

## Data Sheet

<b>USAID Mission:</b>	Ukraine
<b>Program Title:</b>	Improved Investment Climate
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	121-0141
<b>Status:</b>	Continuing
<b>Planned FY 2006 Obligation:</b>	\$4,227,000 FSA
<b>Prior Year Unobligated:</b>	\$137,000 FSA
<b>Proposed FY 2007 Obligation:</b>	\$6,283,000 FSA
<b>Year of Initial Obligation:</b>	2003
<b>Estimated Year of Final Obligation:</b>	2007

**Summary:** USAID's program to improve the investment climate includes technical assistance to strengthen financial sector regulation, improve commercial legislation, support accession to the World Trade Organization (WTO), and implement international accounting practices.

### Inputs, Outputs, Activities:

#### FY 2006 Program:

Improve Economic Policy and the Business Environment (\$1,500,000 FSA). Over the next three years, USAID will continue to strengthen the legal and regulatory environment for doing business in Ukraine through its Commercial Law Resource Center (CLC). USAID programs will continue to work with the Parliament and other key stakeholders to develop and secure the passage of laws, which will enable full transition to a market economy operating on sound, rational principles and international best practice. Work will include the elimination of the Economic Code; further improvement of the Civil Code and laws on financial leasing, bankruptcy, and judicial enforcement; and passage of the new Economic Procedural Code and laws on joint stock companies, mortgage-backed securities, and non-governmental organizations (NGOs). Supplemental funding received in FY 2005 enabled the continuation of work with the High Economic Court to implement a case-management system designed to increase the efficiency, predictability, and reliability of commercial judicial practices, as well as to establish a publicly available registry of judicial decisions, which will lead to greater transparency and discipline, and reduced opportunities for corruption in the commercial court system. Combined with efforts at reforming the body of economic laws, these efforts will contribute greatly to the further transition and progress of Ukraine's economic performance. Also, USAID will continue to implement comprehensive training plans for judges to ensure implementation of laws in a predictable and rational manner, as well as for bailiffs, to increase the efficiency and reliability of the enforcement of court judgments. USAID will also develop a new project, which will focus on improving the business environment by reducing the constraints to growth of the formal business sector. Principal contractor is Emerging Markets Group, Ltd. (prime), with a second one to be determined.

Increase Trade and Investment (\$770,000 FSA). In conjunction with a new project that addresses the business environment, USAID will continue to work on improving conditions necessary to increase foreign direct investment and assist with technical implementation of World Trade Organization (WTO) agreements, building Ukraine's capacity to effectively and properly implement, administer, and enforce WTO rules and regulations. Implementer is to be determined.

Program Support (\$227,000 FSA, \$59,582 FSA carryover; \$77,429 FSA carryover supplemental). USAID will provide funds for administrative support and evaluations and assessments.

Strengthen the Financial Services Sector and Increase Access to Capital (\$1,730,000 FSA). The primary focus will be building the capacity of key regulatory bodies, strengthening financial sector infrastructure of the depository and clearing/settlement systems, building the capacity of the Persha Fondova Torhivelnna Systema stock exchange (the First Ukrainian Trading System), and resolving critical obstacles in the private/public pension sector.

FY 2005 supplemental funding allowed USAID to expand the accounting reform efforts to include work with the government and private sector on reconciliation of tax and financial accounting, and on amending accounting legislation to adopt International Financial Reporting Standards. In FY 2006, USAID will help the Certified International Accounting (CIPA) program become self-sustainable in Ukraine. Principal contractors are Financial Markets International, Inc. and The Pragma Corporation.

**FY 2007 Program:**

Improve Economic Policy and the Business Environment (\$600,000 FSA). USAID will continue to strengthen the legal and regulatory environment for doing business in Ukraine. Implementer: Commercial Law Center, a Ukrainian NGO (prime) and another one to be determined.

Increase Trade and Investment (\$3,383,000 FSA). USAID will continue implementation of a new project designed in FY 2006, to address foreign direct investment and implement WTO agreements. Implementer is the same as above.

Strengthen the Financial Services Sector and Increase Access to Capital (\$2,300,000 FSA). USAID will support the expanding financial sector and the establishment of a clear and transparent legal/regulatory environment for pension fund investments. These efforts will include support for passage of a new Joint Stock Company Law, as well as the design of enforcement and compliance programs for key regulators to bring Ukraine further into compliance with the International Organization of Security Commissions standards. In addition, assistance will be given to selected industry groups and nascent Self Regulatory Organizations to improve self-policing and raise confidence in the market. Implementers are: Financial Markets International, Inc., and the Ukrainian NGO Commercial Law Center (both prime).

**Performance and Results:** In FY 2005, USAID economic growth projects showed substantial accomplishments, which should contribute to an improved investment environment in Ukraine. The new mortgage law came into effect in January 2004 and led to an estimated \$900 million in new mortgage loans in FY 2005. In 2005, Ukraine, with USAID assistance, made dramatic progress in moving towards WTO accession. USAID-backed programs contributed to the passage of 10 laws and amendments in more than 35 others. The world's accounting industry leaders partnered with USAID in a Global Development Alliance to establish and support the CIPA program. CIPA now is endorsed and implemented by a federation of 25 accounting associations in nine Common Independent States countries. The National Bank of Ukraine (NBU) has adopted and is implementing a risk-based bank supervision approach, as recommended in the Basel Core Principles of Bank Supervision, which is supported by USAID's Banking Supervision Project. Now, due to USAID's bank supervision program, the NBU is regulating banks based not only on the quality of loan portfolios but on the measurement of banks' performance of internal risk management. In May 2005, USAID's Commercial Law Project provided assistance in the drafting and passing of the "Law on Credit Bureau," which established information disclosure standards on private entities' creditworthiness to financial institutions. Following the passage of this law, the Association of Ukrainian Banks and its 30 member banks joined together to establish a credit bureau.

It is expected that by the time USAID's projects close out, Ukraine will have a secure and stable primary and secondary mortgage market, and a strong financial leasing industry. Ukraine will be a member of the WTO; the NBU will have competence and experience in risk-based supervision; CIPA certification will be commercially sustainable and will be the professional accounting certification of choice of Ukraine's private enterprises; and the commercial courts will be more transparent.

## US Financing in Thousands of Dollars

Ukraine

121-0141 Improved Investment Climate	FSA
<b>Through September 30, 2004</b>	
Obligations	14,289
Expenditures	7,337
Unliquidated	6,952
<b>Fiscal Year 2005</b>	
Obligations	3,230
Expenditures	0
<b>Through September 30, 2005</b>	
Obligations	17,519
Expenditures	7,337
Unliquidated	10,182
<b>Prior Year Unobligated Funds</b>	
Obligations	137
<b>Planned Fiscal Year 2006 NOA</b>	
Obligations	4,227
<b>Total Planned Fiscal Year 2006</b>	
Obligations	4,364
<b>Proposed Fiscal Year 2007 NOA</b>	
Obligations	6,283
Future Obligations	0
Est. Total Cost	28,166