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# Kyiv Post

## 25<sup>th</sup> year!

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This is the last print edition of 2020. The first print edition of 2021 is on Jan. 15. Until then, stay up to date with all the latest news online. We wish everyone a Merry Christmas & Happy New Year and look forward to serving our global audience in our 26th year.



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# Razumkov is not helping Zelensky's presidency



**Sergii Leshchenko**  
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Ukrainian presidents have a habit of creating problems for themselves – and then having to work hard to solve them. Take former President Viktor Yushchenko, who was triumphantly elected after the 2004 Orange Revolution. He was the victim of his own good nature. He made a major mistake on the very first day of his tenure when he nominated Yulia Tymoshenko for prime minister. This way, Yushchenko carried out a secret agreement he made with her before the election.

Also, he announced his intention to appoint Tymoshenko right before boarding a flight to Moscow, trying to send a message that, for the first time in many years, the head of the Ukrainian government was not selected by the Kremlin.

But, escaping from one problem, he created another – he unleashed his future main political rival.

President Volodymyr Zelensky may also have created his main rival in power when, in 2018, he offered a little-known political technologist, Dmytro Razumkov, to become the face of his election campaign. Then Zelensky called him to lead the party and become the Verkhovna Rada chairman.

Now, a year after taking office, Razumkov is playing his own game completely, often sabotaging Zelensky's initiatives and building personal relations with the oligarchs, aiming to continue his political career after Zelensky's term ends. At the heart of Razumkov's line of conduct is to avoid any conflicts.

When Andriy Bohdan headed the presidential administration, he told me that the president's office considers Razumkov an obstacle to rapid transformations.

The first sign that Zelensky and Razumkov have been at loggerheads appeared this fall during Razumkov's interview on Ukraina 24, which belongs to Ukraine's richest oligarch Rinat Akhmetov. While answering the pro-Russian TV host's question on whether Razumkov considered himself a member of the president's team, he replied: "I consider myself a member of the team."

"You didn't say 'president's team,'" the host added, to which Razumkov responded: "Well, there are a lot of

people on the team."

Zelensky didn't miss the opportunity to show the public that he no longer considers Razumkov a close ally. So, when Zelensky was in self-isolation due to COVID-19, he recorded a video with other top officials who were also sick and isolating. He included the first deputy speaker Ruslan Stefanchuk, but not Razumkov.

Earlier, Servant of the People refused to support Razumkov's brother-in-law in the mayoral race in Mykolaiv. In the end, he had to run on the pro-Russian Opposition Platform – For Life party ticket and lost.

The confrontation became public when, in late October, the Constitutional Court ruled to cancel penalties for lying in officials' asset declarations, an effective mechanism for monitoring their way of life.



**Yuriy Vitrenko**, Ukraine's new acting energy minister

Contrary to the decision of the Security Council headed by the president, Razumkov set up a working group in parliament to freeze the crisis, which included people that started the crisis – lawmakers from the Opposition Platform – For Life party. It fits into Razumkov's strategy of not entering into conflict with anyone.

The bill that Razumkov's group proposed was useless: It didn't restrain the judges of the Constitutional Court at all. In the end, the situation with the Constitutional Court came to a standstill largely due to Razumkov's efforts.



President Volodymyr Zelensky (R) talks with Speaker of Parliament Dmytro Razumkov at a meeting with the leadership of the Ukrainian parliament, the Cabinet of Ministers and law enforcement agencies on Sept. 2, 2019.

## Vitrenko vote

Currently, Razumkov has assembled a group of lawmakers from the Servant of the People party, which includes several influential heads of committees, and is trying to create a separate channel of communication with all players in parliament.

While at the beginning Razumkov's initiatives remained low-key, now he is openly sabotaging suggestions of the President's Office. This was the case with Zelensky's attempt to appoint Yuriy Vitrenko as energy minister and first deputy energy minister. Razumkov didn't support this decision, neither did the group of lawmakers close to him. In the end, the Cabinet appointed Vitrenko acting energy minister.

Interestingly, Razumkov's and Vitrenko's parents – Oleksandr Razumkov and Natalia Vitrenko – were close friends despite being ideological opponents. Their children aren't ideological opponents, and share similar values – but they are competing for the status of a new leader.

Razumkov quite naturally knocked Vitrenko down during the parliamentary vote for his appointment, realizing that Vitrenko threatens his standing as the only alternative center of influence. Vitrenko, once in power, is likely to become a point of consolidation for groups within the Servant of the People party because of his leadership qualities.

Consciously or not, Razumkov, who often appears on Akhmetov's TV channels, played along with the oligarch in the game against Vitrenko. Akhmetov opposes Vitrenko, realizing that he will not tolerate the status quo when all the energy sector was subordinate to Akhmetov's interests. And, by the way, this made Vitrenko a preferred candidate for other oligarchs who were dissatisfied with such a skew in favor of the King of the Donbas.

Another group in Servant of the People that opposed Vitrenko's appointment is a group linked to businessman Ilya Pavlyuk. He is not a lawmaker, but he helped his nephew and 20 other people get into the Verkhovna Rada in single-member districts. They have repeatedly played along with Akhmetov, in particular, when they voted on the law that established a low rent rate for iron ore.

## Young old guard

Zelensky perceived it as a personal insult when just over half of his party faction voted for Vitrenko's appointment. He is said to have been furious after the vote and blamed the outcome on Razumkov.

I think that the reason for this standoff is that, initially, Zelensky misread Razumkov. Zelensky ran in the 2019 presidential election as a candidate from outside the system, declaring his intention to bring new people to power. But Razumkov is not "outside-the-system." He is a part of the system, and he is very thirsty for power. He never missed an opportunity to come into power: Razumkov was a member of the youth wing of Viktor Yanukovich's Party of Regions and worked for Serhiy Tigipko's presidential campaign.

The speaker's post is not only a dream come to life, but also a starting point. Razumkov behaves like an old-guard politician, contrary to Zelensky's idea of rebooting the power institutes. And instead of a partner in this effort, Zelensky got a competitor.

Razumkov is to Zelensky what Tymoshenko was to Yushchenko.

This does not mean that Zelensky himself doesn't make mistakes. One of them was not firing his deputy chief of staff Oleh Tatarov after it was revealed that he was being investigated by the National Anti-Corruption Bureau of Ukraine. That cost Zelensky the support of anti-corruption activists who sided with him in the standoff with the Constitutional Court.

This also doesn't justify the loyalty that the administration demonstrated towards Akhmetov in 2020, hurting Ukraine's energy sector.

The paradox is that, for political survival, Zelensky now needs to restrain a person he himself brought to power. And for this, he needs to bring in new leaders so that they can compete with each other, and the president can act as an arbiter.

Unfortunately, this is politics as we've always known it in Ukraine.

Sergii Leshchenko is a Kyiv Post columnist, investigative journalist, and former member of the Verkhovna Rada, Ukraine's parliament. 📧

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EDITORIALS

# West has no strategy

Western policy regarding Ukraine runs on autopilot. Given the dearth of leadership in the West to promote democratic values and back up the commitment with savvy and steel, it's no surprise. This course is not helping Ukraine get better or the West to promote its values.

Quite simply, the West is too weak and uninterested in confronting the world's war criminals and tyrants — Vladimir Putin, Xi Jinping, Mohammad bin Salman, Bashar al-Assad and Alexander Lukashenko.

Let's bring it closer to home.

The bureaucracies of the European Union, the European Bank for Reconstruction and Development, the European Investment Bank and the International Monetary Fund are set up to dispense money — credits or loans, usually to the government or well-connected business insiders. The embassies of each country have their own budgets and priorities. All operate in their separate silos. Every three or four years, they change leadership.

Such an uncoordinated strategy harms Ukraine and Western taxpayers, who keep throwing good money after bad.

Case in point: The European Union this month approved 600 million euros in unconditional macro-financial assistance to Ukraine. By attaching no conditions, the EU guarantees that Ukrainian officials will get the wrong message: that they need to do nothing on reform or corruption.

This is a waste of time, money and effort.

"They took the humanist path," wrote Sergey Fursa of Dragon Capital. "And they gave Ukrainian authorities the opportunity to dodge, weave and pretend to act. Everyone says 'we are for reforms' while oligarchs continue to control lawmakers, ensuring the absence of any changes."

From Oleksandr Paraschii of Concorde Capital: It shows the government that "you can fulfill far from every condition, just show that you really need the money and ask very nicely."

The International Monetary Fund is barreling down the same path. The IMF has long been Ukraine's financial drug of choice and enabler when it comes to cheap loans in exchange for half-hearted reforms — or flat-out hypocritical lies — that don't change anything for the better.

Currently, the IMF has approved \$5 billion in lending, but dispersed only \$2.1 billion, partly because of setbacks in reforms triggered by Constitutional Court rulings attacking anti-corruption laws and institutions.

The IMF has rightly insisted on effective anti-corruption agencies, such as the independence of the National Anti-Corruption Bureau of Ukraine, and the restoration of penalties for state officials who lie about their income and assets on public declarations.

But this will be all for naught if, two years down the line, the same Constitutional Court invalidates the new laws that parliament passed because the same corrupt court invalidated the previous ones.

The IMF is the same institution that lent money to Ukraine without requiring the nation to have any effective police, prosecutors or courts — or basic banking regulations — such as who owns what bank. This negligence allowed a \$20 billion theft from Ukrainian taxpayers, engineered by banking insiders, forcing Ukraine's government to borrow more billions to cover the billions stolen, saddling future generations with needless debt.

If the collective West wants to help Ukraine, it should collectively get its act together.

# Vitrenko's return

With one reformer after another leaving government, it was a surprise to see President Volodymyr Zelensky tap one of the most effective reformers, Yuriy Vitrenko, as acting energy minister.

The fact that Zelensky couldn't command enough votes in parliament to get Vitrenko confirmed underscores how far and how fast the president has fallen in popularity — especially when his Servant of the People party still holds a nominal majority in parliament of 246 members.

But Zelensky and Prime Minister Denys Shmyhal showed uncharacteristic fight, for a change. The Cabinet of Ministers on Dec. 21 named Vitrenko as acting energy minister and as first deputy energy minister while the president tries to get a majority in parliament to approve him permanently.

If the government would have acted with such zeal and skill earlier, Zelensky might not be in the position he is now: fighting for his political life.

Ukraine would have been far better off with the likes of Oleksandr Danylyuk, Aivaras Abromavicius, Serhiy Verlanov, Oksana Markarova, Andriy Zahorodniuk, Serhiy Verlanov, Max Nefyodov, Oleksiy Honcharuk, Ruslan Riaboshapka and, yes, Andriy Bohdan in government. Instead, all of those people were run out for no good reason that we can see.

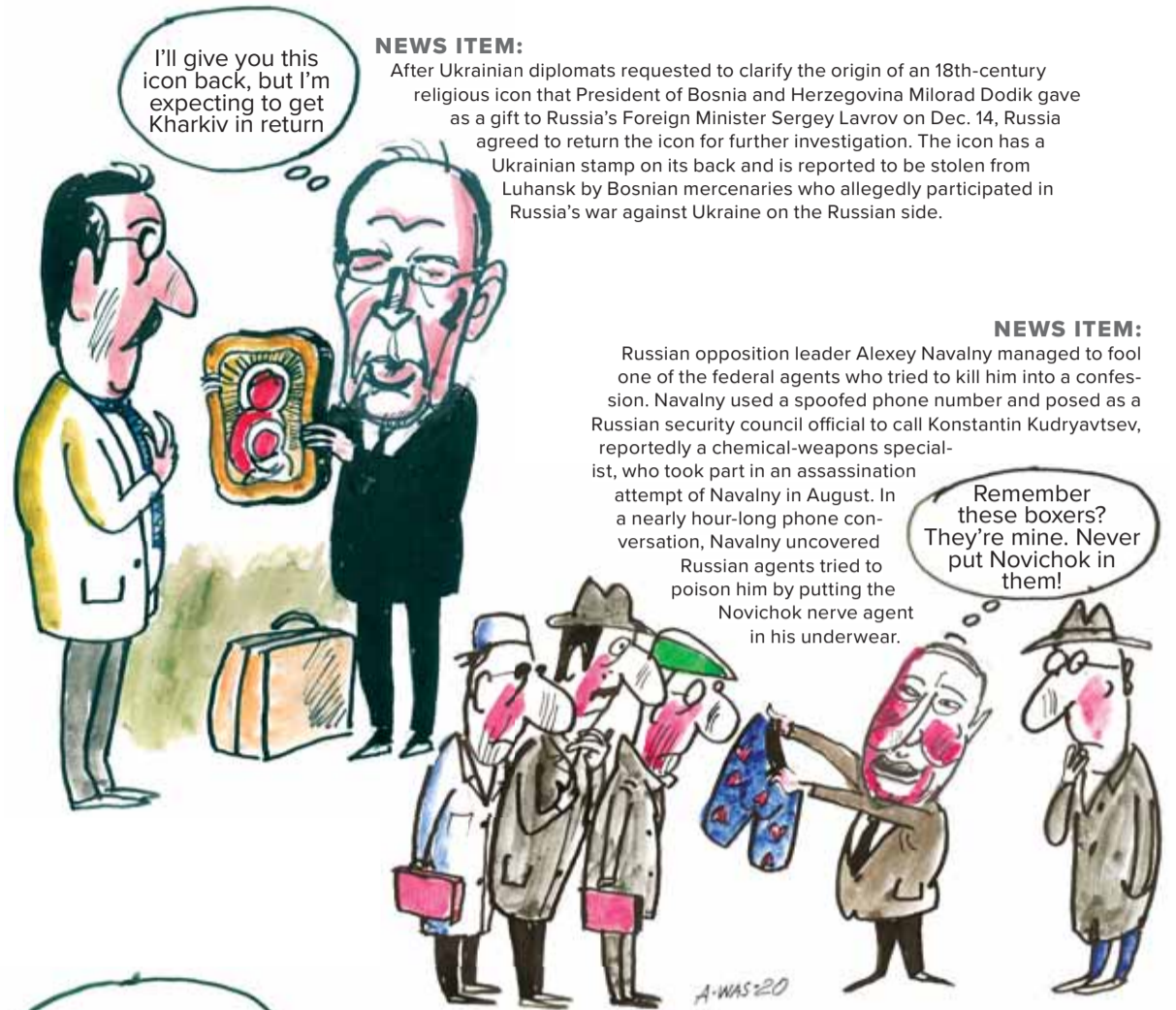
But let's make progress wherever we can. Vitrenko is energy minister is a start. Without energy security, Ukraine will have no national security.

It's not just a matter of weaning off imports of natural gas and oil. Vitrenko has the savvy and public interest in mind to attract foreign investment in exploration and to figure out how to make Naftogaz (his former employer) more effective. In May, when he left the company that he helped transform into a profitable state enterprise from a corrupt oligarch playground, he called for liquidating or privatizing it.

Vitrenko has the fighting spirit and stamina required to engage in the strategic battles that Ukraine needs to win. Among them is to continue pressing legal cases against Russia and its state-controlled Gazprom for the assets it has stolen in Crimea and the Black Sea after the Kremlin's military invasion in 2014. Ukraine could win \$17.5 billion worth of claims, on top of the \$2.9 billion that Vitrenko helped Ukraine secure in an arbitration court.

Vitrenko is also progressive enough to work with energy giant DTEK and other players to shift away from nuclear power, coal-fired electricity and other polluting sources and into the future of carbon neutrality and renewables. Such a future requires energy production to be decentralized and competitive, not in the hands of a few oligarchs.

In a year of setbacks and stalls for reform, Vitrenko — often touted as a future prime minister — is a bright star, hopefully not a shooting one, on the horizon.



**NEWS ITEM:**

After Ukrainian diplomats requested to clarify the origin of an 18th-century religious icon that President of Bosnia and Herzegovina Milorad Dodik gave as a gift to Russia's Foreign Minister Sergey Lavrov on Dec. 14, Russia agreed to return the icon for further investigation. The icon has a Ukrainian stamp on its back and is reported to be stolen from Luhansk by Bosnian mercenaries who allegedly participated in Russia's war against Ukraine on the Russian side.

**NEWS ITEM:**

Russian opposition leader Alexey Navalny managed to fool one of the federal agents who tried to kill him into a confession. Navalny used a spoofed phone number and posed as a Russian security council official to call Konstantin Kudryavtsev, reportedly a chemical-weapons specialist, who took part in an assassination attempt of Navalny in August. In a nearly hour-long phone conversation, Navalny uncovered Russian agents tried to poison him by putting the Novichok nerve agent in his underwear.



**NEWS ITEM:**

President Volodymyr Zelensky has become both the politician of the year and the loser of the year, according to a recent poll by the Kyiv International Institute of Sociology and the Democratic Initiatives Foundation. According to their data, 28% of Ukrainians think Zelensky is the loser of the year, while 15% think he's the politician of the year.

**NEWS ITEM:**

Talk about "lighting the Christmas tree!" A public Christmas tree in the town of Chaplynka in Kherson Oblast burned down early on Dec. 19. Police aren't investigating arson, and detectives think the reason for the fire might have been a short circuit in the Christmas lights.

See these features online at [Kyivpost.com](http://Kyivpost.com)

Ukraine's Friend & Foe Of The Week



Friend

**Christo Grozev, Bulgarian journalist with Bellingcat**  
The iconic investigative group is looking if Ukraine's leadership really deliberately failed a secret operation to capture over 30 Russian mercenaries on their way between Belarus and Turkey in July. It'll be a very important finding.



Foe

**Mohammad Zarif, foreign minister of Iran**  
In January, Iran downed a Ukrainian airliner, killing 176 people on board. Now, in talks with Kyiv, Tehran is impeding negotiations, trying to downplay their responsibility for the tragedy and blocking compensation for the victims' families.

**Feel strongly about an issue? Agree or disagree with editorial positions in this newspaper?**

The Kyiv Post welcomes letters to the editors and opinion pieces, usually 800 to 1,000 words in length. Please email all correspondence to chief editor Brian Bonner, at [bonner@kyivpost.com](mailto:bonner@kyivpost.com). All correspondence must include an email address and contact phone number for verification.

## ON THE WAY TO TECHNOLOGICAL TRANSFORMATION – THE STORY OF KYIVSTAR

*Kyivstar forges ahead with new model of business to harness opportunities of the digital revolution.*

The world is changing, fast. Indeed, in modern digital technology, speed is always of the essence.

Fast digital networks are now the basis of technological development: The rapid transfer of data enables services such as video conferencing, cloud computing, voice recognition and instant translation, as well as new services as yet unforeseen. The mobile device in your hand is a powerful computing tool in itself, but its capabilities are increased manifold the instant it is connected to a fast, reliable digital communications network.

The custodians of these networks, telecoms companies like Ukraine's leading mobile operator Kyivstar, have therefore always been at the cutting edge of technological development.

The modern wonder of the Internet, a lightning-fast communications network spanning the entire globe, has supercharged the capabilities of mobile telephones, but it has also presented telecoms companies with problems. Just as traditional fixed-line telephony was superseded by wireless cellular telephone networks, so is the capability of linking telephones to the Internet forcing telecoms companies to reevaluate their models.

A mobile phone can now use the cellular network as a bridge to the Internet, and with speedy data transfers, Internet-based phone services have become available, offering cheap, international calls for the price of a local connection.

"Traditional" telecoms operators, fixed and mobile, risk being bypassed unless they embrace the digital revolution. Developing a high-speed cellular network demands considerable investment, and the users of the new smartphones are starting to demand much faster and more reliable connections. Moreover, with the proliferation of open-access Wi-Fi, it has become possible to use a mobile phone without even accessing a cellular network at all, cutting telecoms companies out of the communications loop entirely.

The solution, as Ukraine's Kyivstar is demonstrating, is to radically transform the telecoms company business model.

What are they doing to be positioned as a strong, faithful and sustainable partner for the state and business? What are the main pillars that build that positioning? Read on.

### New Model

In a market economy, companies compete to survive. Uncompetitive businesses die, or are absorbed by more competitive ones. What makes a company uncompetitive? Most usually a superior rival offers a better service for less money, and the less competitive company is starved of business until it can no longer operate.

Smartphones, in only about a decade, have made regular mobile phones practically obsolete. Finnish company Nokia, which dominated the mobile phone market for around two decades, was unable to compete with the leaders of the smartphone technology charge – Apple and Samsung – and had to pivot away from phone making to concentrate on the Internet and mobile telephony infrastructure segment, selling its mobile phone business to the more agile Microsoft Corporation.

Telecom companies have long had to ride this wave of fast-changing technology as well, and Kyivstar is a prime example of how to evolve and succeed. The old-style business model of telecom providers is fast becoming obsolete, and is being replaced with a new one – the digital services provider. It is so much true for both – end consumers and business customers.

The provision of voice services alone is no longer a viable business model. As a new generation grows up with instant messaging and video calls, demand for the simple telephone call is tapering off. Telecoms companies must look for new revenue sources.



**Illya Polshakov,**  
Director of New Business  
Development, Kyivstar

*"Kyivstar is gradually evolving from a traditional mobile operator to a provider of integrated converged solutions. Knowing the business task of the clients, we offer them the full range of services and products "from the single hands" – from traditional telecom services to Big Data products, cloud solutions and Open Telecom business model. Open Telecom concept demonstrates that company tends to open its capabilities and solutions in accordance with the demands of the market – companies and partners".*

In partnership with IT heavyweights like Microsoft, it is developing a sweeping new range of digital services that leverage the awesome potentials of today's superfast communications networks.

Business users are now demanding Big Data and cloud computing services; end consumers want superfast Internet connections and mobile payment services, as a good alternative to cashless payments. In another decade, they'll both be demanding new services as yet either poorly-presented, or not developed at all.

### Network development is essential

At the forefront of this technological revolution, Kyivstar is now effectively a player in the economic development of the country through developing the communications networks on which the future prosperity of the country will depend.



**Leonid Polupan,**  
Enterprise Sales Director, CEE  
Multi-Country, Microsoft

*"Telco providers start playing an even more crucial role in the modern world and in our "new normal". They go beyond their current monetization models, focusing not only on connectivity but other areas, like solutions for analytics of massive volumes of data generated by IoT connected devices, IoT security, APIs for deployments of IoT applications, automation solutions for IoT ecosystem orchestration, etc. They are creating new services and solutions for both consumers and business customers from every industry.*

*For Manufacturing, for example, important solutions would be around Real Time Automation, like RT quality control and automation, RT inspection, RT productivity and safety improvement. And when we're talking about Smart Services, we see a huge demand for such services in many industries and this trend is just growing. You can see it from Smart Cities usage scenarios like Traffic Management, Automated Control and Monitoring of Infrastructure to the different scenarios in areas like Public Health or Social Services.*

*Also, I would like to note that the Gaming Industry is continuously evolving, and that Telco providers are very important in its development. But what is even more interesting is that the Gaming experience constructs great scenarios for the industrial solutions. For instance, look at modern retail. You can see more and more great solutions based on Augmented Reality Technology that are improving Customer experience. Also, there are Mixed Reality trainings and assistants for employees, that are being implemented more often nowadays"*

If digital services are the "products" in Kyivstar's new business model, then network infrastructure is the "factory" that makes them. Expanding and improving this factory is a non-stop process, and 23 years of the company's existence, the work has actually been accelerating: In only the last five years, Kyivstar has spent UAH 28 billion on licensing, building, and upgrading its communications networks – 50 percent of the total amount it has spent on network development in the company's lifetime.

These immense costs came with the launch of a 3G (third generation) cellular communications network in September 2015, and then the rollout of 4G in 2018. The introduction of these networks totally reshaped Ukraine's communications landscape.

With 3G, Kyivstar's subscribers gained a groundbreaking level of service – unlimited access to major internet sites and applications. 4G, bringing speeds up to 10 times faster than the previous generation, then opened up vast new possibilities for the company's customers in video streaming, gaming, and hosts of other applications. In terms of data, the Kyivstar network's traffic went from 326 petabytes in 2018 (a petabyte is 1,024 terabytes, or a million gigabytes), to 649 petabytes in 2019. In 2020, this figure will be around 1,000 petabytes.

To put that into perspective, you would need about 50 petabytes to store then entire written works of humankind from the dawn of civilization to the present – in all human languages.

In October 2020 alone, Kyivstar subscribers used twice as much data traffic than they did in the whole of 2016. The launch of 4G in the 900 MHz range in June 2020 made it possible to provide 1.5 million subscribers with access to high-speed mobile Internet in the rural areas with no high-speed Internet access. There are now villages in Ukraine where the consumption of mobile Internet is on average up to 40 gigabytes of data traffic per subscriber per month.

This extraordinarily rapid expansion of network capacity was partly due to the fact that the development of cellular communications networks in Ukraine had been held up by a tangle of regulations that only started to unravel after the Revolution of Dignity in 2014. Kyivstar played a key role in speeding up the development of the nation's communications infrastructure by twice "donating" the rights to use frequencies for 4G communications – voluntarily returning to the state rights to parts of the radio spectrum in the 1800 MHz and 900 MHz bands. As a result, the market regulator was able to hold a tender for the freed up radio frequencies, which gave opportunities to other mobile operators who had a shortage of frequencies to develop new technologies.

The holdups in the rollouts of 3G and 4G in Ukraine, while frustrating, did have a major benefit: When work began to upgrade its networks, Kyivstar was able to use some of the latest cellular network technology available.

Kyivstar's 4G network can now reach 85 percent of Ukrainian residents, and next year coverage will rise to 90 percent for the population. Despite the challenges posed by the pandemic of the COVID-19 disease and the lockdown measures to restrict it, in 2020 the company increased capital expenditure by 40 percent, connecting more than 7,000 more settlements to 4G. Today, Kyivstar's 4G service is available in almost 15,000 settlements of Ukraine.

### Big Data

The ability to transfer vast quantities of data securely around a widely accessible communications network is a fantastic development, but it's just the start. We've seen how the factory (communications network) has been built and is upgraded constantly as new

technology appears, and now it's time to see what kind of products we can make using the masses of raw material (data) flowing through it.

As modern technology makes it possible to collect, store and process more and more information, Big Data will become the primary driver of business development and growth, and digital revolution as a result. Other companies turn to telecoms providers for access to large data sets to grow their businesses, and the mobile operators harness the data they collect themselves to provide new, innovative services. Big data analysis is a tool that opens new opportunities for business and government development. Today, the market offers companies products and services based on Big Data that help optimize business processes and increase the relevance of offers both internally and externally. That means to work more efficiently, increase the number of customers and earn more, improve the infrastructure of cities, analyze the tourism potential, making decisions based on specific data, and not based on assumptions. With the help of Kyivstar products, based on Big Data analytics, customers can: build a profile of the target audience, find a new audience (Look-alike models), send only interesting and relevant messages, including only a selected audience with accuracy within a separate street, district or cities (targeted communication), find the best places for placing points of sale (Heatmap and geanalytics), analyze the security of the loan provided (Scoring), manage communications with the client online (Business Data Solutions).

### Cybersecurity

But as communications networks expand and become more complex technologically, cybersecurity is becoming a crucial element in the country's digital transformation. Kyivstar pays particular attention to the protection of its subscribers' information and its network's security. In April 2020, the company received a certificate of compliance from the State Service for Special Communications and Information Protection of Ukraine certifying that its network infrastructure is protected from unauthorized interference and meets high standards of network security. The company is also integrated with the MISPUA platform. This is a state information system that provides notification to users about cyber incidents in the cyberspace of Ukraine and the world. It collects and analyzes information about such incidents, and helps to share practical advice in counteracting unauthorized interference and cyberattacks.

Kyivstar is not only concerned about the security of its subscribers, but also about the security of Ukraine's telecom infrastructure as a whole. The company has signed a Memorandum of Cooperation with



the Cyberpolice of Ukraine and the Situational Center for Cyber Security, with the parties agreeing to exchange experience and their own experience in cybersecurity, as well as implement practical measures to better protect information systems in Ukraine. The cooperation has already borne fruit, with the detection and blocking in August 2020 of a number of phishing and fraud sites that extorted money from Ukrainians under the guise of providing mobile services.

### Future prosperity

Kyivstar is well on the way to transforming from a telecoms company to a modern digital IT company that can develop its own products and commercialize partner solutions on its network. For example, at the end of 2020 it plans to increase the size of its digital department by 120 people – 70 of them developers. Investment in the company's infrastructure continues apace. Its investment in 4G – great Internet, providing 4G services in the territory where 85% of Ukrainian residents live and plans to increase coverage to 90% next year. It opens up new opportunities.

The market is changing fast, and Kyivstar is changing with it. It's hard to predict what new technologies, innovations and opportunities will emerge over the next decade, but Kyivstar plans to be there to harness them for the benefit of its subscribers, and the future prosperity of Ukraine.

A year like no other

# What COVID-19 taught Ukraine

By Anna Myroniuk  
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On its Dec. 14 cover, Time Magazine deemed 2020 the “worst year ever.” The obvious reason was the COVID-19 pandemic, which has killed over 1.7 million people worldwide.

The logic of Time’s pronouncement was straightforward: Most people alive today have never experienced anything like 2020.

Ukraine’s experience is slightly different. When it comes to bad years, Ukrainians have a point of reference.

The truly disastrous year for the country was 2014, when over 100 protesters were killed during the EuroMaidan Revolution, which ousted corrupt President Viktor Yanukovich from power, and the Russian army invaded Ukraine, taking over Crimea and part of the eastern Donbas region, and throwing the country into a still ongoing war that killed over 13,000 people.

In some senses, the 2020 pandemic — which killed 16,500 people in Ukraine — was a lot like the tumultuous 2014.

This was the case for Maria Kravnyak, a civic volunteer from Ternopil Oblast, some 400 kilometers west of Kyiv. Ever since 2014, she has been raising funds for the Ukrainian military. But when the pandemic struck Ukraine, she switched to helping doctors battle COVID-19.

In spring, Kravnyak managed to raise Hr 740,000 (\$27,400) to equip doctors in her local Monastyryska hospital, which was then the epicenter of the coronavirus epidemic in Ukraine.

“I barely ate and slept for two months,” she recalled.

Ukraine found itself unprepared for the coronavirus. Hospitals lacked masks, protective suits, and oxygen concentrators. Thousands of patients and doctors likely died as a result. In 2020, the disease killed at least 16,500 people in Ukraine.

Unlike the war, COVID-19 did not pose a direct threat to Ukraine’s sovereignty. But it did significantly shake the country. And if Russia’s aggression revealed that Ukraine’s defense and security were in ruins, the coronavirus exposed that health-care was falling apart, too.

To save it from collapse, Ukrainians mobilized the same way they did when the war started.

## Helping vs. harming

Not all Ukrainians, of course.

Some were so scared by COVID-19 that they took to the streets to protest the government’s response.

In late February, the residents of the town of Novi Sanzhary in Poltava Oblast, located 345 kilometers southeast of Kyiv, clashed with police as they protested against the arrival of evacuees from Wuhan, China, where the coronavirus originated.

The evacuees — all of whom tested negative for COVID-19 — were supposed to undergo a two-week quarantine at a local sanatorium. But locals feared they would bring the coronavirus to the town.

Volodymyr Petrov



Two medical workers in protective suits escort an elderly man with an oxygen mask in a wheelchair to the infectious disease ward of Kyiv’s Oleksandrivska Clinical Hospital on Oct. 29, 2020. With 500 beds, this is the second largest facility in Kyiv designated for COVID-19 patients. As of Nov. 19, it had 68% of beds occupied. As Ukraine continues to grapple with its first wave of COVID-19, more hospitals across the country are struggling with the influx of severely ill patients and reporting shortages of beds, oxygen and medical staff.

Angry residents of the town blocked roads and threw rocks at buses carrying Ukrainian and foreign citizens to the sanatorium. It later emerged that the locals had fallen victim to rumors suggesting all the evacuees were infected.

The government, in turn, faced fierce criticism for failed communication with the public. Part of the reason for the panic was that the evacuation had been shrouded in secrecy.

Similar protests happened in other places, too. But the unrest soon eased and many people sought to help each other fight the pandemic.

Volunteers started crowdfunding to buy protective gear for doctors and supply hospitals with the oxygen needed for treating COVID-19 patients.

After the government imposed a comprehensive lockdown and canceled public transport, people with cars started driving medical workers to hospitals for free in a bid to help.

Businesses opened their pockets, too. They donated fuel for ambulances, lung ventilators for treating pneumonia, a common complication of COVID-19, and food for pensioners stuck at home all alone amid the lockdown.

## Authorities’ mess up

While engaged citizens struggled to help doctors, the authorities at times demonstrated irresponsibility and unprofessionalism.

“Assessing the effectiveness of the Ministry of Health in curbing COVID-19 I would give them 2 out of 10 points,” a former deputy Health Minister and currently a member of parliament with the 20-member Voice faction Olga Stefanyshyna told the Kyiv Post.

From the very start of the pan-

demic, misleading statements by Ukrainian authorities undermined the seriousness of the anti-coronavirus measures, leading citizens to disregard the rules.

In March, Deputy Health Minister Viktor Lyashko, the country’s chief sanitary doctor, advised the nation against wearing medical masks because this “creates a false impression of protection.” He said that only patients with symptoms of respiratory illness should wear them.

Soon, the authorities changed their minds. Now, all people in Ukraine must wear masks in public places.

But few took it seriously. Even top state officials, including President Volodymyr Zelensky, often broke the rule, appearing in public without a medical mask. On one occasion Zelensky, together with Lyashko visited a cafe that ought to be closed amid the lockdown. They did not wear masks.

The government imposed fines for not wearing a mask in public. But, initially, the fines were excessively large — upwards of \$600 — and required a judge’s ruling to be implemented. That made them impractical to impose.

Later, the fines were decreased to \$6–9. Currently, they can be imposed on the spot. But people still flagrantly violate this rule.

The government’s poor response to COVID-19 has provoked sharp criticism of Zelensky.

One source of anger was the decision to use money from the COVID-19 fund for other purposes. Over half of its budget of Hr 66 billion (\$2.3 billion) went toward road construction — Zelensky had campaigned on promises of renovating roads.

Other officials also failed to set an example. Since March, Health Minister Maksym Stepanov had emphasized the necessity of having

officially registered a family doctor, something required for receiving treatment for COVID-19.

But when he contracted COVID-19 in November, it turned out he didn’t have one. Only after this did Stepanov come up with the initiative to give everyone access to treatment, regardless of whether they have a family doctor. He later said that his wife was a doctor; hence he did not need to sign a declaration.

Another weakness in the state’s COVID-19 response is testing.

The authorities aimed to administer 75,000 polymerase chain reaction (PCR) tests daily by the end of the year, but ended up conducting around 36,000 tests per day in December.

“This is inaction. This is the minister’s biggest mistake because he did nothing to prepare the system and make everything work,” Stefanyshyna said.

“He had the money and he had the time. In six months, using this money it was possible to organize testing and help the hospitals,” she said, adding that the ministry failed to spend the money it had. The ministry has not responded to the Kyiv Post’s request for comment.

As Ukraine fails to test its population, some countries have already started vaccinating their citizens. The Ukrainian authorities also have plans to vaccinate about 20 million people — half of the country’s population — for free.

So far, however, they have only arranged for a supply of vaccines for 4 million people, which they will receive for free from COVAX, an international project for vaccine development.

The country plans to start vaccination in April-June 2021.

## Going online

Despite vaccination beginning in some countries, there is little hope that life will return to normal anytime soon.

The COVID-19 pandemic paralyzed the world, depriving it of simple joys like hugs with elderly relatives, parties with friends and vacations abroad.

Meetings with family members became rare. Gatherings moved from bars to Zoom, and domestic trips replaced international ones due to travel restrictions.

Concerts, lectures, and work meetings all moved online. Those businesses unable to move online or switch to remote work often had to shut down, sparking a sharp rise in unemployment. In Ukraine, 71% more people lost their jobs in January-November compared to the same period in 2019.

Maryna Kosenko, 51, a frontline worker had to quit her job as a mechanic in Kyiv underground in August. It was after she had been forced to take a two-month-long unpaid leave during the spring lockdown when the public transport stopped.

“It was like the 90s. I have never thought that I would have to experience this once again, taking unpaid leave as I did then,” Kosenko said. “It was very sudden.”

COVID-19 and its impact on Ukrainian lives caused a rise in anxiety, fatigue and insomnia, according to the findings of the Rating sociological group published in April.

“People became more aggressive recently,” Kosenko noticed. But she tries to keep positive:

“What can I do? Getting upset will not help much.”

# Energy for change in Ukraine

29 years ago, Ukraine chose its path of development. Today, we are building our future together, drawing on the expertise and contribution of business, scientists, educators and many other people whose energy is changing our country.

As the largest private investor in Ukraine's energy sector, DTEK has made a significant contribution to Ukraine's prosperity and independence by investing more than \$ 23 billion into the domestic economy.

## Year in economy

# Shrinking 5%, economy does better than expected in 2020

By Natalia Datskevych  
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**F**ighting the pandemic-induced economic recession, Ukraine has taken hard punches but managed to avoid a knockout blow.

The country's biggest stroke of luck is that industries that suffered most from COVID-19 — tourism, petroleum production, services, and manufacturing — don't dominate the economy. Ukraine's main sectors like agriculture (40% of Ukraine's export) and metallurgy either escaped unscathed or even grew.

"It's not a worst-case scenario year Ukraine has lived through," said Hlib Vyshlinsky, executive director of the Kyiv-based Center for Economic Strategy.

## 5% shrinkage

Ukraine's economy is shrinking, but more developed countries have it worse.

France's and Italy's gross domestic product is projected to fall by 9%; Britain's by 11.2%. For Ukraine, however, the prognoses are more optimistic.

"Some organizations forecast economic collapse in Ukraine, but I can now say confidently that the GDP drop in 2020 will not exceed 5%," Finance Minister Serhiy Marchenko said in his recent interview with news agency Ukrinform.

That would still leave Ukraine with a GDP of roughly \$160 billion — more than \$20 billion off the nominal high set in 2013.

According to Olena Bilan, chief economist at investment firm Dragon Capital, stable economic growth at the beginning of the year helped the country avoid a tailspin. "A low budget deficit of around 2.5% in previous years made it possible to allocate funds to support the econ-



A man plows a field in Kyiv Oblast on April 25, 2020. The agriculture industry, whose exports provided 40% of the country's foreign currency earnings and secured 11% of Ukraine's gross domestic product in 2019, was one of the least affected during the COVID-19 pandemic. This has become one of the key factors protecting the Ukrainian economy from the catastrophic consequences of quarantine restrictions.

omy, which did not happen during previous crises," said Bilan.

The total value of the country's international trade reached \$92.7 billion as of December, 7.5% lower compared to 2019. Exports fell by 3.5%; imports — by 11%, according to the customs service.

Despite the Kremlin's war against

Ukraine in the Donbas, Russia remained one of the nation's three biggest trade partners. China, Poland and Germany were among the other top partners.

The banking system also survived the year without any crisis, following a massive clean-up of the sector in which two-thirds of the 180 banks

were declared insolvent in the last decade. Only two banks went bankrupt this year, Arkada and Misto Bank.

## Crucial IMF support

But Ukraine could have done better, failing to fully tap a \$5 billion credit line from the International Monetary Fund, which froze lending a \$2.1 billion.

"There was no consistent policy to fulfill obligations before international financial organizations — Ukraine received only one tranche from the International Monetary Fund, instead of three," said Vyshlinsky.

According to Bilan, cooperation with the IMF remains critical due to the high budget deficit of \$8.5 billion. "Having no IMF program... won't help attract necessary funds to the budget," she said.

Vyshlinsky also believes that authorities aren't doing "key things" to attract foreign investment like eliminating corruption in the judiciary system or fighting oligarchs.

## Most & least affected

Once the coronavirus started spreading around the world in March, governments introduced strict quarantine measures, including banning international travel.

Aviation was one of the biggest casualties. The number of flights made by Ukrainian airlines reached only 41,000 as of November, 64.8% less compared to the same period in 2019, according to the State Aviation Administration.

For instance, Ukrainian low-cost airline SkyUp alone lost \$30 million in March–August, according to its co-owner Oleksandr Alba.

And while Hungary supported its international airline Wizz Air with nearly \$800 million from the state budget, German gave its Lufthansa \$9.8 billion, and Air France got a historic \$8.5 billion, Ukraine hasn't helped its commercial aviation at all.

"We did not receive a single penny," Alba told news website Ukrainska Pravda. "We are on the verge of bankruptcy and our 1,300 highly paid specialists will join the ranks of the unemployed."

Vyshlinsky believes that losing the aviation industry will harm the economy and that the government must inject money to rescue it.

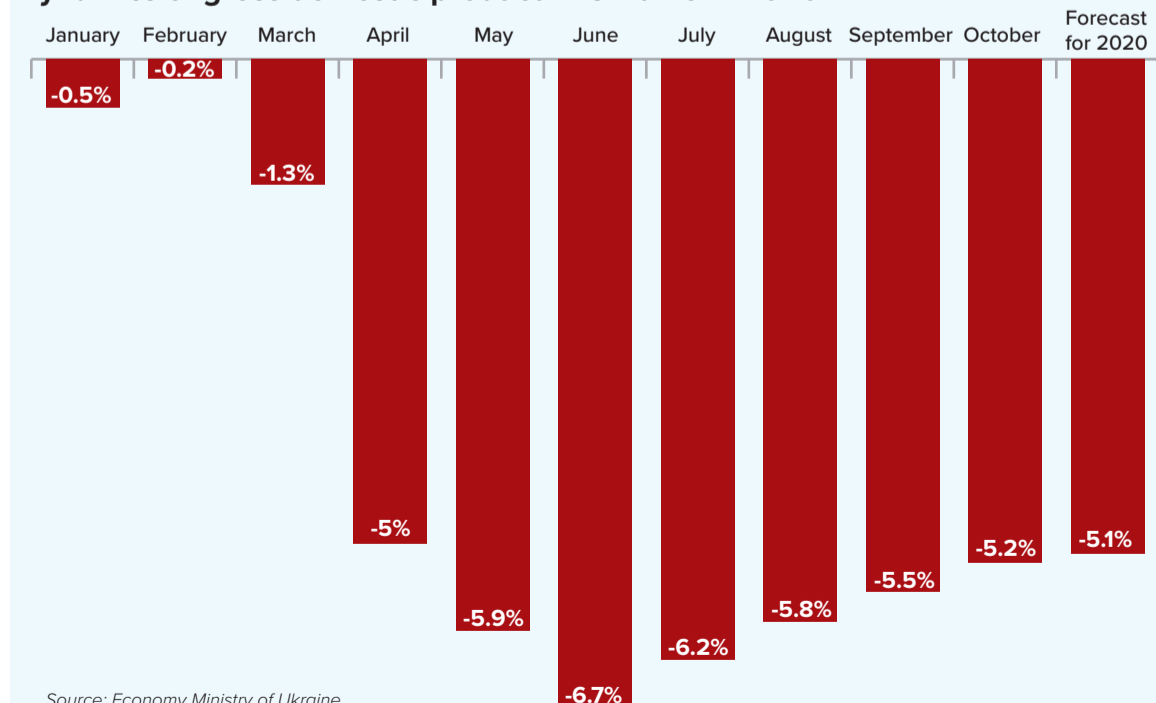
"Ukraine International Airlines employs hundreds of pilots. If they are fired, in the future, there will be a great shortage when the sector recovers. And there's a high chance that foreign companies will take over the sector," said Vyshlinsky.

National railway carrier Ukrzaliznytsia has also taken a hit, suffering most during the strict lockdown in March–May, when passengers were barred from using railway transport.

As a result, for the first 10 months of 2020, Ukrzaliznytsia carried over 15 million people, two-thirds of last year's numbers, according to the State Statistics Service.

At the same time, by November,

## Dynamics of gross domestic product in Ukraine in 2020



Source: Economy Ministry of Ukraine

Unlike in many European countries, analysts don't expect that the decline of Ukraine's GDP due to the economic crisis caused by the pandemic will exceed 5.1% by the end of 2020. The main reason is that the economic sectors that have suffered from quarantine measures most of all in the world do not dominate in Ukraine. This includes tourism, the production and export of oil and retail. At the same time, the demand for agricultural products, the main industry in Ukraine, has only grown.



Oleg Petrasjuk



A man exits a currency exchange place in central Kyiv on Dec. 10, 2020. The value of Ukraine's national currency, the hryvnia, has fallen by 16% compared to the U.S. dollar since the beginning of the year. Today \$1 costs about Hr 28.3. However, the devaluation could have been much worse if the National Bank of Ukraine had not cleaned up the sector in 2015-2016, liquidating two-thirds of the country's dubious banks.

# Ukraine grateful to escape 2020 with modest damage

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the railway monopolist almost caught up with last year's figures for freight transportation — 251 million tons, only 5% less than last year.

Overall, head of the company Volodymyr Zhmak expects the company to finish this year with \$520 million in losses but next year he forecasts a net profit of \$120 million.

Meanwhile, Ukrainian seaports seem to have hardly noticed the pandemic. Most of them kept exporting grain, sunflower oil, ore, and ferrous metals. Thirteen ports on the coast of the Black and Azov Seas handled 145 million tons of cargo as of December, 1.3 million tons more than in 2019.

Ukraine also held two of its first ever seaport concessions: a 30-year concession for a seaport in Kherson and a 35-year concession for Olvia Seaport in Mykolaiv Oblast. Businesses that won the concession auctions have now the right to use the state property for commercial purposes, but will have to invest a total of \$630 million.

During the annual Ukrainian Investment Roadshow on Dec. 10, Minister of Infrastructure Vladyslav Kryklii said that, over the next 3-4 years, the state plans to put other seaports up for concessions or privatization.

The same is planned for six railway stations in Kyiv, Dnipro and Kharkiv, as well as 1,400 kilometers of highways.

This is part of a strategy to “reduce the number of projects which are managed by our state managers to zero,” the minister said.

The construction industry has

also been one of the least affected — in 2020, it was a priority sector for the government through President Volodymyr Zelensky's Big Construction program.

As of mid-November, state road agency Ukravtodor repaired 82 bridges and around 3,900 kilometers of roads, exceeding almost five times the figure for the whole year of 2019.

However, such a breakneck pace was widely criticized when, in July, the government took half of the money from the COVID-19 fund, \$1.3 billion, to repair 1,500 kilometers of roads.

It was “a big mistake” to spend money on construction, instead of on oxygen beds, according to Vyshlinsky. “Ukraine would have a better situation, more lives could have been saved,” he said.

In the long-term perspective, constant underfunding of health care can discourage people from becoming doctors in Ukraine, which, in turn, can further lower the average life span in the country. As a result, the chances that a 60-year-old person can work and contribute to the economy will be lower compared to other European countries, Vyshlinsky said.

## Privatization postponed

The privatization boom planned by the State Property Fund at the beginning of the year didn't pan out.

In March, the Ukrainian government postponed the privatization of large properties, above \$10 million in value, until the quarantine ends.

The fund has been able to sell small and medium-sized enterprises at 1,790 auctions, earning \$52

million for the state budget as of December.

The most public sale took place in July, when the four-star state-owned Dnipro Hotel in central Kyiv was sold for \$40.7 million, 13 times higher than the opening price.

The fund, which planned to earn 10 times more at the beginning of 2020, has already submitted a draft bill to parliament to overturn the government's ban and is waiting for its approval.

“I hope we'll open Big Privatization again,” said Dmytro Sennychenko, head of the fund.

## Unemployment threat

The pandemic has hit the labor market in Ukraine, forcing thousands to ask for state help.

From March to mid-October, some 525,000 citizens were officially unemployed, 50% more than last year.

According to the State Employment Center, the sharpest rise of unemployment — by up to three times — was in Kyiv, Odesa, and Lviv Oblast. In August, an average of nine people applied for each job opening, the state agency reported.

Now, as the government plans to impose another lockdown after the New Year and Christmas holidays, more people may end up out of work, raising unemployment by 15%, the same increase the country went through in the spring, according to social policy expert Andriy Pavlovskiy.

“A large number of people, small businesses, will be in ruins — there will be an unemployment explosion, up to 3 million people,” Pavlovskiy said. ☹

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## HOW TO AVOID UNPLEASANT SURPRISES WITH ARBITRAL AWARD



Dr. Yulia Atamanova,  
Partner, head of international  
arbitration, LCF Law Group

The globalization of markets and capital has led to the complication and internationalization of Ukrainian business. It is already a rarity when a business has no relations with foreign partners and contractors.

For predictability of outcomes of contractual conflicts, international arbitration has become a frequent choice for business, which allows to independently determine not only arbitrators, but also the rules for resolving disputes and applicable legislation. In fact, already at the stage of concluding a contract, the parties can envisage the institution or persons, to whom they are ready

to entrust the resolution of disputes. They can determine the rules according to which they want the dispute to be considered, understanding in advance the specifics of the procedure. They can also choose a place convenient for them to resolve the dispute.

However, as the Latin adage goes, *si vis pacem, para bellum* — “if you want peace, prepare for war.” If the contract parties are aware of the mechanism of the arbitration dispute resolution itself, then, they do not frequently perceive at a time when they come into the contract how and where they will execute the arbitral award. And often it is this issue that brings unpleasant surprises.

The outgoing year 2020 has revealed important details in the judicial practice of national courts in this category of cases, and domestic and foreign businesses should pay attention when drawing up contracts.

1. Check for threats to the arbitration agreement. An arbitration agreement or an arbitration clause in a contract is the basis for the competence of arbitration. If it is not, there is no arbitration. Therefore, unscrupulous counterparties first of all think about how to challenge the arbitration agreement and invalidate it. But the situation seems worse when an arbitration agreement exists, is not challenged, or its validity is confirmed by the court, and, considering the application for the recognition of the arbitral award, the court finds that there is no arbitration agreement at all. This situation happened in two cases in which the Supreme Court refused on this basis to recognize and enforce the arbitral award. In the first case No. 756/618/14-ц, the court came to the conclusion that the falsity of the document containing the arbitration clause testifies to the fact that the person did not express his will to conduct arbitration at all. In the other case No. 824/181/19, the Supreme Court established that, despite the fact the plaintiff was financing the performance of the contract and his signature was on the supplementary agreement, he has no right to claim under such an agreement, since he is not the party to the arbitration clause in the contract and there is no transfer of rights under it.

2. Check if the dispute can be referred to arbitration under the laws of the opponent's country and his assets. The aggrieved party wants to receive real compensation for the losses incurred, that means get the real execution of the arbitral award. And since the execution will be carried out in the country of the counterparty or his assets, it is necessary to be aware of the requirements of the state as to whether there are restrictions on the transfer of disputes to arbitration. The most frequently excluded from the category of “arbitrable” are disputes related to real estate, bankruptcy, the registration of various objects, including securities, intellectual property, harm and family, alimony or inheritance disputes. However, the specific list of non-arbitrable disputes may differ between states. And it is definitely undesirable to find out about this during recognition and enforcement of the arbitral award, since it means that it would be necessary to start all over again, but already in the state court. In this context, it is worth paying attention to case No. 907/930/15, in which the Supreme Court recognized that a dispute over the ownership of real estate arising from a joint venture agreement should be resolved only by a state court and not by arbitration.

3. Assess the foreign policy relations between the countries of the contractual parties: whether there is a military or economic conflict, which may cause one of the countries to impose political or economic sanctions. One example: this year, after granting several permissions to Russian Federation residents for the recognition of arbitral awards against Ukrainian companies, the Supreme Court identified a threat to public order of Ukraine if an arbitral award were executed in favor of a Russian defense-industrial company included in the sanctions list by Ukraine. And despite the fact that the courts rarely refuse in recognition of an arbitral award on the basis of a threat to the public order, it is the foreign policy relations between countries that can unexpectedly interfere with private law (contractual) agreements between specific subjects.

In conclusion, we can say that the outgoing year has shown the need for business to study in more detail not only the direct provisions of contracts and arbitration agreements, but also to examine its counterparties and their legislation, so that the signing of the contract is to be followed by its real execution in any case with.

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## Year in culture

# COVID-19 victims permeate Ukraine's cultural landscape

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At the end of each year, Ukrainian culture is put to shame with statistics on what Ukrainians most watch and listen to on the internet.

In 2020, four out of 10 most-watched YouTube videos in Ukraine were from Russia or Belarus. The rest were Ukrainian parodies on Russian music, scandalous TV programs or interviews. The top 10 music videos were mostly by Russian artists, with only two Ukrainians who sing in Russian.

There are no Ukrainians on Spotify's top five lists of most-listened artists, bands, songs or albums, with Russian and U.S. artists leading the charts. In Apple Music's chart of current top 100 songs in Ukraine, there are only nine Ukrainians, eight of whom sing in Russian.

The coronavirus pandemic has further undermined the standing of Ukraine's cultural industries. The government's lockdowns and limits on public events have most damaged the music business, cinemas and theaters, all of which depend on ticket sales in Ukraine.

"2% of the country's GDP, or over Hr 83 billion (\$3 billion), is the total loss of businesses in the sector of culture, creative industries and tourism from the income not earned since the beginning of March with the first lockdown," Oleksandr Tkachenko, minister of culture and informational policy, said in a statement.

At the start of the pandemic, the government cut Hr 1.9 billion (\$68.4 million) from the state budget for cultural programs to fill the national COVID-19 fund. But then it took Hr 1 billion (\$36 million) back from the fund to help culture and creative industries survive the pandemic through grants and institutional support.

The government also decreased the value-added tax from the regular rate of 20% to 7% for ticket sales in cultural industries. Most recently, it also started offering Hr 8,000 (\$288) in financial aid for entrepreneurs whose work will be banned during the next three-week lockdown in January.

Still, many artists and cultural entrepreneurs say that this is not enough. Even if they meet the stringent requirements for government grants or aid, its agencies, like the Ukrainian Cultural Fund, delay payments because of the budget deficit.

So the real achievement was to survive and keep working in culture this year. But there are also some examples of how Ukrainians created great art despite the crisis. And there is definitely more to look forward to in the next, hopefully post-COVID, year.

## Books

The one culture sector that benefited from the lockdown at first was literature. According to social networks research by the Ukrainian Book Institute, Ukrainians started reading and posting more about books during the lockdown. However, after the May peak, reading habits



People read "The Vasyly Stus Case" by Vakhtang Kipiani at a rally outside the Darnytsia District Court in Kyiv on Oct. 20, 2020 after the court ruled in favor of the pro-Russian politician and lawmaker Viktor Medvedchuk in a lawsuit to stop the book's distribution. The book argues that Medvedchuk, as a public defender, intentionally lost the case in the Soviet trial against Ukrainian poet and dissident Stus.

returned to normal when restrictions eased in June.

On the other hand, lockdowns and restrictions hurt the book industry because it could not hold festivals and other big events. Most of them moved online, losing much of the audience and the benefits of publisher's stalls that drive the sales. Ukrainian writers also adapted to online formats with podcasts and readings, like Serhiy Zhadan, Oleksandr Mykhed and Yurii Andrukhovych.

Some statistics show that Ukrainian books have increased in popularity. There are two or three books by Ukrainian authors in the top five bestsellers lists of the country's leading online bookstores. One book is on top of all of these lists. "The Vasyly Stus Case" by Vakhtang Kipiani has been sold out several times after the pro-Russian politician and lawmaker Viktor Medvedchuk has won the first-instance trial to stop its distribution. The book about the Soviet trial of Ukrainian poet and dissident Stus, argued that Medvedchuk has intentionally lost the case as Stus's public defender in 1980.

## Music and nightlife

The most profitable of Ukraine's culture industries — the music and show business — was most affected by the pandemic. Without live events, the industry lost most of its income because record sales, streaming and royalties bring only a fraction of profits in a country where piracy is widespread.

"Ukraine has never experienced such a blow to the music business," Mike Yasinskiy, producer and CEO

at the Secret Service Entertainment Agency, told the Kyiv Post.

The institutional aid that the government provides through the Ukrainian Cultural Fund is discriminatory against commercial music, Yasinskiy says, and the Hr 8,000 aid to entrepreneurs is inadequate. He says the cut to 7% value-added tax doesn't help when there is zero profit.

"These are half-measures that don't reflect the industry's depressing situation, which creates real jobs," says Yasinskiy, who is also the head of the All-Ukrainian Trade Union of Music Industry.

Nightclubs had also been a vibrant part of the industry, but they have rolled back years because of the lockdowns and limits on parties in the nighttime, says Alisa Mullen, CEO of Strela Promo Agency. Closer, one of Kyiv's most popular electronic music clubs, had to crowdfund Hr 1.2 million (\$43,000) to pay off debts. Other clubs, like Otel' and Mezzanine, followed the example of Closer in trying to crowdfund enough money to pay off their debts.

As an art center, Closer is the only nightclub that applied and will receive Hr 1 million (\$36,000) institutional aid from the Ukrainian Cultural Fund. But it's not yet clear when because of the deficit in the state budget.

"It's some kind of 'Schrodinger's grant,'" Mullen, who did PR for Closer, told the Kyiv Post. "But Closer and other clubs still managed to survive by cutting costs and adapting new party formats."

Most musicians either switched to their side jobs not related to music, Mullen says, or started to compose more for commercials or pop

artists. But according to Yasinskiy, many professionals are quitting the industry.

Despite that, there doesn't seem to be fewer releases of Ukrainian music. On the contrary, new artists pop up nearly every week after finding more time for creating during the lockdowns. Many musicians are also finding their audiences at online shows and festivals.

"And if COVID-19 ends next year, everything will bloom again and people will party insatiably," Mullen says.

## Cinema

2020 could have been an excellent year for cinema in Ukraine: more local movies won prestigious awards abroad, and some earlier festival hits came into wide release at home. The problem is that a relatively small audience saw them because of the quarantine restrictions.

Because of the lockdowns, Ukraine only had 35 out of 52 weeks when the cinemas operated, most of which were at half-capacity. During this time, only six Ukrainian movies made it to the top 10 of the weekly box offices.

But the year started so well. A low-budget comedy "My Thoughts Are Silent" by debut director Antonio Lukić became an unexpected hit among viewers in February and one of the few profitable Ukrainian-made movies. Then came COVID-19.

Film releases had to be canceled or postponed indefinitely when the first lockdown started in March, while most film festivals moved online. Cinemas reopened in July at half capacity, slowly adding screenings of older films and a few Hollywood

novelties. They had to close again for three weekends in November, the so-called "weekend quarantine."

"The lockdowns critically reduced the attendance, and many Ukrainian premieres were affected," Philip Illienko, producer and board chairman of the Ukrainian Film Academy, told the Kyiv Post.

When things returned to some normalcy in October, it still wasn't enough to guarantee a successful theater run for "Atlantis," Ukraine's most important film of the year. A winner at the Venice Film Festival, the arthouse film imagines what Ukraine's future might be after it defeats Russia in the Donbas region.

Things have not been good for films that are currently being produced. The State Film Agency has been delaying funding for projects that have won in the government's pitches, again, because of the budget deficit.

"It not only damages the industry and puts many productions on the verge of bankruptcy — it completely undermines trust in any cooperation with the government," says Illienko, who was the head of the State Film Agency in the previous administration.

But there is a lot to look forward to in Ukrainian cinema in 2021. Two award-winning Ukrainian films will come out in the year's first quarter: "Bad Roads" war drama by Natalya Vorozhbit and "This Rain Will Never Stop" documentary by Alina Gorlova.

There are also high hopes for "Dovbush" — Ukraine's most expensive historical drama that was supposed to premiere in 2020, but then postponed for some better times, hopefully in 2021. 🍀



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Year in Energy

# Energy sector still in need of vast overhaul, big investment

By Alexander Query  
query@kyivpost.com

The government focused on fighting the pandemic this year, further stalling reform in the energy sector as the state amassed a \$1 billion debt to green energy developers.

But important steps did take place: Ukraine opened its gas and its electricity markets for competition.

### Green investors deterred

The green-tariffs crisis in renewable energy has been the most talked about event, with Ukraine's government renegeing on guarantees in pricing made to lure investors.

Today, renewable energy secures about 8% of all the energy produced in the country, while the government's official goal is 25% by 2035.

Ukraine started to foster green energy production in 2008, when it introduced green tariffs, obliging the company known as State Guaranteed Buyer to buy renewable electricity at the highest price in Europe — 0.46 euros per kilowatt.

The tariff has been lowered since then to roughly 0.13 euros per kilowatts, but it's still one of the highest in Europe.

The strategy seemed to work: The number of investors in this sector increased significantly and renewable power generation climbed from 3.9% in 2014 to today's 8%.

But when the pandemic hit, the state couldn't keep up with payments anymore. Many green energy developers, deprived of fast returns, were left with debts. After much negotiation, the government and investors reached a compromise to repay the government debt in exchange for reducing the tariffs.



Kostyantyn Chernichkin

The sun sets behind wind turbines of Ukraine's largest energy firm DTEK in Zaporizhia Oblast on Nov. 15, 2019. The current crisis in renewable energy has been the most talked about event in energy in 2020 — since the start of the coronavirus pandemic, the state has amassed a \$1 billion debt to green energy developers.

But Ukraine still hasn't managed to pay off the debts and several renewable developers have threatened the state with international arbitration.

Ukraine's government now plans

to eventually get rid of the controversial green tariff and introduce competitive auctions for green producers to sell their electricity to other buyers.

The auction system promis-

es to reduce electricity costs for consumers and introduce Ukraine to European standards in energy. Under the new system, Ukrainians will be able to freely switch suppliers and

benefit from pricing that is market-based and not set arbitrarily by the government.

In 2020, however, not a single new investor put money in renewables.

All that said, Oleksandr Kharchenko, managing director at the Energy Industry Research Center, thinks the green industry crisis won't have a huge impact on the energy industry.

"It needs to be managed," he said, "but it serves only as an example of stupidity and corruption" of Ukraine's officials. Green energy production is still too small a share of all electricity generated in the country.

### Opening market

One victory is the liberation of the electricity market.

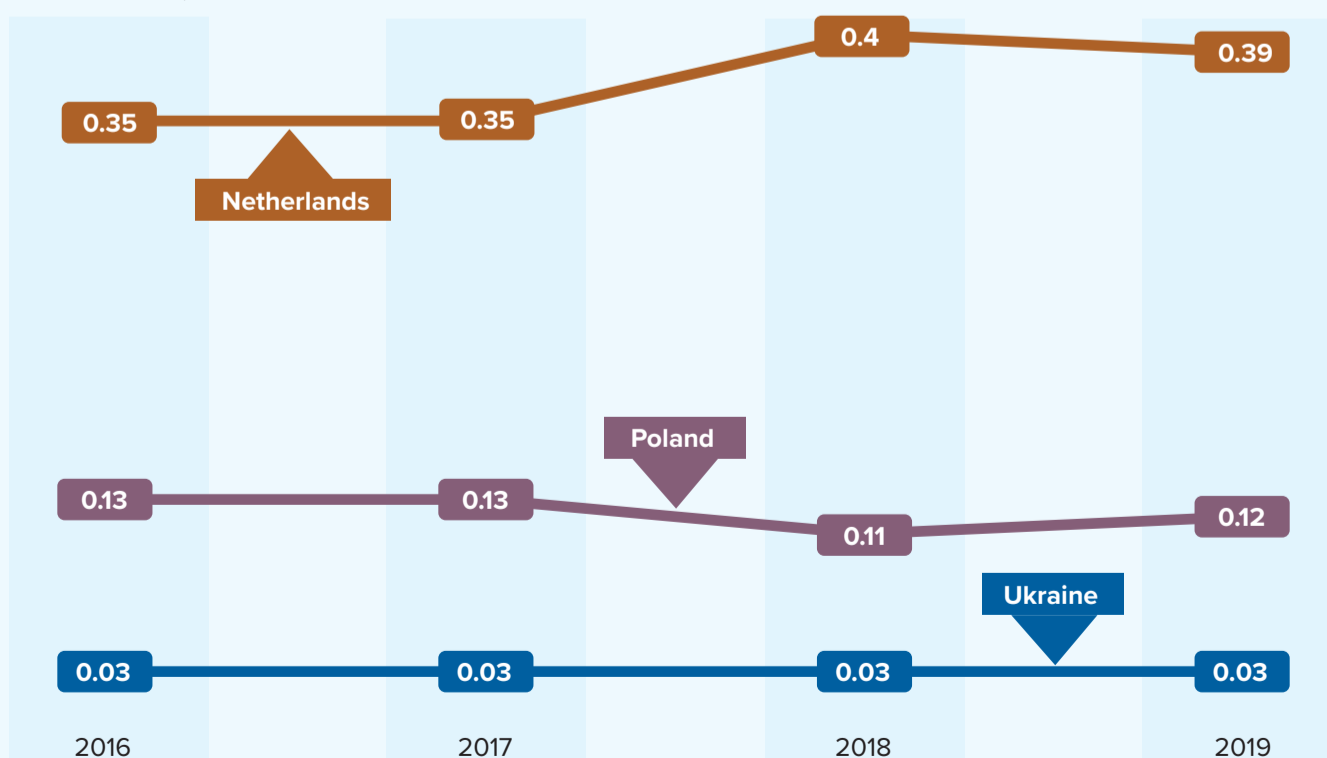
For years since the collapse of the Soviet Union in 1991, the state dictated the prices to private electricity firms. Starting this year, however, energy firms can set their own prices.

Next year, energy officials also plan to reduce the public service obligation, which forces energy producers to sell some of their power to the state at below-cost prices to keep energy cheap for the public.

Nuclear power producer Energoatom, for example, today has to sell 80% of its electricity to the state cheaply. The change may help companies like Energoatom to gen-

### Ukraine's electricity prices — lowest in Europe (euros per 1 kilowatt)

Source: Kosatka, Eurostat



Compared to its western neighbor Poland and the Netherlands, which has the highest electricity prices in the European Union, Ukrainian households have always paid for their electricity bills at some of the lowest prices. Now, however, after Ukraine opened its electricity market in 2020, utility bills may increase in 2021.

# After attracting renewable energy providers, Ukraine decides to stiff them

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erate more profit and improve their service.

## Gas market liberalization

The year 2020 has also freed up the local gas market.

The government opened the gas market in August, canceling public service obligations too. Now consumers can freely change suppliers.

In the past, they had to pay the prices set by the government and use the services of specific gas providers, 75% of which belonged to exiled oligarch Dmytro Firtash, who is fighting U.S. corruption charges.

It also prevented state-owned gas company Naftogaz from selling gas directly to end users. Gas companies have already announced their entry into the renewed gas market – from state-owned Naftogaz to smaller traders.

## Acting energy minister

Yuri Vitrenko, former executive director of state-owned gas giant

Naftogaz, was appointed acting energy minister on Dec. 21 by the Cabinet of Ministers, a week after the Verkhovna Rada voted against his appointment.

Vitrenko's appointment in a sector dominated by oligarchs signals that President Volodymyr Zelensky and Prime Minister Denys Shmyhal are intent on attacking corruption in the energy sector, despite parliament's efforts to block reforms.

During his time at the head of Naftogaz, Vitrenko spearheaded successful litigation against Russia's state-controlled Gazprom, leading to a \$2.9 billion arbitration award in a dispute over fees for transiting Russian gas through Ukraine's pipelines.

After he left Naftogaz in May amid a fallout with his former ally CEO Andriy Kobolyev, Vitrenko said in a Kyiv Post interview that billionaire oligarchs Ihor Kolomoisky and Firtash, still have too much power over the sector.

"The oligarchs never left," he said. Firtash controls 75% of Ukraine's



Kostyantyn Chernichkin

An employee of state-run gas extracting giant UkrGasVydobuvannya works at a gas drilling site in Poltava Oblast on Oct. 24, 2018. The year 2020 has freed up the local gas market: The government opened it in August, canceling the public service obligation (PSO) in the gas subsector. Now consumers can freely change suppliers, depending on their prices and services offered.

regional gas supply companies and owes Naftogaz more than \$1 billion for unpaid natural gas supplies. Kolomoisky, likewise, long stands accused of milking Ukrnafta, the state oil producer, for huge profits and stiffing the public with a large unpaid tax bill, also measured at more than \$1 billion.

At the time, Vitrenko also called for Naftogaz – with \$10 billion in revenue and 80,000 employees – to be privatized or liquidated because it's not being run as a modern company, noting that oil and

gas production has been stagnant for decades.

## Forecast for 2021

Largely, however, 2020 was a year of inaction and lack of decisions, according to energy expert Yuri Kubrushko.

Kubrushko said the important issue to watch in 2021 is whether the state can pay off its \$1 billion debt to renewable energy producers and reduce the influence of oligarchs in the sector.

He also believes the government

should increase electricity and gas prices for households – an unpopular but long-overdue move. The current prices, which aren't based on the market, are among the cheapest in Europe. As a result, energy producers and distributors can't afford to invest properly.

Everything will depend on the government's ability to show leadership and to appoint a good team to lead the energy sector, Kubrushko said. "Otherwise, it will be another wasted year which will kill the sector," he said. ☹



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*Dear Kyiv Post readers,*

2020 was a hard year for everyone – the Kyiv Post included. The newspaper lost more than a third of its revenue, compared to 2019, and had to suspend publication of the weekly newspaper for two months because of COVID-19 as well as cancel our major events or move them online.

We have many people to thank for surviving our 25th year and giving us the opportunity to live into 2021 as Ukraine's Global Voice in the English language.

This is the season for giving thanks. Our gratitude goes to our publisher, Adnan Kivan and the KADORR Group, for helping us through this crisis; our staff, for sacrificing all year; and our digital subscribers, whose numbers doubled this year.

We, of course, pay special tribute to these advertisers and donors who provided much of the lifeblood of revenue needed to keep independent journalism alive & strong in Ukraine.

**We hope that 2021 is a healthy, happy & prosperous time for all!**



## Year in tech

# IT industry shows its resilience as coronavirus attacks others

By Daryna Antoniuk  
antoniuk@kyivpost.com

Ukraine is proud of its tech. In 2019, the industry secured over \$4 billion in exports and paid \$588 million in taxes. Every year the local information technology sector grows by 30% and keeps charging ahead even during the pandemic.

Unlike many local businesses that suffer from economic lockdown, the Ukrainian IT industry will bounce back quickly with support from the government, investors and tech entrepreneurs.

In 2020, Ukrainian tech had everything to thrive: nearly 200,000 qualified techies ready to work remotely, over 4,000 IT companies ready to employ them, and low taxes that attract some tech specialists from abroad.

With all of this Ukraine could have competed in the global arena, had it not been for complicated laws, corrupt courts and notorious oligarchs that damage the country's image.

## Flexible industry

When the coronavirus crisis hit Ukraine in March, local tech companies were quick to adjust.

A few weeks after Ukraine imposed a strict quarantine, over 92% of Ukraine's IT businesses have switched to working remotely – for most of them, it was a matter of habit, according to Olga Kunyachak, manager of the IT committee at the European Business Association.

When it got clear that the global pandemic would stay for long, tech businesses focused on the most profitable industries during the quarantine: fintech, medicine, virtual reality and online education, according to Konstantin Vasyuk, executive director at the Ukrainian IT Association.

Ukrainian video streaming startup



A person plays a video game wearing a virtual reality headset on Aug. 11, 2020 at Cube, a virtual reality club in Kyiv. During the COVID-19 pandemic, virtual reality tech seems to have taken off, as technology allows people to study, travel, and try on clothes without leaving their homes.

Restream, for example, has attracted \$50 million from U.S. investors and increased its revenue during the pandemic, because people spent more time online, streaming virtual events, video games and conferences.

Other tech companies have proved to be creative amid the quarantine. The Ukrainian film studio One Location, for example, started to produce commercials and mov-

ies using virtual reality technology, while Ukraine-founded startup 3DLook has developed a mobile app that creates a digital model of a human body and allows users to try on clothes online without the need to leave the house.

Technologies like this is appeared timely and investors support them. Tech businesses that actually benefit from the pandemic became the

priority for investors, said Oleksii Vitchenko, founder of venture investment fund Digital Future.

## Unexpected support

For years, the Ukrainian IT businesses were growing without money and support from the government, according to Dmytro Ovcharenko, a legal tech expert.

It changed when President Volodymyr Zelensky came to power and created the Ministry of Digital Transformation now spearheaded by 30-year-old tech-savvy Mykhailo Fedorov.

Fedorov promised to support the tech industry and ensured that it would secure 10% of Ukraine's gross domestic product, compared to 4% today.

The information technology sector is more important for Ukraine's economy than ever, according to Oleksandr Borynyakov, Fedorov's deputy.

Having so many qualified specialists, Ukraine is ready to introduce tech products to the global market under its own brand, Borynyakov told the Kyiv Post.

Many local tech experts disagree: "The Ukrainian brand is not strong enough and needs more support," said Olena Mazhuga, partner at investment fund Genesis Investments.

Ukraine has one of the lowest taxes on revenue for programmers – 5% if they're registered as private entrepreneurs.

Although many tech businesses

enter the market – mostly opening research and development centers here – nearly all of them complain about the flawed judiciary, widespread corruption and omnipresent bureaucracy. All of these hamper foreign investment in the industry, Kunyachak said. In fact, nearly 50% of investors think that Ukraine has become less attractive over the year, according to research by the European Business Association.

Borynyakov, however, thinks it's only because the Ukrainian market seems more complicated for foreign investors than in neighboring countries.

To address that at least partly, the Ministry of Digital Transformation has introduced a new project called Diia City, an economic zone with taxation, legislation and employment benefits tailored for local and foreign tech firms.

The project is expected to bring Ukraine over \$11.8 billion and create 450,000 new jobs by 2025. However, some experts and tech entrepreneurs criticized the initiative: they say it will overregulate the local tech industry.

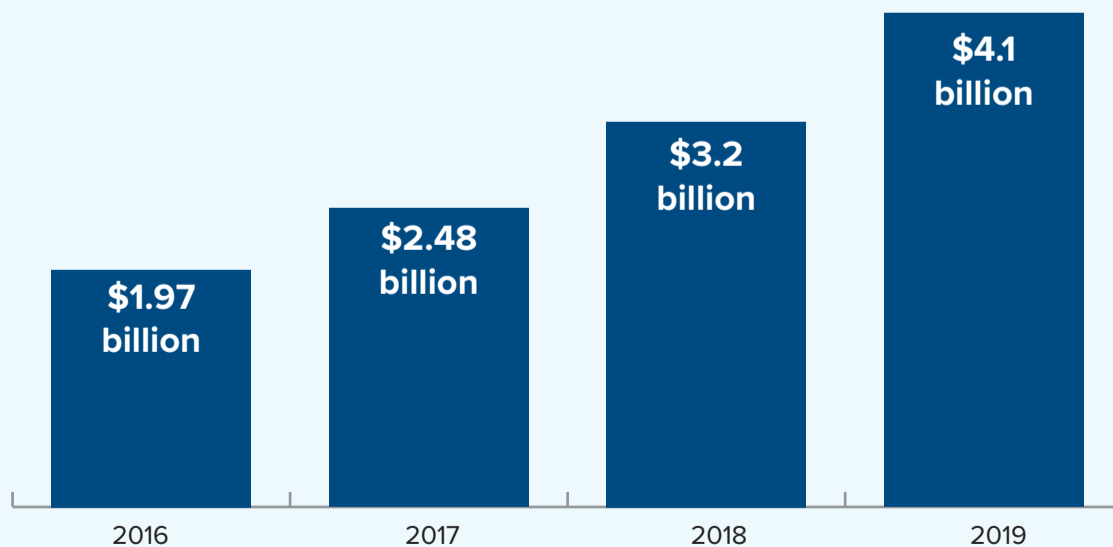
## Growing demand

Ukraine has over 200,000 tech specialists and 30,000 new ones graduating every year but the country needs more to keep growing.

The government tries to attract them with low taxes, Borynyakov said. Besides, the average sala-

## Ukrainian export of IT services in 2016-2019

Source: IT Ukraine Association



Every year the Ukrainian information technology sector grows by nearly 30%. In 2019, the industry secured over \$4 billion, compared to nearly \$2 billion in 2016. Despite the COVID-19 pandemic hitting hard most of the country's industries, the tech sphere is expected to bounce back quickly.



## BUSINESS ADVISER

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## THE NEW SPECIAL ECONOMIC ZONE FOR IT BUSINESS IN UKRAINE: "DIIA CITY" IN DETAILS



**Max Lebedev,**  
Partner at GOLAW,  
attorney at law

The new ambitious project of the Ukrainian government "Diia City" has been presented in the summer this year as a concept of a special legal framework for the IT industry. The government declares beneficial taxation, updated labor regulations and transparent rules for the IT business and aims to address its sensitive issues.

Implementation of the concept may rocket up IT business and create a unique IT hub in Ukraine. Draft laws have prompted debates between the industry and the government. Business shares the sentiment that Diia City is a necessity for the industry, but draft laws do not suffice its needs.

### Residency requirements

Any Ukrainian company carrying out IT economic activities will be able to join Diia City voluntarily upon completing a simple registration procedure. However, the candidates will have to meet eligibility criteria.

Some residency requirements (e.g. salary of USD 1,400 to IT staff; 90% of the income from IT business activities only etc.) could not be met by many companies. New companies and subsidiaries of international corporations will be turned down from residency, because they can not afford or their business model will not allow them to meet the requirements, although some rules for startups are prescribed.

Other requirements were for a salary to be 70% of the product's cost and for companies to have up to 70% of export profits since the 2nd year of residency. These requirements raised legitimate concern in the industry, and later were dropped by the government.



**Oleksandr Melnyk,**  
Associate at GOLAW,  
attorney at law

### Regulator's powers

One of the major concerns of the industry is overly broad powers of the regulator. The draft laws feed those worries by making intricate criteria for residency in Diia City. For example, the authority in charge will have discretion to determine additional characteristics of IT economic activities, which a resident should carry out, which gives power to decide on eligibility of candidates and may pose risk of corruption or preferential treatment.

The authority may also get the right to oust ineligible residents from Diia City. Residents, apart from requisite IT economic activities, will be allowed to carry out other activities. However, the list is not exhaustive, and so there is no clarity on prohibited transactions. In its turn, the authority will be able to define activities incompatible with resident status. Thus, there will be the risk for a resident to be struck off from Diia City on obscure legal grounds at any time.

Regulators' powers and red tape have always been an issue for businesses in Ukraine. IT businesses should be able to plan long-term, be flexible in business strategies and not turn their operations into a compliance minefield.

### Taxation

Currently the new tax regulation for the Diia City residents is unclear, as the new tax amendments are yet to come. However previous tax drafts #3933 and #3933-1 were not warmly welcomed by the industry.

The pivot of Diia City is supposed to be a lower tax burden for IT companies: lower corporate income tax for all residents at 9% or the same tax only on certain resident's income at 18%.

The other part is taxes on salaries. It is common knowledge that the IT business mostly contracts individual entrepreneurs registered as a "Single Tax" payers. The tax burden (social security contribution included) on remuneration in such cases is around 7.5% against 41.5% on employees' wages. The new mode offered a lower personal income tax and lower unified social contribution. However, the overall tax burden for salary constituted approximately 19% (Draft Law #3933) or 15% (Draft Law #3933-1), which still concedes to the current tax benefits of working with contractors.

In summary, the government shall propose conditions better or at least not worse in order to get the IT business interested.

### Contracting with individual entrepreneurs

The draft laws are silent on the changes in contracting with IEs. Thus, on the one hand, the residents of Diia City will be able to contract IEs as usual under the civil law contracts.

On the other hand, hidden obstacles for contracting with IEs may occur, as we could see from tax draft laws. For instance, the draft law #3933-1 proposed an additional 18% tax on any payment to an IE, payer of a "Single Tax" (5%), made by a Diia City resident, which makes no economic sense on further cooperation with IEs.

### Gig-contractors

The concept introduces a new instrument — gig contracts which ought to replace contracting with IEs. Gig-contracts are designed for a non-entrepreneur natural person to perform certain tasks under the contract.

In essence, gig-contract will be a civil law contract with some characteristics of a labor contract: It can be concluded for an indefinite term, the working hours shall not exceed 40 hours per week unless the contractor works flexible or irregular working hours, the gig-contractor will be entitled to sick leave pay.

Although the idea is great, the proposed regulation is far from perfect now and shall be detailed. Moreover, the initial wording of the draft laws raises an issue of qualifying a gig-contract as an employment contract and subsequent potential liability of the Diia City residents in practice.

Another novelty is the opportunity to conclude NDAs, non-compete and non-solicitation agreements with employees, gig-contractors and individual entrepreneurs. However, it is unclear how these contracts will work considering current judicial practice, according to which non-compete and non-solicitation contracts are voidable in Ukraine.

It was declared that the government is serious about launching the concept in the beginning of 2021. However, at this point, the proposed regulation does not fully meet the expectations of the IT business. Although the overall concept is great, we hope that the quality of the law will not be neglected in the law adoption turbo regime.

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Employees of job search website developer Joooble work in the company's main office in Kyiv on Sept. 16, 2020. The company uses artificial intelligence to make a tedious quest for a job easier — Joooble's algorithms analyze users' behavior and offer vacancies that fit them best.

# Ukraine became magnet for tech workers escaping political turmoil in Belarus

page 16 —&gt;

ry in Ukraine's tech is \$2,000 a month, which is higher than in other industries.

However, foreign businesses, for which Ukrainian techies are good but cheap workers, usually offer more, so many Ukrainians opt for moving to the U.S. or Europe.

They register their businesses there to find investors and protect their businesses from lawmakers and corrupt law enforcers, said Andriy Dovzhenko, managing partner at Ukrainian investment fund SMRK.

Ukraine boasts many local startups, including Grammarly, People.ai, and GitLab, valued at \$1 billion, but they

all are registered in the U.S. where they pay taxes.

Despite this depressing, Mazhuga still thinks it is still good for Ukraine: successful startups promote Ukraine on the global arena. Some foreign techies even decide to move to Ukraine after they hear success stories from Ukraine.

Some Belarusians were among those willing to move in Ukraine this year. Since August, 40 Belarusian tech companies and over 2,000 freelancers have flocked to Ukraine to escape the political turmoil induced by the protests against the regime of self-proclaimed Belarusian President Alexander Lukashenko.

Ukraine attracts Belarusian tech

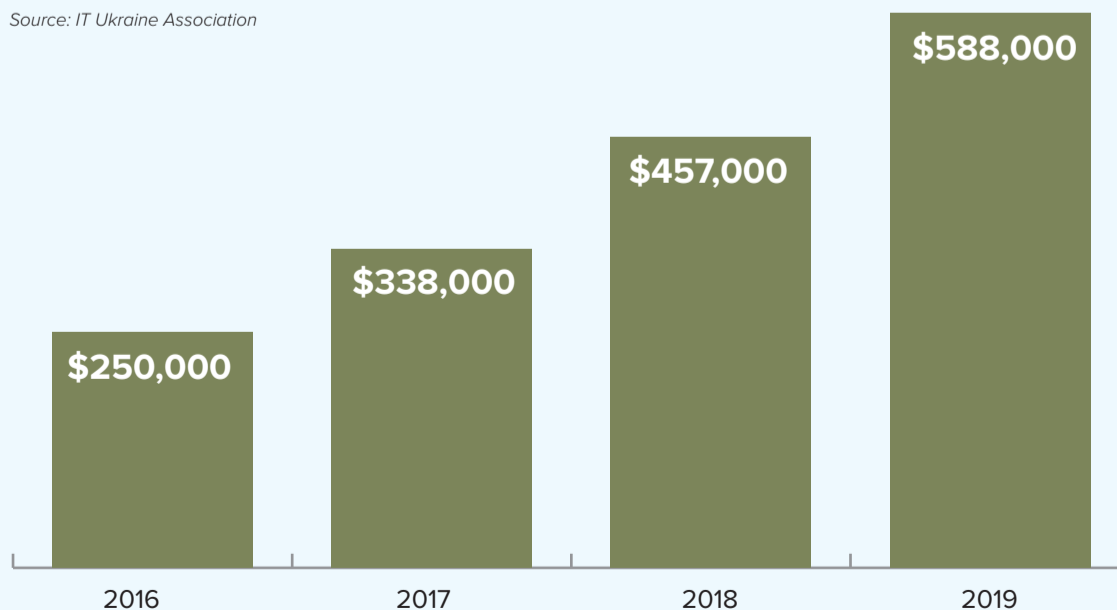
specialists with a favorable 5% revenue tax for private entrepreneurs, a visa-free regime between the two countries and similar language and culture. Most Ukrainians and Belarusians speak Russian.

Ukraine benefits when qualified tech companies from Belarus find refuge in the country, according to Ovcharenko. One employed programmer brings about nearly \$35,000 worth of exported goods every year, he said.

However, many Belarusian programmers expect to return to their home country when the situation stabilizes if Ukraine can't convince them to stay, experts said. 🇺🇦

## Taxes paid by Ukrainian tech companies in 2016-2019

Source: IT Ukraine Association



The Ukrainian information technology sector brings around 30% more taxes to the state budget every year. According to experts, the industry could bring even more, but because of poor legal frameworks for the protection of intellectual property and few investment opportunities, many local tech businesses register their startups in the U.S. and leave their money there.

## Year in hospitality

# 2020 was a horrible time for travel, restaurants & hotels

By Daria Shulzhenko  
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**K**yiv's vibrant restaurant scene had been booming. Hundreds of new restaurants, bars and cafes came into existence every year, offering diverse cuisines and flavors for any taste.

But that was before COVID-19. The deadliest pandemic of the century forced restaurants to close indoor dining and then adapt to severe limitations that bled finances.

The virus also showed no mercy to the hospitality business. With domestic transportation restricted and the country's borders closed for long stretches of time, hotels sat empty for much of 2020.

"It's been the worst year and the biggest crisis," says Ukrainian restaurant expert and consultant Olga Nasonova.

## Unexpected blow

In an attempt to halt the spread of COVID-19 at an early stage, the Ukrainian government placed major draconian restrictions on social life in March, shutting down indoor dining for almost two months. Restaurants responded by imposing salary cuts and laying off workers. With delivery and takeout as the only options, some establishments lost 80% of revenue.

Poster, developer of a high-tech inventory system for restaurants, found that after only a month into the spring lockdown, over 65% of Ukraine's cafes and restaurants either suspended their activities or closed for good.

According to OpenDataBot, a site that monitors Ukrainian state registries, nearly 160,000 Ukrainian restaurant workers lost their jobs. But the actual numbers are likely much bigger, since many workers were not officially employed, making their status impossible to count.

The swift and harsh restrictions made it impossible to plan.

Viktoriya Parhomenko was about to reopen Klukva & Brukva, with a Ukrainian cuisine menu, in March. She found a new location, completed renovation and stocked up for the



A man holds a takeout order as he walks out of the Mimosa Brooklyn Pizza restaurant in central Kyiv on Dec. 22, 2020. The coronavirus pandemic forced restaurants to shut indoor dining for almost two months and adapt to severe limitations later on.

reopening scheduled for March 16, the day before the lockdown started in Ukraine.

"We never saw that coming," Parhomenko says. "Of course, there was no reopening."

Her team switched to delivery and takeout. There were no layoffs, but chefs and managers took 30% salary cuts.

"We lost around 70-80% of the revenue, but at least we survived," Parhomenko says.

Just like Klukva & Brukva, most eateries had to transform operations to stay afloat. Many launched their own deliveries or joined the big delivery services, like Glovo and Raketa, introduced new dishes suit-

able for transportation and sold food packages for people to cook from at home. Some cafes even offered thermoses with several liters of coffee for takeout.

Though in late June restaurants were allowed to resume indoor dining, new safety requirements included masks, limited numbers of customers per square meter, decreased working hours and endless cleaning and ventilation.

Klukva & Brukva eventually reopened in July as well. Like others, the restaurant largely relied on outdoor dining in summer and fall – a relatively safer option for diners. Its outdoor terrace, which seats about 80 people, accounted for nearly 80% of the revenue during the warm seasons.

Then the "weekend lockdown" hit. Shutting the non-essential operations including dining-in, the policy took effect on Nov. 14 and lasted three weekends. As a result, Klukva & Brukva's revenue again fell by 50% and it has never recovered.

"It seems to me that now, no one even thinks about profit as everyone is worried about how to survive and continue operating," Parhomenko says.

## Inevitable decision

According to restaurant expert Nasonova, prior to the 2020 crisis, Kyiv's restaurant scene had been growing rapidly. Last year, 275 new eateries opened, up from 200 new players in 2018.

"The market increased by 10-15%,"

and that's a very high growth rate," she says.

But 2020 changed all that, marking the first year in a long time when the number of closed eateries exceeded the number of new ones, Nasonova says.

Kyiv lost nearly 150 out of roughly 2,000 of its restaurants, from new ones to established players like Solo Pizza chain.

Mozaika was among the casualties. A café serving breakfast and desserts and a wine bar during the night, Mozaika served guests since August 2019. Owner Oleg Nikolaev said lockdown forced him to send all employees on unpaid vacation. He spent the quarantine making desserts and delivering them.

Despite Nikolaev's attempts to survive, the café's revenue dropped 90% and Mozaika's staff dwindled to three employees. Outdoor dining didn't improve the situation much. By October, it shut down for good. With no savings and only debts, "the decision was inevitable."

## Empty rooms

The fates of the food and hospitality industries are closely connected. "No tourists would want to travel somewhere where restaurants are not working," Ukrainian hospitality expert Vitaly Fedorchenko says.

The crisis is the most destructive that the hotel industry in Ukraine has seen so far. In 2019, hotels all over Ukraine had about 50% occupancy, Fedorchenko says. As of November 2020, that percentage

in major cities dropped to 20-27%. When Ukraine closed its borders and stopped most domestic transportation in spring, hotels all over the country had almost no guests for nearly two months.

Vasily Grogol, the executive director of Bursa Hotel in Kyiv, says revenue plummeted 90% during the first lockdown. To survive, Bursa had to lower its prices and adjust menus for delivery and takeout. The only guests were mainly Kyivans looking for a change in scenery.

Hotels are still struggling, since tourism hasn't rebounded. Ukraine's imposition of 14-day quarantines for countries in the "red zone" – those with higher infection rates than Ukraine – made it nearly impossible for travel.

Before the crisis, almost all Bursa guests were foreigners. Now, the hotel hosts around 60-70% domestic tourists, with a much smaller share from the U.S. and Europe.

Every crisis also is an opportunity, and for Grogol, the increase in domestic tourism has become one. He is now working on a new hotel complex outside Kyiv, designed for local travelers.

According to Nasonova, the 2020 crisis is still reshaping the market. Masks, hand sanitizers, social distancing and temperature screenings might remain long after the pandemic subsides. And most hotels will not bring buffets back.

"It's all about global health now," Grogol says. 🍷

Pavlo Podufalov



A sign on the door of the 17.804 Indonesian restaurant reads "Closed" as pedestrians pass it by during the first harsh COVID-19 lockdown on March 18, 2020 in central Kyiv.

Oleg Petrasjuk

RESIDENTIAL COMPLEX «52 PEARL» PECHERSK PLAZA, MYKHAILA BOICHUKA ST. 17, KYIV



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## Year in non-coronavirus events

# Major events in 2020 that had nothing to do with COVID-19

By Bermet Talant  
bermet@kyivpost.com

The year 2020 has one of crisis: a global pandemic, economic downturn and political instability.

But a number of other events also took place. The Kyiv Post takes a look back at the most defining events of the year not connected to COVID-19.

## Iran plane crash

On Jan. 8, Ukrainians woke to shocking news: Ukraine International Airlines flight PS752 had crashed near the Iranian capital of Tehran. None of the 176 people on board survived.

The majority of victims were Iranians, many of whom had Canadian citizenship or ties to Canada. Ukraine lost 11 citizens, nine of whom were crew members.

Three days later, under international pressure, the Iranian government admitted to mistakenly shooting down the passenger plane. Analysis of the plane's black boxes soon revealed it had been hit by two surface-to-air missiles.

Five states that lost their citizens – Ukraine, Canada, Sweden, Afghanistan and the United Kingdom – created an international coordination and response group that has demanded a transparent investigation and reparations for the victims' families. Ukraine was picked as the leader in talks with Iran.

Ukraine, Canada and the United Nations aviation agency are not happy with Iran's handling of the probe.

On Dec. 22, Iranian media reported that the country's Civil Aviation Organization released its final technical report on the downing. The details of the report have not yet been made public. However, it is said that Iran blamed the downing on "human error."



Volodymyr Petrov

A Ukrainian casts his ballot on Election Day on Oct. 25, 2020 in Kyiv. In 2020, Ukraine held local elections under new laws increasing the roles of political parties and granting local authorities more funds and autonomy. In major cities, incumbent mayors predictably won reelection by comfortable margins. The biggest loser of these elections was President Volodymyr Zelensky, whose party failed to take first place in any big city.

## Government reshuffles

In 2020, the Ukrainian government experienced waves of resignations, dismissals and appointments.

Delivering on his promise to bring

new people to power, President Volodymyr Zelensky picked two reformists backed by Western partners, Prime Minister Oleksiy Honcharuk and Prosecutor General Ruslan Riaboshapka. But both men were sacked just six months later. Most of the young ministers of Honcharuk's cabinet left, too.

The new government of Prime Minister Denys Shmyhal formed in March, when the pandemic was at Ukraine's doorstep, and struggled to find and retain ministers. Some ministers lasted less than a month (Pavlo Kukhta was economy minister for 13 days, while Ihor Umansky and Illia Yemets lasted 16 days as ministers of finance and health, respectively).

Zelensky's office saw changes too, starting with the dismissal of Andriy Bohdan as chief of staff in February and ending with the recent resignation of deputy chief of staff Yulia Kovaliv on Dec. 22.

## Climate change

2020 is set to be the third warmest year on record in the world and the second for Ukraine.

This summer was the second hottest on record in the country and the fall was the warmest since 1881, with an average temperature exceeding the climatic norm by 3.6 degrees Celsius, according to Srezevsky geophysical observatory.

Rising temperatures continue to contribute to extreme weather events. In April, Kyiv had the most polluted air in the world for sev-

eral days as a massive dust storm and smoke from burning forests in the Chernobyl exclusion zone and neighboring areas covered the city. This year, the emergency service said the number of fires and their coverage increased by 30% due to the dry weather.

In June, western Ukraine saw the worst floods in a decade as heavy rains caused rivers to overflow. And crops in Odesa Oblast were destroyed by severe drought following a snowless winter and exacerbated by a hot summer. More forest fires raged through Luhansk Oblast in October, displacing hundreds of residents.

## Kaharlyk

In May, protests erupted in the United States in response to the killing of African-American George Floyd by a white police officer. Soon rallies spread across the world, mixing solidarity with the Black Lives Matter movement with opposition to police brutality and racism in other countries.

Ukraine had its own moment.

On May 23, a woman named Nelya Pogrebytska was tortured and raped at a police department in Kaharlyk, a small town outside of Kyiv.

A probe revealed that torture was widely used in by city's police to coerce confessions. Five police officers were indicted, including – for

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# Plane crashes, extreme weather, political change & more in 2020

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the first time — the chief of the police, who was accused of turning a blind eye to brutal and unlawful practices. In Ukraine, where police impunity and violence against women run rampant, this case heading to court is already a big win.

## Lutsk terrorist

On July 21, Zelensky posted a bizarre short video on Facebook. “Everyone should watch the 2005 film Earthlings,” he said, referring to a documentary about human exploitation of animals narrated by Joaquin Phoenix.

Zelensky was fulfilling the request of a terrorist who held 13 people hostage on a bus in the western city of Lutsk. All the hostages were soon freed for a happy ending.

The terrorist, identified as Maksym Kryvorosh, 44, turned out to be a former convict who had written an autobiography about his life in prison. Besides demanding Zelensky endorse Earthlings, he wanted the prime minister, ministers and judges to announce that they were “terrorists in law.”

Kryvorosh is awaiting trial.

## An-26 crash

On Sept. 25, an An-26 military



People arrange flowers and candles at a memorial site for the victims of the Ukraine International Airlines Boeing 737-800 crash in Iran's capital Tehran at the Boryspil airport outside Kyiv on Jan. 8, 2020. The crash killed 176 people — everyone on board. The majority of victims were Iranians, many of whom had Canadian citizenship or ties to Canada. Ukraine lost 11 citizens, nine of whom were crew members.

plane crashed during an exercise in Chuhuiv, a town in Kharkiv Oblast.

Twenty-six crew members and cadets of the Ivan Kozhedub National Air Force University were killed. One cadet survived.

A state commission blamed the crash on engine failure, crew errors and systemic violations of safety rules during training flights.

On Dec. 18, the State Investigation Bureau served a notice of suspicion to Air Force commander Serhiy Drozdov for the systemic breaches of flight rules and service regulations.

In response, Drozdov said the tragedy could have been averted had the Air Force flown newer planes.

## Local elections

Amid the worsening pandemic, Ukraine held local elections on Oct. 25 under new laws increasing the roles of political parties and granting local authorities more funds and autonomy.

In major cities, incumbent mayors predictably won reelection by com-

fortable margins. Their parties also beat national ones for seats in oblast and city councils.

As expected, European Solidarity, the party of former President Petro Poroshenko, won seats in western Ukraine, while the pro-Russian Opposition Platform remained popular in the southeast.

The biggest loser of these elections was Zelensky, whose party failed to take first place in any big city.

## Free Markiv

Ukrainian soldier Vitaliy Markiv could have spent 24 years in an Italian prison on questionable charges of killing Italian photojournalist Andrea Rochelli in May 2014, during fierce fighting in the Donbas war.

Luckily for Markiv, Ukrainian diplomats and journalists didn't give up. On Nov. 3, a court in Milan acquitted him during an appeals hearing.

Ukraine's campaign to #FreeMarkiv turned into a battle against disinformation, Italian media bias and Russian propaganda. They influenced the jury's initial deci-

sion to sentence the soldier last year, according to Ukrainian journalist Olga Tokariuk, who played a key role in discovering flaws in the prosecution.

## Cease-fire in the Donbas

One year after the first and (so far) last meeting between Zelensky and Russian President Vladimir Putin, little progress has been made toward ending the war in Donbas, where Russian-backed militants control large swathes of territory.

Negotiations under the Minsk agreements have again hit an impasse. But despite disagreements over the peace plan, the ceasefire that began on July 27 has held, albeit imperfectly.

OSCE monitors recorded a significant drop in violence, with only four Ukrainian soldiers killed in combat since then. Over 4,300 ceasefire violations were recorded as of Dec. 22 — an increase this month. Still, that's less than the 8,000 violations that monitors recorded in the week before the ceasefire. 🇺🇦

Kostyantyn Chernichkin



Ukrainian soldier, former member of the National Guard Vitaliy Markiv talks to the press after arriving in Kyiv on Nov. 4, 2020. Markiv spent three years in custody in Italy, where he was charged with the murder of an Italian photojournalist. He arrived back in Ukraine after the Milan Court of Appeals overturned his 24-year prison sentence.

Volodymyr Petrov

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## Year in feel-good stories

# Against the odds, plenty triumphed in 2020; here are 5 uplifting stories

By Yana Mokhonchuk

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For many people, 2020 will go down as the worst year of their lives. But for others, it is the year that brought them some of the most defining and joyful events.

Life goes on even in a global pandemic: People get married, have babies, launch businesses and soar to new personal heights.

Here are five stories of love, dedication and happiness from Ukrainians who enjoyed 2020 against the odds.

## Getting married

Spending half a year in tropical Bali sounds like a dream. But getting stuck there because of the pandemic was less alluring. Yet the Kyiv-based couple of freelance PR manager Valeriia Donchyk and video editing director Gregory Donchyk, both 25, managed to turn the experience into a fairytale.

The two started off 2020 by traveling around Asia, covering Thailand, Malaysia and Indonesia, including the island of Bali. By that time, they had been together for six years and were certain about their compatibility.

Gregory proposed in a hotel room on the 37th floor near panoramic windows overlooking the Petronas Tower in Kuala Lumpur, the capital of Malaysia.

"He got on his knees, asked if I would be his wife," Valeriia says. "He said that the most important thing for him will always be to make me happy."

Their flight home got canceled amid international travel bans. So the couple stayed in Bali, worked remotely and enjoyed the local lifestyle. They changed their wedding plans in Ukraine and decided to get



Oleksandr Todorchuk and Maria Artemenko talk with the Kyiv Post, holding their daughter Solomiia, born in September, on Dec. 20, 2020 at home in Kyiv.

Volodymyr Petrov

married on the island.

"At first we thought of it as a dream, but when we arrived on the island, we realized that anything is possible," Gregory says.

The ceremony took place on a wild beach with black sand and tropical plant decorations they crafted themselves.

The couple formalized the marriage after their return to Ukraine. Amid Kyiv's winter chill, they recall the warmer days thanks to a little memento: Gregory's tattoo with the time of their wedding ceremony.

## Starting business

As the economic crisis forced many businesses to shut down, Diana Vozzhova, 31, and Sasha Maslova, 27, made a risky decision to open their own restaurant. In October, Alpaca opened its doors on Kyiv's Zhylianska Street.

"We're like children that do something for the first time having no fear," Vozzhova laughs.

Alpaca has been an instant hit, offering a diverse menu of dishes from various cuisines, such as Norwegian toast with salmon,



Valeriia and Gregory Donchyk show off their wedding rings as they pose for a picture in their Kyiv apartment on Dec. 17, 2020. The couple got married in Bali in 2020.

Volodymyr Petrov



Tanya Vasylieva, Igor Zhukovskiy, Kate Krylenko and Dan Orel pose for a picture in Kyiv's innovation park Unit.City on Dec. 18, 2020. The four students founded the Hegers startup this year. It connects students looking for career opportunities with top companies searching for new employees.

Balinese oatmeal, Dominican cheesecake and Indian butter chicken.

"We collected the dishes from those countries of the world which we are unable to visit this winter," Vozzhova says.

Alpaca also serves specialty coffee, wine, breakfasts and desserts. "We are a place for people who look for new colors, tastes and experiences in the city," Vozzhova says.

The owners pay attention to every detail, from design and music to welcoming service. Most importantly, they focus on the quality of the food, with fresh mango, salmon they salt themselves and sauces prepared from scratch.

"We want to make the lives of office workers on Zhylianska Street brighter," Vozzhova says.

## Giving birth

PR specialists Maria Artemenko,

29, and Oleksandr Todorchuk, 32, spent most of the year expecting a baby girl, Solomiia, who was born in September. "The quarantine turned out for the best for us," Artemenko says.

Artemenko popularizes charitable giving in Ukraine by running non-profit organizations and projects. She worked throughout her pregnancy, calling it "the coolest training in time management and flexibility."

"When Solomiia grows up, I will definitely tell her that with her in the womb, we have helped so many people!" Artemenko says.

The two are now enjoying parenthood. Both of them are winners of the Top 30 Under 30 awards, which the Kyiv Post presents to young Ukrainian leaders annually.

# Despite COVID-19, life goes on: birth, weddings, money, & achievement

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"It will be great if our daughter will continue this tradition and also receive a Top 30 Under 30 Award from the Kyiv Post," Artemenko says.

## Running marathon

Maria Chernenko, 20, had a compli-

cated relationship with running at first: She didn't enjoy it much. "Later, I figured out how to run with delight and started doing it more often," Chernenko says.

Since then, the student of Kyiv-Mohyla Academy has been running in Kyiv's parks and streets up to five times a week. When she finally



Owners of the newly-opened Alpaca restaurant Diana Vozhzhova (L) and Sasha Maslova (2nd L) pose for a picture along with other Alpaca staffers on Dec. 18, 2020. The eatery opened its doors in October, despite the economic crisis caused by the COVID-19 pandemic.

registered for her first marathon scheduled for 2020 in Stockholm, the event moved online. But Chernenko didn't back down.

She made the 42-kilometer run in September, finishing in 4 hours and 39 minutes.

"It's close to a state of exaltation," Chernenko describes the feeling at the finish line. "I have never felt such incredible joy, relief and love for everything around me before."

## Launching startup

Four young friends launched their own startup this year.

They are Igor Zhukovskiy, 19, Tanya Vasylieva, 19, Kate Krylenko,

20, and Dan Orel, 20. All students of Kyiv-Mohyla Academy, the group created Higher, an online platform that connects students looking for career opportunities and top companies in search of new employees.

"Everywhere you need experience when you try to apply for a job. Where do you get this opportunity for your first work experience if you are just a student?" Krylenko says.

The core of the startup is its algorithm developed for the Telegram messaging app. It analyzes a company's requirements and picks the best matches from applied student profiles.

The startup cooperates with 18

companies operating in Ukraine, including Deloitte and Ernst & Young. The first Higher partner to sign a student employment contract was German ProCredit Bank.

In July, Higher was included in an accelerator for startups called Nest Boot Camp, which gave them an opportunity to learn from experts in Kyiv's innovation park Unit.City.

The name of the startup refers to higher-ranked students that the company helps, but it also proves to be a symbol of the founders' high ambitions to become a nationwide center of student employment.

"We want to be number one in Ukraine!" Krylenko says.



Maria Chernenko poses for a picture with a medal that she received for running her first marathon this year in Kyiv on Dec. 18, 2020. She made the 42-kilometer run in September, recording it via a mobile application, and received her medal by mail.



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## Year in politics

# Zelensky disappoints public in 2020 and loses control

By Oleksiy Sorokin  
sorokin@kyivpost.com

In a difficult year, President Volodymyr Zelensky and his government failed to deliver reforms, undermining confidence in Ukraine's leadership. Thus, a December poll showing Zelensky as the "political disappointment" of 2020 came as no surprise. The survey was conducted by the Democratic Initiatives.

## Government reshuffle

In January, an audiotape of then-Prime Minister Oleksiy Honcharuk discussing Zelensky in slightly derogatory terms was leaked publicly. By March, Honcharuk, much of his Cabinet of Ministers and Prosecutor General Ruslan Riaboshapka were sacked.

Honcharuk and Riaboshapka were fired for allegedly failing to demonstrate quick results. Both promptly turned into critics of Zelensky.

Honcharuk was succeeded by Denys Shmyhal, a former top manager for billionaire oligarch Rinat Akhmetov's energy companies. Riaboshapka was replaced by Iryna Venediktova, a former member of parliament with Zelensky's Servant of the People party.

In February, Zelensky chief of staff Andriy Bohdan was replaced by Andriy Yermak, a friend of Zelensky. Like others fired, Bohdan also publicly turned against Zelensky.

In July, National Bank of Ukraine governor Yakiv Smolii resigned, complaining of pressure from the presidential administration.

It was hard to keep track of all the changes. In March, when Ukraine recorded its first COVID-19 deaths, the country had three health ministers within one month.

## Scandals in close circle

The year also tested Zelensky's promise to not protect his allies if they prove corrupt.

In March, Yermak and his brother Denys were accused of selling government posts by Geo Leros, a lawmaker from Zelensky's Servant of the People party.

Leros published videos in which it appeared that Denys Yermak was selling government posts for money. The Yermak brothers denied wrongdoing, while Leros was ousted from the president's party. Zelensky defended his chief of staff.

In August, Zelensky appointed Oleh Tatarov as deputy chief of staff despite the fact that, as a police official in 2014, Tatarov justified police violence against protesters of the EuroMaidan Revolution, which ousted corrupt President Viktor Yanukovich.

Later in the year, Tatarov turned out to be a suspect in an embezzlement investigation of the National Anti-Corruption Bureau, prompting him to publicly attack the agency. His case brought no reaction from Zelensky.

Vitaly Shabunin, head of the Anti-Corruption Action Center's executive board, says that he doesn't



Prime Minister Denys Shmyhal (L), Foreign Minister Dmytro Kuleba (C) and ex-Prime Minister Oleksiy Honcharuk attend a parliament session on March 4, 2020. Moments earlier, Shmyhal succeeded Honcharuk as Ukraine's new prime minister.

understand why Zelensky didn't fire Tatarov after he learned of the investigation. Zelensky "not only didn't do what he promised, he began doing the same awful things for which he criticized his predecessor," says Shabunin.

Also, two lawmakers from Zelensky's faction — Oleksandr Yurchenko and Pavlo Khalimon — were accused of corruption in 2020. Neither has been prosecuted so far. Venediktova was accused of blocking the charges against them, which she denied.

## Prosecutor general

Venediktova, appointed in March, became one of the most criticized top officials of 2020.

In June, the Prosecutor General's Office charged Poroshenko with abusing his power by appointing an official in violation of procedure. By contrast, Venediktova brought almost no charges against top businesspeople and current officials implicated in major corruption.

For instance, Venediktova refused to sign an extradition order for Oleh Bakhmatyuk, accused of stealing the stabilizing loan that his bank got from the National Bank of Ukraine.

In August, prosecutors also closed the investigation of the Rotterdam+ pricing formula which benefited oligarch Rinat Akhmetov's energy company DTEK. It was later reopened.

"If (Zelensky's office) is satisfied with Venediktova's work, it means that they are comfortable with the fact that their prosecutor general is protecting corrupt officials from punishment," says Shabunin.

Venediktova disagrees with her

critics. In 2020, she published two op-eds in the Kyiv Post, where she describes what she sees as a productive year.

## Going after Sytnyk

Simultaneously, pressure mounted on Artem Sytnyk, head of the National Anti-Corruption Bureau of Ukraine, whose independence was praised by anti-corruption watchdogs.

In 2020, pro-Russian politicians, Zelensky's lawmakers, government officials and courts all joined a campaign to take down Sytnyk. Many of the attackers are subjects of NABU investigations.

The campaign culminated in August, when the Constitutional Court ruled that Sytnyk's appointment was unconstitutional. In October, Kyiv's Administrative District Court ruled that Sytnyk must be immediately fired. He stayed.

Later in the year it appeared that NABU and Sytnyk made peace with Zelensky's administration. But then the president's deputy chief of staff Tatarov went against NABU for investigating him, and Zelensky allowed it.

## Year in parliament

The year also saw the downslide of the 246-member Servant of the People faction which was unable to pass any piece of legislation that threatened vested interests, proving that oligarchs influence a large part of the faction.

Moreover, the party's lawmakers actively sabotaged bills backed by the president, showing that he was losing control of his lawmakers.

Early in the year, the parliament spent two months on a single bill: Lifting on the longstanding land moratorium allowing farmers to buy and sell land for agricultural needs.

The same happened with the so-called "Kolomoisky law" which harmed Kolomoisky's chances of returning PrivatBank. The law was required by the International Monetary Fund to continue its lending program.

Lawmakers from Zelensky's party associated with Kolomoisky tried to block the bill's passing, filing 16,000 amendments to it. The parliament was forced to change its procedures to pass the law.

Another parliamentary scandal came in August, the U.S. intelligence accused Ukrainian independent lawmaker Andrii Derkach of being Russia's agent and attempting to interfere in the 2020 U.S. presidential election.

## Constitutional crisis

A new round of political gridlock began in October when the Constitutional Court nearly killed Ukraine's anti-corruption infrastructure

It started on Oct. 27, when the Constitutional Court effectively destroyed Ukraine's asset declaration system, a key part of the anti-corruption infrastructure. Several of the judges were investigated based on their declarations.

The Court has also deprived the National Agency for Preventing Corruption (NAPC) of most of its powers. As a result of the court's decision, more than 100 corruption cases were closed.

Zelensky moved fast and suggested a bill that would fire all 15 judges of the Constitutional Court and roll back the detrimental ruling. However, the bill went nowhere.

In December, the parliament reinstated the powers of the NAPC and brought back the online declaration system with substantially reduced fines for lying in an official's declaration. There is no retrospective effect, meaning that all the existing investigations of officials suspected of hiding their assets are void.

As of the end of the year, the crisis remains unresolved. The Court is still a threat: It is considering canceling Ukraine's land market and killing the Deposit Guarantee Fund. If they succeed, it can put Ukraine on the brink of default.

## Electoral defeat

The batched response to COVID-19, political scandals and lack of concrete progress in any direction cost Zelensky's party at the ballot. His Servant of the People party couldn't win any major city in the Oct. 25 local elections.

The party had won the most seats in regional councils yet came only third in Ukraine's biggest cities — Kyiv, Kharkiv, Odesa and Dnipro. In Lviv, the party didn't get into the city council at all.

The weak showing was anticipated. Zelensky had picked up fights with popular mayors since he took office in 2019, and couldn't recruit strong candidates to take them down at the ballot.

As a result, all the mayors that have been opposing the president were re-elected in October. ❄️



## Top stories of the year

# Most popular stories of 2020 on KyivPost.com: Pandemic, Chernobyl fires, defense industry

By Kyiv Post



**1. Foreigners will not be fined for visa overstays during quarantine**

March 17



**2. Ukraine to close entry for foreign citizens amid coronavirus**

March 13

**3. Ukraine shuts schools, mass events to prevent coronavirus spread**

March 11



**4. Antonov CEO: Completing one more Mriya aircraft 'economically untenable'**

April 27



**5. Traveling to Ukraine: Who can enter and what rules apply**

June 21



**6. Ukrainian airlines cancel some flights to 16 countries due to coronavirus**

March 10

**7. Ukraine shuts borders to foreigners until October to contain COVID-19 spread**

Aug. 26



**8. BREAKING: First death from coronavirus in Ukraine confirmed**

March 13



**9. Ukrainian MP releases Biden-Poroshenko call recordings, spouts absurd conspiracy theory**

May 19

**10. Second COVID-19 death in Ukraine confirmed, total cases grow to 14**

March 17



**11. Names of passengers, crew on board Ukrainian plane that crashed in Iran**

Jan. 8



**12. Ukrainian fighter jets escort US Air Force's heavy bombers**

May 29



**13. As Chernobyl fires flare up again, smoke covers Kyiv**

April 16



**14. Ukraine to reopen borders with EU countries and Moldova**

May 20

**15. Timeline of Ukraine's response to coronavirus pandemic**

April 21



**16. Ukraine extends quarantine until May 22, but will ease restrictions**

May 4

**17. Kyiv identifies 6 new cases of coronavirus, bringing Ukraine's total to 47**

March 21



**18. Citizens of 50 countries must self-isolate upon arrival to Ukraine**

June 15



**19. Ukrainian textbook uses Keanu Reeves meme instead of historical photo**

Feb. 5



**20. First coronavirus case identified in Ukraine**

March 3

Advertisement

## International European University was opened in Kyiv

On December 21, the capital of Ukraine hosted a major event, the presentation of the great educational project called 'University of the Future.' The idea's implementation began with the establishment of International European University in Kyiv. The project is new and unique, because it is aimed at creating an infrastructure for education during one's whole life. 'From 3 to 93' is the concept of the project. Study is an integral part at every stage of life. It all starts with a maternity hospital where future students are born. Besides, the educational space structure includes: a perinatal center, university clinic, early child development center, school, college, post-graduate institutes.

Currently, International European University consists of the following departments: European Medical School, European Business School, European School of Architecture and Engineering, European Humanitarian School, European IT School, European Law School, European School of Arts.

The University has engaged highly qualified professors in the educational process, 80% of whom have a scientific degree and/or academic rank. International European University provides training in English, Russian and Ukrainian in all Study Programs.

Being generally student-oriented, the University offers cooperation in science and education, participation in joint conferences, seminars, training courses, programs, projects using computers and involving students in different phases of training as well.

To help students study better at International European University, there is a unique interactive space that includes, among



Presentation of the International European University December 21 2020, concert hall Freedom.

other things, VR technologies and innovative equipment.

Clinical Departments of International European University are located in leading hospitals of Ukraine (Kyiv). Clinical Departments of the University are highly equipped and located in the following government hospitals (Kyiv, Ukraine).

The University of the Future relies on European standards, promotes human values, and takes a student-centered approach to all processes. The dual degree programs at the University are with Austrian universities, which allows students to have a second European degree.

Celebration involves well-known policymakers and diplomatic officials, education representatives, as well as prominent figures and Ukrainian stars. This event is really significant for Ukraine, as it means the first large investments from Europe in Ukrainian education because the investors also include Austrian citizens.

The festival was attended by members of the University Advancement Board, including a famous public person, the head of the Board – Anatolii Tolstoukhov: Academician of Ukraine and 4 times Ex-Minister of Ukraine, Yurii Yekhanurov: Ex Prime Minister of Ukraine and Doctor of Sciences of Ukraine, Vasyl Lazoryshynets: Ex Minister of Health and director of the Amosov National Institute of Cardiovascular Surgery, Mykhailo Polianchych: a public figure, president of the Great Council of Ukraine, Franz Vladimir von Habsburg-Lothringen: Grand Duke of Austria, representative of House of Habsburg, Oleksandr Steshenko: a public figure, the first vice-president of the Great Council of Ukraine, Oleksandr Siryi: founder and president of Do#Dж, president of ICMG, Mykola Boichuk: vice-president of the Academy of Political Science of Ukraine, Anatolii Hozhenko: president of the Ukrainian scientific community of pathophysiologists, Yurii Buriak: head of the publishing house of the National Union of Writers of Ukraine "Ukrainian Writer", Mykola Poiedynok: deputy head and executive director of the All-Ukrainian Association of Village and Settlement Councils, Rostyslav Valikhnovskiy: Ukraine's honored doctor and Ivan Hryshyn: director of PravdaTUT information agency.

This very project will open the world for Ukrainians, Ukraine for the world, as well as develop patriots of their countries and citizens of the new world order. It is symbolic that the university has initiated its activities shortly before the thirtieth anniversary of the Independence of Ukraine. The country's future is impossible without high-quality education.



Year in defense

# Setbacks mark 2020 in area of defense reforms

By Illia Ponomarenko  
ponomarenko@kyivpost.com

**W**ith few exceptions, 2020 has been a year of doom and gloom for Ukraine's defense sector. And previous years haven't set the bar very high.

Wherever you look, things aren't going well.

The Western-style civilian leadership was booted from the Ministry of Defense. There's a stalemate in the Minsk peace talks. And Soviet-style bureaucracy is again flourishing. Defense reforms appear stagnant. Even Ukraine's military buildup — a constant since 2014 — is slowing down.

And all this has little to do with the COVID-19 pandemic. Rather, the government has simply failed to advance the country's defense this year.

## Procurement failed?

After a brief honeymoon, President Volodymyr Zelensky and defense reform went their separate ways in early 2020.

On March 4, the president sacked Andriy Zahorodniuk, the country's first truly Western-style civilian defense minister. Despite having vast experience in business management, he lasted just six months in office.

He was replaced by 65-year-old Andriy Taran, a retired lieutenant general and a representative of the old military bureaucracy.

The result came quickly. As one of his first decisions, Taran revoked the Armed Forces reform plan long before its completion. He didn't propose a new one. He also dismissed the Project Office of Reforms, an association of civilian specialists advising the ministry on



A mockup model of the strike drone system Sokil-300 pictured during a presentation in the city Vysheve outside Kyiv on Nov. 6, 2020.

key improvements for the military. Taran has had almost no interaction with the press, and the Defense Ministry's public communications rapidly degraded.

Moreover, during the year, the ministry failed to follow the country's defense procurement plan.

Starting in September, numerous people in the media and expert community sounded the alarm that most of the Hr 25.8 billion (\$900 million) allocated for military production in 2020 had not been spent yet.

The ministry also had not signed off on numerous contracts on key weapons and equipment for the Armed Forces, primarily heavy artillery pieces and the newest Neptune

cruise missiles.

The situation grew so desperate that even Oleksiy Danilov, deputy secretary of the National Security and Defense Council, admitted on Nov. 12 that the defense procurement plan was being fulfilled "at an unacceptably slow pace."

Additionally, in the first nine months of 2020, 40.8% of the defense ministry's 559 tender bids — valued collectively at Hr 15.2 billion (\$530 million) — failed, mostly because the ministry did not provide adequate information about the fuel, clothing, food and transportation services it was trying to procure.

In July, the Verkhovna Rada passed a long-awaited bill on a new, much

more transparent defense procurement system. But, as of December, the defense ministry failed to pass all the necessary subordinate acts for the law to enter force in 2021. Instead, the new military procurement launch was postponed by another year.

Taran's ministry has offered little in its own defense — only saying on Dec. 10 that the contracting plan for 2020 had been completed by 94%.

Nonetheless, more and more voices in the industry are calling for Taran's dismissal.

Adding to their dissatisfaction is the fact, in the 2021 budget, the defense ministry was only allocated Hr 117 billion (\$4.2 billion), which

merely equals the amount of funds it had in 2020 — but is actually a spending cut, given that inflation is expected to be 7.5% next year.

## UkrOboronProm troubles

As if Ukraine's defense production industry hasn't had enough centralized bureaucratic control, in July the government introduced a brand new Ministry for Strategic Industries headed by Oleh Uruskiy.

The new ministry, despite still having almost no personnel and no legislative base, is meant to assume control of the country's key industries, including defense production. It almost immediately clashed with the pro-reform management team at UkrOboronProm, the country's defense production giant long known for endemic corruption.

After months of rumors of fierce behind-the-scenes struggle, the UkrOboronProm reform team created by former economy minister Aivaras Abromavicius directly accused Uruskiy of hog-tying the organization's transformation into a modern, corporatized arms production holding company.

Yuriy Husyev, UkrOboronProm's new director-general appointed on Dec. 3, claimed to be on the same page as Uruskiy. Nonetheless, he vowed to complete the reform and eliminate UkrOboronProm as a single entity by June 2021.

According to the plan, all of Ukraine's military grade production will be divided into several specialized clusters united into a new holding company called "Defense Systems of Ukraine."

Civilian strategic production, namely aircraft and space enterprises, are to be handed over to Uruskiy's

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# Ukraine's allies are supportive, but is it enough?

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super-ministry as a new giant holding company called "Aerospace Systems of Ukraine."

## Deadlock in war

Meanwhile, the war in the Donbas drags on with no end in sight, despite optimistic peace initiatives pushed by Zelensky.

At least 49 Ukrainian troops were killed in action along the 420-kilometer front line in 2020.

Notably, this year, Ukraine finally saw the first month with no confirmed, combat-related fatalities since 2014: In August, the Ukrainian military-police contingent deployed to the war zone reported not a single soldier killed by the enemy.

In 2020, the Zelensky administration turned "the longest ceasefire ever," which began on July 27, into a sacred cow. But it's far from perfect.

At least four soldiers have been killed in action since then. Meanwhile, the presidential administration has tried its best to downplay Russia's role and the intensity of hostilities in Donbas in the public realm.

The non-combat death toll in Ukraine's 35,000-strong military-po-

lice contingent in the war zone remained as high as ever. According to Prosecutor General Iryna Venediktova, 44 Ukrainian service members died in Donbas between March and October alone.

Some have questioned whether certain battle fatalities may get reported as non-combat to protect the "longest ceasefire" narrative. Currently, there is no evidence of it.

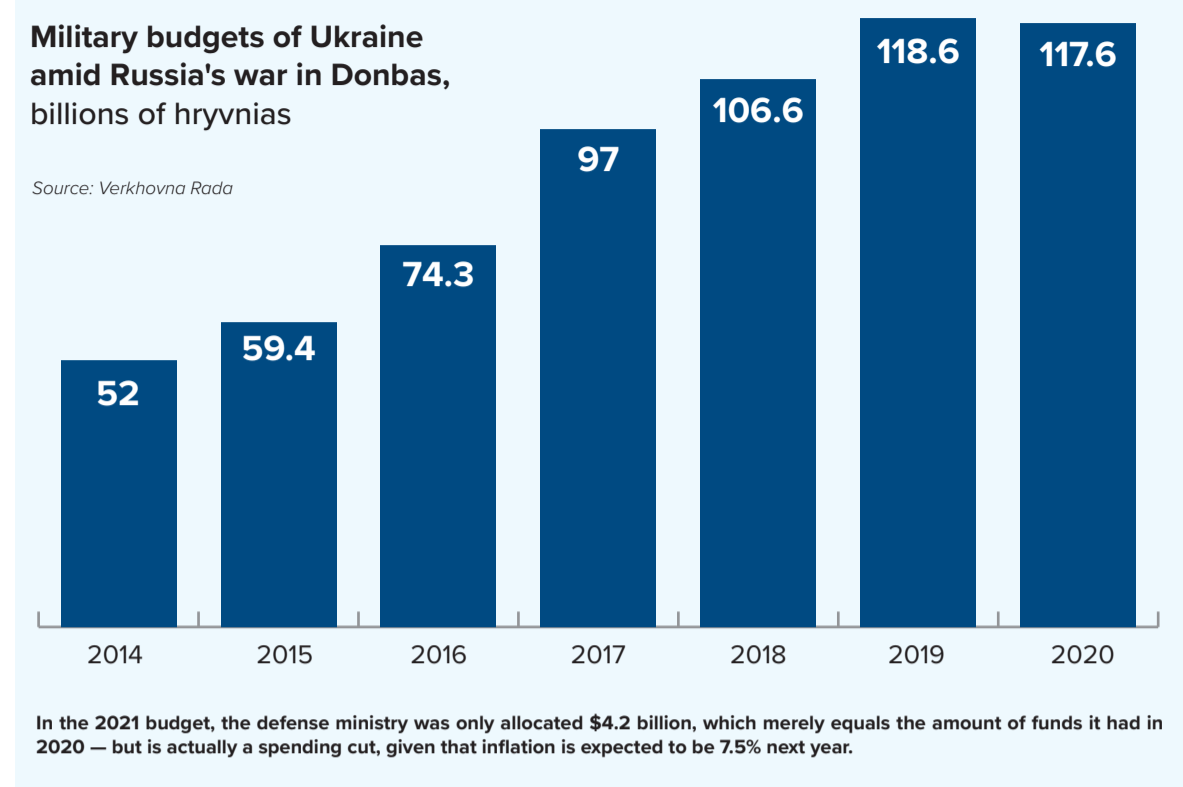
Thankfully, the COVID-19 pandemic has not undermined Ukraine's defense on the front line. There has not been mass disease spread among combat units. Nonetheless, as of Dec. 23, the armed forces have registered over 10,000 cases and 36 deaths, mostly among civilian employees.

## Chaos in peace

The year 2020 was full of absurd scandals in Ukraine's peace talks with Russia in Minsk.

The wildest moment was when 88-year-old Vitold Fokin, Ukraine's former prime minister, was appointed deputy head of Ukraine's delegation to the talks.

Fokin near immediately made overtly pro-Russian statements, including that there had been "no evidence of a war between Russia



and Ukraine." They were so outrageous that even Andriy Yermak, who had masterminded this appointment, had to denounce Fokin and endorse his subsequent dismissal.

The only tangible result of the talks in 2020 was the April prisoner swap, in which 20 Ukrainians were freed in exchange for 14 demanded by Russian-backed militants.

## Help from allies

The most positive moments of 2020 for Ukraine's defense came from its Western partners.

Despite U.S. President Donald Trump's unsuccessful attempt to withhold nearly \$391 million in aid for Ukraine in 2019, this year Kyiv received \$510.5 million for military needs — an all-time record.

Moreover, Ukraine will receive three more Island-class patrol boats from the U.S. Coast Guard in the near future. And the U.S. government will allocate nearly \$600 million to produce 16 brand new Mark VI vessels for Ukraine's weak and fragile navy, which must deter Russia in the Black and Azov seas.

London's role is growing, too. It is now ready to lend nearly \$1.6 billion to produce Barzan-class vessels and naval infrastructure for Ukraine.

And certain moments in 2020 felt like Christmas came early for Ukraine's defenses. For the first time since 1994, legendary U.S. Air Force strategic Boeing B-52 Stratofortress bombers visited the Ukrainian skies accompanied by Ukrainian jets to

observe Russian military activity in the region.

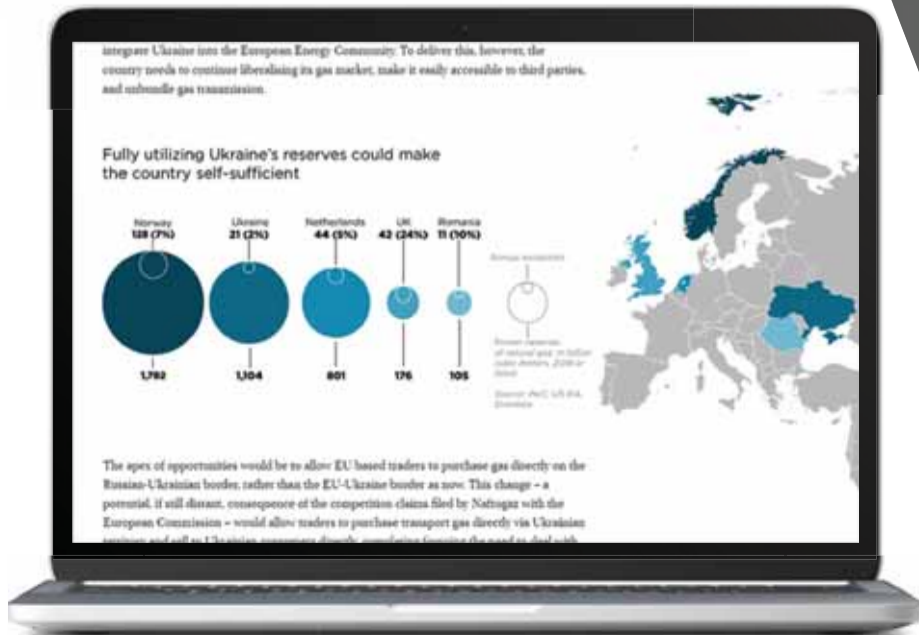
Ukraine also had one of its largest military maneuvers with its Western allies, Combined Endeavor 2020, which saw the brightest moment of the year in defense: the joint deployment of over 200 British and Ukrainian airborne troops on Sept. 18, which was the British Army's biggest air-drop in 20 years.

Most importantly, against the odds, the Ukrainian Armed Forces remain the country's most trusted public institute after over 6 years of Russia's war.

According to a poll published by the Razumkov Center on Nov. 10, over 66% of Ukrainians support and appreciate the military. 🇺🇦

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## A year like no other leaves our world dazed

- 1** A metro station employee wears a mask in front of portraits of boxer Mike Tyson and mixed martial artist Conor McGregor at the Palats Sportu metro station on March 12, 2020 in Kyiv.
- 2** A medical worker collects a saliva sample for a COVID-19 test from a resident of an apartment building that was the site of an outbreak of COVID-19 in the town of Vyshneve, Kyiv Oblast on May 5, 2020.
- 3** Families of Ukrainian fighters killed in action during the Battle of Donetsk Airport of 2014-2019 commemorate them at a memorial site near Ukraine's Ministry of Defense in Kyiv on Jan. 20, 2020.
- 4** A crowd of commuters walks along the platform of the Palats Sportu metro station in Kyiv on March 12, 2020.
- 5** An activist cries out after writing the word "Impeachment" during a protest rally near President Volodymyr Zelensky's residence in Kyiv. He protested against a Ukrainian-Russian-OSCE inspection of the Ukrainian combat lines in the Donbas on Sept. 10, 2020.
- 6** Activists burn fiers and chant during a march celebrating the Defender Day in Kyiv on Oct. 14, 2020. The annual march also celebrates the anniversary of the creation of the Ukrainian Insurgent Army (UPA) in 1942.
- 7** A portrait of Olga Kobiuk, one of 11 Ukrainians killed on the UIA flight PS752 after it crashed in Iran, is seen at during a memorial service at Kyiv Boryspil International Airport on Jan. 19, 2020.
- 8** A medical worker in protective gear sits near the entrance to the infectious disease ward of Kyiv's Oleksandrivska Clinical Hospital on Oct. 12, 2020. Since November, the transmission of COVID-19 in Ukraine has reached alarming rates, prompting the government to impose a weekend lockdown for non-essential businesses on Nov. 11. (Photo by Kostyantyn Chernichkin, Volodymyr Petrov, Oleg Petراسиuk)



## 2021 will start the same way as 2020 ends

**1** Shakhtar Donetsk's soccer player Manor Solomon celebrates after scoring a goal during a UEFA Champions League Group B match between Shakhtar Donetsk and Real Madrid at the Olimpiyskiy Stadium in Kyiv on Dec. 1, 2020.

**2** Activists hold a cartoons depicting President Volodymyr Zelensky and Prosecutor General Iryna Venedyktova during a rally near the headquarters of the State Investigation Bureau in Kyiv on June 10, 2020. Many have been accusing Venedyktova of politically prosecuting ex-President Petro Poroshenko. Activists allege that Zelensky has sanctioned attacks on Poroshenko, a notion which Zelensky and Venedyktova have denied.

**3** A member of the Ukrainian Honor Guard stands next to a memorial wall for soldiers killed in Russia's war against Ukraine during a commemorative ceremony to mark the Day of Remembrance of Ukraine's Defenders and the 6th anniversary of the Battle of Ilovaisk in Kyiv on Aug. 29, 2020.

**4** Relatives carry portraits of fallen soldiers during the March of Defenders of Ukraine on Independence Day in Kyiv on Aug. 24, 2020.

**5** A woman casts her ballot during the local elections in the village of Bilka in Zhytomyr Oblast on Oct. 25, 2020.

**6** Ukrainian soldier Vitaliy Markiv (C) holds a Ukrainian flag as he gets off a plane during a ceremony for his arrival in Kyiv on Nov. 4, 2020.

**7** Employees prepare their restaurant before resuming work after the government lifts the strict quarantine restrictions in Kyiv on June 4, 2020.

**8** An woman cries over the coffin of Ukrainian officer Taras Matviyiv, who was killed in action in the Donbas, during the last honors ceremony on Maidan Nezalezhnosti Square in Kyiv on July 14, 2020. (Photo by Kostyantyn Chernichkin, Volodymyr Petrov, Oleg Petrasivuk)



# Get into Christmas spirit with fun at Kyiv's winter villages

By Toma Istomina  
istomina@kyivpost.com

**K** yiv hasn't been as festive during the winter holidays as this year in a long time.

In what seems like a protest to exhaustion of the COVID-19 pandemic and the upcoming lockdown, the capital has thrown an all-out celebration spreading across districts far beyond the downtown.

There are seven main winter villages, small and big, set up by either the authorities or private companies. Adorned with Christmas trees and lights, the locations offer a variety of entertainment from sports like skating and tubing to tasting sweets and sipping mulled wine.

All the villages welcome visitors now, with most staying open through January. When the Jan. 8–24 lockdown kicks in, closing restaurants, cinemas and other entertainment venues, Christmas locations will come as a savior of Kyiv residents' leisure.

Here are this winter season's main attractions in the capital.

**1 Sofiyivska Square**  
Sofiyivska Square is traditionally the main holiday location in Kyiv. Because of the pandemic, the city administration will not hold any music performances this year. To compensate for the lack of usual entertainment, the authorities focused on decorating an exceptionally beautiful, country's main Christmas tree. The 30-meter-high tree was decorated with 1,500 toys and 10 kilometers of string lights that hang from the top to the ground and cover a wide area all around the tree. Children will be able to take a ride on the merry-go-round. The visitors will have an opportunity to purchase holiday souvenirs and gifts at the small market set up on the square. There are also treats and mulled wine sold at the food court.

*Sofiyivska Square. Open until Jan. 17. a.m. – p.m.*

**2 People's Friendship Arch**  
The authorities encourage Kyiv residents to not crowd at one location for too long, but rather take walks from one to the other. To make those strolls more enjoyable, especially when it gets dark, the authorities decorated the routes with lights. From Sofiyivska Square visitors can head down to European Square and then take a walk across the light tunnel set up from the National Philharmonic of Ukraine to another holiday location, People's Friendship Arch. There, visitors will have an opportunity to enjoy another Christmas tree and skate at the set-up ice rink. The prices for skating start at Hr 50.

*People's Friendship Arch. Open until Jan. 20. 10 a.m. – 9 p.m. Free entrance*

**3 Kontraktova Square**  
From People's Friendship Arch, Kyiv residents are encouraged to stroll along the 212-meter pedestrian bridge, all decked



The illustration shows the main winter villages set up in Kyiv this holiday season. The seven locations are arranged geographically from the VDNH exhibition center in the northwest to the city center and Kontraktova Square in Podil across several districts. Despite the COVID-19 pandemic and upcoming lockdown on Jan. 8–24, the Ukrainian capital has thrown an all-out celebration. The winter villages include: Sofiyivska Square (1), People's Friendship Arch (2), Kontraktova Square (3), President's Office (4), Ukraine Palace (5), VDNH (6) and Roshen Winter Village (7).

out with light strings. The bridge will bring pedestrians to Volodymyrska Hill, from where they can head down to Podil. There, at Kontraktova Square, another winter village has been put up. A Christmas tree, souvenir stalls, food court with delights and hot drinks will be waiting there. A skating rink and a tubing slide are the entertainment options.

*Kontraktova Square. Open until Jan. 20. 10 a.m. – 9 p.m.*

**4 President's Office**  
For the second year in a row, a winter village is set up in front of the President's Office on Volodymyr Zelensky's initiative. The location features a skating rink, where visitors can rent skates and enjoy the winter sport for free. There's a food market with treats, photo zones and a Christmas tree decorated with toys designed by children with disabilities. Children

will have an opportunity to enjoy a ride on the carousel and meet St. Nicholas at his residency.

*President's Office. 11 Bankova St. Open until at least Jan. 7. 10 a.m. – 9 p.m.*

**5 Ukraine Palace**  
One of the locations financed by private companies is the "Winter entertainment village" located near Ukraine Palace. Sponsored by Mastercard, PrivatBank, Huawei and D.TEK, the village combines a Christmas market, St. Nicholas' residency and winter sports attractions, including a skating rink and a tubing slide that the organizers say is the tallest in the country. Skating here costs Hr 170 per hour on a weekday and Hr 295 during the weekend. Taking three rides on a tubing slide is Hr 75 and five of them cost Hr 100. A visit to St. Nicholas' residency costs Hr 250 and includes a picture

opportunity with St. Nicholas and a sweet present from him.

*Ukraine Palace. 103 Velyka Vasylkivska St. Open until Feb. 28. 11 a.m. – 8 p.m.*

**6 VDNH**  
Despite its remote location from downtown, VDNH exhibition center is a beloved destination for many Kyiv families. During winter, the center offers a variety of fun activities both for adults and children. This year, there are multiple Christmas trees, light decorations, gift and food markets. Children can visit one of few if not the only Santa residency here. A visit there costs Hr 220 and includes an interactive performance by fictional characters who will show a way to Santa through a magic forest. Other activities include skating for Hr 150 and tubing for Hr 20 per slide.

*VDNH. 1 Akademika Hlushkova*

*Ave. Open until March 14. 10 a.m. – 9 p.m.*

**7 Roshen Winter Village**  
Another holiday destination located away from the city center is Roshen Winter Village arranged by the Roshen confectionery company that belongs to former Ukrainian President Petro Poroshenko. The village has a Christmas tree located in the middle of its main attraction, the ice rink. The rink has illumination made of optical fiber and encrusted into the ice glowing all over the surface. During skating, visitors will be able to enjoy a music and light show. The skating price on a weekday starts at Hr 130 and Hr 160 during the weekends.

*Roshen Winter Village. 1 Nauky Ave. Open until Feb. 28. Mon-Fri. 12 p.m. – 10 p.m. Sat-Sun. 10 a.m. – 10 p.m.*

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