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TOP NEWS

Armed separatists seize administrative buildings in eastern regions

Security Service of Ukraine reports massive detentions of Russian citizens who have arrived to Ukraine to destabilize the situation.

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SEPARATIST ACTS OF PROVOCATION IN UKRAINE'S SOUTHEAST

New wave of unrest sweeps through eastern Ukraine

On 12 April 2014, armed pro-Russian activists seized the town police department of Slovyansk (Donetsk Region) and the building of the Security Service of Ukraine. Barricades were erected there. Armed checkpoints appeared on the entrances to the town.

On 13 April, following a decision of the National Security and Defence Council (NSDC), an anti-terrorist operation started in the town under direction of the Security Service of Ukraine (SBU). Nine people were wounded and one killed during the operation. The buildings were not freed.

Additionally, according to a correspondent of the LB.ua news portal, an unidentified person shot dead two persons in central Slovyansk and heavily wounded a passer-by.

Similar separatist seizures of administrative buildings occurred in other towns of Donetsk Region (Artemivsk, Horlivka, Yenakieve, Makiyivka and other). Furthermore, the sabotage organizers distribute small arms and machine guns among the local separatists.

LB.ua editor in chief **Sonya Koshkina** said, these synchronized actions may not be qualified as incidental. Following the start of the unrest in the small towns of Donetsk Region, the authorities focused all the forces on those, and consequently, "any kind of things" may happen in the regional capitals (Kharkiv, Donetsk and Luhansk), the journalist suggested.

She also stressed that it was not by chance that the "victim" towns were chosen. Virtually all of them have either railroad branching junctions or civil or military airfields, as well as junction with central motorways. At the same time, they are in the direct neighbourhood of the Russian border.

Also, Koshkina recalled that district police departments had been subject to attacks, which should signal the weakness of the new government.

The situation in the regional capitals of Ukraine's southeast (Kharkiv, Donetsk, Luhansk, Zaporizhzhya and Odessa) remains uncertain. Thus, on 12-13 April, journalists reported on multiple clashes between the pro-Russian activists and the supporters of Ukraine's unity. Meanwhile, the separatists in Donetsk keep blockading administrative buildings, including the regional state administration.

Ukraine reports unprecedented number of spies, subversives detained

The Security Service of Ukraine (SBU) has detained the same number of subversive groups of spies and saboteurs over the past month as it has detained over the entire period of Ukraine's independence. SBU spokesperson **Maryna Ostapenko** reported this on 8 April 2014.

On 14 April, the secretary of the National Security and Defence Council, **Andriy Parubiy**, said there were new Russian FSB and Armed Forces's Main Intelligence Directorate officers detained. He added that the Ukrainian intelligence had enough evidence of Russian special services' involvement in the unrest in the eastern regions.

According to Defence Ministry spokesperson **Vladyslav Seleznyov**, the same people were involved in the seizure of administrative buildings in the eastern parts of the country and of Ukrainian military bases in Crimea.

The US Department of State said that the events of 12 April "strongly suggest that in eastern Ukraine Russia is now using the same tactics that it used in Crimea in order to foment separatism, undermine Ukrainian sovereignty, and exercise control over its neighbour in contravention of Russia's obligations under international law".

On 13 April, the participants in the UN Security Council meeting indicated Russia as the major driver for separatism in Ukraine. Moscow was urged to stop sabotage and withdraw its agents.

Russian Foreign Minister **Sergey Lavrov** said that Russia had not been involved in the events in the southeast of Ukraine. At the same time, he admitted that individual Russian citizens might take part in the protest actions in Ukraine. "However, it is not surprising, as there had been any kind of people on Maydan," he added.

Russian representatives also stated repeatedly that the actions of law enforcers in the east of Ukraine had been coordinated by Western special services.

Deposed president says civil war starting in Ukraine

Ukraine has "one foot into a civil war", deposed Ukrainian President **Viktor Yanukovich** said at a news conference in Rostov-na-Donu (Russia) on 13 April 2014.

He called on Ukrainian servicemen not to follow "criminal orders" and not to shoot at Ukrainian people.

Former Prosecutor-General **Viktor Pshonka** and former Interior Minister **Vitaliy**

Zakharchenko, who are on a wanted list, took part in the news conference along with Yanukovych.

According to unaffiliated MP **Petro Poroshenko**, Yanukovych's entourage has been funding those who seized administrative buildings in eastern Ukraine.

Ukrainian Foreign Ministry rejects parallels between Maydan, separatists

Russian officials who draw parallels between Euro-Maydan (pro-EU, antigovernment protests in November 2013-February 2014) and campaigns staged by separatists in the southeast of Ukraine do not understand an obvious difference between them, a statement issued by the Ukrainian Foreign Ministry reads.

"During the events on Euro-Maydan, people rebelled and died under Ukraine's state flag, while the current developments in the south and east, which were inspired by the Russian side, not to mention the criminal occupation of the Autonomous Republic of Crimea, are taking place under a banner of another state and are accompanied by disrespect to Ukrainian state symbols," the Ukrainian Foreign Ministry has said.

Additionally, Ukrainian diplomats noted that Euro-Maydan activists were defending Ukraine's unity and territorial integrity, while separatists in Crimea, as well as in Ukraine's south and east, were trying to split the country. "They are broadcasting the demands and slogans which were expressed by official representatives of the Russian Federation, which clearly points to who actually inspires and manages them," the ministry added.

CRIMEAN ISSUE

Crimea, Sevastopol included in Russian constitution

On 11 April 2014, a new draft of the Russian constitution was published, under which the Republic of Crimea and the federal city of Sevastopol are listed as subjects of the Russian Federation.

Crimea enacts new constitution

On 12 April 2014, the Crimean authorities enacted a new constitution adopted by the Crimean parliament. The document says that the Republic of Crimea is a democratic and legal state within Russia and is an equal subject of the Russian Federation.

The constitution also establishes Russian, Ukrainian, and Crimean-Tatar as Crimea's official languages.

Crimean premier becomes member of Russian president's advisory body

On 9 April 2014, Russian President **Vladimir Putin** signed an order to make the self-declared Crimean prime minister, **Sergey Aksyonov**, a member of the Russian State Council's presidium.

For his part, Aksyonov also expressed his readiness to serve as head of the republic, which is envisioned by a new Crimean constitution.

Russia to use simplified procedure for issuing passports to Crimean residents

The self-proclaimed Crimean authorities will speed up the issue of Russian passports to Crimean residents by opening more issuing offices, Crimean parliamentary speaker **Vladimir Konstantinov** has said.

As previously reported, the deadline for accepting applications from Crimean residents who would like to retain their Ukrainian citizenship is 17 April. Mass media reported that everyone who submitted a written refusal to adopt Russian citizenship had received a document without any stamps or signatures.

Russia starts handing seized military equipment over to Ukraine

The Ukrainian and Russian military officials have agreed the terms of transferring Ukraine's military equipment from Crimea, Ukrainian Defence Minister **Mykhaylo Koval** has said.

He added that the Russian military had given Ukraine back 41 seized tanks, which were in good condition. At the same time, the minister stressed, the vehicles sent back to continental Ukraine arrive damaged.

Koval also said that the Ukrainian helicopter K-29 and the MiH-29 aircraft had been moved from Crimea since 10 April.

He also pointed out that practically all the 70 ships of the Ukrainian Naval Forces would be transferred from Crimea. This does not include ships which will be demolished.

Russian Deputy Defence Minister, **Gen Dmitriy Bulgakov**, said that the Russian Defence Ministry was ready to complete the process of handing Ukraine its military equipment remaining in Crimea by June 2014.

Ukrainian lieutenant colonel remains in captivity in Crimea

Ukraine's Lt-Col **Oleksandr Kalachov**, who was captured on 25 March 2014, is still kept in Crimea by the Russian special services, Radio Liberty has quoted an acting deputy head of the Ukrainian presidential administration, **Andriy Senchenko**, as saying.

International military observers denied entry into Crimea

On 9 April, a group of international military observers was denied entry into Crimea, the Ukrainian Defence Ministry's press service has reported.

OSCE military observers also made a few attempts to enter Crimea, but were turned away.

Ukrainian Ecology Ministry evaluates Crimea's mining companies at around 10bn dollars

According to the Ukrainian Ministry of Ecology and Natural Resources, the mining companies which remained in Crimea are evaluated at 127bn hryvnyas (approximately 10bn dollars), Ecology and Natural Resources Minister **Andriy Mokhnyk** has said.

"In other words, the issue of Russian occupation of Crimea is taking on a new meaning. This is an occupation of profitable and operational companies," he added.

Additionally, Ukrainian Energy and Coal Industry Minister **Yuriy Prodan** said that the Black Sea shelf, which is now controlled by Russia, was worth 40bn dollars.

Crimea sets up new energy company

The parliament of the self-declared Republic of Crimea has set up the Krymenerho company tasked with carrying out an inventory of existing electricity facilities, as well as managing energy facilities which will be built for budget funds in the future.

Viktor Plakida, who served as ousted Ukrainian President **Viktor Yanukovych's** permanent representative to the Autonomous Republic of Crimea, was appointed Krymenerho's director.

A company called Krymenerho already exists in Crimea. It is an energy company of Ukrainian businessman **Rinat Akhmetov's** DTEK group of companies. Akhmetov's company buys energy on Ukraine's wholesale market and delivers it to customers.

Business leaving Crimea

Ukrainian banks have been leaving Crimea en masse, the first deputy prime minister of the self-declared Republic of Crimea, **Rustam Temirgaliev**, has said.

At the same time, a network of Russian banks has been actively developing in Crimea.

Banks can work in Crimea under Ukrainian regulations until 1 January 2015, but they need to notify the Central Bank of Russia by 17 April that they wish to continue their operation on the peninsula and to provide it with information about its depositors and creditors.

Starting from 15 April 2014, the Ukrainian Deposit Guarantee Fund will stop reimbursing deposits of bankrupt banks on the territory of Crimea.

Additionally, according to the Ukrainian Revenues and Levies Ministry, 250 businessmen changed the registration of their companies from Crimea to continental Ukraine after the Russian annexation of the peninsula and Sevastopol.

A number of international companies, such as McDonald's, Metro, MTI, Inditex and others also announced that they would suspend their operation in Crimea.

Crimea's top officials, oil company leaders face US, Canada sanctions

The USA and Canada has introduced sanctions against representatives of the Crimean and Sevastopol government agencies, as well as the leaders of the Chornomornaftohaz fuel company.

The sanctions will affect Russia's Gazprom if it buys part of Chornomornaftohaz or strikes deals with it, Reuters has reported.

INTERNATIONAL POLITICAL

UKRAINE-RUSSIA

Ukraine, Russia, USA, EU plan to hold talks on Ukrainian issue

On 17 April 2014, representatives of Ukraine, Russia, the EU and the USA will hold negotiations in Geneva (Switzerland) to discuss the Ukrainian crisis.

Russian Foreign Minister **Sergey Lavrov** has said that representatives of Ukraine's eastern regions should be involved in the negotiating process. He recalled that the Party of Regions had suggested Mykhaylo Dobkin as negotiator on behalf of the country's east (experts think that Dobkin is backed by businessman Rinat Akhmetov - ed.). However, Kiev and Washington rejected his initiative.

The Russian Foreign Ministry also stated that if Kiev attempted to quell the separatist protests in the country's east using force, the chances for international negotiations on the Ukrainian crisis with Russia's participation would be undermined.

According to journalist **Serhiy Leshchenko**, Putin's strategists have prepared the fate of a new Dniester region for the eastern regions of Ukraine (first of all, Donetsk and Luhansk regions).

Russia lists conditions for Ukraine's financial aid

Ukraine needs to recognize the legitimacy of Crimea's joining the Russian Federation in order to receive financial assistance from Moscow, Russian Finance Minister **Anton Siluanov** has said.

Furthermore, constitutional reform, a legitimate presidential election and formation of government, as well as addressing tensions in the eastern parts of Ukraine, were among the conditions put forward by Russia.

Ukrainian Security Service bans over 100 Russian officials from entering country

Over 100 Russian citizens who backed Russian President **Vladimir Putin's** decision to militarily annex Crimea have been banned from entering Ukraine, the Ukrainian Security Service has said in response to MP **Oleksandr Bryhynets's** inquiry.

Among those who cannot enter Ukraine are Putin's aide **Sergey Glazyev**, Russian Duma deputy speaker **Vladimir Zhyrinovskiy** and others.

Ukraine accuses Russia of violating commitment to report on detained citizens

Russia has not provided Ukraine with official information on the detention on 9 April 2014 of 25 Ukrainian citizens suspected of preparing terrorist acts, the Ukrainian Foreign Ministry has said.

Furthermore, the ministry noted that it had received reports that the Russian Migration Service had detained six Ukrainian nationals on suspicion of involvement in illegal business in the Russian city of Kazan on 19 March. The Russian side did not present any official information to this effect.

"We consider these actions of Russia's responsible agencies and the Foreign Ministry of the Russian Federation as a deliberate violation of international legal commitments and, in particular, provisions of a consular convention between Ukraine and the Russian Federation, which the Russian side has undertaken," the Ukrainian Foreign Ministry said.

Ukrainian dairy products banned by Russia, Kazakhstan

The Russian Sanitary Service has banned deliveries of dairy products manufactured by Ukraine's six big companies.

Following Russia's suit, the Kazakh Consumer Protection Service also imposed a ban on the import and sale of cheese made by five Ukrainian factories.

At the beginning of 2012, a so-called "cheese war" with Russia led to a 78.9m-dollar drop in exports of dairy products from Ukraine.

Russian Agriculture Minister **Nikolay Fedorov** said that Belarus might replace Ukraine in terms of food deliveries to the Russian market.

Ukraine's boycott of Russian products effective, says business watchdog

A trade boycott of Russian products, which many Ukrainian citizens have informally announced after the invasion of Crimea by the Russian military, is actually working, the Lb.ua news and analysis website quoted the executive director of the European Business Association, **Anna Derevyanko**, as saying.

Derevyanko also noted that Ukraine would not be able to completely do without Russian products due to the absence of viable alternatives, especially when it comes to gas or petrol.

UKRAINE-PACE

PACE resolution on Ukraine slams Russia's annexation of Crimea

On 9 April 2014, the Parliamentary Assembly of the Council of Europe (PACE) adopted a resolution, which condemned the Russian actions leading to the annexation of Crimea from Ukraine and which criticized Moscow's proposals to federalize Ukraine.

On 10 April, the PACE passed another resolution, under which the Russian delegation was stripped of its right to vote in the PACE, as well as of its mandate to take part in the work of the organization's governing agencies and work as election observers within the framework of PACE missions. The PACE also retained its right to invalidate the powers of the Russian delegation if Moscow does not change its stance on the Crimean annexation.

UKRAINE-EU

European Commission sets up expert group for supporting Ukraine

The European Commission has set up an expert group for supporting Ukraine, the president of the European Commission, **Jose Manuel Barroso**, has said.

He explained that the group's objective was to provide Kiev with both financial and technical assistance.

The European commissioner for enlargement and European neighbourhood policy, **Stefan Fuele**, will coordinate the work of the group.

Ukraine hopes for visa-free travel to EU starting from 2015

The EU might introduce visa-free travel for Ukrainian nationals starting from 1 January 2015, Ukrainian Foreign Minister **Andriy Deshchytsya** told a security forum in Kiev on 10 April 2014.

In his turn, the EU ambassador to Ukraine, **Jan Tombinski**, suggested that Ukrainian politicians promise less and do more to achieve visa-free travel with the EU.

Slovak Foreign Minister **Miroslav Laychak** expressed *an* opinion that it was feasible to introduce visa-free travel between Ukraine and the EU by the end of 2014. "This depends on the work of your parliament," he noted.

Crimean producers not to benefit from EU trade preferences

The EU will not apply the trade preferences promised to Ukraine to products made in Crimea, because it is impossible to ensure whether they were manufactured on the peninsula or in Russia, the Ukrainian government envoy for European integration, **Valeriy Pyatnytskyy**, has said.

Starting from May, the EU intends to cancel 98 per cent of duties paid by Ukrainian exporters on the EU border.

Ousted Ukrainian president's son, tycoon complain to EU over asset freeze

A son of ousted Ukrainian President **Viktor Yanukovych**, **Oleksandr Yanukovych**, and Ukrainian tycoon **Serhiy Kurchenko** have filed objections with the European Council in Brussels in response to the freezing of their assets in the EU, the website Euroobserver.com has quoted its diplomatic sources as saying.

As a rule, such objections represent the first step before the launch of legal proceedings in court, the website stressed.

Former Ukrainian Prime Minister **Mykola Azarov** and his son **Oleksiy** submitted the same objections in March.

Ukraine, Slovakia agree on mutual recognition of education documents

On 8 April 2014, Ukraine and Slovakia signed an agreement on the mutual recognition of education certificates, the Ukrainian Education Ministry's press service has said.

DOMESTIC POLITICAL

Interim president issues order on decentralization of power in Ukraine

On 13 April 2014, the acting Ukrainian president and speaker, **Oleksandr Turchynov**, signed a decree on the consolidation of citizens of Ukraine and the termination of civil confrontation in Donetsk and Luhansk regions.

In particular, Turchynov instructed the government to prepare within three months bills on holding in Ukraine a reform of local self-government and organizing the authorities in the regions, "providing for decentralization of power and a substantial extension of powers of local communities".

Turchynov also did not rule out that, subject to parliament's approval, A referendum on the integrity of Ukraine may be held on 25 May 2014 simultaneously with the presidential election.

Interior Ministry to establish special detachments manned by civilians

On 14 April 2014, Interior Minister **Arsen Avakov** declared the establishment of a corps of special units of the Interior Ministry based on civil forces across the territory of the country to fight "separatist terrorist attacks" financed from abroad.

According to him, the Interior Ministry may recruit more than 12,000 people across the country into new special units and provide them with arms, equipment and command by professional officers.

The first decree on the establishment of the East special unit in Luhansk has been already signed.

Police in eastern regions to be fully reshuffled – interim president

Acting president and speaker **Oleksandr Turchynov** stated that the police staff in the southeastern regions would be reshuffled.

On 12 April 2014, the special purpose police unit (former Berkut) refused to depart from Donetsk to Slovyansk where separatists had seized the town police department, put on St. George's ribbons and joined the pro-Russian rally.

Additionally, the media reported on numerous occasions on the cases of police inaction during the seizures of administrative buildings and during clashes between pro-Russian activists and supporters of Ukraine's unity.

Parliament tightens punishment for separatism

On 8 April 2014, the Ukrainian parliament voted to tighten punishment for encroachment on territorial integrity and inviolability of Ukraine and state treason.

Actions aimed at a forceful change of constitutional order and takeover will be penalized by an imprisonment for up to 15 years and confiscation of property.

New head of Antiterrorist Centre appointed

On 14 April 2014, acting president and speaker **Oleksandr Turchynov** appointed a new head of the Antiterrorist Centre under the Security Service of Ukraine (SBU). The new head is an SBU reserve lieutenant-general and former head of the Alfa special unit, **Vasyl Krutov**.

Central Electoral Commission says impossible to hold elections in Crimea

The Central Electoral Commission (CEC) has acknowledged that it is impossible to establish district electoral commissions for the presidential election in the election constituencies in Crimea and Sevastopol.

As reported earlier, Ukrainian citizens who live on the occupied territory of Crimea will be able to vote in the snap presidential election at polling stations in Kherson Region.

According to the deputy secretary of the National Security and Defence Council, **Viktoriya Syumar**, the government does not introduce the state of emergency in Ukraine, as this would mean the suspension of the presidential campaign.

The early presidential election has been planned for 25 May 2014.

Mass media expect no snap parliamentary election in Ukraine

The presidential administration has suggested that a parliamentary election should be held in the wake of the presidential election as soon as possible, its deputy head **Andriy Senchenko** has said.

The Zerkalo Nedeli weekly quoted its sources as saying that representatives of the political elite had reached an agreement to leave the current composition of parliament intact until 2017.

Parliament passes law on lustration of judges

On 8 April 2014, parliament passed the law which seeks to rebuild trust in the judiciary, the so-called "law on the lustration of judges". Two days later it was signed by acting President and speaker **Oleksandr Turchynov**.

The law says judges of general jurisdiction courts are subject to an inspection by an ad hoc commission.

The law amends the existing legislation as far as the appointment of judges to administrative posts and the reasons for termination of powers of the members of the High Qualification Commission of Judges of Ukraine, the High Council of Justice and other are concerned.

On 7 April 2014, around 100 activists of the Right Sector and Automaydan blocked the premises of the Supreme Court of Ukraine, where an extraordinary congress of judges was expected to be held, and later stormed the building. According to the activists, attempts were expected to be made at the congress "to include the most odious representatives into a new format of the judiciary".

Ukraine's acting president appoints members of High Council of Justice

On 11 April 2014, acting President and speaker **Oleksandr Turchynov** appointed three members of the High Council of Justice under his quota. These are Yuliya Tymoshenko's ex-legal counsel, MP **Serhiy Vlasenko**, a judge of the High Economic Court of Ukraine, **Serhiy Bondar**, and a judge of the High Specialized Court for Civil and Criminal Cases, **Lidiya Mazur**.

In particular, the High Council of Justice nominates judges for appointment or dismissal.

Industrial Policy Ministry, Economic Development Ministry merge

The cabinet has decided to incorporate the Industrial Policy Ministry into the Ministry of Economic Development and Trade.

A commission was set up to reorganize the Industrial Policy Ministry. First Deputy Minister of Economic Development **Anatoliy Maksyuta** was put in charge of the commission.

Parliament amends law on local elections

On 8 April 2014, parliament amended the law on local elections by cutting the number of local electoral commission members and banning any changes to voter rolls on election day.

The MPs decided that voting results at a polling station can be invalidated if 5 per cent of voters are proven to have voted illegally, or if the number of ballots in ballot boxes exceeds the number of voters by more than 5 per cent (previously 10 per cent).

Parliament moved the deadline for mass media to publish opinion polls from seven to two days before election day and allowed public organizations to send their observers to monitor local elections.

Deputies continue to leave Party of Regions

A former representative of the president in parliament, **Ihor Miroshnychenko**, the sister of a former head of the presidential administration, **Yuliya Lyovochkina**, and a former director-general of the Artemvuhillya coal company, **Anatoliy Honcharov**, left the Party of Regions faction last week.

Presidential candidate **Serhiy Tyhypko** as well as 10 more MPs, whom mass media believe to comprise his unofficial group in parliament, also left the faction. Tyhypko said that the Party of Regions had "turned into a subsidiary of a particular financial-industrial group" and that power in the party had been seized by the "separatists, rotten bureaucrats and swindlers".

Additionally, Tyhypko declared the establishment of an opposition parliamentary group comprising 14 Mps.

Media outlets earlier said that Tyhypko was planning to revive his Strong Ukraine party, which merged with the Party of Regions in 2011.

Oleksandr Volkov, who left the Party of Regions faction in February, has now returned.

Army allowed to accept donations

On 8 April 2014, parliament amended the Ukrainian law by allowing the Armed Forces to be financed by donations.

By 10 April, the Ukrainian Defence Ministry has received 96m hryvnias from legal entities and individuals since the start of the Support the Ukrainian Army campaign.

Parliament passes law on state procurement

The Ukrainian parliament passed a new law on state procurement on 10 April 2014.

In particular, it reduces the number of occasions, from 44 to 10, on which procurement can be done without holding a tender. The law effectively rules out purchase "from one participant".

Language law to be checked by international institutions, vice-speaker says

The ad hoc parliamentary commission for the development of the language law will send its draft for a review by international institutions, including the Venice Commission, the OSCE, the Council of Europe, and representatives of all ethnic minorities, the head of the commission and parliament vice-speaker, **Ruslan Koshulynskyy**, has said.

Acting President and speaker **Oleksandr Turchynov** earlier vetoed parliament's decision to cancel the scandalous law on the foundations of state language policy co-authored and tabled by Party of Regions MPs **Serhiy Kivalov** and **Vadym Kolesnichenko** on 3 July 2012.

Prime Minister **Arseniy Yatsenyuk** said that the authorities were not going to cancel the law on the foundations of state language policy.

OSCE refutes reports on violations of Russian-speaking Ukrainians' rights

The OSCE has said the reports do not confirm the numerous claims made by the Russian Federation about violation of the rights of persons belonging to the Russian-speaking minority, its press service has said.

Over 100 OSCE observers are currently working in Ukraine.

Ukraine investigating money laundering by Yanukovych, his entourage

The State Service of Financial Monitoring suspects former President **Viktor Yanukovych** and his entourage of legalizing illegally acquired money to the tune of 77.2bn hryvnias.

It said that 2.2bn hryvnias were blocked on bank accounts of 67 former government officials in Ukraine in March.

First Deputy Prosecutor-General **Mykola Holomsha** has said that 14 banks were found to have laundered 140bn hryvnias. He said that law-enforcement bodies had not faced financial abuses of such scale before. According to Holomsha, there was a clear criminal hierarchy ending up with government officials.

The news and analysis portal LB.ua quoted its source as saying that 80 per cent of the total number of businessmen worked with conversion centres of the previous authorities, which resulted in the largest criminal group in the history of Ukraine. The monthly turnover of this cash market was from 30bn to 50bn hryvnias. According to the portal, 70 per cent of the market was controlled by Yanukovych's entourage.

Law enforcers earlier said that they had uncovered a plan to sweep Maydan away and kill the protesters, which was overseen by former President **Viktor Yanukovych**.

Moscow says it sees no reason to extradite Viktor Yanukovych to Ukraine, Russian Prosecutor-General **Yuriy Chayka** has said. Yanukovych believes he is still the legitimate president of Ukraine.

Prosecutor-General's Office opens case against Klyuyev

The Prosecutor-General's Office (PGO) of Ukraine has opened criminal proceedings against a former head of the presidential administration, **Andriy Klyuyev**, its press service said on 9 April.

The investigators have learnt that in March 2009, Klyuyev, who was an MP then, facilitated the issue of a 150m-euro loan from the state-owned bank Ukreximbank to the Semiconductors Plant company owned by his family.

It also said that in 2010, the State Agency of Ukraine for Investment and Development allocated 200m hryvnias for an investment project presented by the Semiconductors Plant thanks to the personal assistance of then First Deputy Prime Minister Andriy Klyuyev. These funds were used not as planned but to pay interest on the earlier issued loan from Ukreximbank.

Deputy Prosecutor-General **Oleksiy Bahanets** said that although Klyuyev was subject to several criminal proceedings, he was notified that he was a suspect of a crime and put on a wanted list due to his involvement in the dispersal of protesters on Kiev's Independence Square on 30 November.

The Party of Regions considers the criminal case against Klyuyev illegitimate and similar to the 2009 case opened by the PGO against former Prime Minister **Yuliya Tymoshenko** over the embezzlement of funds allocated as part of the Kyoto Protocol.

ECONOMY

IMF to make decision on Ukraine aid in late April

A bailout plan for Ukraine will be submitted to the International Monetary Fund (IMF)'s Board of Governors at the end of April or in the very early days of May, IMF Managing Director **Christine Lagarde** has announced.

Ukraine's Finance Minister **Oleksandr Shlapak** said that Ukraine had fulfilled all the conditions for receiving the first tranche of the financial aid from the IMF. Currently, the sides are discussing the terms and conditions of the aid, he said.

According to **Reza Moghadam**, director of the European Department, the IMF will provide Ukraine with a 27bn-dollar loan over two years. The exact size of the programme will depend on how many other international lenders, such as the EU, will support the government in Kiev, he added.

IMF withdraws macro outlook for Ukraine

The International Monetary Fund (IMF) has withdrawn its macroeconomic development forecast for Ukraine due to the annexation of Crimea by Russia and the overall political and economic crisis in the country, according to the IMF's survey World Economic Outlook (WEO).

IMF chief economist **Olivier Blanchard** said that the decision to exclude the forecasts for Ukraine from WEO was also due to the ongoing discussion of the cooperation programme with the Ukrainian authorities. At the same time, he noted that the IMF has no doubts as to the creditworthiness and solvency of Ukraine.

Ukraine may receive 500m dollars from World Bank in May

Ukraine may receive the first tranche worth 500m dollars of the development policy loan from the World Bank already in May, Ukraine's Economics Ministry has reported.

Two more tranches of the same amount are scheduled for October 2014 and January-February 2015, the ministry noted.

Earlier, World Bank President **Jim Yong Kim** said that the World Bank was ready to provide assistance to Ukraine in the amount of up to 3bn dollars by the end of the year.

EBRD to invest 350m euros in Ukraine

The Board of Governors of the European Bank for Reconstruction and Development (EBRD) on 8 April 2014 approved the allocation of 350m euros for two projects in Ukraine.

The first project is aimed at supporting the bank's existing customers in the real sector of the Ukrainian economy (150m euros). The second project will provide financing for the modernization of roads of the Pan-European Transport Corridor (a belt road in Zhytomyr, sections of Kiev-Odesa and Kiev-Chernihiv highways, etc. [200m euros]).

The funding will arrive after the IMF makes its decision on the allocation of money to Ukraine.

This is the first part of the promised investment of 5bn euros to be disbursed over several years.

Ukraine downgraded to level of Cyprus, Greece

Moody's Investors Service has lowered the sovereign rating of Ukraine from Caa2 to Caa3. This is an extremely low level which indicates very high credit risks. Among all clients of Moody's, apart from Ukraine, Caa3 is assigned only to Greece, Cyprus and Jamaica.

The agency notes that the rating outlook remains negative.

Moody's explains its downgrade move by three main factors: the escalation of the political crisis (taking into account the change of power in the country and Russia's annexation of Crimea); the deterioration of Ukraine's external liquidity positions (given a drop in the central bank's gold and currency reserves, Russia's withdrawal of financial support and increase of the natural gas price); the worsening of Ukraine's macroeconomic indicators.

At the same time, the agency said that Ukraine's GDP in 2014 could fall by 5-10 per cent. The Ukrainian authorities expect this year's GDP to drop by 3 per cent.

However, the investment attractiveness index of the European Business Association (EBA) in the first quarter of 2014 increased from 1.81 to 2.72 points, which has become the highest level since 2011, according to the news and analysis website LB.ua. At the same time, the EBA notes that the calculations only take into account the situation inside the country. However, in view of the Russian factor, the forecast may be overly optimistic.

Hryvnya shows further depreciation

The US dollar exchange rate on the interbank market on 11 April set at 13.00-13.30 hryvnias per dollar, while the euro exchange rate reached 18.03-18.45 hryvnias per euro.

A week ago, on 4 April, the dollar rate rose to 11.50-11.65 hryvnias per dollar, and the euro rate went up to 15.76-15.97 hryvnias per euro.

National Bank of Ukraine governor **Stepan Kubiv** noted that the exchange rate reflects the current state of the national economy. At the same time, in his opinion, after Ukraine receives financial aid from the International Monetary Fund and the European Bank for Reconstruction and Development, the national currency will begin to strengthen.

According to Prime Minister **Arseniy Yatsenyuk**, one reason behind the fall of the hryvnya is the destabilization of the situation in Ukraine's eastern regions.

According to the Zerkalo Nedeli publication, the hryvnya exchange rate has lost 65 per cent of its value in one and a half months of work of the new Ukrainian government. The publication stresses that the main reason for such a figure was the "uncontrolled distribution of refinancing and hesitation to introduce a moratorium on the withdrawal of deposits the outflow of which has reached about 27 per cent of the entire amount of deposits since the beginning of the year".

Overall, Ukrainian banks owe the National Bank of Ukraine almost 110bn hryvnias (8bn dollars). The major receivers of the National Bank's refinancing this year are

PrivatBank (12bn hryvnyas), Oshchadbank (6.6bn hryvnyas) and Delta-Bank (4bn hryvnyas), Zerkalo Nedeli reported.

Ukraine's foreign exchange reserves fall to 15bn dollars in March

Ukraine's gold and foreign currency reserves as of 1 April 2014 totalled 15.08bn dollars, which is 2.47 per cent or 382m dollars less than as of 1 March, according to the National Bank of Ukraine.

Since the beginning of the year, the reserves have fallen by 26.14 per cent or by 5.34bn dollars.

Inflation in Ukraine goes up to 2.2 per cent in March

Inflation in Ukraine in March compared to February 2014 reached 2.2 per cent, thus accelerating compared to the previous month 3.7 times, according to the State Statistics Service.

Producers' prices in Ukraine up 2.7 per cent

Prices of industrial producers in Ukraine in March 2014 compared to February 2014 increased by 2.7 per cent, according to the State Statistics Service.

National Bank of Ukraine gets new board head

Stanislav Bukovynskyy has been appointed head of the National Bank of Ukraine's board.

In addition, the National Bank has partially reorganized its internal structure and reshuffled its senior management, the news agency Ukrainian News has reported.

National Bank of Ukraine discloses information on banks' owners

The National Bank of Ukraine (NBU) for the first time since April 2012 has updated information on its official website about owners of commercial banks who hold 10 per cent or more.

Thus, according to the NBU, PrivatBank belongs to **Hennadiy Boholyubov** and **Ihor Kolomoyskyy**, Delta Bank is owned by **Mykola Lahun**, Nadra belongs to **Dmytro Firtash**, FUJB to **Rinat Akhmetov**, Finance and Credit to **Kostyantyn Zhevaho**, VAB Bank and Financial Initiative Bank to **Oleh Bakhmatyuk**, and VBR to **Oleksandr Yanukovich**.

Parliament abolishes car scrapping and vehicle modification taxes

The Ukrainian parliament on 8 April 2014 passed a bill that abolishes the environmental tax on disposal of out-of-service vehicles.

The document also provides an exemption from excise duty on re-equipment of non-excisable vehicles (imported to Ukraine) into excisable passenger cars.

ENERGY

Putin calls on Europe to address Ukraine's gas debt issue

Russian President **Vladimir Putin** has sent a letter about the debt accumulated by Ukraine to the leaders of European states which buy natural gas from Russia's Gazprom, the Russian president's press service said on 10 April 2014.

The letter says that Ukraine's inability to pay for gas is forcing Russia to limit gas deliveries. This may pose a threat to the transit of gas to Europe. To prevent the crisis, according to Putin, urgent talks between Russia and its European partners should be held. At the same time, the Russian leader noted that over the past four years, Russia has subsidized Ukraine for a total of 35.4bn dollars through benefits, discounts and uncollected fines for gas purchase shortfalls.

According to the Russian president's spokesman, **Dmitry Peskov**, Russia has no intention to demand the repayment of this amount from Ukraine so far.

On 9 April, Putin held a meeting on Ukraine with members of his government. During the meeting, it was announced that Ukraine owes Russia 16.6bn dollars, of which more than 11bn dollars is "a lost profit" due to the Kharkiv agreements. The Russian president said that Russia would not switch to monthly advance payments in gas supplies to Ukraine "until further consultations" if the Ukrainian side agrees to take part in these consultations.

The head of the state-run fuel company Naftohaz Ukrayiny, **Andriy Kobolyev**, said that the Ukrainian side offered the European Commission and major European companies to reach agreement with Gazprom on gas purchases on Russia's western border, according to the Zerkalo Nedeli weekly.

Ukraine refuses to pay for Russian gas

The price of 480 dollars per 1,000 cu.m. of Russian gas for Ukraine is politically motivated and Kiev will not pay this price, Energy and Coal Industry Minister **Yuriy Prodan** has said.

The minister also said that the Ukrainian government was preparing a lawsuit against Gazprom in the Stockholm arbitration regarding the gas contracts. He added that there was a real possibility of Russia stopping gas supplies to Ukraine and Europe because of the disagreements between Kiev and Moscow regarding the new price of Russian gas.

In addition, Prodan said that Ukraine stopped pumping Russian gas into underground storage facilities because of the uncertainty with the price.

Taking into account the unpaid deliveries in the past and this year, Ukraine's total gas debt to Russia exceeds 2.2bn dollars.

According to Finance Minister **Oleksandr Shlapak**, the first tranche of the IMF assistance, which is expected in May, will not be channelled into paying

the debts off to Gazprom. The funds will be divided between the National Bank of Ukraine's reserves and the state budget.

The vice-president of Gorshenin Institute, **Oleksiy Leshchenko**, believes that in the near future Ukraine will not be able to completely abandon Russian gas supplies and is forced to seek an answer to the pressure from Moscow.

Russia, Germany discussing trilateral consortium for Ukraine's gas pipeline

Members of Russia's State Duma and Germany's Bundestag have suggested creating a trilateral consortium to manage the Ukrainian gas transport system (GTS), which will allow the price of Russian gas for Ukraine to go down. The statement was made by the head of the Duma's energy committee, **Ivan Grachev**, and Bundestag member **Karl-Georg Wellmann** from the Christian Democratic Union, according to the UNIAN news agency.

According to Wellmann, major German companies are interested in the modernization of Ukraine's GTS and are prepared to invest in it once the political situation in the country stabilizes.

He also recalled that the first 35m euros for the modernization of the GTS had already been allocated.

Slovakia, Hungary to ensure reverse gas supplies to Ukraine

Slovakia is ready to take measures to organize reverse gas supplies to Ukraine if Kiev fulfils its financial obligations and contracts on the delivery of Russian gas to Slovakia, its Prime Minister **Robert Fico** said in a telephone conversation with US Vice-President **Joe Biden**.

At the same time, Slovak Foreign Minister **Miroslav Lajcak** said that his country had started technical preparations for reverse gas supplies to Ukraine. According to him, this issue will be discussed by the Ukrainian and Slovak gas transport system operators, Ukrtransgaz and Eustream respectively, on 15 April.

Also, the Hungarian gas pipeline operator Foldgaszallitas said it was ready to pump up to 6bn cu.m. of gas to Ukraine if the latter has capacity and is prepared to sign a contract.

Experts note that Gazprom may impede reverse gas supplies to Ukraine from the EU.

Ukraine's ambassador to EU calls on Europe to block South Stream

Ukraine's ambassador to the EU, **Kostyantyn Yeliseyev**, has said that Europe should block the construction of the South Stream gas pipeline, which will bypass Ukraine through the Black Sea, Agence Europe says.

Ukraine also counts on support from the EU in the proceedings against Russia in connection with the seizure of gas deposits and other assets in Crimea.

Parliament postpones VAT on gas imports until 1 September

The Ukrainian parliament has postponed the introduction of VAT on gas import operations for companies until 1 September 2014. The only exception is the state-run fuel company Naftohaz Ukrainy.

According to Prime Minister **Arseniy Yatsenyuk**, the tax was put on hold to complete the inventory of gas contracts and check if Ukraine can import gas cheaper than Naftohaz does.

Ukraine increases authorized capital of state fuel company to 55.8bn dollars

The Cabinet of Ministers on 9 April 2014 decided to increase the authorized capital of the state-run oil and gas company Naftohaz Ukrainy by 6bn dollars to 55.8bn dollars.

Ukraine starts to export crude oil

Ukraine in March 2014 began to export crude oil, the news agency Ukrainian News has quoted its sources in the government as saying.

Last month's deliveries amounted to about 5,000 tonnes worth 3.2m dollars.

According to the agency, crude oil was exported to Lithuania, particularly to ORLEN Lietuva. However, the exporting company is not disclosed.

The main oil producer in Ukraine is Ukrnafta, while the major consumer is Ukratnafta. Both companies are controlled by a group of entities affiliated with Privat Group belonging to the Dnipropetrovsk regional governor and businessman, **Ihor Kolomoysky**, and **Hennadiy Boholyubov**.

The operator of the Ukrainian oil transport system, Ukrtransnafta, has suggested in a letter to Energy Minister **Yuriy Prodan** that more than 1.35 million tonnes of process oil from the idle pipelines be sent for processing, according to the Ukrainian website Oilnews.

The company suggests channelling the remaining oil for processing to Ukratnafta and then selling petroleum products.

Ukraine increases heating tariff for state, commercial customers

The National Utilities Regulation Commission has increased from 1 April 2014 the heating tariff for budget-funded institutions and commercial customers by 41 and 20 per cent to 75 and 73 dollars per Gcal (excluding VAT), respectively.

From 1 April, the price of natural gas for industrial consumers and government agencies also grew significantly. From 1 May, the cabinet will raise gas prices for households.

Ukraine renews contract with Westinghouse to supply fuel for nuclear power plants

The state-run nuclear energy company Enerhoatom, the operator of nuclear power

plants in Ukraine, has reached agreement with the US company Westinghouse to renew a contract on the supply of nuclear fuel until 2020.

Under the agreement, which is to be implemented by Westinghouse Electric Sweden AB, the company will produce fuel at its manufacturing facility in Vasteras (Sweden).

US nuclear fuel will be loaded in three units. In total, there are 15 generating units at four nuclear power plants in Ukraine. The other units will use nuclear fuel from Russia's Rosatom.

The contract was signed in 2008, but was shelved during the presidency of **Viktor Yanukovich**.

Japan may walk out of agreement with Ukraine under Kyoto Protocol

Japan is ready to walk out of the agreement with Ukraine under the Kyoto Protocol and may demand the return of the funds transferred to Kiev, Minister of Environment and Natural Resources **Andriy Mokhnyk** has said.

The main reason is Ukraine's failure to fulfil the Kyoto Protocol, under which Ukraine should have spent on social and environmental projects the funds from the sale of unused quotas for carbon dioxide emissions of domestic enterprises to other states with excess emissions.

However, according to Mokhnyk, the Environment Ministry has drafted a few changes to the previously adopted government regulations that could resolve this issue.

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.

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