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January 18, 2013

Customs Cash Cov

INDEPENDENCE. COMMUNITY. TRUST



Editor's Note: The following is an investigation conducted by the Washington-based Organized Crime and Corruption Reporting Project, a Kyiv Post partner, coordinated by Kyiv Post staff writer Vlad Lavrov. The authors are Kyiv-based Ukrainian journalists working for the investigative bureau Slidstvo.info.

BY DMYTRO GNAP

AND ANNA BABINETS

ODESA – A stretch of dried-up swamp on the outskirts of Odesa is where probably more cash change

hands daily than anywhere else in Ukraine. The 50-hectare site is known as Euroterminal, a cargo and customs clearinghouse with a murky ownership structure that has support from Ukraine's President Viktor Yanukovych, who helped get it started.

Soon after the new private terminal was built in 2011, government officials created a new state Southern Customs branch at Euroterminal. A growing share of the country's imports of food, consumer goods and other essentials, delivered through Ukraine's largest sea terminal, now goes through this private business.

Ukraine's state customs service, notoriously corrupt and cumbersome, has long been a sore point for businesses. According to the World Bank's latest Doing Business ranking, the customs service is among the most difficult to deal with in the world, scoring a dismal 145th out of 185 economies surveyed for ease of trade across borders. Importers who tried to \rightarrow 17

Firtash flexes

BY OKSANA FARYNA

FARYNA@KYIVPOST.COM

Ukrainian billionaire Dmytro Firtash is back on the Ukrainian natural gas market. At the end of 2012 he established a new company that will import gas from Russia and other countries to supply Ukrainian industry and consolidating stakes in the country's regional gas distribution network.

Firtash's return as a major player on the nation's energy market years after another gas intermediate, RosUkrEnergo, co-owned by the businessman with Russia's Gazprom, was eliminated from gas import schemes and Firtash's regional gas delivery companies known as oblgases lost their control over regional gas pipelines.

Firtash's Group DF did not respond to Kyiv Post requests to comment for this article.

Anti-shale gas campaign gets new momentum with Svoboda

BY KATYA GORCHINSKAYA

GORCHINSKAYA@KYIVPOST.COM

Ukraine's feeble attempts to wean itself from natural gas dependency through diversification are now finding enemies in unexpected places, including the oppositional Svoboda Party, which is now a political player on the national

Svoboda received 37 seats in Ukraine's 450-seat parliament in last year's election. Despite campaigning mostly on social issues, such as the status of the Ukrainian language, the only parliamentary committee the party sought vigorously was the one dealing with ecological policy, natural resources and ongoing problems stemming from the 1986 Chornobyl power plant explosion.



Business \rightarrow 2, 6 – 16

Opinion → 4, 5, 18

Employment/Real Estate/Classifieds

News \rightarrow 2, 17 **CURRENCY WATCH** Lifestyle \rightarrow 19 – 21

Hr 8.15 to \$1

Jan.17 market rate



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2 News/Business

AeroSvit continues its steep descent

BY DARYNA SHEVCHENKO

Since the AeroSvit airline fiasco started with flight delays from Jan. 6-10, the company in bankruptcy procesedings still hasn't managed to resume the majority of its flights.

Out of 80 routes operated by Ukraine's biggest airline, only six will remain active through the end of January, an official company statement said. The company promises to keep international connections to Bangkok, New York and Beijing, and domestic flights between Kyiv, Ivano-Frankivsk and Dnipropetrovsk running through

Boryspil International Airport belives that Ukraine International Airlines will take over AeroSvit's suspended flights. "UIA is currently fully able to take a strategic decision to develop long-distance flights and this will definitely increase the transfer of passenger traffic at the airport," airport officials said in a statement.

Meanwhile, problems with AeroSvit continue to cause delays.

Jason Pochapsky, a Canadian living in Bangkok, was one of many AeroSvit passengers stranded by a delayed Jan. 10 flight to Kviv.

Pochapsky ended up waiting for 12 hours before deciding his business trip could wait no more. He bought a ticket with another airline and has little hope of getting the \$1,100 he paid for the Aerosvit flight.

Meanwhile, other flights are being dropped altogether, including connections to Moscow, Istanbul and St. Petersburg. Most European flights and other middle-distance routes are also suspended and the company's small aircraft have been transferred to UIA.



an AeroSvit employee told Kyiv Post under condition of anonymity for fear of being fired.

And even though the airline claims its problems are the result of a misunderstanding connected to a bankruptcy application filed with the Kyiv Oblast Commercial Court on Dec. 29, sources inside the company told Kyiv Post that the whole system is falling apart.

"No one knows anything. We almost don't fly anymore and if we do it's just to pick up some remaining passengers at the destinations that used to be our regular ones, like Goa," said one employee, who refused to be identified out of fear of losing employment. "Besides that, even if we do fly, we don't even get our per diem and starting on Jan. 16 we were promised to start getting dismissal letters.'

The employee said the ground staff were the first to get the axe, announced

Ukrainian billionaire Ihor Kolomoisky AeroSvit, Dniproavia,

Kommersant newspaper reported on Jan. 17 that Kolomoisky had acquired a 75 percent stake in Ukraine International Airlines at the end of 2012, but the airline denied it.

Up until these events, Kolomoisky had virtually monopolized Ukrainian air travel. His combined assets allowed him to enjoy control over 60 percent of Ukraine's air transport market. According to Forbes Ukraine, billionaire Viktor Pinchuk also has a 24.99 percent of stake in AeroSvit.

Kolomoisky was unavailable for comment on this story.

Aerosvit's partner Donbassaero and Dniproavia, also owned by Kolomoisky, appear to be going under. Donbassaero on Jan. 10 filed for bankruptcy, according to Interfax-Ukraine news agency. Dniproavia has suspended its flights, according to UNIAN news agency.

In May, Kolomoisky's three low-cost European airlines, Cimber Sterling in Denmark and Skyways and City Airline in Sweden, filed for bankruptcy.

Ukrainian lawyer and aviation expert Andriy Guck said that if Kolomoisky emerges as the owner of UIA, "then the information about the reorganization of Dniproavia and Donbassaero that appeared in media these days does

"When all are playing checkers, Kolomoisky is playing chess," he added, explaining that Kolomoisky would become a full monopolist on the Ukrainian air travel market.

Despite the shady aviation market in Ukraine, some foreign airlines have entered with limited success. Hungary's Wizz Air airlines made a foray in 2006, and in 2008 it registered a fully independent Ukrainian division

The company has applied for licenses on multiple Ukrainian routes long ago but has yet to receive an official reply. With AeroSvit going down, Wizz Air managers see more opportunities, but question government transparency.

"I don't want to challenge Ukraine legally, but there is obviously something unfair going on," Wizz Air Ukraine head Akos Bus said. "I want to be considered as a full-fledged Ukrainian carrier, because Wizz Air is ready to invest in the market heavily and what is happening in the market now is a single monopoly, which finally will result in fewer travelers of course.'

While Wizz Air's management remains optimistic about the market, Ukrainian experts have their doubts. "Wizz Air has been going there for a long while now and if they do succeed by chance their piece of the pie will be too small to change anything," Guck commented.

Kyiv Post staff writer Daryna Shevchenko can be reached at shevchenko@kyivpost.com.

Anti-shale gas campaign gets new momentum

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The person Svoboda got elected as head of the committee is Iryna Sekh, a 42-year-old native of Lviv Oblast, and a fierce campaigner against the extraction of shale gas in her home region, where international giant Chevron plans to work.

Just days before her appointment to the committee, Sekh made a series of statements against the shale gas extraction in Lviv Oblast.

Her opposition is based on environmental concerns and lack of local input in the decision-making process. But shale gas proponents also note that slowing the nation's progress in this area also serves the interests of Russia's Gazprom, Ukraine's main gas

"Ît's not a threat, the extraction of shale gas ... it's a catastrophe," Sekh told a roundtable in Kyiv on Dec. 12. Sekh said that local communities were mostly ignored as global energy giants negotiated shale gas extraction deals with the central government. Secondly, she says there has been no assessment of the ecological risks. On Jan. 17, Sekh filed a draft resolution in parliament to initiate a hearing on shale gas extraction in Ukraine and its dangers.

"We're fighting and asking, we want to know the truth, see the whole picture, we want to know the chemicals [that will be used for extraction], we want the public opinion to be counted in," Sekh told the Dec. 12 roundtable.

Shale gas drilling companies in the U.S. have refused to name the chemicals they use during hydraulic fracturing to regulators, citing industry secrets. Several European countries have banned the controversial practice of "fracking" until more information is available, including its effect on the environment and underground drinking water.

Sekh could use her new leadership position in parliament to stall legislation.

Meanwhile, Ukraine needs diversification of gas sources badly. Its poorly equipped industry, notoriously energy inefficient households and leaky old transport networks make it one of the world's top gas guzzlers.

Although gas consumption fell by nearly 10 percent in January-October 2012 compared to the same period a uear befpre, it still stood at 41 billion cubic meters, according to the Ministry of Energy and Coal Industry.

Most of this gas (27.7 billion cubic meters) Ukraine imports from Russia at an exorbitant price, having paid a total of \$11.8 billion in January-October, a huge strain on a national budget that is only \$51 billion annually.

Thus, in an attempt to reduce its dependency on Russian gas imports,

in recent years Ukraine started looking for alternative gas sources, including extracting its own shale gas.

In May, the Cabinet declared international giant Chevron the winner of a tender to develop the Oleske deposit of shale gas in Lviv and Ivano-Frankivsk oblasts while Shell got the right to develop the Yuzovska gas field in Kharkiv and Donetsk oblasts. In August, a consortium of foreign and Ukrainian companies led by ExxonMobil won the right to develop the Skifska oil/gas field on the Black

All three potential multibillion-dollar projects require years of geological studies before the extraction phase starts. The Oleske field alone, which holds an estimated 2.98 trillion cubic meters of shale gas, requires at least \$160 million of investment into geological research, and another \$3.1 billion in the industrial production phase, the then Ecology Minister Eduard Stavytsky said in December.

All shale gas projects were supposed to receive new momentum in December, when production sharing agreements were supposed to be signed, but they were not. Shell managed to inch closest to such an agreement on Jan. 16-17, when the Donetsk and Kharkiv oblast councils voted to approve the agreement. But the final

document has yet to be signed.

Peter Clark, a Chevron representative in Ukraine, told Zaxid.net web portal that no team is yet working on the ground in western Ukraine.

Stavytky had said that the agreements have been stalled by local authorities, including Sekh.

Ildar Gazizullin, a senior economist at the International Centre for Policy Studies, says that some of these concerns are genuine. The impact assessment studies that are required in Europe for similar projects can be avoided in Ukraine. Also, last year the central government pushed through legislation that removed local councils from the list of bodies who have a say in the process of land allocation for such projects.

"Of course, there are risks, but these companies understand that any sort of ecological catastrophe would be disastrous for them," Gazizullin said. He said that Shell, Chevron and others have "a history of granting very generous social programs" where they work. Chevron's Clark, in his interview to Zaxid.net, also said the company plans to become a "good neighbor" and said that his company will take full responsibility "for the impact of its operation."

Kyiv Post editor Katya Gorchinskaya can be reached at gorchinskaya@kyivAdvertisement



Today in Health Care

What does the healthcare market have in store for Ukraine's businesses and patients?

Imported medical devices no longer under the threat of vanishing

2012 saw risky developments in the realm of medical device importing and circulation. Technical regulations set to come into force on January 1, 2013, posed a serious threat to Ukrainian patients in terms of their access to medical devices.

All medical devices in Ukraine now have to be in line with the national Technical Regulations — a chart of rules and specifications to which products must conform in order to be sold on the market.

Ukraine at present is still in the process of harmonising its standards. A number of major standards, which effectively form the basic conditions for proper medical device-related procedures in Ukraine, are obsolete and need revision at the national level. The Technical Regulations on medical devices set by the respective CMU Resolutions are not in line with EC Directives, and the proposals to amend them, which introduce simplified procedures and rules, have still not been adopted. Thus, the business community does not have adequate conditions for conformity evaluation procedures and gaining a national conformity mark for their medical devices. Taking this into account, the EBA has again stressed that there is a real threat of the stoppage of medical device imports, should the Technical Regulations become obligatory from January 1, 2013.

The EBA has sent appeals warning about a prospective crisis on the Ukrainian medical devices market, 85% of which consists of imported medical devices, and the threat of a negative impact on patients, to Head of State Service for Medical Drugs Oleksiy Solovyov, Minister of Health Raisa Bohatyryova, and other ministers.

With this critical situation in mind, the EBA also sought to bring the issue to the attention of the mass media. On December 25, 2012 a press-conference entitled The Problem of January 1st: Will It Be Possible to Deliver Quality Imported Medicines and Medical Devices to Ukrainian Patients? was held, with one of the key issues being the obligatory implementation of the Technical Regulations from January 1, 2013.

We are happy to announce that a Joint Order of the Ministry of Health of Ukraine dated December 27, 2012 on the amendments to the orders of the State Committee of Technical Regulation and Consumer Policy and the Ministry of Health of Ukraine has now been published. According to the Joint Order, the date of the Technical Regulations' obliga-





"We do hope that now that the risk of there being no medical devices in pharmacies and hospitals has disappeared, due to the reasonable decision of the responsible state authorities regarding the postponement of the introduction of the Technical Regulations, that all necessary efforts will be made to obtain an adequate regulatory framework for medical devices before the obligatory implementation of the conformity evaluation procedure, i.e. before July 1, 2014.

Here, the first priority issue, which must be given the most attention and which must be practically implemented in Ukraine, is the harmonization of medical device standards with, and adherence to, Ukraine' WTO commitments, in terms of reforming the entire technical regulation system, which has been delayed. We support the authorities' policy of providing Ukrainian patients with the best products, and the upgraded medical device standards are indispensable in seeking the overall fulfillment of this goal.

For our part, the Health Care Committee is open to providing its expert support and participating in the working groups that are to be formed.

The recognition of CE marking by Ukraine is also an issue that has long been raised by us. When adopted, it will serve to give patients better access to high-quality imported medical devices, which have already proved their effectiveness and have CE marks on them"

tory introduction has been postponed until July 2014 so that all necessary upgrades can be adopted.

The EBA welcomes this step, and is looking forward to further cooperation with the concerned state authorities when elaborating the CMU Resolutions and other necessary regulatory amendments.

Medicines containing Tryptamine re-moved from list of narcotics, though not yet officially

December 2012 saw changes in the legislation governing the list of narcotics, psychotropic substances and precursors. Namely, medicines containing tryptamine were banned from sale in pharmacies starting from 12 December as dangerous psychotropic substances.

Thus, Ukraine faced a situation in which its patients would be abruptly deprived of the possibility to obtain vital medicines, including high quality anesthetics prescribed by health care professionals.

The European Business Association appealed to the Prime Minister of Ukraine to address this situation, and its possible negative impact on the Ukrainian population in terms of its access to the necessary treatment. The EBA also emphasized the fact that neither a transition period, anticipated measures to withdraw the mentioned products from companies (manufactures, distributors, retail companies and health care institutions), nor a procedure for their destruction had been anticipated in the legislation.

The EBA is now happy to report that these medicines, including active pharmaceutical ingredients that contain tryptamine group derivatives, have been removed from list #2 "Particularly dangerous psychotropic substances prohibited from circulation."

The abovementioned amendments will remove obstacles to Ukrainian patients obtaining proper medicinal treatment.

"The rapid practical response of the authorized state officials to this particular problem was a very good example of cooperation with business. We're thankful to the Ministry of Health of Ukraine for their prompt and thorough examination of this issue, which resulted in the decision to place no additional obstacles to patients obtaining high-quality anesthetics, which improve the quality of patients' lives. We're looking forward to facilitating the official publication of a CMU Resolution with relevant amendments in order to make these medicines, which are still out of circulation, available again", commented Andrey Stogniy, the Head of EBA Health Care Committee.

GMP certification: high-quality imported medicines in focus

Recently the Ukrainian state authorities postponed the date for the obligatory submission of UA GMP certificate conclusions, from January 1, 2013 to February 15, 2013 during import procedure.

Starting from January 1, 2013, importers had to submit a local document issued by the State Service for Medical Drugs, which could be obtained by companies only after a lengthy and overly complicated, imperfect procedure, in order to reconfirm that medical drugs meet GMP requirements, so as to obtain a quality conclusion necessary for the drugs' sale. The date of January 1, 2013 was adopted as far back as the autumn of 2012, regardless of the evidence that this was unrealistic, both from the point of view of the State Service for Medical Drugs' available resources, and the companies' perspectives — as estimated by the EBA and supported by the Ministry of Health of Ukraine.

The abovementioned requirement was adopted with a restricted a time limit for the companies to pass through the GMP confirmation procedure at the State Service for Medical Drugs, and quite often with no objective prospects of success.

The postponement of this date removes the threat of limiting patients' access to essential medicines at this stage.

The EBA is also looking forward to the soonest possible adoption of amendments to the GMP confirmation procedure, which will simplify the operation of companies and ease market tensions.

ANGELA Kupych

Head of the EBA Health Care Committee's Registration Subcommittee



"Now that the date for the obligatory submission of UA GMP Conclusions has been postponed for a month-and-a-half, we hope that the medicine market is out of danger. However, we need to state that the decision was taken at the very last moment, and until December 27, 2012 inclusively companies were unaware if they were able to import medicines from January 1, 2013 or not. No medicines were placed in stock, for the companies were anticipating a postponement — which was reasonable and supported by the MOH and State Service for Regulatory Policy and Entrepreneurship at an earlier stage.

The important point now is that the amendments to GMP confirmation procedure itself...have finally been agreed with the MOH and the State Service, and a new amended Order has been adopted by the MOH. Now we're expecting its official adoption and publication, as soon as possible. The issue of there being no objective conditions for companies to obtain, in a timely and unobstructed manner, UA GMP Conclusions, due to the imperfection of the procedure, had already been on Health Care Committee's plate for more than a year. Now we hope that the major flaws have been corrected in the new amended Order, and that leading international companies, which have operated with GMP certificates abroad for years, will be finally provided with more proper conditions for their operation, which is undoubtedly to Ukrainian patients' benefit. Also, we continue to strengthen our relations with EC experts to make sure the new regulations is in line with EC legislation".

Imported drugs licensing: How and Where in question — only 'When'

Pharmaceutical companies are still unfamiliar with the new rules and regulations for the brand-new procedure for import licensing, which was adopted by lawmakers in mid-2012.

There is a realistic threat of there being no medicines at all on the Ukrainian market, as the new requirements for companies obtaining import licenses will be in force from March 1, 2013. In fact, pharmaceutical companies are already feeling some stress, as March 1, 2013 is getting closer, and the conditions that the companies have to follow are not yet in place.

Worryingly, the innovations have only now been made available for public discussion, in form of three draft legislative acts posted on the MOH's Web site on January 14, 2013. This means that even if the legislative acts are adopted, there is no time for the companies to come into line with the rules by March 1, 2013.

Pharmaceutical companies look forward to their cancellation (due to obvious duplication) or at least postponement to a long period — failing which there will be a threat of there being no medicines imported to Ukraine.

The EBA is appealing constantly to decision-makers, calling for the cancellation of the measures, due to the obvious duplication of rules, or at least the postponement of the import licensing requirements in order to stave off the collapse of the pharmaceuticals market.

If nothing is done with this regulation, Ukraine will face the gradual disappearance of medicines from pharmacies and hospitals, starting from 1 March 1, 2013.

"We're sure that a full and thorough study of the new regulations' estimated impact on the entire market is indispensable before they can be implemented on an obligatory basis. Realistic conditions to be fulfilled by all pharmaceutical companies, and the avoidance of the duplication of requirements, is mandatory if these regulation are to gain the support of the pharmaceutical industry. Unfortunately, both points are in question at the moment, which is causing companies a great deal of worry about their business conditions from March 1, 2013, and is causing them think about whether their choice to do business in Ukraine was a reasonable one. This does not bode well for Ukrainian patients, and is not a favorable tend for the state's investment attractiveness in general", summarized Andrey Stogniy, Head of the EBA Health Care Committee.

Editorials

Go greener

As the Kyiv Post team prepared this week's Business Focus on energy and natural resources, we were once again struck by the huge disparity between the nation's potential to be a green, technologically advanced and self-sufficient country and the sad reality around us

There is vast potential anywhere one looks. Ukraine is endowed with huge estimated reserves of shale gas, which could make Ukraine less dependent on the will of Russia's Gazprom. There is plenty of space and natural conditions for wind and solar power generation. With a huge and rapidly growing agriculture sector, Ukraine has amazing possibilities for production of biogas. Electric cars, a cheaper, greener way to move around, have barely started selling here, so the market is up for grabs.

Then reality settles in when reading the complaints of industry experts and investors in these articles, their frustrations and disappointments from being unable to tap into that potential for a number of reasons. Most of them are Ukraine's longstanding problems, such as a poor legal field, no guarantees of protection of property rights and no justice in the court system.

Admittedly, Ukraine has taken a number of pro-green steps: it adopted legislation on green tariffs, giving financial incentives for renewable energy production and enacted production sharing agreement legislation -- an essential precondition for larger scale operations such as shale gas extraction.

But even those few achievements are marred and sometimes even negated by things like unrealistic local content requirements in green energy production, and political campaigns against shale gas extraction.

One contributor this week, Irina Paliashvili, on page 8 wrote that the success of the shale gas revolution in North America, which brought cheap, domestic gas onto the market, was based on three components: technology, capital and regulatory/fiscal framework.

Foreign and domestic investors here are ready to bring the first two ingredients in exchange for business opportunities. But it's Ukraine's government that has to provide the political will to produce a quality regulatory framework and ensure its proper implementation for such a revolution to take off. This applies to all new energy sectors, not just shale gas, and all of the political elite, not just the central government.

It is in everybody's interest to make Ukraine a greener, more energy efficient and self-sufficient place. A healthier economy, better environment and hence higher quality of life, as well as new jobs would be just some of the benefits of a robust alternative energy sector. That's why going green should become a part of the national philosophy, and the political elites should be the first to embrace it.

Man in mirror

We are often most irritated by those traits in others that we secretly hate the most in ourselves. That's one fantastically unlikely explanation of President Viktor Yanukovych's recent outbursts against corruption and incompetence that lie at the very heart of his government.

More likely, his Jan. 17 outburst looked like a public stunt by a man with a very troubling record. It was reminiscent of former President Leonid Kuchma's clownish anti-corruption campaigns and the utterly ineffectual former President Viktor Yushchenko's promises to put "bandits in jail."

Ukraine has always had a big problem with corruption. But if the Yanukovych family members are serious about tackling malfeasance, they should ask themselves some pretty penetrating questions.

One of them is how the president's son became the biggest winner of public tenders in 2012, according to research by Forbes Ukraine. He raked in more than Hr 1 billion than the runner-up, the president's billionaire ally Rinat Akhmetov, who at least has a much longer and established business history.

The president should also take a long, hard look at why he lobbied handing over public revenue from the state-owned Odesa Sea Port to an offshore company with questionable ties. Or why, according to respected public spending watchdog Nashi Groshi, a tenfold increase in public procurement has taken place since 2010 in the Donbass city of Yenakievo, where much of Yanukovych's base comes from.

If the president was determined to dint corruption in Ukraine he would have taken a stance against the public procurement bill passed last year, which effectively moved public spending into the shadows, or banned the widespread no-competition tenders.

But there's another, more worrying, explanation of why Yanukovych is lashing out against corruption while his administration increases pressure on government's revenue generating arms. The explanation is that this administration and its oligarch allies don't like competition. The economic pond of Ukraine is not growing, and most likely will shrink this year, yet the big fish are hungrier. Shouting at the smaller fish, however, won't help.

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After travels abroad, home is not so sweet



Coming back home from vacation abroad is always depressing, especially so if Ukraine is home. So many friends and relatives who go abroad for vacations or business trips return only to see that the situation at home sharply, and unfavorably, contrasts with what they enjoyed abroad.

It is not only because of the end of vacation and the need to return to work. It is about the country.

The sad feeling starts as you travel the broken road from the airport (yes, not all of us live in the city centre) and the talkative taxi driver asks you how things are "there." Then, he tells how he has to work extra hours and how his girlfriend juggles two jobs to pay for her apartment while raising her daughter. "The prices just go up and the salaries do not move," he says.

If you live in the country without going abroad for awhile, you stop noticing all that is wrong with it. But when you go out and see how people live, you see things in Ukraine with a broader perspective.

"So, you are back. Condolences..." a Facebook friend posts on my wall. Another one adds that being abroad "mellows our people for some time." They are more smiling,

Many Asian nations are leaping ahead as Ukraine keeps falling behind

polite and relaxed. "But that changes very soon upon their return home."

In most places where I go abroad I cannot help but notice that, unlike in Ukraine, things are actually happening quickly. Progress is being made, but not here, it seems.

Subway lines are expanding rapidly, public transport is going green, living conditions are improving. Even in China, definitely not the most democratic country in the world, there are boards in living districts with restoration schemes and calls for citizens to contribute their suggestions and criticism. I have never seen anything like that at home where construction is one of the most corrupt industries and citizens fight for years, often in vain, for their parks and squares.

If you went to provincial places like Gaya and Patna in India three years ago and recently, like I did, you see \rightarrow 18

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Deconstructing myths populi about EU-Ukraine deal Do you think amplexed a populi applexed to the construction of the construct



Editor's Note: The following article was originally published on Ukrainska Pravda news website at http:// www.pravda.com.ua/articles/2013/01/9/6981110 and the English version is being reprinted with the author's

This year will decide the fate of the association agreement between Ukraine and the European Union. Both supporters and opponents of European integration await this decision. This moment of truth will determine the vector of Ukraine's development for the next decade

Not surprisingly, this issue has been debated in kitchens and in the highest political offices. There are many different opinions. Overall, this is a good thing -- a sign that foreign policy in Ukraine is as active as domestic political life.

However, an active discussion does not necessarily lead to an informed decision. We need to distinguish emotion and from information, myths from facts. And we should ignore these seven myths:

There is nothing special in the Ukraine-EU agreement, since the EU has concluded similar agreements, for example, with Chile, Morocco and Mexico.

The agreement with Ukraine would be unprecedented in terms of ambition and depth. It will lay the foundation for political association and economic integration and will make Ukraine's legal obligation to follow modernization of the state based on the European model.

A classic free trade agreement between the EU and others covers only trade in goods. Instead, the free trade agreement with Ukraine will be deep and comprehensive, that is, it will include liberalization of trade not only in goods but also services, liberalization of capital movement and to a certain extent, movement of labor force.

Unlike a conventional free trade agreement, it will also require a comprehensive adaptation of European regulatory legislation in the areas of transport, energy, services, agriculture and so on. It will unify a significant share of legal frameworks of the two parties, eliminate non-tariff (technical) barriers in trade and provide enhanced access to the EU single market for Ukrainian exporters and vice versa.

The agreement will be based on recognition of Ukraine's European identity, a spirit of kinship and geographical proximity.

The association agreement does not have a clear European perspective, and therefore does not move Ukraine closer to EU

Despite the fact that there is no clear reference to the prospect of membership in the agreement, the scope and obligations of the parties exceed European association agreements of the 1990s. Successful implementation will mean compliance with membership criteria, improving the quality of life, modernization of all spheres of state and society, improving competitiveness of Ukrainian producers and more. The agreement will allow Ukraine to reach a level of development where further progress towards EU membership becomes a matter of political expediency.

Failure to sign the association agreement indicates a crisis in relations between the EU and Ukraine

This myth constantly changes. However, the rate and volume of technical work on preparation of the agreement, including the translation of multi-pages text into 23 official languages of the EU, show that the signing of the document could not be even considered before 2013. The prospects of signing will be discussed at the next EU-Ukraine summit in Brussels

The association agreement and free trade agreement will destroy sectors of the Ukrainian economy.

The EU continues to be one of the most success-



Austrian President Heinz Fischer (R) poses with Ukraine's Foreign Minister and new president of the Organization for Security and Cooperation in Europe (OSZE) Leonid Kozhara as they met on Jan. 16 in

ful economic and political projects. We talk about business conditions, significant investment potential, high technology and competitive products from the European manufacturers. Europe was advancing to reach its current position for decades.

Thanks to a free trade agreement, Ukrainian manufacturers will be able to win a place in the "wealthy" European market, find its niche and promote highquality Ukrainian products at the European market - at a good price. Domestic consumers, in turn, will have access to high-quality European goods in Ukraine at lower prices.

Of course, it will be a struggle for economic survival, perhaps even natural selection for particular segments of the economy, but this is a struggle where Ukraine will be the ultimate winner. The most sensitive sectors will have certain transitional periods and favorable adaptation conditions that will prevent shocking dislocations.

The early years of adaptation will be difficult. This is not surprising, because the systemic transformation always leads to short-term losses. However, signing will significantly increase the investment attractiveness and foreign direct investment inflows, which will help to offset the current trade deficit with the EU.

The association agreement with the EU will hurt Ukraine's relations with Russia

The association agreement with the EU is in the best interests of all parties, including Russia. It is about growing confidence in Ukraine as an international partner and strengthening the rule of law and predictability as the basis for the confidence of all, including Russian investors.

A free trade agreement with the EU will prevent the existence of one with the former Soviet republics in the Commonwealth of Independent States

A free trade agreement with the CIS, as opposed to joining the Customs Union of Russia, Belarus and Kazakhstan, is not inconsistent with the deep and comprehensive free trade area between Ukraine and the EU. CIS countries are important trading partners of Ukraine. Unfortunately, a large proportion of Ukrainian goods does not comply with EU requirements, and therefore can be competitive only in the traditional markets available to Ukraine. However, a free trade area with the EU will gradually improve the quality and efficiency of Ukrainian production, increasing the share of products with high added value in Ukrainian export.

Accession to the Russia-led Customs Union is more profitable for Ukraine than economic integration into the EU

The EU provides access to a larger (500 million

consumers vs. 170 million in the Customs Union) and more predictable market with a much higher consumer purchasing power. Economic integration with the EU is the path to modernization. Look at the progress the European countries of the former socialist camp made in the last 20 years. The vast majority of them are already members of the EU, while Russia's economy continues to be based on commodity-driven exports. Russia itself is in need of radical modernization.

Accession to the Customs Union may grant Ukraine only short-term dividends: a few billion dollars, about which Moscow says, are just a payment in exchange for the loss of sovereignty of Ukraine in the context of its own trade policy and rejection of integration

However, the association agreement with the EU provides explicit legal and political guarantees of sovereignty, independence and territorial integrity of the Ukrainian state.

A joint study of the German Advisory Group and the Ukrainian Institute for Economic Research and Policy Consulting found that accession to the Customs Union will reduce the welfare of Ukraine by 0.5 percent in the medium term and by 3.7 percent in the long term, while the free trade agreement with the EU will increase this indicator by 4.3 percent in the medium term and by 11.8 percent in the long

The EU is a community with more than 50-year history, which proved its viability and effectiveness. EU states traditionally score high in quality of life, life expectancy, pensions and welfare. The EU has a rich heritage of common standards in many areas such as food quality, health care, social protection, environment, road safety, business climate, opportunities for young people and so on. These standards are actually implemented, not just declared.

Today, a choice of where to go - to the EU or the Customs Union – is trying to be imposed on Ukraine. Paradoxically, the most categorical statements come from the Customs Union.

All pros and cons of the European choice are clear. Achievements of the EU are obvious, as well as the challenges that it faces now. Instead, the pros and cons of the Customs Union are hypothetical. It is obvious that Ukraine should seek a compromise between pro-European and pro-Russian foreign policy. But it is equally obvious that the price of this compromise should not be rejection of European

We should stop thinking as if we were an object of the struggle for spheres of influence and make our conscious choice in favor of the European model of

Kostiantyn Yelisieiev is Ukraine's representative to the European Union.







Do you think government employees should pass a Ukrainian language exam before receiving their mandates?



Tetiana Kyrylenko, student "People in our country are bilingual mostly. But it's awful to listen to that kind of 'surzhyk' (hybrid

Ukrainian-Russian) our politicians used to speak."



Valentyna Kuhtyk, businesswoman "In Ukraine, both Russian and Ukrainian are widely spoken. And if the govern-

ment employees are not so strong in Ukrainian. I don't think it will affect the political or economic situation in the country. Officials should pay attention to the professional background first, because actions are more important than words."



Vitaliy Pryhodko, pensioner "I don't care what language they're speaking, they at least need to do something.

Now Ukrainian politicians show their best only in stealing from the budget. And I'm ashamed of (Prime Minister Mykola) Azarov. His Ukrainian is more a mockery than a normal language. He would better off speaking Russian instead or just



Inna Mykhalko, student "I agree with this, because it's one of the most important requirements they

meet. It's nonsense that top politicians don't know the official language. Also it will be good for them to pass a Ukrainian history exam. I think it will be good to organize some language schools at the Verkhovna Rada for politicians to practice their language skills."



Oleksandr Kutsenko. pensioner "Everybody must know Ukrainian and politicians are not an exception. There's one official

language so far and they need to be fluent in it."

In coming hryvnia devaluation, will landing be soft or hard?

BY JAKUB PARUSINSKI

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Ukraine's monetary authorities can manage a steady hryvnia landing in 2013, but they should not let international reserves fall below the psychological barrier of \$20 billion, reads a recent report by Kyiv-based investment bank Concorde Capital.

A smooth currency descent will depend on renewed cooperation with the International Monetary Fund, managing spikes in people's demand for dollars, and starting a controlled devaluation as quickly as possible, moving to a rate of around Hr 8.3 per dollar by April, and 8.8 by year's end.

The report also issues a warning on the consequences of inaction: "Failure in at least two of the three areas could take the foreign exchange market out of National Bank of Ukraine's control already in spring 2013."

Over the past year, the NBU kept the hryvnia strongly pegged to the dollar, paying a heavy price in international reserves. These fell by an astounding 23 percent in the course of 2012, dropping \$73 billion to a year-end result of \$24.5 billion.

Conventional wisdom dictated that this was tied to the Oct. 28 parliamentary elections, as the population would not take kindly to a fall in dollardenominated earnings and would punish the ruling Party of Regions at the ballot. Since then, however, no major change in policy has appeared.

A communal worker cleans some stairs in front of an advertising placard depicting banknotes on a warm autumn day in the Ukrainian capital Kyiv on Nov. 12, 2012. (AFP)

And this despite the fact that President Viktor Yanukovych loyalist Serhiy Arbuzov, the former central bank head and potential candidate for prime minister, was promoted to deputy prime minister and could thus be absolved of blame.

The nomination on Jan. 10 of Ihor Sorkin, the previous deputy NBU governor and Arbuzov's right-hand man, as central bank chief is seen as a sign the previous policies will continue.

"The NBU's policy will not change if Sorkin is approved NBU governor. I think that this is the main sense for the appointment," deputy board chairman of Prominvestbank Viacheslav Yutkin

told news agency Interfax-Ukraine.

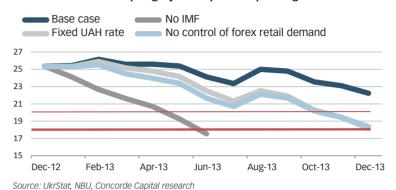
But that's just not going to cut it in 2013, argue analysts at Concorde Capital. In the absence of wider policy adjustment, the Ukrainian public demand for dollars could drive reserves past the psychological barrier of \$20 billion, or the even more critical one of \$18 billion, the equivalent of two months of imports.

So far the bank has managed to cool demand for hard currency through administrative measures, notably threatening to introduce a 10 percent tax on the sale of foreign currency. But this won't work forever.

"(The) NBU has limited time to use this scarecrow for control of retail dollar demand," the Concorde Capital analysts warn. "In 1-2 months, it will simply stop working and the NBU will have to invent another demandlimiting measure.

Conversely, managed devaluation would help reduce the current account deficit, boost imports and reduce expectations of sharper falls in the hyrvnia's value to come. "Moreover, devaluation could allow rating agencies to upgrade Ukraine's profile, while failure to do so will surely cause a downgrade," the report cautions.

NBU reserves could dip slighty or drop fast depending on the scenario



Modest devaluation and a new International Monetary Fund loan should save Ukraine from dipping much further into its dwindling hard currency reserves, which currently stand at \$24.5 billion.

Warning signals to watch in the first half of 2013

	0 0	
	By end of January	No progress in talks with IMF. Exchange rate below 8.1 hryvnias per U.S. dollar. No funds attracted to repay \$1.3 billion loan tranche to IMF.
	By end of March	No progress in talks with IMF. Exchange rate below 8.2 hryvnias per U.S. dollar.
	By end-April	Net retail demand for dollars exceeds \$2 billion in the first quarter. Exchange rate below 8.3 hryvnias per U.S. dollar. No funds attracted to repay \$1.3 billion loan tranche to IMF. End-March international reserves drop below \$23.
	By end-May	Net retail dollar purchases exceed \$3 billion in first four months.
	June	No funds attracted to repay \$1 billion Eurobond on Jun. 11. Exchange rate below 8.3 hryvnias per U.S. dollar. Ukraine's five month trade deficit exceeds \$7 billion.

Source: Concorde Capital

It should also have a positive impact on talks with the IMF, which experts say will make or break Ukraine's economy this year. A flexible currency regime has long been a major condition for resumed lending.

Ukraine in 2012 paid a record \$3.7 billion to the international lender, a sum set to grow to \$5.8 billion this year. But tapping capital markets will prove difficult and costly: the recent, relatively cheaper Eurobond issues were largely based on expectations of an IMF deal after the elections. Without such prospects, borrowing abroad could be prohibitively expensive.

This makes a deal all the more

urgent, with particularly critical dates to watch being Feb. 12 and April 30 the deadlines for the payment of two out of the four \$1.3 billion tranches

A further IMF condition is the unpopular move of raising gas prices for households, ending therefore a de facto state subsidy. Like devaluation this will be politically costly, and should thus be done as quickly before the 2015 presidential elections, analysts

In more ways than one, it's now or

Kyiv Post editor Jakub Parusinski can be reached at parusinski@kyivpost.com

Ukraine reportedly seeking \$15 billion IMF loan

(AP) Ukrainian news agencies are reporting that the government is seeking a fresh \$15 billion loan from the International Monetary Fund.

They say that First Deputy Prime Minister Serhiy Arbuzov told reporters on Jan. 14 that he will hold negotiations on a new loan with IMF delegates arriving in Kyiv next week. Arbuzov's office declined immediate comment.

Many economists say the Ukrainian economy is heading toward recession due to waning demand for the country's main export, steel. The national currency, the hrvvna, has also weakened

Experts doubt a quick deal with the IMF is likely because of the government's reluctance to implement unpopular austerity measures, such as raising household

Ukraine's previous IMF aid program was frozen over those disagreements.



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Despite risks, investors remain upbeat on future

BY YURIY ONYSHKIV

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Ukraine's untapped energy potential remains attractive to foreign investors despite the sector's lack of transparency and related risks.

According to an October 2012 report by the International Energy Agency, an intergovernmental energy adviser, in spite of Ukraine's inefficient infrastructure and heavy reliance on expensive imports of fossil fuels, there is "potential for Ukraine to experience an energy revolution, one that could boost employment, lift economic growth and enhance energy security.'

The report also noted Ukraine is taking steps in the right direction: "Energy policy in Ukraine is showing signs of a shift to foster the further development of domestic resources and to strengthen the energy market framework to European Union levels."

The government triggered investor action when it introduced green tariffs for a number of renewable energy sources, and enacted much touted production sharing agreement legislation that brought energy majors on board.

Some warn it is too soon for optimism, as large flows of investment are held back by a poor business climate and weak property rights, among others. "There are too many investment risks," says Volodymyr Omelchenko, an energy analyst at the Kyiv-based Razumkov Center think tank. Moreover, the economy's instability makes forecasting demand difficult, he adds.

Nonetheless, many see the rewards as being worth the risk, including a number of global energy giants that trying their luck in natural shale gas exploration. Ukraine is estimated to have among the biggest shale gas reserves in Europe.

Last May Royal Dutch Shell won a bid to develop a shale gas field that spreads across Kharkiv and Donetsk oblasts in the east of the country. Chevron got the right to explore a shale gas field that stretches through



Yuri Kubrushko

the Lviv and Ivano-Frankivsk oblasts in Western Ukraine.

The majors will jointly explore the fields with local partners, bringing investments expected to run into the hundreds of millions of dollars.

Separately, a consortium of companies, including ExxonMobil and Shell, Black Sea shelf.

Razumkov's Omelchenko savs that the major energy companies are big enough to take risks, using their clout to stave off potential threats and proceeding incrementally. Indeed, delays are already appearing, as with the production sharing agreement, which was supposed to be signed by the end of last year, but still hasn't been.

On the conventional electricity front, U.S.-based AES gained a big advantage when it purchased two state-owned electricity distribution companies in 2001. According to Interfax reports, the two companies have been profitable each year starting in 2002.

Headquartered in Washington, DC, AES owns Kyiv Oblenergo and Rivne Oblenergo. The company reported that Kyiv Oblenergo alone had a net profit of \$6.1 million in 2011, an 81 percent increase over 2010.

As for greenfield investments, the renewable energy sector has started to take off in recent years after parliament

will explore gas reserves on Ukraine's introduced special tariffs in 2009 for electricity generated from renewable sources

"If we talk about renewables, there is quite a big interest from foreign investors, mainly small and middlesized companies, which are willing to take more risks than large international energy companies or investment funds," said Yuri Kubrushko, co-chair of Wind Working Group of the European Ukrainian Energy Agency, which represents numerous foreign investors in

Ukraine's solar energy sector already has Ekotechnic Praha, SunElectra, and Fonroche among the most active foreign developers.

But Kubrushko says it is too early to assess the amount of success foreign investors have in this area since "it takes time to develop renewable projects and many of them are at the development stage.'

Kubrushko recommends foreigners invest in small and middle-size projects, mainly solar, biogas and



Battery recycling starts as environmental fears rise

BY OLENA GONCHAROVA

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They power small appliances, toys, mobile phones, computers and are an essential part of everyday life. Yet when portable batteries run out, environmentalists say Ukrainians discard 10 to 12 tons of portable batteries a year because of severely limited recycling options. People either horde the potentially hazardous material at home or throw them out with the regular trash.

And once they're disposed of in the trash, environmentalists say, one AA battery could pollute 400 liters of water or contaminate 20 square meters of soil with highly toxic metals.

However, a realistic solution to the problem came unexpectedly in late 2012.

That's when Ukrecoresursy, a government agency set up by the Cabinet of Ministers, launched a project to place 100 used battery collection containers and transport them to a Lviv battery recycling plant run by Argentum, a government-owned company established in 1991.

Up until now a handful of environmental non-profit groups have run battery recycling campaigns but their scope and reach have been limited.

The state-run project will include about 45 major cities with populations of more than 100,000, which will have at least one battery collection container. Some 10 biggest Ukrainian cities including Donetsk, Mariupol, Dnipropetrovsk, Kryvyi Rih, Lviv, Zaporizhya, Mykolaiv, Kharkiv and Odesa will receive three containers, while Kyiv will get five.

Olga Drobysheva, head of marketing at Ukrecoresursy, cautiously believes battery recycling can reach a nation-



Battery recycling remains unimportant for many Ukrainians who are in the habit of throwing batteries away in the regular trash. (AFP)

wide scale

"It's good that now we're working with Argentum, but we face some problems. Argentum representatives are very slow in making decisions and we're still waiting for some answers because all the agreements have to be approved on both sides," said Drobysheva.

Ukrecoresursy has already agreed to buy five-kilogram containers from Argentum made from organic glass at Hr 480 per unit. "We (Ukrecoresursy) plan to collect about 9. 5 tons (of batteries) this year if everything goes well with Argentum. Last year Argentum gathered only 1. 5 tons," added Drobysheva.

In comparison, the European Union recycled 34,710 tons of different batteries in 2011, according to the European Battery Recycling Association.

The government plan appears easy. A courier places the batteries from the container into special packets. Then, several logistic service compa-

nies are supposed to transport them to Lviv. Next Argentum will retrieve the batteries at the storehouse for processing.

"But it's merely a plan — now we're working out the key points of cooperation with logistics companies and those shopping malls and filling stations that want to set up a battery container. The positive moment is that many companies are ready to support this initiative," said Drobysheva.

Taras Kohut, head of Argentum's

innovation center agreed that logistics is the key issue in the entire recycling process.

"Now we need to arrange for transportation ... but the logistics structure remains poor. When we'll have stable bulk deliveries the process accelerates," Kohut told the Kyiv Post.

Given that state companies are cooperating, Kohut believes the program will be up and running by the end of 2013. But as Argentum scales up on battery processing, some environmental groups are concerned with having the plant located in Lviv's city center.

"If we have enough batteries to recycle (because we collected about 1.5 tons in 2012) we'll divide our plant into several departments and then move to the suburbs. We're supposed to recycle about 15 tons in the coming years and start providing services in the regions," Kohut said.

Once the batteries are divided into categories, they're grounded and separated during recycling. Although the plant's recycling efficiency is very high, it needs to collect at least 1 ton of batteries to process them.

Kyiv Post staff writer Olena Goncharova can be reached at goncharova@kyivpost.com

Used battery drop-off spots:

- SOS Kyiv operative rescue service: 26 A Zhylianskaya St. In case of emergency call the 24-hour hotline (044) 289-70-13.
- Activist Dmytro Gramodanov's office: 46 Kikvidze St. (095) 885-
- EcoBuffet cafes chain: 69
 Volodymyrska St., 23 Moscovskiy
 Prospekt, 28 Vasylkivska St.

Production sharing agreements vital to energy sector



What is so special about the production sharing agreement law recently enacted into law? The answer is simple: These agreements provide the most modern, stable and attractive legal and fiscal instrument available to investors in the natural resources sector of Ukraine.

Considering Ukraine's quest for energy independence and diversification, which after 20 years finally seems to be evolving from declarations into real actions, this legal instrument is vital for attracting direct foreign investment.

Specifically, the agreements will ensure the inflow of investment into exploration and production of unconventional resources, including shale gas, as well as development in the Black Sea

The natural resources sector will not develop without major outside investment, which also brings the newest technology, know-how, international best practices and environmental standards, as well as much-needed competition.

In many other countries, investment

in the energy sector has proved to be an engine pushing the entire economy forward. The government of Ukraine understands that, too, but for more than 20 years failed to organize itself and exercise the political will needed.

On the contrary, those courageous few investors who took the risk and invested in the energy sector went through major pain and suffering at the hands of the government of Ukraine and Ukrainian courts. Their rights were threatened, subsoil licenses challenged, contracts cancelled.

As a result, most of the investment community voted with their feet (one U.S. major came and left Ukraine twice in 20 years), giving a collective and decisive "No!" Ukraine paid a high price for this. With no major foreign direct investment coming, the nation ended up with nothing but an underdeveloped and undercapitalized industry, lost opportunities and fundamental energy dependence.

We often hear that the success of the shale gas revolution in the U.S. and Canada was based on three things: technology, capital and a favorable legal/regulatory/fiscal framework. But for Ukraine there is one more crucial factor: the political will of the government. If this factor is now present, the technology and capital will arrive from investors.

The previous traditional legal instruments in the natural resources sector – licensings regimes (subsoil licenses,

joint activity agreements, joint ventures) did not do the trick. Those conditions subjected investors to an archaic, legalistic and conflicting legal system, and equally unacceptable implementation by an inefficient, bureaucratic, non-transparent, irrational and selective government. Investors mostly boycotted the licensing regime, refusing to be left to the mercy of the government and Ukrainian courts.

The only viable option was to carve out from the existing legal system a stable, civilized and legally solid space. Ukraine created such an alternative legal and fiscal instrument - a production sharing agreement, adopted in the 1990s, but it needed updating. The final push for these changes came just recently, with the newly adopted comprehensive amendments to the production sharing agreement law and other legislation. Production sharing agreements are now available either through PSA tenders or through conversion of existing subsoil licenses into PSAs (PSA conversion).

This newly amended law is a strong message to investors, with the government basically saying: "We will perform our regulatory functions during PSA tenders or PSA conversion, then we will negotiate a PSA with you as a business partner, and after the PSA is signed, the rules of the game will be clear and stable for you. We will monitor your PSA implementation as a

regulator, but will not interfere unless there is a violation on your part, and if we do, we will only do it respecting due process and invoking the dispute resolution mechanism provided in the PSA itself. Moreover, we also guarantee the stability of your PSA legal framework, and agree with several levels of international legal protection for you, waiving our sovereign immunity in case of a dispute."

Is this too good to be true?

And what does the government want in return?

In addition to classic expectations (development of energy sector, budget revenues, jobs, local content, etc.), the government also is asking investors in some projects, in particular in case of PSA tenders for onshore unconventionals, to accept and carry a local partner with a certain government stake in it. To justify this, the government most often cites the example of Turkey, where the national oil & gas company, TPAO/Turkish Petroleum Corporation, has a stake in every project with investors. So far, investors are accepting this balance and are actively participating in PSA tenders and contemplating PSA conversion projects.

With the new law in place, it is crucial that Ukraine does it right, meeting international standards of compliance and transparency. One more factor was highlighted by the ex-governor of Pennsylvania, Edward Rendell, who

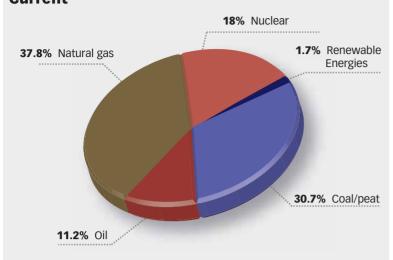
presided over a shale gas revolution in his state. He cited the win-win factor for all stakeholders — from land owners, to local communities, investors and the state. Ukraine's government must understand this too and must share the benefits of new projects with all stakeholders.

The recent legislation, in fact, puts Ukraine ahead of neighboring countries with comparable unconventional resources, such as Poland. Of course, Poland has a much better general legal/regulatory framework than Ukraine and is also guided by European Union regulations, but specifically in the energy sector, Ukraine has a definite advantage in having the production sharing agreements.

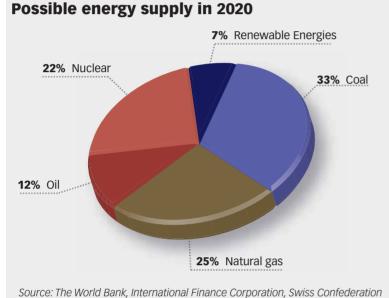
The energy community often refers to the Black Sea as the "sleeping beauty," which started waking up with the big commercial discovery in offshore Romania. Following this fairytale reference, I would call the energy sector of Ukraine a Cinderella for foreign direct investment. If the government is finally getting serious about offering investors real opportunities and the only acceptable legal framework — the PSA — to back them up, then our Cinderella is indeed on her way to the ball.

Irina Paliashvili is managing partner of the RULG-Ukrainian Legal Group and an executive committee member of the US-Ukraine Business Council

How energy share could change **Current***



Source: International Energy Agency *Share of TPES excludes electricity trade



Biofuel market's huge potential hostage of state policy, corruption

BY OKSANA GRYTSENKO GRYTSENKO@KYIVPOST.COM

Ukraine's combination of developed agriculture and energy dependence makes the country a perfect candidate for the use of biofuels. Making money on energy extracted from straw, pig or chicken manure could be a lucrative opportunity at a hand's reach. But it

Unfavorable and often changing legislation, as well as corruption, has caused both domestic and foreign investors to put off big projects.

'It's ridiculous that in an agrarian country with huge resources of biomass, everything is being done to prevent the development of this resource," said Georgy Geletukha, chairman of the Bioenergy Association of Ukraine.

Fifteen percent of Ukraine's territory is covered by forest, and 42 million hectares are designated as agricultural land, making biomass the most promising alternative energy source after small hydro, experts say.

In 2011, biofuels and waste products were used to produce 1.56 million tons of coal equivalent, a widely used energy measure. Experts say all the three forms of biofuels – solid, gaseous and liquid - have good prospects in the country.

Currently the most developed and widely produced are solid biofuels, such as husks of sunflower and pellets, byproducts of straw or wood shavings. In 2011 Ukraine produced 650,000 tons of solid biofuel in the form of pellets and briquettes, most of which was

Biogas may replace big share of Russian gas exports

exported to the West.

But the most lucrative is biogas, also known as biomethane which is produced from organic matter like pig or chicken manure or silage.

Experts say biogas could substitute up to 10 billion cubic meters of gas imports, significantly decreasing Ukraine's dependence of Russian

"It is cheap, it is environment friendly, and it allows recycling of piles of manure, which surround livestock complexes," said Vitaly Daviy, president of Ukraine's Association of Alternative Fuel and Energy Market Participants.

A number of investors, including Ukrainian egg-producer Avangard, Germany's Biogas Nord and France's mineral-processor Imerys announced plans to build biogas plants in Ukraine. Driving the trend were plans to impose a high green tariff for renewable energy, guaranteeing strong revenues.

But after lawmakers passed on Nov. 20 a bill amending the law on electric energy in which unclear rules and low green tariffs were enacted, many \rightarrow 16

Renewable energy accounts for tiny share, but hopes for rapid growth remain strong

 \rightarrow 7 small hydro stations. He noted that wind and biomass are too complicated in the given environment.

Wind energy developers, for example, face a 50 percent local content requirement, meaning the volume of goods and services used to construct a renewable energy facility must be sourced locally in order to qualify for high green tariffs. This upset foreign investors who are currently developing wind farm projects in Ukraine, but are still starting or have not yet either finished them.

Their concern is that the local production market isn't sufficiently developed to meet the growing demand of developers.

Thus, Kubrushko said: "I would also recommend buying existing projects from current owners or entering some ioint ventures rather than trying to develop projects from the beginning, as it always takes a lot of time."

Yet this hasn't kept investors at bay. The West Crimean Wind Energy Station, which is jointly owned by Belgiumregistered GreenWorx and Turkish Guris Insaat, is scheduled to start the construction of its 250-megawatt wind power generating facility in February.

EuroCape Ukraine, which belongs to Monaco-based EuroCape New Energy, plans to construct a 500-megawatt wind power plant in Zaporizhya oblast

And France's Filasa International has one of the most ambitious wind projects with five plants in the pipeline for a total capacity of 1,100 megawatts

Naftogaz and its subsidiaries receive about a third of total public procurement in 2012

Company	Amount, billion \$USD
Naftogaz Ukraine	19.86
Chornomornaftogaz*	0.492
Ukravtogaz*	0.218
Ukrgazvydobuvanya*	0.300
Ukrtransgaz*	0.516
Other subsidiaries	0.734
Total	22.12

Source: www.nashigroshi.org *Naftogaz subsidiaries

Naftogaz Ukraine, the nation's stateowned oil and gas monopoly, received every third dollar of public procurement money in 2012, according to procurement watchdog Nashigroshi, citing data culled from the official public procurement journal

Altogether, Naftogaz and its affiliate and subsidiary companies were awarded some \$22 billion in tenders in 2012.

- with construction on 600-megawatts capacity in total to begin this year.

Filasa's chief representative in Ukraine, Alexandre Vanguely, says they "continue to believe Ukraine's wind market is interesting." That's mostly because of the country's size, high tariffs, and growing economy. Heavy consumption coupled with a dependence on energy imports and international commitments to boost the share of

That's one-third of the \$65 billion that was published in the government public procurement journal for the year. Naftogaz also is in constant financial trouble and entirely reliant on state guarantees and financial assistance from the state budget. Thus, according to Ukrainska Pravda's economy section, Naftogaz had \$7.7 billion worth of debt obligations after the third quarter of 2012, more than \$2.5 billion of which to state-owned Oshchad Bank.

Naftogaz's website says the company accounts for one-eighth of the nation's gross domestic product and provides one-tenth of the state's budget revenues. The oil and gas behemoth says it employs 175,000 people, or 1 percent of Ukraine's employable population.

"More than 90 percent of the oil and gas in Ukraine is produced by the enterprises of the company," reads the monopoly's website.

renewables also play a role.

However, Vangeuly cautioned that 'we are concerned about the limitations and lack of transparency of legislation, which significantly reduces the investment attractiveness of such projects and limits its debt financing.'

Kyiv Post staff writer Yuriy Onyshkiv can be reached at onyshkiv@kyivpost.

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Sustainable Productivity



Electric car market has few sockets, waiting to charge up

BY DENIS RAFALSKY

DAEAL SKY@KAIN/BOST COM

While electric cars are catching on in the rest of the world, Ukraine they are practically unnoticeable in Ukraine. Greener, fuel-free vehicles remain a curiosity only to enthusiasts.

Pike Research, a U.S.-based clean technology specialist, forecasts that more than 1.8 million battery electric vehicles will be on Europe's roadways by 2020. Germany has its own plan of reaching 1 million electric cars by that year, according to Chancellor Angela

In Ukraine there are more than 200 hybrid, plug-in hybrid, and battery operated electric vehicles in Ukraine, of which 92 were registered in 2012, according to traffic police data.

Vitaly Vorontsov, a 44-year-old executive in Kyiv, owns one of them. He bought his four-seat electric car as a second family vehicle out of curiosity. "I am a gadget fan and am always ready to try something technically new," Vorontsov says.

The new toy cost him about Hr 180,000, or \$22,500.

Vorontsov admits that when he bought the electric-powered car he didn't think about the environment or saving money on fuel. But he was very happy to discover its advantages. "While I pay \$100 a week on gasoline



Serhiy Bogush of Bio Auto

for my fuel-run car, the electric car takes just Hr 30 worth of charging per week," Vorontsov says. "I feel as if I don't have to pay at all."

The car's helium battery lasts long enough for the car to cover 120 kilometers of road. In the winter, the battery runs out faster because of the heater. It takes six to eight hours to charge the car with use of an ordinary 220-volt power socket. Vorontsov feeds his car when he gets home, but carries an extension chord with him at all times,



and never misses a chance to power up elsewhere

Frequent charging is not a big deal for Vorontsov, who thinks that his electric vehicle is a great city car and is ideal for short-distance travel

Serhiy Bogush, commercial director of Bio Auto, which sells electric cars made by Hong Kong-based BIO Automotive Co, says that Vorontsov sounds like a typical electric car owner.

"Today's electric cars buyers in Ukraine are middle-class, middle-aged, have a family, calculate their expenses, and understand that buying an electric car makes a contribution to nature preservation," Bogush says.

According to Bogush, 30 autos were sold in 2012 in the price range of \$16,000 to 22,000. While Bogush admits that the car is more expensive than conventional ones, he says that the savings made by the low cost of charging compensates for the price of purchase - that is, if you can find where to charge it on the road.

Poor infrastructure is one of the problems stalling the sale of electric vehicles. Lots of investment is required, and, more importantly, the support of local governments and their dedication to building networks for quick charging. "No matter how rich and powerful a private company is, it won't get the matter moving alone," Bogush says.

Powerful stations can charge a battery within 20 minutes, and they cost \$20,000 to install. And Ukraine currently has none.

Corporate interest in electric vehicles is starting to emerge, however. DTEK, Ukraine's largest private vertically integrated energy holding that belongs to richest Ukrainian Rinat Akhmetov, bought three electric Mitsubishi i-MiEV vehicles in the summer for corporate needs.

The company said it was a pilot project, which could evolve into something bigger, including the creation of a network of recharging stations. Oleksander Tolkach, external relations director at DTEK, told the Kyiv Post that the pilot project is still running a half-year later.

"To make conclusions about the

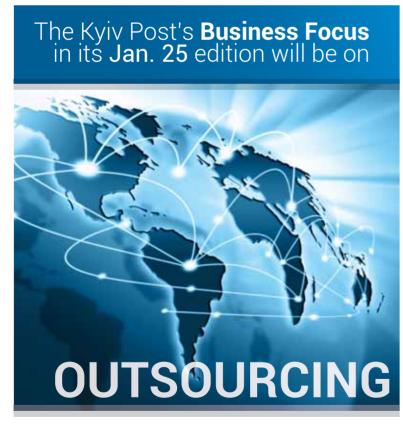
future of the project, we need results of examination including that of the use of electric vehicles in winter conditions," Tolkach said in email comments.

Tolkach added that DTEK is assessing proposals to construct recharging stations. "We can make a decision only after the pilot project ends," he said.

The emerging industry also has a shortage of car servicing stations. Bogush of BIO Auto says his company is working with existing conventional networks to service electric vehicles. Vorontsov thinks that quicker changes in infrastructure will accelerate when the number of electric vehicles on the road reaches a critics mass and will become too good of an opportunity to pass up for businesses and local authorities

Such a shift can occur if electric vehicles become a must for taxi or food delivery services. Bogush says local authorities in Yalta like the idea of having electric taxis, but there's still a long way to go before the plan receives official approval.

Kyiv Post staff writer Denis Rafalsky can be reached at rafalsky@kyivpost.



- What to expect in 2013?
- Interviews with industry leaders
- Obstacles to growth

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p.m. Free 4

p.m. Hr 25-35 0

p.m. Hr 40-50 2

p.m. Hr 30-50 6

Hr 15-30 6

p.m. Hr 15-150 0

p.m. Hr 10-200 6

100-450 4

20-200 2

Movies

Django Unchained (western).

Zhovten. 2:35 p.m., 5:30 p.m., 8:30

Jack Reacher (action). Kyiv. 10 a.m.,

The Hobbit: An Unexpected

Journey 3D (fantasy). Kyiv. 12:30

Elles (drama). Kinopanorama. 11

a.m., 1 p.m., 3 p.m., 5 p.m., 7 p.m., 11

Clubs

Russian Party. Ajour. 11 p.m. Free

Crash Disco Party. Saxon. 11 p.m.

Hen Party. Bionica. 11 p.m. Hr 20 for

Euro Hits Party. Manilov. 10 p.m.

Theaters

The Marriage (based on Nikolay

Gogol's play). Ivan Franko Theater. 7

Too Married Taxi Driver (comedy).

Lesva Ukrainka Theater. 7 p.m. Hr

Corsicanian (historical anecdote).

Drama & Comedy Theater on the left

Macbeth (opera), Opera Theater, 7

Shows

ManSound. National Tchaikovsky

Academy of Music. 4 p.m., 7 p.m. Hr

Aleksandr Ivanov and Rondo

Band. Docker Pub. 9 p.m. Hr 300-

bank of Dnipro. 7 p.m. Hr 50-80 4

for females, Hr 100 for males @

females, Hr 40 for males 1

2 p.m., 9:30 p.m. Hr 35-65 2

Going Out Guide

see address in the box below and on the pull-out map.

Comments and tips are welcome. Email the lifestyle team at Is@kvivpost.com

kvytky.ua, parter.ua, freedomhall.com.ua, bilethouse.com.ua, karabas.com, or biletik.ua. Nasluhu (funk, hip hop). Divan. 8 comedy). Lesya Ukrainka Theater. 7

p.m. Hr 20-200 2



Christmas carols with jazz interpretation

Traditional Ukrainian, Polish and American carols will be performed by Lviv modern ethno jazz band Shockolad in Kviv Planetarium on Jan. 19.

Playing drums, saxophone, keyboard and guitar the band is set to entertain the guests of the concert with their own jazz interpretation of well-known Christmas carols. The concert will be accompanied by exciting visual show screened on the Planetarium's huge spherical screen.

Founded in 2004, Shockolad is best known for their jazzy arrangements of Ukrainian and Polish poems. It is also a frequent participant of various international festivals.

ShockolaD. Jan.19. Kyiv Planetarium (57/3 Velyka Vasylkivska st.). 8 p.m. Hr 80-120

Friday, Jan. 18

Classical music

Baroque Christmas Night. Works of Bach, Buxtehude, Pachelbel, Daken (organ), House of Organ Music 7:30 p.m. Hr 30-100 2

Movies

Diango Unchained (western). Zhovten. 2:35 p.m., 5:30 p.m., 8:30 p.m. Hr 25-35 1

Jack Reacher (action). Kyiv. 10 a.m., 2 p.m., 9:30 p.m. Hr 35-65 2 The Hobbit: An Unexpected

Journey 3D (fantasy). Kyiv. 12:30 p.m. Hr 40-50 2

Elles (drama). Kinopanorama. 11 a.m., 1 p.m., 3 p.m., 7 p.m., 11 p.m. Hr 30-50 6

Live music

Motor'rola Chumaki & Mama Mia (rock, Italian disco), Docker Pub. 10 p.m. Hr 75 0

Ot Vinta & Red Rocks (rock hits). Docker's ABC, 10 p.m. Hr 75 2

MJ Project (disco). Art Club 44. 10

Bikfordov (indie). Divan. 8 p.m. Free 4

Clubs

Flirt Party. Seven Music Club. 11 p.m. Free for females, Hr 50 for

Club Fair Party. Egoist. 11 p.m. Hr Aquaholic Party. Party Room. 10 p.m. Free 6

Theaters

The Marriage of Figaro (comedy) Ivan Franko Theater, 7 p.m. Hr 20-200 1

Trees Die Standing (drama), Lesva Ukrainka Theater. 7 p.m. Hr 15-120 2

Playing Chonkin (comedy). Drama & Comedy Theater on the left bank of Dnipro. 7 p.m. Hr 50-80 4

Satisfaction (based on William Shakespeare's "The Merchant of Venice"). Molody Theater. 7 p.m. Hr

The Decameron (erotic comedy). Operetta Theater. 7 p.m. Hr 120-

Miscellaneous

The Flowers Of The Snow Queen (flower exhibition). Spivoche Pole park near Lavra. 9 a.m. - 9 p.m. Hr 25 (Free for kids under 7) (5)

Christmas And New Year

Holidays At Hutsulshchyna (photo exhibition). Ivan Honchar Museum. 10 a.m. – 5:30 p.m. Free 📵

Human Body Exhibition. NSC Olimpiyskyi. 10 a.m. - 7 p.m. Hr

The Treasures Of Asia. Museum of Bogdan and Varvara Khanenko. 10:30 a.m. - 5:30 p.m. Hr 8-30 @

Yuriy Gorbachov (art exhibition). Tseh Art Gallery (14 Dragomyrova St.). 10 a.m. - 8 p.m. Free

Kris Mikallef. Underwtr (multimedia exhibition). Kvartira 57 (37 Nyzhniy Val St.). 2 p.m. – 7 p.m. Free

Saturday, Jan.19

Classical music

Baroque Christmas Night. Works of Bach, Buxtehude, Handel, Soler (organ). House of Organ Music. 7:30 p.m. Hr 30-100 2

Christmas Concert. Works of Handel, Tchaikovsky, Reger, Faure, Christmas Songs. National Philharmonic, 7 p.m. Hr 40-80 1

Movies

Diango Unchained (western). Zhovten. 2:35 p.m., 5:30 p.m., 8:30 p.m. Hr 25-35 0

Jack Reacher (action), Kviv. 10 a.m., 2 p.m., 9:30 p.m. Hr 35-65 [MOV2]

The Hobbit: An Unexpected Journey 3D (fantasy). Kyiv. 12:30 p.m. Hr 40-50 2

Elles (drama). Kinopanorama. 11 a.m., 1 p.m., 3 p.m., 5 p.m., 7 p.m., 11 p.m. Hr 30-50 6

Live music

Ot Vinta & Beefeaters. Docker Pub. 10 p.m. Hr 75 1

Tabula Rasa & Crazy Train. Docker's ABC. 10 p.m. Hr 75 2

Wake Up (disco). Art Club 44. 10 p.m. Hr 50 3

Petr Kamennih & Drugie Dyadi (swing, reggae, folk). Divan. 8 p.m.

Clubs

DJFM Dance Party. Vodka Bar. 11 p.m. Free for females. Hr 80 for males @

Sexy Disco 90s Party, Seven Music Club. 11 p.m. Free for females, Hr 70 for males 2

Panda Party. Manilov. 10 p.m. Hr 20 for females. Hr 50 for males @

Mrs. Minister (comedy). Lesya Ukrainka Theater. 7 p.m. Hr 15-120 2 Opiskin, Foma (premiere). Drama & Comedy Theater on the left bank of

Operetta Theater. 7 p.m. Hr 80-150 9 Am I Crazy? (tragicomedy). New Theater On Pechersk. 7 p.m. Hr 60 @

Shows

Kvartal 95. Freedom Hall. 8 p.m. Hr 800-2500 2

Miscellaneous

The Flowers Of The Snow Queen (flower exhibition). Spivoche Pole park near Lavra. 9 a.m. - 9 p.m. Hr 25 (Free for kids under 7) (6)

Christmas And New Year Holidays At Hutsulshchyna (photo exhibition). Ivan Honchar Museum. 10 a.m. – 5:30 p.m. Free **5**

Human Body Exhibition. NSC Olimpiyskyi. 10 a.m. - 7 p.m. Hr

110-350 🕏 Epiphany Fun. Kyivska Rus Park. 10

a.m. – 5 p.m. Hr 40 **6** The Holiday Of Epiphany.

Pyrohovo Folk Open-Air Museum. 10 a.m. Hr 5-30 6

Walrus Festival. X-Park. 10 a.m. -7:30 p.m. Free 🐠

Epiphany With Cossacks. Mamayeva Sloboda. 8 p.m. Free (for liturgy,)Hr 20-50 (for Ukrainian speak ing visitors), Hr 100 (none-Ukrainian speaking visitors) 4

Yuriy Gorbachov (art exhibition). Tseh Art Gallery (14 Dragomyrova St.). 10 a.m. - 8 p.m. Free

Kris Mikallef. Underwtr (multimedia exhibition). Kvartira 57 (37 Nyzhniy Val St.), 2 p.m. – 7 p.m. Free

Sunday, Jan.20

Classical music

Kamerata National Ensemble Playing Strauss, Piazzolla, Vilensky. National Philharmonic. 7 p.m. Hr 45-90

Live music

Alexander Ivanov & Partizanskie Vytivky (rock). Docker Pub. 9 p.m. Fee to be announced 1

Tex-Mex Company. Docker's ABC.

Soyuz 44 (jazz jam session). Art Club 44. 10 p.m. Free 3

Theaters

Dnipro. 7 p.m. Hr 70-120 @ The Gypsy Baron (premiere).

Miscellaneous

The Flowers Of The Snow Queen (flower exhibition). Spivoche Pole park near Lavra. 9 a.m. - 9 p.m. Hr 25 (Free for kids under 7) (Free for kids under 7)

Christmas And New Year Holidays At Hutsulshchyna (photo exhibition). Ivan Honchar Museum. 10 a.m. - 5:30 p.m. Free €

Human Body Exhibition. NSC Olimpiyskyi. 10 a.m. - 7 p.m. Hr 110-350 🚱

Epiphany Fun. Kvivska Rus Park. 10 a.m. - 5 p.m. Hr 40 6

Yuriy Gorbachov (art exhibition). Tseh Art Gallery (14 Dragomyrova St.). 10 a.m. - 8 p.m. Free

Kris Mikallef. Underwtr (multimedia exhibition). Kvartira 57 (37 Nyzhniy Val St.). 2 p.m. - 7 p.m. Free

Monday, Jan.21

Classical music

Baroque Christmas Night, Works 7:30 p.m. Hr 30-100 2

Movies

Django Unchained (western). Zhovten. 2:35 p.m., 5:30 p.m., 8:30 p.m. Hr 25-35 🕕

Jack Reacher (action). Kyiv. 10 a.m., 2 p.m., 9:30 p.m. Hr 35-65 2 The Hobbit: An Unexpected

Journey 3D (fantasy). Kyiv. 12:30 p.m. Hr 40-50 2

Elles (drama). Kinopanorama. 11 a.m., 1 p.m., 3 p.m., 5 p.m., 7 p.m., 11 p.m. Hr 30-50 6

Live music

Karnavalnaya Zhara. Docker Pub. 9:30 p.m. Free 0

Animals Session (classic rock). Docker's ABC. 10 p.m. Free 2

Alyona Salova Quintet (jazz). Art Club 44, 10 p.m. Free 3

Theaters

The Imaginary Invalid (premiere,

Miscellaneous

Yuriv Gorbachov (art exhibition). Tseh Art Gallery (14 Dragomyrova St.). 10 a.m. - 8 p.m. Free

For tickets online, please visit

Kris Mikallef. Underwtr (multimedia exhibition). Kvartira 57 (37 Nyzhniy Val St.). 2 p.m. – 7 p.m. Free

Tuesday, Jan.22

Classical music Foreign Classics (piano, organ).

House of Organ Music. 7:30 p.m. Hr 20-80 2

Folk Music. Carols, Lyrical and Popular Songs. National Philharmonic. 7 p.m. Hr 40-80 🕕

Movies

Django Unchained (western). Zhovten. 2:35 p.m., 5:30 p.m., 8:30 p.m. Hr 25-35 0

Jack Reacher (action). Kyiv. 10 a.m., 2 p.m., 9:30 p.m. Hr 35-65 2

The Hobbit: An Unexpected Journey 3D (fantasy). Kyiv. 12:30 p.m. Hr 40-50 2

Elles (drama). Kinopanorama. 11 a.m., 1 p.m., 3 p.m., 5 p.m., 7 p.m., 11 p.m. Hr 30-50 6

Live music

Animals Session (classic rock). Docker Pub. 9:30 p.m. Free 1

Tres Deseos (latino party). Docker's ABC. 10 p.m. Hr 20 2 R.O.O.M. (alternative rock). Art Club

44. 10 p.m. Free 63 Guitar Jam Session (Bob Dylan's

covers). Divan. 8 p.m. Free 4 **Theaters**

The Follies of Love (farce). Lesya Ukrainka Theater. 7 p.m. Hr 20-200 2 Incrustations (poetic performance).

Molody Theater. 7 p.m. Hr 50-90 8 The Bat (operetta). Operetta Theater.

7 p.m. Hr 50-100 **9** Opera Mafiozo (musical comedy).

Palats Ukraina. 7 p.m. Hr 70 💵

Letter From An Unknown Woman (melodrama). Artist's House. 7 p.m. Hr 50-150 @

Miscellaneous Human Body Exhibition. NSC Olimpiyskyi. 10 a.m. - 7 p.m. Hr 110-350 🚱

Yuriy Gorbachov (art exhibition). Tseh Art Gallery (14 Dragomyrova St.). 10 a.m. – 8 p.m. Free

Kris Mikallef. Underwtr (multimedia exhibition). Kvartira 57 (37 Nyzhniy Val St.). 2 p.m. – 7 p.m. Free

Wednesday, Jan.23

Classical music

Lyatoshynsky Classical Music Ensemble Playing Requiem by Mozart. House of Organ Music. 7:30 p.m. Hr 30-100 2

Kyiv Soloists National Chamber Ensemble Playing Mozart, Britten. National Philharmonic. 7 p.m. Hr 45-90 **①**

Movies

Django Unchained (western). Zhovten. 2:35 p.m., 5:30 p.m., 8:30 p.m. Hr 25-35 **1**

Jack Reacher (action). Kyiv. 10 a.m., 2 p.m., 9:30 p.m. Hr 35-65 2

The Hobbit: An Unexpected Journey 3D (fantasy). Kyiv. 12:30 p.m. Hr 40-50 2

Elles (drama). Kinopanorama. 11 a.m., 1 p.m., 3 p.m., 5 p.m., 7 p.m., 11 p.m. Hr 30-50 6

Live music

The Magma (pop rock). Docker Pub.

Rockin' Wolves (rock). Docker's ABC. 10 p.m. Hr 30 2

Dok (jazz). Art Club 44. 10 p.m. Hr 30 LIV3] Jazz Wednesday with Mark Tokar & Dmitry Radzetskiy. Divan.

8 p.m. Free 4

Theaters The Easiest Way To Quit Smoking (performance by Kharkiv 'Theater 19'). Lesya Ukrainka Theater. 7 p.m. Hr 80-250 2

The Highest Good In The World (drama). Drama & Comedy Theater on the left bank of Dnipro. 7 p.m. Hr 50-80 4

Love Letters To Stalin (premiere). Molody Theater. 7 p.m. Hr 50-80 8 Mr. X (operetta), Operetta Theater, 7

p.m. Hr 80-100 9 Dead Souls (based on Nikolay Gogol

novel). Palats Ukraina. 7 p.m. Hr 70 1 Shows

Evgen Evtushenko & Oleksandr's Fokin Radiobend. Palats Ukriana. 7 p.m. Hr 50-550 0

Miscellaneous

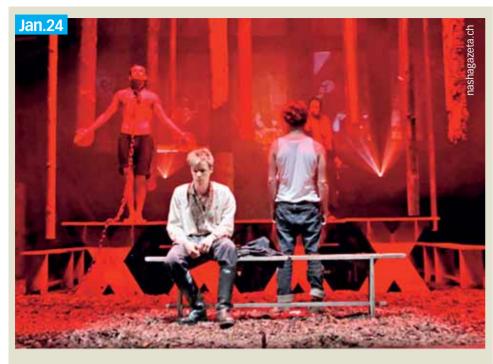
Human Body Exhibition. NSC Olimpiyskyi. 10 a.m. - 7 p.m. Hr



Epiphany celebrations at Kyivan Rus Park

Here's a nice opportunity to mark the Epiphany (the baptism of Jesus Christ), the holiday that ends the Christmas holiday period in Ukraine. Kyivan Rus Park will be hosting a huge variety of festivities this weekend. The visitors will have a chance to go for a sleigh ride on a horsed sledge, enjoy performances by park's horse theatre, and participate in the recreated process of medieval hunting. Apart from that, an ethno discothegue will be held at the park.

Epiphany celebrations. Jan.19-20. Kyivan Rus Park. 1 p.m. Hr



Viy, Ukrainian-Swiss premiere

The premiere of Viy performance based on a mystical story of Ukrainian-Russian writer Mykola Hohol, staged by Ukrainian contemporary Dakh Theatre and Swiss Vidy-Lausanne Theatre, will take place in Kyiv's Ivan Franko Ukrainian Drama Theatre on Jan.24. It features two Swiss men who went to a small Ukrainian village, one seeking relatives who disappeared during the Holodomor in 1933 and the other looking for adventures and willing to meet real witches. The play is performed in Ukrainian and French language. Viy. Jan.24. Ivan Franko Ukrainian Drama Theatre (3 Ivana Franka Sqr.). 7 p.m. Hr 90-350 0

Yuriy Gorbachov (art exhibition). Tseh Art Gallery (14 Dragomyrova St.), 10 a.m. - 8 p.m. Free

Kris Mikallef. Underwtr (multimedia exhibition). Kvartira 57 (37 Nyzhniy Val St.). 2 p.m. - 7 p.m. Free

Thursday, Jan.24

Classical music

Russian Music Evening (organ, piano). House of Organ Music. 7:30 p.m. Hr 20-80 2

Chamber Music Evening. Works of Bach, Beethoven, Brahms (piano, violin). National Philharmonic, 7 p.m. Hr 40-80 **1**

Movies

Mamma Mia (comedy). Kinopanorama, 7 p.m. Hr 40 6

French Movie Festival. Kyiv. 7:30 p.m. Hr 50 🙆

Live music

Vladimir Vysotsky Birthday Concert. Docker Pub. 9:30 p.m. Free 1 Mama Mia (Italian disco, rock). Docker's ABC. 10 p.m. Hr 30 2

Vexlarsky Orchestra (pop rock). Art Club 44. 10 p.m. Free 3

Topple & Voida (rock, indie). Divan. 8 p.m. Free 4

Theaters

Viy (by Vidy-Lausanne Sweeden theater and Dakh theater,). Ivan Franko Theater. 7 p.m. Hr 90-350 1

The Cherry Orchard (drama, based on Anton Chekhov play). Lesya Ukrainka Theater. 7 p.m. Hr 15-120 @

So Summer Is Over (based on Irwin Shaw novel 'Lucy Crown'). Drama & Comedy Theater on the left bank of Dnipro. 7 p.m. Hr 40-70 @

Empty Trash (comedy). Molody Theater. 7 p.m. Hr 50-90 8

Ball In Savoy (operetta). Operetta Theater, 7 p.m. Hr 80-120 9

Miscellaneous

Human Body Exhibition. NSC Olimpiyskyi. 10 a.m. - 7 p.m. Hr 110-350 🚱

Yuriv Gorbachov (art exhibition). Tseh Art Gallery (14 Dragomyrova St.). 10 a.m. - 8 p.m. Free

Kris Mikallef. Underwtr (multimedia exhibition). Kvartira 57 (37 Nyzhniy Val St.). 2 p.m. - 7 p.m. Free

Friday, Jan.25 Classical music

Baroque Christmas Night. Works of Handel (organ). House of Organ Music, 7:30 p.m. Hr 30-100 2

North Express. Academic Symphonic Orchestra of the National Philharmonic Playing Grieg, Nielsen, Sibelius, Gliere (piano), National Philharmonic, 7 p.m. Hr 30-120 **1**

Classics on Fridays. Works of Handel, Ravel, Bartok (violin, violoncello). Master Klass. 8 p.m. Hr

Movies

French Movie Festival. Kyiv. 7:30 p.m. Hr 50 2

Live music

Ot Vinta & Red Rocks (rock covers). Docker Pub. 10 p.m. Hr 75 1 Mad Heads XL & Whistlin' Dixie. Docker's ABC. 10 p.m. Hr 75

No Comments (disco). Art Club 44. 10 p.m. Hr 50 📵

Theaters

The Tempest (premiere, based on William Shakespeare's play). Ivan Franko Theater. 7 p.m. Hr 20-200 1

Dangerous Liaisons (drama). Drama & Comedy Theater on the left bank of Dnipro. 7 p.m. Hr 50-80 @

Uncle Vanya (play by Anton Chekhov). Molody Theater. 7 p.m. Hr 50-90 🔞

Where Do The Kids Come From? (comedy). Palats Ukraina, small stage. 7 p.m. Hr 90 0

Miscellaneous

Human Body Exhibition. NSC Olimpiyskyi. 10 a.m. - 7 p.m. Hr 110-350 😨

Yuriv Gorbachov (art exhibition). Tseh Art Gallery (14 Dragomyrova St.). 10 a.m. - 8 p.m. Free

Kris Mikallef. Underwtr (multimedia exhibition). Kvartira 57 (37 Nyzhniy Val St.). 2 p.m. – 7 p.m. Free

Saturday, Jan.26

Classical music

Works of Schubert, Liszt, Grieg, Bellman (organ). House of Organ Music, 7:30 p.m. Hr 50-200 2

Subscription No.8. The Magic Guitar. Works of Bach, Telemann, Duarte, Rodrigo. National Philharmonic. 7 p.m. Hr 20-100 1

Movies

French Movie Festival. Kyiv. 7:30

Live music

Mad Heads XL & Crazy Train. Docker Pub. 10 p.m. Hr 100 1

Bangladesh Ochestra & Tex-Mex Company. Docker's ABC. 10 p.m.

MJ Project (disco). Art Club 44. 10 p.m. Hr 50 🚯

Theaters

Wife Is Wife (comedy). Ivan Franko Theater. 7 p.m. Hr 20-200 [THE1]

The Queue (comedy). Drama & Comedy Theater on the left bank of Dnipro. 7 p.m. Hr 50-80 4

Fourth Sister (black comedy). Molody Theater. 7 p.m. Hr 50-90 ® Night Long Love (lyrical comedy). Operetta Theater. 7 p.m. Hr 120-650 **9**

Shows

Segodnya Nochyu (Tonight). Tolstoy Restaurant-club. 10 p.m. Hr 180 🚇

Miscellaneous

Human Body Exhibition. NSC Olimpiyskyi. 10 a.m. - 7 p.m. Hr

Kris Mikallef. Underwtr (multimedia exhibition). Kvartira 57 (37 Nyzhniy Val St.), 2 p.m. – 7 p.m. Free

Sunday, Jan.27

Classical music

Subscription No.6. Violin Music. Works of Mozart, Schumann, Chausson, Paganini. National Philharmonic. 7 p.m. Hr 20-100 1

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Nogu Svelo & Tex-Mex Company (rock, blues), Docker Pub. 9 p.m. Fee to be announced

Chill Out (disco rock). Docker's ABC. 10 p.m. Free 2

Soyuz 44 (jazz jam session). Art Club 44. 10 p.m. Free 63

Theaters

Month In Countryside (comedy). Koleso Theater. 7 p.m. Hr 70 [THE3]

Woyzeck. Carnival Of Flesh (premiere). Drama & Comedy Theater on the left bank of Dnipro. 7 p.m. Hr 70-120 4

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The Gypsy Baron (premiere). Operetta Theater, 7 p.m. Hr 80-150 9

Shows

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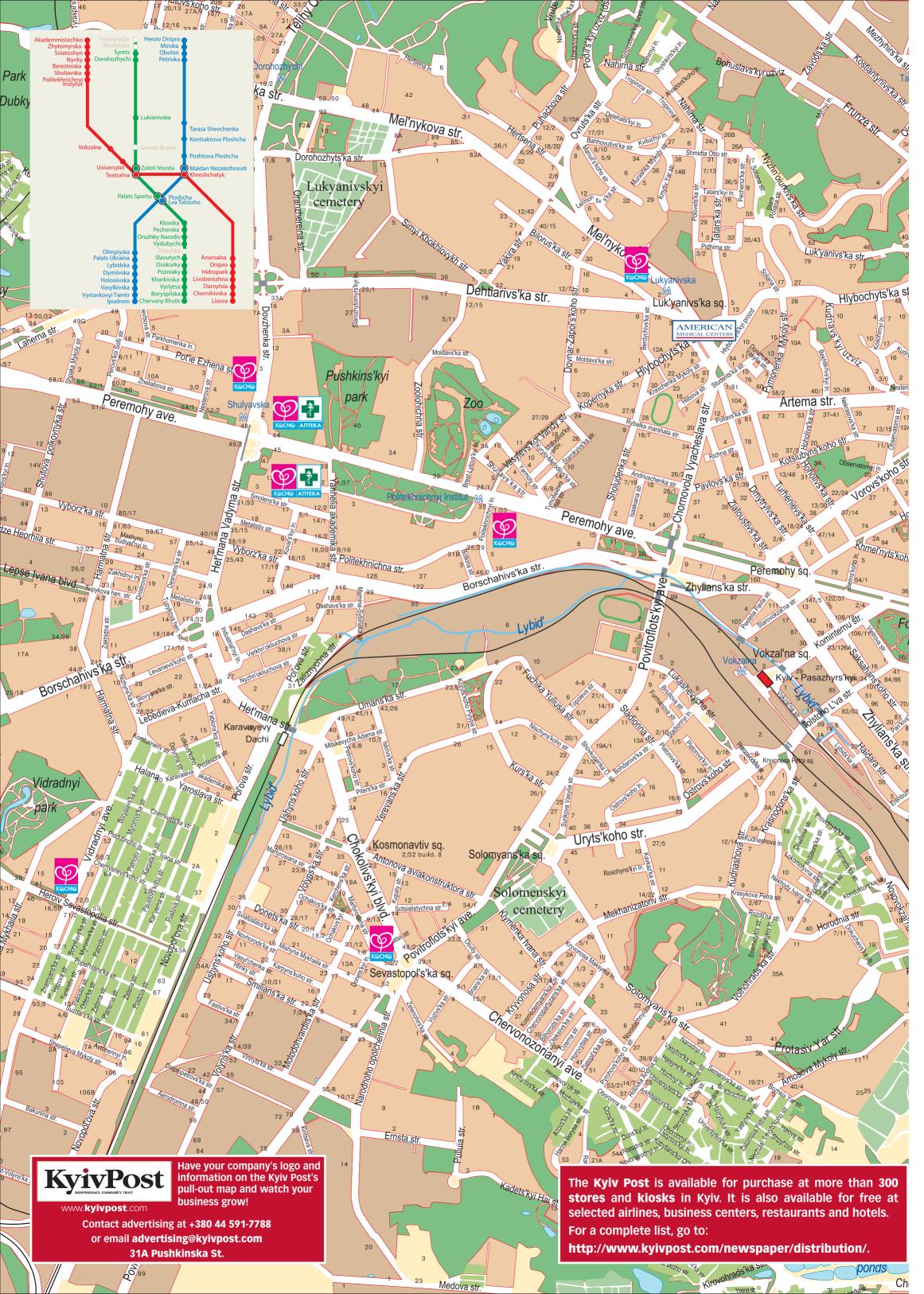
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Expats to Watch

Siemens Ukraine CEO sees big needs, potential ahead

BY BRIAN BONNER BONNER@KYIVPOSTCOM

Siemens AG, the technology powerhouse with more than \$100 billion in global sales last year, knows quite a bit about operating in corrupt nations such as Ukraine.

In fact, an epic scandal exposed German-based Siemens as fueling some of this corruption by bribing government officials to gain business. In 2008, the company paid a \$1.6 billion fine – half to Germany, half to the United States -- to settle allegations of bribery that took place in Argentina.

On a much smaller scale, Siemens' subsidiary in Ukraine last year paid a \$6,250 fine to settle the state antitrust body's accusation that it engaged in price fixing involving a supply contract with a hospital in Rivne.

The scandals transformed the company in a positive way, said Siemens Ukraine's CEO Cornelius Granig, who was appointed in October. After the 2008 case, he said Siemens launched an anti-corruption initiative, the appointment of a mostly new board of directors and a new CEO. As far as the local 2012 case, Granig said, the health sector manager responsible for the alleged price-fixing got fired.

Now, Granig said, Siemens is as honest and as transparent as a company can be. The first message that employees receive after logging onto their work computers is: "Compliance is not a program, it is a way of doing business!" The company no longer tolerates bribes to win contracts, Granig said, and employees who engage in such practices are fired.

"I'm very happy to work in such a company," said Granig. "It's clear for employees and for customers what we stand for. So there is no gray zone."

Granig, an Austrian citizen, came



Cornelius Granig

Age: 42 Citizenship: Austrian Position: CEO of Siemens Ukraine Years in country: Five years Tips for succeeding in Ukraine: "First of all, to understand the country, you should have Ukrainian friends. Then everything works. So move out of the 'ghetto' of the expats."

to Siemens Ukraine after serving as deputy board chairman of Raiffeissen Bank Aval for four years. Before that, he worked for a decade with IBM. He now leads a unit of Siemens with 300 employees (only three of whom are foreigners) and sales of approximately \$200 million a year.

It's a small operation for the big company, but given Siemens Ukraine's specialties – supplying cutting-edge technology in energy, health care, infrastructure and industry - the possibilities for growth seem unlimited in a nation that needs modernization almost everywhere.

In energy, Siemens is active in all areas except for nuclear and solar. A necessary to have more optimism about the country.

world leader in turbines, the global giant also has other equipment and technology to help Ukraine improve productivity and efficiency of its steel mills, iron ore mines, gas transportation network, electrical power stations, coal mines and wind power. It has equipment for the hoped-for shale gas boom ahead.

In the short run, Granig sees potential in the company helping to refurbish the nation's outdated power plants. "We call this a repowering," he said. "They have 50-year-old technology. In the meantime, Siemens has developed efficient power production with fewer

The company's single largest client is billionaire Rinat Akhmetov's System Capital Management, the large conglomerate. But another major client is ArcelorMittal, owner of the nation's largest steel mill in Kryvyi Rih. That plant is "truly state of the art," Granig said, but the prospects for heavy investment in Ukraine's other steel plants are dicey. "Many plants could produce more if they would modernize, but then the question is who would buy it because Chinese steel is cheaper," he said.

Siemens Ukraine also plans this

"We are currently in the process of discussing with different companies to whom we want to license the technology," Granig said.

Kyiv and Lviv will be the pilot cities, he said, for the faster, more comfortable and more energy efficient trams.

Granig also sees the need for construction of a high-speed train to shuttle people from Boryspil International Airport to Kyiv, a distance of about 32

So what's stopping Siemens Ukraine from boosting sales in these areas?

The answer is complex and varied. It involves Ukraine's lacks of public funds and access to private financing. The government is starved for cash and international banks are reluctant to lend in Ukraine because of the high risks and the lingering hangover from the 2004-2008 credit boom that went bust.

Ukraine is also being held back by the absence of a long-term strategy.

"We have a new energy minister. What I want to do is meet with him and help Ukraine develop a roadmap for the country," Granig said. "It's necessary to have a plan for the next

year to help upgrade Ukraine's aging 20-30 years. This is difficult in the political area to agree on such longterm projects. But without that, you won't have a long-term effect."

> Granig, however, sees reason for optimism if Ukraine's leaders create better conditions for young people and the European Union does more to help, including the relaxation of visa requirements so more Ukrainians can travel freely abroad.

> "For me, it's necessary to have more optimism about the country," Granig said. "It's necessary to create an environment so that young Ukrainians want to stay in the country. Of course, Ukraine needs external help. I really hope the European Union will do more than they have in the past."

> And Granig wants to be living in Ukraine when the brighter future

> "For me what is very interesting in Ukraine is that it's completely unclear where the journey will end," Granig said. "It's fascinating. It's only a oneand-a-half hour flight from my home and it's a hot spot. So life is never boring here."

> Kyiv Post chief editor Brian Bonner can be reached at bonner@kyivpost.com.

Renewables are beneficial for everyone — expert

In December, 2012 the President of European Renewable Energy Federation (EREF) and the representative of a number of umbrella organizations Rainer Hinrichs-Rahlwes arrived in Ukraine with his first official visit. The event was organized within the framework of the educational projects of Association of renewable energy "Alternativa" and was included into the top-10 list of the most important branch events

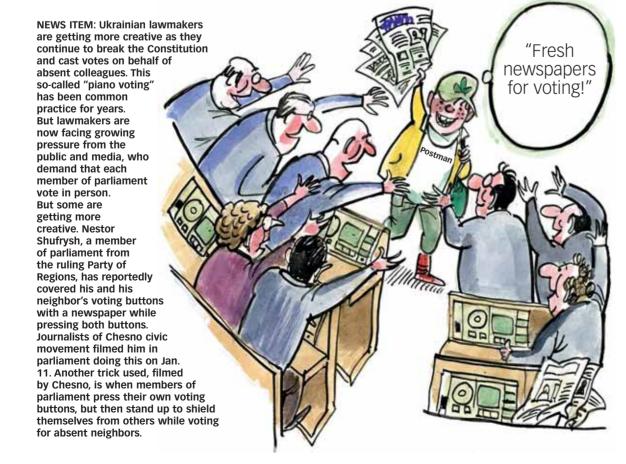


'Renewable energy is no longer a child, but a mature industry. It provides a stability of energy supplies, economic growth and sustainable jobs. Ukraine should stop huge financial support of traditional energy generation and focus on green technologies,' — that is the main headnote of his speech based on huge experience of successful implementation of branch development programs in Europe.

The EU realizes the potential of Ukraine and foreign investors which have entered our market have already proven it. The main problems of Ukraine, in expert's opinion, and they are much similar to those the EU countries had and sometimes still have, comprise lack of political stability of the overall system, little to no clarity about framework conditions for renewables, powerful lobby of traditional energy, lack of public support and clear mid-term and long-term perspectives missing. Rainer is convinced that "ambitious mid-term targets are needed, combined with an enabling policy framework — technology specific, differentiating according to size and site, granting remuneration for investors for a certain period — 10 or 15 years at least, if not 20. Support schemes must be effective and cost efficient, and they should trigger cost decrease and foster learning curves. A support scheme should be aimed at creating local jobs and develop local industry so that people see and feel the immediate benefit of renewables for their welfare and everyday life." By the end of 2011, renewable energy has already created more than 550 thousand jobs in 27 EU countries and gained public support. Rainer stated impressive fact as for Ukraine: 80 per cent of the population of Germany support renewables. That proves that based on public support as one of its essential drivers and clear targeting policy, Ukraine has all chances to meet the liabilities taken while joining.

European Energy Community and make its energy independence a realistic perspective. The steps which have been made in the renewable energy sector of Ukraine recently are of great value for the country, huge projects and developers in particular in solar sector favoured the creation of the new image of Ukraine as the country which cares of its energy independence and environment.

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Firtash expands energy reach

 \rightarrow **1** On Oct. 3, the Cabinet of Ministers cancelled the monopoly right of state-owned oil and gas giant Naftogaz to sell imported gas in the country. This exclusive right, with some later exceptions for chemical plants, was given to the state-owned company by ex-Premier Minister Yulia Tymoshenko in 2008 to cut out RosUkrEnergo and its subsidiary UkrGaz-Energo. She argued at the time that private companies, particularly intermediaries with little economic justification, should not be afforded preferential terms at the expense of a public entity.

Soon after this barrier was removed under the presidency of the imprisoned Tymoshenko's rival. Viktor Yanukovych. Firtash registered the new gas trading company.

According to business daily Kommersant Ukraine, Firtash's Ostchem Gas Trading was registered in Switzerland on Dec. 10 last year. Its main purpose will be to import gas from Turkmenistan, Kazakhstan and Russia and deliver it to Ukrainian enterprises, including his numerous energy intensive chemical plants.

Having inked lucrative deals with gas suppliers, Ostchem Gas Trading plans to import over 8 billion cubic meters of gas in 2013, around a quarter of the country's total imports.

"I supply gas at a lower price than the price set by the (Russia-Ukraine) gas contract," UNIAN news agency quoted Firtash as saying.

Since 2011 Firtash has also imported gas through Ostchem Holding Limited, a holding company for the billionaire's chemical businesses, including four



Dmytro Firtash

plants that produce nitrogen mineral fertilizers: Cherkasy Azot, Horlivka Concern Stirol, Severodonetsk Azot and Rivne Azot.

Ostchem Holding Limited imported nearly 8 billion cubic meters of natural gas in 2012, according to Energo Biznes magazine.

This year, the four chemical plants are expected to account for 6 of the 8 billion cubic meters to be imported by Ostchem Gas Trading, according to analysts at Kyiv-based investment bank Dragon Capital.

"In chemicals the basis is gas, 67 percent of its cost is gas," said Firtash in an interview to state Horlivka Radio. "It means, however much you are trying to save, whatever you are trying to do, (gas) is a problem.



In Africa gas costs \$24 per cubic meter, in the U.S. it is \$70 and in Russia \$100, Firtash said, which means Ukraine is paying way too much. Naftogaz spent \$430 per cubic meter of Russian gas in the fourth quarter

The remaining two billion cubic meters are expected to be sold to industry, largely via Firtash-controlled gas distribution networks. The billionaire has consolidated his grip over local gas distribution in the past year, increasing his stake in numerous regional oblgazes and municipal gas

This has been particularly visible during a round of privatizations in August through September of 2012, when 14 out of 17 tenders were won by business structures linked to Firtash according to leading Warsaw-based think tank Center for Eastern Studies.

The biggest part, 13 out of the 14 purchases, was bought by Gastek, an offshore company linked to Firtash according to news portal Ukrainska Pravda, for Hr 326 million (\$41 million). The 14th was acquired by Finlex-Invest, also reportedly tied to Firtash.

"Taking control of virtually all the privatized natural gas distribution companies has given Dmytro Firtash an effective monopoly of the Ukrainian gas distribution market," analyst Arkadiusz Sarna wrote.

Oleksandr Hudyma, energy expert and former parliamentary deputy from oppositional Batkivshchyna faction, said it is impossible to tell exactly how many oblgases out of nation's 25 Firtash does control as most of them were acquired through offshore companies. But according to public information and his estimates, the businessman owns stakes of 80-85 percent of all oblgases

These entities are strategic assets as they have an exclusive right to use regional gas pipes for free and supply gas to households, utilities and small

The liberalization of the gas import market has led to some questioning Ostchem's growing prominence and its impact on Naftogaz's revenues.

"On the one hand, another gas trader entering the market will negatively influence Naftogaz without any doubt,' said Bohdan Sokolovsky, former adviser to ex-President Viktor Yushchenko on energy issues. "But on the other hand it will increase competition, and competition is always a positive thing for both the final consumer and the

While Sokolovsky expects tough competition between Naftogaz and Ostchem Gas Trading, others worry that Firtash's company will simply substitute for the state-owned monopoly.

Presently regional gas distribution in Ukraine is considered a low profit business due to the state setting extremely low gas prices for the population. But this could quickly change if prices rise - a key condition for renewed cooperation with the International Monetary Fund, widely expected for the first half of the year.

Kyiv Post staff writer Oksana Faryna can be reached at faryna@kyivpost.com.

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Some say state officials are slow to grasp big potential of biofuels

→ 9 believe these projects were put at risk.

"These changes will give in fact nothing to the biogas (industry), and this sector in my opinion will not be developing," Geletukha said.

He added those who already built their plants will be discriminated, as the green tariff will only apply to plants launched after April 1, 2013. A requirement on locally produced equipment has also irked investors. Starting this year in order to qualify for green tariffs, 30 percent must be locally sourced, and in 2014, the rate increases to 50 percent of local sourcing.

Moreover, Geletukha added, biogas got a lower tariff than solar and wind energy (around 30 percent lower than what was expected), extending the payback period for such projects from 7-10 years to 12-15.

Olena Rybak, director of European-Ukrainian Energy Agency, believes that to be interesting for foreign firms, payback periods should be three to five years to compensate for Ukraine's

"When the payback is 6 or even 10 years it is too much," Rybak said. "These investments will hardly happen."

Several biogas projects, promoted by the European Bank for Reconstruction and Development, were frozen last year when it seemed they would not receive a green tariff, Rybak said. They have yet to be revived.

Yet Lidia Slivotska, spokeswoman of Avangard, said the new law is positive insomuch as "without this law biogas didn't have any prospects in Ukraine. But she added it's still unclear if the company would be able to benefit from the lucrative green tariff.

The stronger wind and solar energy lobbies are behind the relatively unfavorable norms for biogas, according to

Biomass energy potential in Ukraine

Fuel type	Energy potential (million tons of coal equivalent)
Grain straw	3.3
Corn husk	7.3
Sunflower husk	4.5
Wood residuals	2.0
Municipal solid waste	1.9
Fluid fuel (biodiesel, bioethanol)	2.8
Energy crops	13.6
Peat	0.6
Total	36

Source: Bloomberg 2011

Taras Rozputenko, senior associate of Gvozdiy & Oberkovych law firm, said Ukraine's legislation has no real norms favoring the development of biofuels. "There are no reasons to think that the state aims to develop this area or does something for this,"

Liquid biofuels, such as biodiesel and bioethanol could substitute petroleum and give a boost to the country's currently stagnating distilleries. Over 30,000 tons of motor fuel based on ethanol was generated in 2011, but experts say this number is far below Ukraine's potential.

Biogas and solid biofuels could also be applied for heating facilities, an idea hailed by officials. The State Agency on Energy Efficiency and Energy Saving of Ukraine allocated Hr 42 million for 45 projects on converting boiler houses that serve social facilities to alternative

But Geletukha said that with the low tariffs for gas consumed by communal services and households these projects are now not profitable for business.

Daviy forecasted the gradual development of solid and liquid biofuels in 2013 with fewer prospects for biogas. Ukraine's traditional headache of corruption is adding to the sectors legislative problems.

"It's hard to persuade a local official to agree on modernization of a boiler room from natural gas to biofuel if he receives paybacks from gas consumption," Daviy said.

Kyiv Post staff writer Oksana Grytsenko can be reached at grytsenko@

New profit center

→1 go through the state port could wait months for customs clearance, unless they paid expensive brokers connected to port management to expedite the delivery.

Valeriy Lokaychuk, the Odesa Oblast Council member and deputy head of its organized crime and corruption commission, said Euroterminal has effectively replaced the old system. However, at present, it is not clear if importers still can use the state-owned sea terminals for clearing their cargo. OCCRP reporters called the office at the sea port and were told all customs must now be cleared through Euroterminal. The website, however, still indicates customs can be done at the sea port.

Many importers, however, complain privately that they are pressured by customs officers into using Euroterminal.

The new terminal, while eliminating the need to hire well-connected brokers to expedite customs clearance, introduces new and higher fees. Under the old or new system, this is revenue that could have gone to the state. In the past, the money went to privileged brokers that Lokaychuk says were connected to high-ranking politicians. Now the money goes to Euroterminal.

Lokaychuk estimated that billions of dollars in revenues bypassed state coffers under the old system, in which each type of good had two corresponding entries: customs duties paid to the budget and the unofficial cash payments collected by chosen brokers.

How much revenue the state stands to lose because of Euroterminal remains to be seen, but it already appears to be substantial and growing.

According to Yuri Vaskov, the director of the state-owned Odesa Commercial Sea Port, Euroterminal has already received millions of dollars in fees. The seaport's current annual turnover has reached 20 million tons of cargo, but now an estimated 15 to 30 percent of the containers daily go



Sergey Lisitsin

through the new private terminal. And this revenue is set to increase, according to state terminal director Vaskov, as Euroterminal is undergoing a major expansion to boost its capacity.

Euroterminal management wouldn't provide any financial information, although customs brokers estimate that one container going through customs via Euroterminal brings around \$100 to \$500 in revenue to its owners in unloading, weighing, storage and other fees. Currently, Euroterminal processes around 300 containers daily, meaning that Euroterminal's annual revenues could easily reach \$20 million.

Dmytro Gambeev, head of an Odesabased firm that trades ceramic tiles, chose the state-owned sea terminal to undergo customs clearance procedures because it was cheaper than the privately owned alternative. But it wasn't easier or faster.

Clearing customs formalities recently took Gambeev two days, instead of the four hours as required by law. The businessman filmed his interaction with officials of the Southern Customs office, which blocked his cargo. He says they suggested that he complete his paperwork at the Euroterminal. Only after the video was posted on YouTube and Gambeev complained directly to



the customs' main office in Kyiv was his shipment cleared.

"At Euroterminal, you pay \$100 just for them to open the gate. Then you pay \$400 to transport your cargo from the port to the terminal," Gambeev said

The corresponding fees, according to an investigation by reporters for OCCRP, end up in the bank accounts of the offshore firm that controls Euroterminal. Its beneficiary owners, however, remain unknown, hidden behind a wall of lawyers and proxies.

The decision to award a private company the right to clear imports through customs was made by Yanukovych.

On April 8, 2011 the president instructed former head of Ukraine's Customs Ihor Kaletnyk to assist in the

opening of such a terminal, according to the presidential administration. Seven months later, Kaletnyk personally showed off the newly built terminal to the president.

In response to an OCCRP request to explain why the president would give such instructions for the benefit of a privately owned company, Oleksandr Khorolsky of the president's administration refused to comment because the issue "does not fit the norms of the law on access to public information."

All this prompts the question: How did this business get lucky enough to win the support of the president in capitalizing on huge revenue from cargo?

The winners

Euroterminal's ownership structure is opaque. Officially, Russian businessman Pavel Lisitsin is the president of Euroterminal. He is the brother of Sergey Lisitsin, the terminal's director.

When asked about the real owners of their company, Sergey Lisitsin, required that journalists from the OCCRP submit their questions via conventional mail. After no response was received for more than 45 days, OCCRP again contacted Euroterminal. Oleh Pedan, a representative for the terminal, said a response was sent. Asked for a copy of the letter, Pedan said: "We don't care what you think. We won't send a copy!"

The former head of Ukraine's Customs Service, Kaletnyk, likewise, avoided answering directly. "I don't know who are the owners," Kaletnyk said. "It's not really our responsibility to check owners. The company is registered according to the law – that's enough for us."

Asked about the owners of his competitors, Vaskov from the Odesa Commercial Sea Port, said the ownership likely lies in Russia and the United Kingdom but would not provide details.

According to the official company registry, more than 99 percent of Euroterminal is owned by Cyprusbased Northington Holdings.

Northington is the first link of a long chain. Northington Holdings Limited is owned by Cyprus-based Westrend Trading Limited, which, in turn, is co-owned by Chanteclair Management Limited, which is the property of Themis Professional Services Limited. The beneficiary of this chain, according to the Cyprus company registry, is the local Cyprus law firm of Georgiades & Pelides LLC.

This firm was established by Marcos Georgiades and Phivos Pelides, Cyprusbased lawyers. According to their biographies, they got their diplomas and started legal practice in the United Kingdom, but then moved to Cyprus. From time to time, they tour ex-Soviet republics to promote the use of offshore companies in managing corporate rights.

However, when contacted by OCCRP reporters, Georgiades said he had no connection to the company and that the company had been set up and controlled by another Cypriot lawyer, Evros Evripidou, a former member of the firm. Georgiades said their names should have been taken out of the company's documentation, but that hadn't been done.

A week later, Georgiades in an email to OCCRP said "Georgiades & Pelides has no involvement with these companies at all, and the shares in Westrend Trading Ltd have been transferred away from our nominee companies and I now understand that Mr. Evripidou has updated the filings at the companies registry showing the change in shareholders. As I have already told you we have no record of these companies in our law firm."

When contacted by OCCRP and asked about the ownership of Euroterminal, Evripidou told reporters "Are you expecting me to tell you who is the owner of the company? This is a silly question." Evripidou responded to further questions on ownership by saying "I am sorry I cannot be of any assistance."

The Cyprus registry does not yet show new owners.

Support for the terminal comes from high up, says Lokaychuk. "The terminal couldn't be opened for a long time after being completed. Who would give permission to open it? Who would give you access to one kilometer of the border?" exclaimed Lokaychuk.

A customs official, speaking on the condition of anonymity for fear of losing his job, said Euroterminal's preferential treatment hides another beneficiary who likely will never show up on any paperwork.



How Ukraine can triumph during OSCE chairmanship



When Ukraine kicks off its chairmanship of the Organization for Security and Cooperation in Europe, the world's largest regional security organization, it will be the start of a crucial year and a moment to reset expectations for what the OSCE can be.

In Vienna, there will be speeches, applause and when the toasts are done. When Foreign Minister Leonid Kozhara heads back to Kyiv, some in Vienna may want to blow off any lofty chairmanship goals as New Year hype.

We must not let that happen. Ukraine must beat expectations for the sake of the OSCE.

Given the chance to stand out in the international community as an established and independent world actor, Ukraine must demonstrate its potential to be a global political bridge between East and West and help the OSCE succeed on security matters where it has too often fallen short.

From Internet freedom and human rights to energy security and climate change, frozen conflicts to the broken nature of OSCE decision-making, Ukraine should view its chairmanship as an opportunity to, as Kozhara said, "change the mindset" at the OSCE.

Promyslova Str. 18

08702 Obukhiv

Freedom online

Ukraine proved its leadership last year, co-sponsoring a draft declaration on fundamental freedoms in the digital age. Forty-seven OSCE countries stood with them on this simple notion that our commitment to human rights does not change with new technology. Now Ukraine must work to get the nine remaining OSCE countries on board. If successful, Kozhara would be credited with modernizing an organization that many still see as rooted in the Cold War.

New approach to energy

Kyiv may have its own plate full on the energy agenda, but the OSCE provides a platform to broaden this discussion. Kozhara's goal to emphasize the environmental impact of energy security at the OSCE is a smart approach. Whether we are talking transit or exploration, I hope he will include the Arctic frontier high on this agenda. Ukraine could adopt a two-fold approach with this regard: increasing co-operation with the Arctic Council and creating a coherent OSCE Arctic strategy building on past projects.

To most effectively address these concerns, I also recommend action on food security – the concept that links climate change with human rights. Swift action is needed to avert humanitarian catastrophes in the OSCE area. Inaction would entail a price too high, especially for our poorest citizens.



Proud peacemaker

Bringing new creativity from Kyiv to these issues can help revitalize the OSCE, but nothing could give this security organization a bigger boost in 2013 than a peaceful breakthrough in one of the protracted conflicts. And no country is better suited to achieve this in its chairmanship than Ukraine.

Ukraine stands in a privileged and strategic position to tackle security and humanitarian questions stalled in the OSCE. The Transdniestrian conflict can reach a decisive breakthrough if Ukraine, through closely working with its partners in the 5+2 negotiations, adopts a courageous approach and commits to accelerating the recently re-started process.

This chairmanship also should take

advantage of its historical relationship with Belarus and other CIS members, to encourage progress on commitments in the field of human rights.

To truly beat expectations that the OSCE chairmanship is not just some rotating title – that it can have tangible meaning – Kyiv should work starting today to realize its potential impact. The 323-member OSCE Parliamentary Assembly – the democratic base of the organization - has laid out numerous recommendations in its annual declarations that could improve the work of the OSCE and we stand ready to work with the Ukrainian chairmanship to help make this year a success.

Stand for reform

I fully endorse the chairmanship's

ambitious goals and pragmatic proposals. But at the outset of this year, Ukraine has a choice. Will Kozhara be content just to be the steward of the OSCE and let one year pass to the next, or will Kyiv turn the key to unlock the spirit of Helsinki as we approach the 40th anniversary of our historic agreement? To make a difference, reform of the OSCE cannot be postponed any longer.

Last November, Ukraine and Belarus discussed the need to enhance the OSCE's economic and environmental dimension. I could not agree more. And Kozhara's call for constructive contributions from civil society is right in line with OSCE Parliamentary Assembly recommendations for a more transparent OSCE, one where the Vienna structures welcome greater input from NGOs. But the change most needed is even more fundamental. The consensus rule must end. To avoid stalemates and strengthen our decision-making process, no one country can be allowed to wield a veto in secret as the rules allow at present.

Ukraine will need to invest the time, patience and political will to make these changes real, to make the OSCE matter and to make the Kyiv ministerial an event that caps a year of beating expectations.

Riccardo Migliori is president of the OSCE Parliamentary Assembly and a member of the Italian parliament.



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Tuchynska: Travel brings perspective

→4 how much they have changed – streets are cleaner, roads are mended and housing is improving. Solar batteries are set up on the roofs of even modest village huts. But when I go to towns in Ukraine, year after year, I only see things in decay, old Soviet-built infrastructure falling apart and nothing to replace it.

When newspapers in India expose corruption, public pressure often forces the government to take action. Food safety is taken very seriously, with strict checks of the quality of products, and the government, especially in China, is severely punishing manufacturers who add harmful ingredients. This is a far cry from Ukraine where there is virtually no control over what people eat and quality certificates from the government bodies are easily bought.

Even in poor countries like the Philippines one sees that small business is everywhere, with dozens of small shops — cafes, repair shops, laundries, barbers, small hotels — on every step of every street. Because there is a lot of competition, the quality of food and services is much higher than in Ukraine. All businesses have a plate on the wall which displays their taxpayer number.

In Ukraine, the only way to run a successful small business is to avoid registering and paying taxes for as long as you can. Because the moment you register you will have to become

When Ukraine falls behind so many nations, it's depressing

an accountant or hire one to manage very complicated taxes, not to mention getting licenses, and paying bribes to fire or health and safety department officials, and so on.

Or, like in my close relative's case, the tax officer will show up at the door and say: "You have to pay me something, because I cannot leave empty-handed. If you don't — I will examine all your paperwork and I will find something wrong, only this will take longer."

Instead of dealing with the elephant in the room, high-ranking government officials in Ukraine indulge in ridiculous activities like opening playgrounds in downtown Kyiv with "happy animals" who pay taxes and unhappy ones who do not, trying to teach kids to pay up. While kids might be fooled, their

parents certainly know how the system works.

Again, in the Philippines, every taxi has a meter. In Ukraine, 21 years after independence, the government has not managed to even do that. What they take pride in – launching Sky Taxi from Boryspil where sky stands for the skyhigh prices it charges. While my ride home with normal taxi services cost about Hr 170 (\$21), the Sky Taxi would cost Hr 330.

It seems that all the decent, smart and honest people in Ukraine have retreated to their own inner exile – trying to live their lives as isolated from any contacts with officials and the government. Most of them also do not participate in any form of civic activity. In most cases, this is a defense mechanism required for staying sane.

One Soviet dissident writer said that before the fall of Soviet Union many hoped that, when the oppressive regime falls, all sorts of intellectuals, new leaders and enthusiasts will emerge into the sunshine and take charge. Turned out, there were none. This reminds me so much of Ukraine now.

As many countries progress it seems that Ukraine is left behind like a broken old van. Will we ever be able to catch up or are we destined to keep falling behind?

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January 18, 2013

www.kyivpost.com

Children unconvinced of playground's pro-tax payment message



BY DARYNA SHEVCHENKO

SHEVCHENKO@KYIVPOST.COM

The Little Prince and other fictional characters at Peizazhna Alley, a popular park in central Kviv, have two new surprising neighbors with their own stories to tell: a racketeer-spider and smuggler-scorpion.

Both belong to the shady economic world depicted on one side of a bridge at the park's new playground, opened

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on Jan. 14. The fair economic world is on the other side.

The idea is to juxtapose Ukraine's two-sided economy in a playground that features the dark side complete with bribes, smuggling and poverty, and the light - honest taxpayers, welfare and supportive officials came from Kyiv sculptor Kostyantyn Skrytutskyi and Fedir Balandin, who heads the Kyiv Strategy 2025 civic organization.

This duo had previously spawned other attractions at the colorful alleyway park.

"This time it's not just about fun, but education as well," Balandin says.

Together with city and central bank officials, the playground's founders believe this will help parents explain to children the importance of paying taxes, and on time.

To get from the bad world to the good one, children must cross the

Bridge of Justice which stands over the Hryvnia River, named after Ukraine's national currency. "Starting from springtime financial flows will start circulating there," Balandin promised during the ribbon-cutting ceremony attended by top officials, including Oleksandr Popov, who runs the Kyiv city administration, and Serhiy Arbuzov, the deputy prime minister and former central bank head.

Later the sculptors explained \rightarrow 22

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Kyiv history museum reopens after 9 years

Kyiv celebrated its 1530th birthday last year with, among others, the re-appearance of the city's history museum following nine years of displacement. It opened last summer and has since hosted a permanent exhibition, which covers events dating to the Kyivan Rus period up to modern times that took place in the city, as well as the historic figures that drove them.

Kyiv's history museum dates to 1978 when it was established inside the Klovsky Palace, an 18thcentury building located in the heart of the city. It was once one of Kyiv's top landmarks.

But it was closed in 2003 to make way for the Supreme Court, following a government resolution and all the showpieces were locked up in Ukrainsky Dim (Ukrainian House), the capital's exhibition center.

Nine years later it found a new home inside a modern four-storey building near the capital's main avenue Khreshchatyk.

"The museum has come back to life," says Liudmyla Moroz, the deputy head of scientific and cultural activities. "It's great we've got a building in the city center."

The place has already become popular with tourists and locals alike. According to Moroz, more than 20,000 people have visited the museum since it opened in August, and the same number of visitors attended various temporary exhibitions.

The museum's main exhibition, called Kyiv and Kyivans, occupies 1,400 square meters and is housed on two floors. It is conveniently divided into eras, with the Kyivan Rus, Soviet and modern period comprising the bulk.

Apart from clothing, pottery and some everyday items used by ancient residents of Kyivan Rus, a rare collection of silver coins made in the 10th century under Volodymyr the Great and ancient military outfits are on display in the museum. The gilded statue of Saint Archangel Michael which decorated the building of the Kyiv magistrate in the 18th century is another gem of the museum's collection. So is the prayer book printed in 16th century by Ivan Fedorov known as the first Ukrainian printer.

The modern section features awards showing Ukraine's latest achievements in sports and in other fields, while the Soviet period displays a collection of clothing, musical instruments, photo cameras and paintings. It also includes documents showing the role of political leaders, scientists \rightarrow 21

Protesters say mall tank unsuitable for Big John

BY OLGA RUDENKO

Kyivans are concerned about Big John, a roughly two-meter long sand tiger shark being kept in an aquarium in the capital's newest megamall.

The appearance of new malls in Kyiv usually generates buzz among the city's shoppers. But with Ocean Plaza, Kyiv's latest big mall, it is much more complicated. Two months after opening in November 2012, the place has become known as an alleged shark

In early January conservationists from Zemlyane group accused Ocean Plaza of keeping Big John in abusive conditions. In turn, the mall says the sand shark feels fine.

The impressive aquarium has drawn huge crowds to the mall. Five sharks were delivered in early December, soon after the opening. Four of them

are rather small and swim comfortably in the circular 300-cubic-meter body of water

But the fate of the fifth, Big John, has aroused the public's attention. Along with activists, ordinary mall visitors have expressed concern in social media, raising doubts that the huge fish is comfortable in an aquarium where it hardly can turn around.

"It obviously doesn't feel good in that small aquarium," says Viktoria Svitlova from Zemlyane group. "The shark's snout is scratched, because it rubs the corals when it turns.

Svitlova coordinated a small rally consisting of several dozen people who came to Ocean Plaza in the morning of Jan. 12 to protest animal cruelty. In response, the protesters were promised a meeting with the mall's management.

"They promised to call, and we're still waiting," said Svitlova on Jan. 14. "We demand that either the mall's



aquarium be enlarged or the shark is given another place with a bigger aguarium.

According to a statement issued by the mall's management, the aquarium is big enough to hold fish up to 2.5 meters in length. The statement also said the wounds seen on the shark's nose were caused during transportation.

"For big (shark) species it takes about two months to get used to a new place, and it's only been a month for our sharks," reads the statement.

It also noted that sand tiger sharks don't swim much, preferring to hover inside underwater caves hunting for weak or wounded fish.

The mall says Big John was caught in the ocean at a very young age and was bred in captivity. Big sharks can live in aquariums for 8-10 years, but Big John is unlikely to stay in Kyiv for so long. The shark will move to another aquarium in Europe, according to a statement made by Aqua Logo, the Russian company that created and is maintaining the aquarium at Ocean Plaza mall.

"This is not appropriate," Peter Newman, director of the Marine Centre aquarium manufacturer in the UK said when asked about keeping a twometer-long shark in a tank that size.

"If you consider that it has difficulty in swimming naturally then it'a not in an appropriate environment. In the UK the owners would be prosecuted."

According to Igor Sheremetiev, an author of several books on aquarium fish, conditions for the shark at Ocean Plaza are acceptable and won't cause death or illness for the fish.

"If the shark can turn around - and it does - then it's fine," he told the Kyiv Post.

"If you put a man in a one-meter cage, he probably won't die of it. But is that a life?" doubts Svitlova.

If Ocean Plaza ignores the demands, protesters are going to call on Kyivans to boycott it as a shopping destination.

Kyiv Post staff writer Olga Rudenko can be reached at rudenko@kyivpost.



Japanese animation festival

A collection of seven award-winning modern Japanese animation movies will be screened during the Japanese animation festival on Jan.26-27 in Kyiv's Kinopanorama cinema. The festival will feature Bungaku Shoujo (2010), Momo e no Tegami (2011), Ookami Kodomo no Ame to Yuki (2012), Berserk Ougon Jidai-Hen I: Haou no Tamago (2012), Berserk Ougon Jidai-Hen II: Doldrey Koryaku and others. While some of the movies are dubbed, the rest will be shown in original language with Ukrainian and English subtitles. For detailed schedule go to http://reanifest.ru/kiev.

Japanese Animation Festival. Jan. 26-27. Kinopanorama (19 Shota Rustavelli

Author of sex guide finds Ukrainian women feminine but also corpse-like

BY OLGA RUDENKO

While most travel guides focus on sightseeing, history and some tips for getting around, a newly published "Bang Ukraine" guide advises guys how to get in bed with Ukrainian women. It was released by American author and sex traveler named Roosh Vorek, 33, who writes under the pen name "Roosh V."

The author spent three months in Kharkiv. It's his 10th travel guide of this sort. Previously he wrote about his sex tourism experience in Poland, Latvia, Iceland, Brazil and other countries. According to Roosh's website www. bangguides.com, the Ukraine guide is the longest one at 110 pages.

The sex travel guide starts out by saying that Ukraine is the strangest place the author has been to, and that Ukrainian women are the only thing not wrong with the country. Roosh points out their extreme femininity, but says they're rather cold, "like corpses," and it takes time to get close to them.

"An American girl on the first date is a Ukrainian girl on the fourth," the book says.

He also says women do not like drinking much, are not talkative and put a lot of effort into their appearance but not so much into their personalities.

Roosh advises to be careful with



The book cover to a sex travel guide for men visiting Ukraine. It is written by an American author.

women who are 25 or older, because they would put any man in what he calls "a husband category," and won't see him as a potential lover. The reason is the pressure that female relatives place on unmarried women about their "failure" for not tying the knot, making them desperate.

"The sweet spot for Ukrainian girls is around 22," the author claims.

He also emphasizes the importance of making up a cover story for being in Ukraine, since women are suspicious that foreign men are sex tourists. Pretending to be on vacation, he says, will only suffice in Kyiv or Lviv, key tourist destinations. Other Ukrainian cities, which Roosh calls "shitholes," require more creativity for foreign men to explain their presence. He also advises to be vague about the length

In the online sample pages of the book, the author doesn't say how successful his trip to Ukraine was as a sex tourist, listing only two dating

"In terms of women, Roosh describes them pretty accurately," says a review by the reader under "A Simple Man" nickname at Amazon. "I remember having just got off the plane and getting into the city being struck by how the girls looked and composed themselves. I would say 75 percent of the girls were 'bangable' and the top third really could just be picked up and dropped off at a photoshoot."

Another reader says that sex guide is the best of five Roosh's guides that he preciously read.

The book is available on Amazon

Kyiv Post staff writer Olga Rudenko can be reached at rudenko@kyivpost.

Made in Ukraine netsuke coveted by collectors

BY DENIS RAFALSKY RAFALSKY@KYIVPOST.CON

They do not wear kimonos to work, but these Ukrainians are no strangers to Japanese culture and art. In fact.

they have enough knowledge and skill to produce valuable items on their own

Ukraine has a small but skilled group of artists who make netsuke, traditional miniature carved figures that were once used in Japan to secure a money sash worn over the kimono. Originally a practical item, netsukes evolved into an art form. Today, the carved

worldwide, not just in Japan. Although the little sculpture of hardwood or animal bone is usually the size of a cherry tomato, the lowerend items start at several hundred dollars per piece. Ukrainian netsuke artists have mastered the art so well that their pieces can fetch up to several thousand dollars from collectors.

nuggets are collector items

"Our masters have a God's gift," says Oleksander Derkachenko. The 48-year- old Kyiv native was the curator of a netsuke gallery in the capital in the 2000s. But more importantly, he is president of Ukraine Netsuke Society and one of the most successful Ukrainian carvers.

He carved his first item in 1990 from a wooden leg of a broken chair using a simple scalpel. He calls his first piece a miniature sculpture and says it took him seven years of practice to produce his first genuine netsuke.

Derkachenko says that mastery in this peculiar art form comes from confidence, which, in turn, comes from experience. He now calls himself a netsukeshi, a netsuke carver in Japanese.

"Every carver can become a 'netsukeshi' but perceiving the depth of netsuke only comes through devoted practice, thorough reading heaps of books," Derkachenko says.

There are only about a dozen



Made by Oleksander Derkachenko, Jurojin, a Japanese Lucky God of Longevity, travels on a tortoise. (Courtesy)

whom consider the art a hobby rather than a job. "Our masters are selftaught men," Derkachenko says.

Typically, like Derkachenko, they developed an interest in the dinky ornaments and then tried to learn as much as they could about the craft.

The most common type of netsuke, katabori, is three-dimensional, so all sides are equally important. Other types of netsuke can be tiny masks, often an imitation of full-size noh masks used in traditional drama performances, as well as disk-shaped or stick shapes, with carvings on top.

Derkachenko's prefers katabori. He often picks the popular seven gods of happiness. "They are vivid, they help simple people," Derkachenko explains with a smile.

Animals, fish and birds are the favorite subjects of another prominent Ukrainian netsukeshi Serhiy Osypov.

"The work must completely satisfy me. If I don't like the netsuke I will throw it away," says Osypov, who has a reputation as a perfectionist and a

of such people in Ukraine, most of hermit in his community Ukrainian netsukeshi Oleksander Derkachenko is at work. (Courtesy)

He is also one of the best artists, with his works fetching close to 2,000 euros. Some of them ended up in the Japanese imperial family's collection. Princess Takamado has more than 10 of Osypov's netsuke, as well as some works by Derkachenko.

A proper netsuke is not just a visual art form. Tactile contact is needed to be appreciated properly. The little figure should be comfortable to handle, it mustn't have any sharp corners or edges, despite having many intricate details.

Old-style netsuke were mostly made of ivory and different types of wood, often boxwood. Since ivory became illegal, masters have used a wide range of materials, sometimes quite exotic like fangs of a wolf or walrus and mammoth tusks.

In Ukraine, plenty of fossil ivory is still available for carvers.

"Recently, I was offered a huge mammoth tusk 3.5 meters long and 30 centimeters thick in root," Derkachenko says. "There were so many fossils brought from Siberia in the Soviet times that we, the carvers, still use it."

The wide range of materials available now invites masters to carve extravagant pieces sometimes decorated with gold, silver and gems. They contrast with older pieces which occasionally were ornamented with horn and corals.

In Ukraine, the largest public collection of netsuke is owned by Kyiv's Khanenko Museum located on 15-17 Tereshchenkivska St. It has about 90 figurines on display from the 18th-19th centuries.

Halyna Bilenko, manager of the museum's Eastern arts department museum, says the nation's masters deserve their fame. "When (an artist) doesn't copy some old netsuke but signs it his own work, it is a 100 percent piece of art," Bilenko says.

Collecting netsuke is an expensive hobby, but it's slowly catching on in Ukraine. Lawmaker Oleksander Feldman from Kharkiv, a wealthy real estate developer, Andriy Ivanov from Kyiv and lawyer Borys Fylatov from Dnipropetrovsk are a few collectors.

Osypov jokes that netsuke admirers are "serial collectors" because they can't stop buying new items. Likewise, the netsukeshi, or masters, can't quit making them.

"We share a 'netsukephrenia' that is resistant to a cure," Osypov says.

Kyiv Post staff writer Denis Rafalsky can be reached at rafalsky@kyivpost.

Traditional netsuke exhibition can be viewed at Khanenko Museum

15-17 Tereshchenkivska Street. +38 (044) 235-32-90, 288-14-50, 235-

Open 10:30 a.m. till 5:30 p.m, except Mondays and Tuesdays.

More info on netsuke can be found on the English language version of websites of Oleksander Derkachenko http://derkachenko.com.ua and Serhiy Osypov http://osipovnetsuke.

International Netsuke Society also has its own website http://www. netsuke.org/



A museum guide showing the miniature of ancient Kyiv to a group of students from Singapore. The visitors can hire guided tours in English, French, Russian and Ukrainian at the Kyiv History Museum and Exhibition Center that opened its doors last summer. (Kostyantyn Chernichkin)

History museum of capital given new home in convenient spot

 \rightarrow **19** and artists of that period for the history of Kyiv and Ukraine in general.

"I really like this museum. It is like a record of Kyiv history from ancient to modern times," said Ian Lo, a student from Singapore who came to the museum with a group of friends on the day the Kyiv Post visited it.

The museum offers guided tours in English, French, Ukrainian and Russian. Moreover, it is equipped with plasma screens and other multimedia technology providing additional visual and audio information for visitors.

"There is no museum in Kyiv with such a huge amount of plasma screens," says Moroz. "Some showpieces that didn't make it into the exhibition are shown on the screens, she adds.

However, even ultramodern equipment and a new building in the city center are not enough for the museum to operate effectively and house its entire collection, which includes more than 200,000 showpieces

"A pale part of the museum's collection is on display here. The museum holdings are still housed in Ukrainsky Dim," Moroz says. "The city administration has promised to give us the other (roomier) building but we don't know when it's going to happen."

Kyiv Post staff writer Anastasia Forina can be reached at forina@kyivpost.com

Kyiv History Museum and Exhibition Center

7 Bohdana Khmelnytskogo St.

(044) 520-28-26

10 a.m. - 4 p.m. (Monday)

10 a.m. - 6 p.m. (Tuesday-Thursday)

10 a.m. - 8 p.m. (Friday, weekend)

Hr 30, Hr 15 for kids, students

Hr 50-100 (guided tour for a group) Hr 120 (guided tour for a group of 20),

Hr 150 for a group of 30 For reservations call (044) 223-98-92

The first Monday of the month is free

The building also holds numerous arts

and crafts master classes, and currently displays a large collection of traditional New Year decorations. For more info visit https://www.facebook.com/musevhistory



A visitor takes a picture of an ancient holy image made of mosaics on display at the Kyiv History Museum and Exhibition center. (Kostyantyn Chernichkin)

Playground aims to educate children to do good by paying their taxes on time

 \rightarrow 19 that the central bank promised to fund a fountain that was built there but not yet functioning, the most expensive part of the playground.

As the notable guests struggled to maneuver between the two economic worlds, children scrambled to explore the attractions, twirling in giant cherries on the good side, and riding on a big turtle with a nodding head on

"This is actually the saddest character here," says Oleksandr Irvanets, a Ukrainian poet and the author of the poetic guide to both worlds written on a nearby billboard, pointing to the turtle with a kid on its top. "This turtle is the symbol of poverty and all the sorrows that one has to undergo when living on the dark side," he explains.

He smirks and says that actually all the creatures have a symbolic mean-





Twin girls enjoy the newly opened playground devoted to Ukraine's two-sided economy at Peizazhna Alley in Kyiv on Jan. 14. (Kostvantvn Chernichkin)

ing and some are even based on real people, but he does not want to reveil who they are.

Not everyone is thrilled, though. Lesya Chichak, a 30-year-old mother of two says the playground is not what she expected. "I thought it would be safer," she says, anxiously looking around in an attempt to find her kids

'There are so many sharp angles here and all this concrete," she nods her head in disapproval.

Balandin, however, believes the playground is safe enough. "Now children are not what we used to be, some already know two or more languages at the age of six," he says. "So we meant this playground for the indigo-kids, the new generation," he says

And the new generation her refers to is already here.

Katya Kuramshina, a 12 year-old school girl, has been watching the play-

ground construction almost every day after school and was looking forward to the opening. "I like it, so many interesting things here," she exclaims and ensures she does understand what it is about. "This is about money of course. I understand the idea of two worlds, but just can't choose. I think one can live on both sides at once," she smiles.

Kyiv Post staff writer Daryna Shevchenko can be reached atshevchenko@kyivpost.com.

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