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The Kyiv Post wishes everyone a Merry Christmas & Happy New Year!
The newspaper enters its 22nd year in 2017 with its first print edition on Friday, Jan. 13. Until then, follow kyivpost.com for all the latest news.

Nationalizing losses for private – and PrivatBank – gain, again

**BY YULIANA ROMANYSHYN
AND JOSH KOVENSKY**
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AND KOVENSKY@KYIVPOST.COM

The government takeover of PrivatBank will cost Ukrainian taxpayers billions of dollars while those who bankrupted the nation's largest bank are likely to go free.

PrivatBank, which had 20 per cent of the nation's \$53 billion in banking assets by some valuations, was nationalized on Dec. 18. It now belongs to the Ministry of Finance.

According to Vitaly Vavryshchuk, head of the National Bank of Ukraine's financial stability department, there was no other choice but nationalization because "the safety of clients' money should not depend on repayment of loans given to related parties."

Former owners Ihor Kolomoisky and Gennadiy Boholyubov are alleged to have siphoned out Hr 148 billion (\$5.6 billion) in insider loans, leading to the bank's collapse.

Losses of such size would push the overall taxpayer cost of Ukraine's banking disaster of the past decade to more than \$20 billion, most of which is unrecovered and most of which amounted to unprosecuted bank fraud, the central bank said.

Oleksandr Savchenko, a former NBU official and rector of the International Institute of Business, said that there is "no difference" between mass insider lending and embezzlement, adding that "knowing the history of PrivatBank, I don't believe that they will be returning

more **PrivatBank** on page 5

Konstantin Grigorishin: The Oligarch Who Says He Is Not





OLIGARCH WATCH

Oligarch Watch Series

Part 1	Oct. 7	Petro Poroshenko: All In The Family – Again
Part 2	Oct. 14	Victor Pinchuk: Ukraine's Friend Or Foe?
Part 3	Oct. 21	Rinat Akhmetov: Too Big To Tame
Part 4	Oct. 28	Ihor Kolomoisky: Still Throwing His Weight Around
Part 5	Nov. 11	Vadim Novinsky: Ukraine's 'Russian' Oligarch
Part 6	Dec. 9	Dmytro Firtash: The Oligarch Who Can't Come Home
Part 7	Dec. 16	Yuriy Kosyuk: Top Bird
Part 8	Dec. 23	Konstantin Grigorishin: The Oligarch Who Says He Is Not

Konstantin Grigorishin was close to at least three Ukrainian presidents – Petro Poroshenko, Viktor Yushchenko and Leonid Kuchma. But the mysterious tycoon has also exposed corruption within the inner circles of all these Ukrainian leaders. (UNIAN)

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CURRENCY WATCH

Hr 27.2 to \$1

Dec. 22 market rate



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Danish democracy program accused of non-transparency

BY RAHIM RAHEMTULLA

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On May 2, 2012, the Danish Foreign Ministry conducted a tender for a contract worth 50 million Danish kroner (\$6.9 million) to administer a four-year media and democratization program in what it called its Eastern Partnership region.

This included, among other nations, Azerbaijan, Belarus, Ukraine and Turkey. The project was won, seven months later, by Danish consultancy firm NIRAS in partnership with BBC Media Action, the charity arm of the taxpayer-funded British broadcaster. Documentation of the contract is available on Tenders Electronic Daily (TED), the European Union's online public procurement database.

The program which grew out of the contract, known as MYMEDIA, is now coming to an end.

(Editor's Note: Kyiv Post chief editor Brian Bonner and editor Olga Rudenko are regional coordinators for a MYMEDIA program called Objective Investigative Reporting Project in Ukraine, Belarus and Moldova. The Objective program, which ends in January along with other MYMEDIA programs, spent more than \$100,000 on nearly 50 investigative reporting projects in the three nations since 2013.)

No new tender has been held for the next round of Danish government funding. Staff at MYMEDIA and at the news outlets it has supported say the decision on how to spend future grants has already been made and they were not given a chance to make their case for continued funding.

"What normally happens in Denmark is that there is an open and transparent tender process," Michael Andersen, the director of MYMEDIA, told the Kyiv Post. "Different projects apply with their budget and their plans. We won in 2012, so of course we expected, according to Danish law and tradition, that there would be another tender now. The Danish



German Foreign Minister Frank-Walter Steinmeier (R) and his Danish counterpart Anders Samuelsen conduct a joint press conference at the Foreign Ministry in Berlin on Dec. 13. (AFP)

Foreign Ministry decided that there shouldn't be a tender."

A job well done?

Since its launch in 2013, MYMEDIA has supported journalists across the Eastern Partnership. The project's remit includes goals such as promoting dialogue between the media, government and civil society and assisting investigative journalism.

By all accounts, MYMEDIA succeeded in meeting its targets. Checks on the quality of the work were routinely carried out by BBC Media Action, whose reports were passed on to NIRAS and eventually the Danish Foreign Ministry, which wanted to be ensure the money was going to good use.

Ellie Haworth, a project head at BBC Media Action who worked with MYMEDIA, told the Kyiv Post that while standards varied, the BBC's overall assessment was "positive." It was her impression that the decision to stop supporting MYMEDIA was unlikely to have been taken because the organization failed to fulfill its objectives.

"I don't think it had anything to do with the quality of the work," she said.

For Andersen, the absence of a new tender process is more than a missed opportunity; it also touches upon a question of values.

"The Foreign Ministry hasn't explained to us why there's no tender," Andersen said. "This is very unusual in Denmark and Scandinavia in general. We consider this to be rather problematic considering this is a media and democracy project where we go to places like Ukraine, Belarus and Turkey and part of our remit is to talk about free media and transparency and openness. The only thing that was said was that it was a political decision and they couldn't tell us anything more about it. That was it."

In-depth reporting

Among MYMEDIA's recent projects was the Kyiv Post's eight-part "Oligarch Watch" project, a series of in-depth reports profiling Ukraine's wealthiest individuals, including Ukrainian President Petro Poroshenko.

According to Andersen, Danish Ambassador to Ukraine Christian Dons Christensen was summoned to the Presidential Administration for complaints about the Oligarch Watch series.

Christensen, in a statement to the Kyiv Post, did not refute Andersen's claim that the Presidential Administration criticized the project. He said he could not comment on specific conversations, but that criticism of content produced by organizations supported by Denmark would be met with "a clear reference to the Danish arm's-length principle, by which we would never interfere in the journalistic content of independent media."

Limited resources

MYMEDIA was conceived as part of a wider Danish foreign policy which Copenhagen calls its "neighborhood program" which seeks to boost economic development and strengthen human rights. From 2013 to 2017, according to public documents, the program was allocated one billion Danish kroner (\$140.3 million) to support "priority countries." These were Belarus, Ukraine, Moldova, Armenia, Albania, Bosnia and Kosovo.

In contrast, during the next phase of the neighborhood program, which will run from 2017 to 2021, Denmark will reduce its focus from seven to just two nations: Ukraine and Georgia. In a statement, the Danish Foreign Ministry told the Kyiv Post that this is due to budget cuts. However, according to the ministry's own publications, the amount of money Denmark will spend on media remains practically unchanged.

Within the new program, money has been set aside for media support, but the focus on two countries has left several organizations, until now working with MYMEDIA, without funding. This includes outlets in Turkey and Belarus, countries ranked, respectively, 151st and 157th out of 180 nations in the 2016 Reporters Without Borders Press Freedom Index.

Andersen, who is Danish, said regardless of his role at MYMEDIA, he cannot understand as a citizen how his government could take such

a decision at a time when press freedom faces multiple threats in those countries.

"The Danish Foreign Ministry very, very shockingly has decided to cut 100 percent of the funding for free media and independent media in Belarus and in Turkey," he said. "I am at a loss to explain how Denmark can decide right now not to support Turkish media. Some of our partners there are going in and out of prison."

The Danish decision not to support independent media in Turkey happens amid harsh crackdowns on news media, with 150 journalists imprisoned since a July coup attempt.

Andrew Finkel, a journalist in Turkey, said that "MYMEDIA was an early grantor for P24. It believed in us when we were merely an idea. In the just over three years that followed, P24 has grown to be one of the main exponents of independent media in Turkey and a source of support for young and mid-career journalists who find themselves excluded from the government mainstream."

The Objective program "supported some really excellent projects. It is beyond belief that anyone should cut such a successful project, particularly now in Turkey when journalists are being fired and arrested. It helped fill a tremendous void and helped to keep the light of honest journalism alive."

Tough decisions

Belarusian journalists wrote to Danish Foreign Minister Anders Samuelsen expressing hope that Belarus, which has lived under the dictatorship of Alexander Lukashenko since 1994, "will still be on the list of countries whose independent media receive support from the government of Denmark."

Among those now faced with an uncertain future is ARU TV, a web-based news outlet which has worked with MYMEDIA since 2014.

Led by Belarusian Pavel Marozau, ARU TV brings analysis and satire to Russian-speaking audiences to combat Kremlin propaganda. Marozau, who has received political asylum in Estonia, said the channel's reach averages 2 million viewers a month.



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Surprise greets Danish decision to cut programs

Danish from page 2

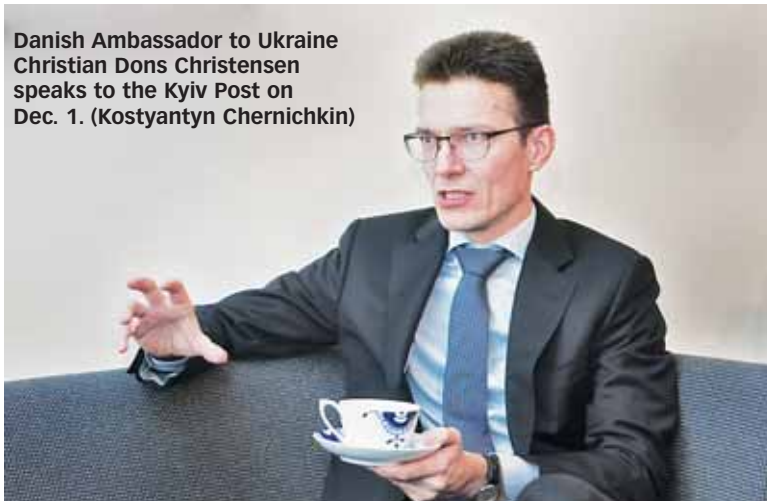
"As I understand, our results were quite good and our colleagues results were quite good but due to something – I am not sure if it is a lack of political will or just some bureaucratic game – they have decided to limit their efforts to just two countries," Marozau said.

He said Denmark's move to exclude Belarus and Turkey makes little sense given the stated aim to foster democracy. He believes Copenhagen succumbed to pressure from leaders in other countries.

"I think it looks like the logic of bureaucrats in U.S. and E.U. offices," he said. "If we are dealing with (Belarusian President Alexander) Lukashenko or (Turkish President Recep Tayyip) Erdogan and we want something from them, but they say no because they don't like what's being written about them in the free media, then it's better not to create conflict and decrease the level of support for the free media. "That way these leaders don't face hard questions or challenges," Marozau said.

For ARU TV, the search for new sources of financial support has begun. Marozau, having worked with various donors over the past 15 years, is no stranger to the world of government grants. "We'll have quite limited funds. As always, to find

Danish Ambassador to Ukraine Christian Dons Christensen speaks to the Kyiv Post on Dec. 1. (Kostyantyn Chernichkin)



alternatives you need time, especially with public funds," he said.

Decision 'still in process'

In a statement, the Danish Foreign Ministry said the formulation of a new program to support independent media in Ukraine is "still in process" and has yet to be approved.

It states that collaboration with the Swedish International Development Cooperation Agency to support two Kyiv-based news outlets – Detector Media and Hromadske UA – is "foreseen" and that a final decision, still to be taken by the ministry, is "of course entirely unrelated to any editorial content supported by MYMEDIA, in which Danish authorities would

never intervene or interfere."

Andersen told the Kyiv Post that apart from the lack of transparency, the inclusion of Hromadske and Detector Media was another surprise.

"We have worked with many, many extremely strong organizations in Ukraine and I'm surprised none of them got a look in," he said. "They were just simply excluded. That's a big surprise because we have a great deal of proof of the extremely good work they've done."

Both Hromadske and Detector Media told the Kyiv Post they have held talks with Danish representatives but that no decisions or agreements regarding funding have been made. ■



Irina Mirochnik

President,
Ukrplastic

According to our foreign partners, the Kyiv Post is the only one trusted source of information about Ukraine. The Kyiv Post has formed a unique communication platform which allows to exchange experience, discuss relevant trends in Ukraine's economy, find partners for growing your business. I appreciate the high professionalism and journalism ethics of the Kyiv Post team and I am looking forward to our fruitful cooperation next year. To sum up this year, I would like to thank the Kyiv Post for interesting topics and objectivity, wish them new interesting projects next year which will facilitate forming of favorable business climate in our country.



Petro Rondiak

General Director,
Winner Imports Ukraine

Winner welcomes the opportunity to wish each of you a happy and healthy holiday season with friends and loved ones! We are pleased to support the Kyiv Post and appreciate their commitment to keeping the standards of journalism high in an environment where it is not easy to do so. So, enjoy the battery re-charge and see you in 2017!



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Editorials

PrivatBank hell

We have no argument with the necessity of the Ukrainian government's nationalization of PrivatBank, the nation's giant financial institution with 20 percent of the nation's \$53 billion in banking assets.

Our argument is that it should have been done much earlier and at far less cost than the \$6 billion bailout awaiting Ukrainian taxpayers. The delay appears to have only given the bank's owners, billionaire oligarchs Ihor Kolomoisky and Gennadiy Boholyubov, more time to empty the bank out -- and we hear that is exactly what they did in the final weeks.

At the least, they should be facing a criminal investigation on suspicion of bank fraud. They have, in fact, been facing a lackluster and inconclusive investigation by prosecutors into what happened with \$1.8 billion in refinancing money that PrivatBank's owners got from the central bank in 2014.

Let's look at the facts leading up to the nationalization:

Kolomoisky's unethical business practices of driving his companies into bankruptcy (AeroSvit) before abandoning them and not paying taxes (Ukrnafta) are widely chronicled. Who really thinks he could change, particularly after never having been prosecuted?

National Bank of Ukraine Governor Valeria Gontareva on Dec. 19 admitted the central bank has known for a year that PrivatBank was not meeting its capital-investment requirements to stabilize the bank's finances.

The central bank has also known for months that as much as 93 percent of the bank's loan portfolio consists of insider lending. Can someone tell us the difference between insider lending and bank fraud or embezzlement? Oleksandr Zavadtetsky, the former head of the NBU's related party loans monitoring department, said the bank should have been nationalized last year after the extent of insider lending became known.

Finally, the NBU had a curator in PrivatBank since it refinanced Kolomoisky's bank in 2014. Regulators had access to the bank and would know how much Kolomoisky withdrew before nationalization.

So, please international institutions and governments, stop with the official statements about what a courageous act of governance took place here. It was nothing of the kind. After poor regulatory oversight, nationalization was the only option left. PrivatBank insisted with no credibility that it was meeting capital requirements and had little insider lending.

The credit for calling a halt to PrivatBank's mismanagement belongs to the International Monetary Fund, which is holding up further installments of a \$17.5 billion loan program until Ukraine gets its act together in banking and other reforms, such as pensions. The lending is frozen at \$7.7 billion, but the PrivatBank nationalization and adoption of a responsible 2017 budget might be enough to unlock another \$1.3 billion loan. That would be unfortunate, however, since major reforms in rule of law have stalled, threatening to reverse the fragile progress since 2014.

So what happens now?

Government auditors and investigators will drag their feet and not dig too much for evidence of criminal bank fraud, even though it probably is everywhere. There's no chance that Kolomoisky or any of PrivatBank's management will face criminal charges in this corrupt-by-design nation. Who knows, in this warped country Kolomoisky might sue for damages?

To make it look better, President Petro Poroshenko might negotiate modest amounts for Kolomoisky to repay from ill-gotten gains and systemic insider lending to take the sting out of the gargantuan taxpayer bailout ahead. This won't answer the question on the minds of many in Ukraine: What kind of agreement did Poroshenko make to get Kolomoisky to surrender PrivatBank? Something akin to the 2014 Vienna Agreements, in which ex-President Viktor Yanukovich allies Dmytro Firtash, Yuriy Boyko and Serhiy Lyovochkin are believed to have received presidential assurances of no criminal investigations against them?

The oligarch strategy remains in place: Nationalize losses, keep profits. Saddle taxpayers with more debt that they, their children and grandchildren will have to repay, as they wonder why schools, roads and government services are in such bad shape and why foreign investors are not coming in droves and why so many people want to live abroad. It's hard for a nation to gain traction and become prosperous when it keeps getting fleeced so extensively by insiders, oligarchs and politicians.

The PrivatBank debacle deserves condemnation, not praise. The proper international response would have been: It's about time, what took you so long? Don't let this happen again. Investigate, assess the evidence and hold people legally responsible for any crimes they have committed.

NEWS ITEM: The National Bank of Ukraine nationalized PrivatBank, the country's largest bank. The bank has been plagued by unpaid insider loans that left at least Hr 89 billion (\$3.39 billion) hole in its ledger. The bank's debts are now the concern of the National Bank.



NEWS ITEM: A social media account that appears to belong to Igor Girkin, also known as Igor Strelkov, a former commander of the Russian-backed separatists in Donetsk Oblast in 2014, posted a call for job offers for Strelkov, now living in Russia.

NEWS ITEM: Ukrainian government has lost more than \$14.5 billion in recent years from the banking sector, much of it from massive fraud. The huge debts left by insolvent, fraudulent banks, are a burden on Ukrainian taxpayers.

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Reformer of the week

Jaanika Merilo

Jaanika Merilo, an Estonian-born reformer, was ranked on Dec. 21 as the top contributor to startup businesses and investment in Ukraine by PaySpace Magazine.

Merilo used to work for investment and startup companies. These include Estonian Investor Association, Estonian Development Fund, US Invest AS, Estonian Business Angels Network and BrainBasket.

She is an advisor to Dnipro Mayor Borys Filatov, Infrastructure Minister Volodymyr Omelyan and Lviv Mayor Andriy Sadovy and previously also to ex-Economy Minister Aivaras Abromavicius.

Merilo has also been pushing for the introduction of electronic tickets in public transport. Parliament's transport committee on Dec. 21 approved a bill on such tickets.

Merilo has been a key promoter of e-government and the ProZorro electronic procurement system in Ukraine to reduce corruption in public services.

Merilo is also an advisor at Estonia's parliament, head of the ICT Competence Center non-governmental group and an expert at Ukraine's Agency for E-Government.

— Oleg Sukhov



Anti-reformer of the week

Oleksiy Gorashchenkov

Oleksiy Gorashchenkov, a top official at the Presidential Administration and an ex-aide to President Petro Poroshenko, is a front-runner in the competition to head the yet-to-be-created State Investigation Bureau.

Gorashchenkov has told the competition commission that he had little cash due to a low civil servant's salary and had to sell an apartment, according to a Dec. 16 Nashi Hroshi show. But he later told journalists that his salary had allowed him to accumulate about \$100,000 in cash.

He also told the commission that he had been a "successful" lawyer but later told journalists that he had never been a lawyer.

Civic activists, including Oleksandr Lemenov, say the commission does not have a single member independent from the authorities and is set to choose a Poroshenko loyalist.

Other leading candidates for the job include Yuriy Makedon, a lawmaker from the Poroshenko Bloc, and Olga Varchenko, a prosecutor at the department accused of fabricating political cases on behalf of Poroshenko's top allies Ihor Kononenko and Oleksandr Hranovsky.

Another top candidate, Chief Military Prosecutor Anatoly Matios, is also controversial due to the extraordinary wealth in his electronic declaration and because he was a top official at ex-President Viktor Yanukovich's administration.

— Oleg Sukhov



VOX
populi

WITH VICTORIA PETRENKO



What are your expectations for Ukraine in 2017? For you personally?



Malyk Inessa,
student

"I hope they will make better roads. It would be not bad to have visa-free regime... Maybe we will have

less corruption. It is extremely important, because now it is on every corner.



Ihor Petrenko,
guardian

"I expect improvements and changes in economic, political situation, and finally visa-

free regime. I wish everything good in my private life. Health and happiness. I wish to travel around Europe. I do not have account in PrivatBank, so nothing to worry about (laughs)".



Tetyana Babyuk,
librarian

"I expect peace. I hope that we will have positive changes, that young blood we have in parliament

will influence the situation. Most of all I wait for economic reforms, improvements in the social sphere... better infrastructure in cities in order that people could live more comfortably there. I expect an increase of social standards for those people who cannot earn a living: elderly, people with disabilities. I personally dream to travel."



Yaroslav Horban,
student

"I expect that Ukraine will finally receive visa-free regime. I hope very much, because my

friend lives in Poland and I want to visit him. For me personally - new possibilities, new impressions and maybe new hobbies will appear".



Ihor Smirnov,
student

"I wish happiness and wellbeing for Ukraine. It would be good if the war could finish. Visa-

free regime... well, I think we will obtain closer to 2020s years. I personally have everything I need."



Nataliya Holovata,
researcher

"I want peace in the country, health for everyone and more tolerance."

PrivatBank's disaster adds to taxpayer woes

PrivatBank from page 1

anything."

NBU officials, however, say that they will force Kolomoisky into a debt restructuring plan to repay debts — even though the central bank's had little success in doing this with other owners of failed banks.

Former PrivatBank officials deny that the bank was suffering from anything close to the Hr 148 billion (\$5.6 billion) cited by the NBU.

In a column published in Ukrainska Pravda, they argue that the NBU "changed the rules of the game" so that the vast majority of PrivatBank's collateral no longer covered the loans and to label a higher percentage of the bank's credit portfolio as insider lending than what reflected reality. The bank's former management also argued that the IMF had been fooled by an NBU that "manipulated data" out of a directed campaign to nationalize the bank.

The NBU is hiring an independent, foreign auditor to analyze the bank. The results, which are expected to be announced in coming months, will be posted online.

The nationalization of PrivatBank means that state-owned banks now control more than 50 percent of assets in the Ukrainian banking sector.

Birth of a bank

Kolomoisky founded the bank with business partner Gennadiy Boholyubov and former Economics Minister Sergiy Tigipko in 1992.

The bank initially started by servicing payments between Ukraine and Russia, but through an aggressive marketing strategy, it turned into the country's biggest private bank.

Ihor Olekhov, an attorney at Baker McKenzie's Kyiv office, said that the bank had been "very aggressive for the past 10 years in penetrating every corner of the market."

By 2016, PrivatBank grew to control one-third of all deposits in the

country, with 20 million depositors — roughly half of Ukraine's population.

But according to NBU statements, the bank's owners had used it for mass insider lending. Gontareva said at a Dec. 19 conference that 97 percent of PrivatBank's loan portfolio had gone to insiders — \$5.6 billion.

Big four auditor PwC also signed off on PrivatBank's books for years before this. The company did not reply to a request for comment.

The day following nationalization, the bank was teetering on the edge of collapse. Outgoing PrivatBank CEO Oleksandr Dubilet said at a Dec. 19 press conference in Dnipro that the bank was undergoing daily withdrawals of Hr 2 billion (\$76.1 million).

Later that day, the NBU provided PrivatBank with a refinancing loan of Hr 15 billion (\$570.8 million).

Kateryna Rozhkova, a deputy central bank governor, said that the loan left PrivatBank's core account with Hr 15.2 billion (\$578.4 million) — suggesting that the country's largest bank had Hr 200 million (\$7.6 million) before the government intervened.

To stop outflow of money, President Petro Poroshenko introduced legislation providing for state guarantees of deposits exceeding the existing Hr 200,000. After the law passed, PrivatBank reported about \$3.1 million new deposits.

Let's make a deal

Kolomoisky and the government have a July 1 deadline by which they must agree on how to restructure PrivatBank's insider loan portfolio.

"There are basically two key compromises," said Vavryshchuk. "First one is smooth transition, to state ownership and the second one is restructuring of all related party loans over the next six months."

Vavryshchuk added that the "new Privat management will be driving this process" of negotiating the restructuring. So far, former Finance Minister Oleksandr Shlapak has been

named as the bank's new CEO, while other positions on the bank's board are still being determined.

Former NBU official Savchenko said that a deal on the restructuring would likely be reached over the next month or so, but that Kolomoisky had "won" in getting the state to assume his debts.

If the government attempts to seize related-party PrivatBank collateral, it will likely only be seizing more debts, Savchenko argued.

"Nationalizing enterprises that PrivatBank used as collateral will probably mean nationalizing even more debt," he said.

International organizations have praised the takeover, with IMF managing director Christine Lagarde calling it "an important step...to safeguard financial stability."

Prosecution

PrivatBank sent signals of instability long before it was called insolvent.

On April 1, 2015, the bank had an Hr 113 billion (\$4.3 billion) deficit and needed recapitalization, Gontareva said at the briefing on Dec. 19.

As the bank continued to fail, Gontareva said, the deficit deepened to Hr 148 billion (\$5.6 billion) over the following 20 months.

According to Oleksandr Zavadetsky, former head of the NBU related party loan monitoring department, the NBU knew of the extent of the insider lending problem since at least December 2015.

As the deficit increased, the bank was refinanced with Hr 11 billion (\$420 million) by the NBU to support the bank's liquidity in 2014, with an overall amount of Hr 30.5 billion (\$1.1 billion). The Kyiv-based watchdog Anti-Corruption Action Center claimed that instead of stabilization, Hr 21 billion (\$1.8 billion) was withdrawn abroad through offshores, again taking out inside loans.

"In our opinion, there are signs of criminal offenses including fraud and embezzlement," Daria Kaleniuk, head of the Anti-Corruption Action

Center, said. "We can only guess how many similar cases are in this bank."

She adds that prospects of assets recovery from PrivatBank are "poor and deplorable." The General Prosecutor's Office and police were aware about the money laundering two years ago, but the investigation is still ongoing.

"It is one particular collapsing case — it plunges as Prosecutor General's Office delays it," Vitaliy Shabunin, head of the board of directors of the Anti-Corruption Action Center, told the Kyiv Post. The General Prosecutor's Office did not reply to a request for comment.

Shabunin said that taxpayers will pay twice for the state's failure to investigate bank robbery.

"We paid taxes, the state didn't do its job, but now we pay again for their inactivity," he said.

Kalenyuk added that asset recovery should be raised to the level of national security.

"Unfortunately, 88 banks went bankrupt in two years and neither the President nor the (prosecutors) nor the government had any desire to put this issue on the level of security and make it a priority," she said.

Privat24 online system

Although the Ministry of Finance owns a 100 percent stake in PrivatBank, the online banking system Privat24 might be out of state control. As of now, the system operates without restrictions.

"We won't have any full clarity about ownership of this IT system until we do legal due diligence on the bank," Vavryshchuk said about Privat24. "It's going to start very soon, and until we get a final report from the auditor we will be able to make a firm statement about who is the owner of the system."

Ex-head of e-business in PrivatBank Oleksandr Vityaz said in an interview to IT media Ain.ua that the system doesn't belong

more PrivatBank on page 11



World in Ukraine

Editor's Note: World in Ukraine takes a look at Ukraine's bilateral relations with different nations. To sponsor this news feature, please contact the Kyiv Post's sales team at advertising@kyivpost.com or call 591-7788.

In partnership with Globalink Logistics Group

Ukraine, Kazakhstan hope new corridor will lift trade

BY RAHIM RAHEMTULLA
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Trade between Ukraine and Kazakhstan is down in 2016 compared to previous years. But with a new rail-sea transport route connecting the two nations - and bypassing Russia - there is hope on both sides for improvement.

Trade between Ukraine and Kazakhstan stands at \$2 billion in 2016; in 2010 it was \$5 billion.

But there is a basis for growth, according to Kazakh Ambassador to Ukraine Samat Ordabayev.

"We've formed a solid legal framework with more than 100 agreements in practically all sectors of international relations," the ambassador said. "A series of projects with great potential are in the process, including the formation of transport corridors."

Russian ban

Among the reasons for the downturn is a Moscow ban on the transit of Ukrainian goods through Russian territory enroute to Kazakhstan.

The embargo came into force on Jan. 1, in retaliation for Ukraine's free trade agreement with the European Union. A similar ban on transit to Kyrgyzstan came into force in June. Both measures are set to run until the end of 2017.

All may not be as gloomy as it appears, although an improvement depends on Ukraine's ability to reinvigorate ties with the Russia-led Eurasian Economic Union.

"I think bilateral trade between Kazakhstan and Ukraine has good perspectives," Azimzhan Khitakhunov, a senior lecturer at the Almaty-based KIMP University, told the Kyiv Post. "But this depends on several factors such as economic recovery in Ukraine, recovery of bilateral trade and investment relations between Ukraine and the Eurasian Economic Union and, in particular, with Russia and Kazakhstan."

In spite of the downturn, Ukraine



The first test container train, moving along the Trans-Caspian International Transport Route from Ukraine to China on Jan. 15, 2015, in Odessa. (UNIAN)

was still one the top five importers to Kazakhstan in 2015, according to World Bank data. And Kazakhstan was Ukraine's third largest trade partner among the post-Soviet states and 15th largest overall in 2015, according to the Trade and Industry Chamber of Ukraine.

But for trade with Kazakhstan

to grow, political relations between Ukraine and Russia need to improve.

"As Kazakhstan and Ukraine don't have common borders, restrictions like the Russian transit ban reduce bilateral trade," said Khitakhunov. "Thus, normalization of trade relations requires normalization of political relations."

New route

To overcome its reliance on transporting goods through Russia, Ukraine has stepped up development of alternative trade corridors, one of which is the Trans-Caspian International Transport Route. Beginning from the Ukrainian port of Illichivsk, it runs via the Black Sea to Georgia and Azerbaijan before crossing the Caspian Sea into Kazakhstan before eventually ending up in China.

Although the Ukrainian government sent a test shipment along the route at the beginning of 2016, businesses don't rush to use the lengthy new trade route.

The reason is the high cost of such shipments. Viktor Dovgan, Ukraine's deputy minister for infrastructure, said in November that shipping one container along the route costs \$6,000, which is approximately 30 percent more expensive than other, better-established alternatives.

But the Ukrainian government isn't dropping the Trans-Caspian Route: Two ferries along route would be launched in 2017.

The new route will need a lot of effort by both Ukrainian and Kazakh governments in order to take off.

"To increase the trade between the countries, the governments need to coordinate the work of the transport corridor and see that there are no obstacles in transit," said Dinara Davlembaeva, marketing manager at Globalink Logistics Group, a freight-forwarding company that operates in Kazakhstan among other countries. "They must invest in the ports and other infrastructure, as well as improve

the cooperation on the level of regions."

Other nations have expressed interest in cooperating along the route, including Hungary, Turkey, and Poland. They hope it could turn into a major conduit for trade between Europe and Asia.

But Khitakhunov thinks this is unlikely.

"Kazakhstan is a landlocked country and interested in diversification of its transportation routes," he said. The Trans-Caspian Route "can be viewed as one of the alternative routes, but it cannot play a major role." The route may yet come in handy in connecting Ukraine and Kazakhstan while Russia's transit ban on Ukrainian goods remains place.

Kazakh authorities have also advised Ukraine to consider further alternatives, including shipping goods via a route which would go through Turkey, Iran, Turkmenistan and Uzbekistan. ■



Trans-Caspian Transportation Route map. (Courtesy)

Ukraine seeks to bolster ties with Kazakhstan in industrial sector

BY VERONIKA MELKOZEROVA
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Despite transportation hurdles and decreasing trade, Kazakhstan and Ukraine are interested in advancing cooperation in energy, metallurgy and machinery manufacturing.

Bilateral trade has decreased over the last three years, especially in 2016, when Russia banned the transit of Ukrainian goods through its territory. It doesn't help that Kazakhstan, with Russia and Belarus, is part of the Eurasian Economic Union, a trade union initiated by Russia as a response to the European Union.

The Ukrainian government has shown a lack of interest in Kazakhstan, according to Mykola Ilchenko, a political expert and consultant to Ukrainian parliament group of Ukraine-Kazakhstan relations. There has not been a Ukrainian ambassador to Kazakhstan in three years.

But recently the Ukrainian government made a step towards better industrial cooperation with Kazakhstan.

One of the most promising areas for cooperation is energy.

In September, Ukraine's Energy Minister Ihor Nasalyk signed a memorandum with Kazakh National Atomic Company Kazatomprom. The Kazakh company seeks to become



Hennadiy Chyzhykov, chairman of the Chamber of Commerce and Industry of Ukraine, (L) and Askar Arynov, director at the Kazakh national agency on export and investment "Kaznex Invest," are at a Ukraine-Kazakhstan business forum in Kyiv on Oct. 4. (Ukrainian Chamber of Commerce and Industry)

the supplier of fuel for Ukrainian nuclear power plants.

The agreement is in the early stages, though. The sides met in Kyiv and agreed to send representatives that will analyze the economic efficiency of the project.

Other industries where Ukraine and Kazakhstan are likely to cooperate are aerospace engineering, metallurgy, machinery building and pharmaceuticals, according to Hennadiy Chyzhykov, the chairman of the Chamber of Commerce and Industry of Ukraine.

"Kazakhstan has Baikonur spaceport, and Ukraine can build missile carriers. Kazakhstan has developed agriculture and Ukraine can supply farming machinery," said Chyzhykov.

Head of the Verkhovna Rada's group for Ukraine-Kazakhstan relations, lawmaker Ruslan Demchak is looking forward to the meeting with the Kazakh parliamentary delegation to Ukraine. Its visit, planned for late autumn, was delayed.

"We have all the conditions for developing trade relations between Ukraine and Kazakhstan and the political will of both states," Demchak said.

To promote the cooperation and connect the Kazakh and Ukrainian businesses, the two countries started holding annual business forums since 2015. The second forum took place in October in Kyiv. The next Ukrainian-Kazakh forum will take place in summer in Astana during the Expo-2017 international exposition.

Expo 2017

Last month the Ukrainian government approved the participation in the upcoming Expo-2017 exposition in the Kazakh capital of Astana from June 10 to Sept. 10. The coordination committee is led by Ukraine's Minister of Regional Development Hennady Zubko. The organization part is delegated to the Chamber of Commerce and Industry of Ukraine.

Ukraine had to skip Expo-2015 in Milan, Italy, due to political and economic calamities, but next year it plans to showcase itself in the best light.

"The theme of the Expo-2017 is future energy. This is a great opportunity for Ukraine to demonstrate its achievements, especially in renewable energy sources, build cooperation, and present Ukraine from a positive perspective," said Chyzhykov of the Chamber of Commerce and Industry of Ukraine. ■

Ukraine-Kazakhstan at a glance

Total area: 2.725 million square kilometers

Population: 18 million.

Government type: Republic

Head of state: Nursultan

Nazarbayev

GDP: \$184.4 billion (2015)

GDP per capita: \$10, 510 (2015)

Main economic sectors: oil, gas, metals

Ukraine- Kazakhstan relations

trade: \$2 billion

Exports from Ukraine to

Kazakhstan: Nuclear reactors, boiler machines, grain products, articles from ferrous metals, electrical machinery, furniture (2015)

Exports from Kazakhstan to

Ukraine: Mineral fuels; oil and products of its distillation, products of inorganic chemistry, salt; sulphur; earth and stone, ferrous metals, zinc (2015)

Kazakhstan foreign direct investment in Ukraine: \$162.2 million



A 2014 meeting in Kyiv

Ukrainian President Petro Poroshenko speaks with his Kazakh counterpart, Nursultan Nazarbayev, during their meeting in Kyiv on Dec. 22, 2014. Poroshenko returned the visit on Oct. 8-9, 2015, but no presidential visits took place in 2016 and none have been announced yet for 2017. (Mykola Lazarenko)

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Works painted by Ukrainian poet and artist Taras Shevchenko during his exile in Kazakhstan (from left): 1) "Barsa-Kelmes." 1848. Pencil and paper. 2) "Taras Shevchenko and Kazakh boy who is playing with a cat." 1856-57. Bristol paper and sepia. 3) "Kazakh Katya." 1856 - 1857. Paper and sepia. (Courtesy)

Ukraine, Kazakhstan co-produce movie about iconic Ukrainian poet

BY ANNA YAKUTENKO
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The life of Taras Shevchenko, the 19th century Ukrainian poet and

iconic figure in modern Ukraine, became the subject of many movies. But the one that is being co-produced now by Ukraine and Kazakhstan promises to be different from every

other one.

"Taras. Farewell to the Desert" is coming out in autumn. It pictures Shevchenko during his exile in Mangyshlak, a large peninsula in western Kazakhstan that borders on the Caspian Sea.

Shevchenko was arrested in 1847 for membership in the Brotherhood of Saints Cyril and Methodius, a secret political society that sought Ukraine's national rebirth and independence. Three years later, in 1850, Emperor Nicholas I of Russia sent the poet to Novopetrovskaya coastal fort in Kazakhstan for an obligatory military service. Shevchenko served seven years, and could only return to the empire's capital St. Petersburg after the emperor died.

According to the new film's director, Ukrainian Oleksandr Danylenko, the movie will show a fictional story that "might have happened to Shevchenko" during the last months of his seven-year exile.

Although Danylenko carefully studied Shevchenko's biography and documents of this period, the movie will not be a biopic, but rather the first Ukrainian "eastern" – an epic film with battle scenes and detective plot line.

"The film is built on the intrigue that the czar seems to pardon Shevchenko, but at the same time his secret police doesn't want to let Shevchenko out," Danylenko said. "The main conflict is the price that Shevchenko has to pay for his freedom."

Part of the film was already shot in Kazakhstan's Mangystau Region in September. Today, the filming goes on in Ukraine's Odesa Oblast.

The film is produced by a Ukrainian producer center Insight Media, Odessa Film Studio and Kazakhstan's Tanaris Production Film Company.

Danylenko said that the plot of the film was inspired by paintings and poems written by Shevchenko during his exile in Kazakhstan. Although Shevchenko was forbidden to paint or write in exile, the commanders



Ukrainian actor Bogdan Beniuk during the shooting of "Taras. Farewell To the Desert," a movie produced by Ukraine and Kazakhstan. (Courtesy)

in the Novopetrovskaya fort allowed him to sketch landscapes around the coast of the Aral Sea. Historians say that during his exile in Kazakhstan. Shevchenko painted more than 100 pictures and wrote most of his Russian-language novellas.

The movie takes place in the historical period when Russian Empire was seizing territories of Kazakhstan and Middle Asia, therefore "Shevchenko's ideas (about independence) were affecting the Kazakh people and other nationalities too," Danylenko said.

"Kazakh people call Taras 'akyn' – the voice of the people," Danylenko said, adding that Shevchenko was among the first artists who featured Kazakh people and their traditions in his paintings, and some of his works are exhibited in Astana even today.

"Taras is not a prophet, but a genius," Danylenko says. "He doesn't

play a poet. He doesn't recite poetry in every other scene. But I hope that I showed his soul."

Danylenko thinks that Shevchenko knew the Kazakh language. Otherwise, the director says, he wouldn't be permitted to visit some of the sacred places in Mangystau.

Shevchenko's connection to Kazakhstan showed in the fact that one of the first monuments to the poet was built in Kazakhstan. It was installed by the commander of Novopetrovskaya fortress in 1881, 20 years after the poet's death.

Ukrainian actor Borys Orlov plays Shevchenko. The movie also stars famous Soviet and Kazakh actor Nurzhuman Ikhtymbayev. The leading female character Katya, an inspiration for Shevchenko's painting "Kazakh Katya," is played by young actress Akniet Oryntai from Almaty. ■



Alie Duval

General Manager,
AGS UKRAINE



I would like to wish you a bright and promising New year 2017! May your celebrations be full of joy as you catch up with family and old friends, and make the new ones. Should you be planning a move in 2017, AGS Kyiv will be happy to assist and support you on your new journey. From our international family to yours, AGS Movers wishes you a warm and happy holiday season. I sincerely thank Kyiv Post for our long and successful partnership and looking forward to one more prosperous year.



Gleb Akchurin

General Director,
Rhenus Revival

We are glad to remain the constant partner of Kyiv Post edition during many years of cooperation. These Season's Greetings are also an expression of how much we have enjoyed working with all our business partners over the last year. Hope that upcoming 2017 will open for all of us new perspectives and potential possibilities, new alternatives for business and rapid growth. I would like to wish family health, happiness and success for everyone for the year to come.

Despite allegations, West stands by central bank

BY ISOBEL KOSHIW
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The publication of damaging recordings in November and a string of incomprehensible actions by the National Bank of Ukraine have lent credence to allegations of wrongdoing made by experts, politicians and former central bank employees.

The deputy head of the National Bank, Kateryna Rozhkova, is accused of allowing banks to launder money, illegally sell assets and steal state refinancing loans and depositors' money. She is also accused of using state funds to unjustifiably prop up banks connected to her personal business interests. The central bank governor, Valeria Gontareva, is accused of protecting Rozhkova.

Rozhkova and spokespeople for the NBU did not respond to requests for comment.

Meanwhile, Ukraine's Western partners continue to voice their support for Gontareva and the actions of the NBU and have not reacted to the accusations. The International Monetary Fund's representative office and the U.S. Embassy in Ukraine, who have been most vocal in their support, did not reply to requests for comment.

Emmanuel Mathias, senior financial sector expert at the IMF, told the Kyiv Post on the sidelines of an asset recovery conference this month that he had not heard about the allegations.

The NBU's "clean-up" of the banking system has been hailed as the hallmark of reforms conducted by Ukraine's leadership, with 83 out of 180 banks closed in the past two years.

But critics say that the wrongdoing lies not in closing banks, most of which were operating illegal schemes, but in how certain closures took place. In some cases, banks were receiving state refinancing despite stress tests indicating that they should have been closed over a year ago.

Rozhkova recordings

In undated recordings published online in November, a voice resembling that of Rozhkova can be heard discussing with the head of Platinum Bank Dmytro Zynkov (who formerly headed failed Nadra Bank, which owes \$1.5 billion to the NBU). The need to rescind the bank's problematic status so that the bank can continue to accept deposits.

Rozhkova admitted that the recordings are authentic in a Nov. 10 NBU statement. But she defended the conversations by saying that she talks to all the managers of Ukraine's banks as part of her job. She also called upon law enforcement agencies to investigate who was listening to her phone calls. She said that it had likely been carried out by those with vested interests in undermining the banking system.

Gontareva called the release of the recordings a "manipulation" and



Platinum Bank advertises high interest rates in a bid to attract Kyiv depositors on Dec. 16. The bank has had recapitalization problems this year, according to the National Bank of Ukraine. (Kostyantyn Chernichkin)

designed to "discredit" the bank in an interview with ICTV on Dec. 19.

The people in the recording also discuss disguising the real ownership of Platinum Bank. The person with the voice resembling that of Rozhkova says that the banks owners would not have to pay market interest rates for their insider loans, and saying she would make sure they got the refinancing for their "scheme operations," while approving the payment of Platinum Bank's employees from her office at the NBU.

Rozhkova headed Platinum Bank before joining the NBU in June 2015. She took up her current position in December 2015.

The voice resembling Rozhkova on the recordings can also be heard discussing with Natalie Dehtyareva, the director of the department of banking supervision, how to falsify information on Ukrainian banks scheduled to be given to the IMF. The recordings also appeared to show Rozhkova agreeing to lobby for VTB Bank, Bank Mykhailivskiy, and Fido Bank.

Oleksandr Zavadetskiy was the director of the department of registration and licenses at the NBU until he says he was unlawfully fired in mid-October for not signing documents relating to Platinum Bank. He told the Kyiv Post that the NBU declared Platinum problematic more than a year ago because it had some of the worst results from the stress tests, but that Rozhkova stepped in to help the bank.

Platinum is operating and continues to receive state refinancing. It is also currently advertising high interest rates to attract depositors. Zavadetskiy said that it is not clear where this money is going as Platinum's ownership is obscured by 11 nominal shareholders, in apparent violation of NBU regulations.

Masking 'corruption'

Zavadetskiy told the Kyiv Post that Rozhkova's misdeeds at the NBU are being "masked" by legitimate actions of Ukraine's central bank.

"They are doing the right things and simultaneously engaging in corruption," said Zavadetskiy. He says the lack of reaction from Ukraine's Western partners is surprising, but he attributes it to the fact these activities don't "cross the perimeter of cooperation of Ukraine with other countries" and are thus internal Ukrainian matters.

"In my view, in those matters that



Kateryna Rozhkova, National Bank of Ukraine deputy governor

intersect with the strategic interests of other countries, the NBU is fulfilling their role. So, other countries, the United States and the IMF, evidently aren't personally interested in the corrupt parts," said Zavadetskiy.

Gontareva, who has denied allegations of corruption over the NBU's failure to stop the management at now defunct Delta Bank and Bank Mykhailivskiy from siphoning off millions of dollars worth of refinancing abroad while under the central bank's supervision, has not questioned Rozhkova's actions.

"When the corruption of Rozhkova became public, lots of people hoped that there would be some sort of reaction from Gontareva.

But Gontareva is protecting her, so then you have to think why," said Zavadetskiy.

West closes its eyes

Zavadetskiy says that he believes Ukraine's Western partners are turning a blind eye to some of the activities, particularly the conflict of interests relating to members of the management, but in some cases they might unaware of what's going on. According to Zavadetskiy, the IMF did not write into their agreements with the NBU any rules relating to conflict of interests - the NBU is charged with applying these same rules elsewhere.

"The picture we see at Platinum Bank now was created by her," said Zavadetskiy. "It didn't happen after she came to the NBU, but when she was still the manager of Platinum Bank. That's her business model. Until then, she worked at FinBank, where there is exactly the same situation - just smaller. Accordingly, when she became the curator of the supervisory department (June-December, 2015), naturally she had a conflict of interests. How can she punish someone for the things that she has done herself?"

Black PR?

Gontareva has brushed off the allegations by calling them black PR, paid for by oligarchic groups who have either suffered from the banking cleanup or are seeking to bring about early elections by destabilizing the country's economy.

Serhiy Taruta is one of the oligarchs who has led the charge against Gontareva and rejects her accusations. He says that he is campaigning against Gontareva as part of his civic duty as a member of parliament.

Taruta is arguing for Gontareva to be fired and an independent council

to be created to elect a new central bank head. He says the key is for the NBU's head not to be a political appointment so that there is no conflict of interests.

Taruta has been criticized for some of his claims. At the IMF's October meeting in Washington, Taruta distributed a pamphlet titled "Gontareva: A threat to the economic security of Ukraine." Aside from detailing some of the corruption allegations above, the pamphlet presented Gontareva as the source of Ukraine's economic woes.

Vox Ukraine, an independent body of experts, analyzed Taruta's pamphlet and concluded that the data used was correct but it was a manipulation of the facts. Taruta defended his pamphlet to the Kyiv Post by saying it not demonstrate his conclusions but the conclusions of other independent experts.

"There should be no double standards, one standard for the United States and another for Ukraine," said Taruta, with reference to the U.S. central bank. Taruta told the Kyiv Post that the U.S. embassy "had been wrong" about disgraced President Viktor Yanukovych, and so they could be wrong about Gontareva.

While Taruta admits that some of the recent demonstrations outside of the NBU were paid for, he says he doesn't know by whom, and says that, unfortunately, the nature of Ukraine's political battles means that some political forces will always take advantage of a situation.

Lack of professionalism

Researchers at Ukraine's Anti-Corruption Action Center, a non-governmental organization, say that although most of the banks have been justifiably closed and groups with vested interests are taking revenge, the NBU's conduct relating to Bank Mykhailivskiy, Delta Bank, Platinum Bank, and others either indicate they lack professionalism - or that there is corruption.

"Lots of times, before the banks were closed, they siphoned off money out of the banks," said Tetiana Shevchuk of the Anti-Corruption Action Center.

According to Olga Veretilnyk, also of the Anti-Corruption Action Center, officials at the NBU manipulate the fact that much of the information isn't publicly available because of banking secrecy laws, and what is available is difficult for ordinary people to understand.

"If you take into account the fact that there were NBU supervisors who can see all the accounts, why didn't they react?" added Shevchuk.

"The NBU has different instruments, it's the same with introducing administration at the proper time - they have instruments to block the money, to stop money laundering. They are authorized to carry out monitoring and block strange and suspicious transactions. So those insider loans (used to siphon money off) - they could have blocked them, 100 percent." ■

Ukraine in danger of never recovering stolen billions

BY ISOBEL KOSHIW
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The \$14.5 billion in losses from Ukraine's banking sector in recent years have put a tremendous financial strain on Ukrainian taxpayers and their government.

The losses -- much of it attributable to bank fraud -- are divided into three parts: \$3 billion in state payouts to insured depositors, another \$3 billion in unpaid refinancing loans to the state and \$8.5 billion in losses to uninsured depositors.

But Ukraine's law enforcement and regulatory institutions are working at a snail's pace in trying to recover the losses. Consequently, the three-year legal statute of limitations on prosecuting money laundering and criminal bank fraud are likely expire without any criminal or civil action being taken.

The state has recovered a pittance -- about \$150 million, or 1 percent -- of the estimated losses.

Meanwhile, losses continue to mount. This month's nationalization of PrivatBank, which used to belong to billionaire Ihor Kolomoisky, is expected to cost taxpayers another \$6 billion or more before all is settled -- pushing the banking disaster's costs to more than \$20 billion.

A new state agency for asset recovery designed to coordinate activities will begin working in 2017.

But it's too little, too late for some cases.

"They all blame each other," said Daria Kaleniuk, director of the Anti-Corruption Action Center, a Kyiv-based nongovernmental organization. "The National Bank says it has given all its information to the Deposit Guarantee Fund and the General Prosecutor's Office and then they say they haven't got enough information."

The National Bank of Ukraine has not made public the conditions under which many refinancing loans were given, citing banking secrecy. The last refinancing loan the NBU provided was \$35 million in June

2015 to Finance and Credit Bank.

A whopping 3,200 criminal cases have been referred to prosecutors by the Deposit Guarantee Fund, tasked with liquidating the defunct banks.

Few civil lawsuits have been filed, even though they are considered to be a more effective way to get money and assets returned than waiting for prosecutors, who have filed few criminal cases thus far.

Aside from PrivatBank, whose losses will take time to unfold, the Kyiv Post has identified five defunct banks which stand out for the scale of their losses.

Among the five banks, the General Prosecutor's Office has arrested two former managers, one of whom is in pre-trial detention. Another suspect has been released on bail and 19 others have been charged, yet no one has been successfully prosecuted.

Delta owes \$1 billion

By far the biggest crime came from those who worked for Delta Bank, Volodymyr Hutsulyak, the Ukrainian prosecutor in charge of the case, told the Kyiv Post in December. Delta Bank was Ukraine's fourth largest lender until liquidation in 2015.

It owes almost \$1 billion to the state and depositors, some \$360 million of which was state refinancing that prosecutors allege was siphoned off to accounts in Latvia. The alleged theft of the refinancing is believed to have happened while the bank was being supervised by the central bank's curators in 2014.

Almost all of its depositors, 97 percent, have been repaid by the Deposit Guarantee Fund, again footed by taxpayers.

Hutsulyak said that, since being given the case in February, his team made great strides in their investigation. They learned how the money was transferred out and through which enterprises.

"Our team will issue assessment of those people at the National Bank who failed to monitor the state funds, those who did not act independently," said Hutsulyak, though he stressed no individuals at the central bank had yet been placed



The clients of collapsed Mikhailivsky Bank block central Khreshchatyk Street in Kyiv, demanding recovery of their assets on Dec. 21. (Volodymyr Petrov)

under suspicion.

Hutsulyak said he knew that Mykola Lagun, Delta Bank's owner, was responsible for the losses but they had yet to prove that he was directing the fraudulent activities. So far, neither Lagun or any of the bank's top management have been arrested and no money has been recovered through criminal prosecution, while only \$600,000 has been recovered through asset sales.

Finance and Credit owes \$440 million

Finance and Credit Bank was declared insolvent in September 2015, after the National Bank had lent it \$60 million. The Deposit Guarantee Fund has returned 93.7 percent of the depositors' money, or \$380 million.

The money was stolen through fictitious companies connected to the owners, according to Hutsulyak, who is also in charge of the investigations into Finance and Credit. He

said the General Prosecutor's Office has charged three suspects. One of whom, Oleksandr Demchenko, is detained awaiting trial, according to Hutsulyak. But the prosecution is having trouble pressing charges against the owner, Kostyantyn Zhevago, a millionaire and a member of parliament.

"Zhevago is the same story" as Delta, Hutsulyak said. "There is no evidence that he took the decision. We know that it was him. We are looking for the evidence to prove it."

Hutsulyak said that their aim is not just to hold them responsible but to return the money, which is now offshore.

"There's a long wait because there have been so many violations, the experts have a lot of work," Hutsulyak said. "We are waiting for the results."

No money has been recovered via prosecution. Approximately Hr 33 million (\$1.25 million) worth of assets have been sold by the Deposit Guarantee Fund.

Nadra owes \$1.5 billion

Exiled oligarch Dmytro Firtash's Nadra Bank received Hr 12 billion from the National Bank in 2008-2009, which equaled approximately \$1.5 billion back then.

Nadra was the only insolvent bank that had received refinancing without its owners having to provide any personal guarantees. National Bank's Head of Financial Risk Department Ihor Budnyk said at the Kyiv Post's Tiger Conference on Nov. 26 that it used to be normal for central bank to give such loans.

"It was provided based on collateral which was not worth 20 percent of what it claimed and there was no guarantee," Budnyk said. "We have Nadra and Firtash essentially on the balance sheet pledged to the National Bank but, unfortunately,

the value of the balance sheet is not even close to cover the loan amount... There was a guarantee with a company of Firtash but the previous management of the NBU let it expire back in 2010."

Budnyk also noted that many loans were acquired before Firtash wholly owned the bank.

So far, \$13 million has been recovered through asset sales.

VAB owes \$600 million

In November 2014, another big bank was declared insolvent and liquidated five months later after it failed to recapitalize -- VAB bank, then owned by agriculture oligarch Oleh Bakhmatyuk. So far, investigators have found that VAB gave out at least Hr 3.3 billion (\$125 million) worth of loans to the companies of Bakhmatyuk, his managers or business partners.

Bakhmatyuk is Hr 5.5 billion (\$210 million) in debt to the National Bank. The Deposit Guarantee Fund has paid 94 percent of Hr 10.4 billion (\$395 million) debt owed to the bank's clients.

The NBU won its court case against Bakhmatyuk and the court ordered his assets to be seized but the court executors squashed the decision without explanation in the last month, according to the NBU.

"In a dysfunctional judicial system, there always are some semi-legal techniques restricting the process. To predict the judgment of the court is virtually impossible," Budnyk said about the cases against Bakhmatyuk and Zhevago.

Kyiv Prosecutor's Office opened criminal proceedings against an unspecified number of VAB management and Bakhmatyuk, accusing them of large scale embezzlement on Dec. 12. Bakhmatyuk denies alle-



Clients stand in front of Khreshchatyk Bank after their accounts are frozen on April 5. (UNIAN)

Ukraine has recovered little of \$14.5 billion in banking sector losses

Losses from page 10

gations. He called them a PR campaign of the National Bank's Head Valeria Gontareva against his agricultural company Ukrlandfarming, Interfax reported.

No money has been recovered through prosecution, \$3.5 million has been recovered through asset

sales by the Deposit Guarantee Fund.

Khreshchatyk: \$109 million

Khreshchatyk Bank collapsed in April when the NBU requested the bank to recapitalize and the owners withdrew their assets, an investigation by Radio Liberty/Radio Free Europe found. A Deposit Guarantee Fund investigation further revealed

that 85 percent of the bonds issued by companies on Khreshchatyk bank accounts were not properly securitized and that the companies issued the bonds were affiliated with the bank.

Prior to its closure in February, Khreshchatyk Bank received from National Bank Hr 190 million (\$7.2 million) in refinancing which has yet



A woman with Delta Bank cards hanging on her neck as she attends a rally of depositors of collapsed banks in front of parliament on Nov. 15. (Volodymyr Petrov)

to be returned. To date, the Deposit Guarantee Fund, and therefore Ukraine's taxpayers, has paid back 97 percent or Hr 2.7 billion (\$102 million) of the Hr 2.8 billion (\$106 million) owed to Khreshchatyk's clients.

In July, Kyiv Prosecutor's Office said that money laundering conducted by Khreshchatyk managers totaled Hr 81 million (\$3.1 million) between 2010-2014 and that they had seized real estate and land connected to 16 of the Kyiv branch managers.

Most of Khreshchatyk's clients were based in Kyiv. Kyiv City Administration entities owned 25 percent of the bank, and Kyiv's poverty-stricken citizens were among Khreshchatyk's clients.

Charitable funds are also not prioritized under Ukrainian law, they are in the same class as companies. The Bohdan Hawrylyshyn Charitable Foundation, founded by Ukrainian economist and philanthropist, was forced to freeze all projects as it lost Hr 44 million when Khreshchatyk collapsed.

"We are beyond these laws," the chairman Anatoliy Dyachenko said.

No money has been recovered through prosecution or asset sales.

Mykhailivskiy: \$38 million

The fraud committed at Bank Mykhailivskiy was exceptional. Depositors banked their money for an annual interest rate of 25 percent, but the deposits went to an associated foundation and, therefore, weren't insured by the Deposit Guarantee Fund.

Rather they were insured by Forte, a company owned by the bank's alleged owner, Viktor Polishchuk. The depositors' money was used to finance business interests connected to Polishchuk, according to the bank.

Mykhailivskiy's finances led the central bank to impose restrictions and declare it problematic in December 2015. The restrictions were inexplicably lifted in March, allowing the bank to be emptied. A law passed in November made the deposits registered with non-bank institutions covered by the Deposit Guarantee Fund. It means that the Mykhailivskiy Bank's depositors will be repaid Hr 1 billion (\$38 million).

The NBU also approved a change in the bank's ownership structure with Polishchuk selling his shares to nominal directors. The board's chairman, Ihor Doroshenko, resigned and joined Platinum Bank, formerly headed by Kateryna Rozhkova, who is a deputy head of the central bank who oversaw the lifting of the restrictions on Mykhailivskiy.

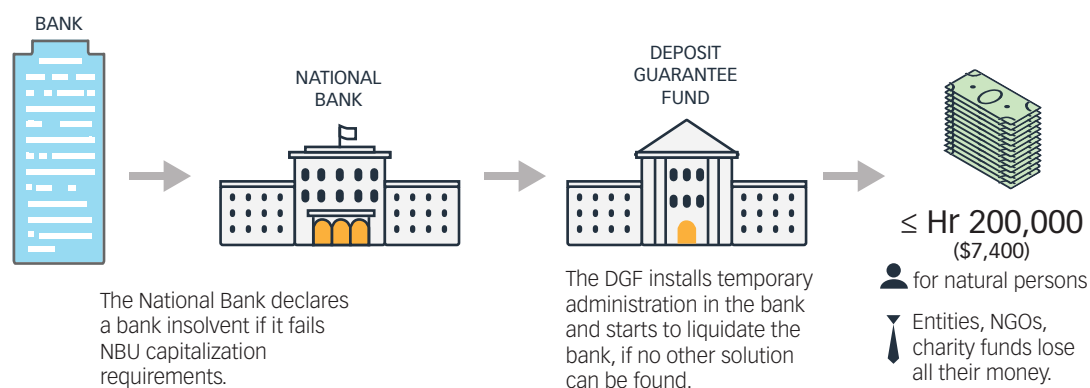
Doroshenko was arrested in September for stealing Hr 870 million (\$33 million), triggering the bankruptcy. He faces up to five years in prison. In December, Doroshenko was released on bail. He denies the bank did anything wrong.

The Kyiv Post was unable to contact anyone working on the case directly.

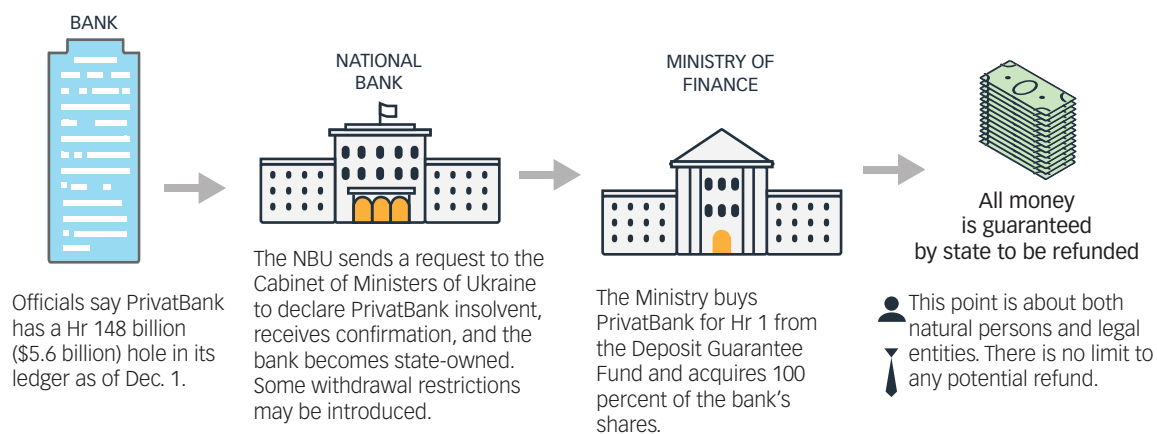
Olga Veretilnyk of the Anti-Corruption Action Center said that the central bank approved the change in ownership structure, which is a huge obstacle to recovering the funds as nothing proves that Polishchuk owned Mykhailivskiy when the money was stolen.

She also said that it was peculiar that the prosecutors had seized Polishchuk's Gulliver shopping center, where the businessman had already divested his shares and had not seized a logistics terminal he openly owns near Kyiv. No money has been recovered through prosecution or asset sales. ■

WHAT HAPPENS WHEN A BANK IS DECLARED INSOLVENT?



WHAT HAPPENS WHEN A BANK IS NATIONALIZED?



PrivatBank's \$5.6 billion deficit amounts to 19 percent of Ukraine's \$30 billion national budget in 2017.

Ukrainians are, unfortunately, becoming well-versed in what happens when banks go bust. The National Bank of Ukraine has declared nearly half of the nation's 183 banks insolvent 2014, most imploding because of insider bank fraud and economic recession. The nation's losses from the debacle of unregulated banking are expected to top \$20 billion after the nationalization of PrivatBank.

State-owned banks in Ukraine lose money

PrivatBank from page 1

to PrivatBank. All the processes inside the system run on a platform called Corezoid, which belongs to an American company apparently funded and set up by PrivatBank employees in 2013. Vityaz said that the processes PrivatBank uses belong to the bank, but that the system itself belongs to Corezoid.

Corezoid, with a Silicon valley office, is owned by the Delaware-registered Middleware Inc. That company's real owner could not be determined.

Gontareva suggested the use of other online platforms, adding that there is no difference between them.

The ex-COO of Lviv IT company Anna Golovchenko disagreed, saying that her company changed from OTP bank to PrivatBank because of the service, calling it "one of the best online systems in the world."

Clients can use the system to open deposit accounts, get bank statements in three languages, submit a tax declaration, and pay bills – all "with one click." "No need to go anywhere – all transactions are conducted online," she said.

Future sale?

The plan is to bring in an international management firm after the audit. That company will work to turn PrivatBank into a commercially viable business, open for sale to a foreign investor.

Gontareva estimated that this could take three years.

Tymofiy Mylovanov, co-founder of VoxUkraine and NBU council member, said that preparing the bank for sale would require "much work," but that it would have a long-term "positive effect on the market."

"It is a politically difficult decision, it is unpopular, but it is necessary,"

Mylovanov said about the takeover. "That they are willing to resolve the problem in fact gives me a bit of hope that we are being governed by the people who can make tough decisions."

Anastasia Tuyukova, an analyst at Dragon Capital, said the main risk for reselling is "inefficiency."

"They could lose market share, then finally when they decide to privatize, there will be nothing to sell," she said.

Savchenko said he expected the bank to become a second Oschadbank – state-owned and huge, but hemorrhaging several

hundreds of millions dollars a year.

"All our state banks generate losses," Savchenko said. "Privat will generate losses of up to 30 – 50 billion (\$1.1 – 1.9 billion) each year."

But if a foreign team takes over the bank, he added, the outcome could be better.

Vavryshchuk, the NBU official, said that it would take "at least a couple of years to normalize the function of the bank and to redefine its business model and then get everything prepared for the bank sale."

"It's not going to happen faster," he added. ■

Grigorishin laments Ukraine remains in grip of oligarchy

A self-styled visionary, long part of the oligarch club, claims to not be one himself. In fact, he said he has the answers to ending the oligarchy and solving Ukraine's problems.

Story At A Glance

Konstantin Grigorishin's opponents say he is an oligarch since he wields influence due to his links to President Petro Poroshenko, officials, political parties and media – a claim denied by Grigorishin. He is believed to be close to reformist lawmaker Sergii Leshchenko and Ukrainska Pravda, an online newspaper.

He used to be a partner of ex-Prime Minister Pavlo Lazarenko, ex-President Leonid Kuchma's Chief of Staff Viktor Medvedchuk, the Surkis brothers, as well as an ally of presidents Viktor Yushchenko and Petro Poroshenko. Yet he has fallen out with most of them and gained the reputation of a straight shooter, publicly lashing out at corruption in the inner circles of Kuchma, Yushchenko and Poroshenko.

Grigorishin claims to be a visionary who has a grand plan on how to jump-start the Ukrainian economy and vehemently denies the label "oligarch." He argues that oligarchs have bled the country dry and says that Ukraine should get rid of its corrupt political system and modernize its economy.

Like his fellow oligarch Vadim Novinsky, Grigorishin used to be a Russian citizen and has lived much of his life in Russia, which makes him vulnerable to accusations of Kremlin links amid Russian dictator Vladimir Putin's war against Ukraine. Grigorishin denies such links.

Despite his support for liberal politicians, Grigorishin also used to finance the Communist Party and cherishes a nostalgia for the Soviet Union.

Konstantin Grigorishin

Date of birth: Nov. 16, 1965.

Place of birth: Zaporizhzhia.

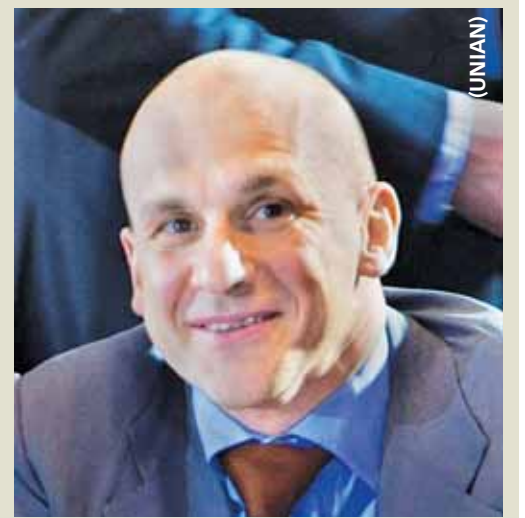
Wealth: According to the Forbes magazine, Grigorishin's net worth amounted to \$950 million in 2016. He ranked sixth among Ukrainian businessmen with \$920 million in 2015, according to the Focus magazine.

Key assets: regional power supply firms, turbine producer Turboatom, engineering company NPZ imeni Frunze.

Personal: Married to Oksana Grigorishina, has a son and a daughter.

Praised for: Being outspoken, exposing top-level corruption.

Criticized for: Alleged links to Russia, allegedly getting privileges from the government, including transformer supply contracts, ties to controversial officials.



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BY OLEG SUKHOV
SUKHOV@KYIVPOST.COM

The biography of Konstantin Grigorishin is intriguing: an influential businessman born in Soviet Ukraine who has done business in his homeland mostly as a Russian citizen until obtaining a Ukrainian passport this year.

For two decades, he's held sway at the center of Ukraine's oligarch club, rubbing shoulders with the country's onerous elite.

Court documents show Grigorishin was involved in setting up offshore bank accounts for convicted embezzler and ex-Prime Minister Pavlo Lazarenko, who served a three-year prison sentence in America.

Later, Grigorishin was arrested on alleged cocaine possession charges after a bitter falling out with partners led by former presidential chief of staff Viktor Medvedchuk, who boasts Vladimir Putin as a godfather to his child.

Most recently, Grigorishin has been close – yet also in conflict – with current Ukrainian President Petro Poroshenko.

He has admitted to financing Ukraine's Communist Party while still being a Russian citizen.

Grigorishin's office is not far from

And yet, in a rare interview granted to the Kyiv Post, this at times outspoken tycoon insisted he is no oligarch.

The bald yet muscular man who appears to regularly pump iron and looks more like an athlete casts himself in tone and content of speech more like an intellectual.

The 51-year-old who has a degree in engineering physics from an elite Moscow university switches from juggling mathematical business calculations to reading books on astronomy and cosmology.

When talking about Ukraine's economic goals, he said the gross domestic product should be \$300 billion in 20 years. Then he calculated on a piece of paper that the economy should grow 6 percent annually to reach this figure.

The soft-spoken and mysterious oligarch has a sarcastic manner of speaking and a skeptical attitude: he often joked and smiled ironically. When thinking of something, he stared into empty space or glanced out the window.

Grigorishin's office is not far from

yiv Pechersk Lavra – a stronghold of the Russian Orthodox Church. It is rather simple and ascetic, contrasting with the lavish, luxurious premises of other oligarchs.

Having jetsetted for decades between Moscow, Kyiv, destinations in Europe and elsewhere, he has picked up English. He portrays himself more like a visionary who not only has a unique bird's eye view of how the oligarchy has bled Ukraine dry, but knows how to get rid of the corrupt political system and modernize the country's economy.

"The state is a tool for" oligarchs, Grigorishin said in an interview with the Kyiv Post. "They don't create anything."

He argued that the way out of Ukraine's dire economic situation is eliminating rent-seeking and investing in infrastructure, including energy infrastructure, and in alternative energy.

Grigorishin is believed to have been a key source in publicly revealing oligarchic corruption, especially for journalists, including those from Ukrainska Pravda, the popular news website that critics say has close ties to the businessman.

Yet his opponents say he is an oligarch who not only wields influence but profits through lucrative business dealings involving political patronage due to his links to Poroshenko, past Ukrainian leaders, political parties and media. It's a claim steadfastly denied by Grigorishin. His opponents say he has profited from his political clout, getting lucrative contracts.

Some critics, including People's Front lawmaker Anton Gerashchenko, have even claimed Grigorishin was an agent of Russian influence, pointing to his life in Russia and his electricity supplies to Luhansk-based separatists to uphold their claim.

Who is Grigorishin?

Grigorishin has built a vast energy empire by using his connections with government officials and now controls a network of regional power transmission companies and

Zaporizhtransformator, which supplies the power industry with transformers, critics argue.

According to the Forbes magazine, Grigorishin's net worth amounted to \$950 million in 2016. He ranked sixth among Ukrainian businessmen with \$920 million in 2015, according to Focus magazine.

Like his fellow oligarch Vadim Novinsky, Grigorishin used to be a Russian citizen and has lived much of his life in Russia, which makes him vulnerable to accusations of Kremlin links amid Russian dictator Vladimir Putin's war against Ukraine. Grigorishin denies such accusations.

Russia apparently had an impact on his eclectic ideas: while supporting liberal politicians, he also cherishes a nostalgia for the Soviet Union.

Born in 1965 in the southeastern Ukrainian city of Zaporizhia, Grigorishin moved to then Soviet Russia in 1982. There he graduated from the Moscow Physics and Technology Institute.

He started as a trader in metals, agricultural products and oil products in Russia in the 1990s.

Grigorishin ventured back to Ukraine in 1995 during the crony capitalist and chaotic period that followed the collapse of the Soviet Union. He forged a partnership with Petro Kiritchenko, an associate of then Prime Minister Pavlo Lazarenko, who reportedly provided political protection to both of them. Grigorishin teamed up with Kiritchenko to take part in the shady and obscure privatization of regional power companies back then. Kiritchenko filed a \$300 million lawsuit against Grigorishin in 2013 for allegedly defrauding him.

Lazarenko was later sentenced to nine years by U.S. authorities for fraud, corruption and money laundering, but spent only 1999 to 2002 in prison. He is currently in legal limbo in America and fighting Ukraine's attempts to seize his money. He is also wanted on embezzlement charges in Ukraine.

After Lazarenko's downfall, Grigorishin – whose name is men-





Then Prime Minister Pavlo Lazarenko, then President Leonid Kuchma and then Verkhovna Rada Speaker Oleksandr Moroz in Kyiv in 1997. Konstantin Grigorishin used to be a partner of Lazarenko and Kuchma allies - the Surkis brothers and Viktor Medvedchuk. But he has also criticized the corruption of Kuchma's inner circle. (UNIAN)

Grigorishin, Lazarenko did business in 1990s

tioned in U.S. court documents as part of the trial – appears to have sought political patronage for doing business in Ukraine with the likes of the notorious Surkis brothers and Viktor Medvedchuk, powerful allies of then-President Leonid Kuchma who also provided political protection to businesses. At the time, one of the grouping's major business operations was controlling regional electricity distribution.

But in 2002 they fell out, and Grigorishin accused them of extorting his electric power assets and of being behind his arrest at that time on charges of illegal weapons and cocaine possession.

After Grigorishin was released a week later, he moved back to Russia. Grigorishin said Medvedchuk had apologized to him since then, and now they are on better terms.

Under Kuchma, Grigorishin first acquired his reputation of an outspoken straight shooter and was one of the first oligarchs to come out and reveal the extent of corruption and extortion by Ukraine's rulers.

After moving to Russia, Grigorishin did not take his eyes off his native

Ukraine. He soon forged another influential local ally – Poroshenko.

In Poroshenko's shadow

Grigorishin supported the 2004 Orange Revolution, in which Poroshenko played a major role as a key leader of the party of Viktor Yushchenko, who became president after pro-Western protests overturned a rigged election in favor of his rival, Viktor Yanukovich.

But subsequently Grigorishin fell out with Yushchenko and criticized the corruption of his inner circle. After this, the Security Service of Ukraine even banned him from entering Ukraine in 2008, accusing him of raiding energy companies.

Grigorishin has business ties with Poroshenko dating back to at least 2005.

Grigorishin and Poroshenko co-own Kyiv, a company that leases a 6.4 hectare land plot near the Kyiv Pechersk Lavra monastery, while the office of Grigorishin's Energy Standard group is located in the

same building and on the same property as that of International Investment Bank, co-owned by Poroshenko and close business-political partner Ihor Kononenko.

Poroshenko and Grigorishin also used to co-own the Sevastopol Sea Plant, a shipyard, until 2010. In 2005 they unsuccessfully tried to buy Inter, a television channel, from businessman Igor Pluzhnikov.

Meanwhile, tycoon Ihor Kolomoisky testified in a London court in 2007 that Grigorishin had donated \$12 million to Poroshenko, then an opposition politician, under Kuchma.

Though Grigorishin still regularly meets Poroshenko, their relations have apparently become more strained recently. His criticism of top-level corruption, as well as his meetings with anti-corruption crusader and lawmaker Sergii Leshchenko, who has become a harsh critic of the president, and his conflicts with Poroshenko allies Borys Lozhkin and Ihor Kononenko could have affected his relations with Poroshenko.

A classical oligarch?

Grigorishin has been accused of profiteering due to his ties to Poroshenko.

"The fact that Grigorishin has more opportunities than other businesspeople is obvious," political analyst Taras Berezovets told the Kyiv Post. "He was trying to influence the Presidential Administration's policy and obtained privileges... And he's pursuing an aggressive business model."

Lawmaker Anton Gerashchenko agreed, saying that Grigorishin is a "classical oligarch who uses power for earning money and influence."



OLIGARCH WATCH



Residents of Luhansk visit a pro-Russian rally on April 12, 2014. Konstantin Grigorishin's Luhansk Energy Association supplies power to Russian-occupied parts of Luhansk Oblast. (Anastasia Vlasova)



Andriy Stelmashchuk

Managing Partner,
Vasil Kisel & Partners

In Vasil Kisel & Partners, we believe that sharing values of trust, transparency and dignity with our customers and partners is fundamental for doing business in Ukraine. By supporting Kyiv Post we trust professionals and we are grateful to the editorial for being first in delivering truth about Ukraine abroad. Just keep on doing what you are doing perfectly well! Season's greetings!

Burak Pehlivan

Chairman of the International Turkish
Ukrainian Business Association
(TUID)



The Kyiv Post has been a prominent stronghold of free and independent journalism over the last 21 years in Ukraine and recent developments only have made the role of the Kyiv Post more important. In 2017, the support of the International business community, which we are a part of it, should be continued even with stronger pace. Happy New Year, We wish to Ukraine and the Kyiv Post very successful year. They deserve it.



Josef Graf

Managing Director,
Porsche Ukraine

The Kyiv Post is one of only a few independent voices on the Ukrainian media market, and we attribute it's audience being a part of intelligence elite of the country, Ukrainian diaspora abroad and international observers. We feel inspired by the engagement and ambition of the KP team, and therefore appreciate very much having a chance to support their activities. We wish a merry Christmas and a happy new year to all the fellows in KP, and to every single reader around the globe.

Vadim Sidoruk

CEO,
DHL Express Ukraine



I have been personally relying on the Kyiv Post from the very first issues. As one of the key tasks of the media is about educating people we all depend on the professionalism of journalists and their ability to provide unbiased information. And the Kyiv Post has never failed my expectations. The role of media in generating a democratic culture is vital so is the support of independent media. I am happy that DHL could support Kyiv Post as a representative of independent media in 2016!



Burak Ersoy

CEO,
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We are proud to cooperate with Kyiv Post editorial office as a highly professional periodical for the wide and demanding business community in Ukraine. The year 2016 became extraordinary, prolific, inspiring and at the same time challenging for lifecell. We did our best for the dynamic deployment of 3G+ network, launch of innovative tariffs, ambitious rebranding of stores and many other prominent projects, which the company can be proud of together with our partners and supporters. I hope that 2017 holds success and good fortune in any endeavour we pursue not only for us, but also for of the great future of this powerful and beautiful country.

Grigorishin derives wealth from supplying electricity

Grigorishin from page 13

After Poroshenko became president, Grigorishin increased his influence on the energy industry.

Grigorishin has stakes in many power supply companies. Specifically, he controls Luhansk Energy Association and Vinnytsiaoblenergo and holds 50 percent stakes in Poltavaoblenergo, Chernihivoblenergo and Sumyoblenergo. He also co-owns Cherkasyoblenergo and turbine producer Turboatom and controls Sumy-based NPO imeni Frunze, an engineering company.

In late 2014 Yuriy Kasich, a former executive at one of Grigorishin's companies, was appointed as CEO of state power transmission company Ukrenergo, while Volodymyr Demchyshyn, who was seen as close to Grigorishin, became energy minister. In October 2015, Kasich was replaced with Vsevolod Kovalchuk, who is also a former executive at one of Grigorishin's firms.

Grigorishin has admitted that he had recommended the appointment of Kasich and Deputy Energy Minister Oleksandr Svetelik. He has also praised Demchyshyn and said that the minister "listens" to his



An engineer installs equipment at Konstantin Grigorishin's Zaporizhtransformator plant in the city of Zaporizhzhia on Nov. 28, 2006. Grigorishin has been accused of using his political influence to get a contract to supply Zaporizhtransformator transformers to state power company Ukrenergo at inflated prices in 2015. (Ukrinform)

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opinion.

In 2015 several people linked to Grigorishin were appointed to the National Commission for Energy and Utilities Regulation.

Grigorishin's critics say that his increased clout in the energy industry allowed his Zaporizhtransformator company to get a contract to supply transformers to Ukrenergo in 2015.

Ukrenergo said then that it planned to buy transformers for over Hr 500 million from Zaporizhtransformator. But the company's transformers were 72.6 percent more expensive than those of German engineering company Siemens, which triggered accusations of corruption.

Grigorishin denied the accusations. "I'm a businessman," he told the Kyiv Post. "If I know I can sell equipment at a higher price, I won't sell it cheaper."

He also argued that the comparison with Siemens was inaccurate because transformers of different sizes, models and forms have different prices.

"It's hard to argue with people like that," he said. "I talk about higher mathematics, and they don't know the multiplication table. That's why they start spitting and saying that I'm a Kremlin spy, thief and corrupt person."

A transforming contract

Subsequently the plans for buying Grigorishin's transformers were cancelled under public pressure, though in February Zaporizhtransformator won another Ukrenergo supply contract.

Ukrenergo's management was accused of canceling prepayments for transformers to the future winner of the tender — a condition that would benefit Grigorishin because his foreign competitors would not like to risk participating due to exchange rate fluctuations.

In January, Interior Minister Arsen Avakov and then-Prime Minister Arseniy Yatsenyuk accused Demchyshyn and Ukrenergo of protecting Grigorishin's interests, with Yatsenyuk disparagingly calling his opponent a "demi-oligarch."

Avakov said in late 2015 that there was a criminal case against Ukrenergo's management linked to Grigorishin. However, the Prosecutor

General's Office said it was investigating top executives of Ukrenergo on suspicion of abusing their power under Yanukovich, when Grigorishin had no influence on the company.

Andriy Gerus, a former member of the energy regulator and long-time critic of Grigorishin, said then, however, that Zaporizhtransformator had gotten the contract honestly and offered record low prices due to public pressure.

But Gerus accused Zaporizhtransformator of minimizing tax payments by keeping its export prices low and transferring Hr 15.6 billion abroad. The money was transferred to Russia and Austria, he claimed.



Konstantin Grigorishin and his fellow Russian citizen, oligarch and lawmaker Vadim Novinsky speaking at a business forum in Kyiv on Sept. 15, 2010. (PHL)



Grigory Surkis, president of Kyiv's Dynamo soccer club and a business partner of Konstantin Grigorishin, at a Dynamo rally in Kyiv on March 15, 2005. Surkis and his brother Ihor have fallen out with Grigorishin, who has accused him of seizing his assets and organizing his arrest in 2002 on charges of arms possession. (UNIAN)

Grigorishin denies tax-evasion charges, once backed Communist Party

In January the State Fiscal Service also said that it was investigating a tax evasion case against Grigorishin's NPO imeni Frunze.

Gerashchenko has accused the company of evading taxes by transferring \$70 million to offshore firms and exporting products at below-market prices, which he claimed caused losses worth \$120 million to the company.

Grigorishin denies the accusations.

Kyiv Post, Grigorishin dismissed the uprising that ousted Yanukovich as a "children's revolution" similar to the one in William Golding's 'Lord of the Flies'."

He argued that both Russia and Ukraine had failed to evolve since the collapse of the Soviet Union in 1991. The only difference is that Ukrainians do not have a "father figure" similar to Russian President Vladimir Putin, Grigorishin said.

Russian love

In 2015, Russian authorities opened a criminal case against Grigorishin, accusing him of evading taxes worth 675 million rubles, which he denies. As a result, he had to permanently move back to Ukraine.

Grigorishin told the Kyiv Post, however, that the case was a result of a business conflict rather than a political one.

In April, a Russian court issued an arrest warrant for Grigorishin in absentia, and after that Grigorishin got Ukrainian citizenship.

Despite the Russian criminal case, Grigorishin has faced accusations of being tied to the Kremlin, given the long period when he has lived and prospered in Russia as a businessman. He told the Kyiv Post that he liked Moscow more than Kyiv because "there are fewer interesting people to talk to here."

Gerashchenko argued that the Russian criminal case against him was allegedly a ploy to help Grigorishin build his argument in Kyiv to be granted Ukrainian citizenship.

The speculation on Grigorishin's ties to Russia was also prompted by his help in negotiating a deal on importing coal and electricity from

Russia in 2014. The agreement was controversial in that the contracts recognized recently occupied Crimea as part of the Russian Federation.

Luhansk scandal

Grigorishin's Luhansk Energy Association, a power supply firm, has been accused of having good relations with Luhansk-based Kremlin-backed separatists and paying taxes to them, which the company vehemently denies.

"Everyone, including the country's leadership, is linked to separatists," Denys Kazansky, a top political blogger from Donetsk, told the Kyiv Post. "...The whole system is based on cooperating with the people we are fighting."

Talking about Grigorishin, he argued that everyone "who operates there makes payments to (separatists) because otherwise it's impossible (to work)."

Oleksiy Svetikov, a pro-Ukrainian activist from the city of Severodonetsk in Luhansk Oblast, shares this sentiment.

"There is a hybrid war launched by Russia against Ukraine, and Russian-owned companies are operating in Luhansk Oblast," Svetikov said, referring to Grigorishin's firm.

He also argued that Luhansk Energy Association was effectively subsidizing Kremlin-backed separatists by supplying power to them free of charge. Moreover, electricity prices set for Ukrainian-controlled areas are double the prices for separatist areas, which means they are getting power at the cost of Ukrainian consumers, he added.

Consumers in Russian-occupied areas keep paying for power but the funds are not transferred to Ukrainian-controlled territories. Luhansk-based militants have argued

more Grigorishin on page 16



Dincer Sayici

Country Manager,
Turkish Airlines

On behalf of Turkish Airlines, I am honored to congratulate you on upcoming holidays and wish you everything the best in 2017!

The New Year is about new heights and new achievements, new experiences and new acquaintances. Wishing the Kyiv Post newspaper a successful completion of the year, celebrating great number of good projects and good results. May the next year bring you peace and new business horizons.

The Kyiv Post and Turkish Airlines business partnership has resulted in numerous successful projects for our companies and I would like to thank you for your cooperation. We are sure that our cooperation will lead to the mutual benefits in a long term.

It has been an honor and a pleasure to work with you this year. May the next year be even better for both our companies! We wish you the best of holidays and a growing 2017!

Martin Schumacher

Managing Director,
METRO Cash & Carry Ukraine Ltd.



I would like to thank all the colleagues and staff of the Kyiv Post for their hard work and dedication while implementing our common projects.

We hope that the next year will bring us peace, success and prosperity.

I wish all of us to have a courage to fight for our dreams and let all your wishes come true.



Alexander Minin

Managing Partner,
KM Partners

As 2016 comes to an end, it's a time for reflection and rest. We appreciate the opportunity to cooperate with the only one trusted English-language source in Ukraine – the Kyiv Post. I want to wish you all the best for yourselves and your families at this time of festivities.

Jaroslawa Johnson

President & CEO,
Western NIS Enterprise Fund



Ukraine's progress in 2016, though not without fault, has been a confident step forward. The economy is showing welcome signs of recovery, urgent reforms are being implemented, and Ukraine is on its way to stabilization and sustainable growth.

In the light of the ongoing information war and Russian propaganda, it is essential to receive quality news from reliable sources, such as the Kyiv Post, the trustworthy newspaper both for the local and international audience. Wishing its team and all the readers inspiration and strength in 2017. Let us all be true change agents – together we can make Ukraine a prosperous country, the pride of its citizens!



Anna Derevyanko

CEO,
European Business Association

We, the whole business community of the European Business Association, believe that an accurate, impartial and free press is a vital component of a working democracy which holds the authorities to account and shines a light on their impact on society. Never has our young and changing country needed independent journalism more. We need to cultivate a vibrant, powerful, and resilient independent journalistic ecosystem. There is tremendous work to do. And I am sure we can do it together. Here's wishing you good luck, courage and integrity.



OLIGARCH WATCH

Under Yanukovich

With Yanukovich, who became president in 2010, Grigorishin had less cordial relations. He was seldom seen in Ukraine during that period but has backed the strongly pro-Russian Communist Party of Ukraine during this period – supposedly to gain some political leverage.

Grigorishin is mentioned in the off-the-book payment ledgers allegedly of Yanukovich's Party of Regions. In an entry whose meaning is not entirely clear, Vitaly Kalyuzhny, then a lawmaker from the party, got \$10,000 for "expenses on admission dated Nov. 2, 2009 Grigorishin K.I." on Nov. 9, 2009.

Grigorishin denied having anything to do with the Party of Regions' accounting.

"I'm not acquainted with Kalyuzhny," he said. "Even if I had some financial dealings with officials, they were not on the scale of \$10,000... If they had written '\$10 million,' maybe I would start doubting."

Grigorishin's influence rose after Yanukovich fled Ukraine during the 2013-2014 EuroMaidan Revolution and Poroshenko was subsequently elected as president in May 2014.

However, in the interview with the



Kremlin-backed separatist leaders Alexander Zakharchenko (R) and Igor Plotnitsky at a press conference on Feb. 2, 2015. Konstantin Grigorishin's Luhansk Energy Association supplies power to Kremlin-controlled areas of Luhansk Oblast. (AFP)

Grigorishin's power companies supply Kremlin-controlled east

Grigorishin from page 15

that it is technically and legally impossible.

Luhansk Energy Association has also come under fire for failing to move its registration from Russian-occupied Luhansk to Ukrainian-controlled areas, and the company argues there are no legal grounds for that. Another accusation is that the supplies to separatist areas are reliable, while those to Ukrainian-held areas are regularly halted.

Apparently addressing these concerns, Luhansk Energy Association said in September it was planning to stop power supplies to Russian-occupied territories once it builds a supply line that would make Ukrainian consumers independent from the electricity system in the occupied territories. But currently the supplies continue.

Moreover, in July, Kremlin-backed separatists set up their own firm to collect payments for Luhansk Energy Association's supplies, called TD Nefteprodukt and reportedly linked to tycoon Serhiy Kurchenko. As a result, the Ukrainian company now argues that it does not operate in the occupied territories.

Some executives of Luhansk Energy Association switched to TD Nefteprodukt, which triggered spec-

ulation on links between the two companies.

Debate over cadres

Grigorishin's influence on the energy industry under Poroshenko's presidency has sparked a bitter conflict with Yatsenyuk, Avakov and Poroshenko's former chief of staff Borys Lozhkin, whose appointees clashed with Grigorishin allies.

In an Oct. 1, 2015 interview with Ukrainska Pravda, Grigorishin lashed out at what he saw as Lozhkin's failure to select competent cadres for government posts.

"We know that Borys Yevgenyevich is not a very educated person, based on his fake diplomas," he said then. "Now he's looking for ministers who will determine the country's development for decades to come – the finance and economy ministers - and finds restaurant managers."

Lozhkin denies the accusations. Grigorishin told the Kyiv Post he believed Ukrainian authorities' human resource policy both under Lozhkin and before him had been a disaster.

This human resource policy "began when Kuchma appointed Yanukovich as governor of Donetsk Oblast" in 1997, he said. "... Before Yanukovich became president,

it had been degrading gradually. People from Donetsk's slums began to manage the country's economy."

He argued that Ukrainian authorities had been ignoring "social laws," including the selection of competent cadres.

"Our world exists because there are natural laws," he said. "If you abolish all laws, the world will cease to exist. Ukrainian society has abolished certain social laws, laws of hierarchy and power."

A critic of government

For similar reasons, Grigorishin has attacked Yatsenyuk and his Cabinet, including Economy Minister Aivaras Abromavicius and Finance Minister Natalie Jaresko. He accused Yatsenyuk's government of unprofessionalism and failure to set ambitious goals for economic growth.

He has also accused Yatsenyuk of lobbying for tycoon Rinat Akhmetov's interests. Yatsenyuk denies the accusations.

"Corrupt schemes built under

Yanukovich and often before him are being preserved," he told Ukrainska Pravda. "The government is doing nothing to destroy them and is just changing beneficiaries."

He also said that 90 percent of Cabinet's rulings were "based on (Yatsenyuk's) personal interests – political or economic ones."

"He thinks of his political future and his own pockets," he said. "I think the latter prevails now... Yatsenyuk's Cabinet is not only unable to stop corruption but also encourages it."

In late 2015 Grigorishin supported plans to replace Yatsenyuk with ex-Georgian President Mikheil Saakashvili, though these efforts ultimately failed.

Friendly parties

Yatsenyuk and other People's Front members have accused Grigorishin of wielding enormous power through his links to both Poroshenko and several political parties.

Grigorishin has admitted that he used to finance the Communist Party, arguing that he was doing it for political protection.

He also reportedly used to finance the Yabluko (Apple) party and Medvedchuk's United Social Democratic Party.

Meanwhile, Grigorishin told the Novoye Vremya magazine in



Ex-presidential Chief of Staff Borys Lozhkin (L) and ex-Prime Minister Arseniy Yatsenyuk have clashed with Konstantin Grigorishin over influence on the energy industry and exchanged criticism. (UNIAN)

Grigorishin fears that Russia can dismember weak Ukraine

December 2015 that he had lent \$12 million to Avakov and Viktor Baloga – both members of Yushchenko's Our Ukraine party then - for elections in 2007.

Critics also argue that Grigorishin is linked to the EuroOptimist reformist group in parliament, including Poroshenko Bloc lawmaker Sergii Leshchenko.

Leshchenko and Grigorishin have admitted that they are acquainted but denied having any political or financial links to each other.

Leshchenko said in July he had known Grigorishin for 12 years but said they had never had any common "political projects or financial relations."

Friendly media

Ukrainska Pravda, where Leshchenko used to be a deputy chief editor, is a news outlet with which Grigorishin shares "values and was always ready to help them but not with money," he told Novoye Vremya.

Moreover, Ukrainska Pravda rents office space from Grigorishin in Kyiv, and in July former Ecology Minister Igor Shevchenko published a photo of Grigorishin meeting Ukrainska Pravda's chief editor Sevgil Musayeva-Borovik in a cafe.

Both Grigorishin and Ukrainska Pravda have denied having any financial or political connections to each other.

Soviet nostalgia

Despite his support for liberal publications and political groups, Grigorishin has praised the Soviet period.

He portrays the Soviet Union as a more advanced and wealthier industrial society than modern Ukraine.

Grigorishin told the Kyiv Post that he agreed with the ideas of Sergei Glazyev, a Russian supporter of Soviet-style economic interventionism and an advisor to Putin. Grigorishin said, however, that Glazyev's model will not work in Ukraine because "it will turn into another corruption scheme and cause hyperinflation."

He also said that he was against the policy of decommunization – the dismantlement of Soviet-era monuments and the renaming of streets with Soviet names – calling it "barbarity."

Grigorishin added, however, that he was against the Soviet Union's repressive totalitarian policies.

"I was an anti-Soviet guy and dis-



Igor Yushko, CEO of the Ukrainian branch of Russia's Sberbank, and Konstantin Grigorishin at a business forum in Kyiv on May 18, 2010. (UNIAN)

sident when I was a school student," he said. "My parents were always summoned to school."

Vision for Ukraine

Grigorishin argued that Ukraine had wasted the entire period since it gained independence in 1991 and lived off the infrastructure and industry created in the Soviet Union. He even compared Ukraine to the barbarians who destroyed the Roman Empire.

"When vandals invaded Rome, they lived well during a couple of generations," he argued. "They didn't invest anything but palaces and aqueducts still worked."

He argued that "oligarchs had converted this (Soviet) infrastructure into their toys – soccer clubs, penthouses, yachts, planes" but had failed to create a competitive modern economy.

Unless Ukraine manages to revive its economy and replace the dilapidated Soviet infrastructure, Ukraine's economy will be the size of Somalia in 20 years, Grigorishin argued.

"But people won't be able to live like in Somalia. Neighbors won't allow that, and the country will cease to exist," Grigorishin said in a reference to the possibility of Russia dismembering Ukraine.

He said that Ukraine could become a "liberal" Somalia. "If you want to visit your relatives in a nearby village, you'll have to start an expedition," Grigorishin said. "You'll have to take weapons and food, and maybe you won't even get there."

Grigorishin criticized the Ukrainian government's modest economic growth targets, saying that

they are not sufficient. He added that the growth target should be 6 to 7 percent per year.

According to Grigorishin, the secret to economic success is attracting both government and private funds from abroad to finance the construction of infrastructure, including transport and energy infrastructure.

"An energy revolution is under way," Grigorishin added. "Mankind's whole development can be viewed as the evolution of energy consumption."

He passionately talked about alternative energy sources, including solar and wind energy, and even discussed the future prospects of cutting-edge hyperloop and space-based solar power technologies.

Unique oligarch

Grigorishin is a contradictory figure.

Like any other big businessman in Ukraine, he could not have avoided links to controversial officials and benefiting from his ties to government officials. He also has links to media and political parties.

And his ties to Russia have become a major controversy.

However, political analysts Volodymyr Fesenko and Vitaly Bala believe he is not an oligarch in the classical sense because his links to politics and media are rather tenuous, compared to other tycoons.

Moreover, his apparent support for anti-corruption and reform agenda pursued by liberal media and politicians is criticized as a sign of political influence by some but is seen as an upside by others. All of this makes him one of Ukraine's most unique and unusual tycoons. ■



Oct. 7 – Oligarch Watch, Part 1

Petro Poroshenko:
All In The Family – Again



Oct. 14 – Oligarch Watch, Part 2

Victor Pinchuk:
Ukraine's Friend Or Foe?



Oct. 21 – Oligarch Watch, Part 3

Rinat Akhmetov:
Too Big To Tame



Oct. 28 – Oligarch Watch, Part 4

Ihor Kolomoisky:
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Nov. 11 – Oligarch Watch, Part 5

Vadim Novinsky:
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Dec. 9 – Oligarch Watch, Part 6

Dmytro Firtash:
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Dec. 16 – Oligarch Watch, Part 7

Yuriy Kosyuk:
Top Bird



Dec. 23 – Oligarch Watch, Part 8

Konstantin Grigorishin:
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PrivatBank nationalization open to legal challenges

BY NATALIE VIKHROV
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AND KOVENSKY@KYIVPOST.COM

Could billionaire oligarch Ihor Kolomoisky take back PrivatBank, the insolvent institution taken over by the state on Dec. 18?

The scheme could be simple: wait several months until the National Bank of Ukraine recapitalizes PrivatBank, filling the multibillion-dollar gaps in the financial institution's ledger. Then, through a court case disputing the nationalization's legality, he could reclaim control of a freshly recapitalized bank.

Such a plan would build on courtroom victories in recent months from the former owners of so-called "zombie banks" - banks that were declared insolvent by the NBU, but then brought back to life by lawsuits from the same people who bankrupted the institutions in the first place.

The question is - could Kolomoisky do the same, but on a much larger scale?

Return of zombies

Since 2014 the NBU has closed more than 80 banks. Some of their owners are resisting.

In the past month, Ukrainian courts have overruled decisions of the national regulator and the state Deposit Guarantee Fund on insolvency and liquidation of eight banks, including Capital, Union, Ukrinbank and Kievan Rus banks.

According to Viktor Novikov, the head of the fund's legal department, a further 15 are currently pursuing the same path.

The NBU successfully won one appeal, which upheld their decision to declare Bank Financial Initiative



A line of people outside a PrivatBank branch in Kyiv on Dec. 19, the day after the bank was nationalized. The NBU injected Hr 15 billion (\$570.8 million) in refinancing to stabilize the bank after government takeover. (Kostyantyn Chernichkin)

insolvent.

The NBU is yet to reissue a single license to the so-called "zombie banks."

But Novikov said that even if the regulator wanted to reinstate the banking licenses, there is currently no legal way to do so.

"Hypothetically, even if they do open again, they need to be declared insolvent the next day because they don't comply with any criteria set out by the regulator regarding banking activity," he said.

Furthermore, Novikov said the bank owners appear to have no

desire to get their licences back.

"Most of them, basically, hand us letters with, I wouldn't even call it a request, but a demand to hand over the property of the bank," he said. "They, largely, are interested not in restoration of the bank's activity but getting their assets."

Novikov said if the courts rule in favor of all 23 banks, the fund is facing a loss of Hr 215 billion in assets, which are typically used to compensate creditors of the bank.

It has also already paid out Hr 30 billion to its depositors through government budget means.

The NBU is currently appealing more of these decisions in the supreme court.

Plan and politics

As it currently stands, former PrivatBank owner Kolomoisky appears to be going along peacefully with the handover of his bank. If he manages to avoid repaying the alleged \$5.6 billion in unpaid insider loans, he will have gotten a free pass on his debts from the government.

Political analyst Volodymyr Fesenko said that PrivatBank's former owners would only be likely to

go on this path should some sort of conflict arise between them and the government.

Oleksandr Savchenko, rector of the Kyiv International Institute of Business and a former NBU official, said "there is a possibility that we will see a conflict arise over the next few weeks" as the bank's insider loan debts are restructured.

Dragon Capital's Anastasia Tuyukova said that legal maneuvering could be in the future.

"Zombie banks are just appealing to courts and getting a decision so that they can return to the market, that it was not legal for the central bank to liquidate them," Tuyukova said. "So in Ukrainian courts, it is also possible."

PrivatBank never lost its license, removing a hurdle that zombie banks face.

But Kyiv attorney Arsen Marinushkin said it is not a question of how Kolomoisky will reclaim his sold assets, but whether he wants to.

"By offloading the bank, he has only got rid of many of his problems," he said.

In addition to \$5.6 billion in insider loans, Kolomoisky has also gotten rid of losses associated with seized assets in Russian-occupied Crimea as well lawsuits lodged by Crimean depositors seeking to recoup their lost money from PrivatBank.

Marinushkin, who is representing a number of former Crimean PrivatBank clients, said he was doubtful that Kolomoisky would launch a legal challenge against the government to reclaim the nationalized assets.

"Kolomoisky is an oligarch and he will just negotiate with everyone to save his business and his money," he said. ■

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A master guide to Christmas, New Year food in Ukraine



A traditional interior with the carpet on the wall and a New Year's festive table with kholodets, Olivier salad, tangerines and other dishes, as shown in the "100 years of New Year" exhibition in Kyiv on Dec. 20. (Kostyantyn Chernichkin)

BY VERONIKA MELKOZEROVA
MELKOZEROVA@KYIVPOST.COM

Finding one's way around a Ukrainian holiday feast can be a tough challenge. Which food is traditional Ukrainian and which is Soviet classics? How come that there is no roast goose but there is a meat jelly? How many mayonnaise salads are too many? What is the deal with red caviar?

The questions are piling up like layers of a dressed herring salad.

Christmas vs. New Year

Ukrainians celebrate both Christmas and New Year with lavish dinners.

But while Christmas dinner focuses on traditional Ukrainian food, the New Year feast is dominated by the Soviet dishes – a tribute to the era when the New Year started dominating over Christmas.

"Soviet New Year and Ukrainian Orthodox Christmas are antagonistic holidays," says Dmytro Borysov, the owner of Borysov's Gastrofamily restaurants chain. "The first one is a holiday of nostalgic, tasty and unhealthy food. Christmas also offers a lot of food, but all the dishes must be fast."

Unlike the westerners, most Ukrainians celebrate Christmas after

the New Year. The Orthodox church has been celebrating Christmas on Jan. 7 since 1918, when the authorities moved towards the newer Gregorian calendar, while the church decided to stick to the old Julian calendar, creating a two-week gap.

Cooking for New Year

Borysov described the traditional Soviet New Year celebration as the triumph of 'unhealthy, greasy, but extremely tasty' food.

"Shuba and Olivier salads, kholodets, tangerines and cheap semi-sweet champagne is what the doctor ordered," said Borysov.

Here are five dishes that one would definitely find on the table of any Ukrainian family on the New Year Eve.

Kholodets

Kholodets or meat jelly is a cold jelly bouillon with meat, carrots, and bones. The dish is also popular in French cuisine. The jelly can also be made from a fish soup.

Borysov thinks that kholodets found so many admirers in Ukraine because it has a savory taste, known as umami.

more Food on page 21

City Life

WITH NATALIYA TRACH
TRACH@KYIVPOST.COM

Ornaments for getting into holiday mood

With Christmas and New Year upon us, it is time to take care of the Christmas tree. For those willing to do something other than the usual red-and-gold decor, the Kyiv Post tracked down the Ukrainian manufacturers selling the decorations that will make one's Christmas tree stand out.

Koza Dereza shop

Ethnic souvenir manufacturer Koza Dereza offers hand-made Christmas décor in traditional Ukrainian style, like Christmas stars (Hr 155 apiece) made of ash tree and hand-painted. Also on sale are the sets of Christmas tree ornaments dedicated to "The Nutcracker" fairy tale (Hr 773), simple and quaint decorations in the shapes of bagels, huts, grasshoppers, goats, fire-bird made of fabric and decorated in festive gold and silver colors (Hr 105 apiece).

There are also different figurines of roosters, the symbol of the upcoming year by Chinese Zodiac. The fabric rooster toys are set in wooden boxes that also include herbal tea, jam and cookies. The price for such a holiday collection varies from Hr 129 to Hr 631. Delivery is free for any purchase over Hr 450.

kozadereza.com.ua



Sur Ceramic Jewelry

The Ukrainian ceramic jewelry maker Sur offers fancy Christmas tree ornaments in the shape of houses, stars, and bells (Hr 65 – 170). The hand-made decorations are covered with glossy glazes in pastel colors and resemble candy lollipops. A set of four ceramic cones to put on a Christmas tree sells for Hr 260, and

more Ornaments on page 22

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Panivalkova is rising star in Ukraine underground music

BY ANNA YAKUTENKO
YAKUTENKO@KYIVPOST.COM

When the young band appeared in front of a crowd of 300 people in Kyiv's Sentrum club on Dec. 8, their members didn't show they were surprised by its size.

Instead, Dasha Pugacheva calmly took her place on drums, Ira Luzina opened a suitcase with Panivalkova inscription on it and pulled out a percussion instrument cabasa and Ira Kulshenko started playing ocarina, a type of vessel flute.

"We didn't expect so many new people to come," Kulshenko who sings, plays keyboard and other instruments said in an interview to the Kyiv Post on Dec. 20. Luzina, another band's vocalist, said that there are usually just a few new people at the concert.

"Many people came because of the music video for a song 'Let Me.' It's pleasant to see that music video gives such a push (to the band's popularity)," Kulshenko said.

Panivalkova released their latest music video "Let Me" in November, and it went viral almost immediately, reaching more than 80,000 views on the YouTube.

In the video, the girls perform in astonishing traditional costumes. As they sing, someone's invisible hands start slowly taking off their clothes, leaving them in skin-colored bodysuits by the end of the song.

The band used the same thing for their concert in Sentrum: In the middle of the performance the band members started to untie the strings that held their embroidered dresses together, transforming them



Ukrainian music band Panivalkova performs in the Sentrum club in Kyiv on Dec. 8. During their performance, the band members transformed their costumes from long dresses to mini skirts, symbolizing how many images women can have. (Kostyantyn Chernichkin)

from long dresses stretching almost to the floor to mini skirts. They threw pieces of clothes into the crowd, and the few children who

were at the concert got on their parents' shoulders to catch them.

Pugacheva, Luzina and Kulshenko founded their band more than three

years ago on International Women's Day – March 8. They said that the idea to create the band came to them spontaneously, when Kulshenko and Luzina decided to rehearse together. Both of them said they didn't strive to write a hit, unlike many of their colleagues in the music industry. They just experimented with a sound.

The girls named their band Panivalkova after their common friend Olga Valkova. Pani in Ukrainian stands for "miss" or "missis."

The band sings in four languages – apart from Russian and Ukrainian there are also songs in English and French. Their first album consisted of just five vocal-driven songs with minimal instruments. In contrast, their latest songs are played on various instruments, including quite unusual ones like flex-a-tone, which is a flexible metal sheet suspended in a wire frame ending in a handle, and cabasa – a percussion instrument that has loops of steel ball chain wrapped around a wide cylinder.

"It wasn't out intention (to use many instruments). We feel that we need certain sound and get those instruments (that produce it)," Kulshenko said.

She added that despite the fact that she and Luzhina finished music school majoring in piano, Luzhina

"had no other choice than to play the ukulele for some reason (instead of piano)."

"Panivalkova (the band) dictated her own rules to us," she said with a smile. During their concerts Luzhina and Kulshenko often switch instruments.

This spring the band played in 15 Ukrainian cities. They plan to have a tour abroad next year, but don't want to disclose the details yet. The band is also working on a new song and plans to hold another show in spring.

The girls say that they are very demanding and straightforwardly talk about their mistakes or drawbacks to each other and to other people who work with them.

"Our result depends not only on us. If there is something wrong (at the performance), the audience doesn't know that it was not our mistake but of our sound manager. We are responsible for all the flaws," Pugacheva said.

"Therefore, we want other people to take their responsibility. But not everyone is ready to accept the criticism."

Luzina added that it would be impossible to openly criticize someone if not the support of other band's members.

"We are lucky we have each other," she said. ■



Recipes for cooking authentic Ukrainian dinners at holidays

Food from page 19

"It is a dish for true meat or fish lovers. Just imagine sturgeon in jelly with the orange stars of carrots, beautifully served. What can be better?" the restaurateur says.

Ingredients: 2 lb pork or beef with bones or chicken legs, 1 lb boneless meat (of any kind), water, an onion, 2 teaspoons of salt, 1 teaspoon of pepper, 2 laurel leaves, gelatin.

How to cook: Put all the ingredients into a large pot, add enough water to cover them, bring water to a boil, skim off the foam, and simmer for three hours. Then take all the meat out of the pot, separate the meat from the bones, chop the meat and lay it out in a soup bowl. Strain the remaining liquid, add gelatin. Pour the liquid into the dish and put the dish into the fridge for a night. Serve kholodets with mustard or horseradish sauce.



Shuba Salad

Shuba salad, also known as dressed herring or herring under a fur coat, has become a popular New Year dish in the 1970s. Borysov describes shuba as "an ideal combination of salty herring, waiting for you on a potato pillow with a slightly sour taste of apples, covered with mayonnaise".

There is a vegetarian version of shuba, called "the sea under a fur coat," where the herring is replaced with luminaries and eggs with avocado.

Ingredients: herring fillet (350 grams), one onion, 3 boiled spuds, 3 boiled carrots, 2 boiled red beets, 3 hard-boiled eggs, mayonnaise.

How to cook: Chop all the ingredients, except the red beets (it must be fine grated) and put them in layers into the dish, covering every layer with mayonnaise. The order of layers is as following: herring, onion, potato, carrots, eggs, red beets.



Olivier Salad

Olivier is arguably the most popular salad in the post-Soviet countries. It is also famous as Russian salad or salad "a la Russe" in the West. The legend says that the salad was invented in Russia in the 19th century by French chef Lucien Olivier, the owner of Hermitage restaurant in Moscow.

The original recipe includes some high-end ingredients such as capers, quail, crab and mayonnaise made from olive oil. But in the 20th century the recipe changed to fit the scarce selection of food at the Soviet stores. Capers were replaced with green peas, while quail and crabs gave way to chicken and cheap bologna.

According to Borysov, Olivier has become so popular partly because it has an ideal combination of fats and carbohydrates for a winter meal.

Ingredients: 4 boiled spuds, 2-3 boiled carrots, 500 grams of chicken fillet, 4 hard-boiled eggs, 250-300 grams of pickles, 500 grams of canned peas, herbs and mayonnaise or sour cream.

How to cook: Chop all the ingredients except for peas, put all the ingredients in one bowl and mix them with mayonnaise. Leave it for several hours.



Tartines with caviar

Salmon caviar tartines are appetizers on the New Year table. Soviet tradition prescribes to put butter and a teaspoon of caviar on slices of white baguette. Serve the caviar tartines on a huge dish, decorated with parsley.

Ingredients: a can of salmon caviar (130 grams), butter (100 grams), white baguette, parsley for decoration.



Tangerines for desert

The smell of tangerines is a symbol of winter holidays in Ukraine – a yet another heritage from the Soviet times. The tangerines popularity during winter could be explained by the USSR economy, where all the produced goods were divided between the member republics. Every December, the Caucasian republics had a huge harvest of tangerines, oranges and date-plums.

"So there was supposedly an order to sell the harvest and for that to make the tangerines 'the healthy fruit number one,'" Borysov says.

Cooking for Christmas

The Orthodox Christmas tradition orders to serve 12 lenten dishes in honor of the 12 apostles. The Christmas Eve dinner marks the last day of a fast that starts 40 days before Christmas.

Fried fish

One can use any kind of low-fat fish for this dish. The only condition is not to use eggs for planking.

Ingredients: Any fish, a little oil and flour.

Borsch

Many Ukrainians can't imagine a Christmas dinner without this most famous dish of Ukrainian cuisine. But a Christmas version should have mushrooms instead of meat.

Ingredients: water (3 liters), 3-4 red beets, 3-4 spuds, 2 carrots, one onion, pepper, 2 laurel leaves, salt, 1-2 spoons of lemon juice and mushroom broth.

How to cook: Clean and dice all the vegetables, put them in a large pot filled with water, cook for 30 minutes, removing the foam all the time. Add spices and boiled grated red beets and leave for 20 minutes.

Uzvar

Uzvar is a traditional sweet Ukrainian beverage made from dried fruits, berries and honey. Uzvar symbolizes fertility because of the variety of ingredients and diversity of taste. Having uzvar on the Christmas table is believed to bring wealth and happiness in the new year and make life sweeter.

Ingredients: Dried apples (200 grams), dried pears (300 grams), prunes (200 grams), raisins (100 grams), honey (250 grams), and water (2 liters).

How to cook: Cover dried fruits with cold water for 10 minutes. Add

the pears into the boiling water and cook for 20 minutes. Then add the apples, prunes, and raisins. Cook for 15 minutes more. Add the honey. Bring to the boil and take the pot off the cooker. Serve cooled.



Kutia

Kutia, a ritual dish, is a symbol of the Orthodox Christmas feast in Ukraine. It is porridge made of whole wheat, poppy, nuts, dried fruit, and honey. Eating kutia is a ritual that, according to Ukrainian tradition, unites the living and the dead. After the Christmas dinner, kutia should be left on the table for a night so that the spirits of their dead ancestors could also enjoy the family meal.

Borysov said the secret of tasty kutia is in the poppy.

"Put as much poppy as you can but before that cook the poppy right - powder it 'to the poppy milk' until you get some kind of a cooking opium," Borysov said.

Ingredients: a cup of wheat grains, dried fruits (100-150 grams), poppy (100-150 grams), walnuts (100 grams), dried fruit and 2-3 table-

spoons of honey.

How to cook: Boil wheat on a slow fire for an hour, then add the powdered poppy and fruits, nuts and honey and mix it with the cooked porridge.



Varenyky with cabbage

Varenyky is one of the 12 obligatory fast dishes on the Christmas table. This traditional Ukrainian dish is also called pierogi in the western regions. Varenyky is a popular everyday dish and can be made with any salty or sweet stuffing. But Christmas varenyky must be fast and filled with cabbage or mashed potatoes.

Ingredients: water (250 ml), bread-stuffs (650 grams), sour cabbage (1 kilogram), fresh cabbage (500 grams), oil, 2 onions, 1 soup-spoon of salt.

How to cook: Mix the dough and leave it for 20-30 minutes. Then roll out the dough and crop circles from it using a cup. Fry the chopped onion and boil the sour and fresh cabbage, mix them up and stew for 10 minutes in the frying pan. Put a spoonful of stewed stuffing into each circle and connect its borders. Boil varenyky for 10 minutes. ■

KYIV CHRISTMAS MAP 2016-2017



By Stella Shabliovskaya, Kyiv Post

From now through mid-January, Kyiv offers spectacular winter wonderlands to explore.



Pole dance show

The pole dancing show promises fabulous visual effects, lots of acrobatic feats and beautiful performances by Valerias Secret Studio dance school artists. The show's plot is based on the "Alice's Adventures in Wonderland" fairy tale by Lewis Carroll.

"Alice in Wonderland" pole dance show. Dec. 26. 7.30 p.m. Sentrum (11 Shota Rustaveli St.) Hr 120 – 200

Dec. 24 – 25

New Year gift fair



More than 400 craftspeople from all over Ukraine will present their hand-made goods during the two-day gift fair in Kyiv. The fair's visitors will find here everything to please their loved ones during the winter holidays – sweets, accessories, cosmetics, home décor and Ukrainian branded clothing.

"New Year Bazaar" gift fair. Dec. 24 – 25. 10 a.m. – 8 p.m. International Exhibition Center (15 Brovsky ave.) Free

Christmas market

Kyivans and Kyiv guests are offered to dive into the European Christmas atmosphere during the open air market on Poshtova Ploshcha square. Best European festive dishes, various performances, national dances as well as nativity scenes await for the European Winter market's visitors

"European Winter" Christmas market. Dec. 12 – Jan. 10. 10 a.m. – 10 p.m. Poshtova Ploshcha square. Free



Dec. 12 – Jan. 10



Dec. 25

New Year's costume ball

The program of the New Year masked ball by Maska Rad Theater includes staged fragments of famous plays, music concert and dances classes. Visitors will be allowed to enter the masked ball only in costumes and masks.

New Year's costume ball. Dec. 25. 6 p.m. Kyiv Fortress (24A Hospitalna St.) Hr 150

Folk choir performance

The Veryovka Ukrainian National Academic Choir will perform the best Christmas carols from around the world in its new Christmas concert program on the stage of Kyiv's Zhovtnevy Palace.

"Christmas across the World" Veryovka National Academic Choir concert. Jan. 10, 11. 7 p.m. Zhovtnevy Palace (1 Instytutska St.) Hr 100 – 800



Jan. 10

Compiled by Nataliya Trach

Searching for Christmas tree decorations in Kyiv

Ornaments from page 19

a set of a chapel, a star, and a heart goes for Hr 170. The toys are packed in paperboard boxes. Delivery is free for any purchase above Hr 300.

sur.com.ua



Masterskaya48

Masterskaya48 offers cozy-looking handmade Christmas decorations in the shape of Christmas trees, roosters, candies, mittens, and socks – all made of wood. Each Christmas toy

goes for Hr 75. A set of any five toys goes for Hr 300.

[instagram.com/masterskaya48](https://www.instagram.com/masterskaya48)

Klavdiyevo-Tarasove Christmas decorations factory

Those who prefer to decorate their Christmas tree with balls should stop by the Christmas ornaments factory in the village of Klavdiyevo-Tarasove, some 40 kilometers west of Kyiv. The factory produces handmade glass bubbles of different sizes, ranging 65-120 millimeters in diameter. They are then hand-painted – there are ornaments with original artistic painting, with geometric ornaments, and monochrome ones. Visitors may also ask for their personal signatures or logos to be painted on the ornaments right



on the site. The Christmas tree ornaments go for Hr 40-150.

klavdievo.com

Woodpresent

Studio Woodpresent offers designer Christmas toys made of wood. The choice is limited to snowflakes and round wooden decorations in a shape of snowy mountains, roosters, deer and angels. One may buy various sets of 4-20 wooden snowflakes for Hr 140-540 there, or a set of four Christmas ornaments for Hr 130-150.

woodpresent.crafta.ua



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Pact, Inc. seeks a Monitoring and Evaluation (M&E) Officer for the USAID RESPOND project aimed at improving HIV/AIDS services among key populations in Ukraine.

RESPONSIBILITIES

- Support project-level monitoring of RESPOND activities through the maintenance of internal electronic and paper-based recording systems and providing necessary data for program reports and deliverables.
- Review, update and maintain program data collection tools, both electronic and paper-based.
- Facilitate data collection, collation and timely reporting by RESPOND partners and staff.
- Develop and disseminate data collection tools and reporting forms, ensure their availability and update on the shared server. Provide training to partners and staff on data collection and reporting, as necessary.
- Maintain RESPOND M&E electronic database (EDB).
- Aggregate and analyze partner reports. Support partners in developing and maintaining internal data collection tools and procedures.
- Conduct data analysis for internal and external reporting per USAID and program requirement

QUALIFICATIONS

- Bachelor or Master's degree and experience in M&E with a focus on data collection and analysis in the health area.
- Experience in designing and implementing data monitoring and reporting systems, including EDB.
- Experience in capacity building of governmental, civil society and health service providers.
- Experience with USAID /PEPFAR-funded program reporting.

For more information on the RESPOND project, please visit www.respond.org.ua

To apply please send cover letter and CV to jobs_respond@pact.org.ua no later than December 31. Only shortlisted candidates will be contacted.



Professionals for Reform Support Mechanism (PRSM) provides human resource support – from managers to technical experts – to critical reform initiatives undertaken by national governmental agencies. PRSM is currently seeking candidates to fill the following expert positions for the Government of Ukraine:

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Operations Experts, Ukraine

The Financial Sector Transformation Activity in Ukraine is a four-year program funded by the United States Agency for International Development (USAID) and managed by DAI Global LLC (DAI). The primary goals of the FST project are: improvement of the legal and regulatory framework for Non-Bank Financial Institutions (NBFIs); increased financial intermediation especially to SMES; consumer protection and increased public confidence in and understanding of the financial system; development of the regulatory environment for capital and commodities markets; improved financial inclusion and expanded digital finance solutions; and support for a balanced and sustainable pension system.

The Financial Sector Transformation Activity is looking for the candidates to fill in the following long-term positions:

- Communications Specialist
- Monitoring & Evaluation Specialist
- Director of Finance and Administration

All positions require:

- University degree; advanced degree preferred
- Prior experience in the operational area; familiarity with USAID or other international donors preferred
- Fluency in Ukrainian and English
- Strong communication and presentation skills
- Knowledge of Microsoft Office

Please submit CVs and cover letters, in English, to RecruitmentFST@dai.com by January 10, 2017 at 6 P.M. Kyiv time. Only short-listed candidates will be contacted. No email or phone inquiries please. Please see our full ad on the Kyiv Post website.



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The Financial Sector Transformation Activity is looking for the candidates to fill in the following long-term positions:

- Legal and Regulatory Experts (3-5 positions depending on the mix of skills and experience) in the following areas:
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 - Non-Bank Financial Institutions
 - Digital Finance/Banking
 - Pension System
 - Consumer Financial Protection
- Assistant Digital Finance Expert
- Non-Bank Financial Institutions Expert
- Commodities/Financial instruments Expert
- Banking/Financial Communications Expert
- Public Relations Manager

All positions require:

- University degree; advanced degree preferred
- At least 3 years working in a relevant technical sector; prior experience working with USAID or other international donors preferred
- Fluency in Ukrainian and English
- Strong communication, analytical, and presentation skills
- Knowledge of Microsoft Office

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