



# Gorshenin *Weekly*

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## CONTENT

### 1. TOP STORIES...page 5

#### 2. ARMED CONFLICT IN EAST UKRAINE...page 5

Normandy Four foreign ministers meet in Paris

Donbas group agrees on mine clearance, bans shooting practice along contact line

Ukraine calls on UN to boost international presence in Donbas

Foreign Ministry: over 2,600 Ukrainian troops killed in Donbas conflict

Ukrainian volunteers publish list of Russians killed in Donbas

Ukrainian journalist released from separatist captivity

UN mission suggests Ukraine recognize documents issued in rebel-held areas

#### 3. CRIMEA ISSUE...page 7

Russia-controlled court starts hearing prosecutor's request to ban Crimean Tatar Majlis

Crimean Tatar activist fined for photo with Ukrainian flag

Nice mayor receives delegation from Russia-annexed Crimea

#### 4. INTERNATIONAL POLITICAL...page 8

##### UKRAINE-RUSSIA

Ukrainian pilot jailed in Russia goes on dry hunger strike

Savchenko says swap for Russian servicemen inadmissible

Russian embassy attacked in Kiev, Ukrainian embassy pelted with eggs

Russian VEB carries potential threat to Ukrainian manufacturing - expert

Russian prosecutors accuse Roshen Lipetsk of violating environmental law

##### UKRAINE-EU

EU to consider cancellation of visas for Georgia, Ukraine separately

EU prolongs sanctions against Ukrainian ex-president's entourage

##### UKRAINE-USA

USA extends sanctions on Russia over Ukraine

NATO chief says White House should arm Ukraine

## UKRAINE-WORLD

Pope meets head of Ukrainian Greek Catholic Church

### **5. DOMESTIC POLITICAL...page 11**

Premier calls on MPs to restore coalition stability

Ukrainian government sets up State Investigation Bureau

Anti-Corruption bureau brings more detectives on board

Ukrainian president signs law on better protection of refugees

Ukrainian president signs law on protection of journalists

Ukrainian government adopts ethics charter for officials

Cabinet approves strategy to overcome poverty in Ukraine

Ukrainian cabinet approves list of tax-free aid for antiterrorist operation in east

Court drops Maydan judges' case as statute of limitations expires

Police patrol launched in Cherkasy, Poltava

Patrol officer Oliynyk released from custody, placed under house arrest

Security service accuses far-right activist of high treason

### **6. MILITARY AND DEFENCE...page 14**

Army units to participate in 10 multinational drills

Ukraine sets up production of missiles without Russian components

### **7. ECONOMY...page 15**

Ukraine to defend itself against claims in Russian debt case

IMF awaits clarity around Ukrainian coalition, government

Ukraine pays first 470m-dollar coupon on restructured bonds - media

Ukraine, Japan ratify 300m-dollar loan agreement

World Bank names failed, successful reforms in Ukraine

President signs amendments to privatization law

Economy Ministry lowers Ukraine's GDP forecast to zero

Budget fulfilled with 90m-dollar surplus in January 2016

Consolidated balance of payments shows 120m-dollar surplus

Foreign trade deficit reaches 580m dollars in January

Foreign exchange reserves up by 116m dollars in February

National Bank raises foreign currency withdrawal, purchase limits

National Bank simplifies currency transfers abroad

Official transfers from abroad decrease by third

Ukrainian banks show losses of 43m dollars in January

Privatbank pays coupon on 175m-dollar Eurobonds

Sales of industrial products up 26 percent in January

Ukraine raises electricity rate for households

## **8. ENERGY...page 19**

Naftohaz transit claims to Russia's Gazprom exceed 8bn dollars

Ukraine almost halves gas imports in January-February

Energy Ministry expects gas production by private companies to grow 25-30 percent in 2016

President vetoes moratorium on Enerhoatom bankruptcy

## **9. ANNEX...page 21**

## TOP STORIES

### **Normandy-format talks yield no results**

The parties were unable to work out a common position on elections in the occupied territory of Donbas.

*Read more in ARMED CONFLICT IN EAST UKRAINE.*

### **Savchenko goes on dry hunger strike**

The Russian court unexpectedly postponed the final statement by the Ukrainian pilot until 9 March.

*Read more in DOMESTIC POLITICAL.*

### **European Commission to consider cancelling visas for Georgia, Ukraine separately**

The EU demands that Ukraine revise the law on e-declarations and complete the establishment of the Corruption Prevention Agency.

*Read more in INTERNATIONAL POLITICAL*

## **2. ARMED CONFLICT IN EAST UKRAINE**

### **Normandy Four foreign ministers meet in Paris**

The foreign ministers of the Normandy Four, which includes Germany, France, Ukraine and Russia, met in Paris for negotiations on a Donbas settlement on 3 March 2016.

Elections in separatist-controlled areas of Donbas were one of the top issues on the agenda, however the ministers failed to work out a joint position on the matter. The French and German representatives expressed hope that elections would be held in the first half of 2016. The Ukrainian side, for its part, recalled that without a comprehensive security system, there was no point in discussing holding the elections.

According to Gorshenin Institute president **Vadym Omelchenko**, judging by the recent foreign policy efforts, including Foreign Minister **Pavlo Klimkin's** firm stand at the Paris talks, Ukraine is now more confident of its position.

"Priority given to the issues of security, restoration of control over the border, withdrawal of foreign troops and weapons is correct, state-minded and, as the Gorshenin Institute's surveys have shown, supported by the majority of the Ukrainian public," he said. "It is indicative that amid the European partners' continued demands to implement the political section of the Minsk agreements, the specific steps taken by the USA and the EU show that they are loyal to Ukraine's position. This means that the country's political leaders have chosen the right tactic and are on the right track to protect the country's strategic interests."

In his words, it is noteworthy that the demand to ensure a special status for the occupied territories has been dropped off the Normandy Four agenda.

"The main political demand is to hold elections in certain areas of Donetsk and Luhansk regions. However Ukraine's position here is quite protected: elections should be held under the OSCE monitoring and in line with its standards. The sides are not able to ensure this at the moment," he said.

### **Donbas group agrees on mine clearance, bans shooting practice along contact line**

At the 2 March 2016 meeting in Minsk, the trilateral contact group signed two documents concerning the technical aspects of completing mine clearance at 12 sectors and on the end of military drills with live firing within a 30-km zone along the line of contact.

According to the General Staff's forecasts, it will take 20 years to clear all the mines in Donbas, the news and analysis portal LB.ua has said.

It bears noting that according to the results of an opinion poll conducted by the Gorshenin Institute in mid-February, more than 51 percent of Ukrainians believe that Ukraine is disadvantaged by the Minsk agreements. At the same time, Ukrainians lay the blame for the nonfulfillment of the Minsk agreements mainly on Russian authorities (45.9 percent) and militants (17.1 percent). Less than 15 percent put the blame on Ukrainian authorities.

*Find more details on the poll results in the Annex.*

### **Ukraine calls on UN to boost international presence in Donbas**

Ukraine has called on the international community to boost its presence in Donbas, in particular by deploying UN peacekeepers and an OSCE police mission there, Ukraine's representative to the UN, **Volodymyr Yelchenko**, said at the UN Security Council Meeting on 29 February 2016.

According to the secretary of the National Security and Defence Council, **Oleksandr Turchynov**, Ukraine will agree to any format of a peacekeeping or police mission in eastern Ukraine, the Interfax-Ukraine news agency said. He particularly emphasized that such a mission must consist of representatives of a "third party".

Ukraine has repeatedly requested that the international community dispatch peacekeepers to the separatist-held areas of Donetsk and Luhansk regions.

### **Foreign Ministry: over 2,600 Ukrainian troops killed in Donbas conflict**

According to the Ukrainian Foreign Ministry, over 9,000 people, including 2,670 Ukrainian servicemen, have been killed and 20,000 have been wounded since the beginning of the antiterrorist operation in the east. Some 2 million more people have been displaced.

According to the UN estimates, 3 million people currently live in the conflict area.

## **Ukrainian volunteers publish list of Russians killed in Donbas**

Members of the volunteer organization "Cargo 200 from Ukraine to Russia" have published a list of more than 2,000 Russian mercenaries and servicemen who were killed or went missing in the Donbas conflict.

## **Ukrainian journalist released from separatist captivity**

Ukrainian journalist **Mariya Varfolomeyeva** has been released from the captivity of Luhansk separatists in exchange for two militants.

Varfolomeyeva has been held there for over a year, including half a year in a single cell.

Read the full interview with the journalist on the news and analysis website [LB.ua](http://LB.ua).

## **UN mission suggests Ukraine recognize documents issued in rebel-held areas**

The UN Human Rights Monitoring Mission in Ukraine has suggested in its 13th report that the Ukrainian authorities should develop a procedure to recognize civil status acts (birth, death and marriage certificates) issued on the temporarily occupied territories of Crimea and Donbas.

The Foreign Ministry said Ukraine could not heed the calls of the organization to legitimize documents issued by the illegal self-proclaimed occupation authorities of Crimea and certain areas of Donetsk and Luhansk regions.

It should also be noted that the UN demanded an investigation into human rights violations in the course of the Crimean blockade. According to the UN, activists illegally performed functions of authorities.

### **3. CRIMEA ISSUE**

#### **Russia-controlled court starts hearing prosecutor's request to ban Crimean Tatar Majlis**

On 3 March 2016, the supreme court of Russia-controlled Crimea had the first hearing on Crimean prosecutor **Natalya Poklonskaya's** request to ban the self-styled Crimean Tatar government Majlis.

The Majlis and its lawyers had a week to study the case files, although the lawyer had requested at least two weeks for this, the Krym.Realii news website has said.

The UN Human Rights Monitoring Mission in Ukraine has called on Russia to drop its intention to ban the Majlis.

#### **Crimean Tatar activist fined for photo with Ukrainian flag**

A Russia-controlled court has fined Crimean Tatar activist **Veldar Shukurdzhiyev** 10,000 roubles (135 dollars) for posing on a photo with a Ukrainian flag near

Lenin Statue in central Simferopol.

### **Nice mayor receives delegation from Russia-annexed Crimea**

**Christian Estrosi**, mayor of France's Nice, has met so-called Yalta mayor **Andrey Rostenko**. The visit was arranged by the Russian ambassador to France, **Aleksandr Orlov**, and took place from 26 February to 1 March 2016. The sides signed a letter of intent and agreed to restore friendly ties between the cities.

Ukraine's ambassador to France, **Oleh Shamshur**, protested to the French Foreign Ministry and sent a letter to Estrosi to express his indignation at this meeting.

The deputy spokesman of the French Foreign Ministry, **Alexandre Giorgini**, said that the initiative of the local elected official does not reflect the position of the French government.

## **4. INTERNATIONAL POLITICAL**

### **UKRAINE-RUSSIA**

#### **Ukrainian pilot jailed in Russia goes on dry hunger strike**

A Ukrainian pilot and member of the Ukrainian delegation to PACE, **Nadiya Savchenko**, said that she goes on a dry hunger strike from 4 March and would keep up with it until she "returns to Ukraine dead or alive". Savchenko made this decision after the judge unexpectedly closed the court sitting on 3 March, thus preventing her from pronouncing the last statement. The next hearing was scheduled for 9 March.

Later, the text of Savchenko's last statement was published in the media. In her address, she said that she recognizes neither the guilt nor the sentence by the Russian court and that she would not appeal the sentence if found guilty. In addition, she stressed that Russia is a country with a totalitarian regime that does not respect human rights.

It should be recalled that in December 2015, Savchenko went on a hunger strike until the trial ends.

Also, it should be noted that the public prosecutor demands that the court sentence Savchenko to 23 years' imprisonment in a penal colony.

#### **Savchenko says swap for Russian servicemen inadmissible**

Ukrainian MP **Nadiya Savchenko**, during debates at the Donetsk court of Rostov Region (Russia), said that she had turned down the opportunity to be exchanged for two Russian military men **Aleksandr Aleksandrov** and **Yevgeniy Yerofeyev**, who are facing trial in Ukraine. According to Savchenko, she is against exchanging "one innocent person for two guilty persons".

Russian political analyst **Stanislav Belkovskiy** has suggested that Nadiya



Savchenko will be exchanged for Russian officers held in Ukraine if Russian President **Vladimir Putin** "does not consider this humiliating" and expects to earn a few extra points on the international arena this way. "This problem is not legal and not even political, it is psychological," he explained.

### **Russian embassy attacked in Kiev, Ukrainian embassy pelted with eggs**

On 6 March, several hundred participants in the rally in support of jailed Ukrainian pilot **Nadiya Savchenko** marched to the Russian embassy in Kiev. They demanded that Russia release the Ukrainian pilot and that the Ukrainian government break off diplomatic relations with Russia, news and analysis website LB.ua has reported.

Some activists pelted the embassy with eggs and green paint, broke a window above the building's door, as well as street lights and surveillance cameras.

On the night of 6 March, unidentified persons threw several flares onto the embassy's territory and smashed windows in three cars belonging to the mission.

Meanwhile, on 6 March, several hundred people threw eggs on the Ukrainian embassy in Moscow. According to Russian News Service radio station, the protesters were young people from pro-Kremlin movements, in particular NOD Moskva.

### **Russian VEB carries potential threat to Ukrainian manufacturing - expert**

**Oleksiy Yizhak**, an expert at the National Institute of Strategic Studies under the president of Ukraine, has said that Ukrainian manufacturing is facing much higher risks after **Sergey Gorkov**, a graduate of the Russian FSB (Federal Security Service) academy, was appointed as board chairman of Vnesheconombank, which owns a stake in a large Ukrainian bank, Prominvestbank.

Prominvestbank holds debt securities of Ukraine's largest industrial companies, including AutoKrAZ which supplies the Armed Forces with vehicles, Cherkasy- and Severodonetsk-based Azot, a big contributor to the respective cities' budget, and others.

### **Russian prosecutors accuse Roshen Lipetsk of violating environmental law**

The prosecutor's office of Russia's Lipetsk has accused the Roshen candy factory owned by Ukrainian President **Petro Poroshenko** of violating the Russian environmental law. It said that the waste from the reconstruction of one of the workshops was stored on the factory's territory. A prosecutor opened a case under Article 8.1 of the Administrative Code of Russia against the head of the factory's maintenance department.

In early January 2016, the Roshen confectionery corporation put the Lipetsk factory for sale. The company wants 200m dollars for its Russian asset.

In April 2015, the land under the factory was impounded.

## UKRAINE-EU

### **EU to consider cancellation of visas for Georgia, Ukraine separately**

The EU will consider cancellation of visas for Georgia and Ukraine separately, European Parliament Rapporteur on Georgia **Andrejs Mamikins** has said.

The European Commission said that it would recommend the European Parliament to cancel visas for Ukraine after Kiev meets anti-corruption commitments it has undertaken. This includes the introduction of electronic income statements by officials in 2016 and the launch of the National Corruption Prevention Agency.

The EU Delegation to Ukraine said that Brussels representatives together with Ukrainian politicians had reached a compromise on the text of the law on electronic declaration of income by public servants, and that Europe was looking forward to the Ukrainian parliament passing the right decisions.

The Ukrainian Foreign Ministry does not rule out that that the visa cancellation timeline is affected by the factor of the Dutch consultative referendum on the EU-Ukraine association agreement, scheduled for 6 April. The Foreign Ministry hopes EU visas will be cancelled by the end of 2016.

### **EU prolongs sanctions against Ukrainian ex-president's entourage**

The Council of the EU has prolonged sanctions against former Ukrainian President **Viktor Yanukovych** and 15 of his allies by another year.

Former Health Minister **Rayisa Bohatryova** was removed from the sanction list.

## UKRAINE-USA

### **USA extends sanctions on Russia over Ukraine**

US President **Barack Obama** has extended by another year the sanctions imposed on Russia in March 2014 over the annexation of Crimea, and against the politicians involved in the crackdown on the Euro-Maydan protests in Ukraine in the winter of 2013-14.

### **NATO chief says White House should arm Ukraine**

NATO's Supreme Allied Commander Gen **Philip Breedlove** said in his speech to the US Senate on 1 March 2016 that he expects Russia to stage new acts of provocation in Donbas. He once again called on the White House to arm Ukraine.

As reported earlier, US President **Barack Obama** signed the polished National Defence Authorization Act. The document provides 300m dollars in military assistance to Ukraine over the course of the 2016 financial year. Out of this sum, 50m dollars can be spent on defence weapons for Ukraine.

## UKRAINE-WORLD

### **Pope meets head of Ukrainian Greek Catholic Church**

Pope Francis on 4 March met the head of the Ukrainian Greek Catholic Church (UGCC), **Svyatoslav Shevchuk**. According to the UGCC's press service, Pope **Francis** promised that he would not sacrifice relations with the UGCC for the sake of rapprochement with the Moscow Patriarchate.

In addition, during the visit, the UGCC delegation asked the Pope to help stop the hybrid war in Donbas and alleviate the humanitarian crisis triggered by Russia's aggression against Ukraine.

It should be recalled that in mid-February, Pope Francis met the head of the Russian Orthodox Church. Following the meeting, the sides signed a joint declaration which used the word "conflict" in relation to the events in Donbas, but there was no mention of the Russian aggression.

## 5. DOMESTIC POLITICAL

### **Premier calls on MPs to restore coalition stability**

Ukrainian Prime Minister **Arseniy Yatseniuk** has called on parliamentary factions to restore stability of the coalition and allow the current government to perform its duties.

According to parliament speaker **Volodymyr Hroysman**, the coalition should be created or re-formatted by the factions which belonged to the European Ukraine coalition (Petro Poroshenko Bloc, People's Front, Self-Help, Radical Party of Oleh Lyashko and Fatherland).

At the same time, **Oleh Lyashko** said that he did not hold any talks on a new coalition over the past week.

According to Zerkalo Nedeli weekly, the entourage of the president and the prime minister is trying to convince Yatsenyuk to resign voluntarily (after the no-confidence vote against the government failed, the cabinet received immunity from dismissal until September). Also, according to some media reports, talks were held with Minister of Finance **Natalie Jaresko** during the past week regarding her possible appointment as government head.

### **Ukrainian government sets up State Investigation Bureau**

On 29 February 2016, the Cabinet of Ministers has issued a resolution on the establishment of the State Investigation Bureau and approved a pool of nominees for its board.

The law on the State Bureau of Investigation was adopted by the Ukrainian parliament on 12 November 2015. According to the document, the new agency, in a three-month period after it takes up its functions, should be transferred investigations of all major criminal cases, including the cases on crimes during the Maydan protests. The prosecutor's office will be limited to only the representation of state interests in court.

**Anti-Corruption bureau brings more detectives on board**

The selection commission of the National Anti-Corruption Bureau has named 65 new detectives following the second round of interviews.

Thus, the bureau now has a total of 135 detectives. The first 70 detectives were appointed in August 2015.

**Ukrainian president signs law on better protection of refugees**

On 1 March 2016, Ukrainian President **Petro Poroshenko** signed the law to improve the social protection of refugees. It regulates the procedure of identifying people as refugees, their demand for additional and temporary protection, as well as the loss or cancellation of this status.

It is one of the laws which were to be adopted within the framework of the EU visa liberalization plan.

**Ukrainian president signs law on protection of journalists**

On 1 March 2016, Ukrainian President **Petro Poroshenko** signed the law on the protection of professional journalism, which was adopted by parliament on 4 February.

In particular, the law introduces criminal punishment for confiscation of materials and equipment from media workers.

**Ukrainian government adopts ethics charter for officials**

The Cabinet of Ministers has endorsed the ethics of public servants. According to the new set of standards, officials should act in a non-conflict and politically neutral manner. The government obliged public servants to abstain from criticizing the authorities and officials in public.

Information on public servants' work should be transparent and accessible, except for cases envisaged by the constitution and laws. Telephone conversations and personal meetings between public servants of the 1st and 2nd categories and party representatives, lawmakers, businessmen or their representatives from now on should be clocked.

According to a press officer at the EU Delegation to Ukraine, **David Stulik**, the EU welcomes the public servants' ethics designed by the Ukrainian government.

However, the head of the Odessa regional state administration, **Mikheil Saakashvili**, who previously accused Prime Minister **Arseny Yatsenyuk** and his government of corruption, said that he would not obey the ethics as they ban criticism of the authorities.

**Cabinet approves strategy to overcome poverty in Ukraine**

The Cabinet of Ministers has approved the strategy of overcoming poverty by 2020.

The level of poverty is expected to decrease from 28 percent to 15 percent. As far as working citizens are concerned, it is supposed to go down from 18.5 percent to 11 percent.

Unemployment is expected to go down to 9 percent.

The current subsistence level in Ukraine for able-bodied citizens is 1,496 hryvnias, or roughly 56 dollars at the current exchange rate.

## **Ukrainian cabinet approves list of tax-free aid for antiterrorist operation in east**

The Cabinet of Ministers of Ukraine has approved a list of over 500 goods and services whose purchase for the needs of the antiterrorist operation in the east or the families of troops participating in the operation is exempt of individual income tax.

According to a survey carried out by the Gorshenin Institute, volunteers, NGOs and the army enjoy the highest public trust in Ukraine. Volunteers are trusted by 71.3 percent and mistrusted by 19.4 percent of the respondents. NGOs are trusted by 49.2 percent and mistrusted by 34.4 percent. The level of trust in the army reaches almost 49 percent, while 43 percent have no trust in the army.

## **Court drops Maydan judges' case as statute of limitations expires**

The Supreme Administrative Court of Ukraine considers it impossible to take disciplinary action against most of the judges who passed judgments on Euro-Maydan activists in 2014 due to the expiration of the statute of limitations, court chairman **Oleksandr Nechyaylo** has said.

Therefore, it was decided to cancel three decisions of the Supreme Council of Justice to grant approval for the dismissal of judges who passed judgments against Euro-Maydan activists for violation of oath.

At the same time, according to the chairman of the Supreme Council of Justice, **Ihor Benedysyuk**, a three-year statute of limitations should be applied in the case of disciplinary sanctions stipulating dismissal for violation of oath.

## **Police patrol launched in Cherkasy, Poltava**

Officers of the new patrol police took the oath in Cherkasy on 1 March and Poltava on 5 March.

At the moment the police patrol operates in 16 Ukrainian cities.

## **Patrol officer Oliynyk released from custody, placed under house arrest**

The Kiev Court of Appeal has released from custody and placed under house arrest patrol officer **Serhiy Oliynyk**, who shot a passenger during a car chase.

It should be noted that prior to his transfer to the court, the police officer was

attacked and beaten by another prisoner. Two criminal cases were initiated over his beating.

Earlier, the Kiev Pechersky district court arrested Oliynyk for two months, having rejected the pleas from a number of MPs on bailing him out. He was suspected of abuse of power, wilful murder and attempted murder committed in a manner dangerous to the lives of many individuals.

At the same time, driver **Rostyslav Khrapachevskyy**, whose car was chased by the patrol on the night of 7 February, was released by the court under personal recognizance. According to investigators, he was under the influence of alcohol and drugs at the time of the chase.

### **Security service accuses far-right activist of high treason**

On the night of 28 February, officers of the Security Service of Ukraine (SBU) detained the head of the Azov-Krym civil corps, **Stanislav Krasnov**. Later, he was placed under arrest at the SBU remand prison for 72 hours. He was charged with illegal possession of weapons.

The SBU also said that Krasnov has been in contact with Russian secret services since 2014 and that he was given the task to organize a murder of one of the activists on the administrative border with Crimea. According to Ukrainian special services, the Russian side ordered such an act of provocation in order to invade Kherson Region.

At the same time, Krasnov's defence said that SBU officers had beaten their client. During one of the court sittings the activist was hospitalized.

On the night of 2 March, Krasnov was released from the remand prison as the 72-hour term expired, and no measure of restraint was chosen. On the same day, the SBU notified him of suspicion of involvement in terrorism and high treason.

## **6. MILITARY AND DEFENCE**

### **Army units to participate in 10 multinational drills**

The Ministry of Defence has said that units of the Armed Forces of Ukraine will participate in 10 multinational exercises in 2016, including six drills abroad: Saber Guardian and Light Avalanche (Romania); Flaming Thunder and Flaming Sword (Lithuania); REGEX (Bosnia and Herzegovina) and Anaconda (Poland).

### **Ukraine sets up production of missiles without Russian components**

In the near future, Ukraine will carry out test launches of missiles manufactured purely by Ukrainian enterprises, the secretary of the National Security and Defence Council, **Oleksandr Turchynov**, has told the Interfax-Ukraine agency.

In January, Ukrainian President **Petro Poroshenko** said that the country will adopt for service missiles developed under the Olkha (Alder) project and cruise missile complexes based on technical solutions of the Neptune project.

**7. ECONOMY****Ukraine to defend itself against claims in Russian debt case**

Ukraine on 3 March filed its acknowledgement of service with the High Court of England indicating its intention to defend itself against all of the claims brought against it by The Law Debenture Trust Corporation Plc relating to the alleged Russian debt of 3bn dollars.

The Finance Ministry has instructed the leading international litigation firm Quinn Emanuel Urquhart & Sullivan to represent Ukraine in the proceedings.

The IMF said that it did not plan to take part in the dispute between Ukraine and Russia with regard to the debt of 3bn dollars, noting that it welcomes negotiations between the parties.

**IMF awaits clarity around Ukrainian coalition, government**

The IMF is waiting for more clarity about the status of the government and the coalition to pave the way for the completion of the second review under the Extended Fund Facility programme, according to the director of the IMF communications department, Gerry Rice.

He noted that the IMF expects "tangible results" from Kiev with regard to the implementation of reforms, including improvements in governance and fight against corruption.

**Ukraine pays first 470m-dollar coupon on restructured bonds - media**

Ukraine has paid the first coupon of 470m dollars on its restructured Eurobonds, the Ukrayinski Novyny news agency has reported, referring to a representative of a foreign bank.

It should be recalled that Kiev restructured external debts to the amount of 15bn dollars in November 2015. The agreement provides for writing off 3bn dollars and deferring the repayment of 8.5bn dollars of the principal amount for four years. The interest rate was set at 7.75 percent per annum. Starting from 1 March 2016, the interest is accrued and paid twice a year - on 1 March and 1 September.

**Ukraine, Japan ratify 300m-dollar loan agreement**

Ukraine and Japan have ratified (exchanged notes) an agreement on the second development policy loan of 300m dollars. The loan repayment term is 20 years, with a grace period of six years, during which Ukraine will not serve the loan. The interest rate is LIBOR + 0.5 percent.

It is expected that the money will arrive in the budget in April.

Japan's total aid to Ukraine makes 1.8bn dollars, of which 1.1bn dollars will be spent on the reconstruction of the Bortnychi sewage treatment plant in Kiev.

**World Bank names failed, successful reforms in Ukraine**

World Bank Director for Ukraine **Qimiao Fan** in an interview with the Den newspaper said that changes in the banking sector are among the most successful reforms in Ukraine. In addition, he said that there are positive developments in the field of taxation and external debt restructuring.

Qimiao Fan said that reforms of public infrastructure, deregulation and targeted assistance to the poor were also successful.

At the same time, the World Bank official noted unsuccessful fight against corruption, the lack of progress with the judiciary reform and protection of investors' property rights.

**President signs amendments to privatization law**

President **Petro Poroshenko** on 4 March signed the law on making amendments to the privatization process, which is required to launch large-scale sales of state property.

The State Property Fund said that there are plans to sell 450 facilities in 2016, including 20 large enterprises, in particular, Odessa Portside Plant, Kievenerho, Zasyadko Coal Mine and Azovmash.

In total, the government expects to receive 17bn hryvnyas (630m dollars) from privatization this year.

It should be noted that the Cabinet of Ministers appointed **Volodymyr Derzhavin** as deputy chairman of the State Property Fund. Earlier, he worked as assistant to the deputy head of the Petro Poroshenko Bloc faction, MP **Ihor Kononenko**.

**Economy Ministry lowers Ukraine's GDP forecast to zero**

The Economic Development Ministry has worsened its forecast of Ukraine's GDP growth in the first half of 2016 from 1 percent (+/-0.5 percent) to 0 percent (+/-0.5 percent).

According to the ministry, GDP in January 2016 decreased by 2.1 percent compared with January 2015.

Earlier, the National Bank lowered its forecast of GDP growth in Ukraine in 2016 from 2.4 to 1.1 percent.

**Budget fulfilled with 90m-dollar surplus in January 2016**

The state budget surplus in January 2016 was 2.45bn hryvnyas (90.74m dollars), according to the State Treasury.

Revenues in January 2016 increased by 32.6 percent compared to the same period last year, to 29.64bn hryvnyas (1.1bn dollars). Expenses decreased by 13.9 percent to 27.16bn hryvnyas (1bn dollars).



The State Treasury noted that the National Bank made no transfers to the state budget at the beginning of this year.

The former finance minister, MP **Viktor Pynzenyk** of the Petro Poroshenko Bloc party in an article for the news and analysis website LB.ua said that the permanently high budget deficit remains a serious problem for the Ukrainian economy and that the methods by which this gap is being closed may lead to the depreciation of the national currency. According to Pynzenyk, the state budget deficit in the country has been observed since 2009, and the national debt generated by the budget deficit has grown almost 18 times to 1,570bn hryvnyas (58bn dollars) as of early 2016 (from 12.3 to 85 percent of GDP).

Also, Pynzenyk added that the budget deficit problem lies not only in its size but also in the sources of its coverage. The National Bank helps close the budget deficit at the expense of pensions and salaries, he said.

### **Consolidated balance of payments shows 120m-dollar surplus**

The surplus of the consolidated balance of payments in January 2016 totalled 120m dollars, according to the National Bank.

The deficit of the current account in January was 379m dollars (the deficit was 288m dollars in January 2015).

### **Foreign trade deficit reaches 580m dollars in January**

The deficit of foreign trade in goods totalled 580m dollars in January 2016, the National Bank has reported.

Exports amounted to 1.85bn dollars, which is 32.1 percent less than in January 2015. Imports fell by 22.9 percent to 2.4bn dollars.

It should be noted that exports to CIS countries in January 2016 decreased by 46.2 percent against the same period of last year, to 245m dollars, with exports to Russia falling by 48 percent to 121m dollars. Imports from CIS countries dropped by 41.5 percent to 590m dollars.

Exports to Europe decreased by 6.3 percent to 768m dollars, while imports from Europe fell by 14.3 percent to 949m dollars.

### **Foreign exchange reserves up by 116m dollars in February**

Ukraine's international reserves in February increased by 116m dollars or by 0.9 percent to 13.5bn dollars, according to preliminary reports by the National Bank.

### **National Bank raises foreign currency withdrawal, purchase limits**

The National Bank has increased the daily limit on withdrawal of foreign currency from current accounts by 2.5 times to the equivalent of 50,000 hryvnyas (1,850 dollars), as well as the daily limit for withdrawal of hryvnya by 1.7 times to 500,000 hryvnyas (18,500 dollars).

In addition, the regulator increased the limit for sales of currency by two times to 6,000 hryvnyas (222 dollars).

However, the requirement for mandatory sale of 75 percent of foreign currency proceeds of legal entities and settlements on export-import operations within a 90-day term remained unchanged.

It should also be noted that the National Bank kept the interest rates at 22 percent per annum.

### **National Bank simplifies currency transfers abroad**

The National Bank has simplified the procedure of transferring up to 15,000 hryvnyas (556 dollars) in equivalent from Ukraine for resident individuals to pay for medical treatment, education, etc. In particular, citizens will be allowed to provide to banks supporting documents printed from the Internet.

### **Official transfers from abroad decrease by third**

In 2015, cash flows to Ukraine from abroad via money transfer systems made by residents and non-residents decreased by 34.9 percent compared with 2014, to 2.53bn dollars, according to the National Bank.

### **Ukrainian banks show losses of 43m dollars in January**

Losses of Ukrainian banks in January totalled 1.15bn hryvnyas (43m dollars), the National Bank has reported. Banks' revenues decreased by 17.5 percent compared to the same period in 2015, to 12.2bn hryvnyas (452m dollars); expenses were cut by 7.4 percent to 13.3bn hryvnyas (592.6m dollars).

As of 1 February, banks' total liabilities on loans issued by the National Bank amounted to 103.2bn hryvnyas (3.8bn dollars).

At the same time, the share of problem loans in the total amount of loans granted by banks in January increased from 22.1 to 22.8 percent, while the share of foreign capital in the banking system reduced from 43.3 to 42.7 percent.

### **Privatbank pays coupon on 175m-dollar Eurobonds**

Privatbank, Ukraine's largest bank owned by businessmen **Ihor Kolomoyskyy** and **Hennadiy Boholyubov**, on 29 February fully paid a coupon on its 175m-dollar Eurobonds maturing in February 2018.

### **Sales of industrial products up 26 percent in January**

Sales of industrial products (excluding the temporarily occupied territory of Crimea and the territory of the antiterrorist operation) in January amounted to 119.7bn hryvnyas (4.43bn dollars), which is 24.7bn hryvnyas (914.81m dollars) or 25.9 percent more than in January 2015, according to the State Statistics Service.

The largest sales in January were recorded in Dnipropetrovsk Region (20.3bn hryvnias or 752m dollars), Donetsk Region (12.9bn hryvnias or 578m dollars) and the city of Kiev (11.6bn hryvnias or 439m dollars).

### **Ukraine raises electricity rate for households**

Starting from 1 March 2016, the National Energy and Utilities Regulation Commission increased the minimum tariff for electric power for households by 25 percent to 0.57 hryvnya (0.021 dollar) per kWh.

## **8. ENERGY**

### **Naftohaz transit claims to Russia's Gazprom exceed 8bn dollars**

Starting from 2009, the total amount of claims lodged by the state-run energy company Naftohaz Ukrayiny against Russia's Gazprom on the contract for Russian natural gas transit via Ukraine has reached 8.2bn dollars, Naftohaz head **Andriy Kobolev**, has said.

At the same time, he noted that Naftohaz has no plans to buy gas from Russia as of yet.

### **Ukraine almost halves gas imports in January-February**

Ukraine in January-February 2016 reduced natural gas imports by 88.6 percent compared to the same period in 2015, to 2.2bn cu.m., according to the Ukrtransgaz company.

It should be noted that 90 percent of gas imports in February came via the Slovak gas corridor.

Imports of natural gas from the Russian Federation were suspended on 26 November 2015.

At the same time, gas transit through Ukraine in February increased by 66.4 percent compared with February 2015 and totalled 6.14bn cu.m.

### **Energy Ministry expects gas production by private companies to grow 25-30 percent in 2016**

Private companies will increase natural gas production by 25-30 percent this year, according to estimates voiced by the Energy Ministry.

It should be noted that production by private companies reached 3.9bn cu.m. in 2015.

### **President vetoes moratorium on Enerhoatom bankruptcy**

Ukrainian President **Petro Poroshenko** has vetoed the law that provides for the extension of the moratorium on the bankruptcy of Enerhoatom, the national

nuclear energy generating company, until 1 January 2017.

Enerhoatom operates nuclear power plants in Zaporizhzhya, Rivne, Khmelnytsky and Yuzhnoukrayinsk, as well as the Tashlykska pumped storage plant and the Oleksandrivka hydro-electric power plant. The company also includes the Donuzlavska wind park in Crimea.

**ANNEX**

**FINDINGS OF GORSHENIN INSTITUTE'S SOCIOLOGICAL SURVEY  
ENTITLED "SOCIAL AND POLITICAL SENTIMENTS OF UKRAINIANS"  
(SECTION 2: WAR AND PEACE)**

**ARE YOU AWARE OF THE MINSK AGREEMENTS?**

- Yes – 80.5%
- No – 18.6%
- Difficult to say – 0.9%

**DO YOU THINK THE MINSK AGREEMENTS ARE BENEFICIAL TO UKRAINE?**

- Strongly agree – 6.4%
- Rather agree – 21.8%
- Rather disagree – 26.3%
- Strongly disagree – 25.3%
- Difficult to say – 20.2%

**WHO DO YOU THINK IS MORE TO BLAME FOR THE FAILURE TO  
IMPLEMENT THE MINSK AGREEMENTS?**

- Russian authorities – 45.9%
- Militants of self-proclaimed Donetsk and Luhansk people's republics – 17.1%
- Ukrainian authorities – 14.7%
- Minsk agreements are being implemented – 0.9%
- Other – 4.9%
- Difficult to say – 16.5%

**WHAT IS YOUR OPINION ABOUT THE OSCE MONITORING OF THE MINSK  
AGREEMENTS?**

- Strongly positive – 7.2%
- Rather positive – 28.4%
- Rather negative – 27.3%
- Strongly negative – 19.6%
- Difficult to say – 17.5%

**DO YOU THINK A REFERENDUM ON AMENDMENTS TO THE CONSTITUTION  
OF UKRAINE WITH REGARD TO GIVING DONBAS A SPECIAL STATUS IS  
NECESSARY?**

- Strongly agree – 15.9%
- Rather agree – 20.0%
- Rather disagree – 21.6%
- Strongly disagree – 29.6%
- Difficult to say – 12.9%

**WOULD YOU SUPPORT THE AMENDMENTS TO THE CONSTITUTION OF UKRAINE WERE THEY TO PROVIDE THE FOLLOWING:**

	Yes	No	Difficult to say
<b>Amnesty to people who fought on the side of the self-proclaimed Donetsk and Luhansk people's republics (DPR and LPR respectively)</b>	22.3%	62.6%	15.1%
<b>Right to appoint heads of prosecutor's offices and courts on the territory of the DPR and LPR with involvement of local self-government</b>	30.1%	57.0%	12.9%
<b>Right to form "people's militia" by local councils on the territory of the DPR and LPR</b>	31.6%	55.3%	13.1%
<b>Local councils' right to develop their own language and culture policy on the territory of the DPR and LPR (for example, set their own quotas on radio and TV broadcasting in various languages, give broadcasting rights to Russian TV channels banned elsewhere in Ukraine etc.)</b>	32.0%	55.5%	12.5%
<b>Local councils' right to develop their own economic and foreign trade policy on the territory of the DPR and LPR (for example, create special economic zones with customs and tax regulations that are different from the rest of Ukraine, set special regulations on trade and economic relations with Russia on this territory and so on)</b>	23.9%	62.1%	14.0%
<b>DPR and LPR representatives' right to block foreign political and economic decisions of the Ukrainian authorities (for example, on NATO entry, free trade zones with other states, foreign loans and so on)</b>	13.0%	74.2%	12.8%

**WOULD YOU SUPPORT AMENDMENTS TO THE CONSTITUTION OF UKRAINE WERE THEY TEMPORARY (GIVING THE RELEVANT RIGHTS TO LOCAL SELF-GOVERNMENT BODIES ON THE TERRITORY OF THE DPR AND LPR FOR A TRANSITIONAL PERIOD OF 2-3 YEARS)?**

- Yes – 31.4%
- No – 53.9%
- Difficult to say – 14.7%

**WOULD YOU VOTE FOR THESE AMENDMENTS TO THE CONSTITUTION OF UKRAINE WERE SUCH RIGHTS AS FORMING THEIR OWN LAW-ENFORCEMENT BODIES, INDEPENDENT CULTURE, LANGUAGE AND ECONOMIC POLICIES GIVEN NOT ONLY TO CERTAIN AREAS OF DONBAS BUT TO ALL REGIONS OF UKRAINE?**

- Yes – 23.2%
- No – 64.0%
- Difficult to say – 12.8%

**WHAT IS YOUR OPINION ABOUT DECENTRALIZATION OF POWER WHEN KEY DECISIONS ARE TAKEN NOT BY THE CENTRAL GOVERNMENT BUT LOCAL AND REGIONAL AUTHORITIES?**

- Strongly positive – 24.8%
- Rather positive – 37.6%
- Rather negative – 15.4%
- Strongly negative – 9.5%
- Difficult to say – 12.7%

**DO YOU THINK THAT REPRESENTATIVES OF THE DPR AND LPR HAVE THE RIGHT TO RUN FOR LOCAL SELF-GOVERNMENT BODIES IN LINE WITH THE UKRAINIAN LAW?**

- Yes – 30.2%
- No – 55.7%
- Difficult to say – 14.1%

**DO YOU THINK THAT REPRESENTATIVES OF THE DPR AND LPR HAVE THE RIGHT TO RUN FOR THE UKRAINIAN PARLIAMENT?**

- Yes – 20.1%
- No – 68.6%
- Difficult to say – 11.3%

**WHAT OPTION OF A SOLUTION FOR EASTERN UKRAINE DO YOU SUPPORT?**

- Ukrainian troops go on the offensive to restore control over the entire territory of the country – 34.1%
- Certain areas of Donbas are granted a special status within the framework of the Minsk agreements – 24.2%
- Transform the situation into a frozen conflict – 11.5%
- Peace is achieved by transferring the occupied areas of Donbas to the Russian Federation – 9.2%
- Difficult to say – 21.0%

**WERE YOU OR YOUR NEAR AND DEAR AFFECTED BY THE WAR IN THE EAST OF OUR COUNTRY?**

- Yes – 44.8%
- No – 55.2%

**IF SO, IN WHAT WAYS?**

*(several options could be chosen)*

- Relatives, friends or acquaintances fought in the east – 42.8%
- Provided material support for the army, displaced persons – 33.0%
- Provided clothes, food and so on – 28.4%
- Relatives, friends and acquaintances who live in occupied areas in eastern Ukraine – 20.7%
- The respondent or his/her relatives, friends or acquaintances were displaced from the antiterrorist operation area – 14.1%
- Volunteering – 8.4%
- Received summons – 5.8%
- Took part in combat as part of the Armed Forces or volunteer battalions – 3.7%
- Other – 3.2%

To download the full version of the survey presentation in PDF format, please check the [link](#).

*Gorshenin Institute carried out an all-Ukrainian sociological survey, entitled "Social and political sentiments of Ukrainians", from 8 to 17 February 2016. Overall the sample, based on the key social and demographic characteristics of the Ukrainian population, included 2,000 respondents aged 18 and above from all regions of Ukraine (excluding the occupied territories of Crimea, Donetsk and Luhansk regions). The quotas included an area of residence, gender and age of respondents. The margin of error does not exceed +/-2.2 per cent.*

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**Our contact information:**  
18b Mala Zhytomyrska st.,  
Kiev 01001, Ukraine  
+38 044 230 4962  
+38 044 230 4966 f



For more information please visit our website  
<http://gorshenin.eu/>