



# Gorshenin

## *Weekly*



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**1. TOP NEWS****OSCE reports deployment of Russian personnel, weapons in Donbas**

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*Read more in ARMED CONFLICT IN EASTERN UKRAINE*

**Ukraine completes first stage of e-declaration**

Some 114,240 declarations have been submitted to the unified register.

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**Cabinet set to double minimum wage**

The main source to fund increased wages will be the de-shadowing of the economy

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**2. ARMED CONFLICT IN EASTERN UKRAINE****Russia denies Red Cross access to Ukrainian hostages – president**

Contrary to the agreements reached at the Normandy format meeting of the leaders of France, Germany, Ukraine and Russia in Berlin on 19 October, Russia has refused to allow the International Committee of the Red Cross mission to visit Ukrainian hostages in rebel-held Donbas, Ukrainian President **Petro Poroshenko** has said.

He also noted that it was inadmissible to disregard the agreements on the cease-fire both along the line of contact and in the areas of the disengagement of troops.

Poroshenko said that representatives of the OSCE observation mission once again came under fire and noted that pro-Russian militants tried to establish an "observation post" in the area where troops and hardware had been pulled back, but their attempt was stopped by the Ukrainian military.

At the same time, the Ukrainian president stressed that if Russia fails to fulfil the Minsk agreements and its commitments, the sanctions must be continued.

**Ukraine sets five requirements to Minsk roadmap**

At the Berlin meeting of the Normandy Four leaders, Ukrainian President **Petro Poroshenko** outlined five key points which Kyiv believes must be included into a roadmap of efforts to ensure Donbas settlement, a deputy head of the presidential administration, **Kostyantyn Yelisseyev**, has said. These are:  
- unobstructed access of the OSCE mission to the entire occupied territory, including the border; steps on how Kyiv will restore its control over the border

must be spelled out;

- withdrawal of the Russian troops from the Ukrainian territory together with Russian weapons;
- security of possible local elections guaranteed with the help of international forces;
- all institutions of the so-called Donetsk and Luhansk people's republics must be disbanded;
- release of all Ukrainian hostages held on occupied territories as well as Ukrainian political prisoners held in Russian prisons.

Following the Berlin meeting, Poroshenko said that the foreign ministers of the Normandy Four are to agree a blueprint of the roadmap on the implementation of the Minsk agreements by the end of November.

Ukrainian Foreign Minister **Pavlo Klimkin** and Ukraine's representative in the trilateral contact group on a Donbas settlement, **Leonid Kuchma**, expressed doubt that the Normandy Four foreign ministers would work out a single position on the roadmap.

#### **Roadmap must contain clear preconditions for parliament to consider Donbas elections - Yeliseyev**

A roadmap for the implementation of the Minsk agreements must contain clear preliminary conditions for the Ukrainian parliament to be able to consider the bill on elections in certain areas of Donetsk and Luhansk regions, a deputy head of the presidential administration, **Kostyantyn Yeliseyev**, has said. In his words, one of such conditions is that Russian troops and weapons will not enter Ukraine.

He said that if parliament scheduled elections, they would be held in 90 days. During this time preparations must be held to ensure that the voting meets OSCE standards. In particular, Ukrainian mass media must be able to resume operation and political parties to campaign freely on the currently occupied territories. During these 90 days in Donbas, there must be a complete cease-fire. The OSCE, for its part, is to hold an assessment mission, which is to check whether all conditions required for democratic elections are in place.

Yeliseyev said that Ukraine insisted that the leaders of the so-called Donetsk and Luhansk people's republics be ousted even before the local elections.

#### **OSCE holds consultations with members on police mission in Donbas**

The OSCE Secretariat and the German chairmanship have asked the organization's member states to submit their proposals on the mandate of a possible police mission in Donbas and on their possible contribution to its operation, a deputy head of the Ukrainian presidential administration, **Kostyantyn Yeliseyev**, has said.

In his words, Ukraine insists that a police mission should operate until and during a possible election in Donbas and during the so-called transition period until the Ukrainian authorities restore control over the state border.

**Mariya Zakharova**, spokesperson for the Russian Foreign Ministry, said that Ukraine's statements that the agreement had been reached in Berlin to deploy

an OSCE armed police mission in Donbas "had nothing to do with reality".

Russian presidential press secretary Dmitriy Peskov said that all participants in the Normandy Four talks agreed that such OSCE mission can be set up, if needed.

### **OSCE registers dispatch of Russian troops to Donbas**

The OSCE Special Monitoring Mission (SMM) continues to document evidence that Russia is sending troops and equipment to the occupied territory of Donbas, US ambassador **Daniel B. Baer** to the OSCE Permanent Council has said.

On 17 October, the SMM spotted a minivan with military license plates carrying personnel in camouflage as it crossed from Russia into separatist-held Ukraine. Also last week, monitors spotted a bus with at least 20 persons in camouflage crossing from separatist-held parts of Ukraine back into Russia.

### **Yet another Russian "humanitarian convoy" enters Donbas**

On 27 October 2016, the 57<sup>th</sup> Russian "humanitarian convoy" consisting of 46 lorries illegally crossed the Russian-Ukrainian border.

According to Ukrainian border guards, the vehicles were half-empty.

Experts noticed that an escalation in hostilities by pro-Russian militants followed shortly after every visit by such a convoy.

### **Over 490 women, 68 children killed as result of Russian aggression in Donbas**

As a result of over two years of Russia's armed aggression against Ukraine, 495 women and 68 children have been killed and 152 children have been wounded, Ukrainian first deputy speaker **Iryna Herashchenko** said in her speech to the UN Security Council on 25 October 2016.

She said that, according to the latest reports, there were 1.7 million internally displaced persons in Ukraine, including 900,000 women and 236,000 children.

Herashchenko also said that 238 women had been taken prisoner by pro-Russian militants over two years. By now, 233 women have been released with the help of authorized Ukrainian agencies while five are still in captivity, she said.

### **Germany to allocate 488,000 euros to mine clearance in Donbas**

In 2016, the German government will allocate 488,000 euros to Ukraine to clear Donetsk and Luhansk regions of mines, the German embassy in Ukraine has said on its website.

Financial support is expected to continue in the following years.

In September, the UK decided to allocate an additional 2m pounds to mine clearance in Donbas.

### 3. CRIMEAN ISSUE

#### **Ukrainian Foreign Ministry protests against Putin's visit to occupied Crimea**

The Ukrainian Foreign Ministry has sent a note to Moscow over yet another unauthorized visit by Russian President **Vladimir Putin** to occupied Crimea.

The Russian president attended a forum in Crimea on 26 October.

#### **Ukraine fines Russian airlines over flights to Crimea**

After the annexation of Crimea by the Russian Federation, Ukraine has issued fines worth a total of 721.236m hryvnias (about 27.74m dollars) to Russian airlines which violated the Ukrainian legislation and made flights to occupied Crimea, the State Aviation Service of Ukraine (SASU) has said. It added that over 5,000 resolutions were issued over the violations of the ban on flights to Crimea.

The SASU said that this did not prompt Russian airlines to pay fines.

After the occupation of Crimea, Ukraine banned flights to the peninsula as of 12 March 2014. Similar restrictions were introduced by Eurocontrol and the ICAO.

### 4. INTERNATIONAL POLITICAL

#### **UKRAINE-RUSSIA**

#### **Four countries join anti-Russian sanctions - Mogherini**

The candidates for the accession to the EU - Norway, Albania, Montenegro and Liechtenstein, as well as Ukraine, have extended anti-Russia sanctions until 15 March 2017 due to the country's aggression against Ukraine, the EU High Representative for Foreign Affairs and Security Policy, **Federica Mogherini**, has said.

#### **Supreme Specialized Court of Ukraine opens case on Russia's armed aggression**

The Supreme Specialized Court of Ukraine for Civil and Criminal Cases has opened proceedings based on the motion made by Open Court project head **Stanislav Batryn** to establish the fact of Russia's armed aggression against Ukraine. This is said in the court's resolution of 21 October 2016, which cannot be appealed.

In May, Kyiv's Shevchenkivskyy district court rejected Batryn's similar motion, having said that this fact is widely known and does not affect his citizen's rights. Kyiv's court of appeal refused to cancel this resolution.



Under judicial reform, which entered into force on 30 September 2016, the Supreme Specialized Court of Ukraine for Civil and Criminal Cases is to be disbanded within six months. Its facilities and equipment will be handed over to the Supreme Court.

### **Ukrainian hackers leak alleged Russian plans to destabilize Ukraine**

The CyberHunta hacking group has said that it received access to the mailbox of Russian presidential aide **Vladislav Surkov**. One of the emails allegedly described a set of measures to destabilize the social and political situation in Ukraine, and another a plan to establish a republic in Transcarpathian Region.

The Security Service of Ukraine (SBU) said that the majority of documents concerning the Transcarpathian plan were authentic. It explained that the contents of certain files match the documents confiscated during searches within the framework of a criminal investigation into separatist movements in Transcarpathian Region.

Russian presidential press secretary **Dmitriy Peskov** dismissed the allegations, saying Surkov does not use email.

### **Russian court rejects appeal against Ukrainian TV journalist's arrest**

On 27 October 2016, a Moscow court rejected an appeal against Ukrainian TV journalist **Roman Sushchenko**'s arrest on suspicion of espionage.

### **Russian Supreme Court upholds guilty verdict on Ukraine's Karpyuk, Klykh**

On 26 October 2016, the Russian Supreme Court upheld the guilty verdict on Ukrainians **Mykola Karpyuk** and **Stanislav Klykh**, whom Ukraine considers to be political prisoners. They were convicted for participation in the Chechen war against the Russian government troops.

In court, the Ukrainians said that they were made to testify under torture and violations of the Russian law were committed during the trial.

The court hearing was attended by Fatherland MP **Nadiya Savchenko**.

The Ukrainian Foreign Ministry said the Russian Supreme Court's ruling attested to the absence of fair justice in Russia.

Amnesty International said that Karpyuk and Klykh fell victims to the "travesty justice".

On 26 May, the Chechen Supreme Court sentenced Karpyuk and Klykh to 22.5 and 20 years in prison, respectively.

### **Putin grants Russian citizenship to billionaire from Ukraine**

Russian President **Vladimir Putin** has signed a decree granting Russian citizenship to 11 people, including Ukraine-born businessman **Eduard Shifrin**.

Russian citizenship was also granted to Shifrin's daughter **Sofiya Roza**, who was born in the UK.

Shifrin is a co-founder of Midland Group. The company used to purchase coal from Russia and supply it to Ukrainian steel companies in exchange for finished products. In Russia, the company owns business centres Midland Plaza and Diamond Hall and the shopping centre Parus. Midland Group also owns a stake in the RusSpetsStal company.

In 2011, the Focus magazine estimated Shifrin's fortune at 1.41bn dollars.

## **UKRAINE-EU**

### **Ukrainian president, EU leaders discuss association agreement**

Ukrainian President **Petro Poroshenko** on 28 October had phone conversations with the leadership of the European Union, as well as the prime minister of the Netherlands, **Mark Rutte**, concerning the situation with the EU-Ukraine association agreement and visa-free travel for Ukrainian citizens.

The Netherlands remains the last EU country that has not completed the ratification of the EU-Ukraine association agreement. Therefore, the document is applied on a temporary basis. It is expected that the Dutch government will decide on the ratification before 1 November. At the same time, Ukrainian Foreign Minister **Pavlo Klimkin**, following his visit to The Hague, said that the decision might be postponed until after the elections in the Netherlands.

According to the NOS website, the opposition in the Dutch parliament insists on the abolition of the ratification of the agreement with Ukraine.

### **France, Belgium say Ukraine's corruption fight insufficient to waive visas**

France and Belgium have questions as to Kyiv's insufficient fulfilment of the visa liberalisation requirements pertaining to the fight against corruption. According to Radio Liberty, this question was discussed at a meeting with EU diplomats.

In addition, Radio Liberty noted that progress in this matter depends on a visa-free travel suspension mechanism, which may be adopted by the EU Council and the European Parliament in early November.

The board chairman of the International Renaissance Foundation, **Oleksandr Sushko**, said that COREPER-2, an EU Council body, had failed to agree its position with the European Parliament concerning the visa waiver for Ukraine, which means that visas for Ukrainians may be cancelled already after the EU-Ukraine summit scheduled for late November.

Meanwhile, the questions of visa-free travel for Ukrainians and the visa-free travel suspension mechanism were not included in the European Parliament's agenda for the November plenary session.

It should be noted that EU leaders have repeatedly confirmed that Ukraine has fulfilled all the criteria required for abolishing visas.

## Ukrainians still getting most residence permits in Europe

According to Eurostat, Ukrainians were issued with 499,990 temporary residence permits in EU member states as well as in Iceland, Liechtenstein, Norway and Switzerland, which are members of the Schengen zone, in 2015, which is 19.2 percent of the total number of issued permits. This is the highest share in the recorded history, that is since 2008. Ukrainians are still in the lead by the number of received residence permits in Europe.

The majority of Ukrainians (75.2 percent) received residence permits because of employment, 6.1 percent because of study, 5.9 percent for family reasons, and 12.9 percent for other reasons.

In 2014, Schengen residence permits were issued to 302,800 Ukrainians, which is 13 percent of the total number of permits.

**Jakub Dudziak**, spokesperson of the head of the Polish Office for Foreigners, said that 40,000 Ukrainians applied for temporary residence permits in Poland last year and 61,000 this year, the majority of which (87 percent) were granted. Polish daily Rzeczpospolita said that hundreds of thousands of Ukrainians working in Poland are saving its economy because they are filling the void in the labour market which emerged after many Poles went to work abroad.

A survey by Gorshenin Institute found that 5.3 percent of Ukrainians would like to move to Germany permanently, 5.2 percent to Canada, 4.5 percent to Poland, and 4 percent to the USA. At the same time, the majority of respondents (68.4 percent) said they wanted to continue living in Ukraine.

## Hungary to allocate 50m euros to motorway construction in western Ukraine

Hungary is ready to contribute 50m euros to the construction of a motorway to connect Berehove and Mukacheve in Ukraine's Transcarpathian Region, Hungarian Minister of Foreign Affairs and Trade **Péter Szijjártó** said at the meeting with Ukrainian Foreign Minister **Pavlo Klimkin** in Kyiv on 28 October 2016.

## UKRAINE-NATO

### Information campaign about NATO to be launched in Ukraine

As of 2017, the Ukrainian government will resume a campaign to inform the public about NATO, Deputy Prime Minister for European and Euro-Atlantic Integration **Ivanna Klympush-Tsyntsadze** said at a meeting with the Ukrainian community of Warsaw on 26 October 2016.

She added that donor funds would be raised for the programme.

The March 2016 survey by Gorshenin Institute found that 47.1 percent of Ukrainians would vote for the country's membership in NATO at a referendum while 35.4 percent would vote against it. According to Gorshenin Institute, last year 54.1 percent of Ukrainians wanted the country to join NATO and 33.1 percent objected to this prospect.

**UKRAINE-USA****USA extends ban on flights to Simferopol, Dnipro for two more years**

The US Federal Aviation Administration has extended the ban on flights to Dnipro and Russia-annexed Simferopol for all American airlines until 27 October 2018 for security reasons.

**UKRAINE-TURKEY****Ukraine extends visa-free stay for Turkish citizens**

Ukrainian President **Petro Poroshenko** on 27 October had a phone conversation with his Turkish counterpart **Recep Tayyip Erdogan**, during which the two leaders agreed to extend the period of visa-free stay in Ukraine for Turkish citizens from 60 to 90 days.

In addition, the presidents condemned human rights violations in Russia-occupied Crimea. Erdogan once again said he did not recognise the results of the Russian parliamentary elections in the occupied peninsula.

**Ukraine, Turkey to manufacture tanks, missiles jointly**

Ukraine and Turkey are going to manufacture tanks, missiles and drones together, the National Security and Defence Council of Ukraine has said following its secretary **Oleksandr Turchynov**'s meeting with Turkish Undersecretary for Defence Industries **Ismal Demir**.

**UKRAINE-WORLD****Ukrainian president accepts credentials from Polish, Iraqi, Azeri envoys**

On 26 October 2016, Ukrainian President **Petro Poroshenko** accepted the credentials from Polish ambassador **Jan Piekło**, Iraqi ambassador **Bakir Ahmad Aziz Al-Jaf** and Azeri ambassador **Azer Khudiyev**.

**5. DOMESTIC POLITICAL****First stage of e-declaration ends in Ukraine**

The first stage of filing e-declarations by Ukrainian public officials holding "responsible and highly responsible" positions ended on 30 October. There are 114,244 declarations in the unified state register.

All other officials are required to fill in e-declarations starting from 2017.

It should be recalled that the e-declaration system was launched on 1 September 2016. After that, there were several unsuccessful attempts to introduce amendments to the system. At the same time, the G7 ambassadors in a joint letter told Ukrainian President **Petro Poroshenko** that any changes in the e-declaration system are inadmissible.

**Ukrainian government approves changes to tax, customs, budget codes**

On 26 October 2016, the Cabinet of Ministers approved the bills on amendments to the tax, customs and budget codes to eliminate opportunities for corruption in taxation, simplify business regulations and make it easier for business to administer taxes.

The National Reform Council approved changes to the Tax Code on 25 October. In particular, the document restricts the authority of the Fiscal Service, introduces a single register for VAT refund, revises the system of VAT e-administration, revises procedures for transfer price making and liquidates tax police. Newly-established companies are offered income tax preferences.

In early 2016, Ukraine significantly cut the single social fee down to 22 percent as part of tax reform. President **Petro Poroshenko** described this decision as the most effective one out of all completed reforms.

**Constitutional court starts reviewing vetting law**

After a four-month break, the constitutional court on 27 October continued reviewing provisions of the law on vetting as to their compliance with the constitution.

Earlier, media reported that the court may declare the law unconstitutional. However, should this happen, the authorities promised to adopt a new stricter law.

**Ukrainian president reshuffles National Reform Council**

On 24 October 2016, President **Petro Poroshenko** changed the composition of the National Reform Council, having introduced five new members to it.

In particular, he appointed the minister of the Cabinet of Ministers, **Oleksandr Sayenko**, a co-chairman of the Reform Executive Committee to replace former Finance Minister **Aivaras Abromavicius**.

Other new members include People's Front faction head **Maksym Burbak**, Petro Poroshenko Bloc faction head Ihor Hryniv, the head of the Office of Effective Regulation, **Oleksiy Honcharuk**, the president of the American Chamber of Commerce in Ukraine, **Andy Hunder**, the president of the Union of Ukrainian Entrepreneurs, **Vyacheslav Klymov**, and a co-chairman of the Foundation for the Sustainable Development of Ukraine, **Vladyslava Rutytska**.

**Ukrainian president appoints Kyiv, Zhytomyr regional governors**

On 28 October 2016, President **Petro Poroshenko** appointed **Oleksandr Horhan** chairman of the Kyiv regional state administration. Horhan used to be the head of the Vyshhorod district state administration in Kyiv Region.

On 27 October, Poroshenko appointed **Ihor Hundych** chairman of the Zhytomyr regional state administration. Previously, Hundych was the acting chairman of the administration. Before this, he was the first deputy head of the Zhytomyr city state administration.

The governors were selected for the posts following a competition, as required by the new law on public service, which entered into force in May.

## **Ukraine now has 209 territorial communities – deputy premier**

Deputy Prime Minister and Minister for Regional Development **Hennadiy Zubko** has said on the air of **Sonya Koshkina's** "Levyi Bereg" talk show that 209 united territorial communities have been formed in Ukraine and 45 more are pending.

On 25 October, the US Agency for International Development (USAID) has launched the programme "Decentralization Offering Better Results and Efficiency" (DOBRE), with a budget of 50m dollars, in Ukraine. The programme will help 75 united communities in seven Ukrainian regions to improve the quality of state services, reinvigorate the local economy, crackdown on corruption, as well as give people better opportunities to contribute to the development of the communities themselves.

It should be recalled that the first local elections in united territorial communities will be held in December.

## **Special department created to speed up probe into Ukrainian ex-president's case**

On 24 October 2016, the Prosecutor-General's Office set up a department which will deal with crimes committed by criminal organizations. It is expected to speed up and complete the pre-trial investigation into former Ukrainian President **Viktor Yanukovych** and his entourage.

Previously, the case was investigated by Special Investigations Department headed by **Serhiy Horbatiuk**. Prosecutor-General **Yuriy Lutsenko** said he did not share Horbatiuk's opinion that the trial must be held in person. Lutsenko added that the department would still work on all the cases concerning the crimes committed during the Euro-Maydan protests in the winter 2013-14.

He also noted that he was going to send the cases against Yanukovych and his accomplices to court by the end of the year.

According to earlier reports, Horbatiuk got a reprimand from Lutsenko over the improper organization of the investigation into the cases concerning Yanukovych-era officials.

## **Criminal case opened against Ukraine's anti-corruption bureau chief**

The director of the National Anti-Corruption Bureau of Ukraine, **Artem Sytnyk**, has said that the Prosecutor-General's Office has opened a criminal case against him over an undeclared flat in Kupyansk, Kharkiv Region which he does not own.

He stressed that his colleagues also faced pressure from other law-enforcement agencies. In particular, he said that attempts were made to strip his first deputy Gizo Uglava of Ukrainian citizenship.



## National anti-corruption bureau to check top Ukrainian prosecutor's real estate

The National Anti-Corruption Bureau of Ukraine will check reports that Prosecutor-General **Yuriy Lutsenko**'s actions during the purchase and use of real estate in central Kyiv could amount to corruption.

## Bucha mayor suspended by court

Kyiv's Pecherskyy district court has upheld the motion filed by the Prosecutor-General's Office (PGO) to suspend **Anatoliy Fedoruk** as head of the city state administration of Bucha, Kyiv Region.

The PGO suspects Bucha mayor Fedoruk and Irpin mayor **Volodymyr Karplyuk** of the illegal transfer of 890 ha of land plots in 2006-12, including in the interests of ex-speaker **Ihor Kaletnyk**.

## 6. ECONOMY

### Premier suggests doubling minimum wage from 2017

The Cabinet of Ministers plans to double the minimum wage to 3,200 hryvnyas (123 dollars) from 1 January 2017 and introduce the respective amendments to the 2017 budget before the second reading in parliament.

Prime Minister **Volodymyr Hroysman** made a statement to this effect on 26 October.

On the same day, President **Petro Poroshenko** in his video address to Ukrainians said that the decision to raise the minimum wage had been agreed with him. The president added that it would affect some 4m citizens.

According to the news and analysis website LB.ua, Hroysman's statement came as a surprise to most politicians. "It seems that Volodymyr Hroysman plays an independent game without relying on his political allies," the website noted.

The de-shadowing of the economy will be the main source of funding of the increased minimum wage, Social Policy Minister **Andriy Reva** said during a roundtable at Gorshenin Institute. At the same time, he said that the increase in the minimum wage would not entail any increase in the minimum pension.

Earlier, the cabinet planned to increase the minimum wage from the current 1,450 hryvnyas (55.77 dollars) to 1,600 hryvnyas (61.54 dollars) in December, and then to 1,680 hryvnyas (64.62 dollars) in May.

Meanwhile, the president's envoy to the Cabinet of Ministers, a co-chairman of the Strategic Group of Advisers, **Leszek Balcerowicz**, said that the raising of the minimum wage came as "an unpleasant surprise" to advisers and international partners of Ukraine, and that they had no chance to look into the calculations on which the decision was based.

Balcerowicz also noted that it was the second "unpleasant surprise" from the government this year, with the first "surprise" being the extension of the moratorium on farmland sales.

## President signs law extending ban on farmland sales

President **Petro Poroshenko** on 28 October signed a law extending the moratorium on farmland sales until 2018. The law was passed by the Ukrainian parliament on 6 October.

## Ex-economy minister appointed head of central bank's council

Ukrainian President **Petro Poroshenko** on 24 October appointed two members of the Council of the National Bank of Ukraine (NBU) on his quota, namely former Economy Minister **Bohdan Danylyshyn** and the principal of the Kyiv Institute of Banking, **Vasyl Furman**. Thus, the work of the council, which currently consists of seven members, was unblocked.

On 25 October, the council held its first meeting during which Danylyshyn was elected its chairman.

In addition, the NBU council appointed **Yakov Smoliy** as NBU's first deputy head and **Kateryna Rozhkova** and **Roman Borysenko** as NBU's deputy heads.

According to the law on the National Bank of Ukraine, the NBU council should comprise nine members, including four appointed by parliament, four by the president, with the ninth member being the central bank's head. The term of office of the NBU council members ended on 10 September 2015. Parliament appointed representatives on its quota on 7 July 2016.

## National bank council approves 1.49bn-dollars transfer to budget

The council of the National Bank of Ukraine (NBU) at the first meeting in its new composition on 25 October approved the regulator's annual consolidated financial statements for 2015, distributed its profit and approved sending 38.16bn hryvnyas or 1.49bn dollars from the profit to the state budget.

This amount will be transferred in several tranches as agreed with the Finance Ministry, NBU chairwoman **Valeriya Hontareva** said.

According to the news and analysis website LB.ua, 38bn hryvnyas makes 5.6 percent of the total budget expenditures in 2016. "For comparison, the State Road Service Agency plans to spend less than 20bn hryvnyas this year. This amount is sufficient to fund the Security Service of Ukraine, the Prosecutor-General's Office, the Justice Ministry, the Culture Ministry and several smaller agencies for one year. If this money was not transferred, there would be the need to drastically cut expenditures in the 2016 budget," the website said.

## Ukroboronprom allowed to reduce assignments to budget

The Cabinet of Ministers has reduced from 75 to 30 percent the amount of net income the state-run Ukroboronprom company should transfer to the state budget. The changes take effect on 1 January 2017.

In 2015, the total net profit of Ukroboronprom's subsidiaries amounted to 1.63bn hryvnyas (62.69m dollars).



Ukroboronprom consists of 125 defence enterprises, including the aircraft building company Antonov.

### **IMF calls on Ukraine to protect central bank's independence**

The protection of the independence of Ukraine's National Bank is a cornerstone of the IMF's further cooperation with Ukraine under the EFF programme, IMF Communications Director **Gerry Rice** has said.

He also said that the IMF's mission will arrive in Ukraine in early November.

Initially, it was planned that the mission will arrive in Ukraine on 26 October. However, the IMF postponed the visit, citing "internal reasons".

### **Ukraine's public debt grows to 68.6bn dollars in September**

Ukraine's total direct and guaranteed debt as of late September stood at 68.61bn dollars, which is 2.8 percent or 1.9bn dollars more than as of the beginning of the month, the Finance Ministry has reported.

In January-September, the amount of public and publicly guaranteed debt increased by 4.7 percent or by 3.11bn dollars.

It should be recalled that in September Ukraine received 1bn dollar loan from the IMF and 1bn against the US government's guarantees.

The 2016 state budget sets the maximum public debt level at 1.95bn hryvnias (75m dollars) as of the end of the year.

### **Finance Ministry sells bonds worth 310m hryvnias, 141m euros**

The Finance Ministry at an auction on 25 October sold government bonds to the tune of 309.8m hryvnias (12.1m dollars) and 141.3m euros. The funds in hryvnias were raised for a period from nine months to three years at a weighted average yield from 15.3 to 15.75 percent. The funds in foreign currency were attracted for two years at a weighted average yield of 4 percent.

### **Consolidated budget deficit reaches 1.2bn dollars**

The deficit of Ukraine's consolidated budget in January-September totalled 31.69bn hryvnias (1.22bn dollars), while the deficit of the state budget was 63.4bn hryvnias (2.45bn dollars), the National Bank has reported. At the same time, the consolidated budget deficit was 20.4bn hryvnias (787.3m dollars) in September.

The consolidated budget revenues totalled 525.25bn hryvnias (20.27bn dollars), including 407.55bn hryvnias (15.73bn dollars) in state budget revenues. The expenditures amounted to 556.68bn hryvnias (21.49bn dollars), including 470.76bn hryvnias (18.17bn dollars) in state budget expenditures.

## Regulator cuts discount rate to 14 percent

The National Bank of Ukraine has decided to lower the discount rate from 15 to 14 percent from 28 October.

The regulator noted that conditions were in place for gradually easing the monetary policy.

## Exports of agricultural goods exceed 9bn dollars

In January to August, the surplus of trade in agricultural products was 6.6bn dollars, the State Statistics Service has reported. At the same time, Ukrainian farmers exported products worth 9.1bn dollars, which made 40.1 percent of the total national exports.

Grain crops and ready-made foods were the top two categories in the agricultural export structure (3.6bn and 1.4bn dollars, respectively).

At the same time, Ukraine imported agricultural products to the tune of 2.5bn dollars, which made 10.3 percent of total imports in the country. The key agricultural import items were ready-made foods (1.1bn dollars) and plant products (0.9bn dollars).

## Ukraine placed 80th in Doing Business ranking

The World Bank has published its ease of doing business rating, Doing Business 2017, in which Ukraine took the 80th place among 190 countries, rising by three positions compared to last year.

## Akhmetov tops richest Ukrainians rating

**Rinat Akhmetov** with assets worth 4.1bn dollars has kept the first line in the new 100 richest Ukrainians rating for 2016. Over the past year, his fortune shrank by 8 percent, the Novoye Vremya magazine has reported.

The second place is taken by **Viktor Pinchuk** with 1.3bn dollars (-19 percent), followed by **Ihor Kolomoyskyy** with 1.1bn dollars (-41 percent). The fourth place is taken by Ukrainian President **Petro Poroshenko** with 949m dollars (-3 percent), who went up by two positions compared to the previous year. **Hennadiy Boholyubov**, Kolomoyskyy's partner, is also among the top five richest Ukrainians with 834m dollars (-55 percent).

**Oleksandr** and **Halyna Hereha** are rated sixth in the ranking. Their assets increased by 8 percent compared to last year to 658m dollars. They are followed by **Dmytro Firtash** with 652m dollars (-35 percent), **Yuriy Kosyuk** with 628m dollars (+5 percent), **Kostyantyn Grigorishin** (recently granted Ukrainian citizenship) with 580m dollars and **Vadym Novinskiy** with 546m dollars (-23 percent).

## Top 100 state-owned companies show 2.2bn-dollar losses

The cumulative loss of 100 largest Ukrainian state-owned companies in 2015 decreased by 2.2 times compared to 2014, to 53.2bn hryvnias (2.2bn dollars), the Economic Development Ministry has reported.

The state owns some 3,500 enterprises, of which only 1,800 operate. The top 100 state-owned companies account for 75 percent of the state's net revenue and 86 percent of the state's assets.

## Ukrzaliznytsya accused of dodging 72.1m dollars in tax payments

The State Fiscal Service has said that Ukrzaliznytsya, the state-run railway company, has evaded tax payments in the amount of 1.85bn hryvnias (72.1m dollars).

However, Ukrzaliznytsya said that they would recognize only 2.4m hryvnias (93,500 dollars) in additional taxes based on audits of the 2013-15 performance of state-run railway enterprises which are undergoing liquidation.

On 21 October, Prosecutor-General **Yuriy Lutsenko** reported about searches at Ukrzaliznytsya's offices. The law enforcers sought for information concerning supplies of poor quality goods to the company at inflated prices.

In addition, the fiscal service said that it had proven in court that Ukrzaliznychpostach, an Ukrzaliznytsya subsidiary, had evaded paying taxes to the tune of about 350m hryvnias (13.46m dollars).

It was also reported that on 27 October the Kyiv Solomyanskyy district court put under house arrest a former director of Ukrzaliznychpostach, who had been detained on suspicion of embezzling more than 20m hryvnias (769,000 dollars). Earlier, the same court arrested the company's former deputy director, **Roman Kravchuk**, and set a bail of 2.86m hryvnias (110,000 dollars) for him.

It should be noted that in January-September Ukrzaliznytsya showed a net income of 1.24bn hryvnias (47.9m dollars). In 2015, the company posted a net loss of 16.78bn hryvnias (645m dollars).

## Tycoon's firm ordered to pay 31m dollars to state-run bank

The Kyiv Economic Court on 11 October partially satisfied an 810.4m-hryvnya (31.4m-dollar) claim filed by the state-run Ukreximbank against the ESU company for the plaintiff's failure to pay interest income on bonds.

ESU is the main shareholder of Ukrtelecom, Ukraine's largest fixed-line operator, and belongs to the SCM holding company of businessman **Rinat Akhmetov**. Ukrtelecom's net profit in January-September was 249m hryvnias (9.6m dollars), which is 49 percent less than over the same period in 2015.

**7. ENERGY****EU allows Gazprom to boost gas supplies bypassing Ukraine - media**

The European Commission on 25 October authorized Russia's Gazprom to use more than 50 percent of the capacity of the OPAL pipeline, which connects the Nord Stream pipeline on the Baltic Sea coast and runs through Germany's territory to the town of Brandov on the German-Czech border (bypassing Ukraine), The Wall Street Journal has reported, citing its own sources.

Under the new agreement, the Russian company will keep its exclusive capacity, but will be allowed to increase the capacity via an auction. However, Gazprom has to open up 10 to 20 percent of the remaining capacity to other suppliers in order not to violate European legislation.

Since its completion in 2011, Gazprom has been able to use just 50 percent of Opal's capacity. The remaining 50-percent capacity of Opal has stood empty.

**European Parliament says Nord Stream-2 against EU's interests**

The European Parliament on 25 October approved a report recognising that the construction of the Nord Stream-2 pipeline contradicts the interests of the European Union.

At the same time, Russia's permanent representative to the EU, **Vladimir Chizhov**, said that it would be unrealistic to cease Russian gas transit through Ukraine in the coming years.

**French Engie to transport, store gas in Ukraine**

The French energy company Engie and the Ukrainian gas transport system operator Ukrtransgaz signed a framework agreement in Paris on 28 October for the transport and storage of natural gas in Ukraine.

The framework agreement was also signed by Engie's Ukrainian subsidiary, Engie Management Ukraine LLC.

It should be noted that on 27-28 October Ukrainian Prime Minister **Volodymyr Hroysman** visited France, where he met the head of the French government, **Manuel Valls**, Economy and Finance Minister **Michel Sapin** and the president of the French Senate, **Gerard Larcher**, and also took part in a French -Ukrainian business forum.

**Energy companies file January-September reports**

Ukrtransnafta, the Ukrainian oil transport monopolist, in January-September 2016 cut its net profit by 29.3 percent compared to the same period in 2015, to 1.28bn hryvnyas (49.4m dollars). This follows from the company's statement posted in the public database of the National Securities and Stock Market Commission. All of its shares are managed by the state-run energy company Naftohaz Ukrayiny.

Also, the state-owned company Enerhoatom (the operator of Ukraine's four nuclear power plants) over the same period reduced its net profit by 23.4 percent compared to January-September 2015, to 996.3m hryvnias (38.4m dollars).

Tsentrenerho (the state owns 78.3 percent of its shares) showed a net profit of 1bn hryvnias (38.6m dollars), while in January-September 2015 it posted a net loss of 81.8m hryvnias (3.8m dollars).

Ukrhydroenerho (operates Ukraine's hydroelectric power plants) in January-September increased its net profit by 2.2 times compared to the same period last year, to 1.71bn hryvnias (66m dollars).

## **Ukrnafta cuts net profit by 71 percent over nine months**

The Ukrnafta company in January-September 2016 posted a net profit of 427m hryvnias (16.42m dollars), which is 3.63bn hryvnias (139.62m dollars) less than in the same period of 2015. Fifty percent + 1 share in the company are owned by the state-run energy company Naftohaz Ukrayiny, while 42 percent belongs to companies affiliated with businessman **Ihor Kolomoyskyy**.

The National Anti-Corruption Bureau launched an investigation into Ukrnafta's receivables of 7.75bn hryvnias (298m dollars) formed under oil sales agreements that were signed based on the results of the auctions held in March-October 2015.

At the same time, Ukrtatnafta (43.05 percent of the shares belong to Naftohaz, while companies affiliated with businessmen **Ihor Kolomoyskyy** and **Oleksandr Yaroslavskyy** own 28 percent each) in January-September 2016 reduced its net profit by 81.5 times compared to the same period of 2015, to 15.7m hryvnias (613,700 dollars).

## **Court impounds Karpatyhas property worth 154m dollars**

A Ukrainian court, at the request of the Prosecutor-General's Office, has impounded the property worth 4bn hryvnias (153.85m dollars) of the Karpatyhas company, one of Ukraine's largest private natural gas producers.

The asset freeze was imposed under the investigation into the suspected infliction of damages on the state under joint activity contracts between the Ukhazvydobuvannya company and private companies.

Karpatyhas belongs to Swedish company Misen Enterprises (a subsidiary of Misen Energy), which is owned by Cyprus offshore companies. According to media reports, Karpatyhas's ultimate beneficiary is businessman **Dmytro Firtash**.

## **Petroleum, diesel fuel sales drop by 15 percent in September**

Retail sales of petroleum through filling stations in Ukraine in September fell by 14.6 percent compared to the same month in 2015, to 134,400 tonnes, the State Statistics Service has reported.

The total value of gasoline sold was 3.96bn hryvnias (152.8m dollars) or 52.9 percent of the total volume of fuel sold; diesel fuel was sold to the tune of 2.27bn hryvnias (87.6m dollars) or 30.2 percent; while sales of liquefied and compressed gas were 1.27bn hryvnias (49m dollars) or 16.9 percent.

It bears noting that the antimonopoly committee imposed fines of 204.33m hryvnias (7.86m dollars) on seven Ukrainian operators of filling stations for concerted anticompetitive actions in the market from January 2013 until January 2016.

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