clear when the operation to detain the two officials, who are accused of running a massive extortion scheme, was nearly foiled by the acting prosecutor general himself, Volodymyr Huzyr, prompting intervention from President Petro Poroshenko.

Huzyr appeared during the raid and, according to lawmaker Serhiy Leshchenko, tried to stop it. The reformist prosecutor who initiated the raid, Davit Sakvarelidze, himself now faces criminal charges for “seizing state property” during the operation, according to lawmaker Mustafa Nayyem.

Kalenyuk said the subsequent events after the search were a cause for concern.

“The fact that a criminal case was opened (against Sakvarelidze)... that is, of course, very strange. But then again, we don't have all the information about the case. Was the raid sanctioned by a court? We don't know,” she said.

Bail for the two arrested suspects was set at Hr 3.2 million each, far too low for the alleged crime, according to Sakvarelidze's Facebook post on July 8.

Poroshenko then on July 8 called on parliament to draft legislation prohibiting officials suspected of corruption from being released on bail.

At a meeting with regional officials in Odesa Oblast, he urged lawmakers to “deprive corrupt officials who've been caught red-handed, with all the evidence, of the opportunity to be released on bail.”

The recent sting operation has already triggered calls for Prosecutor General Viktor Shokin to be replaced. Shokin, who has worked at the prosecutor's office for his entire career, appointed Shapakin.

Andriy Demartin, a spokesman for the General Prosecutor's Office, declined to comment on the matter by phone. A written request for comment was not immediately answered.

Independent lawmaker Borislav Bereza told the Kyiv Post it would be impossible to get rid of corruption without a complete overhaul.

“What do you think happens if you put a fresh cucumber in a jar of pickles? That's right, it becomes salty, and it's the same with people – having wound up in a community of corrupt people, you will inevitably become corrupt yourself,” Bereza said. “If they (the arrested prosecutors) don't go to jail for this, all hope is lost.”

Oleksandr Dony, a former lawmaker, said the current method in fighting corruption seemed to target only the little guys rather than the endemic corruption that runs top to bottom.

“Even the high-ranking people we saw go down in the Kyiv court crackdown and in the prosecutor crackdown are small fry for the system of corruption,” he said.

At the policy level, the fight against corruption has taken priority even as Russia's war continues in eastern Ukraine and with sporadic terrorist attacks in other locations. Western governments have made it clear that hefty financial aid is contingent on the new authorities stamping out corruption.

As for the showy spectacles of crackdowns, they aren't fooling anyone, the Razumkov Center found in a poll published last month. Eighty-one percent of those surveyed said they did not believe the clampdown on corruption has been successful.

A cosmetic approach to reforms is also evident in Kyiv's new police force, trained by U.S. and Canadian cops, and meant to be a visible sign of change.

The force's 2,000 new recruits look decidedly Western, with less militaristic uniforms, shiny new cars, and – most importantly – higher pay. The measure is aimed at preventing graft among the ranks, and the launch of the new force also means the death of the old one – the traffic police, notorious for shaking down ordinary people.

On July 7, First Deputy Minister of Internal Affairs Eka Zguladze told journalists that the traffic police would cease to exist in Kyiv by the end of the week, and that their functions would be

handed over to the new police patrol.

Zguladze has also spoken out in favor of changing the police lights to red rather than blue – yet another superficial touch that many hope will be accompanied by real change.

Oleksiy Haran, a professor in political science at the Kyiv Mohyla Academy, said the system remains resistant to reform, despite the efforts of the authorities to overhaul it.

While corruption undeniably remains, he said, positive changes are being made as well, although he advised against expecting drastic changes overnight.

“The changes are bound to be evolutionary, not radical,” Haran said.

“Take the situation with the oligarchs. They have enormous resources. The state can't take them on in open confrontation. Even the United States couldn't put (Dmytro) Firtash behind bars,” Haran said, referring to a recent ruling by a court in Vienna turning down a request by the U.S. for the tycoon to be extradited from Austria.

Kalenyuk of the Anti-Corruption Center was less forgiving.

“Until they start putting officials who steal millions behind bars, we can't say that this fight is effective,” she said.

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Armed security service officers guard cash found during a search of the main investigative branch of the General Prosecutor's Office on July 5. (UNIAN)

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# Fiala: Top leaders failing in fight against corruption

→ **1** Fiala, however, fears the promise of reform is yet again in danger of fading away more than a year after the end of the EuroMaidan Revolution that prompted Yanukovich to take refuge in Russia, along with other former top officials suspected of crimes ranging from mass murder to stealing billions of dollars from Ukraine.

"Patience is thin, especially if nobody gets punished for corruption and people are getting poorer while others are getting richer who are close to the current leadership," Fiala said in a recent Kyiv Post interview.

Fiala was interviewed ahead of the July 13 U.S.-Ukraine Business Forum in Washington, D.C., that he will attend to help drum up investment in Ukraine – investment that he says will be more forthcoming if Ukraine's government cleans up its act.

Fiala and other business community leaders are stepping up their criticism of President Petro Poroshenko and, especially, Prime Minister Arseniy Yatsenyuk. Western diplomats are reported to have been sending the same, or even blunter, messages during closed-door meetings with Ukraine's leaders.

"I don't see the prime minister being the driver of reforms in the country. He will do just enough to get external funding and he won't do more," the Czech native said.

Yatsenyuk's spokespeople, Danylo Lubkivsky and Olga Lappo, were reached for comment earlier this week. They said they would respond, but had not contacted the Kyiv Post by the time this edition went to press.

Yatsenyuk is failing to make progress on improving civil service, deregulation, and fighting corruption, Fiala said.

"He has not even reformed his own Cabinet of Ministers, which has 600 people. People who have been in this bureaucracy or at the top of the bureaucracy or in politics 10 or 15 years; they are not going to change the system. They are just too dependent on the bribes. (Yatsenyuk) micromanages or stalls things, so a lot of things get stopped or stalled by the prime minister himself," he said.

Fiala cited changes to public procurement of goods and services for which the government accepts bids. Up to 40 percent of government orders



European Business Association president and Dragon Capital CEO Tomas Fiala (L), EBA executive director Anna Derevyanko and Ukraine's Prime Minister Arseniy Yatsenyuk speak during a business meeting on March 3, 2014 in Kyiv. (Andrew Kravchenko)

went to bribes under Yanukovich. Yatsenyuk and others supported a new law in parliament to make the procurement system open and competitive, theoretically shutting down a corruption pipeline that cost the state billions of dollars each year.

But the catch, Fiala suspects, was that a new mechanism been created to neutralize the reformist law.

"They found a way to negate (the process) through the Anti-Monopoly Committee, run until a month ago by acting head (Mykola) Barash," who is seen as Yatsenyuk's ally, Fiala said. "Whenever a company that was not supposed to win (a tender) would win, they would protect it and stop the results of the tender ... The savings never materialized."

Both Poroshenko and Yatsenyuk are shifting the blame to each other, Fiala said, but at least in terms of law enforcement agencies, both are failing.

He said all the law enforcement agencies subordinate to the president

and prime minister "are providing a roof for illegal business...It's a huge impediment to fighting corruption. When there is no punishment, there is no risk for being corrupt and stealing."

While Fiala sees more hope in Poroshenko, he doesn't let him off the hook either as an impediment to reform.

Perhaps the most glaring weakness in Poroshenko's administration is his inability to improve the General Prosecutor's Office and eliminate corruption there.

Former prosecutors general Oleh Makhnitsky and Vitaly Yarema, fired by Poroshenko, did nothing to clean up the corruption of the nation's 20,000 prosecutors who "continued to work as a money-making machine" by taking bribes to open and close criminal cases.

"After firing Makhnitsky, Poroshenko made him his adviser, so he didn't see Makhnitsky as doing a bad job," Fiala said. "Yarema was fired under the pressure of civic society and (member of

parliament Yegor) Sobolev, who started collecting signatures."

But General Prosecutor Viktor Shokin is not much of an improvement, Fiala said.

"He started showing some kind of results initially (but) the corruption stayed there," Fiala said.

Hope with Shokin faded as well. "A 60-plus-year-old man who worked his whole life in the prosecutor's office is not going to reform it in some Western way," the investment banker said.

Another indicator is the president's inability or unwillingness to fundamentally change the legal system, a sign that he doesn't want to lead the reform agenda.

"He's a little bit more reform-oriented than Yatsenyuk. He is also in favor of evolutionary change instead of revolutionary change. We don't have time for that," Fiala said.

Fiala's first big disappointment came during the October parliamentary elections, when both Poroshenko

and Yatsenyuk traded spots on their respective party lists for campaign contributions. They ended up becoming the two leading parliamentary factions.

When Fiala saw the candidate names on the party lists, he "was very disappointed."

"Having these people with very questionable reputations, who were very much tied to the old Ukraine being re-elected...Now this is kind of haunting them and hurting their political capital," he said. "They were selling seats in the party list...Obviously, they also had people who didn't have money and took them on for marketing purposes – good honest people there – and then filled up the back of the list for \$3-\$10 million contributions to finance the campaign."

Corruption schemes continue from the Yanukovich era, Fiala said.

Fiala said he had a chance to convey his criticism to Yatsenyuk on June 25, during a meeting of business leaders with the American Chamber of Commerce in Ukraine and European Business Association.

Fiala said that some of Yatsenyuk's allies in parliament -- he named Andriy Ivanchuk, Mykola Martynenko and Serhiy Pashinsky -- "care very little about the country or the average citizen here" and just want to "fill up their pockets." Pashinsky could not be reached for comment, but the press services for Martynenko and Ivanchuk refused comment.

In the fall local elections, Ukrainian voters must choose politicians "who will carry the reforms through and who will have a very strong political will and the intellectual capacity and the moral authority," Fiala said.

Given his critique, does Fiala think that the trip to Washington, D.C., will attract U.S. investment?

"We will try to present the opportunities that are here in Ukraine," Fiala said. "The asset prices are quite low, so assuming that the conflict in the east will be frozen, the government will step-by-step implement the reforms required by external creditors and local business and civil society, the economy could start growing next year and bounce back."

Kyiv Post chief editor Brian Bonner can be reached at [bbonner@gmail.com](mailto:bbonner@gmail.com).

## Russian-separatist saboteurs plan to spread war, terrorism to other oblasts in Ukraine

→ **16** head of the Security Service, identified regions in the center of the country as "hot spots" susceptible to guerrilla groups.

"We have recorded direct and indirect contact of the executors with both the organizers of these attacks and their Russian supervisors," Khrytsak said in an interview with Channel 5 earlier this week, speaking about the suspects detained in Odesa and Mykolayiv.

While the SBU has frequently

said Russian politicians and Russian security services were financing anti-Ukrainian partisan groups, a simple search on the popular Vkontakte networking site reveals dozens of "people's republics" asking for donations to support the cause.

Sites for the Kyiv's People's Republic, the Kherson People's Republic, the Odessa Underground and the Zaporozhiya People's Republic are successfully operating, many of them

providing financial details for donations. They all have at least 1,000 subscribers, and some have several thousand.

Tseluiko said it was hard to say whether the administrators of such websites were receiving payment for their work.

"I'm sure some of them are getting paid to do it, but not all of them. There are many people with separatist sympathies who will do it for free," he said.

He said this was less likely to be true for saboteurs and guerilla groups plotting bombings, like the Odesa Underground and Kharkiv Partisans.

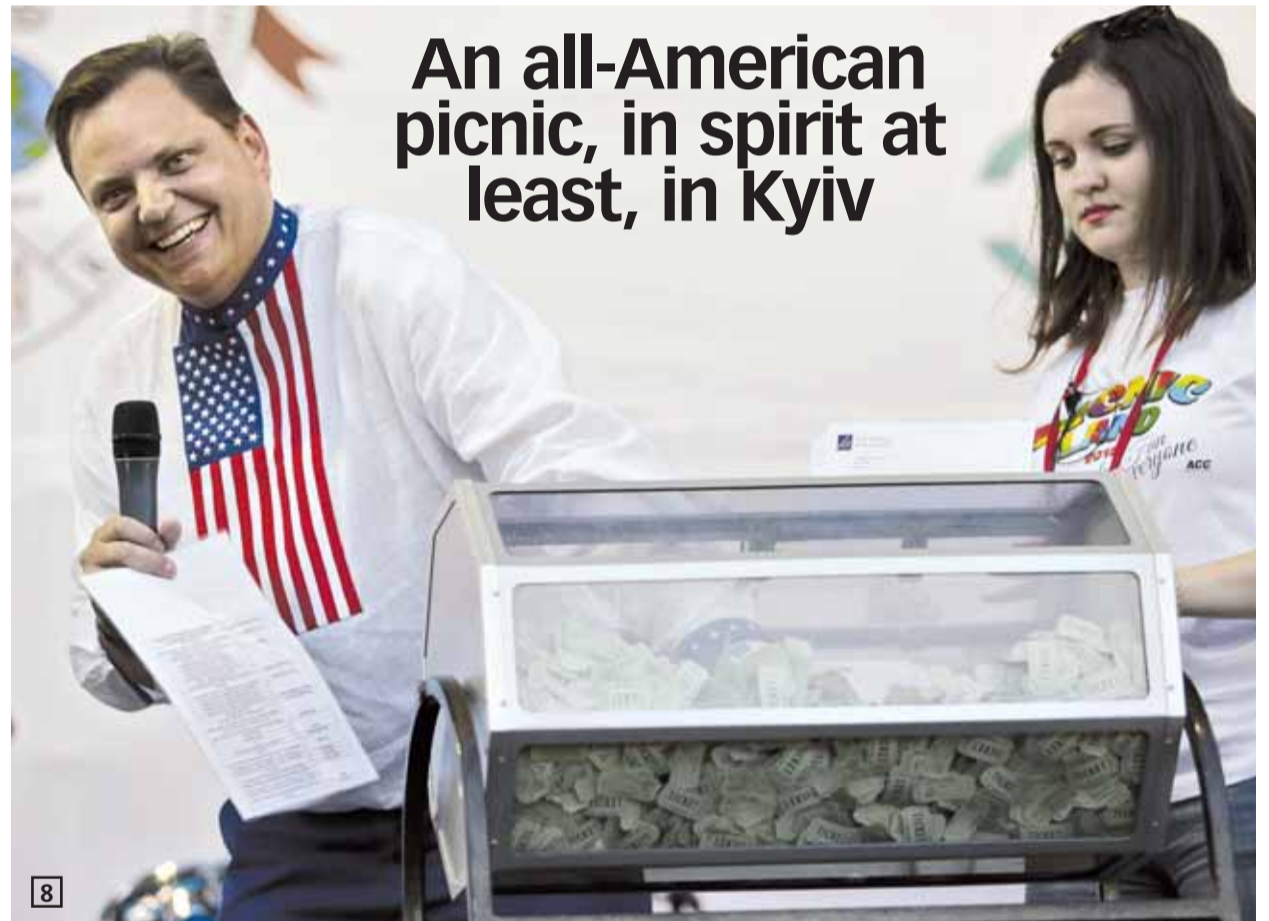
A grass-roots organization in Odesa known as Oberig has claimed that saboteurs get a hefty paycheck of at least \$2,000 to plant bombs.

Regardless of the money involved, Tseluiko said the separatist underground would continue to be a silent but deadly threat for months and maybe years to come.

"Considering that terrorism in these cases is a pretty cheap way to wage a struggle, it will be very difficult to completely suppress these underground groups," he said.

"Even if they aren't very active right now, that doesn't mean there is no threat. They are just dormant for a period – either waiting for financial support or for orders about their next target."

Staff writer Allison Quinn can be reached at [a.caseyquinn@gmail.com](mailto:a.caseyquinn@gmail.com)



### An all-American picnic, in spirit at least, in Kyiv



➔ The American Chamber of Commerce in Ukraine hosted its annual Fourth of July picnic to celebrate the 239th birthday of the United States. The event, which took place on the stadium grounds of Kyiv International School, drew more than 3,000 people. It was a chance for Ukrainians, Americans and people from many other nations to get together and relax. A kids' zone made it a family-friendly event. The major complaints involved the poor variety and low number of food vendors, forcing long waits – a recurring problem at this event. (1) An American flag was popular headgear. (2) The 306 communications agency offered up football photo shoots. (3) A blanket shaped as an American flag. (4) Participants practice their mini-golf stroke. (5) Horseplay was allowed. (6) So was dancing. (7) Somebody was happy about winning the raffle. (8) American Chamber of Commerce in Ukraine president Andy Hunder picks the next winner for UNICEF Ukraine. (9) Patient participants finally get to the head of the food line. (10) Ex-Kyiv Post chief editor Askold Krushelnyky gets in the spirit with the right tie and beverage for the event. (Kostyantyn Chernichkin)



## Odesa Film Festival kicks off on July 10



WITH VERONIKA MELKOZEROVA  
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### Ukrainian studios putting final touches on global blockbusters

Ukrainian post-production studios are playing a big role in wowing international cinema audiences with computer-generated imagery and sound mixing. Post-production is a term for all stages of work that take place after filming. Such processes are typically managed by several studios and Ukraine is developing a reputation as a low-cost, yet high-quality location.

"I won't tell you our prices. But in Ukraine it is way much cheaper for post-production than in Hollywood itself. And you get good quality of the final picture," said Mykola Kaschenko, production manager of Wizard, a post-production studio.

Visual effects, created by Ukrainian specialists, cost 2-3 times less than in the U.S. or Western Europe, industry practitioners told the Kyiv Post. However, Ukrainian studios usually keep silent because of nondisclosure agreements signed with studios. In addition, many countries in the European Union provide incentives to studios that make movies domestically if post-production is carried out at home as well.

Located in Kyiv, post-production studio Wizard has cooperated with California studio Identity FX on two big projects.

"We completed post-production of Reni Harlins' movie 'The Legend of Hercules' in 3D format last year," said Kaschenko. "The material we got was of rather low quality. One scene... was actually filmed on a huge Blue Screen, which was badly illuminated. So the keying process (cutting characters from the background) was very difficult."

Another project of which Kaschenko is proud is work on "Killing Season," starring John Travolta and Robert De Niro. "That time (in 2013) we did classic special effects, adding fire and removing mashed ropes and fittings that held De Niro hanging upside down. In the film he is supposed to be hanging from a hook that stuck to his leg" Kaschenko said.

The film tells a story of two veterans of the Bosnian War who continue to fight each other even after the war ends. Kaschenko remembers how disgusting it was to make graphics for a scene showing a wagon full of corpses.

"According to the script, there were corpses of Serbians beginning to decompose. And of course the original crew just filmed actors, lying on the floor without even any special makeup →21



A screenshot from "Love," a sexual melodrama about a boy and girl directed by Gaspar Noé, will be screened at this year's Odesa International Film Festival taking place on July 10-18. (Courtesy)

BY OLEG SOKOLENKO  
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Gala premieres and intimate screenings of the latest Ukrainian and foreign films await guests at the Odesa International Film Festival on July 10-18. Here's what to expect:

#### Best movies in world

This year's program includes screenings of 80 films originating from as far as Japan and Venezuela.

The International Competitors Program offers the latest films not yet seen by critics, other screenings showcase movies that have recently premiered at other festivals.

The opening movie will be "Reality" by Quentin Dupieux, a surrealistic comedy nominated at last year's Venice Film Festival. "Love," an erotic drama by Gaspar Noé, and "Lobster," a Greek drama starring Lea Seydoux and Colin

Farrell, arrived to Odesa from the Cannes Film Festival, where they were a great success.

"Birdman" by Alejandro González Iñárritu won this year's Best Picture Oscar and the Odesa Festival offers a chance to see it again on the big screen.

The Ukrainian premiere of "Under Electric Clouds," a movie by Russian director Alexey German Jr., is definitely worth seeing – this dystopian vision of modern Russia was in the main program of Berlinale 2015 and Ukrainian cameraman Serhiy Mikhalechuk picked up an award.

#### Ukrainian new wave

Ukrainian films are widely presented at the festival. There are two National Competitors Programs: features and shorts. Both provide a fresh, deep look into Ukrainian life. In the Way To Freedom section half of the films are

also Ukrainian.

Last year's dramatic changes in Ukraine – the EuroMaidan Revolution and ongoing conflict with Russia – will be reflected on the big screen in movies like "Kyiv/Moscow (Part 2)," "Qirim" and "Ukrainian Argument."

"Song of Songs" by Eva Neymann, a touching story of a life-lasting love, will take part in the International Competition program.

#### Filmmaking school

Those interested in a hands-on experience in filmmaking can attend the festival's Summer Film School. This series of classes by famous directors offers a chance to improve one's skills, network with professionals and meet living legends of cinema.

The professors of the summer school this year will be Alexey Fedorchenko (Russia), Dariusz Jablonski (Poland), Jeanne Jabrone (France), Michael

Nyman (U.K.) and Sarunas Bartas (Lithuania). They will discuss a wide range of topics, from directing feature films to being an independent producer in Eastern Europe.

#### Special events

A screening right on Odesa's famous Potemkin Stairs of "The Man With a Movie Camera" (1929) by Dziga Vetrov with live music will be an iconic highlight.

A brand new section of the festival is "Music Docs," including a documentary about Kurt Cobain, musical portraits of Ukraine, and a film version of a Kyiv show by "Hardkiss," a Ukrainian progressive pop band.

Another special program, "Odesa in Flames: Occupation/Liberation," contains rare archive films, such as "Bukovina – The Ukrainian Land" (1939) by Ukrainian film legend Oleksandr Dovzhenko and →22

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# Some Ukrainian artists still perform in Russia, holiday in annexed Crimea

BY NATALIYA TRACH  
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Ukrainian rock and pop singer Anastasiya Prykhodko gave her last concert in Crimea on March 8, 2014, just a week before Russia illegally annexed Crimean's peninsula.

Prykhodko, 28, has never returned and cancelled all scheduled concerts in Russia.

Instead the artist started giving morale-boosting performances on the war front to Ukrainian soldiers serving in the Donbas.

"I think that singing to occupiers is the biggest betrayal," she said on her Instagram page last August.

Prykhodko is one of many Ukrainian celebrities who have taken patriotic stances in the face of Russia's military aggression towards Ukraine.

Despite the hostilities and the Kremlin's belligerent behavior towards its neighbor, some Ukrainian pop stars still perform in Russia where they typically make more money than at home.

Tickets in Russia to see Ukrainian pop-rock band Valentyn Strykalo perform sell for 800-1200 rubles (around \$13-\$20). The band is scheduled to play there on July 25-26. Last August Valentyn Strykalo gave a concert in Russian-occupied Sevastopol, Crimea.



Taras Stepanenko, a midfielder with the Donetsk Shakhtar football club, takes a Crimean vacation with his family in June 2015. (Courtesy)

But this year the group doesn't plan to give another Crimean performance. The band's concert director, Oleksiy Drahanin, in an interview with the Kyiv Post, would not disclose the rea-

sons why.

Like Valentyn Strykalo, Ukrainian drag queen Monroe decided not to visit Crimea for now. She previously had plans to vacation there, but decided to spend the summer either in India or Australia.

"I am not going to rest in Crimea this year as the trip is long and difficult. People are overwrought. They are not able to figure out for themselves whom the peninsula belongs to. And they don't understand that the peninsula belongs to Earth," she told the Kyiv Post.

Last summer Monroe was seen spending time at Crimean night clubs.

Russian military aggression has not prevented many Ukrainian celebrities from spending their holidays or giving concerts in Crimea.

Choreographer Tetyana Denysova, actress Olha Sumska and Shakhtar Donetsk goalkeeper Andriy Pyatov are among those who spent their vacations in Crimea last year. It still remains unclear whether they plan to visit it again. None of them responded to



Choreographer Tetyana Denysova poses near the pool of the Palmira Palace Hotel in Yalta, Crimea, in June 2014. (Courtesy)

the Kyiv Post written requests for comment.

Ukrainian producer Olena Mozhova does not approve of the behavior.

"I don't respect cunning (artists) who want to sit on two chairs simultaneously. They behave as if they do not know how many (Ukrainian people) are wounded, killed or held captive. For them the war does not exist," Mozhova said.

According to Kyiv Post estimations, nearly 2,180 Ukrainian soldiers have been killed in the war that has claimed more than 6,000 lives, including civilians.

It is not clear whether the performance tours in Russia or vacations in Crimea by some Ukrainian pop stars will negatively affect their careers in Ukraine.

The acts have drawn criticism though.

Ukrainian swimmer and Olympic champion Yana Klochkova and Shakhtar Donetsk footballer Taras

Stepanenko have taken Crimean vacations this summer.

Stepanenko responded to media criticism, saying that he considers Crimea to be a part of Ukraine.

"I understand the situation. But for me it is very important not to fly somewhere but simply to have a rest with my family in my country," Stepanenko told the Ukrainian news website Obozrevatel on May 11.

Producer and famous Ukrainian TV host Ihor Kondratyuk believes such positions are hypocritical. "I would disdain resting in Crimea in their place. An artist should be a patriot," he said.

Prykhodko is not going to perform in Russia and Crimea. "I cancelled tours to Russia and Crimea. I don't care if I earn less because of that. I think that I support Ukraine because of my position," Prykhodko said in an interview to Ukrainian website Censor.net.ua.

Kyiv Post staff writer Nataliya Trach can be reached at trach@kyivpost.com.



Ukrainian swimmer and Olympic champion Yana Klochkova enjoys a vacation in Hurzuf, Crimea in May 2015. (Courtesy)

## Ukrainian studios put finishing touches on Hollywood movies at bargain price

→ 20 on their bodies. We conducted painstaking research to find out how corpses decompose in order to authentically recreate this process. It was disgusting at the time, but now is fun to remember" said Kaschenko.

Roman Bazyuchenko, executive producer of Terminal Fx production studio, also located in Kyiv, said that his studio has been cooperating mostly with Universal Studios and Warner Brothers.

"In 2014 we made a computer-generated dragon for Universal Studios' Dragonheart 3 The Sorcerer's Curse. Creating a realistic dragon was rather hard work. But this is our art," said Bazyuchenko.

Terminal Fx also did CGI and color fixing on such movies as Rob Zombie's

"The Lords of Salem," MTV Show Punk'd with Ashton Kutcher and the film "Dead in Tombstone," starring Danny Trejo and Mickey Rourke.

For now orders from the U.S. and Europe are very rare for Ukrainian post-production companies.

"Most of the time we make commercial videos. And when you work on a film with Robert De Niro you feel like a real artist," Kaschenko said.

According to Ukrainian CGI experts, the war in Ukraine is having a negative affect on the post-production industry with international partners afraid to provide expensive materials due to what they see as a war-torn country.

Kyiv Post writer Veronika Melkozerova can be reached at melkozerova@gmail.com.



The screenshot from the movie "Killing Season." On the right is how the image looks before post-production, and on the left is how it looks after. (Courtesy)



### Swans, experimental rock from the U.S.

American experimental rock band Swans will perform in Kyiv for the first time on July 10. The band's was founded in 1982 and is led by Michael Gira, who reformed the band in 2012 after it broke up in late 1990s.

**Swans (experimental rock). July 10. 8 p.m. Sentrum (11 Shota Rustaveli St.). Hr 400-800**

July 10



### Migration-themed art

The new art exhibition in the Museum of Cultural Legacy has young Ukrainian artists explore the theme of migration and its influence on personality – the topic that is especially timely due to the migration within Ukraine caused by the war in its eastern regions. Opening on July 9 at 7 p.m.

**Philosophy of Migration (art exhibition). July 9 – Oct. 9. Museum of Cultural Legacy. Hr 25**

July 9 - Oct. 9



### End-of-season gala in Opera House

Kyiv Opera and Ballet Theater will mark the end of its season – which was 147th in its record – by having a traditional gala concert of the best acts from its repertoire. The concert, which will run twice, will feature the extracts from the operas “Don Juan,” “Iolanta,” “Carmen” and others.

**End-of-season gala show. July 11, 12. 7 p.m. Kyiv Opera and Ballet Theater. Hr 20-500**

July 11



### 'Skylight' by Wyndham's Theatre

“Skylight,” a play written by award-winning British dramatist David Hare and staged by the London's Wyndham's Theatre, is brought to Kyiv in a form of a theatrical recording. In the play a school teacher, played by Carey Mulligan, spends an evening with her former lover, a restaurateur played by Bill Nighy, discussing life and their relationship.

**“Skylight” (theatrical recording). July 14. 7 p.m. Kyiv Cinema (19 Velyka Vasylkivska St.). Hr 120**

July 14

## Odesa Film Festival: a summer must on the Black Sea coast



A screenshot from movie “Under Electric Clouds” by Alexey German Jr., which was in the main program on Berlinale 2015 and is to be shown on OIFF 2015 for the first time in Ukraine. (Courtesy)

→ **20** “Odesa in Flames” (1942) by Carmine Gallone. (58 seconds each) shot between 1895 and 1905 from the Lumiere Brothers' collection. But even older and rarer will be remastered screenings of short films

**Tickets**  
Festival Pass is available on the OIFF website for Hr 995.  
Full schedule of screenings and special events is available at [www.oiff.com.ua/en/2015/schedule.htm](http://www.oiff.com.ua/en/2015/schedule.htm).

**How to get to Odesa**  
**By train.** Take one of the Intercity trains (No. 761, 763). They leave Kyiv daily at 6:12 a.m. and 4:39 p.m. and arrive in Odesa at 1:06 p.m. and 11:33 p.m., respectively. Tickets start at Hr 327.  
**By plane.** A flight from Kyiv Boryspil Airport departs daily at 6:50 a.m., operated by UIA Airliness. An economy class ticket is Hr 4,954.  
**By car.** A road trip takes 5-6 hours, or 475 kilometers, of driving on the M-05 highway (overall distance is 475 km).

### Classical music under the stars



A Ukrainian band will perform famous classical works under a starry dome in the Kyiv planetarium. The works of Johann Sebastian Bach, Wolfgang Amadeus Mozart, Claude Debussy and other composers will be performed in jazz, rock and folk adaptations.  
**Classical music under the stars. July 17. 7:30 p.m. Atmosfera 360 (Kyiv Planetarium, 57/3 Velyka Vasylkivska St.). Hr 150**

July 17



KfW, the German development bank, is recruiting a national **Project Coordinator** for its municipal infrastructure programmes in Ukraine. Within the framework of German-Ukrainian financial cooperation, KfW is expanding its portfolio in the areas of, amongst others, urban water supply and sanitation, reconstruction in conflict-affected areas, community-based initiatives to improve social services, and support to recipient communities of Internally Displaced People (IDP). The Project Coordinator will report to the Director of the KfW office in Kyiv and to the responsible Project Managers at KfW headquarters in Frankfurt am Main, Germany.

**The main responsibilities shall include:**

- To liaise with and advise the national project partners and other stakeholders as well as the responsible sector teams at KfW HQ in the processes of identification, preparation and implementation of financial cooperation activities;
- To monitor and report on relevant developments, policies and donor activities in the municipal infrastructure sector, including the areas of urban water supply and sanitation, transport, post-conflict reconstruction, and community-based initiatives to support IDPs and other vulnerable groups;
- To contribute to the fulfillment of project-related reporting requirements;
- To support donor coordination efforts in consultation with the German Embassy;
- To provide organisational support to, and participate in, KfW missions visiting Ukraine.

**Required qualifications:**

- A Masters Degree in Business Administration, Banking, Economics or Social Sciences;
- At least seven years of work experience in the field of municipal infrastructure;
- Of advantage would be experience in one additional sector relevant for the Ukrainian-German cooperation, such as energy efficiency, electricity transmission, financial sector development and preservation of biodiversity.
- Sound experience in the initiation, preparation and implementation of international investment projects in Ukraine; a track record of working with an international development finance institution would be an asset;
- Excellent knowledge of oral and written English; German language skills would be an advantage;
- Excellent computer skills (MS Office);
- The ability and readiness to travel inside and occasionally outside the country.

Applicants have to be citizens of Ukraine.

Applications, including a motivation letter and detailed CV, shall be sent electronically to [vacancies-kyiv@kfw.de](mailto:vacancies-kyiv@kfw.de) no later than **17 July 2015**.

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