



Gorshenin *Weekly*

ISSUE 76 (239) 10/12/2015

CONTENTS

1. Top news...page 4

Ukraine's pro-Russian separatists defer local elections until next year

Parliament passes several bills to liberalize visa regulations with EU

IMF mission completed in Ukraine

2. Armed conflict in east Ukraine...page 4

Ukraine's pro-Russian separatists defer local elections until next year

Main election body lists conditions for holding elections in some areas of Donbas

Militants should pass amnesty procedure before running in election in Donbas – minister

Ukrainian president speaks for immediate withdrawal of foreign troops

Poles being repatriated from Ukraine's Mariupol

3. Crimean issue...page 5

USA says sanctions against Crimea to stay until Ukraine restores control

Crimean judges' property in Ukraine impounded

Chersonesus museum transferred into Russian federal ownership

4. Domestic political...page 5

Ukraine-USA

US Senate approves sending arms to Ukraine

Ukraine-Russia

Ukrainian Foreign Ministry condemns Russia's actions in Syria

Russia opens criminal case against Ukrainian MP

Russian court rejects appeal against Savchenko's continued arrest

Ukraine-Kazakhstan

Ukrainian president visits Kazakhstan

Ukraine-EU

EU prolongs sanctions against Ukrainian MP

Ukrainians in Poland officially earn over 900m euros in six months

Ukrainian group formed in Polish parliament

Blast reported at Polish consulate in Ukraine's Lviv

5. Domestic political...page 7

Ukraine makes public information about land plot owners

Parliament passes bills for visa-free travel to EU

Justice minister opposes full cancellation of MP immunity

Supreme Justice Council not planning to re-evaluate all judges

Interior Ministry completes pre-trial investigation into former emergencies service head

6. Economy...page 8

IMF mission completed in Ukraine

GDP grows by 1 percent in third quarter

Consolidated budget revenues grow by third

Ukraine's reserves reach 12.8bn dollars

Public debt grows by 750m dollars since year's start

Ukraine's top 100 state-run firms show 456m-dollar losses

Fitch downgrades Ukraine to restricted default

Inflation reaches 2.3 percent in September

Shadow economy in Ukraine reaches 70 percent

Central bank says sanctions against subsidiaries of Russian banks "unreasonable"

Regulator recommends boosting Privatbank's capital by 376.3m dollars

Rosgosstrakh sells shares in Providna insurance company

Ukrainian tycoons sign amicable agreement

7. Energy...page 10

Naftohaz confirms purchase of 2bn cu.m. of gas from Gazprom

Ukraine grows gas imports from Europe by four times

Ukraine resumes gas supplies from Hungary

Coal output in Ukraine drops by half over nine months

Ukraine grows oil transit to Europe

Ukratnafta receives another tanker with oil from Kazakhstan

Police search state energy company office

1. TOP NEWS

Ukraine's pro-Russian separatists defer local elections until next year

Kiev says elections in Donbas should be held after members of illegal armed gangs pass amnesty procedure.

Read more in ARMED CONFLICT IN EAST UKRAINE.

Parliament passes several bills to liberalize visa regulations with EU

MPs are yet to pass two bills for visa-free travel to the EU.

Read more in DOMESTIC POLITICAL.

IMF mission completed in Ukraine

The fund's experts will return to Ukraine in early November.

Read more in ECONOMIC.

2. ARMED CONFLICT IN EAST UKRAINE

Ukraine's pro-Russian separatists defer local elections until next year

The leaders of the self-proclaimed Donetsk and Luhansk people's republics have decided to defer the local elections set for 18 October and 1 November until 2016. The Donetsk separatists are planning to hold their election on 20 April, while those in Luhansk on 21 February.

Denys Pushylin and **Vladyslav Deyneho**, representing the Donetsk and Luhansk separatists respectively, talked about "Donetsk and Luhansk regions" in their statement on the deferral of the elections.

Reuters has quoted a source in the German Foreign Ministry as saying that Berlin approved of the deferral.

Mark Toner from the US Department of State has said that the USA welcomes the decision of the self-proclaimed Donetsk and Luhansk people's republics to defer the local elections.

Ukraine will hold local elections on 25 October 2015.

Main election body lists conditions for holding elections in some areas of Donbas

Mykhaylo Okhendovskyy, the head of the Central Electoral Commission of Ukraine, has said that holding an election in Donbas will require passing a special law and restoring the register of voters.

An inventory of offices and equipment will also need to be held.

Militants should pass amnesty procedure before running in election in Donbas – minister

Ukrainian Foreign Minister **Pavlo Klimkin** has said that elections in certain areas of

Donetsk and Luhansk regions should be held only after members of illegal armed gangs pass an amnesty procedure in line with the Ukrainian legislation and provided there was evidence of their non-involvement in grave crimes.

Earlier, pro-Russian militants said that they would postpone the election if Kiev amnesties them.

Ukrainian president speaks for immediate withdrawal of foreign troops

Ukrainian President **Petro Poroshenko** has said that foreign troops must immediately leave Ukraine regardless of the terms of local elections. He added that Ukraine should restore control over its border with Russia by the year-end.

He said that Russia continued to sponsor terrorism.

Poles being repatriated from Ukraine's Mariupol

Foreign Minister **Grzegorz Schetyna** has said that Poland is now moving Poles from Mariupol, a large city close to the Donbas front in Donetsk Region. He added that the Polish government was acting within the framework of the repatriation programme for compatriots living abroad.

3. CRIMEAN ISSUE

USA says sanctions against Crimea to stay until Ukraine restores control

Assistant Secretary of State for European and Eurasian Affairs at the US Department of State **Victoria Nuland** has said that the USA is not going to change its policy on Crimea and will not lift sanctions until Ukraine restores control over the peninsula.

Crimean judges' property in Ukraine impounded

The first deputy prosecutor of the Autonomous Republic of Crimea, **Nazar Kholodnytsky**, has said that Ukrainian courts have impounded the property worth of 2bn hryvnyas (94.1m dollars) of 276 Crimean judges suspected of state treason.

He specified that 122 vehicles and 149 objects of immovable property were impounded on Ukraine-controlled territory.

Chersonesus museum transferred into Russian federal ownership

The Russian government has issued a ruling to transfer the Chersonesus museum, which is located in annexed Crimea, from communal to federal ownership.

The document also changes its name from the national reserve to the state historical and archaeological museum reserve.

The Ukrainian Foreign Ministry protested over the Russian government's actions and called on UNESCO not to recognize Russia's ownership of Chersonesus.

4. FOREIGN POLITICAL

UKRAINE-USA

US Senate approves sending arms to Ukraine

The US Senate has passed the bill on defence spending in the 2016 financial year,

which includes the clause allowing Pentagon to grant Ukraine military assistance to the amount of 300m dollars, including lethal arms supplies.

UKRAINE-RUSSIA

Ukrainian Foreign Ministry condemns Russia's actions in Syria

Ukraine is concerned over Russia's aggressive actions in Syria, the Ukrainian Foreign Ministry has said in a statement.

Russia opens criminal case against Ukrainian MP

The Russian Investigations Committee has opened a criminal case against Ukrainian MP **Anton Herashchenko** for posting a call to Facebook users to publish information on Russian servicemen taking part in the Syria mission.

Russian court rejects appeal against Savchenko's continued arrest

Russia's Rostov regional court has rejected an appeal of Ukrainian pilot **Nadiya Savchenko's** defence against the prolongation of her arrest until 16 January 2016.

The Ukrainian Foreign Ministry has issued a protest because despite the solid evidence of Savchenko's innocence presented by her defence, the court upheld the ruling of the Donetsk city court of Donetsk Region that the term of her imprisonment should be prolonged by six months.

UKRAINE-KAZAKHSTAN

Ukrainian president visits Kazakhstan

On 8-9 October 2015, Ukrainian President **Petro Poroshenko** paid a working visit to Kazakhstan. He held negotiations with Kazakh President **Nursultan Nazarbayev** on economic and energy issues. Nazarbayev said that Kazakhstan was interested in supplying Ukraine with oil products, coal, gas condensate and uranium concentrate.

The presidents signed the plan of bilateral cooperation for 2015-17.

Poroshenko and Kazakh Prime Minister **Karim Masimov** discussed the prospects for expanding the transport infrastructure to deliver cargo from Asia to Europe via Kazakhstan and Ukraine.

UKRAINE-EU

EU prolongs sanctions against Ukrainian MP

The EU has prolonged sanctions against Ukrainian MP **Serhiy Klyuyev** until 6 March 2016.

Ukrainians in Poland officially earn over 900m euros in six months

According to a report published by the statistics department of the National Bank of Poland, foreigners in Poland have earned over 1bn euros from January to July 2015, with Ukrainians accounting for 90 percent of all received payments.

Over this period, entrepreneurs have filed 403,000 applications to employ Ukrainians whereas a year ago there were only 183,000 such applications.

Ukrainian group formed in Polish parliament

Twelve Polish MPs have set up the Ukrainian group in parliament.

The group will support the Ukrainian ethnic minority in Poland and Ukrainian migrants.

Blast reported at Polish consulate in Ukraine's Lviv

A blast occurred on the premises of the Polish general consulate in Lviv on 7 October 2015. No-one was hurt.

The police treated the blast as an act of hooliganism. According to preliminary reports, an RG-42 grenade could be thrown at a trash can on the consulate's premises.

5. DOMESTIC POLITICAL

Ukraine makes public information about land plot owners

As part of anti-corruption efforts, the State Service for Geodesy, Cartography and Cadastre has made public its data about land plot owners all over Ukraine.

The State Register of Immovable Property Rights is also publicly accessible from now on.

Parliament passes bills for visa-free travel to EU

The Ukrainian parliament has passed a number of bills bringing Ukraine closer to visa-free regulations with the EU. In particular, it adopted the bills on prevention of political corruption, on specification of property, on the creation of a national agency for search and return of criminal assets and on the financing of political parties from the state budget.

Parliament did not consider two other key bills required for visa-free travel to the EU, including on the immunity of judges and MPs and on the ban on discrimination during employment.

Justice minister opposes full cancellation of MP immunity

Justice Minister **Pavlo Petrenko** has said that he opposes a full cancellation of MP immunity.

However he firmly believes that the immunity of MPs and judges should be limited.

Supreme Justice Council not planning to re-evaluate all judges

The head of the Supreme Justice Council of Ukraine, **Ihor Benedysyuk**, has said that the judge corps should not be fully replaced as it is not in the interests of society.

He explained that the procedure for training a new judge is a time-consuming process. A future judge should also have a certain legal experience, Benedysyuk added.

Interior Ministry completes pre-trial investigation into former emergencies service head

The main investigations department of the Ukrainian Interior Ministry has completed a pre-trial investigation within the framework of a criminal case against a former head of the State Emergencies Service, **Serhiy Bochkovskyy**.

The ex-official is suspected of abuse of office and extortion which inflicted over 6.6m hryvnias (310,400 dollars) in losses on the state.

6. ECONOMY

IMF mission completed in Ukraine

The mission of the International Monetary Fund (IMF) has concluded its work in Kiev without reaching any agreement on providing the next tranche to Ukraine.

According to Deputy Finance Minister **Artem Shevalyov**, the IMF mission will return to Ukraine in early November.

It should be noted that, according to the forecasts by the IMF mission, Ukraine's gross public debt in 2015 will grow by 94.4 percent.

At the same time, the IMF pointed out that Ukraine's economy showed the first signs of recovery. In particular, there was a stable situation in the financial sector, as the exchange rate stabilized and the volume of deposits continued to grow.

GDP grows by 1 percent in third quarter

The World Bank has reported that Ukraine's GDP in the third quarter of 2015 increased by 1 percent compared with the previous quarter.

It should be noted that the World Bank's data coincide with the report recently voiced by the National Bank of Ukraine.

Consolidated budget revenues grow by third

Revenues of the consolidated budget of Ukraine in January-September 2015 totalled 412.8bn hryvnias (19.4bn dollars), which is 34.6 percent more than in the same period of the last year, according to the State Fiscal Service.

Ukraine's reserves reach 12.8bn dollars

The National Bank of Ukraine has reported that the country's reserves as of 1 October totalled 12.77bn dollars, or 157m dollars more than a month earlier.

Public debt grows by 750m dollars since year's start

Ukraine's total public debt (direct and guaranteed) in January-August 2015 increased by 1.1 percent or 750m dollars to reach 70.56bn dollars, according to the Finance Ministry.

Ukraine's top 100 state-run firms show 456m-dollar losses

A research report by the Economy Ministry has shown that the aggregate loss of Ukraine's 100 largest state-owned enterprises (excluding the state energy company Naftohaz Ukrayiny and the railways operator Ukrzaliznytsya) amounted to 9.7bn hryvnyas (456.3m dollars) in the first quarter, which is 90.2 percent more than in the same period of the last year.

Fitch downgrades Ukraine to restricted default

Fitch Ratings, a global rating agency, has downgraded Ukraine's long-term and short-term foreign currency issuer default ratings from "C" to "RD" (restricted default).

As the agency said in a statement, the 10-day grace period on Ukraine's 500m-dollar Eurobonds maturing on 23 September 2015 elapsed without payment being made. Fitch therefore judged Ukraine to be in default on its sovereign Eurobond obligations.

Earlier, on 21 September, Fitch downgraded the long-term local currency rating of Kiev from "CC" to "C". On 8 October, Kiev imposed a temporary moratorium on its foreign debt payments. The city's foreign debt totals 18bn hryvnyas (846.7m dollars).

Inflation reaches 2.3 percent in September

Following two months of deflation, consumer prices in September rose by 2.3 percent, the State Statistics Service has reported.

It should be noted that inflation reached 41.4 percent since the beginning of 2015, while annual inflation (against September 2014) was 51.9 percent.

Shadow economy in Ukraine reaches 70 percent

At least 70 percent of Ukraine's economy remains in shadow, the director of the Digital Economy Department under the Economy Ministry, **Olena Minich**, has said citing her department's internal data.

According to her, heavy taxes forced Ukrainian business to hide money from the government more actively.

Central bank says sanctions against subsidiaries of Russian banks "unreasonable"

The first deputy head of Ukraine's National Bank, **Oleksandr Pysaruk**, has said that the introduction of economic sanctions against subsidiaries of Russian banks is ineffective because such measures could affect the national budget.

Regulator recommends boosting Privatbank's capital by 376.3m dollars

The National Bank of Ukraine has recommended increasing reserves of Privatbank by 8bn hryvnyas (376.3m dollars), according to the bank's board chairman, **Oleksandr Dubilet**.

Rosgosstrakh sells shares in Providna insurance company

Russia's Rosgosstrakh company has ceased to be a shareholder of the Providna insurance company by selling its stake in the authorized capital (90 percent) to

International Insurance Consortium (the Netherlands).

According to the Insurance TOP magazine, Providna was at the fourth place in terms of insurance premiums in the first quarter, collecting 198.2m hryvnyas (9.3m dollars).

Ukrainian tycoons sign amicable agreement

The London Court of Arbitration has registered a settlement agreement between Ukrainian businessmen **Viktor Pinchuk** and **Ihor Kolomoyskyy**, according to the Zerkalo Nedeli weekly.

The sides did not disclose the terms of the agreement and did not confirm the fact of its existence.

Earlier, the court considered Pinchuk's lawsuit against Kolomoyskyy regarding the failure to pay dividends from profits earned by ferroalloy business.

It is worth noting that the High Court of London is considering another dispute between the businessmen concerning a disputed asset – the Kryvyy Rih Iron Ore Plant.

7. ENERGY

Naftohaz confirms purchase of 2bn cu.m. of gas from Gazprom

The state-run energy company Naftohaz Ukrayiny has announced readiness to buy 2bn cu.m. of natural gas from Russia's Gazprom in October 2015. However, the company did not disclose the amount of payment.

Earlier, the head of the Russian gas monopoly, **Aleksey Miller**, confirmed that his company would resume gas supplies to Ukraine on 12 October.

Ukraine grows gas imports from Europe by four times

Ukraine over nine months of 2015 imported 8.8bn cu.m. of natural gas from Europe, using reverse-flow pipelines, which is four times more than during the same period in 2014, according to the state-run Ukrtranshaz company. The lion's share of gas supplies (8.25bn cu.m.) came via Slovakia.

Imports of Russian gas during this period decreased by 3.7 times to 3.8bn cu.m.

Ukraine resumes gas supplies from Hungary

After a month's break, Ukraine has resumed supply of natural gas from Hungary, importing 2.5m cu.m. over the first week of October.

Coal output in Ukraine drops by half over nine months

The Energy Ministry has reported that production of thermal and coking coal in January-September 2015 fell by almost half compared to the same period of the previous year - from 53.4 tonnes to 29.6m tonnes.

The main reason for such a decline in production was the fighting in Donbas.

It should be noted that only 16.9 percent of the total coal volume was mined at state-owned mines.

Ukraine grows oil transit to Europe

Transit of oil through Ukraine to Europe in January-August 2015 amounted to 11.6m tonnes, which is 3.2 percent more than in the same period of 2014, the Energy Ministry has reported.

At the same time, oil transit in August 2015 totalled 1.5m tonnes, an increase of 6.1 percent against August 2014.

Ukratnafta receives another tanker with oil from Kazakhstan

The first deputy board chairman of the Ukratnafta oil refinery, **Oleksiy Plakasov**, has said that on 8 October the third tanker carrying 80,000 tonnes of oil was unloaded in the Odessa port.

Ukratnafta expects to receive the fourth tanker by the end of the month.

Police search state energy company office

On 5 October, the Prosecutor-General's Office and the Interior Ministry conducted a search at the office of the Ukrenerho state energy company, seizing documents concerning the company's financial and economic activities, as well as some material values.

The Central Investigation Department of the Prosecutor-General's Office is conducting a pre-trial investigation into the abuse of office by Ukrenerho's leadership in the period of 2010-2014.

Founded in July 2010, Gorshenin Weekly is a weekly digest of expert analysis covering the most important political, social and economic events in Ukraine. It is the key source of information about opinion polls carried out by the Gorshenin Institute as well as the best professional commentaries on recent developments.

Gorshenin Weekly is available in Russian and English.

Gorshenin Weekly has over 1000 subscribers in the EU, the USA, Russia, Ukraine and other countries. Its regular customers are representatives of the embassies, the European Commission, the European Parliament, the US Department of State, leading international analytical centres, Ukrainian and international mass media.

If you wish to subscribe to Gorshenin Weekly please send your request to the following e-mail address: weekly@gorshenin.eu.

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/>