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August 3, 2012



Ghost Town Revisited



An offshore flood of untaxed wealth

BY JAKUB PARUSINSKI
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Anywhere between \$21 and \$32 trillion is stored away offshore, according to a recent report by the U.S.-based think tank Tax Justice Network.

That's one reason why government debts are ballooning, since much of this money remains hidden from tax collectors.

Yet in nations such as Ukraine, using offshore holdings is sometimes the only way to conduct business, with lower taxes serving as an added bonus.

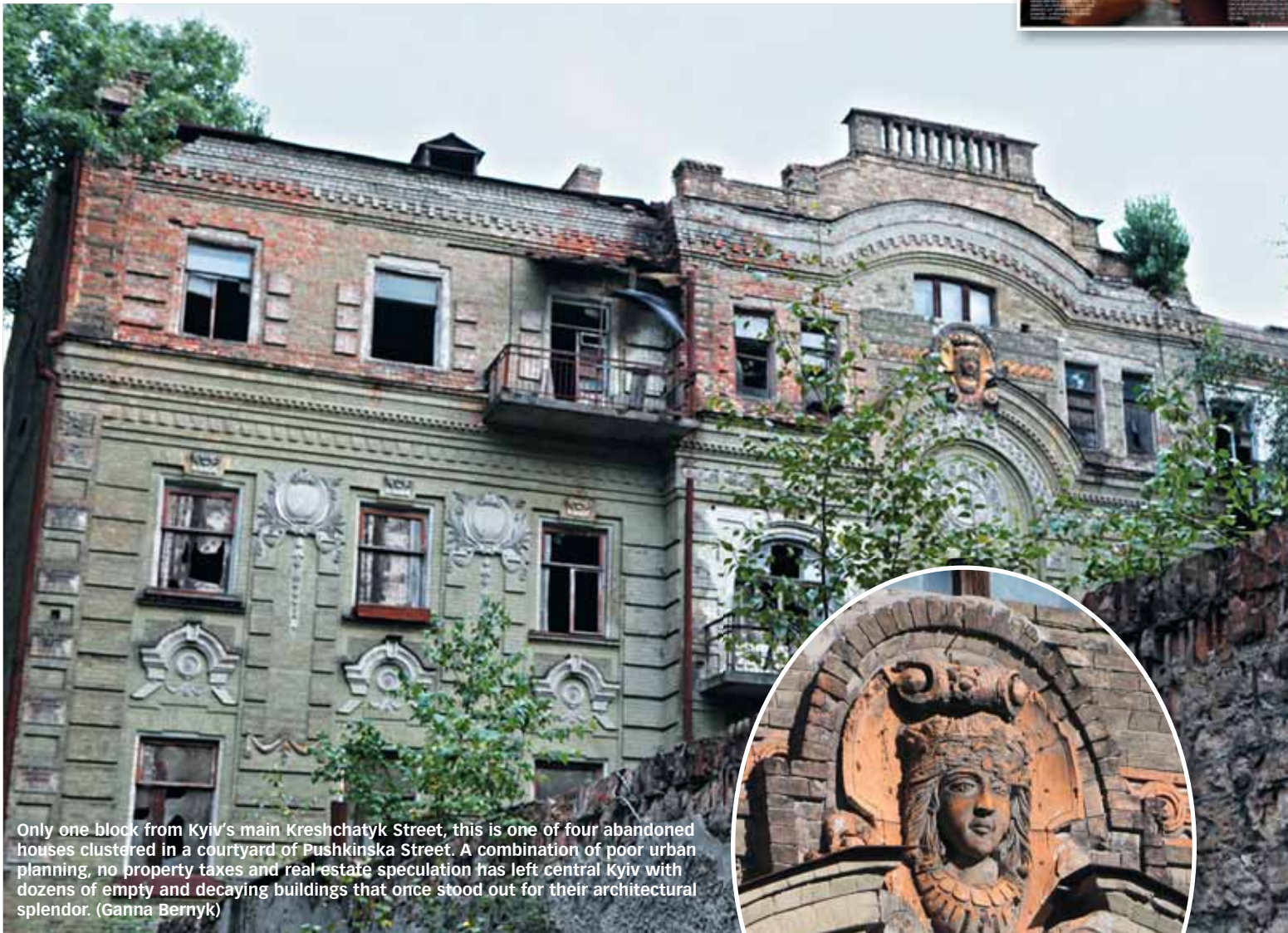
The past several decades have seen an explosion of private banking and offshore havens, used to funnel both legal and ill-gotten gains from developing countries to secure →8

State spending moves further into shadows with new law

BY YURIY ONYSHKIV
AND MARK RACHKEVYCH
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Ukrainian President Viktor Yanukovich on Aug. 1 signed a controversial public procurement law that will shield from public oversight tens of billions of dollars in government spending each year.

Pro-presidential lawmakers say the legislation will make government-owned companies more competitive, while critics say the bill will fuel corruption, cronyism and insider dealing. →2



Only one block from Kyiv's main Kreshchatyk Street, this is one of four abandoned houses clustered in a courtyard of Pushkinska Street. A combination of poor urban planning, no property taxes and real-estate speculation has left central Kyiv with dozens of empty and decaying buildings that once stood out for their architectural splendor. (Ganna Bernyk)

Editors Note. On July 9, 2010, the Kyiv Post published 'Ghost Town,' a cover story (image at top right) that examined the capital's raft of vacant and decaying buildings – many considered architectural monuments – in the heart of the city. This story revisits the issue, finding that little progress has been made in converting empty buildings to productive uses. President Viktor Yanukovich earlier this month, in a proposal to improve the situation, called for substantial property taxes to stimulate real-estate transactions and discourage owners from holding on to decaying properties.

BY DARYNA SHEVCHENKO
SHEVCHENKO@KYIVPOST.COM

Ghosts are the only things living in some of Kyiv's wonderful, ancient mansions. Dozens of such buildings stand abandoned along the capital's central streets.

"These buildings are just stolen. Simply stolen," says Mykola Zhukov, an activist and chairman of a grassroots organization campaigning for preservation of some of the old mansions.

Kyiv's massive problem with empty and decaying buildings is rooted in

a combination of greedy owners, bad city planning and the lack of a substantial property tax.

Developers prefer new and cheaper construction on the outskirts of the city or on green spaces, rather than expensive and laborious historical renovation.

The lack of significant property taxes makes it easier for building

owners to let properties sit empty for years, speculating that their value will rise because of the central location or rising land prices. Moreover, private owners aren't the only problem. Government owns many of the derelict buildings and privatizations have been marred by endemic corruption and non-transparency.

Change, however, is stirring. President Viktor Yanukovich →15

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Yanukovych signs spending bill that critics say deepens corruption

→2 The bill exempts state-owned companies and taxpayer-financed enterprises from holding competitive bids. It furthermore excuses them from having to publish the dollar amounts of their orders or the winning bidder.

Citing official statistics, procurement watchdog *Nashi Hroshi* (Our Money), stated that in 2011 the state made Hr 325 billion (\$40.6 billion) worth of purchases, of which \$31.25 billion, or 76 percent, went through state-owned companies and other entities. In the first six months of this year alone, the state spent Hr 307 billion (\$38 billion) on public procurement, the group reported.

According to z.texty.org.ua, which evaluates state procurement spending, the share of such expenditures as a proportion of gross domestic product is much higher in Ukraine than in any European country.

Watchdogs say bribery and kickbacks eat away at the state's budget in which insider rackets exist for government contracts. Nearly three-quarters of Ukraine's budget spending goes toward public procurement, according to official data.

Yanukovych on June 8, 2011 acknowledged at a government anti-corruption meeting that crooked deals amount to 10 to 15 percent of the state budget, ending up in the pockets of corrupt officials. "That is, \$7.4 billion," Yanukovych said. "That's why in the last 15 months we have worked hard on eradicating corruption."

U.S. think tank Brookings Institution stated in an April report that Ukraine in 2010 had a higher procurement

→New law allows billions of dollars in government spending to be done in secrecy

bribery score than Russia, Poland, Estonia and Chile.

Pro-presidential lawmaker Oleksandr Yefremov of the Party of Regions defended the law. Yefremov told the Kyiv Post that the procurement bill will allow state-owned companies to compete with the private sector on equal footing since the private sector is not required to conduct competitive bids.

"Privately-owned companies don't have to conduct tenders, so this bill levels the playing field for government enterprises. This will help improve the performance of our (government-owned) companies," said Yefremov in a phone conversation.

The law, however, is not likely to help Ukraine's relations with the European Union, which is not happy about the imprisonment of ex-Prime Minister Yulia Tymoshenko and other democratic rollbacks under Yanukovych since 2010.

"We are carefully monitoring the situation around the procurement law," said David Stulik, press attache at the EU delegation in Kyiv. According to EU-Ukraine association agenda, Ukraine's procurement legislation should be in line with EU standards to qualify for closer ties with Brussels.

Opposition lawmaker Lesya Orobets, however, said in July that the law will allow officials to funnel slush money to help finance the political campaign of the pro-presidential Party of Regions leading up to the Oct. 28 parliamentary election.

"I'm talking about the unconstrained theft of Hr 250 billion of government money which won't be published in the (government's) Journal of Public Procurement," she said.

Yefremov dismissed the campaign finance allegation as "complete nonsense."

Nevertheless, such companies as gas monopoly Naftogaz Ukraine, rail monopoly Ukrzaliznytsia and road builder Ukravtodor, to name a few – state-owned, money-losing enterprises that are heavily reliant on billions of dollars of taxpayers' money to stay financially afloat – can now choose with which companies they want to do business on a no-bid basis and not disclose their financial transactions.

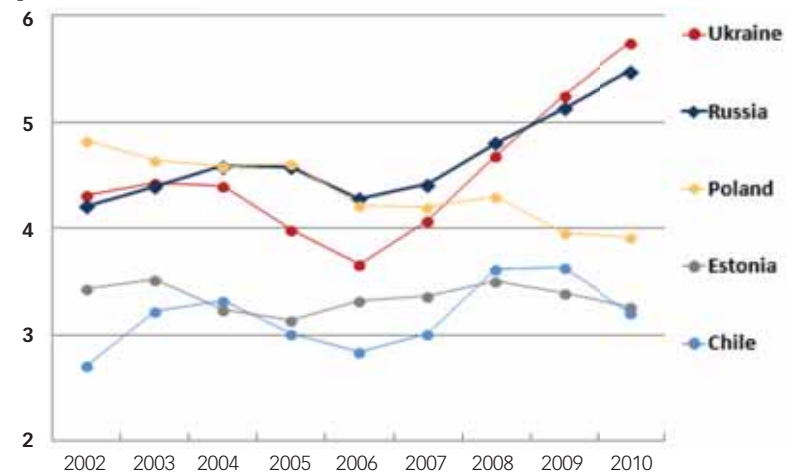
A parliamentary department that analyzes bills submitted to the legislature foresaw this potential caveat in their assessment of the bill: "... (The) implementation of such proposals could lead to inefficient use of budget funds."

Overspending

In December 2010, a Naftogaz subsidiary overpaid \$150 million for an offshore oil rig, according to investigative news reports, a charge denied by government officials.

Taxpayers also now won't know that

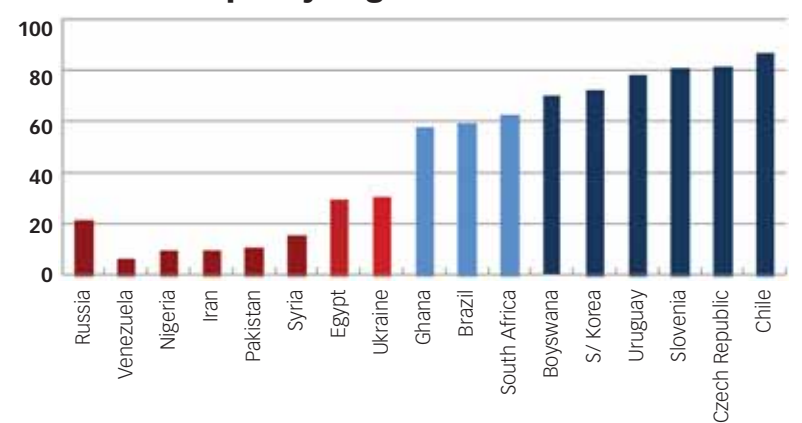
Ukraine & other countries, bribery in government procurement, 2002-2010



Ukraine ranks as among the most corrupt nations in the way in which government spends money, according to a recent survey of state procurement practices.

Source: Brookings Institution

Ukraine rates poorly in governance



At the same time, Ukraine's rates poorly in democratic governance.

Source: Brookings Institution

a Naftogaz subsidiary pays some \$2 million a year to fly, rent and service a helicopter for Ukraine's president, according to a Nashi Hroshi investigation.

The same company also recently purchased three housing booths for construction workers worth Hr 934,000 (\$116,750) each. This implies a price per square meter of \$5,600, a figure close to the average square-meter price for an apartment in Moscow, one of the world's most expensive capitals.

In June, the State Affairs Department bought imported raspberries worth \$84 per kilogram at more than twice the market value.

"I do not expect much more money to be 'siphoned' as a result of this law," said Vasyl Yurchyshyn, economic analyst at the Kyiv-based Razumkov Center. "The tenders will be open only to a chosen few."

He added that the public will lose out the most from low competition, because consumers will end up with products that have low quality and high prices.

The law was adopted in parliament on July 4, the same day a controversial language law elevating the status of the Russian language was passed. The ensuing protests and international attention over the language law meant the procurement law's passage went almost unnoticed, fueling criticism that the language law was a smokescreen to divert public attention.

In fact the procurement bill was signed by Speaker Volodymyr Lytvyn so quietly that journalists didn't notice it until a week later.

Lawmakers in the Party of Regions faction, Lytvyn's People's Party faction and the Communist Party voted in favor. The Communists, ironically, are

campaigning on the slogans of "returning the country to the people" and punishing those who steal.

Nashi Hroshi stated that last year companies owned by Rinat Akhmetov, Ukraine's richest billionaire and a Party of Regions lawmaker, received 11 percent of all state procurement orders.

According to Nashi Hroshi, other politicians and businesses that make money on providing goods and services to public entities include: Yuriy Ivaniushchenko, a Party of Regions lawmaker; companies affiliated with the family of Yanukovych; Oleksandr Yefremov, head of the Regions' party faction in parliament; Dmytro Firtash, the billionaire co-owner of RosUkrEnergo; Viktor Pinchuk, son-in-law of ex-President Leonid Kuchma; Petro Poroshenko, economy minister, and Serhiy Tigipko, deputy prime minister and minister for social affairs.

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MEP Jerzy Buzek:

"Ukraine's a country of strategic importance to the EU"

Could you please give a short introduction to the European Neighborhood (ENP) and Eastern Partnership (EaP) policies?

The European Neighbourhood Policy is a comprehensive instrument – with institutionalised cooperation mechanisms, policy objectives, and financial programs – through which the European Union is building relations with the countries in its neighbourhood.

Two strategic factors are stimulating the development of this policy: On the one hand, there's the growing role of the European Union, which is increasingly coordinating a common policy in foreign affairs, and on the other, there's the realisation that the EU's relations with the countries in its immediate neighbourhood are unique, both in their scope and ambition.

What's your own view of Ukraine's potential within the EaP?

Ukraine's a country of strategic importance to the EU. Its size, resources, population and geographical location make it a key regional player. Simply put, it's the largest of the six, and one bordering directly on the EU. In this sense, it's much like my country, Poland, was during the process of the accession of Central and Eastern European countries to the EU.

If Ukraine is able to take advantage of the EaP to the full, the whole Eastern Partnership project will be seen as a great success. Apart from there being a genuine will and desire to see Ukraine and the EU integrate, building on ever closer mutual compatibility, there's also the "institutional" stake of the EaP to consider.

Having said that, we've also got to recognise that the great potential Ukraine brings to the EaP is closely tied to the scope of our expectations, and the challenges we've got to meet.

"In the last few years, Ukraine has taken a lot of positive steps in its integration with the EU"

How close, or far, is Ukraine from matching the expectations of the ENP? What would you advise the Ukrainian authorities to do to make advances in the ENP?

Before answering this question more directly, I'd like to point to two important elements. First, in response to the events in the EU's Southern Neighbourhood since the beginning of 2011, we've come to realise that those countries that aspire to undergo a profound transition to deep democracy merit a stronger response – a more profound assistance program from the EU.

That's the logic behind the "more for more" policy. In this sense, the specific programs envisaged under the ENP that are directed at specific countries greatly depend on those countries' own aspirations and expectations – expectations that are backed by the political will to undertake far-reaching political, economic and social reforms. That brings me to my second point. Before asking where Ukraine stands in matching the expectations of the ENP, we really have to consider where Ukraine stands in matching the expectations of its own citizens. It's Ukrainian society itself that needs to give the answer to this question through domestic political discourse – that's what democracy's all about, after all. Moreover, the answer to this question is essential in analysing whether Ukraine is properly taking advantage of the ENP.

Having said that, we should recognise that in the last few years, Ukraine has taken a lot of positive steps

in its integration with the EU. Last year its economy performed well. Ukraine has been continuing to cooperate actively in regional issues – for example in the negotiations on its common border with Moldova. A lot of emphasis has been placed on mobility, resulting in the conclusion of the negotiations on the EU-Ukraine Visa Facilitation Agreement.

How will the EU benefit if Ukraine achieves successes in the EaP?

I've already mentioned the role and the potential of Ukraine in the Eastern Partnership. Here, I'd add that the EaP aims to establish what I'd call deeper compatibility between the EU and its eastern neighbours. This is about creating the firm foundations of common understanding, and the application of those rules, standards, values and mechanisms, without which it would be extremely difficult to get our relations to achieve their full potential. It's about the economy, mutual investments, trade, and free movement of not just goods but people.

Without this fundamental compatibility, which brings with it a strong component of stability and transparency, it's difficult not only to integrate economically, to open up our markets – it's also more difficult for us to undertake joint projects in education, research, innovation, and academia. Without common standards and rules, there are difficulties in fostering student exchanges, business cooperation, joint programs, and so on.

What are the most difficult obstacles in the way of Ukraine's success in the EaP? On the other hand, what are the milestones that will measure such success?

We'll have to be particularly careful of anything that challenges our mutual compatibility, especially with regard to fundamental values – respect for the rule of law and democracy. In this respect, Ukraine's upcoming parliamentary elections will be a crucial test of the consolidation of democratic practices. The commitment to free and fair elections, and seeing that commitment put in practice, will have a key influence not only on the domestic arena, but also in broader EU-Ukraine relations. And we have to remember that elections are just one element, albeit a crucial one, of the democratic electoral cycle.

[Elections] need to be constantly improved on, so that the practice of democracy, accountability to the electorate and their representation in politics is a daily practice. This also means that the opposition has to be able to play its proper role, and that views and aspirations that are not in a majority in the political system are nevertheless duly respected, and taken into account.

What benefits can the Ukrainian business community derive from an effective partnership between the EU and Ukraine?

The benefits are manifold. Opening up markets brings new business opportunities to Ukrainian entrepreneurs as well – they get access to new markets, customers, and technologies, along with investment and financing opportunities. Even the fact that the mutual opening up of markets brings about increased competition should be seen – in the long-term – as a benefit to the Ukrainian business community. It will be a major factor motivating entrepreneurs to modernise their businesses, seek more effective management, and to innovate.

Closer integration with the EU – the closer compatibility I mentioned – will result in a more stable, transparent business environment, which in the long-term will bring greater economic competitiveness. Gradual integration also brings with it the stronger involvement of the EU's financing instruments, which will open up new opportunities.



"Opening up markets brings new business opportunities to Ukrainian entrepreneurs – they get access to new markets, customers, and technologies, along with investment and financing opportunities"

Finally, mobility programs, with all the exchange schemes, especially with regard to young people, should over time not only allow the Ukrainian business community to grow in number, but also gain access to a better skilled, highly efficient and innovative workforce. There really are countless benefits to closer integration.

What can the business community do to deepen economic integration with the EU?

The Ukrainian business community can play an active part in lobbying for policies that bring about this deeper integration. To that effect, and as with any change or process, entrepreneurs in Ukraine have to first and foremost see this gradual building of mutual compatibility as an opportunity. But this doesn't mean that possible challenges can be overlooked or neglected.

[The challenges] just have to be overcome in the process of adaptation, which itself opens up new opportunities. There's an extensive body of expert literature on managing change, and its lessons can also be applied to economic integration with the EU. If the process of integration with the EU comes to be seen as an opportunity by the business community, we'll have found not only an important driving force for integration in Ukraine – a potentially decisive force if coupled with a popular, pro-European civic sentiment – but both the EU and Ukraine will find it a great deal easier to resolve any outstanding issues, even those of a fundamental nature.

This could be, in my opinion, one of those examples – rare nowadays – of economic activity having a positive influence on politics.

Jerzy Buzek has been a Member of the European Parliament since 2004, and was President of the European Parliament from July 2009 to January 2012.

For the full interview, please visit EBA web site www.eba.com.ua

Editorials

Shady spending

President Viktor Yanukovich signed a bill on public procurement this week that throws yet another concealing layer over government cronyism that bleed billions of dollars from Ukrainian taxpayers yearly via crooked contracts.

Now more than \$30 billion in annual government spending will be hidden from the public eye, according to the Nashi Groshti watchdog website. The bill addresses state-owned companies, like gas monopolist Naftogaz Ukraine and rail monopoly Ukrzalyznytisia, both in constant financial disarray. Agencies will no longer have to disclose with whom they do business or for how much. Worse still, they no longer have to accept competitive bids to award contracts.

Pro-presidential lawmaker Oleksandr Yefremov argued that the bill will allow state firms and other government entities to compete with the private sector. He said private firms don't have to take bids, so why should government firms?

The problem with Yefremov's analogy is that the government spends public money, while private businesses are accountable to their owners and shareholders, who impose their own discipline. Besides, many private companies do engage in competitive bidding for their purchases.

In a democracy, the citizens are the shareholders. They have the right to know how their money is spent. The government must spend taxpayer money wisely and transparently. Now citizens are shut out of the process by a president who talks loudly about fighting corruption while doing the opposite.

So a Naftogaz subsidiary can continue spending \$2 million a year to fly, lease and service a helicopter for Yanukovich. The public won't know how many oil rigs Naftogaz buys at \$150 million above market value, as it did in December 2010. These examples are peanuts considering the billions of dollars spent in Ukraine's opaque banking, energy and other sectors.

If the government is not willing to account for its spending, officials can expect people to continue evading taxes and hiding money. No wonder Ukrainian banks reported sending \$50 billion to offshore accounts in the last two years. Why give it to the procurement leeches who enrich themselves at everyone else's expense?

Uninspiring

We know now who from the top six political forces will run on party lists for the Oct. 28 parliamentary election. Half of parliament's 450 seats will be chosen from these party lists; voters will choose the other half in head-to-head races in 225 districts.

The process by which the party conventions chose candidates is worrisome, and reveals a dearth of new faces as well as a bankruptcy of fresh ideas or honest discourse.

Many candidates for the proportional party lists were chosen in secrecy. Even other party members were kept in the dark. Journalists had to rely on leaks to figure out who made the pro-presidential Party of Regions' list of top 100 candidates. Nataliya Korolevska – who positions herself as a progressive – only revealed her party's top 10 list.

Moreover, only two forces on the political landscape offer a true alternative to President Viktor Yanukovich's Party of Regions: the United Opposition and Vitali Klitschko's UDAR party, who has some appealing new faces, such as small business advocate Oksana Prodan. The United Opposition is led by imprisoned former Prime Minister Yulia Tymoshenko, ex-Parliamentary Speaker Arseniy Yatseniuk and Anatoliy Hrytsenko.

This observation is not an endorsement of any political party. In keeping with publisher Mohammad Zahoor's non-partisan policy, the Kyiv Post will not endorse anyone in the Oct. 28 election. But like any good newspaper, we will illuminate the voters' choices.

If Ukrainians like how things currently stand, they should vote for the Party of Regions. If they don't, they should vote for the United Opposition or UDAR.

The other three serious contenders -- the Communist Party, Nataliya Korolevska's Ukraine-Forward Party and Oleh Tyahnybok's Svoboda Party -- are suspicious.

The Communist Party is part of the pro-presidential ruling coalition, so its members are hardly an alternative to anybody in power. Korolevska's emergence, combined with her multimillion-dollar advertising campaign and generous access to government-friendly media, doesn't pass the smell test. While she positions herself as a "third force" – neither in power nor in opposition – it looks like she's a sanctioned opposition figure. Her candidacy appears designed to siphon votes from those opposed to the Party of Regions. Svoboda Party has long been suspected of being in league with the powers that be, using their radical nationalism and xenophobia to attract malcontents.

No matter who wins, it is hard to see positive changes coming from any of the six parties since their lists are populated with the same old politicians who have been touting the same tired ideas for so long that their credibility is severely eroded.



NEWS ITEM: The 2012 parliamentary election campaign kicked off this week, featuring congresses of the ruling Party of the Regions and the United Opposition, among others. The Regions congress had tight, airport-style security, and forced journalists to cover the event from inside a press room. The delegates voted unanimously for unknown candidates (picked by party leaders) in a Soviet-style ceremony. The United Opposition's congress was more open, but the list of candidates was also kept secret until the actual congress, where the names were read out loud.



NEWS ITEM: Ukrainian football star and millionaire Andriy Shevchenko surprised many people on July 28 when he announced he will be joining the Ukraine Forward Party led by member of parliament Nataliya Korolevska, who was expelled from the opposition Bloc of Yulia Tymoshenko in March. Shevchenko, who until recently was talking about extending his football career in America, has a history of supporting those in power, including President Viktor Yanukovich and ex-President Leonid Kuchma. After receiving criticism for these endorsements, the sportsman vowed to stay out of politics. While he says he believes in Korolevska, some have speculated that he may be attracted to her well-financed campaign. She is, after all, spending millions of dollars to get her party members elected, clearly more than some of her rivals. But Shevchenko simply said he has picked the winning team. "I know what victory is and how to achieve it. This requires a good team. I believe in Nataliya, I believe in myself, I believe in our team. Ukraine-Forward!" Shevchenko is quoted as telling party delegates.

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Five predictions for Andriy Shevchenko



KATYA GORCHINSKAYA
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Andriy Shevchenko is no longer a really good footballer. As of July 28, he's a really bad politician, after joining forces with parliament member Nataliya Korolevska and leader of the Ukraine-Forward Party. Some will give him the benefit of the doubt. I won't. I will give him five predictions.

Prediction number 1

The first line of Wikipedia about him at the moment reads like this: Andriy Mykolayovych Shevchenko is a retired Ukrainian footballer. It will be amended to say "and a failed politician." As a footballer, Shevchenko has been the pride of the nation, sex idol for many women and role model for many men. Winner of the 2004 Golden Ball, the dream of every football player in the world, he's the man who put Ukraine on the map for all football fans in Italy and Britain. Happily married with two children, and expecting a third, he looked accomplished even without a career in politics. He has few gifts needed to be a good politician: he is infamously tongue-tied and slow-witted, and has never really expressed any inclination for social projects. Unless he was hiding it well.

Prediction number 2

He joined the wrong side. When I was reading Korolevska's op-ed pieces two years ago, I was impressed. She seemed to have good ideas that would take the country in the right direction. She was extremely prolific in parliament, pushing for good initiatives like the declarative principle for running a business. That means that a business considers itself as having a license from the moment it files paperwork to the relevant government body, without having to wait for the bureaucracy to respond.

But then it suddenly drained. She nominally took over a party that had existed for years before, as well as TV screens and billboards. Her ads became populist and tasteless, smacking of Big Brother – or I should say Big Mother. Her party, which now carries the name of Forward Ukraine, is a money-spending machine designed to siphon off middle-class votes from the opposition. Her sources of money are unclear and non-transparent. We have seen parties like these many times before. They sprouted a year before elections, in the same style, with the same aim, and died soon after. This one will, too. RIP.

Prediction number 3

Shevchenko's political career will be short-lived and



Ukrainian soccer legend Andriy Shevchenko, now retired from the sport, has entered politics and on July 29 threw his support behind Verkhovna Rada member Nataliya Korolevska and her Ukraine-Forward Party. Her multimillion-dollar media blitz and prominent air time on government-friendly media outlets has prompted speculation that she is a fake opposition candidate whose campaign is designed to siphon votes from true oppositional forces in the race. Parliamentary elections are Oct. 28. (Courtesy)

full of regrets. His children will be happy to talk about his football career, but will go quiet and look down when they are asked about his political life.

Shevchenko has been on the losing side before. He joined up with ex-presidential chief of staff Viktor Medvedchuk and ex-President Leonid Kuchma before. Medvedchuk is now trying to get back into politics with the help of his buddy Russian President Vladimir Putin, while Kuchma is retired and from time to time is fighting off a criminal case related to the murder of journalist Georgiy Gongadze in 2000. So, Shevchenko's former partners in politics are hardly having a happy life. Chances are his third attempt will be the same.

Prediction number 4

Shevchenko will carry the "for sale" label for the rest of his life. Mustafa Nayym, an influential journalist, made

a punchy comment on his Facebook page. "I only have one sincere question: how much?" There is probably not a single person in the world who believes that Shevchenko joined Korolevska's team for an idea. The other option is for money. Shevchenko will always be remembered as a guy who picked his friends based on the size of their wallet – even if it's not true.

Prediction number 5

With everything else said, the last prediction is that Shevchenko has made a decision he is going to regret. How can he not? By adding weight to a Potyomkin village-style party and giving it more credibility in the eyes of Ukrainians, he might change the political disposition of the next parliament. And, unfortunately, I don't believe it's for the better.

Kyiv Post editor Katya Gorchinskaya can be reached at gorchinskaya@kyivpost.com

VOX
populi

WITH
OLENA GONCHAROVA



What do you think about football great Andriy Shevchenko going into politics and joining Nataliya Korolevska's Ukraine-Forward Party list?



Nataliya Sładko-vskaya,
psychologist
"It was unexpected to see Shevchenko on Korolevska's party list. I

like him as a football player. He has intelligence and I think he knows what he wants. Maybe he finds some opportunities in this party. It's not because of money: he's rich and he may live in the US and forget about Ukraine, but he stayed here."



Roman Lutsenko,
sound producer
"I am not interested in politics too much. In my opinion, Shevchenko wants more

popularity and money. I don't like when actors, singers or sportsmen enter politics. It won't guarantee victory in the elections."



Inna Zaimenko,
student
"Nowadays many famous people want to try themselves in different fields. Popular

actors become city mayors and now Shevchenko is going into politics. So let's see what he can do there."



Petro Povroznyk,
street cleaner
"I don't like [Korolevska] so much, but it's good that he chose Korolevska's party instead

of the Party of Regions. Nevertheless, if they can solve some problems in the country I'll put my thumbs up. But I will vote for Oleh Tyahnybok – he's young and has potential."



Lina Shehtman,
pensioner
"I think it will be better for him to appear on [Vitalii Klitschko's party lists – it's obvious.

But he wants to work with Korolevska because it's the party of young people. I expect her to do better than [Yulia] Tymoshenko, but we don't know what coalition will appear after the elections."

Putin's Pussy Riot dominates summer



JAMES BROOKE

In Moscow's Political Summer Olympics, President Vladimir Putin is on track this week to win the gold in a demanding event: Making Martyrs for the Opposition.

After Putin's election in March and his inauguration in May, protest crowds dwindled and a feeling of hopelessness settled over Russia's democratic movement.

But now, the biggest chants at rallies are: Svobodu Pussy Riot! Free Pussy Riot!

Protesters hold photos of three young women jailed for conducting a protest with this feminist punk group, a band virtually unknown six months ago.

The women, two of them mothers of small children, are putting very human – and very appealing faces – on the anti-Putin movement. Every morning this week, Russia's new poster girls for dissent appear

in court, looking a mite bewildered as they go on trial for hooliganism.

Last Feb. 21, they donned colorful balaclavas and short jumpers and staged a raucous – some say profane – one-minute punk prayer against Putin near the central altar of Moscow's Christ the Savior Cathedral.

Public opinion, as tracked in polls, was overwhelmingly negative.

If the Kremlin had been clever, the women would have been fined and sentenced to 100 days labor – pulling weeds from the Kremlin lawns or scraping up candle wax in Orthodox churches.

But, five months later, the three women – Maria Alyokhina, Nadezhda Tolokonnikova and Yekaterina Samutseva – are still in jail.

A judge has ordered them confined until next January. This week, they are on trial on charges that could bring sentences up to seven years. A guilty verdict is expected on Friday.

"Let the girls go!" chant their supporters outside a Moscow courthouse.

But to help Putin lock down a gold medal for Opposition Martyr Making, Russian prosecutors brought charges July 31 against Alexei Navalny, the

ruggedly handsome 36-year-old opposition leader. If convicted on the embezzlement charges, as expected, Navalny could be sentenced to 10 years in jail.

On one level, Putin, a longtime KGB officer, is trying to reassert authoritarian controls on Russia. Some say he is exploiting a wedge issue, hoping to divide his liberal and nationalist opponents. But, when a viewer watches this political drama with the sound off, the warfare looks generational. Putin, who turns 60 in October, seems to be trying to stop the march of time.

Perhaps aware of this, Russia's president apparently smoothed his facial lines last year with botox. On Tuesday, fresh from signing a new law allowing tighter Internet controls, he spent the day surrounded by young people at Lake Seliger, an annual summer camp for ambitious pro-Kremlin youth. But the televised images were not all that convincing, especially of the president amiably fielding a lunch invitation from a beautiful young woman planted in the crowd.

It reminded me of Richard Nixon, the Vietnam War era U.S. president, showing his affection for college students by attending graduation ceremonies at West Point, the United States Military Academy. → 16

During drought, China turns to Ukraine as food source

JAMES BROOKE

LOKHVITSA, Ukraine — The worst drought in half a century is hitting corn and wheat harvests in the United States, the world's largest food exporter. So China, a major food importer, is turning to a new source of supply - Ukraine, a nation once known as the breadbasket of Europe.

The drought in the United States reinforces expert forecasts that world food supplies will steadily tighten this decade, and that prices will rise. When grain prices go up, so do the prices of bread, milk, eggs and meat. When that happened two years ago, riots broke out in Egypt and Mozambique.

By 2050, the world will have to produce 60 percent more food to meet demands from a world population that is expected to be bigger and richer.

In advance, China is reaching out to producers around the globe to guarantee future food supplies.

A century ago, rich corn and wheat harvests made Ukraine the breadbasket of Europe.

Now China wants to lock down a



Corn harvesting process on one of the fields of Kharkiv Oblast. According to Galyna Kovtok, CEO of UkrLand Farming, China is willing to loan money in exchange for Ukraine's agricultural exports.(UNIAN)

portion of the bounty flowing from the black soils of this farming nation the size of France.

Galyna Kovtok is CEO of UkrLand Farming, or ULF, Ukraine's largest

agribusiness. With more than half-a-million hectares of farmland under cultivation, she negotiated a \$4 billion Chinese credit this year for her company.

"This year, UkrLand Farming may become the first company in Ukraine to send agricultural products to China because at this moment, we are actively working to get certified to export to China," she said. "The first step will be corn, and then we will work on sending other goods."

When ULF exports corn to China, it will make Ukraine the first country outside the Americas to do so. And with China's population becoming larger, and richer, China is on track to overtake Japan as the world's largest corn importer.

In Lohkvitsa, a three-hour drive east of Kyiv, Chinese money is financing construction of six grain elevators. Building for the Chinese market, ULF will soon have almost two million tons of elevator storage capacity.

At the elevators, and in the fields, the equipment is largely American. In a wheat field, a fleet of four half-million-dollar John Deere combines is harvesting and threshing.

With investments like these, ULF grain yields per acre are now halfway between Ukrainian averages and the

high yields of the American Midwest. But, just as in the United States, farming depends on the weather.

Across the Black Sea region - in Ukraine, Russia and Kazakhstan - drought this year is pushing harvests down by 15 to 20 percent. Yuri Scherbak, the ULF manager in Ukraine, predicts that his own corn and wheat crops will be down by about 15 percent.

"This year, unfortunately, we are expecting a bit of a drop in production," he said. "And the main reason, while we are in a period of drought, is the decrease in quantity of precipitation."

Traditionally, the Black Sea region is the main source of wheat for North Africa and the Middle East.

But this year, on the supply side, Russia may have to suspend exports. And on the demand side, Africa and the Middle East are now competing with China.

James Brooke is the Moscow-based correspondent for Voice of America. This story was originally published here: <http://www.voanews.com/content/ukraine-drought-china-food/1448171.html>

IMF to visit Ukraine to assess state budget

WASHINGTON (REUTERS) — An International Monetary Fund team will visit Ukraine in September to assess its budget plans as the cash-strapped country tries to persuade the lender to restart a \$15 billion loan program, a top Ukrainian official said on July 31.

Valery Khoroshkovsky, first deputy prime minister, told Reuters through a translator he met with IMF Managing Director Christine Lagarde on Tuesday, July 31, and reached «a general understanding that in September IMF representatives will come to Ukraine to assess our budget planning for 2013.»

The IMF froze a \$15 billion loan program for Ukraine after the government

failed to raise gas prices at home and carry out other unpopular reforms.

With a parliamentary election in October, the Kyiv government has balked at taking the politically risky step of raising gas and heating prices for Ukrainian households by 30 to 50 percent, as pressed by the IMF.

Khoroshkovsky said he told Lagarde raising prices would create a social crisis unless Ukraine first developed a system to help the most vulnerable segments of its population cope.

He declined to characterize Lagarde's response because of the confidential nature of the meeting, but said the IMF's main concern was Ukraine's

macro-economic stability and the Kyiv government recognizes it has more work to do on that.

«We understand that without resolving all key problems, the financing will not be unfrozen. So we agreed that we need to ensure macro-economic stability as the basic precondition and then we will work to resolve all other subjects,» he said.

Khoroshkovsky also met with U.S. Trade Representative Ron Kirk on July 31 and they discussed steps the two countries could take to increase what he said was the «ridiculously small» level of trade between Ukraine and the United States.

Two-way trade totaled just \$3.6 billion last year, roughly half of Ukraine's trade with Belarus, he said.

The countries established a «Trade Experts Groups» to explore ways to boost bilateral trade and investment flows, according to a joint U.S.- Ukraine statement.

Khoroshkovsky said he also pressed the U.S. government to remove duties it imposed on Ukrainian steel and chemical products sometime before 2006.

Lifting the duties could boost Ukraine's exports to the United States by \$1 billion, he said.

The main justification at the time for

the duties was low Ukrainian natural gas prices, which have more than doubled since, Khoroshkovsky said.

Khoroshkovsky said he did not expect talks on a free trade pact with the United States any time in the near future.

Earlier this month, Ukraine and the European Union finalized the text of a free trade agreement but implementation remains on hold because of political concerns.

The current government's jailing of Ukrainian opposition leader Yulia Tymoshenko and some of her allies has strained ties with both the EU and the United States.

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The ruling by the Dnipropetrovsk Administrative Court of Appeal from June 26, cancelled a tax notice to ArcelorMittal Kryvyi Rih totaling nearly Hr 453 million. (Courtesy)



ArcelorMittal settles tax dispute with state

BY VLAD LAVROV
LAVROV@KYIVPOST.COM

Ukraine's tough investment climate – which includes one of the world's most nightmarish tax systems – seems to be much more manageable for big and powerful players.

This is what at least one of them, the top foreign investor in Ukraine, can claim after winning a major court battle with the tax authorities.

The ruling by the Dnipropetrovsk Administrative Court of Appeal from June 26, cancelled a tax notice to ArcelorMittal Kryvyi Rih totaling nearly Hr 453 million (\$57 million).

This whopping amount makes the dispute one of the largest in Ukraine's history and consists, according to the tax authorities, mainly of value-added tax refunds and the resulting tax credit. Representatives of ArcelorMittal, however, would not comment on the court case.

On July 11 head of Ukraine's tax service, Oleksandr Klymenko, pledged to abide by the ruling. "Another issue is whether the tax service agrees or disagrees with this, yet we will implement the court's decision," he said.

The latest positive tax news for ArcelorMittal comes months after the steel giant reported fewer tax inspec-

tions and an almost twofold decrease in VAT refunds owed. As of February, that figure stood at Hr 1.1 billion (\$140 million). These improvements are generally attributed by the company representatives and experts to a June 2011 decision to allow tax authorities virtually unlimited access to the company's books online.

The system, called "horizontal monitoring" by the tax service, allows them to study pricing mechanisms used by this export-oriented company, to ensure that no transfer pricing – namely exporting to offshore intermediaries at prices little above cost, takes place.

In addition, such monitoring helps tax authorities trace the cost structure of exported raw materials. Experts believe that many of Ukraine's oligarch-owned steel, chemical and grain businesses are using such complicated price-transfer schemes to minimize taxes paid inside the country.

While experts in the legal field find many positives in the ruling in favor of ArcelorMittal, they are far from being overly optimistic as to whether it signifies any real change for the better in the country's investment climate. After all, they say, even the steel giant's own tax problems are far from over.

Serhiy Piontkovsky, managing part-

ner of the Kyiv office of Baker & McKenzie, an international legal firm, noted the general improvement in ArcelorMittal's dealings with the tax authorities, but advised not to jump to conclusions. "There are other issues, pending court cases, and a major tax inspection in June whose results are not yet known," he said.

Yet, Piontkovsky still thinks that the recent win by ArcelorMittal does mean a lot for the country's business, as many believed such things wouldn't be possible given Ukraine's notoriously non-transparent courts, especially in cases involving fiscal authorities.

Alex Frishberg of Kyiv-based law firm Frishberg & Partners, meanwhile, sees the court ruling as a belated and likely doomed attempt by the government to minimize the negative trend in investment, amid its systematic failure to ensure stable VAT refunds.

"I believe that [President Viktor] Yanukovich government simply cannot afford to reimburse every business in Ukraine their 20 percent," Frishberg said. "So it's safe to presume the VAT refund to ArcelorMittal is a showcase ruling, designed to pacify potential foreign investors who are justifiably reluctant to do business in today's Ukraine."

Kyiv Post staff writer Vlad Lavrov can be reached at lavrov@kyivpost.com

Advertisement

HEALTH ADVISER

SHVETS: DAIRY PRODUCTS ARE THE MAIN SOURCE OF BONE DENSITY

Oleg Shvets knows about the intricacies of healthy and unhealthy foods. Since 2003, he has headed the Ukrainian Scientific-Research Institute of Nutrition, and since 2007 he has been the Health Ministry's main freelance dietitian. Shvets often dispels myths about the role of different foods in our diet. In an interview with www.health.info, he spoke about the meaning of the term "balanced diet" and gave good advice on how to protect bones from fragility and frequent injury.



PhD Shvets Oleg
President of Ukrainian
Dietitian Association

Oleg, everyone seems to interpret the term "balanced meal" differently. For an athlete, the most important balance is the ratio of protein and carbohydrates - one to two - so pasta with a meat dish has become a favorite meal for many athletes. If we take universal scientific criteria, what main products should be included in a healthy diet?

Let's clarify definitions: A balanced diet means the presence of certain products in the diet in an optimum health ratio. This ratio - with some variation - is important for athletes, too, if they want to both look and be really healthy. There are three basic food groups. The first - which should be consumed daily in sufficient quantities - contains fruits, vegetables, cereals and milk products (for certain categories of the population - low-fat dairy products), as well as nuts, legumes, and oily ocean fish. The second group includes products whose consumption should be limited: meat, eggs, vegetable oils and animal fats (like butter and lard).

Finally, the third group includes products generally better avoided: those containing significant amounts of sugar, salt, saturated fats, cholesterol, and any amount of trans-fats (hydrogenated or partially hydrogenated vegetable oils). Trans-fats in particular are found in spreads, margarines, mayonnaise, potato chips, fast-food products, frozen convenience foods.

Many Ukrainians are hospitalized with broken bones and other injuries - especially in winter. According to statistics, in Ukraine 30% of women and 20% of men older than 50 years suffer from increased risk of osteoporotic fractures. Is this risk a result of an unbalanced diet?

Often it is so, because the optimal condition of all body tissues, including bone, depends on the person's lifestyle. Good nutrition and physical activity - plus the absence of bad habits - are the formula for a healthy lifestyle. Unfortunately, not all adhere to it. To avoid brittle bones, you need permanent and adequate consumption of products containing calcium and vitamin D. This is the only physiological way to reduce the risk of osteoporosis (a decrease in bone density), and all sorts of fractures.

More specifically, what products and in what quantities are needed to ensure that our skeleton does not become brittle?

Dairy products, if you like - are the main seal of our bones. We can get approximately 75% of the daily requirement of calcium from milk, and the rest from vegetables. Adults should consume at list 500 grams of dairy per day, and more than 300 grams of vegetables. It is necessary to regularly eat oily fish, which is the main source of vitamin D. This vitamin helps to absorb calcium. Don't forget that diet is not the only guarantee of health- you should also use the maximum available time for physical activity. Start with 60 minutes a day.

If dairy products provide three-quarters of our daily requirement of calcium, what about those people whose bodies can't tolerate milk?

Indeed, the problem is that 10% to 15% of the adult population cannot tolerate whole milk because it contains lactose - milk sugar. For these people, it is recommended to consume dairy products. The bacteria contained in such products help digest lactose. By the way, often in a family where there are people who can't consume milk, milk products disappear from the "food basket". Because of this, not only the one who can't consume milk, but also members of his family have a calcium deficiency. We strongly advise you not to deprive your family from the most important family of products, and see a gastroenterologist or dietitian for advice.

Is there a link between the consumption of dairy products and mood?

So far, there is no direct evidence that consumption of dairy products improves mood. It is possible that the proof will be developed in the future. Indirectly, though, we have no doubt. Dairy products are mainly consumed by people aspiring to live a healthy lifestyle. And a healthy person has fewer mood problems than other people.

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ANNA PUSHKARYOVA was appointed as Senior Associate at Lavrynovych & Partners Law Firm. In her new role she will be responsible for the transactional and other legal work in the sphere of banking and finance law.

Ms. Pushkaryova has over 7 years of experience of providing legal support to foreign and domestic clients. Prior to joining Lavrynovych & Partners Anna had been working as Associate with Kyiv office of Baker & McKenzie and Ukrainian law firms, her experience includes the representation of clients' interests in a wide range of banking and finance transactions including those related to merger and acquisition of banks and financial

institutions, retail banking and various types of credit facilities; consulting international payment systems and systems of money remittance on various legal issues of operation of such systems in Ukraine; advising a number of Ukrainian commercial banks on restructuring of distressed assets; advising Ukrainian and international clients on matters related to shareholding restructuring, equity investment, foreign investments, currency control etc. She provided legal support to top Ukrainian banks, including banks with foreign capital, other Ukrainian corporate clients and foreign investors in large banking and finance projects. Anna Pushkaryova holds a Master's in law degree from the Kyiv Shevchenko University and is a licensed attorney of Ukraine since 2007. She is fluent in Ukrainian, Russian and English.

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An offshore flood of untaxed wealth

→ 1 locations in the most industrialized nations.

Independent since 1991, Ukraine is a newcomer to the global offshore scene. It is already punching above its weight, however, and is ranked 15th in terms of capital flight. Used by companies and high net worth individuals, a number of schemes allow capital to exit the country at little cost to its owners, but at great expense to the country of origin, its taxpayers and their futures.

Even if one assumes all the money flooding offshore jurisdictions is of legitimate origin, however, the problem of taxation remains. According to the Tax Justice Network, some \$150-160 billion is lost each year by developing countries in foregone tax revenues.

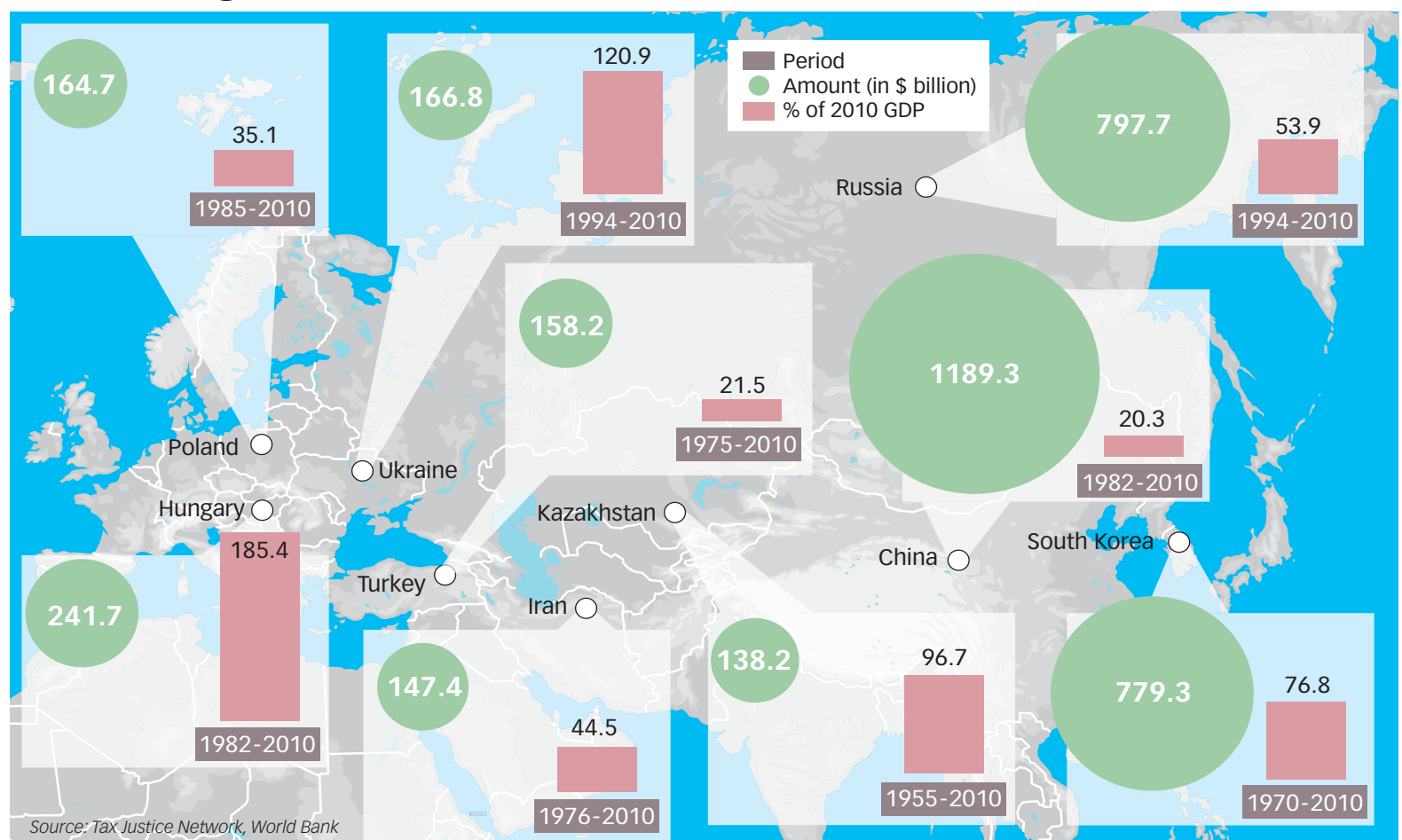
The most common method of evading these taxes is transfer pricing, which moves a corporation's profits to the district with the lowest corporate tax rate.

"Ukrainian groups commonly structure import-export transactions through foreign trading companies located in low-tax jurisdictions," said Igor Chufarov, a partner at international auditing and accounting giant Ernst & Young. They leave most of the profit margin offshore, leaving little taxes to be paid in Ukraine, he added.

"This is the most complicated issue regarding taxation – not just in Ukraine, but worldwide," said Alexey Khomyakov who specializes in tax and corporate issues at leading law firm Asters.

Technically, it is illegal for Ukrainian businesses and citizens to have a foreign holding company without indi- → 16

Financial flight to offshore tax havens



Ranked 15th in a list of capital flight source countries, Ukraine has contributed some \$166.8 billion to the global offshore industry. The Tax Justice Network estimates that \$21 to \$32 trillion – of which \$9.4 trillion belongs to less than 100,000 individuals – has escaped the mainstream financial system, depriving nations' of badly needed tax revenues.

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Businesses feel heat from cash-starved government

BY SVITLANA TUCHYNSKA
TUCHYNSKA@KYIVPOST.COM

Business is crying foul over growing fiscal pressure as government scurries desperately for cash ahead of the Oct. 28 parliament election.

Companies report growing troubles with getting government to refund overpayments for value-added tax. They also say they are being strong-armed to buy state bonds and pay income taxes in advance, are being subjected to incessant checks and have problems carrying forward losses from previous years.

Tomas Fiala, president of the European Business Association and head of investment bank Dragon Capital, said the Tax Service continues its unlawful practice of not allowing companies to balance current profits against losses incurred in previous years, a common international accounting practice. He added VAT refunds are also paid late, only after companies pay other taxes in advance or buy state bonds.

A European Business Association study in May covering 117 companies showed that 77 percent reported demands by tax authorities to pay income taxes in advance. Half said they often received groundless information requests. Frequent inspections were also seen as a means of pressuring firms, 79 percent of which reported one to seven inspections in 2011.

These inspections sometimes lead to demands for bribes.

"During our last check the tax inspector asked for Hr 10,000, which is quite reasonable for a small firm like us. She said 'I have to bring back something to work, cannot leave empty-handed.' If

we refused she would have checked all the documents and definitely found at least one minor mistake and issued a fine. It is much easier to just pay," said the head of a supervisory board in a Vinnytsya-based firm who was granted anonymity to avoid further tax problems for speaking out publicly.

The Tax Service says the number of inspections fell 60 percent in 2011. Collectors also proudly declared, however, that taxes collected in the first 11 months of 2011 were 1.5 times higher than in the same period of 2010. According to the EBA, tax revenue accounted for 25 percent of the country's gross domestic product in 2011, the highest level in Ukraine's independent history.

Authorities deny the pressure. Tax Service head Oleksandr Klymenko said his employees simply suggest that businesses pay taxes in advance. "If a company wants to [pay in advance], they can do it... I spoke to representatives of many financial-industrial groups and they say it is good for them," Klymenko said.

Paying income tax in advance may be legalized starting Jan. 1, 2013 if a bill passed by parliament on July 5 is signed by President Viktor Yanukovich. According to it, companies with annual revenue of more than Hr 10 million (\$1.25 million) will have to pay income taxes in advance.

Vladimir Kotenko, head of the tax and legal department of Ernst & Young, says this law works in many countries and has been in practice in Ukraine up to 2003.

"However, in developed countries tax was based on the previous month's income. While the law now says it is to be calculated based on income from the whole previous year," adds Kotenko.

Serhiy Teryokhin, a lawmaker in the opposition Bloc of Yulia Tymoshenko action who heads the tax committee in parliament, says companies will experience trouble with refunds if advance taxes are overpaid, just like they report VAT refund problems.

"From a business perspective, the introduction of the advance income tax payment puts additional pressure on businesses," said Sergiy Popov, partner at the Ukraine office of international auditor KPMG.

Not all in government think things are moving in the right direction with taxes. Economy Ministry Petro Poroshenko said "the practice of coming up with creative ideas to squeeze money from business" has to be stopped.

Ukraine is home to one of the most overregulated and complicated tax systems in the world, and it is getting worse, according to the 2012 Doing Business report by the World Bank. The country fell from 149th in 2011 to 152nd in 2012 in overall ease of doing business.

According to the report, it takes 657 hours a year to pay Ukraine's 135 existing taxes, including five different income taxes.

But the state needs cash. The Euro 2012 football championship drained up to \$13 billion, according to an Erste Bank report, while increased spending on social payments ahead of the Oct. 28 parliamentary election is eating up more. The president pledged Hr 16 billion extra spending for pensions, stipends and reimbursements.

Promises have been made, now somebody needs to pay.

Kyiv Post staff writer Svitlana Tuchyńska can be reached at tuchyńska@kyivpost.com

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BUSINESS ADVISER

TAX OPTIMISATION IN UKRAINE: THE RULES OF THE GAME

One of the most important questions for all companies doing business in Ukraine is taxation. Business is interested in the most efficient tax structuring of their activities, while tax authorities follow the diametrically opposed priority of increasing revenue to the state budget.

The Ukrainian tax legislation continues to be complicated and controversial, despite the entry into force of the new Tax Code in 2011. Businesses must carefully review applied optimisation schemes to ensure that these do not result in fines and tax reassessment or allegations of tax evasion.

Implementation of the world's best practices of tax optimisation schemes requires deep knowledge of Ukrainian legislation and availability of experience of its practical application.

Below interview with Taras Koval, Head of Tax practice of the Kyiv office of the international law firm Gide Loyrette Nouel, covers the most important aspects of tax optimisation in Ukraine.

What are typical Tax Optimisation schemes in Ukraine?

Typical tax optimisation schemes generally involve analysing a business structure and the organisation of relationships between, e.g., a business in Ukraine and any overseas parent company, affiliates as well as the structure of dealings with suppliers and customers both abroad and in Ukraine.

Often in the active phase of business activity, the necessary questions do not get asked, e.g., to intercompany transactions - such as "Is my parent company providing services, trademarks or know-how free-of-charge?" And if so, "Could these be invoiced and paid for, thus reducing my income and thus my local tax burden?" "Have certain operational expenses, for example start-up costs, been covered by my parent company or other affiliates?" And if so, "Can these be re-invoiced to my local company now that it is operational and earning a profit?"

Depending on the answer to such questions, tax optimisation involves reorganising relations between companies of the same group so that costs are shared and invoiced in a way which reduces the overall tax burden.

Tax optimisation also involves making use of more advantageous withholding tax rates via the creation of subsidiaries in countries which have signed favourable treaties on the avoidance of double taxation (DTTs) providing for lower rates of withholding tax for certain types of income.

What are the specifics of Tax Optimisation in Ukraine?

A key feature of the tax optimisation is the wide range of attractive DTTs in force between Ukraine and various foreign jurisdictions. The Ukraine - Cyprus DTT, in force since the USSR times, which provides a 0% tax rate on income derived from interest, royalties and dividends payments. However, this somewhat controversial example is not the only DTT which presents interesting characteristics for investors.

Other interesting examples include the Ukraine - France DTT which has a special favourable regime for the tax deductions and repatriation of income to parent companies based in France or the Ukraine - United Kingdom DTT which has a 0% rate for qualifying interest payments.

Overall there is a tendency by domestic business to shift profits to foreign jurisdictions where they are not subject to Ukrainian currency control, often using sham intra-group contracts which also artificially reduce taxable profits and therefore tax revenue. In reaction to this, the new Tax Code which entered into force in January 2011 provides arbitrary limits for intra-group royalty and services agreements set at 4% of the previous year's turnover in most cases and 5% of the cost of imported goods for engineering services. This one size fits all approach for reducing capital outflows and combating tax evasion, has repeatedly caused difficulties for major industrial investors and is contrary to Ukraine's international obligations under a number of DTTs.

What is the biggest draw-back of implementing Tax Optimisation schemes in Ukraine?

Of course any tax optimisation scheme may be controversial, because agreements are made between related entities in an uncompetitive setting, may result in agreements with inflated prices or reflecting purely "fictional" services. There is therefore a fine line between tax optimisation and tax evasion, which is at times difficult to identify and leaves room for interpretation by tax authorities.

The common solution to this dilemma in many foreign jurisdictions is to apply for individual tax rulings or have transfer pricing agreements approved in advance by tax authorities in order to avoid any future controversy with regard to the adopted tax structure.

Unfortunately, the biggest draw-back when attempting to apply common tax optimisation schemes in Ukraine is the poor functioning of such individual tax-rulings or transfer pricing agreements, due to insufficient practice by tax authorities in this field. As a result any tax optimisation scheme implemented in Ukraine, even if it is quite a standard one used by a multinational group around the world should be subjected to a specific risk assessment.

How can businesses most effectively limit their tax liabilities?

The best way to limit tax liabilities is a proper compliance. This is particularly true for Ukraine, due to the formalistic approach adopted by the tax authorities. Companies applying typical tax optimisation schemes such as intra-group services agreements, royalty payments for group know-how and trademarks etc. need to collect as much documentary evidence as possible on the reality of these schemes.

For services agreements, this includes not only invoices, but also other aspects such as adroitly worded contracts giving a clear description of the services to be rendered and duly executed "transfer and acceptance acts" for provided services and banking transfer documents.

For intra-group licensing agreements this includes the state registration of licensed trade-marks and other intellectual property where possible. In case of know-how transfer, this includes the formal "materialisation" of the transferred intellectual property, in the form of procedural handbooks, guidelines etc.

Only by ensuring economic substance and documentary proof, can honest taxpaying companies avoid being unfairly labelled as tax-evaders.



Taras Koval
Head of Tax Practice
of Gide Loyrette Nouel Kyiv

How to import a vehicle without paying a fortune

BY MARK RACHKEVYCH
RACHKEVYCH@KYIVPOST.COM

Imported cars can cost 40 to 100 percent more in Ukraine than in the European Union or North America. The culprits are customs duties, excise taxes and value-added tax. Complex rules of the game, however, mean that a number of loopholes can be used by resourceful individuals to bypass the extra costs.

A vehicle's make, age, engine size and fuel type determine the customs duty. Then there's an excise tax based on the engine's size. And then there's a 20 percent value-added tax, which consists of the total customs value of the car, customs duty and excise tax.

These are all costs that auto importers are forced to pass on to buyers.

"The killer is the (20 percent) VAT," said Petro Rondiak, premium brands director for Winner in Kyiv, an importer of Ford, Jaguar, Volvo, Land Rover and Porsche cars.

Thus, a used car no older than five years valued at \$10,000 with a 2.3-liter, gas-run engine will cost \$9,989 to get across the Ukrainian border, according to InfoCar, an online automotive consultancy. The breakdown includes: a 10 percent customs duty of \$1,000, an excise tax of \$5,658 at two euros (\$2.44) per cubic centimeter of engine and then the 20 percent VAT of \$3,332.

If anyone bypasses the local car dealership, the initial car registration with traffic police will run at \$57, at Hr 0.20 per cubic centimeter. An additional \$500 goes to the pension fund.

InfoCar project manager Pavlo

Kashchuk said these measures, meant to protect domestic producers, are illogical. Ukraine's national automaker ZAZ doesn't produce luxury cars like Lexuses or pick-up trucks, he explained, only compact and city class cars. Instead, the heavy taxes exist "to fill state coffers," said Kashchuk.

There are, however, legal ways to bypass customs.

There's a clear-cut window of opportunity for permanent residents of Ukraine to save money if they bring a car purchased from their former country of residence within six months of receiving their residency permit in Ukraine. The car's title must be registered in their name, the owner must accompany the car when entering Ukraine's customs zone, and it must have been purchased at least one year prior to receiving permanent residency status.

"The new permanent resident must have resided in their former country of residence, where they bought their car, not less than three years," said Mykhailo Budul of the Justicon law firm.

Permanent residents can also bypass customs if they inherit a car abroad or win a vehicle in a foreign competition. Foreigners can also bring in vehicles as part of an investment.

"Let's say you're a Dutchman who is invested in a Ukrainian farm. You could bypass customs and bring in a pick-up truck or other vehicles that you must prove are in-kind investments," explained Budul.

Non-residents, including expatriates who temporarily reside and are legally employed in Ukraine, can keep their

cars in Ukraine for up to one year without making customs or VAT payments, according to the new customs code that came into force on June 1.

But car owners must register with the traffic police if their vehicles stay longer than two months in Ukraine.

Cars of Ukrainian citizens who reside abroad could stay for up to 60 days without having to pay customs or VAT. But to bring a car into Ukraine, they would have to be registered at their local consulate abroad as residing outside Ukraine.

"Presumably, all you would have to do is drive your car to the nearest border point, exit and re-enter to stay an additional term," said Budul.

But this implies the owner can legally stay in Ukraine for that long. Budul added, which carries its own set of problems.

Finally, the so-called "co-ownership" clause also exists. Both residents and non-residents listed as co-owners of a vehicle with a foreigner living outside Ukraine on the car's deed or title can enter Ukraine without paying customs or VAT. Relevant legislation is unclear.

Ukrainians who are registered as co-owners with a foreigner in car brought into Ukraine can only stay in-country for 10 days without paying VAT or customs.

"But if the foreign co-owner drives the car, they can stay for up to one year, but they are the only ones who can drive the car, not even the other Ukrainian co-owner," said Budul.

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Lack of property taxes a major blight on Ukraine



BRIAN BONNER
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Kyiv, an ancient and majestic capital, is looking more like an urban ghetto with each passing year.

Dozens of old buildings stand empty, almost in ruins, with knocked-out windows and graffiti-painted walls. It's all the more heartbreaking since some of these were once architectural monuments.

There are many reasons for such a condition, but one of them stands out: Building owners haven't had to pay any property taxes. They should, and those taxes should be substantial, as they are in the West.

The status quo means that buying commercial and residential real estate has been one of the best ways to "optimize" – read: "not pay" – taxes in the 21-year history of independent Ukraine.

And the new residential property tax law that went into effect on July 1 won't help much. It's not a "full-fledged property tax" that will deliver meaningful government revenue, said Vladimir Kotenko, the head of the tax and legal department of Ernst & Young's Kyiv office.

The property tax law charges an

absurdly low rate to homeowners on the basis of square meters, not on the value of the property. That means the owner of a 250-square meter shack gets hit as much as the owner of a luxurious apartment of the same size, only with a market value of 10 or 100 or 1,000 or even 10,000 times more than the shack. Moreover, commercial properties remain exempt.

A substantial commercial and residential property tax, based on the property's estimated market value, would be one way to attack this urban blight.

Buying real estate without having to pay property taxes makes ownership much more lucrative in Ukraine than in the West. In Ukraine, after the purchase cost is covered, owners face much lower expenses. They often just have to spend small amounts for subsidized monthly utility bills, and whatever maintenance costs they are willing to undertake.

This is a shame.

The lack of property taxes rewards the wrong people – usually the well-to-do, who don't need these breaks.

And it rewards wrong behavior by not forcing owners to pay for their socially irresponsible decisions to do nothing with their properties. The current no-tax plan, in fact, encourages speculation on the future value of their holdings.

President Viktor Yanukovich even recognized the problem during the July



At long last, Ukraine started on July 1 to enact its first-ever residential property tax. But homeowners will pay a small amount based on apartment size rather than market value, a concept that is at odds with standard practice. But as people get used to paying the tax, experts think government will switch to a value-based tax and raise the amount collected over time. (Courtesy)

holiday for tax professionals, when he called for property taxes to be substantial. "This symbolic tax should turn into a major source for pumping up local budgets and a tool to limit speculation in real estate," Yanukovich said.

This spot-on assessment of the problem makes it even more mystifying why the administration – which holds all the levers of political power in the nation – is not fixing the situation.

The new tax that went into effect on July 1 won't accomplish the president's aims.

Experts say that the property tax would assess the owner of an average-sized apartment – some 50 square meters – only Hr 550 (about \$70 a year) in property taxes. The owner of a 500-square meter apartment – a high-end rarity – would pay Hr 15,000 a year, or \$1,875, based on a two-tier rate in place per square meters.

Such a meager tax leads to the conclusion that rich and powerful real-estate owners still aren't ready or willing to pay substantial property taxes.

Longtime Kyiv lawyer Alex Frishberg thinks the government finally decided to impose property taxes out of financial desperation – and because the Yanukovich administration sees a potential huge stream of tax revenue "to play with" in the future.

Frishberg noted that, after the nation's inventory of properties is on record and taxes are collected, government officials can simply hike the annual property tax. It is now set at 1 percent of the monthly minimal salary of Hr 1,102 per square meter for buildings of less than 240 square meters. That's only Hr 11 – not even \$1.50 – per square meter each year.

So in that sense the new tax is just a start, said Ernst & Young's Kotenko. After people get used to paying taxes on their homes, then government can switch to a property tax based on value rather than size of the assets, he said.

That's the way America and many Western nations charge the tax – usually 1 to 2 percent of the property's

assessed value each year.

The money goes to local governments in the city where the building – be it a home, an office or a shopping mall – is located and the tax is collected. This revenue source provides funds for schools, police, roads, trash collection and whatever other services that local governments provide.

It's a very accountable and, if done right, progressive way to raise revenue.

In my state of Minnesota and many others, property tax breaks are given to poor people or those with modest incomes. Meanwhile, the tax rates are usually progressive – a higher percentage for higher-valued properties.

The property tax encourages owners to keep their buildings well-maintained and for productive uses. Allowing a building to sit empty in the West becomes costly for building owners, even costlier if the city assesses extra fines for vacant and unsafe properties.

The property tax has to be paid each year, or else a lien or legal claim is attached against the property, leading to eventual government seizure to cover unpaid taxes. Simply put, property taxes encourage owners to sell properties not in use.

So why is Ukraine's property tax based on the size of an apartment and not its value?

As Frishberg points out, America has a competitive and transparent real estate market, in which the true value of the property is disclosed at sale, and where armies of government assessors have become adept at setting accurate market values.

In Ukraine, by contrast, salaries and property values are not disclosed with any degree of honesty.

Also by contrast, Ukrainians are not likely to trust government assessors to inspect private properties. "We all

know what happens when you give that much power to government," Ernst & Young's Kotenko said, meaning that assessments might be susceptible to arbitrary abuse and might bear no relation to market realities.

But, Kotenko said, once all properties are inventoried by size and people get used to paying even a nominal tax, then government can start seeing how many properties are owned by the same person or legal entity – and then check that person's income declarations to see how realistic the disclosures are.

Another problem, as California-property owner Frishberg points out, is that local governments in America – the beneficiaries of local property taxes – operate with a higher degree of transparency and accountability than governments in Ukraine. The recently approved property tax in Ukraine would go to the central government, where there is "no real accountability" for spending, Frishberg said.

The concept of private property has been taking root again only for the last 21 years, interrupted by 70 years of the Soviet Union, where everything was state-owned and, before that, centuries of czarist Russian empire, in which only the rich could own property, land or people (until serfdom was abolished in 1861).

The property tax is "very normal anywhere else in the world," Frishberg said. "It should be applied in Ukraine, with the caveat that the money should be for the benefit of the nation."

The longer these tax injustices linger into the 21st century, the worse the nation's financial future will be – and the more grand cities like Kyiv and Kharkiv and Odesa will look like urban ghettos.

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



The "House of Gargoyles," one of Kyiv's most beautiful yet neglected and abandoned buildings, is at 1 Yaroslaviv Val. (Ganna Berynk)



A man walks out of the deteriorating Murashko mansion on 14/12 Mala Zhytomyrska. It is surrounded by a high green fence, with a poster over the balcony that reads: "Authorities, let Murashko mansion live." (Ganna Berynk)

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VISION

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 ls@kyivpost.com

For tickets online, please visit kvytky.ua, parter.ua, freedomhall.com.ua, biletouse.com.ua, karabas.com, or biletik.ua.



Aug. 3

Photofriday in PinchukArtCentre

On Aug. 3, PinchukArtCentre will turn into a huge photo studio. Photographers from the center will take pictures of visitors in front of the works of Anish Kapoor, one of the most influential Indian-born British sculptors. This is Kapoor's first Eastern European show featuring his best sculptures. The use of private cameras and mobile phones will be prohibited during the photo shoot. However, organizers promise to give gallery goers photos in digital format. The center's website then will publish the 20 best jury-selected pictures.

Photofriday. Aug. 3. PinchukArtCentre. 3 p.m. – 9 p.m. Free

Friday, August 3

Classical music

Classics on Fridays. Works of Ravel, Tchaikovsky, Shostakovich, Sibelius (violin, piano). Master Klass. 8 p.m. Hr 40

Movies

Best summer shorts (shorts festival). Zhovten. 12:45 p.m., 16:20 p.m., 19:55 p.m. Hr 25-40
Marina Abramovic: The Artist Is Present (documentary). Zhovten. 2:45 p.m., 6 p.m., 9:35 p.m. Hr 25-35
Ukr The Dark Knight Rises (action). Kyiv. 10 a.m., 3 p.m., 8 p.m. Hr 30-40
Ukr Ice Age: Continental Drift 3D (cartoon). Ukraine. 11 a.m., 3 p.m. 5 p.m. Hr 40-50
Ukr 4:44 Last Day on Earth (drama). Kinopanorama. 11:00 a.m., 3

p.m., 7 p.m., 9 p.m. Hr 20- 50

Live music

Ot Vinta & Tex-Mex Company. Docker Pub. 10 p.m. Hr 75
Red Rocks & Mama Mia (rock & italiano disco). Docker's ABC. 10 p.m. Hr 50

Clubs

Feminism Party. Forsage. 11 p.m. Hr 30-60 for males, Hr 25-50 for females
Pop-Gorn. D'Lux. 10 p.m. Hr 200 for males, Free for females
Wet T-shirts Party. Egoist. 11 p.m. Hr 50 for males, Hr 25 for females, Free with flyer

Shows

Joe Satriani, Steve Vai, Steve Morse (guitar show). Palats Ukraina. 7 p.m. Hr 450-1,500

Miscellaneous

Retro Train (excursion). Kyiv central railway station. 11:32 a.m., 2:31 p.m. Hr 25
Posters Of The Near-Communist Times (exhibition). National Museum of Taras Shevchenko. Through August 6. Hr 12
The Crowd (Zhanna Kadyrova personal art exhibition). Pinchuk Art Center. Free
Cities' Horizons (Anna Kryvolap art exhibition). Kyiv National Museum of Russian Art. Hr 5-30
Photo Friday in Pinchuk Art Center. Pinchuk Art Center. 3 p.m. Free
Kazantip. Through August 15. Popovka, Crimea. Hr 800-2,000
Zhnyva. Ethnic Festival. Pirogovo. Hr 30
Asocial Ads. Exhibition. Contemporary Anti-Art Center. Free



Aug. 3-5

Zhnyva Festival

Ukraine is historically an agricultural country and the upcoming festival is set to recreate ancient agricultural traditions. The famous outdoor museum of Pyrohovo just outside the Kyiv is hosting the event. The range of master classes at the festival includes the making of wheat sheaves, threshing grain and bread-making. Ethnic bands from Ukraine and Belarus are set to perform some of their hits. Ukrainian and international ethnic films will also be shown at Pyrohovo during the festival.

Zhnyva Festival. Aug. 3-5. Pyrohovo. Hr 30
 For a detailed schedule of festival events visit <http://zhnyvafest.com>

Saturday, August 4

Movies

Best summer shorts (shorts festival). Zhovten. 11:05 a.m., 2:40 p.m., 6:15 p.m., 7:55 p.m. Hr 30-40
Marina Abramovic: The Artist Is Present (documentary). Zhovten. 12:45 p.m., 4:20 p.m., 9:35 p.m. Hr 32-35
Ukr The Dark Knight Rises (action). Kyiv. 10 a.m., 3 p.m., 8 p.m. Hr 30-40
Ukr Ice Age: Continental Drift 3D (cartoon). Ukraine. 11 a.m., 3 p.m. 5 p.m. Hr 40-50
Ukr 4:44 Last Day on Earth (drama). Kinopanorama. 11:00 a.m., 3 p.m., 7 p.m., 9 p.m. Hr 20- 50

Live music

April & Crazy Train (The Beatles covers, rock). Docker Pub. 10 p.m. Hr 75
Ot Vinta & Honey Top (cover band). Docker's ABC. 10 p.m. Hr 75

Clubs

Tuborg Pena Party. Forsage. 11 p.m. Hr 25-50 for males, Hr 20-40 for females
Glam Punk Party. Ajour. 9 p.m. Hr 150 for males, Free for females
Karim Haas (Spain). Mantra. 10 p.m. Hr 200 for males, Hr 100 for female

Shows

Madonna (the M.D.N.A. tour). NSK Olimpiyskiy. 7 p.m. Hr 700-13,000

Miscellaneous

Retro Train (excursion). Kyiv central railway station. 11:32 a.m., 2:31 p.m. Hr 25
Posters Of The Near-Communist Times (exhibition). National Museum of Taras Shevchenko. Through August 6. Hr 12
Blacksmith's Day. Hammer on Fire (festival). Kyivska Rus Park. 10 a.m. Hr 30-60
The Crowd (Zhanna Kadyrova personal art exhibition). Pinchuk Art Center. Free
Cities' Horizons (Anna Kryvolap art exhibition). Kyiv National Museum of Russian Art. Hr 5-30
Kazantip. Through August 15. Popovka, Crimea. Hr 800-2,000
Zhnyva. Ethnic Festival. Pirogovo. Hr 30
Asocial Ads. Exhibition. Contemporary Anti-Art Center. Free

Sunday, August 5

Movies

Best summer shorts (shorts festival). Zhovten. 11:05 p.m., 2:40 p.m., 6:15 p.m., 7:55 p.m. Hr 25-40
Marina Abramovic: The Artist Is Present (documentary). Zhovten. 12:45 p.m., 4:20 p.m., 9:35 p.m. Hr 32-35
Ukr The Dark Knight Rises (action). Kyiv. 10 a.m., 3 p.m., 8 p.m. Hr 30-40
Ukr Ice Age: Continental Drift 3D (cartoon). Ukraine. 11 a.m., 3 p.m. 5 p.m. Hr 40-50
Ukr 4:44 Last Day on Earth (drama). Kinopanorama. 11:00 a.m., 3 p.m., 7 p.m., 9 p.m. Hr 20- 50

Clubs

WHAP! Green Theater. 11 p.m. Hr 30-50
Sweet Sweet Girls. Saxon. Free till midnight, Hr 20 after midnight
Back to USSR. Ajour. 9 p.m. Free

Live music

Karnavalnaya Zhara (cover band). Docker Pub. 9:30 p.m. Free
Animals Session (classic rock). Docker's ABC. 10 p.m. Free

Through Aug. 15



Kazantip

Kazantip Republic, or Republic Z, has opened its borders for the 20th time this summer. In two decades, not only has Kazantip become the biggest post-Soviet electronic music festival, it also has gained a reputation as a place with no rules, with drugs featuring heavily. The Vinnie Who band from Denmark, DJ Unvolved from Portugal, DJ Steve Snare from Germany, Auroraw band from Russia and the Maneken from Ukraine are among the festival's performers this year. The festival has moved a few times, and is now held in Popovka near Yevpatoria, in western Crimea. The festival's symbol is a yellow retro-style suitcase. If you register your suitcase in advance, it will give you free entrance to the festival grounds.

Kazantip. Through Aug. 15. Popovka, Crimea. Hr 800-2,000

Miscellaneous

Retro Train (excursion). Kyiv central railway station. 11:32 a.m., 2:31 p.m. Hr 25
Posters Of The Near-Communist Times (exhibition). National Museum of Taras Shevchenko. Through August 6. Hr 12
Blacksmith's Day. Hammer on Fire (festival). Kyivska Rus Park. 10 a.m. Hr 30-60
The Crowd (Zhanna Kadyrova personal art exhibition). Pinchuk Art Center. Free
Cities' Horizons (Anna Kryvolap art exhibition). Kyiv National Museum of Russian Art. Hr 5-30
Kazantip. Through August 15. Popovka, Crimea. Hr 800-2,000
Zhnyva. Ethnic Festival. Pirogovo. Hr 30
Asocial Ads. Exhibition. Contemporary Anti-Art Center. Free

porary Anti-Art Center. Free

Monday, August 6

Movies

Best summer shorts (shorts festival). Zhovten. 12:45 p.m., 4:20 p.m., 7:55 p.m. Hr 26-35
Marina Abramovic: The Artist Is Present (documentary). Zhovten. 2:25 p.m., 6 p.m., 7:55 p.m. Hr 25-35
Ukr The Dark Knight Rises (action). Kyiv. 10 a.m., 3 p.m., 8 p.m. Hr 30-40
Ukr Ice Age: Continental Drift 3D (cartoon). Ukraine. 11 a.m., 3 p.m. 5 p.m. Hr 40-50
Ukr 4:44 Last Day on Earth (drama). Kinopanorama. 11:00 a.m., 3 p.m., 7 p.m., 9 p.m. Hr 20- 50

Asocial Ads. Exhibition. Contem-



Through Aug. 5

Asocial ads exhibition

Unusual advertising posters representing asocial ads went on display in the Kyiv Contemporary anti-art center. "Kyiv streets are packed with social ads. However, most of them are senseless and even harmful. This exhibition aims to show the viewer what a real asocial ad is," explained Todor Oleksandrov, center's curator. The exhibition runs till Aug. 5 and this weekend is the last chance to visit it.

Asocial ads exhibition. Through Aug. 5. Contemporary Anti-Art Center. Free



Aug. 4-5

Blacksmith's fest

A traditional blacksmith's festival will be held this weekend in Kyivska Rus, an outdoor medieval-themed park in the village of Kopachiv in Kyiv Oblast.

It will bring together blacksmiths from all over Ukraine who will compete in games of horseshoes and hammer throwing while the visitors will have chance to learn about the history and technology of the blacksmith craft. Apart from the festival, the Knight of Kyiv Detinets historical fencing tournament will take place in the park on Aug. 4.

Blacksmith's fest. Aug. 4-5. Kyivska Rus Park. 1 p.m. Hr 60

Live music

Dyadya Vasya. Docker Pub. 9:30 p.m. Free

Nochnoi Kvartal. Docker's ABC. 10 p.m. Free

Bloomband (jazz). Art Club 44. 10 p.m. Free

Miscellaneous

The Crowd (Zhanna Kadyrova personal art exhibition). Pinchuk Art Center. Free

Cities' Horizons (Anna Kryvolap art exhibition). Kyiv National Museum of Russian Art. Hr 5-30

Tuesday, August 7

Movies

Best summer shorts (shorts festival). Zhovten. 12:45 p.m., 4:20 p.m., 7:55 p.m. Hr 26-35

Marina Abramovic: The Artist Is Present (documentary). Zhovten. 12:45 p.m., 4:20 p.m., 7:55 p.m. Hr 25-35

Ukr The Dark Knight Rises (action). Kyiv. 10 a.m., 3 p.m., 8 p.m. Hr 30-40

Ukr Ice Age: Continental Drift 3D (cartoon). Ukraine. 11 a.m., 3 p.m. Hr 40-50

Ukr 4:44 Last Day on Earth (drama). Kinopanorama. 11:00 a.m., 3 p.m., 7 p.m., 9 p.m. Hr 20-50

Live music

Larus (the best hits of Russian rock). Docker Pub. 9:30 p.m. Free

Tres Deseos (latin party). Docker's ABC. 10 p.m. Hr 20

Some Like It Hot (cover band). Art Club 44. 10 p.m. Free

Miscellaneous

The Crowd (Zhanna Kadyrova personal art exhibition). Pinchuk Art Center. Free

Cities' Horizons (Anna Kryvolap art exhibition). Kyiv National Museum of Russian Art. Hr 5-30

Kazantip. Through August 15. Popovka, Crimea. Hr 800-2,000

Wednesday, August 8

Classical music

Summer Music Streams Festival. Works of Vivaldi, Rossini, Tchaikovsky (violin). National Philharmonic. 7 p.m. Hr 40-80

Movies

Best summer shorts (shorts festival). Zhovten. 12:45 p.m., 4:20 p.m.,

7:55 p.m. Hr 26-35

Marina Abramovic: The Artist Is Present (documentary). Zhovten. 12:45 p.m., 4:20 p.m., 7:55 p.m. Hr 25-35

Ukr The Dark Knight Rises (action). Kyiv. 10 a.m., 3 p.m., 8 p.m. Hr 30-40

Ukr Ice Age: Continental Drift 3D (cartoon). Ukraine. 11 a.m., 3 p.m. Hr 40-50

Ukr 4:44 Last Day on Earth (drama). Kinopanorama. 11:00 a.m., 3 p.m., 7 p.m., 9 p.m. Hr 20-50

Live music

The Magma (pop rock). Docker Pub. 9:30 p.m. Free

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

Cadillac Records (jam session). Art Club 44. 10 p.m. Free

Miscellaneous

The Crowd (Zhanna Kadyrova personal art exhibition). Pinchuk Art Center. Free

Kazantip. Through August 15. Popovka, Crimea. Hr 800-2,000

Thursday, August 9

Classical music

Summer Music Streams Festival. Symphony Orchestra of the National Philharmonic of Ukraine Playing Vivaldi, Rodrigo, Rossini. National Philharmonic. 7 p.m. Hr 40-80

Movies

Best summer shorts (shorts festival). Zhovten. 12:45 p.m., 4:20 p.m., 7:55 p.m. Hr 26-35

Marina Abramovic: The Artist Is Present (documentary). Zhovten. 12:45 p.m., 4:20 p.m., 7:55 p.m. Hr 25-35

Marley and Me (comedy). Kinopanorama. 7 p.m. Hr 40

Ukr 4:44 Last Day on Earth (drama). Kinopanorama. 11:00 a.m., 3 p.m., 7 p.m., 9 p.m. Hr 20-50

Live music

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

Karnavalnaya Zhara (cover band). Docker's ABC. 10 p.m. Hr 30

Tartila (cover band). Art Club 44. 10 p.m. Free

Sunnyfield, Got No Rest. Divan. Divan. 8 p.m. Free

Miscellaneous

The Crowd (Zhanna Kadyrova personal art exhibition). Pinchuk Art Center. Free

Kazantip. Through August 15. Popovka, Crimea. Hr 800-2,000

Friday, August 10

Classical music

Classics on Fridays. Works of Chopin, Ravel, Stravinsky, Bartok, Bloch (violin, piano). Master Klass. 8 p.m. Hr 40

Movies

Best summer shorts (shorts festival). Zhovten. 12:45 p.m., 4:20 p.m., 7:55 p.m. Hr 26-35

Marina Abramovic: The Artist Is Present (documentary). Zhovten. 12:45 p.m., 4:20 p.m., 7:55 p.m. Hr 25-35

Ukr 4:44 Last Day on Earth (drama). Kinopanorama. 11:00 a.m., 3 p.m., 7 p.m., 9 p.m. Hr 20-50

Live music

Kozak System & Partizanskie Vytivki. Docker Pub. 10 p.m. Hr 75

Bangladesh Orchestra & Tex-Mex Company. Docker's ABC. 10 p.m. Hr 50

Carl Hlamkin & OgneOpasno Orkestr, BRI-Dance Disco Bad Samurais. Art Club 44. 10 p.m. Hr 40

Bad Samurais. Divan. 8 p.m. Free

Miscellaneous

Retro Train (excursion). Kyiv central railway station. 11:32 a.m., 2:31 p.m. Hr 25

The Crowd (Zhanna Kadyrova personal art exhibition). Pinchuk Art Center. Free

Kazantip. Through August 15. Popovka, Crimea. Hr 800-2,000

Saturday, August 11

Live music

Vasya Club & Red Rocks. Docker Pub. 10 p.m. Hr 75

Angie Nears & Partizanskie Vytivki. Docker's ABC. 10 p.m. Hr 50

Mamma Mia (cover band). Art Club 44. 10 p.m. Hr 50

Night Surf. Divan. 8 p.m. Free

Miscellaneous

Retro Train (excursion). Kyiv central railway station. 11:32 a.m., 2:31 p.m. Hr 25

The Crowd (Zhanna Kadyrova personal art exhibition). Pinchuk Art Center. Free

Kazantip. Through August 15.



Aug. 4

Madonna to sing in Kyiv

American pop queen Madonna is coming to present her latest album M.D.N.A. in Kyiv on Aug. 4.

M.D.N.A. debuted at the top of the U.S. album charts in April, selling 359,000 copies in its first week of release.

Critics say the 12 song-record combines the best elements of Madonna's repertoire. The Kyiv concert will be part of the Madonna Dance Party world tour in support of her new album.

This is the second major music event at Olympic Stadium this summer, coming on the heels of the July 25 concert of the Red Hot Chili Peppers.

Madonna concert. Aug. 4. Olympic Stadium. 7 p.m. Hr 700-13,000

Popovka, Crimea. Hr 800-2,000

Checkpoint. Divan. 8 p.m. Free

Sunday, August 12

Live music

Karnavalnaya Zhara (rock hits). Docker Pub. 10 p.m. Free

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

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

Miscellaneous

Retro Train (excursion). Kyiv central railway station. 11:32 a.m., 2:31 p.m. Hr 25

The Crowd (Zhanna Kadyrova personal art exhibition). Pinchuk Art Center. Free

Kazantip. Through August 15. Popovka, Crimea. Hr 800-2,000

Addresses of venues

Classical Music

- National Philharmonic of Ukraine 2 Volodymyr Uzviz St., 278-1697 filarmonia.com.ua/en
- House of Organ Music 77 Velyka Vasylykivska St., 528-3186 organhall.kiev.ua
- School of Jazz and Pop Art 7-A Chelyabinskaya St., 517-6188
- National Tchaikovsky Academy of Music 1-3/11 Horodetsky St. 279-1242 operna-nmau.kiev.ua

Movies

- Zhovten 26 Kostyantynivska St., 205-5951 zhovten-kino.kiev.ua
- Kyiv 19 Velyka Vasylykivska St. (former Chervonoarmiytska), 234-7381 kyivkino.com.ua
- Kinopanorama 19 Shota Rustaveli St., 287-3041 kinopanorama.com.ua
- Budynok Kino 6 Saksaganskoho St., 287-6780
- Ukraine 5 Gorodetsky St., 2796750, 279 8232 kino-ukraina.com.ua

! For more schedules visit kino.ukr.net/cinema/kyiv/

Live Music

- Docker Pub 25 Bohatyrskaya St., metro Heroyiv Dnipro, 537-1340 docker.com.ua
- Docker's ABC 15 Khreshchatyk St., 278-1717, abc.docker.com.ua
- Art Club 44 44B Khreshchatyk St., 279-4137 club44.com.ua
- Divan 2 Bessarabskaya Square, 235-7366 festrestdivan.com.ua
- Bochka 22 Verhnyi Val St. 067-433-0433 bochka.ua
- Clubs
- Bionica 128 Borschahovska St., 277-4747 bionicaclub.com.ua
- Seven Music Club 1G Saksahanskoho St. 205-4451 se7en.com.ua
- Party Room 5/3 Velyka Vasylykivska St. (former Chervonoarmiytska), 093-815-1468 partyroom.com.ua
- Cinema Club 1 Enthusiastov St., 295-5854
- Saxon Club 4 Trutenko Onufriy St., 257-4070 saxonclub.com.ua
- Dorothy Pub 16/43 Saksahanskoho St., 287-0530
- pubdorothy.com.ua
- Sky Bar 5 Velyka Vasylykivska St. (former Chervonoarmiytska), 465-8880 skybar.com.ua
- Sullivan Room 8 Prorizna St., 095-455-7724 sullivanroom.kiev.ua
- Forsage 51A Harmatnaya St., 406-7600 forsageclub.com.ua
- Prime Club 2 Perova Blvd., 524-2209 primeclub.in.ua
- Crystal Hall 1 Dneprovsky Spusk, 288-5069 crystalhall.com.ua
- Arena Entertainment 2A, Basseynaya St. 492-0000 arena-kiev.com/eng
- Mantra 4 Basseynaya St., 504-2555 mantra.dj
- Egoist 124/140 Gorlovskaya St., 223-3633 egoist-club.com.ua
- Fiesta 115D Horkogo St., 353-7685 fiesta.im
- Golden Gate pub. 15 Zolotovitska St. 235-5188 goldengatepubkiev.com
- Vegas 44 Shchora St. 063-772-4972

- Museum Le Club 10 Muzelnyi Lane 221-1101 museum-club.com
- Allegro Hall 82 Pobedy Ave., (Nivki Park) 237-9209 067-443-4439 allegro.net.ua
- D'Lux 3 Grushevskogo St. 200-2991 dlux.com.ua
- Club To Be First 17 Moskovskaya St. 280-13-22. 067-548-8188 club-cbf.com.ua
- Home 2 Perova Blvd., 558-2545, 383-7738 home-club.kiev.ua
- Green Theatre 2 Park Alley 093 5912514 greentheatre.com.ua
- Ajour 3 Leontovicha St., 234-7494 avalon.ua/en
- Xlib Club 12 Frunze St., Thu-Sat 417-2546 myspace.com/xlibclub
- Vodka Bar Maidan Nezalezhnosti, Globus mall, 2nd line, 371-1102 vodka-bar.com.ua
- Theaters
- Ivan Franko Ukrainian Drama Theater 3 Ivana Franka Sq., 279-5921 ft.org.ua
- Lesya Ukrainka Russian Drama Theater 5 Bohdana Khmelnytskogo St., 234-4223 rusdram.com.ua
- Koleso Theater 8 Andriyivskiy uzviz St., 425-0422 koleso.teatr.kiev.ua
- Drama & Comedy Theatre on the left bank of Dnipro 25 Brovarsky Avenue, 517-8980 drama-comedy.kiev.ua
- Kiev Academic Drama Theater in Podil 4 Kontraktova Pl., 425-5489 Theateronpodol.com
- National Opera Theater of Ukraine 50 Volodymyrska St., 279-1169 opera.com.ua
- House of Actors 7 Yarenyk Val St., 235-2081 actorhall.com.ua
- Molody Theater 17 prorizna St., 234-6251 molody.kiev.ua
- Kyiv National Academic Theater of Opera 53/3 Chervonoarmiytska St., 287-6257 kiev-operetta.kiev.ua
- New Theater on Pechersk 5 Nemirovich-Danchenko St., 253-6550 newtheater.kiev.ua
- Kiev Opera and Ballet Theater for Children and Youth 2 Mezhyhirskaya St., 425-4280 musictheater.kiev.ua
- Dakh Modern Art Theatre 13B Velyka Vasylykivska St., 529-4062 dax.com.ua
- Art Union Chorny Kvadrat 1-5 Artema St., 353-0843 artkvadrat.com
- Kyiv Small Opera 5 Dehtyarskaya St. 502-3247
- Shows
- Palats Ukraina 13 Velyka Vasylykivska St. 247-2316 npmu.com.ua
- Freedom Hall 134 Frunze St. 468-3232 freedomhall.com.ua
- Stereo Plaza 17 Kikvidze St. 222-8040 stereoplaza.com.ua
- Palats Sportu 1 Sportyvna Square 246-7405 spalace.com.ua
- Artist's House 1/5 Artema St. 272-0547
- International Exhibition Center 15 Brovarsky Avenue 538-0827 iec-expo.com.ua
- Lavra Gallery 17 Ivana Mazepy St. 280-0290
- Underground Music Hall 13B Moskovskiy Avenue 360-9594 underground.com.ua
- Zhovtnevy Palats 1, Instyutskaya St. 279-1582 icca.kiev.ua
- NAU Center of Culture and Arts 1 Kosmonavta Komarova Ave., 406-6835 ckm.nau.edu.ua
- Expocenter of Ukraine 1 Glushkov Ave. 596-9116, 596-9101, expocenter.com.ua
- House of Officers 30/1 Mykhaila Hrushevs'koho St., 253-8072

- KPI Art Center 37 Peremogy Avenue 241-8626
- Museum of Books and Publishing of Ukraine 21, Building 9, Ivana Mazepy St. 280-7976 vuam.org.ua
- M17 Contemporary Art Center 102-104 Gorkogo (Antonovycha) St., 596-2030 m17.com.ua
- Kyiv Children and Youth palace 13 Ivana Mazepy St.
- Kyiv support fund 1/6 Frolivska St. 238-6521. foundart.org.ua
- Kult Ra 4 Volodymyrska St., 331-5948 kultra.org
- Sky Mall 2T Henerala Vatutina Av., 495-5524 cityclub.kiev.ua
- ACCO International exhibition center. 40-B Peremohy Avenue., 456-3804 acco.ua
- Kyiv Pechersk Lavra 9 Lavrska St. 280-3071 kplavra.kiev.ua
- Modern Art Museum 17 Hlubochitska St. 201-4945 modern-museum.org.ua
- House of Architect's 7 Bonyasa Hrinchenka St. 279-7820
- Pyrohovo Folk Open-Air Museum Pyrohovo village, Kyiv region 526-5765 nmnapu.org.ua
- Mamayeva Sloboda 2 Myhayla Dontsya St. 361-9848 mamajeva-sloboda.ua
- Ostrich farm 32 Pidlisna street, Yasnohorodka village, Kyiv region (04578) 232-40, ostrich.com.ua
- Kyivska Rus park Kopachiv village Kyiv region 461-9937 parkkyivrus.com

- National Art Museum of Ukraine 6 Hrushevskogo St. 278-1357, 278-7454 namu.kiev.ua/en.html
- Spartak stadium 105 Frunze St.
- Mystetskyi Arsenal 10-12 Lavrska St. artarsenal.in.ua
- National Writers Unity of Ukraine 2 Bankova St., 253-4586 nspu.org.ua
- Chulan 21 Pushkinska St. facebook.com/4ulan
- Triptych Gallery 34 Andriyivsky Spusk triptych-gallery.org 279-8385
- Gryshko national botanic garden 1 Tymyazevska St. 285-4105 nbg.kiev.ua
- Kyiv National Museum of Russian art 9 Tereshchenkivska St. 234-6218 kmrm.com.ua
- Wunjo-Art gallery 10a Stalingrada St. 228-6620 wunjo-art.com
- Pinchuk Art Center 1/2 Bassejan St. 590-0858 pinchukartcentre.org
- Greter art-center 6 Vadyrna Getmana St. 200-0760 greter-art.com
- Atmosfera 360 57/3, Velyka Vasylykivska

- Ivan Honchar museum 29 Ivana Mazepy St. 288-5419 honchar.org.ua
- Ukrainian House 2 Khreshchatyk St. 278-8490 ukrdim.org.ua
- Mytets Gallery 12 Velyka Vasylykivska St., 234-4006, 236-8919
- Chaika airfield Petropavlivska Borshtchagivka village 424-8293 dropzone.kiev.ua
- Kyiv Children Academy of Art 10 Heroiv Stalingrada St. 410-9310, 419-8777
- National University of Physical Training and Sports 1 Fizkultury str. 287-5452 uni-sport.edu.ua
- NSC Olimpiyskyi St. Velyka Vasylykivska 55 0800-50-5750 nsc-olimpiyskyi.com.ua
- National Museum of Taras Shevchenko 12 Shevchenko Blv. 234-2556 muuseumshevchenko.org.ua
- Anti-Art Center 21 Prorizna St. http://fakeart.com.ua



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Kyiv: A decaying city

→1 noted the problem during the July holiday for tax professionals and called for property taxes to be substantial as incentives for owners to sell or fix their properties. "This symbolic tax should turn into a major source for pumping up local budgets and a tool to limit speculation in real estate," Yanukovich said.

The government's main department of cultural heritage says there are 48 buildings under its watch that are in ruin or in wrecked condition.

However, tax experts say that the property tax that took effect on July 1 would assess the owner of an average-sized apartment -- some 50 square meters -- only Hr 550 (about \$70 a year) in property taxes. The owner of a 500-square meter apartment -- a high-end rarity -- would pay Hr 15,000 a year, or \$1,875, based on a two-tier progressive rate in place per square meters.

But it remains uncertain how effectively government will collect a tax that's never been paid before. And the low tax is unlikely to be enough to achieve Yanukovich's aims.

For preservationists, two buildings of great concern are located in the courtyard of Pushkinska Street, only a block from the city's main street of Khreshchatyk.

The building addresses are 35 and 37. They were built by a wealthy trader, Friedrich Michelson, for his two daughters more than 100 years ago. Historical accounts suggest that the interior of those mansions was comparable to the Hermitage, the lavish Russian museum in St. Petersburg. A family coat of arms decorates the facades of both addresses, built for Michelson, a 19th century Kyiv city council member who lived from 1840 to 1908.

The houses were apparently looted during the perestroika years, the dying days of the Soviet Union, and have been standing idle and decaying ever since -- despite their status as protected architectural monuments.

Activists claim that several years



The facade of the old Michelson mansion on Pushkinska Street, in the heart of Kyiv, with a plaque saying it has state protection as a 19th century architectural monument. Dozens of buildings in the city's core are simply abandoned by their owners and decaying beyond the point where reconstruction is feasible. (Ganna Bernyk)

ago both mansions were rented through a controversial scheme, and then privatized by a company called D.I.B., which activists suspect is a shell front for unknown individuals who want to eventually destroy the buildings and construct something else.

If so, the owners are close to achieving their aim. The roofs have collapsed on both structures, the windows are broken and it is clear that both properties have been abandoned for decades.

Local residents from surrounding buildings challenged the deal in court, but the litigation has been kicked around for five years. One positive sign to come out of court so far is a judicial order declaring all agreements with D.I.B. company invalid and classifying

any commercial deals with the properties as illegal.

"No one in the city administration cares about taking the houses back," says Zhukov. "There isn't even a need to pay any compensation since no work was conducted there."

Also, after pressure from preservationists, D.I.B. company apparently transferred ownership, but to another suspect private entity.

The city's Main Department for Protection of Cultural Heritage said that ownership of the two buildings has switched from D.I.B. company to LLC House on Pushkinska in November 2010. The structures "are protected under an agreement between the city and the private owner of the building," officials said in a response to a Kyiv Post inquiry.

However, the new owner seems to be not much more interested than the previous one in doing something productive with the buildings.

Moreover, it's not clear who is behind LLC House on Pushkinska. A woman who answers the phone of LLC House on Pushkinska says that she can't answer any questions and instead passes on the number of Stolytsya real estate agency, whose employees said they had no information on LLC House on Pushkinska.

City authorities say the owner is obliged to reconstruct the buildings. But activists fear that they might be demolished instead.

"The buildings are being deliberately allowed to ruin," says Oleksandr Bryhynets, a Kyiv city council member and head of its committee on culture

and tourism. "We [assume] that there is a big commercial project planned, covered up by the authorities' passive agreement," Bryhynets, an opposition deputy, said.

Bryhynets says he sees little progress. "These beautiful houses are being ruined, just because it is hard to handle the judicial aspects and overcome the bureaucracy machine," he says.

For instance, the historical building on 4 Tarasovoyi Street was demolished this winter, after an arson fire the summer before.

The Michelson mansions are far from unique. The Murashko mansions, on 12-A, 12-B, 14, 14-A, 14-B Mala Zhytomyrska Street have a similar story.

They were built for the family of the famous Ukrainian artist Oleksandr Murashko in the early 20th century. The private owners of the building have already attempted to knock it down since acquiring it in 2007.

Oleksandr Glukhov, a pensioner and next-door resident, the building needs protection from bad weather. The roof leaks when it rains, prompting Glukhov to scoop the water out of the attic to save his home.

"There is a big hole in the roof. A lot needs to be done to save these buildings, and they decay very fast," he says sadly.

Glukhov says he has written hundreds of letters and made hundreds of visits to city officials to make his case. Finally, his effort paid off as a prosecutor general successfully challenged the privatization of the building, winning a court order for its cancellation last October.

But Bryhynets warns that it's too early to celebrate as the paperwork still needs to be finished to return the property to the public. "But no one wants to do that," he says. The Main Department of Cultural Heritage said the city council is obliged to take the building back. But so far, it has not happened.

Mykola Marusyk, a chairman and young activist of Art Platform civic movement, says that private ownership of the building can and should be good for it, citing Radisson Blu hotel in Kyiv as a good example.

"The company reconstructed an old architectural complex on Yaroslaviv Val and now it looks perfect in the city ensemble and makes the hotel more attractive for tourists," he explains.

He hopes that the same fate awaits the building on 4-B Hrushevsky Street. His organization is trying to save the building from being demolished and replaced by a multi-story business center.

"Our main goal is to create a precedent of saving the old city by ourselves, without the help of our passive authorities," Marusyk says. "We want to show Kyivans that they can protect their city themselves."

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



For more information about the drive to restore Kyiv's deteriorating architectural gems, contact:

Art Platform
http://www.artplatform.org.ua/
362-6469

Mykola Marusyk
093-479-7282

Mykola Zhukov (Pushkinska Street activist)
Defense Committee for Pushkinska-Chervonoarmiyska Street Residents
050-974-1443

Oleksandr Glukhov (Murashko mansion activist)
067-734-8008

Brooke: How Putin creates martyrs

→5 Meanwhile, Putin's martyr making machinery clanks forward.

Apparently, he seems to think the only supporters of the imprisoned punk feminists are the usual suspects: Amnesty International, the State Department, the British rocker Sting, The New York Times op-ed contributors, and demonstrators outside the Russian embassy in Washington.

But, more concerning to the Kremlin, the tide of Russian public opinion has shifted. People tell pollsters that the punishment does not fit the crime. Russia's blogosphere talks about show trials.

In the latest Levada poll of Russians, 43 percent consider jail terms of two to seven years as disproportionate. Only 17 percent sympathize with the demands of top church leaders for harsh punishment against the Pussy Riot protesters. Putin's KGB training may cloud his understanding of this next point. Jail time is often a stop along the way to an ultimately successful political career. Look around the world and you will see that today's leaders were often yesterday's rebels.

Before, Putin pushes Russia into an ideological winter, he might want to ponder the political histories of some of the world leaders he rubs shoulders with.

To the south, Recep Erdogan, now prime minister of Turkey, spent six months in prison in 1999 for reciting an Islamist poem. Nearby, Mohamed Morsi, now prime minister of Egypt, spent eight months in jail in 2008 for supporting independent judges.

In Mr. Putin's peer group – the BRICS nations (Brazil, Russia, India, China and South Africa – two of the five leaders have done jail time.

Jacob Zuma, South Africa's president, spent 10 years in prison for anti-apartheid activity in the early 1960s.

Dilma Rousseff, Brazil's president, was briefly, in today's language, a terrorist. From 1968 to 1969, she led a cell of the Revolutionary Armed Vanguard Palmareis, a Marxist urban guerrilla group. Rousseff was arrested while carrying a pistol. She was tortured and then jailed for three years. Carlos Minc, one of her comrades in arms from Revolutionary Armed Vanguard days, was, until recently, Brazil's Minister of Environment.

So, to take the long view, it's not inconceivable that 20 years from now, one of my successors will be sitting in Moscow banging out a story about President Navalny, aged 56, naming Duma Deputy Tolokonnikova, aged 43, to be his minister of health.

With an eye to the future, Russia's prosecutors and prison guards might read a little modern world history – and treat their new political prisoners with respect.

James Brooke is Voice of America Moscow bureau chief, covering Russia and the former USSR. With The New York Times, he worked as a foreign correspondent in Africa, Latin America, Canada and Japan/Koreas. This opinion piece originally appeared here: <http://blogs.voanews.com/russia-watch/2012/08/01/russias-political-summer-olympics-putin-x-pussy-riot/>

Wealthy, entertainers, relatives fill party lists

BY KYIV POST STAFF
NEWS@KYIVPOST.COM

This week political parties announced who will represent them in parliament after October's elections. And it's a motley crew indeed.

There's a collection of writers, singers and athletes. Others seem to be running for parliament on the sole virtue of being someone's child, driver or friend.

The candidates' list of the pro-presidential and ruling Party of Regions is a case in point.

Viktor Yanukovich Jr., the 31-year-old son of the president, was high on the list for the third time. Yet a recent study by Chesno civic group uncovered several of his shortcomings as a parliament deputy, among them: he failed to declare his income, failed to vote in person and failed to take part in the everyday work of parliament and its committees.

The opposition's list also smells of nepotism. Iryna Lutsenko, the wife of imprisoned former Interior Minister Yuriy Lutsenko, took spot number 18

→ Political party lists show that nepotism is flourishing

on the list. She told LB.ua news site that initially the choice was between her and her brother-in-law Serhiy, but her husband ended up picking her.

"This is an honor for me. On my part, serious work will be done if I become a deputy. If I don't, I will continue working to defend my husband and represent the interests of the opposition," she said.

Many relatives of officials currently in power will end up running as Party of Regions candidates either through the proportional system or in majority constituencies.

The general prosecutor's son, Artyom Pshonka, will run in a majority constituency in the industrial city of Zaporizhzhya, while the prime minister's son, Oleksiy Azarov, will run in Slavyansk in Donetsk Oblast.

One possible future member of parliament can enter after prison. Ex-Prime minister Pavlo Lazarenko, who is serving his prison term in United States where he was convicted for embezzlement and money laundering, He announced on Aug. 2 that he will run with his long-dormant Hromada Party. Lazarenko's prison term ends in Nov. 1, 2012, two days after the elections.

But you don't have to be someone's son to get the backing of parliament.

Volodymyr Maltsev, the former driver of billionaire Rinat Akhmetov, is on the party list again while Akhmetov has decided to bow out.

Many parties chose to fill their lists with entertainers, writers and producers. In the most famous case, Nataliya Korolevska's Forward Ukraine party managed to recruit world famous footballer Andriy Shevchenko to run →17

Ukrainian wealth stashed offshore

→8 vidual license from the National Bank of Ukraine, said Chufarov. "In reality, Ukraine citizens and businesses commonly evade licensing requirements. They use nominal directors to register foreign holding companies, thus concealing from Ukraine authorities their affiliation."

While other companies comply with Ukraine's regulations, the widespread practice is cause for worry among investors. This particularly true of larger companies engaged in commodity-based sectors like mining or metals.

These include subsidiaries of Metinvest, owned by Ukraine's richest man Rinat Akhmetov, like publicly traded Azovstal, which posted significant losses for last year.

While noting these were partially caused by weaker global demand, analysts at international investment bank Troika Dialog informed investors: "We believe the results were distorted by transfer pricing employed within Metinvest group."

Kyiv-based investment bank Dragon Capital similarly commented on the 2011 third quarter losses of listed company MMK Illich, another Metinvest subsidiary. "Such disappointing results lead us to believe that the company widened its transfer pricing practices. The reported average realized steel price was abnormally low, falling \$40-60/t short of the average market price in 3Q11," the bank wrote in a note to investors.

Metinvest's press service issued a written response to the Kyiv Post.

"All transactions between Metinvest's enterprises are performed based on the arm's-length principles, i.e. Metinvest sells and buys products intragroup based on the prices which are used with unrelated third parties," the statement said. The losses, Metinvest said, were caused by downturns in the volatile international markets or increased prices in inputs.

"Even despite of those cases, overall Metinvest Group's enterprises are constantly paying and reporting considerable amounts in taxes. To illustrate, in 2011, [just] the consolidated taxes paid by the Metinvest Group enterprises were Hr 12.5 billion," the press service added.

Ukraine companies often use holding structures based in Austria, the Netherlands or Luxembourg – all tax-friendly jurisdictions with efficient administrations – to move, manage and protect their wealth. Yet it is the tiny Mediterranean island of Cyprus that holds the key to Ukraine's financial back door, with a tax treaty between the two nations that legalizes tax avoidance or calls for minimal taxes across the board – on dividends, transfers, royalties, etc.

Such structures are certainly not without their merit, though. Foreign ownership means assets are better protected from being raided, a serious problem in Ukraine, and helps a company operate in international markets. Without offshore holdings, Ukrainians and their businesses would not be able to own and raise money abroad, or see their firms go public.

Given the preferential tax treatment accorded to foreign investment, offshore holdings are also a major source of investment capital. With a population of less than 1 million, Cyprus is Ukraine's biggest source of foreign investment, ahead of the world's fourth biggest economy, Germany.

In order to minimize their tax burden but remain within the law, companies should focus on rational and proper documentation, said Khomyakov of Asters law firm. As long as solid arguments for each part of a holding company exist, as well as clear documentation explaining the relations, the business is much more likely to be seen as law-abiding by the tax authorities. Technically, aggressive transfer pricing

can avoid running afoul of the law by ensuring the transactions between related parties are valued at market prices, said Chufarov of Ernst & Young. The problem, he added, is the wide range of market prices for different types of goods, and the fact that some goods cannot be adequately priced.

"Elsewhere in the world a detailed set of rules and methods has been designed to address this problem and provide a fair basis for tax assessment. There is a talk of such rules introduced in Ukraine, but little progress has been made so far," he explained.

One problem is that the current system is beneficial for most of the involved parties – from private bankers to politicians influenced by powerful lobbying groups. Part of the blame is also laid on the controllers, both public and private.

A highly competitive market means that auditors often offer their services at a loss, explained Gernot Hebestreit, a member of the global business development board of auditor Grant Thornton's office in London. Auditors have to make up for this with financial and tax consulting services, he added, which leads to conflicts of interest.

Public institutions have also shown complacency. In theory, a tax information treaty between Cyprus and Ukraine could slam the breaks on the most abusive practices, leaving the more or less legitimate holding structures in place. But it remains more of an ad hoc solution than a systemic response.

"It is not a widespread [practice to exchange information]," said Khomyakov from Asters. "Ukraine only approaches the Cypriot authorities when a specific case of a crime comes up, or some other extraordinary event."

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

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Election Watch

Oct. 28 parliamentary election



Election campaign kicks off

BY KATYA GORCHINSKAYA
GORCHINSKAYA@KYIVPOST.COM

The election campaign kicked off on July 30 with several party congresses, who solemnly nominated their candidates for the Oct. 28 parliamentary election in ceremonies that smacked of the Soviet Union.

Ukraine's biggest rivals in the next election, the Party of Regions and Batkivshchyna-United Opposition, both released their lists of candidates for proportional representation. Half of the seats in the 450-seat parliament will be elected through party lists, while the rest will come from majority constituencies.

The top five faces were no surprise, but the contrast between them is stark. The Party of Regions' top slots are dominated by people in power and their children, while some of the opposition's nominees are currently in jail.

Headed by Prime Minister Mykola Azarov, the Party of Region's top five is composed of four officials in power and pop singer Taisiya Povaliy. In the previous election, the traditional female spot was given to Raisa Bogatryova, now the health minister, who was not included in the current list. Addressing

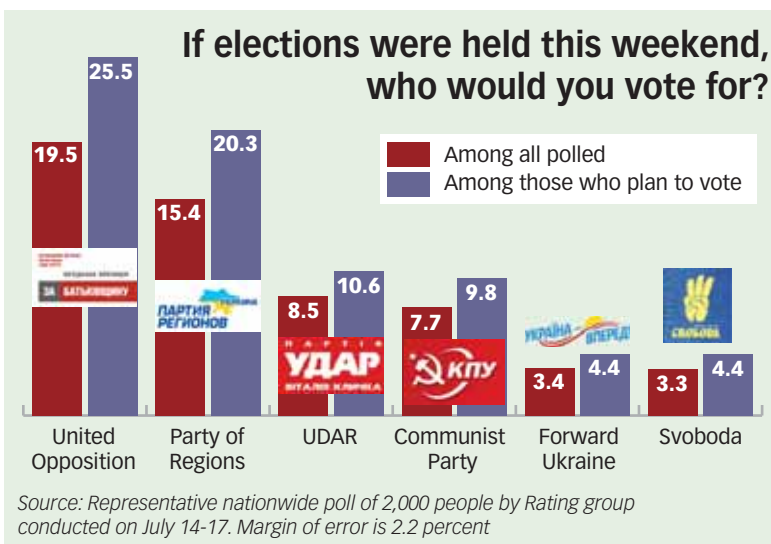
President Viktor Yanukovich at the party conference, Povaliy said: "I believe in you, Viktor Fyodorovich, and in your team. I don't see another political force capable of taking Ukraine along the path of development."

In contrast, the opposition's top five has two people who are in prison: its leader, former Prime Minister Yulia Tymoshenko and former Interior Minister Yuriy Lutsenko.

At the congress, the Party of Regions claimed that their list was based on popularity polls. But the final composition was clearly a surprise for many. Delegates at the congress voted blindly for the party's nominees. Some deputies were then tugging at Tigipko's sleeve, asking whether they are on the list.

The same seemed to apply to the opposition's nominees. The list was not handed out to the delegates of the congress, but instead read by Oleksandr Turchynov, one of Tymoshenko's close allies.

Most Ukrainians don't believe that the election will be fair. The Democratic Initiatives Foundation warned this week that 61 percent of those polled think there will be fraud or are certain there will be fraud.



Popularity seems to be main qualification for some candidates

→ 16 on her ticket.

Shevchenko, better known for his athleticism than his intellect, said he will pay attention to social issues if elected. "I want to do something for my country," he said.

The same party offered the third spot to actor Ostap Stupka, whose famous actor father, Bohdan, died last month. Critics said this is done to boost the popularity of a party that has no real program or support base.

The Party of Regions has traditionally had athletes in its ranks. They often showed up just for brawls in parliament. This is the case with Olympic wrestling champion Elbrus Tedeev and Oleksandr Volkov, a former basketball player. Both are again on the list.

The party also has its share of entertainers: pop singer Taisiya Povaliy was given a prominent second spot on the party list. In her inauguration speech she praised party and president the

country's progress.

Vitali Klitschko, the heavyweight boxing champion, put forward a writer for his UDAR ("punch") party. Maria Matios, one of Ukraine's most prolific writers, features second on his list.

Svoboda has an actor in its top five, Bogdan Beniuk, as well as the brother of party leader Oleg Tyahnybok's. Andriy Tyahnybok will be backed by the party in a majority constituency in Lviv. He is currently a member of the Lviv City Council, representing the same party.

Yuriy Lukanov, a political analyst, took to Facebook to comment on the motley crew: The next Rada "will do plays written by Maria Matios. The main characters will be played by Bohdan Beniuk, Taisiya Povaliy and Ostap Stupka. And Andriy Shevchenko will entertain by juggling a ball."

Hopefully, someone will be able to write laws that benefit the nation, too.

Party of Regions' top five candidates:



Mykola Azarov, prime minister and head of Party of Regions
Taisiya Povaliy, pop singer
Sergiy Tigipko, deputy prime minister
Andriy Klyuyev, National Security Council head
Oleksandr Yefremov, head of Party of Regions faction

United Opposition's top five candidates:



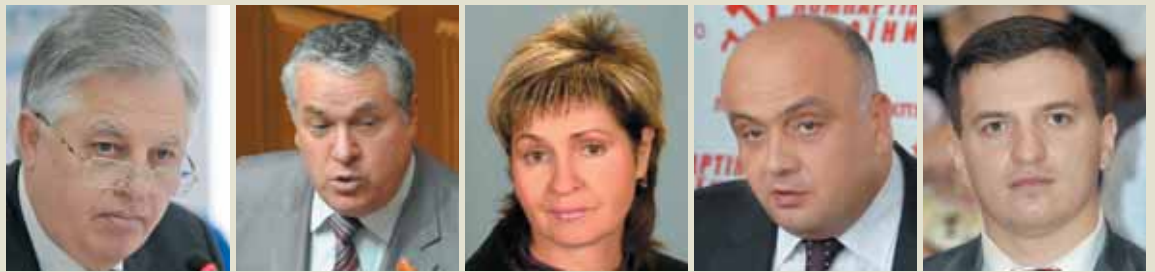
Yulia Tymoshenko, imprisoned ex-prime minister
Arseniy Yatseniuk, leader of Front of Change party
Anatoliy Hrytsenko, leader of Civic Position party
Oleksandr Turchynov, deputy head of Batkivshchyna Pparty
Yuriy Lutsenko, imprisoned ex-interior minister

UDAR's top five candidates:



Vitali Klitschko, party leader, boxing champion
Mariya Matios, writer
Valentyn Nalyvaichenko, former head of the State Security Service
Oksana Prodan, head of Fortetsya, a small-and-medium business association
Vitaliy Kovalchuk, deputy head of party

Communist Party's top five candidates:



Petro Symonenko, party leader
Petro Tsybenko, parliament member
Iryna Spirina, district council member in Dnipropetrovsk
Spiridon Kilinkarov, parliament member
Oleksandr Prysiazhniuk, leader of Komsomol

Ukraine-Forward's top five candidates:



Nataliya Korolevska, party leader
Andriy Shevchenko, footballer
Ostap Stupka, actor
Ilya Yemets, former health minister
Roman Vasko, rector of Kyiv National Linguistic University

Svoboda Party's top five candidates:



Oleh Tyahnybok, party leader
Bohdan Beniuk, actor
Andriy Mokhnyk, deputy head of party
Ihor Myroshnychenko, senior party member, former sports commentator
Oleksandr Shevchenko, professor of Taras Shevchenko university



A day at the beach

Biruzza combines family fun with the more traditional beach club trappings (Sohei Yasui)

BY JAKUB PARUSINSKI
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A scorching summer sun is once again driving the summer exodus, emptying the city streets in favor of country dachas and foreign tours. Those still in the capital are heading in another direction: the beach.

From plastic beer bottles and dried fish to colorful cocktails and thundering techno beats, Kyiv has a version of the beach for everyone.

The tortuous banks of the Dnipro River hide many a charming waterfront, especially south of the city, where gullies run down from the tree-covered hills, providing a cool and private refuge.

A number of beaches also exist within the city limits. Residents of virtually every riverside district have their preferred spots, such as Obolon's naberezhna, Left Bank's Rusanivka area or one of many islands on the river perfect for downing cold beers and spicy shashlyk.

Poor infrastructure and bad habits, however, have turned many of these areas into trash heaps. Moreover, blooming algae sometimes puts swimming in the river off limits (information about the status of the capital's waterfront can be found at <http://www.ses.gov.ua/>).

Located just outside Kyiv city's southern reaches, Biruzza beach club provides an alternative with spacious

pools, a beach volleyball court and kid's playground.

Opened in mid-June, the club is already gathering decent crowds of several hundred for day parties, typically running from 10 a.m. to 10 p.m. It remains a work in progress, however, so many of the buildings and leisure areas seen on its site are still being developed.

The club was bought by Murat Nalcacioglu, Turkish hotel manager and husband to Ukrainian pop star Ani Lorak. His plan: to recreate an experience akin to the Turkish resorts prized by many Ukrainians right at Kyiv's doorstep.

And it really does have the feeling of a Mediterranean resort overrun

by East Europeans – sweet-smelling hookah fumes and spicy Turkish food are interwoven with platters of inescapable sushi. The countless oiled-up girls in the skimpiest of bikinis leered at by hairy plus-sized men bouncing to electronic beats complement the impression perfectly.

Reasonable prices (the beer list starts with imported Kozel for Hr 25) and sizable portions make it a good place for corporate events or private parties. Coming for something in between, the local chapter of Internations, a global expat community, organized its bi-monthly meeting there – sipping a Tom Collins, playing ping pong or simply lounging around the pools.

Normally, the meetings have →20

No place to sit at Ibiza in hot Odesa

ODESA – While strolling in an alley near Odesa's best beach Arcadia late one night, a huge white curvaceous two-story building appeared. The strains of music we heard and its promising name (it's called Ibiza, after the Spanish island in the Mediterranean Sea) beckoned us to take a closer look.

After my friend, a native of Odesa, said that this night club has the reputation of having the best beach parties, we immediately turned to the cash desk to get tickets.

It was half past 11; the parties usually start there at 11 p.m., so there already was a line of people standing outside. We had to wait about 10 minutes to enter as the guards were checking tickets and bags.

Inside it was even better. Designed as a huge ant hill, white cozy sofas near the entrance offered panoramic views of the club, including its two stages, the terrace with a swimming pool and dance floor.

Unfortunately, they were all occupied by party lovers or reserved. In this case it's better to do it in advance. Nevertheless, we go on and keep exploring the rest of the club.

Our next attempt was the terrace next to the dance floor and swimming pool. But the tables there were all reserved as well. One of the illuminated benches on the pier over the sea was free and we finally took a seat. There was also a mini-bar right there where we got some drinks.

Our next and final destination was the dance floor next to the swimming pool. The music was pretty good. That day DJs from France and Moscow were playing their best sets. However, it was too monotonous and we got bored with it in an hour or so. Moreover, people kept coming and it seemed that there would be no place to put our feet soon.

Having nowhere to sit and take a rest we decided to leave. When leaving we noticed that the queue next to the entrance was even bigger than it was when we arrived.

Overall I would recommend visiting Ibiza beach club. Apart from wild beach parties, it frequently stages concerts of pop and rock Ukrainian and foreign bands and singers. Pop diva Ani Lorak will give a concert there on Aug.5 and Taboo, the famous musician and singer of the American hip-hop group Black Eyed Peas is expected to perform in Ibiza on Aug.4.

Don't forget to reserve a table in advance, unless you're able to dance all night long.

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Ibiza beach club

Odesa, Arcadia beach
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Know Your City



A wooden donkey joins expensive cars parked on the sidewalk at Rylsky Lane. (Sohei Yasui)



The ballerina came at the request of one person, but many others enjoy the sculpture as well. (Sohei Yasui)

One artist's quest to beautify Kyiv with street sculptures

BY OLGA RUDENKO
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Unexpected sculptures dot the Kyiv landscape. They are small and unpretentious, though extremely cute, and sprinkled all over the city center, on sidewalks and in gardens.

Many are produced by the Kyiv Landscape Initiative organization and created by sculptor Kostyantyn Skrytutskyi, who is noted for decorating Pezazhna Alley with sculptures of toothy cats that won the hearts of local residents.

Hedgehog Without Fog (Corner of Reitarska, Zolotorivska Street and Georgiyivsky Lane)

This hedgehog sits in a garden at the corner of Reitarska and Zolotorivska, inspired by "Hedgehog in Fog," a beloved Soviet cartoon. He faces the nearby border-guard monument of a Cossack on a horse.

He was planned as a joke, Skrytutskyi said, to mock the border-guard monument. "He watches a horse, just like

he did in the cartoon." Since being installed in January 2009, the hedgehog has taken on a life of his own by attracting tourists who place coins in his mouth or between his needles.

His body is made of wood. Screws were used for the needles. The bundle he carries is made of painted ceramics. He is hard to move.

"Once we were taking him away for repairs, and it caused a bit of panic," tells Skrytutskyi. "I got a call saying: 'You know that someone is taking away the hedgehog,' and I said: 'I do, it's me taking him for restoration.' People from the border-services office ran out of the building to protect their beloved sculpture."

While the hedgehog was gone for repairs, a poster that read "I left to count the stars," also part of the cartoon, filled the empty spot.

Skrytutskyi has replaced the sculpture's nose and leg. He says the hedgehog is suffering from too much attention, but sees no harm in it. "If he loses a leg, it's only because of the love he gets," says the sculptor, stroking the hedgehog's wooden limb.

Skrytutskyi says he wanted to

replace the sculpture with a bigger one, but decided not to tamper with people's emotions. He will add an element, though, but won't reveal what it will be. We're guessing it's the fog.

Ballerina (Corner of Stritenska and Striletskoho streets)

This spot with a dead tree stump was tailor-made to become a sculpture or serve as a pedestal. Skrytutskyi and Volodymyr Kolinko, who heads the Kyiv Landscape Initiative, had an idea, but it all changed one morning when Kolinko passed by the already prepped tree stump. He saw a short note pinned to it. It read: "Please, put a ballerina sculpture here. A distinguished ballerina lives nearby. She will be pleased."

The plan was changed and soon a delicate wooden ballerina was installed. Several days later another note appeared: "Thank you."

Skrytutskyi says he never learned the identity of the the mysterious ballerina. When making the sculpture, he was inspired by images of several women.

Smiling Donkey (Rylsky Lane)

A smiling donkey with a tiny cart found its place in the alley near Sofiivska Square. A very simple sculpture, Skrytutskyi says he is surprised at its popularity.

"There are always some huge expen-

"I love my city very much. And since I'm a sculptor, street sculptures are just my way to make it even more beautiful."

Sculptor **Konstantyn Skrytutskyi**, 30, was born in Luhansk, but has lived in Kyiv most of his life. His first sculpture on Kyiv streets was a monument to Ukrainian artist Serhyi Svyatoslavsky, installed at Lukianivske Cemetery. About two dozen of Skrytutskyi's sculptures now adorn Kyiv's streets.



Kitten, made of white plastic forks, is hidden on the tree near the Golden Gate. (blogspot.com)

sive cars parked on the sidewalk, so the donkey also parked there with his charming cart," the sculptor explained. The donkey remains nameless for now, but "maybe people will name him," Skrytutskyi muses.

It also earned Skrytutskyi the strangest accusation he ever heard, when a local citizen complained that young people pay more attention to the donkey than the nearby St. Sofia's Cathedral.

Plastic Kitten (Golden Gate)

Hidden within the dense foliage of a tree near the Golden Gate, this tiny kitten seems to regret it climbed so high and is now scared to come down. Made of white plastic forks, it looks both disheveled and sweet.

"I really love this kitten," says Skrytutskyi. "It started as part of a project called 'Kyiv's Hundred Cats' to take existing cat sculptures and inspire people to install new ones."

The plastic cat became Skrytutskyi's contribution to the project. Forks turned out to be perfect to make the kitten's stubbly fur.

Unfortunately, he says, the owners of a nearby cafe don't care enough even to wash the cat with so much as a hose, so the plastic became dirty and leaves often stick in the kitten's fur.

Flying Cow (Olesya Honchara near Kotsyubynskoho Streets)

Skrytutskyi says the flying cow is one

of those early works he has fallen out of love with. He would prefer to remove it, but says local fans would never let him. When being installed in March 2009, the Flying Cow was precious to Skrytutskyi, but not anymore. "It was somewhat stupid. I saw some sense in it, but now I see it wasn't as good as I used to think," he admits.

Chopin's Piano (Corner of Bohdana Khmelnytskoho and Pyrohova streets)

This beautiful piano is a monument to Frederic Chopin, Skrytutskyi's favorite composer. The white tiles covering it and red flowers that grow inside are a reference to Poland, Chopin's native country. It is one of the sculptor's youngest creatures, installed in August 2011.

The monument also plays music. It has a motion sensor and starts playing one of Chopin's works whenever someone walks by.

"At first we planned to put the piano in the garden, so that people would hear music and look for the source," says Skrytutskyi. "But then it ended up on Bohdana Khmelnytskoho Street."

Police wanted it removed because "it was not approved by the traffic police." Local authorities solved the misunderstanding, but not before jokes about an improperly parked piano case appeared in the press.

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



Konstantyn Skrytutskyi and his most popular sculpture, the Hedgehog. (Sohei Yasui)

Then & Now

Editor's Note: The Kyiv Post feature "Then & Now" takes a look at how places in the city have changed over time. To be an advertising partner of this special coverage, contact an advertising representative at advertising@kyivpost.com or call 591-7788.

Velyka Zhytomyrska Street still missing its grand church

BY DENIS RAFALSKY
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Kyiv is famous for its churches. But attempts by the Bolsheviks to deprive the city of its rich spiritual and architectural legacy have had grave consequences that linger today.

Sritennya (Meeting of the Lord) Church, at the intersection of Velyka Zhytomyrska and Sritenska streets, was one of dozens of temples demolished during the campaigns against religion in the U.S.S.R. It was believed to have been destroyed during Josef Stalin's reign of terror in the 1930s.

It is rumored that this church dates back to the age of the landmark St. Sophia Cathedral and St. Michael's Cathedral, with roots in medieval Kyivan Rus. But Kyiv historian Mykhaylo Kalnytskyi finds no evidence that Sritennya dates back that far — either in the Primary Chronicles of the time or in archaeological reports. Kalnytskyi said that, according to scientists, the original wooden temple on this site did not appear before the 17th or 18th centuries.

One undisputed historical distinction is the church's status as the historical home for the honored Icon of the Mother of God — the "consolation for all who have sorrows." It attracted many pilgrims who believed contact with the icon would improve their health. The holy image also had other miraculous properties, according to legend, even helping unmarried women find husbands.

An old photo on a postcard from 1900 shows Sritennya Church after being rebuilt. Its beauty clearly lit up the part of Velyka Zhytomyrska Street near Senna Square (modern-day Lviv Square). During reconstruction, the church was widened as much as the surrounding streets would allow. A bell tower in front of the church arose, and the temple itself was covered by a huge Byzantine dome.

Then, at the beginning of the 20th century, a construction boom shook the area up.



This 1900 postcard shows Sritennya Church as it was on Velyka Zhytomyrska Street before its destruction in the 1930s in Soviet times.

New mansions and tenement houses sprung up along the route. Though many are but husks of their former selves, their elegant silhouettes still adorn the street.

A four-storied building at 32 Velyka Zhytomyrska Street, erected in 1911 in art-nouveau style, is the work of architect Ignaty Ledokhovskiy and is known as the "house with chestnuts" or "house with snakes" because of its molding in the form of chestnut leaves and interwoven serpents. The house, still owned by the Interior Ministry, has been standing deserted for several years, despite attempts by activists who want to save the masterpiece.

The four-storied house seen in the 1915 postcard is 38 Velyka Zhytomyrska Street. Built in 1899, it remains home to both apartments and street-front shops. This house adjoins a neighboring century-old building at 40 Velyka Zhytomyrska Street, the site of Kyiv's oldest cinema, which opened in 1913 and since Soviet times has been

named after Red Army commander Vasyl Chapayev.

Today, looking at the narrow Velyka Zhytomyrska Street and its regular traffic jams, it is hard to visualize the tramway rails that once ran through the middle of the street. They appeared in 1892, after horse-drawn trams were replaced by electric ones running from Khreshatyk to Senna Square. They left after World War II.

Sritennya Church became an object of particular irritation for the Bolsheviks in 1923 when rumors surfaced that the temple's domes began to shine miraculously. Perhaps that is the reason the Soviets demolished this church in the 1930s, along with other beautiful temples.

A public garden was built on the spot. In the 1970s, the former churchyard became a construction site for the Chamber of Commerce and Industry, which stands there to this day.

Hopes to reconstruct the church live on. Among others, the idea was



Today, some 80 years after Sritennya Church's destruction under Josef Stalin's reign of terror, the hole remains — with the neighborhood's scenery clearly missing the Byzantine-style temple. (Sohei Yasui)

supported by ex-President Viktor Yushchenko. He twice visited a small chapel that exists there, built on the site of the former church.

Many obstacles have to be overcome, however, before anything like Sritennya Church can rise again. Aside from the lack of money, there's not enough space for the church today. So the foundation trench has grassed.

Kalnytski, the Kyiv historian, thinks it will be better for the city not to attempt kSritennya to reconstruct the

church as it was, but rather design a scaled-down version on the site. But even this idea appears to be going nowhere fast.

Editor's Note: The priest who serves in the chapel on the site of former Sritennya Church on Sunday mornings is archpriest Serhiy Tkachuk. His mobile telephone number is (067) 508 45 33.

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Sritennya Church was located near Lviv Square, in front of what is now the Ukrainian Chamber of Commerce at 33 Velyka Zhytomyrska St.

A guide to Kyiv's beach clubs



Club owner Murat Nalcacioglu relaxes with friends and a hookah (Sohei Yasui)

→ 18 somewhat more of a business and networking flavor, said Oguzhan Guler, a Turkish expat who acts as one of the two ambassadors of the Internations group in Ukraine. But their main purpose, he added, is to give internationally minded people a chance to socialize and have a good time, making a beach outing the perfect choice.

"It's a just a group of professionals going out for a day at the beach," Guler said.

Come nighttime, however, Hydropark Island is the place to go. Crippled by haphazard infrastructure and overwhelming chaos, it nonetheless exudes a certain appealing energy — a miniature version of Kyiv complete with an eclectic mix of Soviet-style beer stalls, tacky riverfront discos and uber-trendy

clubs. Among the latter is Bora Bora, supposedly one of the trendiest.

Getting to Bora Bora, however, is a nightmare. A makeshift wooden bridge crossing from the main island is followed by narrow, largely unlit track between sprawling brush, jam-packed with cars and foot traffic. After what feels like miles, you finally get to the club, where a long line and entrance fee (Hr 100 men, Hr 50 women) await those who dare come after midnight.

Inside, the club is surprisingly pleasant, with pools, leather couches, and cool bungalows. Trying to sit down on them, however, is not recommended. Even when the club is still empty, waiters will immediately ask you to leave unless you pay a Hr 1,100 deposit. Those wanting to sit are thus sent

to the club's beachfront, where rows of lounge chairs offer a nice spot to down a drink or two with a view of the Dniro by night.

The music was not bad and the drinks were not too expensive (Hr 20 for a shot of vodka, Hr 50 for rum, Hr 85 for most long drinks). The crowds of teens may feel a bit young for some, however, though a 6-4 girls to guys ratio will no doubt attract others.

The club is also open during the day, catering to the traditional beach crowd, with an unusual vantage point thrown in. For Hr 5 to Hr 10, a rowboat can take you across the strait to one of Kyiv's premier nudist beaches.

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Ukraine's short film guru finds dark side of reality

BY DARYNA SHEVCHENKO
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He is not yet a Lars von Trier, but he is inching closer to the accomplished Danish film director and screenwriter. Myroslav Slaboshpytskyi's sunny disposition and sense of humor clash with what critics say is his strongest side — his depressing, yet courageous ideas.

"I try to talk about reality, and preferably frankly," says the director who took part in 27 film competitions, including the prestigious Berlinale Film Festival. He even won a prize at Portugal's Algarve Festival.

His two best-known films abroad depict Ukraine's darker side. The first, "Diagnosis," is a film about Ukrainian young drug addicts. "Deafness" portrays the life of deaf people. Despite its tiny budget of just 300 euros, "Deafness" was the director's bridge to international recognition. "This film was shown even in Antarctica," Slaboshpytskyi says.

"Of course you have to raise problematic questions to get enlisted at world famous festivals, but that's not a panacea," he said. Only good films can make it through the selection process, he added, and festival juries value fresh and bold ideas over trendy topics.

According to critics, his latest film "Nuclear Waste" deserved its place in the lineup of the famous Locarno Film Festival. It described life in the Chernobyl Exclusion Zone, the highly radioactive 30-kilometer radius around the closed nuclear plant that exploded in 1986.

"The movie script took up less than a page, but the energy of it could be felt after each word," said Ukrainian film critic and famous director Volodymyr Voytenko.

He added that "even though Myroslav Slaboshpytskyi still doesn't do feature films, only shorts, he is quite famous among art house cinema spectators." Voytenko has been following Slaboshpytskyi's career since his student years and sees him as a leader of the so-called social film movement in Ukraine.

"He is shooting the everyday reality



Myroslav Slaboshpytskyi (pointing) directs the shooting of his latest film "Nuclear Waste," about everyday life in the highly radioactive exclusion zone around the Chernobyl nuclear power plant that exploded in 1986. (Courtesy)

happening around us," said Voytenko. "Our reality is not TV news. It is the drama of life. Myroslav [Slaboshpytskyi] is interesting first of all for his social view on cinema."

Talent alone is not enough to become a successful director.

"The fight starts right after you graduate," said the 37-year-old Slaboshpytskyi. "One can't go and work in an office to become a film director. You should find money, sponsors, people and start filming."

For Slaboshpytskyi, the fight was particularly tough. After several attempts in Ukraine he had to leave for St. Petersburg because of a conflict with Hanna Chmil, the former head of the state cinema department. He spent seven years in Russia before coming back to Ukraine, working on advertising campaigns and mainstream cinema. "I gradually gained weight while filming a commercial video for a weight loss center," he jokes, recalling the past years.

Returning to art house cinema

means more irregular paychecks, even though some can be substantial. "This profession is too unstable to say it feeds me," Slaboshpytskyi said.

Technology is changing the business, however, as prices of high quality equipment continue to fall. This reduces upfront investment for directors and thus the risk of losing money. "Film stock is almost dead," said Slaboshpytskyi, who last used photographic film on "Diagnosis," which cost \$35,000.

The state of national cinema has also

improved, despite creeping authoritarianism, Slaboshpytskyi added. "Grants have become more accessible and numerous, he explained.

"Now when Ukraine is losing its last freedoms and chances to join the European Union, you would not believe it, but for the first time in the 20 years since independence the situation in filmmaking is promising," he said.

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

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From right, Ukraine's Yana Dementieva, Anastasiia Kozhenkova, Nataliya Dovgodko and Kateryna Tarasenko celebrate their gold medal in the women's rowing quadruple sculls in Eton Dorney, near Windsor, England, at the 2012 Summer Olympics in London on Aug. 1. (AP)



Ukraine's Yana Shemyakina celebrates her gold medal victory in the Women's Epee as part of the fencing event of July 30. (AFP)



Women bring Olympic glory to Ukraine



Ukraine's Olga Kharlan celebrates her bronze-medal winning performance in fencing on Aug. 1. (UNIAN)

→ As this issue of the Kyiv Post went to press, Ukraine has taken two gold and four bronze medals at the London 2012 Olympics. And all of the medal winners are women. They are gold medal fencer Yana Shemyakina and top rowers Kateryna Tarasenko, Nataliya Dovgodko, Anastasiia Kozhenkova and Yana Dementieva. Olena Kostevych won two bronzes, while Olga Kharlan and Yuliya Kalina have one each.



Ukraine's Yuliya Kalina won the bronze medal in the women's 58kg group on July 30 in the London 2012 Olympic Games. (AFP)



Ukrainian Olena Kostevych competes in the women's 10 meter air pistol event on July 29. Kostevych won a bronze medal in that event, and a second one in the 25 meter pistol event. (AFP)

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