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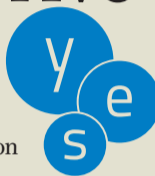
International stars arrive in Kyiv for 14th YES conference

Ukraine is arguably over-conferenced, with events taking place daily.

But one stands out among the pack: Victor Pinchuk's Yalta European Strategy conference, on which the billionaire oligarch spends an average of \$1.4 million each year, according to his foundation. The

14th annual YES conference is, for the fourth time, being held in Kyiv because of Russia's ongoing occupation of the Crimean peninsula.

The event runs from Sept. 14-16 in Kyiv's Mystetskyi Arsenal and will be livestreamed



14th YALTA EUROPEAN STRATEGY ANNUAL MEETING

**IS THIS A NEW WORLD?
 AND WHAT DOES IT MEAN
 FOR UKRAINE?**

The Yalta European Strategy conference takes place Sept. 14-16 in Kyiv's Mystetskyi Arsenal. For more information, go to yes-ukraine.org

on the Kyiv Post website.

This year's big names include: John Kerry and Condoleezza Rice, former U.S. secretaries of state; David Cameron and Tony Blair, ex-U.K. prime ministers; President Petro Poroshenko

and Prime Minister Volodymyr Groysman; Kurt Volker, U.S. envoy to Ukraine; retired generals Keith Alexander and Jack Keane; economist Paul Krugman; journalist Fareed Zakaria and others. YES organizers expect 350 people to attend. ■

Secrecy Blankets Corruption In Ukraine's Defense Sector



Ukraine's decommissioned Soviet-era tanks are kept at a scrapyards in Kyiv. Despite record military spending of \$5 billion annually, increased because of Russia's war against Ukraine, the army still relies on Soviet-era weaponry while domestic production and transparency in sector spending remain weak. (Pavlo Podufalov)

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Showman Saakashvili seeks to unite Poroshenko opposition

BY OKSANA GRYTSENKO

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By breaking through the Polish-Ukrainian border on Sept. 10, ex-Georgian President Mikheil Saakashvili put himself and his supporters at the risk of a crackdown by the authorities.

But he has also helped unite opposition to President Petro Poroshenko as the incumbent seeks re-election to another five-year term in 2019.

Saakashvili's dramatic re-entry into Ukraine will boost his popularity and contribute to an already volatile political situation, which the experienced showman will use to his benefit.

By stripping Saakashvili of his Ukrainian citizenship in July, taking back what he had given two years ago, Poroshenko may have made one of the biggest mistakes of his presidency.

From the perspective of competence, it surely didn't look good when Ukraine's border guards could not stop Saakashvili and his sup-



Former Georgian President Mikheil Saakashvili marches into Ukrainian territory after his supporters help him cross the border from Poland in Shyheni on Sept. 10. (Volodymyr Petrov)



Celebrating 26 years of Ukrainian statehood

U.S.-Ukraine Business Council president Morgan Williams speaks with U.S. Ambassador to Ukraine Marie L. Yovanovitch on Sept. 8 during the business organization's celebration of the 26th year of Ukrainian independence following the collapse of the Soviet Union. More than 100 people attended the event at the Ivan Honchar Museum at 19 Lavrska St. The museum, the national center of folk culture, presented a collection of reverse glass paintings by Anastasiya Rak, a Ukrainian folk artist. (Courtesy)

porters from marching into Ukraine triumphantly.

Poroshenko, already unpopular because people believe he is obstructing reforms and keeping the oligarchy in place, doesn't have that much further to fall in his rating.

"Whatever Poroshenko does, it will backfire," said Balazs Jarabik, a non-resident scholar at the Carnegie Endowment for International Peace. "He has opened a Pandora's box."

If Poroshenko orders the arrest of Saakashvili, this will resemble his predecessor Viktor Yanukovich's lawless imprisonment of political opponents Yulia Tymoshenko, now a member of parliament, and Yuriy Lutsenko, now the prosecutor general.

But if Poroshenko allows Saakashvili to campaign against him, he will look like a weak president — something that he does not want ahead of the 2019 presidential election.

"It turned out that the emperor is naked, and they are very weak and have no power," Saakashvili said at a rally in the southwestern city of Chernivtsi on Sept. 13. "He has imitated reforming the country, being a military leader and having power. If he had power, I wouldn't be standing here."

Poroshenko lashed out at Saakashvili on Sept. 11, calling him a "criminal" and saying that he does not care "who breaks the state border: fighters in the east, or politicians in the west" and that "there should be direct legal accountability."

Breakthrough

When Poroshenko stripped Saakashvili of his citizenship in July, he argued that the former Georgian president had submitted incorrect information when applying for citizenship in 2015. Saakashvili believes the move to be illegal and unconstitutional. As a stateless permanent

more Saakashvili on page 3

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Saakashvili could be potent force to stop Poroshenko's re-election

Saakashvili from page 2

resident of Ukraine, he has the right to enter the country without a visa under the law, his lawyers argue.

Ukrainian authorities have so far refused to give Saakashvili documents on the loss of his citizenship, or specify the legal grounds for its withdrawal.

Saakashvili's breakthrough through the border with Poland and arrival in Lviv on Sept. 10 followed repeated attempts by the authorities to deny him entry, first citing allegedly invalid documents, and then a bomb threat at a border checkpoint.

On Sept. 13, Saakashvili started a tour around Ukraine by holding a rally in Chernivtsi. He is planning to visit all major Ukrainian cities before coming to Kyiv — possibly on Sept. 19 — to mobilize the protest electorate.

"Poroshenko wanted to deprive me of the opportunity to talk to you," Saakashvili told his supporters in Chernivtsi. "He failed to do that because the Ukrainian people once again showed that the plans of oligarchs or any president to usurp power and establish arbitrary rule again will fail. This is not Russia."

Opposition strategy

The main strategy for the opposition will be to unite the protest electorate and try to organize mass demonstrations in Kyiv, political analyst Volodymyr Fesenko said in a column for the *Novoye Vremya* magazine.

One worrying trend for the authorities is the participation of volunteer battalion fighters in the Saakashvili-led movement. With disenchanted veterans returning from the war front in Ukraine's east with battle experience and weapons, the political situation could get out of control.

About 100 unarmed, though unarmed, Donbas battalion fighters protected Saakashvili in Lviv when he arrived from the border.

Semen Semenchenko, the battalion's founder, told the *Kyiv Post* that his battalion was protecting public order in Lviv instead of the police and the Security Service of Ukraine and was ready to "kick the *ss of those who want to turn the Ukrainian people into silent cattle."

Saakashvili has been pushing for early parliamentary elections, hinted on Sept. 12 that early presidential elections could also be discussed during his tour around the country and called for passing a law regulating presidential impeachment. But snap parliamentary or presidential elections are not the best option even for the pro-Saakashvili alliance, analysts say. Lviv Mayor Andriy Sadovy and his *Samopomich* party have lost much of their popularity due to a scandal about garbage disposal in Lviv that the mayor believes was orchestrated by Poroshenko.

Right timing

A poll conducted by the Rating agency in June showed that Poroshenko's Solidarnist party had an 11.3 per-

cent approval rating. Saakashvili's Movement of New Forces polled at 2.2 percent.

Both Poroshenko and Saakashvili had 18 percent approval ratings, according to an International Republican Institute poll released in June. Poroshenko's disapproval rating stood at 76 percent, while that of Saakashvili equaled 69 percent.

Iryna Bekeshkina, head of the Ilko Kucheriv Democratic Initiatives Foundation, said that the rating of Saakashvili's party could increase to 5 percent — the threshold for entering parliament.

Meanwhile, Poroshenko's rating is likely to drop, given that Saakashvili's breakthrough into Ukraine "showed that the authorities don't control the situation in the country," Bekeshkina said.

Temporary alliance

Saakashvili has been backed by Lviv Mayor Andriy Sadovy and Batkivshchyna party leader Yulia Tymoshenko and held negotiations with them in Lviv after returning to Ukraine.

Tymoshenko is the most popular but also the most questionable participant of the new alliance around Saakashvili.

When trying to portray himself as the leader of a new generation of politicians, Saakashvili risks being criticized for siding with Tymoshenko, who has a controversial reputation and has been prime minister twice. However, Tymoshenko and Saakashvili have hinted that they were not planning to unite into a single political bloc.

"This is a temporary alliance because their parties will compete in parliamentary elections," Bekeshkina said.

As an experienced politician, Tymoshenko will try to benefit from this alliance to undermine Poroshenko's popularity, she added.

Authorities' reaction

The authorities have responded to Saakashvili's actions by opening administrative and criminal cases against him and his supporters for crossing the border. The ex-Georgian president views them as political repression.

Saakashvili says that the crossing of the border without passing border controls is an administrative offense, not a crime, under Ukrainian law and that he had already passed the Polish checkpoint by the time he was carried by protesters through the Ukrainian one. He also argues that the crossing of the border "in cases of extreme necessity" — such as a bomb threat — without passing border controls is legal under Ukrainian law.

Saakashvili's ally David Sakvarelidze was charged on Sept. 14 with illegally transporting people through the border and resisting law enforcement officers.

Two Saakashvili supporters were arrested by a Lviv court on Sept. 13 to Sept. 14. Valeria Kolomyets, a lawyer for Saakashvili supporters, said that eight more pro-Saakashvili



Marching for a better Supreme Court of Ukraine

Activists dressed as monster judges walk from the Presidential Administration to the Supreme Court of Ukraine during their rally on Sept. 13. Some 30 activists rallied in Kyiv wearing judicial robes and masks, demanding that unqualified or compromised candidates don't get selected to the new court. Ukraine's High Council of Justice started reviewing candidates on Sept. 14 and, subject to Poroshenko's approval, will appoint 120 judges. According to the activists, 30 of the candidates nominated by the High Qualification Commission of Judges of Ukraine have received negative assessments from the independent Public Integrity Council. (Volodymyr Petrov)

activists had been illegally detained by the police all over Ukraine and are currently witnesses in criminal cases. The police could not comment on the accusations.

Saakashvili supporters are accused of illegally transporting people through the border, resisting law enforcement officers, using violence against law enforcement officers, and disturbing the peace.

"They just approach them and push them into their cars," Kolomyets said. "They don't present themselves, don't give them any summons and don't explain the charges against them."

Ukraine's Justice Ministry is also considering Georgia's recent extradition request for Saakashvili, although Deputy Justice Minister Denys Chernyshov said on Sept. 13 that the

ministry could make a decision on the issue only after a Tbilisi court convicts him.

Fesenko said that the best option for Poroshenko would be "local, targeted and flexible actions" to destroy the coalition led by Saakashvili.

With Saakashvili himself, the authorities will take some time "until the emotions fade," the expert said. ■

World in Ukraine: Germany

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Editorials

Listen to Volker

For President Petro Poroshenko, Mikheil Saashavili could turn out to be what Yulia Tymoshenko was to ex-President Viktor Yanukovich: An irrational fear that helped torpedo his presidency.

Yanukovich had such an obsession with Tymoshenko, and keeping her in prison, that he ignored years of international condemnation in persecuting her. He committed many other abuses of power in four years of plundering the nation, but his imprisonment (Ukraine has no independent judiciary) of Tymoshenko defined Yanukovich's dictatorial ways to an international audience. She came within 3.5 percentage points of beating him in the 2010 election, so locking her up, starting in 2011, was his way of getting her out of the way. She was only freed after Yanukovich fled power on Feb. 22, 2014, during the EuroMaidan Revolution.

By the same token, Poroshenko is not doing his already tarnished image any favors with his heavyhanded treatment of Saakashvili, the ex-Georgian president who Poroshenko tapped to be governor of Odesa Oblast in 2015. Poroshenko bestowed Ukrainian citizenship only to yank it in July after Saakashvili became a political opponent.

Poroshenko cloaked his decision in rule of law, much like Yanukovich with Tymoshenko, and just as unconvincingly. It's hard to imagine who Poroshenko thinks he's fooling. He would have been better off leaving Saakashvili the showman alone with his low approval rating. Instead, Poroshenko has given Saakashvili international voice as victim of political persecution. Saakashvili gets under Poroshenko's skin so much because his criticism of the president's involvement in corruption and obstruction of reform is spot-on. Saakashvili is fearless in speaking truth to power and showed it with his refusal to stay out of Ukraine.

It took the U.S. special envoy to Ukraine, Kurt Volker, to deliver common sense advice to Poroshenko via Radio Free Europe/Radio Liberty:

"Focus on the rule of law, focus on institutions and focus on your own governance of the country, because Ukraine needs to be a successful country if it's going to withstand this kind of aggression from Russia," Volker said on Sept. 13. "There's so many issues of reform that need to be pursued inside Ukraine. There's so many issues of economic reform as well and the fight against corruption."

Right on.

Defense black hole

Ukraine is spending unprecedented sums of money on its national defense, with good reason, given Russia's war against Ukraine. The government has pledged to spend 5 percent of gross domestic product on security and defense. That amounts to \$5 billion, up from almost nothing in the last years of ex-President Viktor Yanukovich's plunderous rule. It is set to rise to more than \$6 billion next yer.

But much of this spending is cloaked in secrecy. There is no way to know whether the money is being well-spent, patriotically, or for profit and who benefits. Informed critics have pointed the finger at President Petro Poroshenko as profiteering from war and installing two ex-business partners, Roman Romanov of Ukroboronprom and Oleh Gladkovskiy of the National Security and Defense Council, as key decisionmakers.

What's required is greater transparency and independent oversight. Automatic classification of all defense spending as secret for national security reasons is not what democracies do. Listen to what some of the experts told the Kyiv Post in today's front-page story:

Member of parliament Oksana Syroyid: "The president is one of the main beneficiaries of the defense budget."

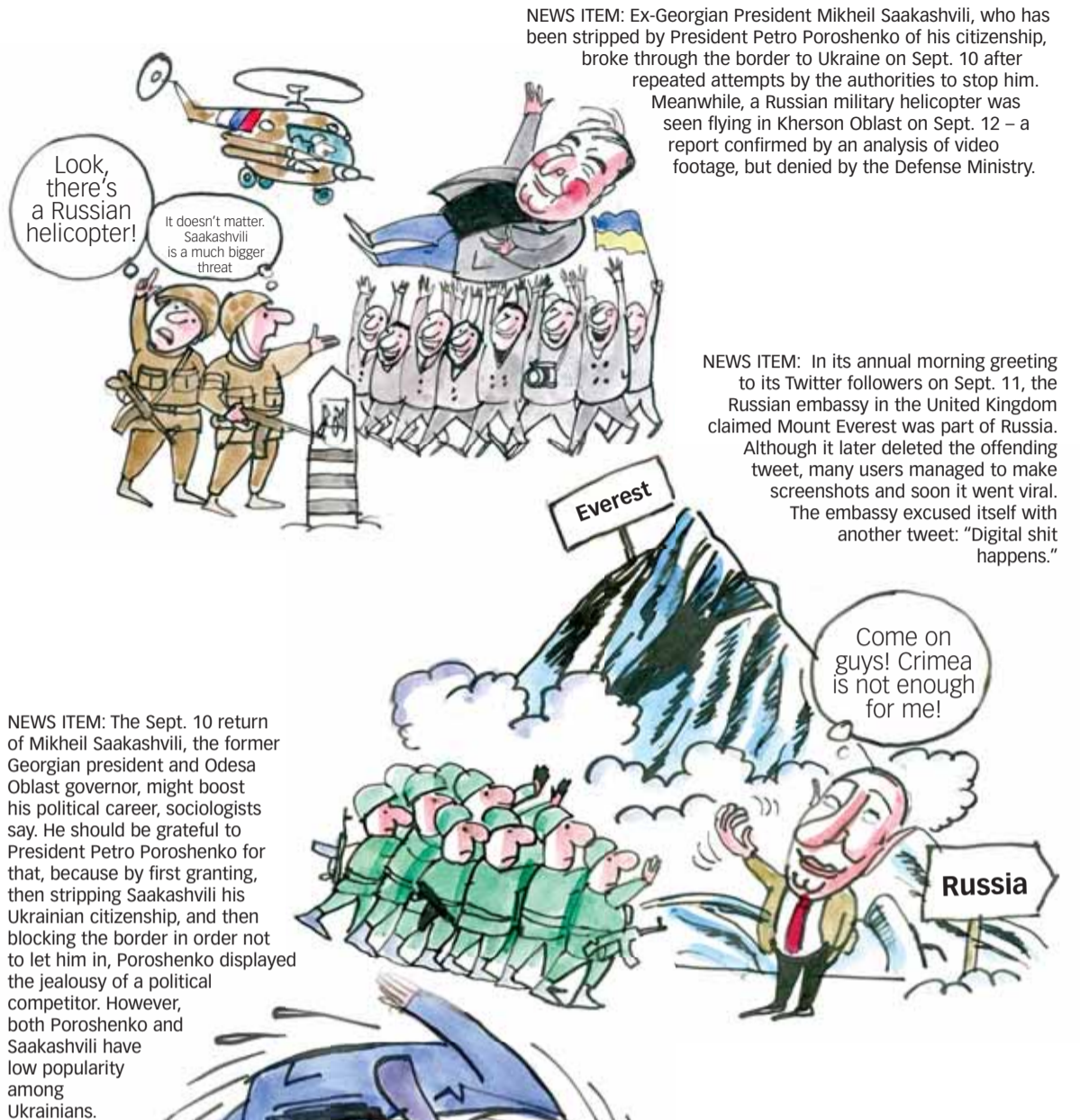
Finance Minister Oleksandr Danyliuk: Defense spending is "fully non-transparent."

Ex-U.S. Deputy Defense Secretary Michael Carpenter: Ukroboronprom, the state arms agency, "is a recipe for corruption."

Viktor Plakhuta, ex-Economy Ministry official: "Unfortunately, the president is not a reformer."

We don't know the size of the fire that is burning, but plenty of responsible people are seeing smoke and sounding the alarm. Their voices should be heeded.

Danyliuk summarized what is at stake: "If you want to build a strong, competitive army, we need to put more money in building or buying new weaponry. In order to do it, there needs to be some transparency, some accountability for money put in, because then there will be trust."



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Reformer of the week

Roman Brehei



Roman Brehei, a judge of the Kirovohrad District Administrative Court, is one of Ukraine's few whistleblower judges who has exposed the judiciary's flaws and called for making the ongoing appointment of a new Supreme Court more transparent.

Brehei has criticized the High Qualification Commission for allowing 299 candidates with insufficient scores take part in the competition — a move that appears to promote judges favored by the authorities. He urged the High Council of Justice not to appoint 69 of these candidates who passed to the latest stage.

Brehei has also lambasted the High Council of Justice for rejecting 48 out of 52 requests by council members to exempt themselves from voting for specific candidates due to conflicts of interest. This triggered accusations of political influence on the council, which are denied by this body.

One of the council members who will vote for Supreme Court judges, Pavlo Grechkivsky, has been charged in a fraud case for allegedly taking a \$500,000 bribe to influence a court decision.

In July, the High Qualification Commission selected 120 judges of the new Supreme Court who have yet to be approved by the High Council of Justice. As many as 25 percent of the 120 nominees deemed dishonest or corrupt were vetoed by the advisory Public Integrity Council, but the commission overrode the vetoes.

The European Union and U.S. Ambassador Marie L. Yovanovitch have urged the council not to appoint discredited candidates.

— Oleg Sukhov

Anti-reformer of the week

Yaroslav Romanyuk



Yaroslav Romanyuk, chairman of the discredited Supreme Court and a member of the High Council of Justice, may have a decisive vote during the appointment of politically loyal candidates to the new Supreme Court by the council starting from Sept. 14. Roman Brehei, a judge of the Kirovohrad District Administrative Court, said on Facebook on Sept. 14.

The High Council of Justice on Sept. 13 rejected Romanyuk's request to exempt himself from voting for new Supreme Court judges due to a conflict of interest: the fact that he participated in the Supreme Court competition himself, although he later withdrew his candidacy.

Brehei, himself a former participant of the competition, interpreted this as an attempt to make sure that there is a politically loyal majority at the High Council of Justice.

The High Council of Justice needs 14 votes to appoint judges of the new Supreme Court. Brehei argued that the authorities do not trust reformist High Council of Justice members Andriy Boiko, Anatoly Myroshnychenko and Mykola Husak and need Romanyuk as the 14th loyalist vote.

Romanyuk backed ex-President Viktor Yanukovich's "dictatorial laws" of January 16, 2014, which cracked down on civil liberties. In 2008 Romanyuk took part in the Bochan vs Ukraine case, which has been recognized by the European Court of Human Rights as lawless and "a denial of justice." Romanyuk denies accusations of making unlawful decisions.

— Oleg Sukhov

VOX populi

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What should be done with Mikheil Saakashvili?



Viacheslav Malyna
painter
"Leave him alone. Let him go to Georgia and reform there. But he should be brought to justice if he comes to Ukraine."

brought to justice if he comes to Ukraine."



Olha Ratushniuk
project manager
"I don't think anyone should break the law — not the president, not ordinary citizens and not stateless persons. The case should be investigated impartially, and in accordance with the current legislation. Of course, there's the rub — we still don't have a fair judicial system."

ordinary citizens and not stateless persons. The case should be investigated impartially, and in accordance with the current legislation. Of course, there's the rub — we still don't have a fair judicial system."



Bohdan Lenko
lawyer
"I'd probably let him live in Ukraine, having returned him his citizenship. Depriving him of his citizenship was basically unjustified."

ship was basically unjustified."



Milana-Anastasiya Panchenko
journalist
"For some reason, the Russian quote 'Let go and pardon' springs to mind. Saakashvili seems to threaten to upstage the president, and to some extent, he's a showman. But our country is at war. We don't need political bread and circuses."

to mind. Saakashvili seems to threaten to upstage the president, and to some extent, he's a showman. But our country is at war. We don't need political bread and circuses."



Kateryna Pitz
media artist
"If he wants to live in Ukraine and behaves himself, he should be able to live here."



Andriy Vlasenko
self-employed
"I think he should go to prison for about 14 years right now, and after that we can decide what to do with him."

what to do with him."



Andriy Yakovyna
surveyor
"Let him go back to his motherland. If he's not welcome there, let him go wherever he wants. But there's no place for him in Ukraine."

wants. But there's no place for him in Ukraine."

Ukraine's Friend & Foe Of The Week

Editor's Note: This feature separates Ukraine's friends from its enemies. The Order of Yaroslav the Wise has been given since 1995 for distinguished service to the nation. It is named after the Kyivan Rus leader from 1019-1054, when the medieval empire reached its zenith. The Order of Lenin was the highest decoration bestowed by the Soviet Union, whose demise Russian President Vladimir Putin mourns. It is named after Vladimir Lenin, whose corpse still rots on the Kremlin's Red Square, 100 years after the October Revolution he led.



Yulia Latynina

In March 2014, as the West was watching gape-mouthed at the Kremlin's audacious invasion and annexation of Ukraine's Crimea, Russian journalist Yulia Latynina was predicting the launch of Vladimir Putin's war against Ukraine.

"In last Tuesday's speech at the Kremlin before the treaty-signing ceremony incorporating Crimea into Russia, Putin practically declared that Russia has rights to south-eastern Ukraine," Latynina wrote in an article for the English-language Moscow Times on March 24, 2014.

"He also used the words 'divided nation' and 'national traitors' — just as Adolf Hitler had done when he referred to national 'Verräter' or traitors," Latynina went on.

She also correctly pointed out that Putin would focus his war on the south-east of Ukraine, at a time when some commentators in the West were seriously discussing whether Russia might even attempt to occupy Kyiv.

At that time, it did seem likely

that Putin might try to create a land bridge to Crimea from the Donbas through Zaporizhzhya and Kherson oblasts, and even extend it through Mykolaiiv and Odesa oblasts to link up with Transnistria, another Kremlin-created statelet.

In the end Putin's plans failed due to unexpected resistance from Ukrainians in the Donbas, most of whom were against separatism and supported Ukraine, and the Kremlin was left with two unviable proxy entities lacking even a decent seaport.

Even so, Latynina was remarkably perceptive in deducing Putin's plans so early on, and so her decision on Sept. 9 to flee Russia because of threats to her life and the lives of her family is hardly likely to be an overreaction.

Latynina, who is frequently critical of the Putin regime, has long been a target of intimidation.

Her car was set on fire on Sept. 3. In July, unidentified men released a noxious gas into her family home through a window — eight people, including children, were affected, Latynina said.

And in August 2016, Latynina had a bucket of feces poured on her on her way to host her weekly Ekho Moskvyy radio show on politics.

Putin can play much dirtier than that. Deadlier, in fact. Over the course of his 17-year rule of Russia, dozens of high-profile opposition politicians and journalists critical of Putin's authoritarian rule have been murdered.

So Latynina is wise to quit Russia for now, and earns the Order of Yaroslav the Wise for standing up to Ukraine's chief foe so bravely. Long may she do so.

— Euan MacDonald



Sigmar Gabriel

Sigmar Gabriel, Germany's foreign minister, has been quick to support Kremlin proposals ever since Russia launched its war on Ukraine in the Donbas in the spring of 2014.

In August 2014, when Gabriel was leader of Germany's Social Democratic Party, he said he supported a federal structure for Ukraine, adding that Germany wanted to prevent there being direct conflict between Ukraine and Russia.

A federal structure is, of course, what the Kremlin has been pushing for all along as a way to divide and weaken Ukraine,

which it sees as an unruly rogue province, and not an independent state. And in late August 2014, Russia, although it denied it, was indeed in direct conflict with Ukraine — its artillery had shelled Ukrainian troops across the border on several occasions, and at least four invading Russian infantry battalions are thought to have been involved in the encirclement and slaughter of Ukrainian forces in Ilovaisk that same month.

Then, when Russia launched its surprise intervention in Syria in September 2015 to prop up the regime of its client dictator Bashar Al-Assad, Gabriel suggested easing sanctions on Russia imposed for its aggression against Ukraine, in exchange for the Kremlin's "cooperation" in Syria.

No surprise then, that when on Sept. 5 Russia's authoritarian leader Vladimir Putin suggested that the UN send a peacekeeping mission into Ukraine, Gabriel was quick to voice his support. Then on Sept. 11, after Putin called German Chancellor Angela Merkel to propose an even wider peacekeeping mission in the Donbas, Gabriel suggested that sanctions on Russia could eventually be lifted if the current cease-fire in the Donbas holds.

That, of course, is a long way off Germany's official position that the Minsk peace agreement must be implemented in full before sanctions are relaxed. The Minsk agreement also foresees the withdrawal of heavy weapons from the front line, the withdrawal of Russian troops from the Donbas, and the restoration of the Ukrainian government's control of its side of the Ukrainian-Russian border. Gabriel, in contrast, appears to be supporting a frozen conflict in return for a cease-fire — a deal that would suit Putin perfectly.

Of course, Gabriel's boss, Chancellor Angela Merkel, will have the final say — and she is no friend of Putin or supporter of the Kremlin's interests. It's good that she's ultimately in charge in Germany, and not Gabriel, who earns the title of Ukraine's Foe of the Week and an Order of Lenin for backing Putin's schemes.

— Euan MacDonald



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How fortunes are made and lost at stroke of pen

BY JOSH KOVENSKY
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Many complain that Ukraine's economy is closed to new entrants and that the entrepreneurial spirit has no place to grow in this country of 42 million people.

But in Ukraine, you can make millions of dollars with the flick of a pen.

The country's byzantine accounting code and seldom-enforced audit procedures allow fraud to flourish, permitting bankers to mark up or mark down millions of dollars on their balance sheets, while fraudsters hide behind fake companies to seize property.

And all this occurs within a law enforcement environment where billions of dollars have disappeared from the country's banks over the past three years and not a single person has been convicted.

Insiders say that the schemes are continuing unabated.

Unbalanced

The country's biggest banks make use of one particular accounting scheme that allows them to value assets on their balance sheet virtually any way they like.

The scheme goes like this: A bank might have an asset, like a loan, worth Hr 1 million.

Under Ukrainian law, the bank has the right to value that asset on its balance sheet, Oleksandr Savchenko, a former deputy chief of the National Bank of Ukraine and rector of Kyiv's International Institute of Business, told the Kyiv Post.

From there, the bank could mark down the Hr 1 million loan as only having a 50 percent likelihood of being repaid, halving its value.

The bank's overall capital would then go down by half a million hryvnia.

"I could then say that I don't have enough capital, and the state would give me more," Savchenko said.

These schemes usually need to be



A prison guard looks into an empty cell in Lukianivskyi prison on Aug. 1. Ukraine has failed to prosecute a single banker after billions of hryvnia have disappeared and dozens of banks have been liquidated in the country's massive banking collapse. (Kostyantyn Chernichkin)

approved by an external auditor. But recent events give reason to doubt the quality of their oversight work. For instance, the government nationalized PrivatBank in December, costing it \$6 billion, after auditor PwC incorrectly valued loan collateral at the bank. The NBU suspended PwC's bank auditing license in July.

Agroholding Mriya cost investors \$1.1 billion when it collapsed, leading to litigation against auditor EY, alleging fraud.

As Savchenko pointed out, "99 percent of people won't turn down an offer of \$10 million."

Roman Marchenko, an attorney at Ilyashev & Partners law firm, said that the scheme is fairly widespread in Ukraine.

"Ukraine encountered the problem when banks received refinancing from the NBU, in order to get credit, but presented documents that were not completely correct and

truthful," he said.

'Fundamental' problem

The opportunity to use such schemes arises from flaws in Ukraine's accounting standards, which Savchenko said had a "fundamental" problem.

Twenty years ago, the Rada moved to shift Ukraine's financial system towards international financial reporting standards.

But parliament did not go all the way, and left local, Ukrainian requirements in place, resulting in Ukrainian banks and businesses having to file both Ukrainian and international audits.

"Everything was done with the exception of one standard," said Savchenko, an economist who helped introduce the hryvnia in the early 1990s. "That was the computation and method for valuing a bad loan. Here, we did not take

the methodology, the principles, and practice of international accounting standards."

"It's a big loophole for corruption, and is why Ukrainian banks need to do two audits," Savchenko said.

One source in the central bank, who spoke on the condition of anonymity due to a lack of authorization to speak to the press, confirmed that the practice is relatively widespread.

"It's been a common scheme at the state banks," the official said.

Marchenko added that the legal consequences for fraud are harsh on paper but, in reality, almost nobody is brought to justice.

"Unfortunately, there has not been one real criminal case concluded from all this," he said, while adding that falsifying asset valuation when a bank is receiving state loans would be punishable by up to eight years in prison, if the law were to be enforced.

Fraud 'Ukrainian style'

In other cases, fraud can happen on a smaller scale — your business partner turns out to be a thief.

This can happen through various high-tech means.

Fraudsters will sometimes monitor negotiations between two companies as they intend to conclude a deal.

In one example, provided by attorneys from Kyiv-based law firm Arzinger at a seminar called "Fraud — Ukrainian style," an agricultural firm was in the process of making a deal with a trader for the sale of its product.

All seemed to be going according to plan — the trader was set to transfer cash to the agricultural company in exchange for its products.

But after receiving the company's bank details, nothing happened. The trader received no products, while the agro firm said it would not send any goods over until it got the money.

So what happened?

According to the Arzinger attorneys, fraudsters had manipulated the situation by monitoring the communications remotely, taking both companies' information. At the critical moment, it impersonated one side of the deal, siphoning the cash into its account.

Arzinger partner Kateryna Gupalo said that few people check to make sure that emails sent under familiar-sounding names are actually coming from the person in question.

"People aren't prepared to be fooled," she said, adding that much of it comes down to the security of contractual agreements.

Another example discussed by the attorneys showcased a foreign investor that had put \$15 million into a Ukrainian subsidiary, which owned a food product factory.

The company's subsidiary hired a marketing firm to advertise their products, but then wound up the victim — the marketing firm counter-sued the subsidiary, winning a decision in a Ukrainian commercial court to drive the subsidiary bankrupt and then seize the firm's property through a bankruptcy auction.

In that case, the director of the subsidiary had secretly agreed with the marketing firm to spend the cash from the foreign investor on fictitious advertising services. The marketing firm then claimed a debt from the investor's subsidiary, suing it into bankruptcy and using the auction to seize the company.

"You need to know who you're doing business with," Gupalo added. ■

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Ukrainian bankers speak at the international conference on consumer lending practices organized by the USAID Financial Sector Transformation Project in Kyiv on Sept. 12. (Courtesy of USAID)

Ukrainian consumers have tough time finding lenders who are fair and ethical

BY BERMET TALANT
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In Ukraine, borrowing money, even from a financial institution, is still seen as a last resort. This is despite the fact that most Ukrainians can't afford a car or a mortgage or any other big household purchase on their incomes.

While in many countries consumer credit is a common practice, Ukrainians are unaccustomed to taking such loans. Financial institutions often use this unfamiliarity to their advantage by running deceptive advertising and offering unfair and opaque conditions, a recent U.S. Agency for International Development consumer lending survey has revealed.

"Ukrainian consumers are generally misinformed and unprotected when it comes to borrowing money from financial institutions," Yulia Vitka, deputy chief of party at USAID's Financial Sector Transformation Project, said at the "Protection of Consumer Rights" international conference in Kyiv on Sept. 12.

The survey showed that 73.6 percent of ads gave no information about the cost of a loan. Some TV commercials promised fast loans, often in cash, with only a passport being required to obtain a loan.

Sending "mystery shoppers" posing as potential borrowers, the researchers found out that 68 percent of visits to financial institutions were limited to oral consultations without any written materials or a sample contract.

As for the loan agreements, according to the USAID survey, two thirds didn't comply with the legislation. They either lacked information, such as a clear payment schedule or the total cost of the loan, or included at least one illegal item, such as hidden commission fees. And more than half of the contracts had unfair terms and

conditions that violated a borrower's rights, the survey concluded.

Unprotected

Kateryna Rozhkova, the deputy governor of the National Bank of Ukraine, said that the poor state of affairs of consumer lending market was exacerbated by low financial literacy of Ukrainians and poor standards of information disclosure for lenders.

A draft law on improving protections for consumers of financial services is prepared for second reading in parliament, she told the conference on Sept. 12.

"If passed, the bill will give the NBU the mandate to raise financial awareness and monitor how much information consumers get about all types of banking services," Rozhkova said.

The USAID survey also showed that borrowers felt unprotected in the event of dispute with a financial institution. The only existing option is going to court, but the process may take months. Most wronged borrowers decide not to stand up for their rights, and simply avoid taking out any loans at all in future.

In order to increase legal protections for consumers, USAID has drafted a bill proposing to establish the position of financial ombudsman to resolve disputes between borrowers and financial institutions quickly and out-of-court.

Vitka said that the organization would conduct another two similar surveys to gauge the effect of the new law on consumer lending passed by Ukraine's parliament, the Verkhovna Rada, in November 2016. The law came into force on June 10, 2017.

Growth prospects

All the same, the development of the consumer lending market in Ukraine will primarily depend on the country's economic growth, experts believe.

One of the main impediments to market development is Ukrainians' low income per capita and low disposable income, which, in conjunction with high interest rates on loans, make it hard for regular Ukrainians to borrow and repay. Interest rates in banks are currently over 20 percent per annum, and even higher at non-banking financial institutions (NBFIs).

According to data from the 2016 IFC Population Debt Survey, a third of borrowers in Ukraine take loans of Hr 4,000–6,000 (\$154–231). Twenty-five percent owe Hr 4,000 or less, while about 21 percent owe over Hr 8,000 (\$308).

Banks remain the main source of consumer loans, but in recent years they have tightened their lending policies due to the economic crisis and high risk. In addition, the Ukrainian banking system is riddled with dodgy debts – 58 percent of all loans are non-performing, according to the NBU.

Moreover, of the 90 banks operating in the country, only 15 are actively lending. The undisputed leader on consumer lending market, PrivatBank, was nationalized at the end of December 2016.

According to NBU data, the total credit portfolio of Ukrainian banks amounted to Hr 955 billion (\$36.7 billion) as of end of July 2017. Consumer loans account for only 17 percent of that sum, or about Hr 162 billion (\$6.2 billion).

Trying to benefit from the banks' low appetite for risk, non-banking financial institutions have been developing their retail networks and have launched online lending services for individuals.

However, the amount of loans provided by non-banking financial institutions is significantly lower compared to the sum lent by the banks – Hr 13.4 billion (\$515,000) as of the end of 2016. ■

BUSINESS ADVISER

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5 REASONS WHY YOU NEED A TAX REVIEW

It is currently a time of gradual simplification of tax accounting in Ukraine. The convergence of corporate profit tax with accounting, the simplification of the calculation of payroll taxes and the positive practice of VAT refunding have already reduced the time that companies need to pay taxes.



Igor Synytsyn

Senior tax adviser
at EBS

In addition to the above, there is also a certain liberalization of the practices of the fiscal authorities, or moreover there are unexpectedly relaxed interpretations of tax legislation. At first glance, one might even get the impression that the fiscal service's activities are directed at improving the investment climate in Ukraine.

However such a trend of liberalization could easily mislead taxpayers and give them a false sense of security.

An analysis of tax disputes with the fiscal authorities shows us that they have expanded the range of issues that are of interest during tax audits, and shows a deeper comprehension of such issues. The myth that the fiscal authorities do not understand the specifics of accounting should be forgotten.

Today we are seeing a clear trend of an increase in the number of companies requesting tax advisory services and tax reviews. Nevertheless, for most taxpayers, such services are still little-known and often confused with those involved in a classical financial audit.

We will try to show that a tax review is relevant not only for large companies, but for all taxpayers, including individuals.

And we will provide more detailed cases in which you may need a tax review.

1. CHANGE IN MANAGEMENT OR FINANCIAL TEAM

Most often the reason companies apply for tax review services is that there is a change in their management (financial director, chief accountant, etc.).

Tax reviews make it possible to identify potentially risky areas and provides a comfort zone for the new management. Sometimes it may even identify cases of fraud and abuse by responsible persons.

An additional bonus of such a review is that it can be an assessment of the employee's competence. In our practice, there were cases in which after a tax review, there were changes made in the financial team, with some employees being promoted, and some even dismissed.

2. M&A AND LIQUIDATION

In second place among clients is pre-investment due diligence.

Often target investee companies are local Ukrainian business that have never been audited. Obviously, nobody wants to invest in a company if it leads to additional taxes and penalties being accrued.

Tax risks in particular are the most common reason for adjusting the value of a deal, or even abandoning it.

Along with this, one of the reasons the fiscal authorities carry out unplanned tax audits is because the procedure of reorganization or liquidation of a legal entity has been started.

Usually, in such cases, taxpayers themselves insist on a tax audit and run into difficulties because the inspection is postponed by the fiscal authorities. Primarily, companies that have not been audited by the fiscal authorities should consider undergoing a tax review.

3. CHANGE OF TAX LEGISLATION OR POLICIES OF FISCAL AUTHORITIES

Ukraine's tax legislation is constantly changing. Its application often requires additional interpretations and recommendations from the fiscal and other official authorities.

The latest radical changes in the corporate profit tax laws brought tax and accounting recording in Ukraine closer, which, as a result, substantially simplified accounting and tax payments for business. However, as practice shows, many companies may face problems with the competence of the accounting staff and the consistent application of accounting policies and standards in daily transactions.

There are also regular cases of inconsistent interpretation and application of legislation by the tax authorities. Tax consultants have a wide experience of challenging what are sometimes rather creative interpretations of the fiscal service.

4. PREVENTIVE MEASURE BEFORE TAX AUDITS BY FISCALS

As it is known, from 2017 the fiscal authorities must publish an annual schedule of planned tax inspections on their official website.

We hope that the appearance of your company in the list may not be the cause of unnecessary worry, but we recommend preparing in advance for a planned visit from the fiscal authorities.

5. SUPPORTING THE CLIENT'S TAX TEAM

The practice of conducting tax reviews shows that even in large companies, the specialists responsible for accounting and taxes are often in an "informational vacuum" due to the lack of time and the high volume of work.

Often, a client's tax team relies on their previous experience, on the results of preliminary audits, or advice from their colleagues when assessing tax risks, without taking into account changes in legislation or recent tax practices.

In this case, this becomes a kind of vicious circle, which is best broken by involving a third party – a tax advisor.

Particular attention to this should be paid by the small companies that cannot afford high costs for employee education. Given the specifics of activities and the volume of transactions, conducting external tax reviews for them is even more relevant, although with a lower frequency (for example, once every 2-3 years)

Tax audits by the fiscals are not the most pleasant experiences in a company's life, regardless of who initiates them. But, one should understand that there is a way to be ready for them, and to avoid penalties.

The conducting of a tax review in a timely manner can be a profitable investment that generates a return immediately after it is carried out.



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Ukraine's big tax deadbeats owe state at least \$2 billion

BY VERONIKA MELKOZEROVA
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Earlier this year, the Ukrainian authorities effectively placed a bet that business, if tax rules were tweaked a bit, would begin to contribute more to the Ukrainian budget.

And the bet appears to have paid off — Ukraine's State Fiscal Service reported in July that in the first half of 2017 it had already collected more than \$6 billion in taxes from Ukraine's large enterprises. From business as a whole it collected 20 percent more in taxes than over the same period of 2016.

To achieve the feat, parliament, among a host of other measures, raised the minimum wage for Ukrainians, canceled custom tax discounts and ended special social tax

benefits for agricultural businesses.

Despite this, Ukraine still faces a huge problem of uncollected tax debts: As of August, Ukrainian business owed Hr 76 billion (\$2 billion) to the state. That's about 10 percent of Ukraine's budget (Hr 790 billion) expenditures.

It's a growing problem too — over the first half of 2017, the amount of taxes owed to the state rose by more than \$308 million.

The State Fiscal Service reported in July that this year more than \$77 million in debts were written off as unrecoverable. Experts say that over the last three years the state has written off more than \$577 million.

State enterprises, banks, and private mining companies are among the biggest debtors in Ukraine.

In Ukraine, it's better for a business to declare it has racked up a tax



Billionaire oligarch Ihor Kolomoisky (C) speaks to Naftogaz representatives during a Ukrnafta oil and gas company meeting in Kyiv in May 2015. Ukrnafta is a 50 percent state-owned company, with Kolomoisky's Privat Group owning 42 percent. Ukrnafta owes \$500 million in unpaid taxes to the state. (Ukrinform)

Ukraine's top 10 biggest debtors

Name	Owner	Sphere	Debt
Ukrnafta	50 percent state-owned, 42 percent owned by Ihor Kolomoisky's Privat Group	Oil and gas extraction	Hr 13.1 billion (\$502 million)
Delta Bank	Private. Undergoing liquidation	Banking	Hr 2 billion (\$76 million)
Pivdenkombank	Private. Undergoing liquidation	Banking	Hr 980 million (\$34 million)
Finance and Credit Bank	Private. Undergoing liquidation	Banking	Hr 818 million (\$31.3 million)
Kornelia	private	Oil and gas trade	Hr 979 million (\$37 million)
PrAt Kreatyv	Private	Agricultural business	Hr 719 million (\$27.5 million)
Tsentrenergo	State-owned and linked to Ihor Kononenko	Energy	Hr 712 million (\$27.2 million)
Selidvugillya	State-owned	Coal mining	Hr 547 million (\$20.9 million)
Ukrzaliznyтч-postach	State-owned	Railway equipment	Hr 355 million (\$13.6 million)
Avias	private, linked to Ihor Kolomoisky	Oil and gas trade	Hr 275 million (\$10.5 million)

Source: Fiscal Service of Ukraine. Data as of September 2017.

debt to the state, and then not pay it, rather than evade paying taxes, Ilya Neskhodovskiy, an expert at the Reanimation Package of Reforms think tank, told the Kyiv Post.

"Not paying taxes is a good way to become rich in Ukraine," Neskhodovskiy said.

Dmytro Syrota from the SDM Partners law firm told the Kyiv Post that legally speaking, "tax nonpayment" is not the same as tax evasion.

"Tax evasion means the creation of shady schemes that would allow someone not to pay taxes — intentionally committing a crime. Nonpayment is when an enterprise acknowledges

it has debts, but declares that it can't repay them for various reasons," Syrota said.

Top tax dodgers

Maryliya Bosakevich, the spokesperson of the head of the Major Taxpayer's office of the State Fiscal Service of Ukraine, sent a list of the biggest tax debtors in Ukraine to the Kyiv Post on Sept. 7.

As of September, Ukrnafta, affiliated with oligarch Ihor Kolomoisky, is the largest debtor in Ukraine, with a debt to the state totaling \$502 million.

Kolomoisky (worth \$1.4 billion) and his business partner in Privat Group Gennadiy Bogolyubov (worth \$1.2 billion) together owe the state more than \$615 million in unpaid taxes. Even the soccer club Kolomoisky owns, Dnipro FC, owes more than \$10 million in taxes.

Other major debtors were Ukrainian banks undergoing liquidation: Delta Bank (\$76 million), Pivdenkombank (\$34 million), and Finance and Credit Bank (\$31 million).

Some of the biggest debtors are companies owned by the state itself.

State power company Tsentrenergo, linked to Ihor Kononenko, a close ally of Ukrainian President Petro Poroshenko, owes more than \$27 million to the state. Ukrzaliznyтчpostach, one of state railway administration Ukrzalyznytisia's main suppliers, owes \$13 million.

The state-own coal mining enterprises in the top-20 debtors list owe a total of more than \$115 million. Many are located in the Russian-occupied parts of the Donbas.

While the State Fiscal Service continues to tot up the tax debts of all of the Ukrainian-owned businesses in the occupied parts of Donbas and Crimea, the service considers these debts to be unrecoverable.

Tricks

Meanwhile, the tax debts of businesses in the rest of Ukraine grew from \$2.6 billion in February to \$2.9 billion by July. Neskhodovskiy said the main reasons for the growth are a poor economy, flawed tax legislation, tax dodges, and political patronage.

Financial news website Ekonomychna Pravda recently reported that banks undergoing liquidation owe a total of around \$230 million to the state, and that the debt is growing due to flawed tax legislation. For example, when a bank is undergoing liquidation, the law on deposit guarantees excuses bank clients from paying taxes.

"However, the banks aren't excused, as technically they are not yet considered to have gone bankrupt. Those at the liquidation stage are selling off their property, so they are obliged to pay goods and services tax," Neskhodovskiy said.

Most of the other debtors of Ukraine are state-owned or partly state-owned enterprises, the expert added.

Neskhodovskiy said the State Fiscal Service can demand businesses pay the taxes they declare. However, most state-owned debtor companies in Ukraine have powerful patrons in government.

"These patrons ... push taxmen into not enforcing sanctions against such companies," Neskhodovskiy said.

While the State Fiscal Service press service denies it is under any pressure from government, saying it acts according to Ukrainian tax legislation, one does not have to look far to see a possible example of such patronage.

The National Anti-Corruption Bureau of Ukraine, or NABU, on

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Cryptocurrencies pose tough new questions for auditors, regulators

BY DENYS KRASNIKOV
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How do you value something that only exists virtually? What if that something is a cryptocurrency — virtual money that is not backed by any government or central bank, or anything in the physical world?

The lack of good answers to these questions has brought uncertainty to the financial world over cryptocurrencies, the most well known of which is Bitcoin. While cryptocurrencies are designed to operate peer-to-peer, without a centralized repository or register, this uncertainty is causing cryptocurrency startups to reinvent the very intermediaries, custodians, auditors and bookkeepers that the creator of Bitcoin was so eager to do away with.

Over the past four years, cryptocurrency intermediaries have operated as trusted third parties, increasing their chances of regulatory scrutiny and oversight, says Baker McKenzie associate Maksym Hlotov.

But the financier points out that there are no unified policies for them to follow — and that's a problem.

"Cryptocurrencies can't be actually called a currency for many reasons," Hlotov says. "In fact, people don't know how at all to interpret them. Are they securities? Derivatives? Or are they a commodity? There's no position on that."

And because of this uncertainty, the financier says, companies that deal in cryptocurrencies don't know how to present their virtual assets in their financial reports.

"Today everything depends on individual positions — the creativity or conservatism of a lawyer or a CEO of a particular company," Hlotov told the Kyiv Post. He said cryptocurrencies have created "a new economy" that today exists "parallel to the conventional one."

"And yet traditional accounting tools are not fully adapted to work in this so-called 'economy 2.0,'" Hlotov said. "Only when there are more precedents will the fiscal authorities and lawmakers be able to provide more clarifications."

An example of an economy 2.0 process that is lacking in regulation is an initial coin offering, or ICO, which is now being used as an alternative way to traditional initial public offerings (IPOs) to raise capital.

ICOs can be defined as an unregulated means of crowdfunding via the use of cryptocurrency. For a business that works with cryptocurrency, it is an alternative to the regulated capital-raising process used by venture capitalists, banks, or stock exchanges.

ICOs are basically a market sale of a company's tokens (the equivalent of shares in an IPO) that can in fact be anything, including the actual shares of a company, but which can be bought only with a cryptocurrency.

Auditing and accounting market players say the lack of financial regulation is a significant drawback of ICOs, and without international agreement on conducting ICOs,



A trader runs across the floor at the closing bell of the Dow Industrial Average at the New York Stock Exchange on Aug. 23 in New York. Relatively new and currently hot initial coin offerings, or ICOs, are now being used as an alternative to traditional initial public offerings (IPOs) to raise capital. (AFP)

countries are taking matters in their own hands. China, for example, recently banned this kind of fundraising on its territory, branding it a form of pyramid scheme.

Mykola Tsyrukun, a senior audit manager at KPMG in Ukraine, says part of the problem is that people don't really know what they're buying in an ICO.

"Traditionally I buy shares. What do I buy in an ICO?" asked Tsyrukun. "What does a startup sell? What do its tokens mean?"

But Volodymyr Panchenko, the CEO of DMarket, a Ukrainian tech company that previously used an ICO to raise \$11 million, and which is getting ready for its next ICO in November, sees no problem with the financial reporting and accounting for this way of raising capital.

"Complying with all procedures and legal requirements and having the legal opinion of local lawyers on hand, audits are not a problem at all," Panchenko told the Kyiv Post.

Panchenko's company conducted preparations for its first ICO in accordance with the regulations of the United States, which DMarket sees as its target market.

There, the company uses the services of two law firms: one specializing in taxation, and the other in digital currencies.

Abiding by the legislation of the country in which one works or plans to work allows a company to come up with a digital identification of all ICO investors, even if they used a cryptocurrency, in which transactions can

be entirely anonymous, to make their investment, said Panchenko.

Panchenko agreed with Tsyrukun though — before a company sells its tokens it must first explain the economic prospects of these tokens — their value, and the expected change in their value.

But he said if all such planning is properly done, a classical venture fund can invest into company that has undergone an ICO and become a partner any time.

Baker McKenzie's Hlotov said Panchenko's approach might be exactly the one to take for sake of ease of auditing and transparent financial reporting.

According to Hlotov, in some jurisdictions national regulators have already looked at the ICO phenomenon and drawn up regulatory policies. Audit companies that check a company with assets in cryptocurrency in these countries will thus have guidance on how to assess the value of its virtual assets.

In countries where national regulators have not drawn up regulatory policies, such as Ukraine, most likely auditors will refer to some precedents on the market or follow practices used in other states.

"Everything will be formalized very soon in countries that have active regulators," Hlotov said.

"While in countries with inactive regulators, like Ukraine, there will just be market standards."

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Long-stalled audit reform on to-do list of Verkhovna Rada

BY JACK EVANS
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International assistance to Ukraine is contingent on financial sector reform, not only of banks, but also the companies that audit them.

The International Monetary Fund, for instance, identified tax auditing as a problem, writing: financial audits of budget reports (do) not entirely comply with international standards."

The Ukrainian government pledged to adopt a new audit law, coming into compliance with European Union standards, by July. It missed the deadline, but lawmakers are shooting for Sept. 22 to pass the law.

The PrivatBank scandal put audit and accounting into the spotlight. Ukraine's biggest bank was owned by oligarchs Ihor Kolomoisky and Gennadiy Bogolyubov before the state took it over in December.

In July, the National Bank of Ukraine withdrew auditing rights from PwC audit firm in retaliation for its failure to identify practices that left PrivatBank with losses approaching \$6 billion. PwC audited PrivatBank from the mid-1990s to December 2015.

The central bank claimed that "the audit findings by PwC failed to highlight risks faced by PrivatBank, which led to the bank being declared insolvent and nationalized, with substantial recapitalization costs borne by the state."

PwC called the NBU's decision unjustified and pledged to "examine all options to reverse the decision."

On Sept. 12, in an interview with Reuters, Finance Minister Oleksandr Danylyuk did not rule out taking the auditors to court to recover the enormous multibillion-dollar costs to taxpayers for PrivatBank's bailout.

The exclusion of PwC from NBU's Register of Bank Auditors in July could dissuade other international auditing companies from working in Ukraine, but experts say that is unlikely as the new legislation on auditing and accounting will increase demand for their work.

Viktor Galasiuk, a member of parliament who sits on the Tax and Customs Policy Committee, told the Kyiv Post that the new legislation, if passed into law, will have a "positive effect on investment climate, even though it's a drop in the bucket. It will contribute to the harmonization of our national legislation in the sphere of accounting and financial reporting with the EU standards and International Finance Reporting Standards. The implementation of some of its provisions will help to raise awareness and reduce investor risks."

Vitaliy Kravchuk, a senior research fellow at the Kyiv-based Institute for Economic Research and Policy Consulting, cautiously welcomed the proposed changes, saying they were "not perfect," but steps to increase transparency "through wider availability of financial reports."

Kravchuk said the envisaged changes will only moderately increase the reporting burdens of larger companies, while smaller ones should benefit from "simplified reporting" requirements.

But Galasiuk raised concerns about an alternative draft law he said would be "extremely detrimental" and "pose a threat to independent auditing in Ukraine."

It also imposes unrealistically high requirements on the size of an audit firm, stipulating a minimum of 15 qualified employees. "Practically all firms based anywhere except Kyiv will not be able to fulfill this requirement," Galasiuk said. ■

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Big shots owe big money to Ukraine's state budget

Tax from page 8

March 2 gave a notice of suspicion in a corruption case to Roman Nasirov, the head of the State Fiscal Service himself.

The bureau's spokeswoman Daria Manzhura told the Kyiv Post on March 2 that Nasirov is a suspect in an embezzlement case linked to state-controlled natural gas producer Ukrgazvydobuvannya.

The NABU accused him of illegally allowing participants in an alleged corrupt scheme to delay tax payments, Manzhura said. Lawmaker Oleksandr Onyshchenko, who fled Ukraine in 2016, was one of the participants of the scheme, she said.

After fleeing Ukraine, Onyshchenko released compromising information on Nasirov and Poroshenko.

Onyshchenko said that in 2016, Poroshenko had told Nasirov to

delay tax demands to Onyshchenko's mineral mining companies. Onyshchenko claimed that this was done so he could fund vote buying for Poroshenko in parliament.

President has denied Onyshchenko's allegations.

The opendatabot database reads that Nadra Geo Center, a mineral resource extracting company linked to Onyshchenko, indeed owed more than \$57 million in taxes to the state as of August.

Artful dodger

Another oligarch owes even more to the state than Onyshchenko. But Kolomoisky, having artfully maneuvered the state into taking on the massive debts of his former PrivatBank, has had no need to flee the country.

Before PrivatBank's nationalization in December, Kolomoisky visited the National Bank of Ukraine about

30 times, negotiating the state takeover of the country's largest private bank. When the Finance Ministry subsequently took over PrivatBank from Kolomoisky and Bogolyubov for a symbolic payment of Hr 1, it also took on \$3 billion in unpaid insider loans.

The Finance Ministry did so to stave off the collapse of the bank, which, if it had fallen, could have taken the rest of Ukraine's banking system down with it.

Top tax debtor Ukrnafta is also linked to Kolomoisky, via the oligarch's Privat Group, which owns 42 percent of the company's shares. Another 50 percent belongs to state oil and gas company Naftogaz of Ukraine, but Privat Group's stake is big enough for it to block any moves by the board that it deems unfavorable.

Neskhodovskiy said Ukrnafta's debt built up because it stopped



Oleksandr Onyshchenko

paying taxes in 2013, and was then fined for non-payment.

"Kolomoisky sued the state for its attempts to take away his share in Ukrnafta. Then he refused to pay the debts until the state surrendered. Over four years the fines increased the debt significantly, so now if the enterprise decides to repay it, it will collapse," Neskhodovskiy said.

Ukrnafta could not be reached for comment.

Responsibility

Syrota said that businesses that declare tax debts but don't pay them might be fined from 10–50 percent of the sum of the debt.

"Top managers might also face criminal charges, depending on the case," Syrota said.

According to him, an enterprise that fails to pay more than \$30,000 can face fines of from \$652 to \$1,300. Those that owe billions can only be ordered to pay up to \$15,364 and be prohibited from doing the same type of business.

While a debtor can always opt to

file an appeal with the State Fiscal Service, the service rarely cancels one of its lower office's decisions, so the most effective option is to go to court, Syrota said.

The State Fiscal Service press service told the Kyiv Post the service has been doing everything possible to force the biggest debtors to pay up. However, the debtors have fought back.

For example, Bosakevich wrote, after tax officials sent a debt payment demand to Ukrnafta and arrested company property worth \$443 million, a court later canceled all of the moves taken against Ukrnafta.

"The amendments to the tax code of Ukraine (that allowed tax officers to recover tax debts if the sum is more than \$192,000 without a court warrant) helped us recover Hr 176 million (\$6 million) from Ukrnafta," Bosakevich wrote.

Instruction 22

But the service still hasn't got its hands on that money, because Ukrnafta has been using the National Bank of Ukraine's Instruction 22 to put off payment.

According to NBU Instruction 22, the bank servicing the debtor is permitted to make transfers to the bank collecting the debt for the fiscal service out of banking hours (9 a.m. – 5 p.m.).

However, the bank collecting the debt is not permitted to accept such after-hour transfers.

The big debtors frequently follow Instruction 22, and send the money they owe after 5 p.m. The transaction is refused and the money is promptly returned to the debtor, Neskhodovskiy said.

The State Fiscal Service has asked the Finance Ministry to cancel Instruction 22. ■

Finance Ministry seeking to overhaul tax collection agency

BY VERONIKA MELKOZEROVA
MELKOZEROVA@KYIVPOST.COM

The Ukrainian Finance Ministry said the State Fiscal Service can do a better job collecting taxes, especially among those who have not been paying what they owe.

"Only about 4 percent of the State Fiscal Service of Ukraine staff is involved in debt recovery, while in major economies it's usually 13 percent," according to Finance Minister Oleksandr Danyliuk, whose ministry oversees the State Fiscal Service responsible for tax collec-

tion and customs service.

The Finance Ministry, in a statement published online on Sept. 4, said it would make changes with the help of international consultants in improving debt collection. More than \$2 billion in back taxes is owed to Ukraine—amounting to roughly 3 percent of annual national state spending.

Debt collectors will focus resources on those most able and likely to pay. "Also, we are going to develop the strategy to classify the debtors depending on their segment," the ministry's press service told the Kyiv Post.

The ministry and the State Fiscal Service are going to split up deadbeats taxpayers into several groups: priority debtors (most important in terms of debt size and important for economy); active debtors (debtors who are highly likely to pay their debt voluntarily); usual debtors; bad debtors (those with the big debt, no assets and other inactivity).

"The developed initiatives also include the launch of a special unit to contact active debtors as well as to create a centralized 'bad debt' department," the ministry said.

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Sept. 20.



(Manfred Werner)

Azealia Banks

American rapper and singer Azealia Banks visits Kyiv for the first time. Her music is a combination of R&B, hip hop and techno. Young and talented, Banks expresses her bold views in songs with pumping beats. Enjoy her energetic show on Sept. 20 at Sentrum.

Azealia Banks. Sentrum (11 Shota Rustaveli St.) Sept. 20. 8 p.m. Hr 700-1,500

Friday, Sept. 15

Classical Music

Kyiv Soloists concert. Music by Bach, Arnold, and Vivaldi. National Philharmonic. 7 p.m. Hr 70-300

Live Music

Jazz on the Roof - Broadway. Bel étage. 8 p.m. Hr 250-350

Maksym Shorenkov (pianist). Actor's House. 7 p.m. Hr 150

Funk and Jazz Under the Sky. TSUM. 7 p.m. Hr 300

Clubs

First Hate / Cosmo Vitelli / Charlotte Bendiks. Closer. 9 p.m. Hr 180 - 300

Kickin' house 90s. Khlam. 2 p.m. - 5 a.m. Hr 50

Roxy Bar: S.A. Tweeman Birthday + Closing Season. L8 Park. 11 p.m.

Hr 250 - 350

Miscellaneous

GogolFest (art festival). VDNH. Dovzhenko Center. 5 p.m. Hr 190-750

Christopher Makos. Andy Warhol's Epoch (photo exhibition). Izone. 10 a.m. - 8 p.m. Free

Lizave. Snake Kiss (art exhibition). Nebo. 10 a.m. - 6 p.m. Free

The Noise (art exhibition). America House. 12 - 9 p.m. Free. Bring ID

Fragile State (art exhibition). Pinchuk Art Center. 12 - 9 p.m. Free

Grey Cube (art exhibition). Center of Visual Culture. 2 - 8 p.m. Free

Fryday Afterwork at Dos Amigos. Mexican Independence Day celebration. Dos Amigos. 6:30 p.m. Hr 100

Away from reality (art exhibition). Port Creative Hub. 12 - 6 p.m. Free

Big results of small businesses (photo exhibition). America House. 12 - 9 p.m. Free. Bring your ID

Movies

English Movie Night: Extremely Loud & Incredibly Close (adventure, drama, mystery). America House. 6:30 p.m. Free. Bring ID

Shows

Shadazz (alternative rock). MonteRay Club. 8 p.m. Hr 100-200

Cabaret. Terabak de Kyiv. GogolFest. VDNH. 8 p.m. Hr 190-750

Skai (alternative rock, pop rock). Forsage. 9 p.m. Hr 200

Saturday, Sept. 16

Live Music

20th Century Jazz and Pop Hits. National Philharmonic. 7 p.m. Hr 80-400

80-400

Jazz Step Show. Caribbean Club. 8 p.m. Hr 150-600

Ceslovas Gabalis and Jeronimas Milius. Playing rock hits. Docker pub. 10 p.m. Hr 125-1,050

Music Under the Sky. Playing music from movies. TSUM. 7 p.m. Hr 350

Clubs

Cxema. Dovzhenko film studio. 11 p.m. Hr 250-350

Binh (trance). Closer. 11:55 p.m. Hr 250-350

Punkt (techno). Mezzanine. 11 p.m. Hr 100-150

Booka Shade (house). Chi by Decadence House. 11:55 p.m. Hr 400

Nik Savinich - Open Up Again (DJ set). Khlam. 8 p.m. Free

L8 Park Legends: Blond:ish. L8 Park. 11 p.m. Hr 250-350

Miscellaneous

GogolFest (art festival). VDNH. Dovzhenko Center. 5 p.m. Hr 190-750

Christopher Makos. Andy Warhol's Epoch (photo exhibition). Izone. 10 a.m. - 8 p.m. Free

FetishX0 (art exhibition). Akt. 12 - 8 p.m. Free (during the weekends, the price of the exhibition is included in the entrance fee to the ongoing festivals)

The Noise (art exhibition). America House. 10 - 6 p.m. Free. Bring ID

Big Results of Small Businesses (photo exhibition). America House. 10 - 6 p.m. Free. Bring ID

Fragile State (art exhibition). Pinchuk Art Center. 12 - 9 p.m. Free

Grey Cube (art exhibition). Center of Visual Culture. 12 - 8 p.m. Free

Lizave. Snake Kiss (art exhibition). Nebo. 11 a.m. - 3 p.m. Free

Kurazh Bazar (book market). Platforma Art Factory. 11 a.m. - 11 p.m. Hr 50

Don't Take Fake (festival of modern culture). Toronto-Kyiv. 12 - 8 p.m. Hr 80

Shoe market. Vsi Svoi. 10 a.m. - 8 p.m. Free

Away from reality (art exhibition). Port Creative Hub. 12 - 6 p.m. Free

Open doors day at German Embassy. German Embassy. 11 a.m.

- 5 p.m.

Movies

Kung Fu Yoga (action, adventure, comedy). Kinopanorama. 3 p.m. Hr 50

Shows

Cabaret. Terabak de Kyiv. GogolFest. VDNH. 8 p.m. Hr 190-750

Alina Orlova (folk pop, indie folk). Roof. 8 p.m. Hr 350-750

TNMK (rock, hip-hop, funk). Playing acoustic versions of songs. Bel étage. 8 p.m. Hr 350

Theater

Angels in America Part Two: Perestroika (British Theater Live). Multiplex (Lavina Mall). 3 p.m. Hr 150

Sunday, Sept. 17

Classical Music

Italia Festival Barocco. Music by Vivaldi, Albinoni, Corelli, and Geminiani. National Philharmonic. 7 p.m. Hr 70-350

Live Music

Big Yellow Band. Jazz music. Actor's House. 7 p.m. Hr 75-200

Jazz on the Roof - Ray Charles. Bel étage. 8 p.m. Hr 250-350

Miscellaneous

GogolFest (art festival). VDNH. Dovzhenko Center. 5 p.m. Hr 190-750

Nick Vujcic's motivational speech. Maidan Nezalezhnosti Square. 7:30 p.m. Free

Movies

Kung Fu Yoga (action, adventure, comedy). Kinopanorama. 3 p.m. Hr 50

David Gilmour- Live at Pompeii (concert film). Ukraine. 8:40 p.m. Hr 70-100

Il Divo - La Spettacolare Vita di Giulio Andreotti (satirical drama, in Italian). Kyivan Rus. 5 p.m. Free. Register here: nocorruption.org.ua/ua/filmy/il-divo

The Fifth Estate (biography, drama, thriller). Kyivan Rus. 7 p.m. Free. Register here: nocorruption.org.ua/ua/filmy/fifth-estate

Shows

Pep Torres & Rockabilly Band (rock & roll). Caribbean Club. 6 p.m. Hr 100-290

Theater

Ark (opera-ballet). GogolFest. VDNH. 7 p.m. Hr 190-750

Monday, Sept. 18

Classical Music

Master Piano. Stanyslav Khrystenko plays Chopin, Brahms, and Gershwin. Actor's House. 7 p.m. Hr 100-250

Live Music

Al Jarreau Tribute Concert. Caribbean Club. 8 p.m. Hr 100-400

Kyiv Saxophone Quartet. Playing classics, jazz. National Philharmonic.

Warhaus

Warhaus is a band of Maarten Devoldere, one of the lead vocalists of Belgian indie-rock band Balthazar. Warhaus plays alternative music that combines the uncombinable. It's charming and rough, modern and old-fashioned at the same time. Dissolve in the band's melodic rhythms on Sept. 24 in Sentrum.

Warhaus. Sentrum (11 Shota Rustaveli St.) Sept. 24. 8 p.m. Hr 390-750

Sept. 24



(Warhaus/facebook)

7 p.m. Hr 70-300

Miscellaneous

GogolFest (art festival). VDNH. Dovzhenko Center. 5 p.m. Hr 190-750

Christopher Makos. Andy Warhol's Epoch (photo exhibition). Izone. 10 a.m. - 8 p.m. Free

FetishX0 (art exhibition). Akt. 12 - 8 p.m. Free (during the weekends, the price of the exhibition is included in the entrance fee to the ongoing festivals)

Fragile State (art exhibition). Pinchuk Art Center. 12 - 9 p.m. Free

Grey Cube (art exhibition). Center of Visual Culture. 12 - 8 p.m. Free

Away From Reality (art exhibition). Port Creative Hub. 12 - 6 p.m. Free

Shoe market. Vsi Svoi. 10 a.m. - 8 p.m. Free

Retro Cruise (cycling parade). National Opera of Ukraine. 1 p.m. Free, registration of participants is required

English speaking club. Laska. 5 p.m. Free

Kurazh Bazar (book market). Platforma Art Factory. 11 a.m. - 11 p.m. Hr 50

Don't Take Fake (modern art festival). Toronto-Kyiv. 12 - 8 p.m. Hr 80

Shows

Wintersun (metal). Sentrum. 8 p.m. Hr 490-990

Tuesday, Sept. 19

Classical Music

National Academic Orchestra of Folk Instruments of Ukraine (NAONI). Freedom. 7 p.m. Hr 250-500

Miscellaneous

GogolFest (art festival). VDNH.



(Ptakh/facebook)

Sept. 23

Ptakh

Kyiv's popular electronic music artist Ptakh is giving a DJ set in the club Khlam. In his music, Ptakh uses night city rhythms, and combines dance electronica with melodic and deep music. Let your hair down and enjoy Saturday night along with electronic music by Ptakh.

Ptakh. Khlam (23/22 Mezhyhirsk St.) Sept. 23. 11 p.m. - 2 a.m. Free

Sept. 23



Kyiv Vinyl Music Fair

Kyiv Vinyl Music Fair is a market where one can buy old vinyl records from years gone-by along with new editions, gramophones and other equipment for playing records, as well as meet other fans of vinyl. The organizers say they aim to popularize high audio standards.

Kyiv Vinyl Music Fair (vinyl market). Sentrum (11 Shota Rustaveli St.) Sept. 23. 10 a.m. - 3 p.m. Free

Dovzhenko Center. 5 p.m. Hr 190-750

Christopher Makos. Andy Warhol's Epoch (photo exhibition). Izone. 10 a.m. - 8 p.m. Free

FetishXO (art exhibition). Akt. 12 - 8 p.m. Free (during the weekends, the price of the exhibition is included in the entrance fee to the ongoing festivals)

Fragile State (art exhibition). Pinchuk Art Center. 12 - 9 p.m. Free

Grey Cube (art exhibition). Center of Visual Culture. 2 - 8 p.m. Free

The Noise (art exhibition). America House. 12 - 9 p.m. Free. Bring ID

Big Results of Small Businesses (photo exhibition). America House. 12 - 9 p.m. Free. Bring ID

Lizave. Snake Kiss (art exhibition). Nebo. 10 a.m. - 6 p.m. Free

Away From Reality (art exhibition). Port Creative Hub. 12 - 6 p.m. Free

Movies

Das System - Alles Verstehen Heißt Alles Verzeihen (drama, in German). Kyivan Rus. 7 p.m. Free. Register here: nocorruption.org.ua/ua/filmy/das-system

Shows

Seamus Blake & Dennis Adu Big Band (jazz). Caribbean Club. 8 p.m. Hr 240-950

Theater

Angels in America, part one: Millennium approaches. British National Theatre Live. Kyiv Cinema. 7 p.m. Hr 175

Wednesday, Sept. 20

Classical Music

Symphony concert. Playing compositions by Yevhen Stankovych. National Philharmonic. 7 p.m. Hr

70-300

Live Music

Alexey Kogan and Jazz in Kyiv Band. Freedom. 8 p.m. Hr 150-350

Miscellaneous

GogolFest (art festival). VDNH. Dovzhenko Center. 5 p.m. Hr 190-750

Christopher Makos. Andy Warhol's Epoch (photo exhibition). Izone. 10 a.m. - 8 p.m. Free

FetishXO (art exhibition). Akt. 12 - 8 p.m. Free (during the weekends, the price of the exhibition is included in the entrance fee to the ongoing festivals)

Fragile State (art exhibition). Pinchuk Art Center. 12 - 9 p.m. Free

Grey Cube (art exhibition). Center of Visual Culture. 2 - 8 p.m. Free

The Noise (art exhibition). America House. 12 - 9 p.m. Free. Bring ID

Big Results of Small Businesses (photo exhibition). America House. 12 - 9 p.m. Free. Bring ID

Away From Reality (art exhibition). Port Creative Hub. 12 - 6 p.m. Free

Movies

Queen: Rock Montreal (concert film). Kyivan Rus. 7 p.m. Hr 185-200

Shows

Azealia Banks (hip hop, hip house). Sentrum. 8 p.m. Hr 700-1,500

Theater

Obsession. British National Theatre Live. Multiplex (SkyMall). 7:30 p.m. Hr 175

Thursday, Sept. 21

Classical Music

Classics for Everyone. Music by

Tchaikovsky, Mozart, Strauss, Bach, and Beethoven. National Music Academy of Ukraine. 8 p.m. Hr 100-350

Live Music

Jazz on the Roof - Love Songs. Bel étage. 8 p.m. Hr 250-350

Jazz for Adults With Alexey Kogan & NC 17 (jazz and dance performance). Caribbean Club. 8 p.m. Hr 180-790

Bryan Carter Trio (jazz). Bel étage. 8 p.m. Hr 300-1,100

Miscellaneous

GogolFest (art festival). VDNH. Dovzhenko Center. 5 p.m. Hr 190-750

Christopher Makos. Andy Warhol's Epoch (photo exhibition). Izone. 10 a.m. - 8 p.m. Free

FetishXO (art exhibition). Akt. 12 - 8 p.m. Free (during the weekends, the price of the exhibition is included in the entrance fee to the ongoing festivals)

Fragile State (art exhibition). Pinchuk Art Center. 12 - 9 p.m. Free

Grey Cube (art exhibition). Center of Visual Culture. 2 - 8 p.m. Free

The Noise (art exhibition). America House. 12 - 9 p.m. Free. Bring ID

Away From Reality (art exhibition). Port Creative Hub. 12 - 6 p.m. Free

Big Results of Small Businesses (photo exhibition). America House. 12 - 9 p.m. Free. Bring ID

Movies

Slipknot: Day of the Gusano (concert film). Ukraine. 9 p.m. Hr 70-100

Shows

Annisokay (metalcore). MonteRay Club. 7 p.m. Hr 420-650

Friday, Sept. 22

Classical Music

Symphony concert. Music by Weber, Schumann, and Brahms. National Philharmonic. 7 p.m. Hr 70-350

Live Music

New York Jazz: JD Walter. Bel étage. 8 p.m. Hr 250-550

Clubs

Junket. Kham. 11 p.m. Free

Miscellaneous

GogolFest (art festival). VDNH. Dovzhenko Center. 5 p.m. Hr 190-750

Christopher Makos. Andy Warhol's Epoch (photo exhibition). Izone. 10 a.m. - 8 p.m. Free

Fragile State (art exhibition). Pinchuk Art Center. 12 - 9 p.m. Free

Supremus. Avant Floyd. Pink Floyd songs. Atlas. 8 p.m. Hr 200-800

Clubs

Free mixer party. Izone. 8 - 11 p.m. Free

Paranoise IV. Pliivka. 8 - 11 p.m. Hr 100 - 150

Ptakh (dj set). Kham. 11 p.m. - 2 a.m. Free

Miscellaneous

GogolFest (art festival). VDNH. Dovzhenko Center. 5 p.m. Hr 190-750

Christopher Makos. Andy Warhol's Epoch (photo exhibition). Izone. 10 a.m. - 8 p.m. Free

FetishXO (art exhibition). Akt. 12 - 8 p.m. Free (during the weekends, the price of the exhibition is included in the entrance fee to the ongoing festivals)

Fragile State (art exhibition).

operatic pop). NSC Olimpiyskiy. 7 p.m. Hr 1,000-6,400

Lubomyr Melnyk (piano). Bel étage. 8 p.m. Hr 450-500

Naviband (indie pop, folk rock). Caribbean Club. 7 p.m. Hr 200-650

Theater

Carmen (play screening in French). Multiplex (Lavina Mall). 3 p.m. Hr 175

Sunday, Sept. 24

Live Music

Jazz on the Roof. Soundtracks to movies by Emir Kusturica. Bel étage. 8 p.m. Hr 250-350

Alyona Salova & Latin Legacy. Playing the best salsa hits. Caribbean Club. 7 p.m. Hr 90-350

Miscellaneous

GogolFest (art festival). VDNH. Dovzhenko Center. 5 p.m. Hr 190-



Ulichnaya Eda

The Ulichnaya Eda market starts a new season of street-food festivals on Sept. 23-24. During the festival, one can try products from Ukrainian farmers and popular local street-food spots. Kids are welcome to play in a maze made of hay bales, and attend workshops on flower wreath weaving.

Ulichnaya Eda. Farm. Platforma Art Factory (1 Bilomorska St.) Sept. 23-24. 11 a.m. - 11 p.m. Hr 75

Grey Cube (art exhibition). Center of Visual Culture. 2 - 8 p.m. Free

The Noise (art exhibition). America House. 12 - 9 p.m. Free. Bring ID

Big Results of Small Businesses (photo exhibition). America House. 12 - 9 p.m. Free. Bring ID

Shows

Latexfauna (indie pop). MonteRay Club. 7 p.m. Hr 150

Saturday, Sept. 23

Classical Music

Classics for Children. Sand animation performance accompanied by music. Cinema House. 11 a.m. Hr 200-250

The National Ensemble of Soloists Kyiv Camerata. Music by Hummel, Stankovych, and Spohr. National Philharmonic. 7 p.m. Hr 70-250

Live Music

Magic Music From Magic Films. Music from popular movies. Cinema House. 8 p.m. Hr 100-350

Pinchuk Art Center. 12 - 9 p.m. Free

Grey Cube (art exhibition). Center of Visual Culture. 12 - 8 p.m. Free

The Noise (art exhibition). America House. 10 - 6 p.m. Free. Bring ID

Big Results of Small Businesses (photo exhibition). America House. 10 - 6 p.m. Free. Bring ID

Away From Reality (art exhibition). Port Creative Hub. 12 - 6 p.m. Free

Fair of organic products. Kontraktova Square. 10 a.m. - 7 p.m. Free

Cheese Festival. VDNH. 10 a.m. - 7 p.m. Free

Black Hole of Kyiv Metro (sound installation). Izone. 8 - 11 p.m. Hr 5

Kyiv Vinyl Music Fair (vinyl market). Sentrum. 10 a.m. - 3 p.m. Free

Ulichnaya eda (Street-food market). Platforma Art Factory. 11 - 1 a.m. Hr 75. Hr 100 for both days

Light in the house. Vsi Svoi. 10 a.m. - 8 p.m. Free

Shows

Andrea Bocelli (classical crossover,

750

Christopher Makos. Andy Warhol's Epoch (photo exhibition). Izone. 10 a.m. - 8 p.m. Free

FetishXO (art exhibition). Akt. 12 - 8 p.m. Free (during the weekends, the price of the exhibition is included in the entrance fee to the ongoing festivals)

Fragile State (art exhibition). Pinchuk Art Center. 12 - 9 p.m. Free

Grey Cube (art exhibition). Center of Visual Culture. 12 - 8 p.m. Free

Away From Reality (art exhibition). Port Creative Hub. 12 - 6 p.m. Free

Cheese Festival. VDNH. 10 a.m. - 7 p.m. Free

Ulichnaya eda (Street-food market). Platforma Art Factory. 11 a.m. - 11 p.m. Hr 75. Hr 100 for both days

Light in the house. Vsi Svoi. 10 a.m. - 8 p.m. Free

Traditional Fall Fair (food and flowers fair). Praha. 12 - 6 p.m. Free

Shows

Warhaus (alternative). Sentrum. 8 p.m. Hr 390-750

Cheese Festival

Cheese lovers will have a chance to try various types of cheese produced by Ukrainian farmers during Ukraine Cheese Awards Day held at the VDNH exhibition center. Festival visitors can take part in workshops on crafting mozzarella, burrata, khalumi, chechil and other popular types of cheese.

Ukraine Cheese Awards Day. VDNH (1 Akademika Hlushkova St.) Sept. 23. 10 a.m. - 7 p.m. Free



Sept. 23

Venues

- Classical Music**
- National Philharmonic of Ukraine (2 Volodymyrskyi Descent) +38044 278 1697
 - Petro Tchaikovsky National Music Academy of Ukraine (1-3/11 Arhitektora Horodetskoho St.) +38044 279 1242
- Live Music**
- Bel étage (16A Shota Rustaveli St.) +38067 171 1616
 - Caribbean Club (4 Petliuryi St.) +38067 224 4111
 - Freedom Event Hall (134 Kyrylivska St.) +38067 239 8461
 - Actor's House (7 Yaroslaviv Val St.) +38044 235 2081
 - Cinema House (6 Saksahanskoho St.) +38044 235 2081
 - Atlas (37-41 Sichovykh Striltsiv St.) +38067 155

- TSUM Kyiv Department Store (38 Khreshchatyk St.) 0 800 600 202
 - Docker Pub (25 Bohatyrskaya St.) +38044 537 1340
- Clubs**
- Pliivka (1 Vasyliivska St.) plivka.info@gmail.com
 - Mezzanine Club (31 Nyzhnoiurkivska St.) +380 63 873 7306
 - Closer (31 Nyzhnoiurkivska St.)
- Miscellaneous**
- Dovzhenko Center (1

- Dovzhenko film studio (44 Peremohy Ave.) c-x-em-a.com
 - L8 Park (16A Parkova Road) www.facebook.com/l8park
 - Chi by Decadence House (16 Parkova Rd.) +38044 466 2013
 - Kham (23/22 Mezhyhirskaya St.) hlamkyiv@gmail.com
- Miscellaneous**
- Dovzhenko Center (1

- Vasyliivska St.) +38044 201 6574
- America House (6 Mykolyi Pyromenska St.) +38063 343 0119
- Dos Amigos (51/87 Saksahanskoho St.) +38063 771 0111
- Praha restaurant (1 Akademika Hlushkova St.) +38044 526 99 90
- Pinchuk Art Center (1-3 Velyka Vasyliivska St.) +38044 590 0858
- Toronto-Kyiv business center (100 Velyka

- Vasyliivska St.) +38068 494 3266
- Vsi Svoi market (12 Desiatynna St.) facebook.com/vsi.svoi
- National Opera of Ukraine (50 Volodymyrska St.) +38044 234 7165
- VDNH (1 Akademika Hlushkova St.) +38044 596 9101
- Izone (8 Nabarezhno-Luhova St.) +38050 477 2620
- Nebo Art Gallery (14 Drohomyrova St.) +38044 596 1802
- Center of Visual Culture (44 Hlybochytka St.) vcrc@vcrc.org.ua
- Akt art center (1 Bilomorska St.) +38093 846 0394
- Maidan Nezalezhnosti Square (Pechersky district)
- Platforma Art Factory (1 Bilomorska St.) +38044 338 5538
- Kontraktova Square (Podil district)
- German Embassy

- (Bohdana Khmelnytskoho St.) +38044 281 1100
- Laska charity store (13D Lybunskyi St.) +38093 767 5794
- Port Creative Hub (10A Nabarezhno-Khreshchatyvska St.) +38063 036 6191
- (19 Shota Rustaveli St.) +38044 287 3041
- Kyivan Rus (93 Sichovykh Striltsiv St.) +38044 486 7474
- Kyiv Cinema (19 Velyka Vasyliivska St.) +38044 234 7381
- Forsage (51A Harmatna St.) +38044 232 7001
- Sentrum (11 Shota Rustaveli St.) +38097 115 0011
- MonteRay Club (8 Prorizna St.) +38067 223 0644
- NSC Olimpiyskiy (55 Velyka Vasyliivska St.) +38044 590 6751
- Roof (37/41 Sichovykh Striltsiv St.) +38067 155 2255
- Multiplex Lavina Mall (6D Berkoversta St.) 0800 505 333
- Multiplex SkyMall (2T Henerala Vatutina St.) 0800 505 333

VoxUkraine: How Ukraine can start thriving as nation

BY EDITORIAL VOXUKRAINE

Introduction

In August, President Petro Poroshenko declared, “144 reforms have been launched... We have to become a democratic, free and, most importantly, successful country.”

Two months earlier, Hugues Mingarelli, the head of the European Union mission in Ukraine, told journalists that the Verkhovna Rada effectively blocks reforms and there is little progress now.

They were talking about the same country!

An average Ukrainian may wonder which side is true.

Should we be happy with how much has been done since the EuroMaidan Revolution that drove President Viktor Yanukovich from power in 2014?

Although elections in 2019 will give a popular assessment, the contours of progress are apparent.

VoxUkraine, a non-profit, non-partisan platform for analysis and policy recommendations, has been monitoring reforms since 2014 and is uniquely positioned to take stock of where the country stands.

Here is a summary of major achievements and failures and what needs to be done to transform Ukraine into a successful nation.

Ownership of reforms

No reform is successful unless people take ownership of how they change a country. In contrast to the 2004 Orange Revolution, which brought Viktor Yushchenko to power, the EuroMaidan Revolution led to a burst of civic activity aimed at making the government more accountable and influencing the course of Ukraine's future. While the majority of Ukrainians do not have a strong sense of ownership of the reforms, there is a critical mass of engaged citizens to push the agenda. The massive injection of new blood into the government created conditions for some radical changes. Given the war and more than 10,000 lives lost in eastern Ukraine, society has been more mobilized than ever.

However, the shadow of the Soviet past and the oligarchic system made



Employees work at a drilling rig of gas company UKrgazvydobuvannya in Poltava Oblast on May 3. (Kostyantyn Chernichkin)

even this powerful force likely insufficient to overcome corruption, incompetence and vested interests.

In terms of governance indicators, Ukraine's starting point was tremendously weaker than that of Poland in the mid-1990s. In 2013, Ukraine still belonged to 30 percent of countries with the lowest government effectiveness and rule of law indicators, while Poland was twice better back in 1996. Fortunately, the grassroots movements were empowered by financial, technical, and political assistance from the West.

Ukraine's post-Maidan administration secured political and financial backing from international partners. Over 2014–2016, Ukraine received \$22 billion in loans from the International Monetary Fund, other international financial institutions and Western governments, which represents 24 percent of the country's 2016 gross domestic product.

International financial support helped to stabilize the currency and economy and push through many reforms. In addition to loans and

grants, visa-free travel to EU countries was conditional on meeting reform milestones, while the political and trade association

agreement with the EU signed in 2014 became a roadmap for reforms.

Improved public ownership and international support enabled Ukraine to make visible progress. The Index for Monitoring Reforms suggests that the regulatory environment was changing in the right direction, though at a relatively slow pace with international partners' conditionalities providing for 23 percent of the cumulative score over the period.

Top 6 achievements

1. Gas sector reform

Low energy efficiency and dependence on Russian supplies of natural gas were among key challenges. The gas sector reform is one of the main success stories. Before 2013, Russia was the only major supplier (over 99 percent). In 2016, all imported gas was bought on the European market through reverse flows.

The second major step was sharp adjustment in domestic gas prices. The gap between high import prices of gas and low household utilities' tariffs was so large that Naftogaz's deficit in 2014 reached 5.4 percent of GDP. The government hiked domestic gas tariffs for households 5.5-fold in the last three years, bringing them closer to import parity and adjusted heating tariffs accordingly. Simultaneously, eligibility criteria for direct utility subsidies for poor households were loosened. The drastic gas tariff hike substantially improved the fiscal position, making Naftogaz a net contributor to the state budget.

The third major change was to appoint a professional management team to run Naftogaz and to create an independent supervisory board. However, these positive changes have stalled. Three independent directors of the supervisory board announced in April that the Cabinet blocked the corporate governance reform and hampered a solution of gas arrears. One director resigned in August, leaving the board incapable to approve any decision.

Despite these achievements, gas

sector reform is not over. Major challenges ahead include unbundling Naftogaz in line with the third EU energy package, demonopolization of gas supplies to households, investment in obsolete utilities infrastructure, etc.

2. Banking transformation

While the National Bank of Ukraine made several breakthrough reforms, we focus on two key ones.

First, the central bank adopted a new policy framework: inflation targeting. This will bring macroeconomic stability as well as low and stable inflation and, therefore, will stimulate economic growth. The central bank enhanced its communication to create a predictable business environment. The flexible exchange rate will absorb external shocks, thus reducing macroeconomic risks and making the economy more robust.

Second, the NBU started to exercise more oversight over banks and other financial institutions. Indeed, the banking sector in Ukraine was infamous for related-party lending, which made the country vulnerable to crises and panics. The banking system in 2015 was undercapitalized and many banks were de facto bankrupt — some were nothing more than Ponzi schemes — but continued operations. To address these enormous problems, the NBU curbed related party lending, raised capital requirements and removed “zombie” banks. More than half of the 180 banks in operation were liquidated.

3. Public Procurement

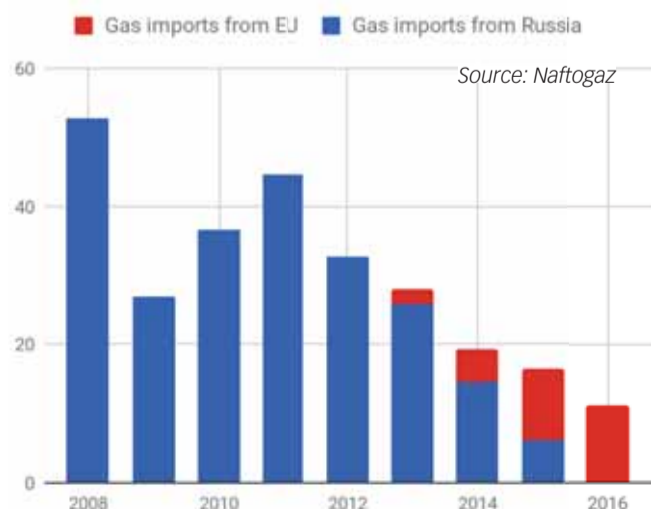
The system of public purchases was considered one of the major sources of corruption and waste in the pre-EuroMaidan Ukraine. A new e-procurement system for all public purchases (ProZorro) was launched. A comprehensive set of reforms had five objectives, most of which were achieved. First, the new system reduced opportunities for corruption. Second, businesses obtained better access to public tenders: the number of suppliers for large tenders grew 74 percent. Third, reform provided tools for civil society and businesses to keep public contracting authorities accountable. ProZorro was supplemented with the business intelligence module which provides access to the data and visualizes major procurement metrics. Fourth, the legislation harmonized public procurement with the EU and World Trade Organization, giving Ukrainian producers access to public procurement abroad. Finally, the new system cut red tape and waste. By some estimates, the new auction system generated approximately 3.5 percent savings. Reform in this area gained plaudits internationally and was approved by the European Bank for Reconstruction and Development as a model for other countries.

4. Decentralization

Ukraine's decision-making in public policy was highly centralized. Important changes to the budget code and a number of other laws

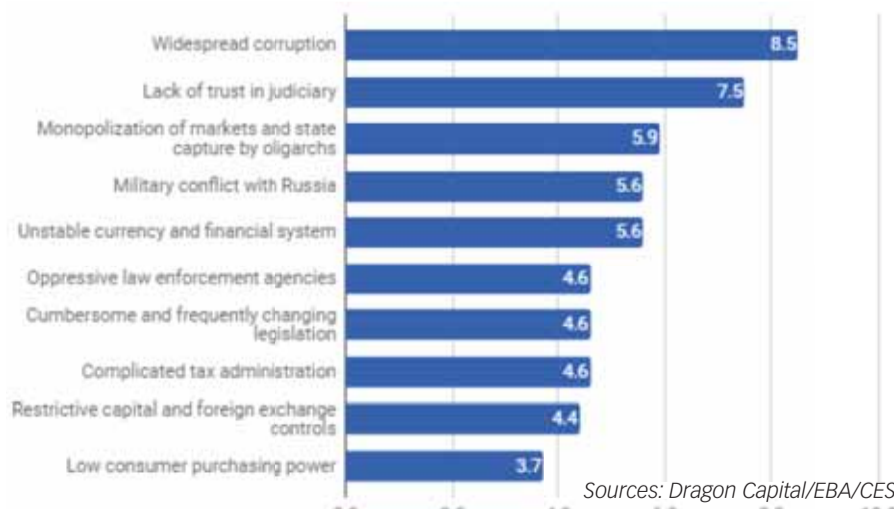


Ukraine's gas imports (bcm)



Ukraine has switched from dependency on Russia for natural gas imports to reliance on European Union nations.

Key obstacles to foreign investors (10= the biggest obstacle)



Widespread corruption and distrust in the judiciary rank as the top two obstacles to foreign investment, major reasons why less than \$50 billion has come since 1991.

VoxUkraine: We are optimistic about Ukraine's future

VoxUkraine from page 14

have been adopted since the beginning of 2015 which give more powers, responsibilities and resources to local governments, although decentralization reform still requires amendments to the Constitution to clearly define the responsibilities of central and local governments.

The reform provides financial incentives for communities to unite to achieve economies of scale. At the end of 2016, there were 414 united communities in Ukraine and they held their first elections.

5. Business environment

Just before the 2014 EuroMaidan Revolution, Ukraine ranked 112th out of 189 countries in the World Bank Doing Business survey. Since then Ukraine's rank rose to 80th in 2017.

Several reforms were instrumental for improving business environment. There was a reduction in regulations and licenses. The government assisted business registration and other procedures through the "single window" approach. As of July, 701 operating centers issuing licenses and permissions were open. Now it takes only one day to register a new business. In 2016, the social security tax rate was cut from above 40 percent to 22 percent, which brought the overall level of taxation in line with the average in Central and Eastern European countries. Finally, in April the government introduced an electronic system for value-added tax refunds, previously a source of corruption and a tool for selective pressure on businesses.

6. Patrol Police

In July 2015, new patrol police took to the streets of Kyiv, replacing the disliked and corrupt traffic police. Though confidence in the new police declined over the past year, the reform offers an example of how a new strong institution can be successfully built from scratch.

Laggard reforms

1. Prosecuting corruption

Fighting endemic corruption along with moving towards the EU was one of the key demands of the EuroMaidan Revolution. However, corruption still remains a major obstacle for foreign investment, according to a recent survey.

Ukraine has made noticeable progress in reducing corruption opportunities with the online public procurement system, business deregulation, banking system clean-up and open public access to detailed electronic asset declarations for state officials.

To combat high-level corruption, Ukraine's authorities created new independent institutions, such as the National Anti-Corruption Bureau of Ukraine Specialized Anti-Corruption Prosecutor's Office. These organizations shortly became operational and opened hundreds of criminal cases,

including against the head of the State Fiscal Service. However, their effectiveness in prosecuting corrupt officials charged by NABU has been limited: in 2016 through June 2017, only 3 cases (out of 171 high-ranking officials charged) resulted in jail sentences. This poor performance was largely due to the dysfunctional, corrupt and politically dependent court system. This state of affairs prompted calls for the creation of a specialized anti-corruption court. While such a court has been envisaged in the recently adopted judicial reform legislation, there has been no visible progress for its creation.

2. Land market reform

With 41 million hectares of agricultural land covering 70 percent of the country, Ukraine accounts for a third of the global black soil area. At the same time, Ukraine along with Belarus remain the only two European countries where land cannot be bought and sold. A ban on the sale of farmland was introduced in 2001 and remains in place today. The moratorium severely hurts farmers' capacity to borrow capital and consequently the sector's productivity because land cannot be used as collateral. In addition, agricultural land in state and communal ownership — a quarter of total agricultural land — is poorly managed and misused, generating fiscal losses.

Lifting the moratorium remains heavily politicized and unpopular. This is unfortunate. Successful land market reform will improve property rights of landowners, enhance the public benefit from using state and communal land and encourage investment in rural areas.

3. Civil service reform

A modern country requires an efficient and competent bureaucracy to formulate economic policies, allocate government resources, design reforms and ensure their speedy implementation. Unfortunately, the effectiveness of civil service in Ukraine is the second lowest in Europe after Moldova, according to the World Bank Governance Indicators.

Successful civil service reform should include three key elements: (1) bring new, competent people to the civil service, (2) minimize the political impact on appointments and (3) redesign processes inside the government to make it efficient and transparent.

The first attempt to launch civil service reform was made at the end of 2015 with approval of the new Law On Civil Service. The law envisaged that all top appointments should be made with a special selection committee, created new positions of state secretaries in the ministries, chosen through a new competitive process, and changed the salary structure of civil servants. Senior level officials were banned from having membership in any political party. Despite high expectations, the law did not

lead to major improvements. To correct some of these mistakes, the government intends to hire 1,000 new civil servants (vs. 202,000 total) to newly created directorates in selected ministries, offering them higher salaries. Directorates will be responsible for strategic policymaking and restructuring of ministries.

4. Privatization/SOEs

Ukraine has more than 3,300 state-owned enterprises. Their oversight is so poor that different agencies provide different numbers, ranging from 3,350 (Ministry of Economy) to 4,500 (State Property Fund). For the last three years, the goal for privatization revenues in the state budget was set to Hr 17 billion, but this plan has not been fulfilled. Privatization revenue in 2016 was only Hr 0.2 billion. This means that SOE losses (near 3 percent of GDP in 2016), stemming from incompetence and corruption schemes continue to be covered by taxpayers.

Perhaps the largest success is the reform of Naftogaz, which holds 48.5 percent of all assets in the top 100 SOE list. Indeed, Naftogaz has new independent management, has conducted audits and published results and improved its financial results. At the other side of the spectrum is Ukrspirt. Estimates suggest that up to 40 percent of all vodka and other alcoholic beverages' production uses "gray" (i.e. unaccounted) spirits from Ukrspirt.

The government recently drafted legislation streamlining privatization procedures and identified SOEs to be privatized, liquidated or left in state hands, but corporate governance reform in strategic SOEs stalled.

5. Judicial, law enforcement

Ukrainians distrust the judicial system, which is deeply damaging the economy and society. Not surprisingly, one of the first major laws approved after the 2014 EuroMaidan Revolution was "On renewal of trust to judicial system," which essentially prescribed lustration of judges. In a sign of entrenchment, 75 percent of court chairmen fired by this law were re-elected by their peers. Subsequent reforms focused on gradual upgrades to achieve greater trust and independence in the judicial system. For example, new legislation granted an imperative power to Supreme Court decisions, introduced open competition for all positions, considerably raised salaries of judges and set up the Higher Council of Justice (a self-governing body for the judicial branch) to make all decisions regarding hiring, promotion and punishment of judges. At the same time, judges were obliged to submit e-declarations, which are now available online, to minimize corruption. So far, the Higher Council of Justice has been reluctant to reject judges shown to be corrupt or dishonest by the integrity commission comprised of civil activists.



A farmer works his fields on May 31 in Kyiv Oblast. (Volodymyr Petrov)

In a rare reform of prosecution, amendments to the Constitution removed prosecution's universal oversight function, a Soviet remnant. Unfortunately, prosecution remains opaque and repressive.

Although the new patrol police was a success, the rest of the police (namely, the investigative police) remains unreformed.

6. Health Care

Ukrainians have dismal access to quality health care services. The government covers only half of health costs and many households have difficulty paying their medical bills. Attempts to reform have been constantly halted by political and economic vested interests, including sizable cash flows in the industry.

One important step was the temporary (until 2019) outsourcing of centralized procurement of medicines to international organizations and simplification of medicines' registration. This helped to the eliminate a large source of corruption at the Ministry of Health.

The government drafted broader reform, proposing to change financing by allowing citizens to freely choose doctors, clinics and hospitals. The proposed changes are intended to raise competition, improve the quality of services, increase efficiency in spending and reduce corruption. However, the respective draft laws are stuck in parliament. The stalemate deprives the nation of a chance to increase the productivity of the labor force and lengthen life expectancy, which remains far below the EU average (72 years in Ukraine vs. 81 years in the EU).

7. Education

By formal metrics, Ukraine has one of the most educated countries in the world: the literacy rate is almost 100 percent and enrollments are high. While these statistics are impressive, the system shows troubling signs of inefficiency and waste. For example, according to the World University Ranking, the best Ukrainian university is ranked between 800th and 1,000th place, while four more come after 1,000, which is basically just a recognition that they have applied. The education-job mismatches are

high and persistent. Since human capital is a cornerstone of a modern economy, the inability of the system to produce high-productivity workers is a limiting factor.

While the government took some steps in enhancing quality, they are not enough. Also, the system of funding of public universities and scientific research remains inadequate, keeping Ukraine on the sidelines of international science.

Conclusion

The political and economic landscape in Ukraine has changed dramatically since early 2014.

Poroshenko won early presidential elections in May 2014, while two thirds of parliament were renewed during parliamentary elections in October 2014. Russia's war against Ukraine and the lingering effects of corruption under Yanukovich are among factors that hurt consumer and investor confidence. As a result, Ukraine's economy shrank by 6.6 percent in 2014 and almost 10 percent in 2015, while the local currency lost 62 percent of its value before stabilizing in mid-2015. Finally, the pre-EuroMaidan Ukraine was living in the shadow of post-Soviet legacy with pervasive corruption, inflated but incapable civil service and repressive law enforcement agencies.

However, Ukraine should be proud of its accomplishments.

It was inconceivable in 2013 that Ukraine can stop importing gas from Russia, banks can be more than toys in oligarchs' hands, public procurement is not a major source of corruption, local governments are in charge of providing many public goods, the police and business environment can be friendly and Ukrainians can travel to the EU visa-free.

Obviously, modernization is not complete. It will likely take many years before Ukraine is on par with its more developed neighbors. There is abundant space for improvement in law enforcement, health care, education, civil service and other areas. However, some of the building blocks for democratic, robust and prosperous society are in place and we remain optimistic that Ukraine will finish the rest of its reform agenda to become a successful country. ■

About this opinion

The authors are members of the editorial board of VoxUkraine, an independent analytical platform founded in 2014 after the EuroMaidan Revolution that drove President Viktor Yanukovich from power. The team includes experienced economists and lawyers based in Ukraine and abroad. The board members include: Olena Bilan, Dragon Capital; Yuriy Gorodnichenko, University of California-Berkeley; Veronika Movchan, Institute of Economic Research; Oleksandra Betliy, Institute of Economic Research; Oleksandr Zholud, National Bank of Ukraine; Oleg Nivievskyi, Kyiv School of Economics; Ilona Sologoub, Kyiv School of Economics; Tymofiy Mylovanov, Kyiv School of Economics; Olexandr Talavera, Swansea University; Denys Nizalov, Kyiv School of Economics; Olena Nizalova, University of Kent; Nataliia Shapoval, Kyiv School of Economics; and Alex Nikolsko-Rzhevskyy, Lehigh University. Special acknowledgement goes to Tetyana Tyshchuk, manager of the Index for Monitoring Reforms and Inna Sovsun, Kyiv School of Economics. A fuller version can be read at voxukraine.org

The black hole where 5% of Ukraine's GDP gets spent

BY WILL PONOMARENKO
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Since Russia's war started in 2014, Ukraine has been spending much more money on its defense sector than ever. But how much of it is well-spent is an open question.

Almost all defense purchases are still conducted in secrecy, a dangerous practice for a nation with a long history of corruption in state procurement.

In 2017, the country's security and defense spending reached a record Hr 129 billion, or \$4.9 billion, which is roughly 5 percent of the nation's gross domestic product of \$100 billion. For comparison, most of NATO's 29 members don't meet the alliance's spending goal of 2 percent of GDP.

The ramp-up came quickly. Ukraine spent very little on its defense before Russia's invasion of Crimea and the Kremlin's instigation of war in the eastern Donbas in 2014, which has killed more than 10,000 people with no end in sight.

With this massive investment, Ukraine is seeking to defend itself, while overhauling a long-neglected and underfunded military, with the ambitious goal of meeting NATO standards by 2020.

But to do so, the country needs to reduce corruption in the sector. Many critics say it is far from doing so. Graft watchdog Transparency International's Government Defense Anti-Corruption Index in 2015 rated the level of corruption in Ukraine's military sector as high. The situation looks unchanged today.

Even assessing how much money is being stolen or misspent in the defense sector is nearly impossible due to the rigid secrecy of most contracts. Ukraine's legislation gives the Defense Ministry and its subsidiaries freedom to decide which purchases to make public and which to keep secret.

Children play on a tank during an arms exhibition on Aug. 23 in Kyiv. (Oleg Petrasjuk)



A few controversial purchases that were discovered by journalists show the Defense Ministry's enterprises buying overpriced equipment, overpaying by tens of thousands of dollars to firms that appear to be linked to defense officials or top political leaders, including President Petro Poroshenko.

Poroshenko's press service issued a statement on Sept. 14 said the allegations "are unfounded, not confirmed by any facts, and appear to be an improper political tactic that is being used against the president by his opponents within the country and his enemies in the aggressor state."

Socks made secret

Ukrainian media, activists and top officials point fingers at Ukroboronprom, the state arms agency with 80,000 employees and 130 enterprises. Its activities

are cloaked in secrecy, justified on national security grounds.

One of those ringing alarms is Finance Minister Oleksandr Danyliuk. He called for greater accountability.

Defense spending is "fully non-transparent," Danyliuk said during a conference sponsored by Chatham House on July 5 in London. "Even for me, as a minister who finances a lot of purchases, I'm not fully aware of what actually is happening, how effectively money is used. This is wrong."

Danyliuk said that he saw contracts for purchasing items like socks and buckets marked as top secret. When he asked defense officials why such trivial purchases were made

secret, he was told that the number of socks can help the enemy figure out how many troops that Ukraine is deploying.

"This is the last area being reformed. We need to speed it up. If you want to build a strong, competitive army, we need to put more money in building or buying new weaponry," Danyliuk said. "In order to do it, there needs to be some transparency, some accountability for money put in, because then there will be trust."

The secrecy covers more than just socks and buckets.

In February, Poroshenko signed a decree on the state defense procurement plan for 2017–2019. However,

the plan is classified as secret. Ukrainians won't learn what will be purchased and how much spent.

One reason for the high level of secrecy, defense watchdogs allege, is that Poroshenko is financially benefiting from defense spending.

That is the conclusion of Oksana Syroyid, an opposition member of parliament with the Samopomich Party who serves as deputy speaker of the Verkhovna Rada.

"The president is one of the main beneficiaries of the defense budget," Syroyid told the Kyiv Post. "This is a conflict of interest, first of all, for the president of the country at war."

She wouldn't begrudge the president's success in making money from the war so much, she said, if she could be assured that the money is being spent wisely. But she cannot say that, she said, because of secrecy surrounding the defense budget. She didn't want to go into too much detail, however, saying she could be prosecuted for divulging state secrets.

"Because of the state secrecy law, all the information regarding defense procurement is classified," Syroyid said. "If you look at how it is procured and who supplies those services, you would be shocked. I can get access to this information, but I can't leak it to you. I would be punished for leaking, not those using state funds."

She called the situation disgusting, "especially when I get to the front line and talk to soldiers and see how they are equipped, when they sell those new tanks for export and when they provide those old weapons to Ukrainian soldiers; when I know that Ukroboronprom didn't provide almost

more **Corruption** on page 17

Poroshenko's business partners run Ukrainian defense industries

BY WILL PONOMARENKO
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Since President Petro Poroshenko came to power in early summer 2014, key positions in Ukraine's defense industry and military procurement have been taken up by his long-time business partners.

Oleh Gladkovskiy is one of them. As the first deputy secretary of the Ukraine's National Security and Defense, Gladkovskiy has direct influence on state defense production and procurement policy.

Moreover, Gladkovskiy also chairs the Interdepartmental Commission on Military-Technical Cooperation and Export Controls, thus having the last word in the country's arms sales abroad.

He has been part of the president's inner circle since at least the early 1990s.

Between 1997 and 2012, Gladkovskiy, then known as Oleh Svydnarchuk, was a deputy director general at UkrPromInvest, a group of companies belonging to Poroshenko.

With Poroshenko, he established the Bogdan Corporation vehicle producer, becoming the company's supervisory board chairman in February 2005. The company quickly became one of Ukraine's biggest automobile producers, as well as the army's main source of specialized armored cars.

In 2009, Svydnarchuk eventually became Bogdan's sole owner after he bought out Poroshenko's major share in the company.

Since 2008, Svydnarchuk has had a 9.9 percent share, some shares held directly, and some through intermediaries, in the International Invest Bank, in which Poroshenko has a 60 percent share.

After the Euromaidan Revolution, Svydnarchuk entered politics, running Poroshenko's presidential campaign office in Chernivtsi Oblast in the spring of 2014.

Just two days after the Central Election Commission declared Poroshenko the new president, Svydnarchuk on June 4, 2014 officially changed his name to Gladkovskiy - his mother's maiden name.

On Aug. 13, 2014, Poroshenko appointed his business partner to the interdepartmental commission. Then, on Feb. 17, 2015, Poroshenko appointed Gladkovskiy first deputy secretary of the National Security and Defense Council.

Before that, on July 4, 2014, the newly elected war-time president had placed UkrOboronProm, the giant state-run defense industry concern of over 130 enterprises, and Ukraine's main producer of weapons, into the hands of Roman Romanov, the man who had run his election campaign in Kherson Oblast.

In Kherson, Romanov was the owner of the Avtoplaneta Plus car dealership, an authorized dealer of the Hyundai Motor Company and Kia Motors, and a city council member.

Moreover, according to an investigation published by journalist Oleksiy Bratuschak in news website Ukrainska Pravda, Romanov's dealership was an official partner of the Poroshenko's and Gladkovskiy's Bogdan Corporation in Kherson Oblast.

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Poroshenko seen as beneficiary of excessive secrecy in defense budget

Corruption from page 16

anything to the army during the war.”

The published defense budget, she said, amounts to 20 vague lines on a spreadsheet, in contrast to the wealth of information that the U.S. government publishes about the world's biggest defense budget of some \$500 billion annually. Ukraine's budget will include such items as “four billion hryvnia for increasing defense capacity, so you just have to guess” what the money is for, Syroyid said.

Another person with insider knowledge of how defense procurement works also pins the blame on Poroshenko.

Viktor Plakhuta quit last year as head of the defense department of the Ministry of Economy and Trade. Oddly, the ministry approves defense purchases, even though Plakhuta said it amounts to rubber-stamping requests from the Ukraine's Security and Defense Council or Defense Ministry.

Plakhuta is now the chief executive officer at the Ukrainian Freedom Fund, a think tank funded by Transparency International seeking to introduce transparency and competition into the defense sector.

He told the Kyiv Post that Poroshenko has vast, unchecked powers over the sector, which gets the largest share of the \$40 billion in state spending.

“I think Poroshenko regards Ukroboronprom as one of his instruments to retain power,” Plakhuta said. “The whole defense and security sector is under him. We have such a proverb: When the war lasts more than a year, it becomes a good business. Unfortunately, our president is not a reformer.”

Two people identified as key Poroshenko figures in defense

spending are former business partners, Roman Romanov, the head of Ukroboronprom, and Oleh Gladkovskiy, first deputy secretary of Ukraine's National Security and Defense Council, which makes decisions about defense spending and armaments procurement.

Schemes uncovered

The defense purchases that were leaked or uncovered in journalist investigations show examples of corruption in the sector.

In one controversial contract, which was leaked to Ukrainian journalist Oleksandr Dubinskiy in May, state-owned defense company SpecTechnoEksport bought four used armored Toyota Land Cruiser V8 cars from a Cyprus-registered company HUDC Holding Limited, paying \$428,000.

Dubinsky claimed that the beneficial owner of the offshore seller is Gladkovskiy, the first deputy secretary of Ukraine's National Security and Defense Council, appointed in 2015 by Poroshenko, his longtime business partner.

Gladkovskiy's office confirmed in a comment emailed to the Kyiv Post that Gladkovskiy, formerly known as Oleh Slynarchuk, “used to have a connection to HUDC Holding Limited” through a different offshore company that he owns, Teckford Investments Financial Corporation, registered in the British Virgin Islands.

Before entering the public service, Gladkovskiy authorized an independent management company to manage his offshore firm, according to the emailed response. “He doesn't make any decisions and isn't familiar with the current business processes,” it read.



A worker repairs an armored personnel carrier's track assembly at the Zhytomyr Armored Plant in Novoguyvinske on March 30. (Ukrafoto)

Still, it means that the company linked to deputy head of the highest defense coordination agency in Ukraine supplied vehicles to a state company through a secret, non-competitive purchase.

Each of the four cars cost the Ukrainian state-owned company \$107,000. Months earlier, the same Cyprus-based seller linked to Gladkovskiy sold vehicles of the same features to Dozor Avto, a Ukrainian firm also formerly owned by Gladkovskiy, at a cheaper price of \$93,000, according to a contract published by journalist Dubinskiy.

The acting director of SpecTechnoEksport who signed the purchased of overpriced Toyotas from an offshore company, Vladyslav Belbas, is a former director of Dozor Avto.

The deal was never looked into by authorities. And they can't. The investigative agencies have no access to classified defense deals.

Difficult to control

The National Anti-Corruption Bureau of Ukraine and the Military Prosecutor's Office could investigate and prosecute graft in the defense sector, but even they have their hands tied.

The defense agency must launch an internal investigation first before any other agencies can be legally

involved. In other words, the defense companies have no outside control and audits whatsoever.

Recently, the NABU carried out its first high-profile investigation of the country's defense sector since the bureau was created in 2015.

On July 14, four officials from Ukraine's defense industry sector and an alleged shell company owner were arrested on suspicion of running a fraud scheme to buy old outdated engines for T-72 tanks instead of new motors.

The NABU suspects the officials of embezzling up to Hr 28.5 million (\$1.1 million) in 2015 alone.

Following the arrests, the Lviv Armor Plant director Roman Tymkiv, one of the suspects, was suspended by Ukroboronprom. The holding company said that, over the past three years, it has informed law enforcers of 158 incidences of fraud by its employees costing the state a total of \$36 million, and that 41 criminal cases were being investigated.

Still, because of secrecy, this might only be a small fraction of the true size of the problem.

Seeking transparency

Ukrainian legislation enables state defense bodies, such as the Defense Ministry, the Interior Ministry and the Security Service of Ukraine, to decide

themselves whether a contract must be classified – no matter what it is, from the purchase of an advanced weapon or buying soldiers' rations.

Another problem is that the classified procurement deals are closed in a noncompetitive way, allowing officials to choose contractors regardless of their price offers, according to Plakhuta, the former head of the economy ministry's defense department who is now the chief executive officer at the Ukrainian Freedom Fund.

In 2016, Plakhuta resigned Ministry of Economy and Trade because he didn't want to approve classified procurement contracts that he did not have enough information to evaluate.

“The problem is overclassification of budget, spending, contracting. Our problem is single-source contracts, when we don't have tenders, who knows if it's good for the country or not?” Plakhuta said. “We don't have a proper system of procurement for the Ministry of Defense. If we go inside what happens with armament and military equipment, I think it's terrible things. Also, there is no clear criteria for determining which defense procurement and purchase data must be classified.”

more Corruption on page 18

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Calls rise for transparency in nation's defense budget

Corruption from page 17

To stop corruption, Ukraine's defense sector needs to be opened up to public scrutiny, he said. "First of all, data on state defense procurement and production must be revealed in open sources, at least partially," Plakhuta said. "In the U.S., at least 75 percent of such information is publicly available."

He added that the government must be obliged to publish semi-annual and annual reports on security expenditures, as well as reveal much more detailed defense budget items, providing a distinguishable understanding of how much of the taxpayers' money will be spent on specific needs.

To implement such changes, the Ukrainian Freedom Fund has offered the country's government a number of draft laws, but it has little hope they will be passed, Plakhuta said.

Archaic system

Denys Gurak, Ukroboronprom's deputy director general, admits that the current situation in Ukraine's defense sector is disturbing. A partial decrease in secrecy in defense procurement would not harm the nation's security, he says.

"The really sensitive data is not



Ukrainian soldiers collect unexploded shells after a massive fire at the army depot in Balakliya on March 29. Despite huge investments made in rearmament since 2014, Ukraine's defense industries haven't started producing ammunition yet. (Ukrifoto)

information on supplies, terms, transaction values or item categories, but rather on the actual type of technologies provided," the official said. "In the modern world, data on how many vehicles a country has is anything but secret."

Meanwhile, among NATO-member nations, defense procurement contracts concerning highly sensitive data are made not at the discretion of officials, but via restricted tenders among companies approved for par-

icipation. Confidentiality remains within the competence of a special independent government agency, rather than the security services.

Ukroboronprom would support this model, since lack of transparency in Ukraine's defense sector also undermines Ukroboronprom's image. Ukraine's NATO partners back away from non-transparent conditions, Gurak said.

"Since 1991, some things have been changing in Ukraine – for the

better, or for the worse. But in the defense industry and in the ministry, nothing has really changed. Our 1991 started in 2014," the official said.

One foreign partner who has noticed the problems of Ukroboronprom is former deputy U.S. Defense Secretary Michael Carpenter.

"Ukroboronprom is too opaque, too convoluted. It's essentially a middleman's organization, which is always vulnerable to corruption in every sector of the economy, particularly in the defense sector," Carpenter told the Kyiv Post. "It needs a wholesale root and branch overhaul – a new board of directors, a management strategy and then an audit of the whole conglomerate to figure out how you can break it down in the most business-friendly way. It's a recipe for corruption, the way it's structured." It "prevents a lot of Western investment from flowing in," he said.

Encountering resistance

Syroiyd said lawmakers are debating measures to make defense spending more transparent, along the lines of what Plakhuta and Carpenter advocate, but she expects resistance from Poroshenko and others.

"The only approach is to change the situation," Syroyid said. "You

have to declassify procurement in the defense sector; except the procurement of innovative products, which have to be classed not as state secrets but as commercial secrets."

Ukroboronprom and other defense concerns should be audited not by the state, but by one of the major private auditors, she said.

And Ukroboronprom needs to be reorganized and its vast holdings of 130 enterprises "turned into normal corporate enterprises" to attract investment into the sector.

"It's very simple, but this would interfere with the plans of the president," she said.

The consequences for Ukraine's army can be severe, but have not been fully tested since Russia's biggest military offensives in 2014 and 2015, in which Ukraine's military suffered losses that led to the unfavorable terms of the two peace agreements reached in Minsk, Belarus.

"Compared with 2014, yes, (Ukrainian soldiers are) doing much better," Plakhuta said. "Compared with the U.S. army, sorry. Imagine tomorrow if the Russian army goes on the offensive. It will take it one day to get to the left bank of the Dnipro River."

Kyiv Post editors Brian Bonner and Olga Rudenko contributed to this report. ■



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Activists change cities, hope for better future in Donbas

City Life

WITH TOMA ISTOMINA
ISTOMINA@KYIVPOST.COM

New cozy cafes open up in Kyiv

Anastasia Barannik, a 21-year-old head of online educational projects, drinks up to five cups of coffee every day. She says it helps her calm down and distracts her from the everyday routine.

"It's a ritual. It's an important element of my life," she told the Kyiv Post.

While Barannik has a list of favorite places she visits to grab a hot coffee, she is always eager to discover new cafes, she says.

So for Kyiv's coffee lovers like Barannik, the Kyiv Post has picked out some of the most interesting coffee shops that have opened in Kyiv recently.

Takava Coffee-Buffer

This small place, located in the center of Kyiv, between the Lva Tolstoho and Olimpiiska metro stations, opened around a month ago. With the business still operating in test mode, Takava Coffee-Buffer is experimenting with different kinds of coffee while collaborating with a range of Ukrainian coffee roasting companies.

Takava specializes in espresso, cappuccino, latte, raf, cacao and frappe. Apart from that, they offer lemonades and desserts — cakes, macarons, eclairs, and muffins, and they plan to bake their own croissants and puffs.

Lamps made out of cezves (small pots for making Turkish coffee) contribute to the warm atmosphere inside the two-storied cafe. For those who stay to enjoy their drink, Takava Coffee-Buffer has prepared a range of books, magazines and table games.

Bekir Suleimanov, one of Takava's co-owners, says that they will keep experimenting and try to contribute to the development of Kyiv's coffee culture.

"We will be glad to see everyone who loves coffee as much as we do," he told the Kyiv Post.

Prices: espresso — Hr 38, cappuccino — Hr 48, latte — Hr 58.

Takava Coffee-Buffer (43/16 Velyka Vasylkivska St.) Mon-Fri — 8 a.m. — 11 p.m. Sat-Sun — 9 a.m. — 11 p.m.

Right coffee bar

This coffee bar opened near Lvivska Square in early summer. Featuring a modern

more Cafes on page 20



Mykhola Dorokhov (L) and other activists of Vilna Khata youth organization in Kramatorsk, some 700 kilometers southeast of Kyiv, look at photos from a summer camp party on Aug. 15. Vilna Khata and other non-profit organizations were founded after Ukraine in 2014 retook the city of 160,000 people from Russian-backed forces. The organization currently puts on cultural events and promotes education. (Volodymyr Petrov)

BY ANNA YAKUTENKO
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SLOVIANSK, Ukraine — Before the cataclysmic year of 2014, Alexey Ovchinnikov put most of his time and effort into his dance studio, Gratsia, or Grace, in Sloviansk, the Donetsk Oblast city some 670 kilometers southeast of Kyiv.

Life changed for the nation — and the 39-year-old Ovchinnikov — after Russia unleashed its war on Ukraine in the spring of that year. The city with a pre-war population of 117,000 people was caught up in the fighting. A shell blasted a huge hole in the roof of the Palace of Culture, where Gratsia was based.

"Before the war, everyone minded their own business," Ovchinnikov told the Kyiv Post on Aug. 16. "Now

people have become more active and concerned about what's going on in their city. They won't stay quiet if they see that the authorities are failing to do something, or they see someone is stealing money."

During the period of fiercest fighting, Ovchinnikov moved his studio to Kyiv, but after the city was liberated by Ukrainian forces in July 2014, he decided to return to Sloviansk.

Gratsia has also opened several new studios — in Kramatorsk, Druzhkivka and Sviatogirsk — while Ovchinnikov along with a group of activists has created an initiative called Zmisto to repair public spaces and develop the city.

After the war, Sloviansk and Kramatorsk, along with other eastern cities, received funding from international organizations which

allowed activists to create dozens of non-profit organizations. Most of them started as humanitarian ones, helping to rebuild damaged cities and supporting people affected by the war.

After the fighting ended in Sloviansk and Kramatorsk, many of the activists switched to cultural and educational work, along with city development.

In August 2014, Ovchinnikov decided to renovate Shovkovychny Park, located near the city center, and hold there a festival called "Birthday of the Country" to mark Ukrainian Independence Day.

After the success of that festival, which featured workshops, live music and various activities for children, the activists decided to make it an annual event. In 2016, the U.S. Agency for

International Development and the city council funded the event, and in 2017 Ovchinnikov and his team raised Hr 40,000 (\$1,534) through crowdfunding.

Ovchinnikov and other activists have also helped to build new playgrounds, decorated new pedestrian crosswalks with uplifting slogans, built new modern information boards for advertisements, and made other improvements to the city center.

"The idea was to make people realize that they need to do something without the government. We wanted to bring some positive ideas, because people thought that their lives were over," he said.

more Sloviansk on page 22

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KyivPost

Try coffee at six new Kyiv venues

Cafes from page 19

design, Right is a great place to start the day with a cup of coffee and some granola.

The bar uses coffee beans roasted in Scandinavian countries. Their beverage menu includes espresso, cortado, cappuccino, latte, flat white, raf, cacao and tea. In addition, Right offers three kinds of filter coffee – pour-over, cezve and aeropress. Along with drinks, the bar sells granola, brownies, cheesecakes with gorgonzola and caramelized pears, croissants and traditional French quiche.

For the coming cold season, the cafe will add special offers – “coffee in good spirits” – coffee with added alcoholic drinks.

Apart from that, Right soon plans to start electronic music evenings every week, and says it will conduct coffee tasting sessions and educational workshops on making coffee.

Right is also animal-friendly: Visitors can spend time with their pets inside the cafe and even find friends for them, as lots of animal lovers are regular customers here.

Prices: espresso – Hr 32, cappuccino – Hr 39, latte – Hr 43.

Right coffee bar (9V Sichovykh Striltsiv St.) Mon-Fri – 8 a.m. – 10 p.m. Sat-Sun – 9 a.m. – 10 p.m.

Kachorovska na Lva

The brand Kachorovska first became famous in Ukraine for its elegant shoes and accessories. Kachorovska used to sell its products online, but after getting more attention, it felt the need to open its own store. However, the idea of opening a shoe and bag store seemed a little too boring to Kachorovska's team, so in 2015 they launched a store that also serves coffee – Kachorovska Store&Cafe, located in Podilskyi district.

Two years later, they opened in the summer another store and cafe near Lva Tolstoho metro station. With its modern minimalistic style,



A barista makes coffee at Takava Coffee-Buffer in Kyiv on Sept. 6. (Oleg Petراسиuk)

the two-storied Kachorovska na Lva combines shelves with shoes organically with coffee tables and comfy chairs.

The cafe usually uses coffee beans from Guatemala roasted in Odesa, and occasionally conducts specialty days with different kinds of coffee. Kachorovska na Lva sells traditional espresso, cappuccino, latte, flat white, flat orange, and raf, as well as alternatives – aeropress, V-60 (purover) and coldbrew. The cafe also offers tea, lemonade, milkshakes, fresh juice, cacao and smoothies. Along with drinks, visitors can try cakes, breakfasts (served all day), sandwiches, salads and soups.

Apart from that, the cafe occasionally hosts events such as coffee

tastings and meetings with interesting people.

Prices: espresso – Hr 30, cappuccino – Hr 36, latte – Hr 38.

Kachorovska na Lva (14 Velyka Vasylkivska St.) Mon-Fri – 8 a.m. – 9 p.m. Sat-Sun – 10 a.m. – 9 p.m.

Make My Cake

This cafe is perfect for those who can't imagine drinking coffee without something sweet. Make My Cake sells cheesecakes, brownies, black forest gateau, and their calling card – classic French dessert macarons. The cafe offers 20 types of macarons, including the most popular ones – salty caramel, lavender cheesecake and gorgonzola-quince.

Daria Voinarovska, one of the

cafe's baristas, says “it's a place where one can try the best macarons and coffee of good quality.”

Make My Cake uses Colombian coffee beans roasted in Odesa. Their drinks menu includes espresso, latte, cappuccino, americano, cacao, flat white, long black and green Japanese matcha tea.

It's a small and cozy cafe, with a minimalistic modern design. Visitors can either enjoy their coffee inside or get an order to go.

Founded at the beginning of summer, Make My Cake already plans to open another coffee shop by the end of September, and keep feeding the macaroon craze among the citizens of Kyiv.

Prices: espresso – Hr 35, cappuccino – Hr 41, latte – Hr 43, macaron – Hr 35.

Prices: espresso – Hr 35, cappuccino – Hr 35.

Make My Cake (7 Mechnykova St.) 9 a.m. – 9 p.m.

31V1

The 31V1 educational space has worked as a platform for public events for over three years, with numerous lectures, meetings and workshops being held here. This summer, 31V1 launched their own cafe in order to allow visitors to combine learning new things with enjoying hot drinks.

31V1 uses Colombian Supremo coffee beans. According to Pavlo Kozyriev, the cafe's barista, the beans are roasted in Kyiv, and brought straight to the cafe, which helps them retain their fresh aroma.

The cafe offers espresso, americano, cappuccino, latte, flat white, frappé, mojito, lemonade, fresh juice and five kinds of tea. Apart from that, visitors can order cookies, bars, cakes and fruit.

When there are no events held at 31V1, the platform works as a free-of-charge coworking space and is open to anybody who wants to study or work while sipping a drink.

Located in the center of Kyiv, on Pushinska St., 31V1 is sheltered from the city buzz by surrounding buildings, giving its guests a small break from busy city life.

Prices: espresso – Hr 22, cappuccino – Hr 36, latte – Hr 38.

31V1 (31V1 Pushkinska St.) Mon-Fri – 10 a.m. – 6 p.m. When events are being held, open till 9 p.m.

BuzzPlace

Although BuzzPlace lives up to its name in being quite a noisy place, Dmytro Dubovetskyi, the cafe's owner, says it's still a cozy place for a coffee. He says that while the place is busy, there is always a good atmosphere there.

BuzzPlace opened at the beginning of summer on Vozdvyzhenska Street. It's a small cafe with a modern design, wooden furniture, neon signs and tables outside.

The cafe collaborates with a coffee roasting company from Dnipro and uses blends of Arabica beans. They sell espresso, americano, cappuccino, latte, flat white, raf, frappé, freddo, orange, some signature coffee and one alternative – kalita. Apart from that, BuzzPlace offers hot tea and cold drinks.

There is a choice of breakfasts – granola, croissants, sandwiches, and their specialty – waffles with sweet (fruit, berries, peanut butter) and savory (cheese and tomatoes, chicken and mushrooms, salmon and cheese) toppings.

BuzzPlace occasionally holds special events – lectures and meetings with public people like photographers and bloggers. The cafe will soon update its menu, adding wine, as in the evening the people strolling around Vozdvyzhenska are less inclined to drink coffee, Dubovetskyi says.

BuzzPlace's owner also says he plans to expand the number of cafes in Kyiv, and even open cafes in Poland.

Prices: espresso – Hr 50, cappuccino – Hr 60, latte – Hr 75.

BuzzPlace (8 Dehtiarna St.) 9 a.m. – 10 p.m. ■



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Ukrainian writer, publisher receive threats from far-right groups over children's book

BY OLENA GONCHAROVA
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A new children's book that encourages tolerance is a good thing, right?

Wrong — if you're a supporter of one of the dozen-or-more groups that threatened to use force to prevent the presentation of the 64-page book called "Maya and Her Moms" by famous Ukrainian writer and human rights activist Larysa Denysenko.

The book tells the stories of 17 different families, including those of refugees, Crimean Tatars, Romani people, kids born via in vitro fertilization, and adopted children.

But it was the same-sex family that apparently provoked the far-right activists' ire the most, as the stories are told from the perspective of a fourth grade schoolgirl called Maya, who's being raised in a family of two moms.

According to Denysenko, her book teaches children not to put labels on people.

"Families can be different, and they already are different; some people label families as non-traditional, incomplete, restructured. They label children as well: as orphans, parentless, a Skype child, a formula child," she said on Facebook.



A picture shows a book called "Maya and Her Moms" that has caused an outcry from several Ukrainian far-right groups. (Oleg Petrasiuk)

"I try to convey the message that a child needs a loving family where they feel protected, and it does not matter how it is labeled by anyone."

Cancelled discussion

A presentation and discussion about the book was planned for Sept. 15, the third day of the Lviv Publishers Forum, the country's largest book

fair.

However, days before the start of the fair, the organizers published a statement saying that the book discussion had been cancelled, as a number of organizations, including nationalist Pravy Sector, nonpartisan group Sober Halychyna, self-defense group of Lviv Oblast Administration and others had sent a letter claiming

that it was "immoral to popularize a non-traditional family in times of war, when hundreds of Ukrainian families are losing sons, fathers, and husbands."

Members of these groups have also threatened Denysenko in social media because of her book, the writer said. Their main concern is that the book includes "destructive principles" that contradict the values and traditions of Ukrainian families, she said.

Artem Skoropadsky, a spokesperson for Pravy Sector, told the Kyiv Post that they will "constantly fight against LGBT ideology becoming the norm in society."

"It doesn't matter which form it takes — presentations, gay parades or anything else," Skoropadsky said.

The letter was also sent to the head of the Lviv branch of Ukraine's SBU security service, Lviv Mayor Andriy Sadovy, and head of Lviv Oblast Administration Oleh Synyutka. The authors of the letter promised to "take matters into their own hands if the provocative event wasn't canceled."

Oleksandra Koval, the president of the Lviv Publishers Forum, warned that any attack on forum events

would have "a very negative effect on the image of Ukraine in the world." She also stressed that the forum organizers are ready to have talks with those concerned about the book.

Holding out

Even though the book discussion was canceled, the publishers, Ilyya Strongovskiy and Liliya Omelyanenko, sidestepped the threats on Sept. 11 by giving the public free access to an electronic version of the book. They added that the book "was the first children's book in the history of Ukrainian literature to provoke threats against the author and the publishers."

Ukrainian ombudsman Valeriya Lutkovska has already stated that all such threats and intimidation should not be tolerated, as they "encroach on freedom of speech and contain signs of incitement to discrimination."

Denysenko herself urged people to read the book and try to understand why "certain parts of society react violently to such stories."

"I won't hide my face, nor will I hide my principles and opinions," Denysenko said. ■

Activists help healing in war-torn Donbas cities

Sloviansk from page 19

Active youth

Like many of his peers, then 23-year-old Mykola Dorokhov from Kramatorsk, a city of around 160,000 people in Donetsk Oblast, planned to leave Kramatorsk in 2014. After graduating from the city's engineering academy, he headed to the western city of Lviv to study there.

But in Lviv, Dorokhov met a group of activists who planned to go to Kramatorsk and help people whose homes had been destroyed in the fighting.

"I thought that it was not right that I had come to Lviv to build a new life, while they were going to my hometown to rebuild ruined houses," the now 26-year-old Dorokhov, a coordinator at the Vilna Khata (Free Home) youth organization told the Kyiv Post on Aug. 15.

The activists of Vilna Khata, which was founded in December 2014, repaired the building where their office is now located with their own hands — a lot of the furniture is handmade and huge graffiti are painted on the office's walls.

Dorokhov said that now that the city has mostly been rebuilt, the activists have switched to holding cultural events, such as film screenings, poetry evenings, jazz performances, and promoting self-education among local citizens. Vilna Khata has held classes in English, web-design, computer graphics, and social entrepreneurship, as well as lectures by journalists, radio hosts and festival organizers.

"We don't want war to happen

here again," Dorokhov said. "We want people to see the world with a broader perspective."

Dorokhov said that in Kramatorsk many young people are passive and avoid taking on any kind of responsibilities, but at the same time many have now realized that the war might happen again "if they continue to eat like vegetables."

Following peers

Kramatorsk's Vilna Khata inspired youth activists from Sloviansk to create their own organization, called Teplytsia (Greenhouse).

Ovchinnikov, who was involved in setting up Teplytsia, said that the number of young activists in the city has significantly increased compared to before the war.

Eugen Skripnik, 20, one of the deputy heads of Teplytsia, said that just like Vilna Khata, the activists started by repairing houses and making the city look better. Similarly, the organization has now switched to organizing movie screenings, music festivals and various courses and workshops for young people.

This year Teplytsia plans to organize three art exhibitions, a music festival and to bring three contemporary theater groups to the city, because most of the performances staged in Sloviansk are described by Skripnik as the ones "for babushkas (grannies)." In September, the activists also organized documentaries screenings.

Moreover, Skripnik said that the activists were also organizing exchange visits for young people to other cities, and would bring successful people to Sloviansk to give

lectures that would help school students choose a future career.

Skripnik, who coordinates Teplytsia's informal educational projects, said he wants to help others become successful and happy, and he hopes to improve the situation in the city so that in several years people won't need Teplytsia at all.

Land of opportunity

Before the war, Alena Kucheruk, 36, worked as a teacher at the Economic-Humanitarian Institute in Kramatorsk. She used to be openly pro-Ukrainian, despite many of her colleagues not sharing her views.

"It was scary to openly speak about your pro-Ukrainian views, because separatists were walking around the city carrying weapons, and people went missing on the streets," she recalls.

Kucheruk said that in 2014, after all of the teachers of the institute went on vacation for the summer, she decided not to go back.

Instead, she joined the organization Free Ua, and started making her own educational projects for young people and kids. One of them was a summer camp called "IT for Kids," where IT companies sent employees to teach children programming.

Kucheruk and other activists have also rebuilt a pedestrian walkway near the city's four universities, all of which are located on one street, Mashynobudivnikiv Boulevard. She hopes that the neglected green area between the boulevard's roadways will soon become a public space for students. So far, the activists have set up new benches and bookshelves for book exchanging.

Apart from activities for youth, Free Ua opened a co-working space where the Swiss-founded Beetroot IT Academy holds programming classes for adults. The organization also launched a mentorship program for displaced women who want to open businesses in Kramatorsk or nearby towns.

"We ... decided to focus on teaching people how they can earn money, while also highlighting social problems," another Free Ua activist,

Kristina Shostyr, told the Kyiv Post.

Activists in both Sloviansk and Kramatorsk realize that in couple of years the grant support for the cities will decrease. So the activists are already trying to attract donations from local businesses for social work.

Meanwhile, Ovchinnikov plans to open an education hub in November, where successful business people will give lectures on entrepreneurship.

"Eastern Ukraine is a land of opportunity now," he said. ■

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SUMMARY

Eurasia Foundation (EF), a US-based international development organization promoting good governance and civil society development, is accepting applications for **Chief of Party (COP)** for the USAID and UK aid Transparency and Accountability in Public Administration and Services (TAPAS) program.

The purpose of TAPAS is to financially support Ukrainian citizens and the Government of Ukraine in reducing or eliminating corruption in key public administration functions and services and build trust of Ukrainians in their government based on demonstrated transparency, accountability and improved services. The program focuses on three areas: 1) large-scale use of electronic procurement in Ukraine; 2) an effective Open Data program; and 3) transparent and efficient public services in the form of eServices.

DUTIES

- Provide overall technical leadership and strategic vision for the program.
- Ensure the successful implementation of the major components of TAPAS as well as coordination for cross-cutting objectives, including raising public awareness of eGovernance as a tool to fight corruption in Ukraine.
- Serve as EF's primary in-country representative with local and international actors such as USAID, UK aid, national and municipal government authorities, civil society, international donors and other stakeholders.
- Establish and maintain effective partnerships, particularly with senior staff of key Government of Ukraine stakeholders, and build a common plan to ensure successful implementation of TAPAS activities.
- Develop a comprehensive technology plan for the TAPAS program and lead the effort to ensure the sustainability of technology investments and programs after close-out.
- Manage and supervise the work of program personnel, subcontractors, and grantees to ensure that program goals and objectives are accomplished within prescribed timeframes and funding parameters and in compliance with USAID regulations.
- Oversee internal management of the program, including tracking budget execution and performance monitoring and evaluation.
- Lead the preparation of detailed narrative reporting and program workplans in accordance with donor requirements.

QUALIFICATIONS

- Master's degree or equivalent in public administration, public policy, political science, law or a related field. Relevant work experience will also be considered in lieu of a Master's degree.
- Minimum 7 years of experience leading complex development projects with a focus on the use of technology to address development challenges, preferably for USG- or bilateral donor-funded projects.
- Experience managing projects in compliance with USAID rules and regulations.
- Demonstrated ability to establish and maintain effective and collaborative relationships with government officials, civil society representatives, businesspeople, opinion leaders and the media at the national and local levels.
- Demonstrated ability to lead, mentor and develop staff, manage budgets, and plan strategically and creatively to meet specified objectives.
- Proven ability to facilitate dialogue and work constructively with a diverse range of actors in a multi-cultural environment.
- Experience working in Eastern Europe or the Eurasia region strongly desired; knowledge of Ukraine's political context, state procurement processes, civil society organizations, and government service delivery preferred.
- Prior experience as Chief of Party or equivalent for USAID projects preferred.
- Excellent public speaking, writing, reporting and other communication skills in English required.
- Advanced proficiency in Ukrainian or Russian preferred.

APPLY

Please send a cover letter and resume to jobs@eurasia.org with "COPTAPAS" in the subject line. Only candidates who have been selected for an interview will be contacted. No phone calls, please.



NGO "Ukrainian Helsinki Human Rights Union"
is seeking an

EXECUTIVE DIRECTOR

For job description and requirements refer to:
www.helsinki.org.ua

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LCF Law Group, a one of the leading Ukrainian law firms, is seeking qualified candidates for the following positions:

PR MANAGER:

- University degree in social sciences, advanced degree preferred
- At least 5 years of work/professional experience
- Sound experience in PR and communication
- Network of working contacts with journalists
- Fluency in Ukrainian and English, legal writing skills will be a plus
- Strong communication and analytical skills
- General understanding of the legal market and Ukrainian judicial system

PR ASSISTANT:

- University degree in social sciences, advanced degree preferred
- At least 2 years of work/professional experience
- Sound experience in PR, event organization, marketing and SMM
- Fluency in Ukrainian and English
- Strong communication and analytical skills

Candidates are asked to submit a CV and cover letter in English to hr@lcf.ua by September 29, 2017. Please reference the job for which you are applying in your e-mail's subject line.

Only applicants selected for interviews 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:

For the Deregulation of Schools Reform Initiative under the Ministry of Education and Science:

- Project Manager;
- Legal Advisor;
- School Environment/Public Health Expert;
- School Reporting Consultant (2 persons).

For the International Maritime Organization Audit Project Management Office under the Ministry of Infrastructure:

- Legal Coordinator;
- Quality Management System Coordinator;
- Finance Coordinator.

For the ProZorro.Sale platform under the Ministry of Economic Development and Trade of Ukraine:

- Project Lead.

For more detailed information about preferred qualifications and skills, indicative duties and responsibilities, as well as applying procedure, please visit web-site: <http://edge.in.ua/vacancies/>

URC seeks experienced long- and short-term technical advisors for an upcoming USAID-funded health reform support activity in Ukraine.

The activity is designed to support enhanced transparency, accountability, and effectiveness of Ukraine's health care system through technical assistance in the areas of health sector governance; health care financing models among public and private providers; health workforce strengthening; eHealth and information and communications campaign delivery; and service delivery systems strengthening at all levels.

POSITIONS INCLUDE:

- Technical Advisor, Health Financing/Health Economics
- Technical Advisor, e-Health/Health Management Information Systems
- Technical Advisor, Health Service Delivery/Human Resources for Health

MINIMUM QUALIFICATIONS:

- A master's degree in public health, health policy, social science or related field is required.
- At least 5 years' of managing and providing technical assistance in specific technical areas
- Strong interpersonal, writing and oral presentation skills in English required; fluency/proficiency in Ukrainian and/or Russian is highly desirable.

To be considered, please apply at www.urb-chs.com/careers and select Kiev, Ukraine under All location tab.

CLASSIFIEDS

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CLASSIFIEDS

Пані Власова Оксана, номер посвідчення особи/паспорта EH283387

В світі того, що позивач пан Ріженашвілі Арон подав проти Вас позов про розірвання шлюбу в рамках судової справи 22099-07-16 в суді по сімейним справам міста Рішон-Леціон.

Ви маєте право на протязі 60 днів подати заперечення проти позову, в тому числі супроводжуючі документи (згідно з бланком 43-бет Положення про цивільне процесуальне провадження, 1984 року), як цього вимагає пункт 343 (бет) (i) Положення. Копія позовної заяви знаходиться в суді, а також в нижчезазначеному офісі.

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William Green Miller
October 21, 1993 – January 6, 1998



Steven Pifer
January 20, 1998 – October 9, 2000



Carlos Pascual
October 22, 2000 – May 1, 2003



John E. Herbst
September 20, 2003 – May 26, 2006



William B. Taylor
June 21, 2006 – May 23, 2009



John F. Tefft
December 7, 2009 – July 9, 2013



Geoffrey Pyatt
August 15, 2013 – August 18, 2016



Marie L. Yovanovitch
August 18, 2016 till now



**U.S.-Ukraine Business Council (USUBC)
Washington DC**

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