1. TOP STORIES...page 5

2. ARMED CONFLICT IN EASTERN UKRAINE...page 5
Militants shell Ukrainian military positions during Easter
Ukraine says 2,650 troops killed, 9,580 wounded in security operation since 2014
Number of militant-held captives in Donbas reaches 126
Donetsk militants hand 14 convicts over to Ukraine
Kremlin admits possibility of Normandy Four leaders' meeting

3. CRIMEAN ISSUE...page 6
Eight Ukrainian nationals forcibly detained in Crimea – Foreign Ministry
Bill on Crimean Tatar autonomy registered with Ukrainian parliament

4. INTERNATIONAL POLITICAL...page 7

UKRAINE-RUSSIA
Ukraine receives documents for deal on Russian Sberbank's local subsidiary
UN court to decide on provisional measures against Russia on 19 April
DTEK launches 500m-dollar dispute with Russia over Crimea assets

UKRAINE-G7
G7: Russia responsible for conflict in Donbas
Kiev says Tillerson called on G7 to do more for Ukraine

UKRAINE-USA
Situation in Ukraine "obstacle" to improvement of US-Russia ties - Tillerson

UKRAINE-EU
Budapest seeks dual citizenship for Hungarians in Ukraine

5. DOMESTIC POLITICAL...page 9
Committee recommends parliament take government report into account
Ukrainian president signs legal changes to enable Yanukovych's trial in absentia
Presidential administration considering new constitutional reform - media
Parliament rejects new wording of law on Constitutional Court
Ukrainian president signs law on register of persons liable for military service

Ukrainian president signs law cancelling mandatory use of stamps on documents

Ukrainian parliament introduces private detectives

Ukrainian parliament accepts dismissal of State Property Fund chief

President accepts dismissal of Ukraine’s National Energy Commission

Ukraine's top prosecutor sacks major crimes investigator

Head of National Public TV and Radio Company of Ukraine elected

E-declarations of over 200 military prosecutors edited out of register

Ernst & Young puts Ukraine first on corruption perception index

6. CRIMINAL CASES...page 12

Anti-corruption bureau opens 39 cases over e-declarations

Policemen suspected of Maydan killings flee Ukraine

Prosecutors suspect former Privatbank management of major fraud

Court overturns ruling to close ex-MP case

Former traffic police chief remanded in custody

Ukrainian citizen detained in Montenegro under ex-MP's case

First verdict passed in tycoon's case - prosecutor’s office

State firm director suspected of multi-million fraud

Law enforcers detain ex-official suspected of gas fraud

Interpol puts ex-MP on wanted list

Court releases former Georgian consul on bail

Court freezes accounts of tobacco distributor

Court seizes tycoon's telecom shares

7. MILITARY...page 15

Premier proposes doubling defence budget

MP says Ukraine lost ammo worth 1bn dollars in depot fire

8. ECONOMY...page 16

Government approves plan of measures under IMF agreement
Parliament gives go-ahead to borrow 200m euros for public transport revamp

Ukraine plan to raise pensions, cancel taxes for working pensioners

Cabinet expects fewer recipients of subsidies in 2018

National Bank cuts discount rate to 13 percent

**9. ENERGY...page 17**

Parliament passes bill on electricity market

Ukraine extends state of emergency in energy sector

Naftohaz supervisory council approves head's resignation

Naftohaz turns profitable in 2016

Naftohaz continues to buys "cheaper" gas from European suppliers

Naftohaz signs memorandum on joint management of gas transport system

Premier calls for cutting gas rent to 12 percent

Another thermal power plant suspends operations

DTEK buys 600,000 tonnes of coal from South Africa

Premier calls for banning Russian coal supplies

Electricity production up by 1.5 percent, consumption by 1.1 percent

Ukrnafta sets up restructuring committee

Russian state agency mediates in iron ore supplies to Donbas – media
1. TOP STORIES

Situation in Ukraine remains obstacle to improvement of USA-Russia ties - Tillerson

G7 foreign ministers say Russia responsible for Donbas conflict

Read more in INTERNATIONAL POLITICAL

President approves conviction in absentia

The trial of Yanukovych under treason case begins on 4 May

Read more in DOMESTIC POLITICAL

Parliament passes bill on electricity market

Producers will be able to sell electricity in different markets

Read more in ENERGY

2. ARMED CONFLICT IN EASTERN UKRAINE

Militants shell Ukrainian military positions during Easter

Another truce in Donbas was expected to begin on 13 April, as the self-proclaimed Luhansk and Donetsk people’s republics undertook the corresponding commitments on 12 April, during the talks of the trilateral contact group in Minsk.

Despite this, the pro-Russian militants continued to fire on the positions of the Ukrainian military during the Easter holidays, according to the Ukrainian side of the Joint Centre for Control and Coordination. On 16 April, the terrorists violated the ceasefire 22 times, using 120-mm and 82-mm mortars, automatic grenade launchers and small arms. As a result, two Ukrainian soldiers were wounded.

In total, one Ukrainian soldier was killed and 16 were wounded last week (10-16 April).

Ukraine says 2,650 troops killed, 9,580 wounded in security operation since 2014

Over three years since the beginning of the antiterrorist operation in Donbas on 14 April 2014, Ukraine has lost 2,650 Ukrainian servicemen and law enforcers and 9,580 have been wounded, the Defence Ministry’s spokesman for the antiterrorist operation, Andriy Lysenko, has said.

Since the beginning of the year, 69 Ukrainian servicemen have been killed and over 420 wounded in the combat zone in Donbas.
Number of militant-held captives in Donbas reaches 126

The number of hostages held by illegal paramilitary groups in eastern Ukraine has reached 126 after several civilians were taken captive, the first deputy speaker of the Ukrainian parliament and Kyiv's representative at the humanitarian subgroup of the trilateral contact group, Iryna Herashchenko, has said.

She said that militants are currently demanding that Ukraine release over 600 captives for an exchange. Of them, 30 have nothing to do with the antiterrorist operation, 60 are suspected of extremely grave crimes and are not subject to amnesty. Out of other 500, several hundred do not want to be transferred to the occupied areas. Herashchenko recalled that representatives of the self-proclaimed Donetsk and Luhansk people's republics refused to involve the International Committee of the Red Cross and the UN in the verification of these refusals.

It also became known that Donetsk militants took hostage a judge of the Donetsk administrative court of appeal (Mariupol), Eduard Kaznacheyev.

On 16 April, the mission of the International Committee of the Red Cross was able for the first time to hand over parcels for the hostages, Ukrainian citizens, who are kept by the militants in the Makiyivka prison and Donetsk remand centre.

Donetsk militants hand 14 convicts over to Ukraine

On 11 April 2017, the self-proclaimed Donetsk people's republic handed 14 convicts over to Ukrainian authorities. They served sentences in the occupied part of Donetsk Region.

Over two years, the pro-Russian militants have transferred 147 people held in penitentiary institutions to Ukraine.

Kremlin admits possibility of Normandy Four leaders' meeting

Russia does not rule out that the Normandy Four (France, Germany, Russia and Ukraine) leaders may meet soon to discuss the Donbas conflict, Russian presidential spokesman Dmitriy Peskov said on 14 April 2017.

The Normandy Four diplomatic advisers met in Minsk on 6 April. However, Ukrainian Foreign Minister Pavlo Klimkin said, the meeting produced no results.

3. CRIMEAN ISSUE

Eight Ukrainian nationals forcibly detained in Crimea – Foreign Ministry

The Crimean occupation authorities detained eight Ukrainian nationals of Crimean Tatar origin by force and for made-up reasons in Bakhchysaray on 13 April 2017, the Ukrainian Foreign Ministry has said.

Two of them are suspected of promoting extremist symbols, others of violating the regulations on rallies.

The Ukrainian Foreign Ministry described the detentions as elements of the Russian occupation authorities' consistent intimidation policy aimed at suppressing dissent.
and opposition to the illegal occupation of Crimea. The ministry demanded an immediate release of the detainees.

The same day, the Bakhchysaray district court handed down verdicts on the detainees, sentencing them to administrative arrests from three to seven days.

**Bill on Crimean Tatar autonomy registered with Ukrainian parliament**

A bill granting Crimea the status of a national-territorial autonomy of the Crimean Tatar people in Ukraine has been registered with parliament.

The head of the Crimean Tatar self-styled government Majlis, Refat Chubarov, and Crimean Tatar leader Mustafa Dzhemiliev are among its co-authors.

**4. INTERNATIONAL POLITICAL**

**UKRAINE-RUSSIA**

**Ukraine receives documents for deal on Russian Sberbank's local subsidiary**

On 10 April 2017, the National Bank of Ukraine received the documents from the buyers of the Ukrainian subsidiary of Sberbank of Russia to register the deal.

The main investor is Russian and British national Said Gutseriev (son of Russian billionaire Mikhail Gutseriev), who intends to buy 77.5 percent of the bank’s shares.

Another investor, Latvia's Norvik Banka owned by Grigoriy Guselnikov, that wants to buy 22.5 percent of Sberbank's shares, is expected to present its documents soon. Guselnikov used to work for Gutseriev's Binbank.

Once the deal is finished, Sberbank will be renamed Norvik Banka.

Last week, right-wing activists resumed attempts to block Sberbank’s offices in various cities of Ukraine, in particular in Kyiv, Kharkiv, Odesa and Dnipro.

At the same time, Ukraine promised the IMF to ensure security at banks with Russian capital.

**UN court to decide on provisional measures against Russia on 19 April**

The International Court of Justice on 19 April 2017 will decide on provisional measures of protection requested by Ukraine under its legal action against Russia.

On 16 January 2017, Ukraine filed a lawsuit with the UN to hold Russia accountable for acts of terror and discrimination during its illegal aggression against Ukraine.

**DTEK launches 500m-dollar dispute with Russia over Crimea assets**

The DTEK energy holding has launched an investment dispute with Russia over the assets lost as a result of the annexation of Crimea. The company assessed its losses at 500m dollars.
If the dispute is not settled through negotiations, DTEK is planning to refer it to an international arbitration.

DTEK Krymenerho used to cover over 80 percent of Crimea's demand for electricity.

UKRAINE-G7

G7: Russia responsible for conflict in Donbas

The G7 foreign ministers and the High Representative of the European Union for Foreign Affairs and Security Policy, Federica Mogherini, have issued a joint communique following their meeting in Lucca, Italy on 11 April 2017, in which they said that they recognise the responsibility of the Russian Federation in the conflict in Ukraine's Donbas and expect Russia to use its influence over pro-Russian separatists to ensure a ceasefire.

They declared full support for Ukraine's territorial integrity and reiterated their condemnation of the illegal annexation of the Crimean peninsula by Russia. They said they are concerned "at credible reports of a deteriorating human rights situation in Crimea".

In their joint communique, they commended Kyiv "for the results so far attained in implementing institutional and administrative reforms but much remains to be done". G7 encouraged Ukraine to target the "most critical areas", in particular public administration and political reform, justice reform, decentralisation, the fight against corruption and the promotion of civil freedoms, particularly the freedom of expression.

G7 remains committed to providing support and assistance to accomplish the required reforms in the fiscal, judicial, financial, energy, health, welfare and custom sectors.

The G7 ambassadors to Ukraine issued a separate statement in support of the health reform plan proposed by acting Health Minister Ulyana Suprun, and called on the Ukrainian parliament to pass it.

Kyiv says Tillerson called on G7 to do more for Ukraine

Foreign Minister Pavlo Klimkin has said that US Secretary of State Rex Tillerson urged the G7 foreign ministers at a meeting in Lucca, Italy on 10-11 April 2017 to do more for Ukraine.

French Foreign Minister Jean-Marc Ayrault said that at the G7 foreign ministers’ meeting, Tillerson asked: "Why should US taxpayers be interested in Ukraine?" The French diplomat told him that US taxpayers should be interested in safe, politically and economically strong Europe.

UKRAINE-USA

Situation in Ukraine "obstacle" to improvement of US-Russia ties - Tillerson

On 12 April 2017, US Secretary of State Rex Tillerson came to Moscow to meet Russian President Vladimir Putin and Foreign Minister Sergey Lavrov.
Following the talks, Tillerson said that Russia can make progress in the implementation of the Minsk agreements on a Donbas settlement by de-escalating violence and taking steps to withdraw separatist armed forces and heavy weapons so that OSCE can fulfil their role. “Until full progress is made under the Minsk Accords, the situation in Ukraine will remain an obstacle to improvement in relations between the USA and Russia,” he said.

According to Ukrainian Foreign Minister Pavlo Klimkin, Tillerson’s Moscow visit showed that relations with the Kremlin cannot be based on trust. He added that the visit was an element of pressure on Russia to make it withdraw from Donbas.

Before his visit to Moscow, on 11 April, Tillerson had a phone conversation with Ukrainian President Petro Poroshenko, during which he said that Washington would not allow any package deals with Russia on Ukraine and Syria.

**UKRAINE-EU**

**Budapest seeks dual citizenship for Hungarians in Ukraine**

Budapest considers dual citizenship to be a normal practice and would like ethnic Hungarians living in Ukraine to be entitled to it, Hungarian Minister of Foreign Affairs and Trade Peter Szijjarto has said. Hungary also objects to criminal responsibility for dual citizenship.

Ukrainian Foreign Minister Pavlo Klimkin said, for his part, that since Ukraine is at war with Russia, dual citizenship is absolutely unacceptable. He noted that Ukrainian legislation foresees no punishment for dual citizenship.

Earlier, Hungarian Prime Minister Viktor Orban suggested that Ukraine should legalise dual citizenship for ethnic Hungarians. Hungarian Deputy Prime Minister Zsolt Semjen called for the establishment of autonomous Hungarian minorities in neighbouring states.

**5. DOMESTIC POLITICAL**

**Committee recommends parliament take government report into account**

On 12 April 2017, the parliamentary committee for economic policy recommended that MPs take the Cabinet of Ministers’ 2016 performance report into account.

The government is expected to report to parliament in mid-May.

The incumbent cabinet and its programme were endorsed by parliament on 14 April 2016. Then the cabinet received one-year immunity from dismissal.

Prime Minister Volodymyr Hroysman said that the parliamentary coalition did not discuss the issue of reformatting the government.

**Ukrainian president signs legal changes to enable Yanukovych’s trial in absentia**

On 11 April 2017, President Petro Poroshenko approved amendments to the Criminal Proceedings Code on trial in absentia. This will give investigators more options for the
trial in absentia of former President Viktor Yanukovych and his entourage.

In particular, the bill cancels the deadline for trial in absentia of persons not wanted by the Interpol, previously set for 15 April 2017, and voids the clause according to which the Prosecutor-General's Office was supposed to drop investigative functions two years after the State Bureau of Investigation is established.

The trial in the high treason case of Viktor Yanukovych will begin on 4 May.

Presidential administration considering new constitutional reform - media

The presidential administration is considering holding constitutional reform, which would redistribute powers from the president to parliament, eliminate dualism in power, reduce the number of MPs from 450 to 250-300, which would secure Petro Poroshenko's victory in the presidential election in May 2019, the editor in chief of the news and analysis website LB.ua, Sonya Koshkina, has said.

According to Koshkina, the idea belongs to the People's Front party represented by Arseniy Yatsenyuk and Arsen Avakov. They are supported by Poroshenko's key associates, including the former and current heads of the presidential administration, Borys Lozhkin and Ihor Raynin respectively, and Prime Minister Volodymyr Hroysman. Poroshenko has not made his mind yet, Koshkina said.

Oligarchs Ihor Kolomoyskyy and Rinat Akhmetov, who have had several meetings over the past month, may be interested in having Poroshenko re-elected for the second term in office.

Parliament rejects new wording of law on Constitutional Court

On 11 April 2017, parliament refused to approve a new wording of the law on the Constitutional Court. The bill would change the structure, powers and selection procedure of the Constitutional Court, introduce the practice of constitutional complaints which citizens may file with the Constitutional Court if they believe that a final court ruling in their case is at odds with the constitution.

The news and analysis website LB.ua said that the main reason for the failure of the bill is the lack of balance between the members of the coalition, namely the Petro Poroshenko Bloc and People's Front factions. Relations between them have been rather tense lately.

Ukrainian president signs law on register of persons liable for military service

On 14 April 2017, President Petro Poroshenko signed the law on the creation of the single state register of persons liable for military service.

Ukrainian president signs law cancelling mandatory use of stamps on documents

On 14 April 2017, President Petro Poroshenko signed the law cancelling the mandatory use of stamps on documents in business.
Ukrainian parliament introduces private detectives

Parliament has passed a bill authorising the provision of private detective services in Ukraine.

Private detectives will need to obtain a license from the Justice Ministry.

Ukrainian parliament accepts dismissal of State Property Fund chief

On 13 April 2017, parliament accepted the resignation of State Property Fund head Ihor Bilous.

In March, Prime Minister Volodymyr Hroysman called on the fund's management to step down over failed privatisation.

Bilous has headed the State Property Fund since May 2015.

President accepts dismissal of Ukraine's National Energy Commission

Ukrainian President Petro Poroshenko has accepted the resignation of the entire team of the National Commission for the State Regulation of Energy and Utility Services headed by Dmytro Vovk. The commission head announced the news in parliament on 12 April 2017.

Ukraine's top prosecutor sacks major crimes investigator

Prosecutor-General Yuriy Lutsenko has dismissed a senior major crimes investigator of the main investigation department of the Ukrainian Prosecutor-General's Office (PGO), Dmytro Sus, over systematic violations of the laws "On prevention of corruption" and "On prosecutor's offices", the rules of prosecutorial ethics and over the actions discrediting the prosecutor's image.

Last autumn, Lutsenko dismissed Sus as deputy head of the PGO high-profile crimes department after the latter failed to mention in his income statement a Q7 luxury crossover registered with his grandmother. Later, Sus reported to police that the car was stolen. A day earlier, Sus was seen driving a Skoda Octavia car with the number plate from the stolen Audi Q7.

Head of National Public TV and Radio Company of Ukraine elected

On 10 April 2017, the supervisory board of the National Public TV and Radio Company of Ukraine elected Zurab Alasaniya as board chairman of the company.

Alasaniya headed the National TV Company of Ukraine, on the basis of which the National Public TV and Radio Company of Ukraine is now being created, from March 2014 to November 2016.

E-declarations of over 200 military prosecutors edited out of register

Over 200 e-declarations of military prosecutors, including deputy chief military
prosecutors Viktor Korol and Dmytro Borzykh, the head of the investigation department of the Main Military Prosecutor’s Office, Serhiy Lychyk, and the military prosecutor of the Mariupol garrison, Oleh Ulanovskyy, are no longer openly accessible in the register.

The National Agency for the Prevention of Corruption, which oversees the register, said that it was done on the basis of the resolution issued by chief military prosecutor Anatoliy Matios on special measures to ensure security of his office employees and their families.

Ernst & Young puts Ukraine first on corruption perception index

Ukraine ranked first on the Corruption Perception Index of the 2017 Fraud Survey carried out for Ernst & Young among senior executives of 41 states in Europe, Middle East, India and Africa, including developed and developing markets.

Ukraine ranked seventh in the 2015 rating.

6. CRIMINAL CASES

Anti-corruption bureau opens 39 cases over e-declarations

The National Anti-Corruption Bureau of Ukraine is conducting pre-trial investigations under 39 criminal cases relating to electronic declaration of income by officials.

Proceedings were launched following checks of e-declarations filed by civil servants and local authorities, among which are 12 MPs and 12 judges, two heads of district state administrations and a deputy minister.

Policemen suspected of Maydan killings flee Ukraine

Former officers of the Berkut riot police unit (Kharkiv), Oleksandr Kostyuk, Vladyslav Masteha, Artem Voylokov and Vitaliy Honcharenko left for Russia on 13 April, their lawyer Valentyn Rybin has said.

All these Berkut officers are suspected of killings of the Euromaydan activists in 2014. In particular, Honcharenko is accused of killing three protesters on 18 February 2014 on Krepostnyy Lane in Kyiv.

According to the lawyer, restraint measures were chosen only for Honcharenko, who was obliged to appear in court on the first demand. Kostyuk’s personal recognisance expired in March, while Voylokov and Masteha were under house arrest until 13 April.

The first deputy chairman of the Russian parliamentary committee on CIS affairs and relations with compatriots, Konstantin Zatulin, said that parliament does not rule out granting Russian citizenship to fugitive Ukrainian officers of the Berkut riot police unit.

Prosecutors suspect former Privatbank management of major fraud

The Prosecutor-General’s Office of Ukraine suspects that former senior officials of the
nationalised Privatbank, while receiving refinancing from the National Bank, provided loans to affiliated enterprises on terms that were disadvantageous for the bank. This caused the emergence of debts in the amount of more than 372.78m hryvnyas (13.88m dollars).

At the same time, National Bank head Valeriya Hontareva said that a post-audit showed that the "hole" in Privatbank was greater than previously thought. According to the official, 100 percent of credit portfolio loans were issued to affiliated entities, not 97 percent, as previously assessed. Hontareva stressed that on the night before the nationalisation the bank's management carried out fraudulent transactions to the tune of more than 16bn hryvnyas (595.9m dollars).

Court overturns ruling to close ex-MP case

The Kyiv Court of Appeals on 14 April overturned the ruling issued by the first instance court, according to which the National Anti-Corruption Bureau of Ukraine was obliged to close criminal proceedings against ex-MP Mykola Martynenko of the People's Front faction, who is suspected of receiving bribes during procurement by the state-run enterprise Enerhoatom.

Former traffic police chief remanded in custody

The Kyiv Pecherskyy district court on 14 April put former head of the Kyiv traffic police Mykola Makarenko into custody until 13 June. Makarenko, who was previously extradited from Russia, can be released on bail of 5m hryvnyas (186,220 dollars).

Makarenko is suspected of organising criminal schemes within the Kyiv traffic police.

Ukrainian citizen detained in Montenegro under ex-MP's case

Ukrainian citizen Iryna Musiyenko, who is suspected of being involved in the so-called "gas scheme" organised by runaway MP Oleksandr Onyshchenko, has been detained in Montenegro.

The Special Anti-Corruption Prosecutor's Office is preparing her extradition to Ukraine.

Meanwhile, Onyshchenko claims that he has received political asylum in a European country.

First verdict passed in tycoon's case - prosecutor's office

A court has passed a guilty verdict against a businessman who was detained in February under the so-called "Kurchenko case" relating to the sale of a large amount of oil products without payment of mandatory duties to the budget. This follows from a statement made by the press service of the prosecutor's office in Odesa Region.

The case concerns evasion of budget payments to the tune of 1.2bn hryvnyas (44.69m dollars), as well as abuse of official position by a group of people while importing 800,000 tonnes of petroleum products to Ukraine. It was reported that the
businessman admitted his guilt in organising a fraudulent scheme for exporting fuel through Odesa Region and forging documents, and made a deal with the investigators.

The court also gave the green light to detain six captains suspected of forging documents for exports of fuel outside Ukraine's customs territory.

On 25 March, former Fuel and Energy Deputy Minister Ihor Kyryushin, who is involved in the case regarding the theft of liquefied gas by fugitive Ukrainian tycoon Serhiy Kurchenko, was detained in Georgia at the request of Ukraine. On 28 March, he was placed under arrest until a decision on his extradition in made.

State firm director suspected of multi-million fraud

Police are suspecting the head of Ukrhazenerhoservis, a branch of the state-run Uktrranshaz company, of fraud to the tune of 340m hryvnyas (12.66m dollars) during tenders of the Ukrainian Modern Turbine Complex held in 2014-16.

An investigation showed that Ukrhazenerhoservis overstated the cost of spare parts and did not fully deliver them to the state enterprise.

Law enforcers detain ex-official suspected of gas fraud

Officers of the Security Service of Ukraine (SBU) in Luhansk Region have detained the director of a dummy company that was used to launder money of the state-run energy companies Naftohaz Ukrayiny and Haz Ukrayiny, during the presidency of Viktor Yanukovych.

In particular, it was established that the company misappropriated state-owned liquefied gas worth 60m hryvnyas (2.23m dollars), causing damages of more than 20m hryvnyas (744,880 dollars) to the state budget.

Interpol puts ex-MP on wanted list

Interpol has issued an international arrest warrant for the former board chairman of the Enerhomerezha company, ex-MP Dmytro Kryuchkov of the Fatherland party.

The National Anti-Corruption Bureau suspects Kryuchkov of embezzling funds belonging to the Zaporizhzhyaoblenerho company and a number of industrial enterprises in Zaporizhzhya Region when signing contracts on assignment of claims that allowed Enerhomerezha to collect arrears for supplied electricity from these industrial enterprises. According to the investigation, these contracts caused losses of 346m hryvnyas (12.87m dollars)

Court releases former Georgian consul on bail

The Kyiv Pecherskyy district court on 6 April refused to arrest Timur Nishnianidze, the former consul-general of Georgia in Odesa, setting bail at 792,000 hryvnyas (29,500 dollars) as a measure of restraint.
On 10 March 2016, the Prosecutor-General’s Office of Ukraine notified Nishnianidze that he was suspected of laundering 4m hryvnias (148,980 dollars) through fictitious VAT refund transactions. In May 2016, the prosecutor’s office conducted searches at the office and home of Nishnianidze, who then was a pro bono adviser to the governor of Odesa Region, Mikheil Saakashvili.

Court freezes accounts of tobacco distributor

The Kyiv Pecherskyy district court has frozen equity rights and accounts in Privatbank of the monopolist distributor of tobacco products, Tedis Ukraine.

On 31 March, law enforcers conducted more than 100 searches at the company's offices in the case concerning financing of militants in Donbas to the tune of 2.5bn hryvnias (93.11m dollars), non-payment of taxes and other crimes.

In late 2016, the Antimonopoly Committee of Ukraine imposed a fine of 431m hryvnias (16.05m dollars) on Tedis Ukraine, which makes 1.2 percent of the company's annual turnover.

At the same time, the Prosecutor-General's Office of Ukraine believes that under the scheme for the withdrawal of money to Russia, Tedis Ukraine provided financial assistance to 11 dummy firms to a total of 2.51bn hryvnias (93.48m dollars). Also, the prosecutor’s office suspects that the company’s activities were covered by the head of the Antimonopoly Committee of Ukraine.

Court seizes tycoon’s telecom shares

The Kyiv Pecherskyy district court on 13 April granted the motion of the Prosecutor-General’s Office to seize the shares of the largest Ukrainian fixed-line operator, Ukrtelekom, and its subsidiary company, mobile operator TriMob, which are part of Rinat Akhmetov's SCM Group.

Under the case, the Prosecutor-General's Office is investigation the illegal allocation of 220m hryvnias from the state budget and privatisation of 93 percent of Ukrtelekom shares at a price understated by 1.6bn hryvnias at the order of the then president of Ukraine, Viktor Yanukovych.

It should be recalled that the Economic Court of Kyiv ordered the ESU company, which is the main shareholder of Ukrtelekom, to pay off 810.6m hryvnias (30.19m dollars) in outstanding debt on bonds to the state-owned Ukreximbank.

7. MILITARY

Premier proposes doubling defence budget

Prime Minister Volodymyr Hroysman has called for increasing the country's defence budget by two times. At the same time, he stressed that it would be possible to realise this only with significant growth of the national economy.

The state budget provides for increasing financing of the Defence Ministry in 2017 by 8.5 percent compared to 2016 to 64.5bn hryvnias (2.4bn dollars), which is 2.5 percent of the country’s GDP.
IN THE SPOTLIGHT

MP says Ukraine lost ammo worth 1bn dollars in depot fire

The Ukrainian army lost ammunition worth 1bn dollars in a fire that occurred at the military depot in the Kharkiv Region town of Balakliya on 23 March, according the head of the parliamentary committee on national security and defence issues, Serhiy Pashynskyy.

According to the investigation, an act of sabotage at the ammunition depot in Balakliya was carried out with the use of unmanned aerial vehicles. As a result, ammunition (Buk-M1 missiles and 152-mm shells) exploded on the arsenal's territory, killing one person.

Defence Minister Stepan Poltorka said that the fire in the depot did not affect the Ukrainian army's defence capability.

8. ECONOMY

Government approves plan of measures under IMF agreement

The Cabinet of Ministers of Ukraine on 12 April approved a plan of measures set forth in the Letter of Intent of the Government and the National Bank of Ukraine to the IMF, and in the Memorandum on Economic and Financial Policies.

Parliament gives go-ahead to borrow 200m euros for public transport revamp

Parliament on 12 April ratified a financial agreement between Ukraine and the European Investment Bank, under which the former receives 200m euros for the public transport sector. The loan is issued under state guarantees for 22 years with a grace period of up to five years.

Ukraine plan to raise pensions, cancel taxes for working pensioners

Prime Minister Volodymyr Hroisman said that in October pensions for some 5.6 million people will be increased by 200 hryvnyas (7.45 hryvnyas) to 1,000 hryvnyas (37.24 dollars). Also, there will be pension indexation (adjustment for inflation) at the end of the year, so 9 out of 12 million pensioners will receive increased pensions, according to the prime minister.

Hroisman also stressed that under pension reform it was planned to abolish taxation of pensions from 1 October.

At the same time, Social Policy Minister Andriy Reva said that additional 11-12bn hryvnyas (410-447m dollars) is needed to raise pensions in October.

Earlier, the IMF said that Ukraine cannot delay a comprehensive pension reform, particularly raising the effective retirement age.

The minimum pension in Ukraine is 1,250 hryvnyas (46.55 dollars).
Cabinet expects fewer recipients of subsidies in 2018

Social Policy Minister Andriy Reva expects that the number of recipients of subsidies in Ukraine will be reduced by a third to 5 million households by 1 January 2018, the Zerkalo Nedeli weekly has reported.

He explained that there will be no rapid growth of utility rates, while income of households will continue to grow.

National Bank cuts discount rate to 13 percent

The National Bank of Ukraine (NBU) has decided to lower the discount rate from 14 to 13 percent from 14 April.

According to the NBU board, the current situation in the economy on the whole and the level of consumer inflation allow making this step.

It is worth noting that in 2016 the regulator lowered the discount rate from 22 to 14 percent.

9. ENERGY

Parliament passes bill on electricity market

Parliament on 13 April passed a draft law on electricity market in Ukraine. Under the document, Ukraine should fulfil the requirements of the EU’s Third Energy Package regarding the separation of distribution and transmission of electricity from other activities.

According to the new rules, producers will be able to sell their electricity in different markets and in different periods of time, while the price will be set not by the national regulatory commission, but by the market. It means that consumers will be able to choose "tariff packages".

Currently, all the electricity that is produced in Ukraine is sold at a regulated price in the wholesale electricity market, which is operated by the state-owned enterprise Enerhorynok. Then, it is delivered to consumers through regional distribution companies (oblenerhos), which hold monopoly positions in their respective regions.

At the same time, the draft law provides for the corporatization of Ukrenerho as an independent transmission system operator. Meanwhile, Enerhorynok will be divided into two separate entities - a market operator and guaranteed buyer. Regional distribution companies will be divided into distribution and sales enterprises.

The draft law also introduces a new mechanism to support electricity producers under the "green" tariff.

At the same time, parliament speaker Andriy Parubiy will not be able to sign the document until MPs consider a draft resolution filed by the Fatherland party suggesting that the voting for the draft law be abolished. It will be possible to do this not earlier than 16 May, when parliament resumes its plenary sessions.
On 10 April, the national energy commission cancelled its decision dividing the price of gas for households and industrial consumers into two components - the price of gas as a commodity and a monthly fee for using networks.

**Ukraine extends state of emergency in energy sector**

The Cabinet of Ministers on 12 April extended for another month the state of emergency in the energy sector, which was introduced in mid-February due to the complete cessation of supplies of anthracite coal from rebel-held areas of Donetsk and Luhansk regions.

**Naftohaz supervisory council approves head’s resignation**

The supervisory council of the state-run energy company Naftohaz Ukrayiny has approved the resignation of its chairwoman, Yuliya Kovaliv.

Earlier, four out of five Naftohaz’s supervisory council members (British citizens Paul Warwick, Marcus Richards, Charles Proctor and Kovaliv) said they would resign if issues concerning corporate governance of the company, as well as the non-payment crisis caused by a number of legislative acts and actions falling within the government’s scope of responsibility were not resolved.

Meanwhile, the EBRD threatened to stop crediting the company in case the independent members of its supervisory council resign and there are delays in the body’s reform.

Prime Minister Volodymyr Hroysman said that a compromise with the members of Naftohaz’s supervisory council will be found.

On 29 March, the cabinet decided to expand the supervisory council of Naftohaz from five to seven members. Naftohaz head Andriy Kobolyev said that the increase in the number of supervisory council members was not agreed with the company's board.

**Naftohaz turns profitable in 2016**

Naftohaz Ukrayiny has shown a net profit for the first time over the past five years, posting a bottom line of 26.53bn hryvnyas (988.08m dollars) for 2016. This follows from a message posted on the company's website citing its audited financial statements.

The company received most of its profit from transit operations (28.7bn hryvnyas or 1.07bn dollars). At the same time, the company showed a loss of 2.9bn hryvnyas (108m dollars) in the wholesale gas trade segment, with 40 percent of this amount coming from sales of gas to households.

In 2016, the company paid 16.3bn hryvnyas to the budget in taxes and other mandatory payments. In addition, Naftohaz will pay to the state 13.3bn hryvnyas (495.34m dollars) in dividends. It will also transfer 2.4bn hryvnyas (89.39m dollars) as an advance income tax payment.
Naftohaz continues to buys "cheaper" gas from European suppliers

Naftohaz Ukrayiny has purchased natural gas from European suppliers for delivery in May at a price that is 25-30 dollars lower than the price stipulated by the contract with the Russian company Gazprom, according to Naftohaz commercial director Yuriy Vitrenko.

According to the official, the company’s savings will reach at least 21m dollars.

Vitrenko added that Naftohaz contracted gas for May from leading European companies using a loan from international banks under the World Bank’s guarantees with an interest rate of 3 percent.

Naftohaz signs memorandum on joint management of gas transport system

State-run companies Naftohaz Ukrayiny and Ukrtranshaz on 10 April signed a memorandum with the Italian company Snam S.p.A and Slovak company Eustream a.s. on the possible assessment of cooperation in using Ukraine’s gas transport system.

Ukrainian Prime Minister Volodymyr Hroysman noted that this memorandum was among the first steps towards the joint management of the gas transport system.

Premier calls for cutting gas rent to 12 percent

Prime Minister Volodymyr Hroysman during the weekly Q&A session in parliament on 14 April called for lowering the gas rent to 12 percent with the aim of boosting domestic production.

Currently, the rents for gas production are 29 percent for wells up to 5 km deep and 14 percent for depths over 5 km.

In 2016, Ukraine produced 20bn cu.m. of gas.

Another thermal power plant suspends operations

The Kryvyi Rih thermal power plant (TPP) in Zelenodolsk (Dnipropetrovsk Region), which belongs to Rinat Akhmetov’s DTEK company, suspended its work on 11 April due to shortages of anthracite coal.

This TPP is the fourth plant that has been shut down recently. On 5 April, the Prydniprovska TPP (DTEK) and Trypillya TPP (Tsentrenerho) ceased production of electricity to save coal, while the Zmiyivska TPP (Tsentrenerho) suspended operations on 7 April due to excess capacity in the system.

The Ukrenerho company said that the companies will use the down time to accumulate enough coal ahead of the peak loads in the system during the summer, as well as to conduct repairs.
DTEK buys 600,000 tonnes of coal from South Africa

The DTEK company, which shut down two power plants because of the shortage of coal, has purchased 600,000 tonnes of anthracite coal from South Africa with the option to increase the supplies to 1m tonnes. The first shipment of 75,000 tonnes is expected in June.

Premier calls for banning Russian coal supplies

Prime Minister Volodymyr Hroysman has supported the proposal of Energy Minister Ihor Nasalyk to ban imports of anthracite coal from Russia in order to prevent possible supplies of coal mined in rebel-held areas of Donbas disguised as Russian coal. At the same time, the head of the Ukrainian government considers it expedient to import coal, for example, from the USA or Australia.

For his part, President Petro Poroshenko suggested considering the issue of confiscating Donbas coal at a meeting of the National Security and Defence Council of Ukraine. This concerns coal produced in rebel-held areas and offered for sale in Ukraine as imported coal.

According to the current balance, the energy sector will need to import 5.6m tonnes of coal this year, the Zerkalo Nedeli weekly reported. Approximately 800,000 tonne of gas coal will be imported from Poland, while the rest will be anthracite coal shipped via sea ports. This is seven times more than last year’s imports of energy coal. The largest part – 5m tonnes - should be purchased in the second half of 2017.

Electricity production up by 1.5 percent, consumption by 1.1 percent

Electricity production in the united energy system of Ukraine in January-March 2017 increased by 1.5 percent compared to the same period of 2016, to 42.91bn kWh, the Energy Ministry has said.

At the same time, electricity consumption in January-March 2017, taking into account technological losses in the system, increased by 1.1 percent to 41.14bn kWh.

Ukrnafta sets up restructuring committee

The supervisory council of the Ukrnafta company has decided to create an advisory body on restructuring the company’s financial condition. The body will comprise representatives of Ukrnafta’s shareholders and management.

At the same time, the supervisory council instructed the chairman of the board, Mark Rollins, to draft specification for hiring consultants who should develop an action plan for the sale of Ukrnafta’s property with the purpose of paying off its tax debt.

Russian state agency mediates in iron ore supplies to Donbas – media

The Federal Agency for State Reserves of the Russian Federation has become an intermediary in the supply of iron ore to steel companies belonging to Metinvest and the IUD that were "nationalised" by the militants, so that Russian mining companies could avoid sanctions. This is stated from an article published by the Russian RBC
The agency says that the Eurochem company of Andriy Melnichenko may be involved in the delivery scheme.

It should be noted that Metinvest (owned by businessman Rinat Akhmetov and MP Vadym Novinskiy) warned of the intention to use all available legal instruments to bring to justice the companies that are involved in the illegal use of its assets in Donbas.