

EXHIBIT 10



The U. S. Commercial Service

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A. Brief Description of the Banking System

The Ukrainian banking system consists of the central bank - the National Bank of Ukraine (NBU), and commercial banks of various classifications. The NBU is responsible for monetary circulation, registration of commercial banks and oversight of their activities, and sometimes intervenes in the currency market to moderate changes in the exchange rate. As at January 1, 2001, 195 banks were registered in Ukraine, including 31 with foreign capital backing, and 7 with 100% foreign capital. Of the total 195 banks registered, 153 banks are actually operating. With the exception of two state-owned banks, Oshchadbank and Ukreximbank, the banks are all either joint-stock companies (JSC) (118 open JSC, 49 closed JSC) or limited liability companies (26). In 2000, MicroFinance Bank was the only one new bank registered in Ukraine.

Eight banks, whose net assets exceed UAH 1 billion, control much of the capital and political power in Ukraine: Prominvest Bank, Aval, Privatbank, Ukreximbank, Oshchadbank, Bank Ukrayina, Ukrsotsbank, and the First Ukrainian International Bank (PUMB).

While the sector is relatively healthy by regional standards, financial intermediation remains weak. At the end of 2000, the sector's total assets were equivalent to about USD 5.5 billion, and the total banking capital was reported to stand at around 30 per cent of total liabilities.

Problems common to all commercial banks in Ukraine include: uncertain macroeconomic conditions; the value of credit resources; and the threat that inflation will not be kept under control. The banks remain risk-averse: the spreads

30 days or less. Total bank lending is estimated at around 10 per cent of GDP. The average percentage of "problem loans" in the Ukrainian banking system was calculated at 16.4% in 2000.

Ukraine's payment system is reliable. All domestic payments – irrespective of the amount - are carried out fully electronically through the clearing center and the 42 branches of the NBU. The average time for payment transfer is between ten minutes and two hours. The transfer of payment orders in foreign currencies is made either through a cover at the foreign partner-bank, or through the NBU's international settlements department. Banking was the first sector in Ukraine to convert to International Accounting Standards (IAS).

Ukraine has adhered to a number of international legal instruments pertaining to international payments via checks, bills of exchange, letters of credit, and collection arrangements. The safest method of receiving payment for U.S. exports is through an irrevocable letter of credit (L/C). To carry out hard currency transactions, a bank has to be authorized by the NBU. Authorized Ukrainian commercial banks are members of SWIFT (Society for Worldwide Inter-bank Financial Telecommunications).

Ukrainian banks, depending on the details of their NBU license (there are approximately 30 separately licensed banking activities), offer the following services: account-keeping in UAH and foreign currencies; domestic and international payments; cash operations; documentary operations; lending; currency conversion; deposits; operations with securities; brokerage services; trusteeship of assets and customer securities portfolios; financing of investments on behalf of owners or trustees of invested funds; consulting and analytical services; precious-metals trading in the Ukrainian market; purchase and sale of currency in the domestic interbank and international markets.

The Verhovna Rada in early December 2000 adopted the Bill on Banks and Banking, outlining the structure of the banking system, economic, organizational and legal grounds for reorganization and liquidation of banks. The Bill introduces a differentiated approach to the definition of the minimum required level of authorized capital of a commercial bank, depending on the scope of territory on which it operates. In particular, the minimum size of authorized capital at the moment of registration of a regional corporate bank cannot be less than EURO 1 million, for commercial bank operating on the territory of a certain region - EURO 3 million, and for those working on the whole territory of Ukraine - EURO 5 million.

Ukraine has one of the most liberal sets of regulations for foreign bank participation in the CIS. Foreigners are permitted fully participate in the domestic banking sector, although they must establish a resident office one year before applying for a banking license. The minimum authorized statutory fund is ECU 10 million, a small sum by international standards. Foreign banks service both their multinational clients and Ukrainian blue chips. Since 1997 foreign banks such as Credit Lyonnais (France), Raiffeisenbank (Austria), ING (Netherlands), Kreditanstalt (Germany), and Citibank (USA) have established full subsidiaries. Apart from western banks, banks from neighboring countries such as Russia (Alfa Bank, National Reserve Bank), and Poland (Kredyt Bank, PEKAO) are also entering the market.

B. Foreign Exchange Controls

Current legislation stipulates that Ukrainian currency is the only legal form of payment on the territory of Ukraine, which may be accepted without limitation for the settlement of debts and obligations. Currency decrees stipulate that individual licenses have to be obtained from the NBU to carry out the following operations:

- i) use of hard currency on the territory of Ukraine as a form of security;
- ii) a resident of Ukraine opening a bank account abroad;
- iii) a resident making an investment abroad, except in the event of inheritance, the acquisition of shares, or an ownership interest by a resident in a non-Ukrainian legal entity;
- iv) obtaining or granting of loans in hard currency by a resident of Ukraine, if the amount of the loan is in excess of the minimum levels established by the NBU;
- v) making hard currency payments abroad from Ukraine (except instances listed in the following paragraph).

Individual licenses are not required for the following transactions:

- i) payments abroad in hard currency, which are carried out by residents in order to fulfill obligations in such currency to non-residents in connection with payment for goods, services, intellectual property rights, and other property rights;
- ii) payments abroad in hard currency made in the form of interest payments on loans and profits from foreign investments;
- iii) transfer, upon the termination of investment activities, of hard currency from Ukraine, which had been previously invested in Ukraine.

Currently, the official exchange rate, auction rate, and "street" rate fluctuate at similar levels. According to the Foreign Investment Law, the exchange rate for converting foreign investments into Ukrainian currency is the rate established by the NBU.

C. General Financing Availability

Credit availability in the private sector is scarce, as commercial banks remain risk-averse; the spreads between lending and deposit rates are high and loans are mainly short-term. The discount rate was lowered from 29% (April, 2000) to 19% (June, 2001). The reduction of rates has only marginally influenced the banking sector, but this trend will undoubtedly stimulate banks to increase their medium-term credit activity. The majority of commercial bank loans are for 90 days or less, with most terms being 30 days or less. This precludes loans from Ukrainian commercial banks for virtually any transaction – a major problem affecting a wide range of business in Ukraine.

D. How to Finance Exports/Method of Payment

Ukraine has adhered to a number of international legal instruments pertaining to international payments via checks, bills of exchange, letters of credit, and collection arrangements. The safest method of receiving payment for a U.S. export is through an irrevocable letter of credit (L/C). To carry out hard currency transactions authorized by the NBU, Authorized Ukrainian commercial banks are members of SWIFT (Society for Worldwide Interbank Financial Telecommunications).

E. Types of Export Financing and Insurance Available

1. The **Bankers' Association for Foreign Trade (BAFT)** is an association of banking institutions dedicated to fostering and promoting American exports, international trade, finance, and investment between the U.S. and its trading partners. BAFT's access to the Export Capital Program (AXCAP) has greatly strengthened BAFT's commitment to American exports. AXCAP serves as a "national catalog" listing banks and other companies involved in trade finance and trade finance services. For further information, contact:

Bankers' Association for Foreign Trade
2121 K Street, N.W., Suite 701, Washington, DC 20037
Tel: (202) 452-0952; Fax: (202) 452-0959
E-mail: baft@baft.org
<http://www.baft.org>

2. The **Export-Import Bank of the United States (Ex-Im Bank)**, an independent U.S. Government agency, helps to finance the overseas sale of U.S. goods and services. Ex-Im Bank programs for Ukraine include short-term and medium-term coverage for sovereign risk transactions. Under its short and medium-term programs, Ex-Im Bank requires an indication of host government support before accepting an application. In late spring 1996, the Export-Import Bank approved the guarantee of a \$171 million loan from Societe Generale for the sale of John Deere agricultural equipment to Ukraine. This was the Ukrainian government's first request for Ex-Im Bank guarantees since the Bank reopened its programs in Ukraine in May 1995. For further information, contact:

Ex-Im Bank
811 Vermont Ave., N.W., Washington, DC 20571
Tel: (800) 565-3946; Fax: (202) 565-3380
<http://www.exim.gov>

3. The **Overseas Private Investment Corporation (OPIC)** is an independent, self-sustaining U.S. Government agency that encourages private sector U.S. investment overseas by providing investment finance and insurance to American businesses large and small making long-term investments. OPIC has provided more than \$3.5 billion in combined project financing and political risk insurance to U.S. companies sponsoring projects in Armenia, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Ukraine and Uzbekistan.

The U.S.-Ukraine OPIC Agreement was signed in Washington on May 6, 1992. The Agreement enables the U.S. to provide investment insurance, project financing, and various investor services to private U.S. investors for sound business projects in Ukraine. Since the signing, OPIC has led several investment missions to Ukraine and hosted several reverse investment missions by Ukrainian business representatives to the United States.

OPIC risk insurance and financing programs are also available to U.S. investors in Ukraine. OPIC has also facilitated conferences and exchanges between the two countries to increase business relations.

Key contacts are:

James Gale, Investment Development Manager
Overseas Private Investment Corporation
1100 New York Ave.
Washington, DC 20527-0001
Tel: (202) 336-8628; Fax: (202) 408-5145
<http://www.opic.gov>
E-mail: info@opic.gov

LaWana Gray, Information Officer
Tel: (202) 336-8663

4. The **U.S. Small Business Administration (SBA)** does not have a specific program designed for the NIS, but all qualified U.S. companies doing business in the region may apply for SBA financing. SBA guarantee programs include the Regular Business Loan Guarantee Program, which provides loan guarantees to small business for fixed assets and working capital; and the Export Revolving Line of Credit Program, through which a business can receive a government-guaranteed loan to finance labor and materials for manufacturing or wholesaling, developing foreign markets, financing foreign accounts receivable and, in some cases, business travel and trade show participation. The International Trade Loan Program provides long-term, fixed-asset financing and short-term working capital to purchase or upgrade facilities or equipment and to make other improvements within the U.S. for the production of foods and services. For further information, contact:

Small Business Administration
409 3rd St, S.W., Washington, DC 20416
Tel: (800) 827-5722; Fax: (202) 205-7064
<http://www.sba.gov>

F. Types of Project Financing Available

1. The **European Bank for Reconstruction and Development (EBRD)** established an office in Kyiv in 1993. As of 30 December 2000 the European Bank for Reconstruction and Development (EBRD) had signed (net of completed and restructured) 38 projects in Ukraine totalling EUR 1,2 billion, of which 27 are in the private sector. As of 30 December 2000, the EBRD's commitments in Ukraine totaled over \$ 1.2 billion, covering all major sectors of the Ukrainian economy – including food processing, the financial sector, oil and gas extraction, transportation, agricultural services, and telecommunications. \$611.8 million of the EBRD's commitments (51 %) went to the private sector, while \$592.3 million (49 %) went to the public sector. (See section G for EBRD projects.)

Contact information for project proposals and inquiries:

Olivier Descamps
Business Group Director for Southern

and Eastern Europe and the Caucasus
Tel: +44 207 338 7164
Fax: +44 207 338 6599

Lesia Haliv
Country Liaison Officer
Tel: +44 207 338 7881
Fax: +44 207 338 7218/6159
E-mail: halivl@ebrd.com

EBRD
One Exchange Square
London EC2A 2JN
<http://www.ebrd.com>

For information on the procurement process, contact the Procurement Unit at:

Tel: (44-171) 338-6534; Fax: (44-171) 338-7472
<http://www.ebrd.com/english/procure/index.htm>

For general information on the EBRD and other Multilateral Development Banks, contact:

Janet Thomas, Acting Director
U.S. Department of Commerce
Ronald Reagan Building, Mezzanine Level
Washington, DC 20230
Tel: (202) 482-3399; Fax: (202) 482-3914

(Ukraine contact information may be found in Chapter 11, Appendix G.)

2. The **World Bank** – Ukraine joined the World Bank in September 1992, with the first loan of \$27 million for an institutional building project approved in June 1993. The World Bank approved a new Country Assistance Strategy (CAS) for Ukraine in September 2000, aimed to assist the government and civil society in obtaining sustained growth and poverty reduction. The World Bank granted Ukraine the last tranche of the current financial sector adjustment loan (SAL) at the end of January 2001, after its board has decided to cut the allotment from USD 100 million to USD 60 million following its December mission which found that Ukraine had not implemented the credit agreement in full.

For more information contact:

World Bank Headquarters
1818 H Street NW, Washington, DC 20433
Tel: (202) 477-1234; Fax: (202) 477-6391
<http://www.worldbank.org>

(Ukraine contact information may be found in Chapter 11, Appendix G.)

3. The **International Finance Corporation (IFC)** is a member of the World Bank Group and a specialized UN agency. The IFC was established in 1956 to encourage private sector activity in developing and emerging economies. Ukraine became a member of the IFC in the fall of 1993.

Complementing its core investment activity, the IFC provides technical assistance and consultation to business and government in developing countries and economies in transition. The focus of this assistance is privatization, SME and capital markets development. Currently the IFC is working on four technical assistance projects in Ukraine: divestiture of unfinished construction sites (financed by the United States Agency for International Development - USAID), corporate governance (financed by the Canadian Agency for International Development, the British Know How Fund and the Government of Japan), business development (financed by USAID), and land reform (financed by the Canadian Agency for International Development, the

governments of the Netherlands, Japan, Sweden, Norway, and Denmark, and the British Know How Fund).

International Finance Corporation
212 Pennsylvania Ave., N.W., Washington, DC 20433
Tel: (202) 477-1234; Fax: (202) 974-4384
<http://www.ifc.org>

(Ukraine contact information may be found in Appendix G.)

4. The **U.S. Trade and Development Agency (TDA)** offers U.S. businesses a variety of tools to help increase American exports in the face of stiff international competition. Through the funding of feasibility studies, orientation visits, specialized training grants, and various forms of technical assistance, TDA enables American businesses to become involved in the planning stage of infrastructure and industrial projects in middle-income and developing countries. TDA's assistance to the NIS has focused on the funding of feasibility studies, particularly those that create long-term cooperative relationships between U.S. firms and their NIS counterparts. Since 1991, TDA has approved about \$80 million for feasibility studies of more than 200 major projects in the NIS. Exports of U.S. goods and services related to those projects already total over \$600 million.

For further information, contact:

Daniel Stein, Regional Director
Melissa A. Eustace, Country Manager
U.S. Trade and Development Agency
1621 North Kent St Suite 200

Tel: (703) 875-4357; Fax: (703) 875-4009
E-mail: info@tda.gov
<http://www.tda.gov>

5. The **Western NIS Enterprise Fund**, capitalized with \$150 million by the U.S. Government, has been fully operational in Ukraine, Belarus, and Moldova since June 1995. The Fund provides equity capital and loans in amounts between \$500,000 and \$5 million to small and medium-sized private companies involved in food processing, distribution, construction materials, and other light manufacturing industries. The Small Business Loan Fund, a separate fund managed by Western NIS, makes commercial loans under \$100,000 to small businesses and entrepreneurs. The Fund has committed over \$74 million to Ukraine and Moldova from September 1996 to July 2001.

Natalie A. Jaresko, President & CEO
Western NIS Enterprise Fund
15 West 39th Street, 11th Floor, New York, NY 10018
Tel: (212) 556-9320; Fax: (212) 556-9321

Mark Ivashko
Western NIS Enterprise Fund
4 Muzeyny Provulok, 3rd Floor, Kyiv 01001, Ukraine
Tel: (380-44) 490-5580; Fax: (380-44) 490-5589

6. The **Eurasia Foundation**, a privately managed grant-making organization established with financing from USAID, supports technical assistance, training, education, and policy programs. Currently, the Eurasia Foundation administers two programs in Ukraine: 1) Economic Education and Research Consortium (EERC) educational program, and 2) Small Business Lending Program (SBLP). A third program, the Small Grant Program (SGP), was suspended in fall 1999.

The Eurasia Foundation also awards grants to American organizations with partners in the NIS and directly to NIS organizations involved in projects that promote economic and democratic reform. In 1998, Eurasia issued \$2.5 million in grants to 200 Ukrainian NGO's in business development, education, and

management training; economic education and research; electronic communications; media; NGO development; public administration; and rule of law.

1350 Connecticut Ave., N.W., Suite 1000
Washington, DC 20036

Tel: (202) 224-7270 Fax: (202) 224-7277

Richard Sheparo
Regional Director, Eurasia Foundation
26, Lesi Ukrainki Vul., #506, Kyiv 252133, Ukraine
Tel/Fax: (380-44) 295-1065, 295-7402
E-mail: eurasia@eurasia.freenet.kiev.ua

Small-Business Loan Program
26, Lesi Ukrainki Vul., #506, Kyiv 252133, Ukraine
Tel/Fax: (380-44) 294-8209
E-mail: sblp@efsblp.freenet.kiev.ua

G. Types of Projects Receiving Financing Support

1) European Bank for Reconstruction and Development (EBRD) Projects approved in 2000:

Cerealia Boryspil Cereal Plant

Equity stake alongside Sweden's Cerealia food group to support the expansion of Boryspil, Ukrainian leading breakfast cereal company.

Approved April 4, signed June 29.

Funds approved - USD 3.3 mln. Total investment - USD 8.6 mln.

Ukraine Enterprise Support Facility

Framework facility for selected banks to on-lend to qualifying private sector enterprises, increasing the supply of much-needed term finance.

Approved May 3.

Funds approved - USD 27.9 mln. Total investment - USD 27.9 mln.

Credit Lyonnais Ukraine

Sub-project of Ukraine Enterprise Support Facility.

Approved May 3.

Funds approved - USD 5.4 mln. Total investment - USD 5.4 mln.

First Ukrainian International Bank

Sub-project of Ukraine Enterprise Support Facility.

Approved May 3, signed October 26.

Funds approved - USD 10.7 mln. Total investment - USD 10.7 mln.

West Ukrainian Commercial Bank

Sub-project of Ukraine Enterprise Support Facility.

Approved May 3.

Funds approved - USD 2.5 mln. Total investment - USD 2.5 mln.

Ukrichflot II

To assist in the current finance of five river/sea dry cargo vessels and enable Ukrichflot to acquire two new vessels, all built in Romania.

Approved September 5, signed October 20.

Funds approved - USD 6.1 mln. Total investment - USD 60.6 mln.

Fuel Purchase Loan Facility

Seasonal working capital facility, in support of Ukraine's energy sector reforms, to help four government-owned generating companies to buy oil.

Approved October 3, signed October 6.

Funds approved - USD 107.5 mln. Total investment - USD 107.5 mln.

Rehabilitation of M06 Highway and Reform of Road Sector Financing

Loan to rehabilitate sections of one of Ukraine's key roads, and assist with restructuring of road sector finance and administration.

Approved October 31, signed December 11.

Funds approved - USD 75.0 mln. Total investment - USD 100.0 mln.

Ista Center

Corporate loan and revolving capital facility to support the expansion of the company's battery production facility.

Approved November 28, signed December 14.

Funds approved - USD 10.7 mln. Total investment - USD 13.1 mln.

Ukrainian International Airlines

Equity investment to help the airline meet market demand for passenger and cargo services between Ukraine and Western Europe.

Approved November 28, signed December 14.

Funds approved - USD 6.1 mln. Total investment - USD 5.8 mln.

K2/R4 Completion Project

Loan to Energoatom for the completion and safety upgrade of two nuclear power plants, approved subject to conditions including the permanent closure of Chernobyl facility.

Approved December 7.

Funds approved - USD 231.0 mln. Total investment - USD 1, 591.0 mln.

2) World Bank Projects:

Projects Under Implementation:

Public Sector

Treasury Systems Project

Amount

\$16,4 m.

Board Date

February 24, 1998

Effective Date

July 27, 1999

Closing Date
June 30, 2002

Project objectives: Creation of centralized treasury system; developments of amendments necessary to the Budget Law to permit the imposition of expenditure control regulations; development of a new hierarchical chart of accounts; implementation of a transaction based Treasury Ledger System; implementation of effective Public Expenditure Control Regulations to manage the level and timing of expenditures and the extent of arrears.

Private Sector

Enterprise development Adjustment Loan

Amount

\$310 m

Board Date

June 27, 1996

Effective Date

July 19, 1996

Closing Date

December 31, 2000

Project objectives: Accelerated implementation of the mass-privatization program and strengthening of capital markets regulation. Funding for critical imports and a smaller amount (\$10 million) for technical assistance in post-privatization enterprise restructuring initiatives including consultative services, training and equipment for key agencies.

Sea Launch Project

Amount

\$670m

World Bank Guarantee \$100 m

Board Date

May 29, 1997

Effective Date

May 11, 1998

Closing Date

December 31, 2006

Launching of commercial satellites over a 10 to 15 years period by a joint venture including Ukrainian (Yuzhnoye), RSC Russian (Energia), Norwegian (Kvaerner Maritime) and US (Boeing Commercial Space Company) firms. The Bank guarantee would cover political risks related to production and export of launching vehicles for a \$100 million commercial bank consortium loan to the Ukrainian partner.

Financial Sector

Export Development Project

Amount

\$70 m

Board Date

November 2, 1996

Effective Date

August 7, 1997

Closing Date

June 30, 2002

Project aims to assist in the development of Ukraine's emerging private sector export potential by supporting the production and marketing of goods, works and services for export in all sectors of the economy. The project would provide: (i) export development technical assistance to private exporters (through export development fund), (ii) technical assistance for the institutional development of Ukreximbank (through a twinning program with experienced foreign Exim bank), and (iii) credit finance to private exporters (credit line for Ukreximbank for further financing to eligible sub-borrowers).

Financial Sector Adjustment Loan (FSAL)

Amount

\$300 m

Board Date

September 15, 1998

Effective Date

September 18, 1998

Closing Date

December 31, 2000

and (iii) creating a favorable environment for the future development and structure of the banking sector in Ukraine.

Energy Sector

Hydropower Rehabilitation and System Control Project

Amount

\$190 m

World Bank Loan \$114 m. Cofinancing from the Swiss, Canadian and Norwegian governments.

Board Date

April 11, 1995

Effective Date

May 24, 1996

Closing Date

December 31, 2000

Supply of turbines, generators, improvement of dispatch and system control network at hydro power plants along the Dnieper river (Kyiv, Kaniv, Kremenchuk, Dnipropetrovsk, Zaporizhia, Kakhovka), National Dispatch Center and eight regional dispatch centers.

Coal Sector Adjustment Loan

Amount

\$300 m

Board Date

December 11, 1996

Effective Date

December 27, 1996

Closing Date

December 31, 2000

Implementation of economic restructuring of the coal sector including corporatization, price, trade and export liberalization, decommissioning of unprofitable mines and investment into profitable corporatized mines, social mitigation. Facilitating implementation of the sectoral reform program based on Action Plan agreed on between Ukraine and the Bank in January 1996, and Presidential Decree issued in February 1996.

Coal Pilot Project

Amount

\$15.8 m

Board Date

May 16, 1996

Effective Date

August 28, 1996

Closing Date

December 31, 2000

Mitigating of social and environmental consequences of closure of three coal mines with focus on employment creation for redundant mines; transfer of social assets and environmental clean-up.

Kiev District Heating Improvement Project

Amount

\$200 m

Board Date

May 21, 1998

Effective Date

April 12, 1999

Closing Date

December 31, 2004

The project targets: (i) heat production capacity improvement, to alleviate the insufficient heat production capacity and better meet existing/ growing demand; (ii) DH rehab (transmission, distribution, and network improvements); (iii) automation and control; and (iv) institutional support to project agencies.

Kiev Public Building Energy Efficiency Project

Amount

\$18.3 m

Board Date

The project will improve the institutional capacity of the State Tax Administration in order to achieve a service-based tax administration that fosters voluntary compliance; reduces tax evasion and broaden tax base; supports current government efforts to reduce tax rates and paves the way for further gradual reductions in the future; efficiently, equitably and honestly administers the laws related to taxes.

Statistics Modernization Project

Amount

\$30m

Board Date

2003

The project will strengthen the capacity of the statistical system to provide quality and timely data for economic and social policy, business decisions, and general analytical work.

Social Sector

Social Investment Fund

Amount

\$30 m

Board Date

December 2001

The project aims at improving the living conditions of poorer and vulnerable groups of the population; empowering communities and vulnerable groups to address social needs; assisting reforms in social protection, health and education by creating models that target and provide services.

Municipal Development Loan APL

Amount

\$ 150 m

Board Date

2001

The project aims at developing capacities at the local government levels (municipalities) to better manage and deliver of urgent infrastructure rehabilitation activities in a cost-effective manner, taking into account priorities as defined by the municipalities themselves in their municipal development plans; improving municipal authorities capacities to better financial management.

TB/AIDS Epidemic Control Project

Amount

\$ 52 m

Board Date

2001

The project objective is to implement measures for TB/HIV/AIDS epidemic control in Ukraine. TB component will be devoted to the introduction of DOTS strategy in Ukraine. HIV/AIDS component includes sub-components aimed at advocacy and

awareness raising; work with the risk groups on HIV/AIDS prevention; implementation of activities to prevent HIV/AIDS transmissions; improvement of care and support of people living with HIV/AIDS.

Private Sector

\$82m

Board Date

September 2001 (tentative)

The Private Sector Development (PSD) Loan seeks to improve the business climate and strengthen the private sector in Ukraine, in collaboration with the government. It will accelerate the rate of growth of the industrial sector by restructuring of the privatized and new private enterprises and by upgrading management and technical skills.

Energy Sector

Coal Sector Social Mitigation Project

Amount

\$100m

Board Date

March 2001

The project will (i) compensate redundant miners and ease social tensions through the provision of statutory social benefits; (ii) establish efficient procedures for closing redundant and uneconomic mines and avoiding serious environmental impact; (iii) enable miners from mines that are to be closed to enter the regional labor market and find new permanent or temporary employment in non-mining sectors; and (iv) provide public information, auditing, training and technical assistance.

Sevastopol Heat Supply Improvement Project

Amount

\$28 m

Board Date

March 2001

The project aims (i) to increase efficiency, improve the reliability and service levels in the heating system in Sevastopol through introduction of decentralized mini-boilers in the areas of worst heating conditions and in key public buildings; and (ii) to promote sound cost recovery policies and practices and the commercialization and institutional development of newly established heat supply company Sevteploserviss.

Rural Development

Title Registration Project

Amount

\$100m

Board Date

2002

The Project supports the introduction of registration of real estate and immovable property in rural areas and towns by providing technical assistance, training, and investment in equipment and facilities. It assists in developing a strategy for land registration, provide institutional strengthening at the national and regional levels, re-equip the national mapping agency, and help to set up and maintain land and property registers.

Rural Finance/Farm Restructuring

Amount

\$100m

Board Date

2003

The project aims to increase lending to private agriculture, small rural enterprises and agri-businesses by expanding the financial services of commercial banks and credit unions in rural areas.

Infrastructure

Lviv Municipal Water & Wastewater Project

Amount

\$20 m

Board Date

March 2001

The project aims to improve water services to the population and protect the water body against contamination.

Environment

Biodiversity Conservation in the Azov-Black Sea Ecological Corridor

Amount

\$6.9m GEF grant

Board Date

March 2001

The project aims to conserve biodiversity and assist with sustainable development on the Ukrainian coast and upland sites of the Black Sea and the Sea of Azov. Specific project objectives are to: (i) establish a network of regional and national protected marine, wetland, and upland areas within the Ukraine Black Sea coastal zone; (ii) promote sustainable agriculture compatible with biodiversity conservation in agricultural landscapes; (iii) build capacity and awareness in biodiversity conservation and sustainable development; (iv) improve water quality and monitoring of water quality and biodiversity in the wetland and marine communities of the project region, and (v) support international cooperation activities under the Ramsar, Bonn, and Bern Conventions.

National Strategy Study for Climate Change

Amount

\$254,000

Board Date

December 2000

The National Joint Implementation (JI) Strategy Study will provide Ukrainian authorities with tools and develop options for their use to analyze the opportunities presented by potential international markets for GHG emission reductions through the mechanism of JI. The Study will pursue this objective from Ukraine's perspective and analyze the general elements that impact any future market for GHG emission reductions; second, it will help Ukraine to identify priorities within climate change theme.

3) Approved TDA Projects in Ukraine, as of June 2001:

Aluminum Smelter - TDA has approved partial funding (\$240,900) for a study on conversion of the ZALK smelter to pre-bake technology. Kaiser Aluminum and Chemical Corp. has been selected to conduct the study.

Pollution Control—TDA has approved funding (\$200,000) for studies on environmental investments by industrial enterprises, to be financed by the World Bank. Booz-Allen & Hamilton conducted the studies.

Oil Pipeline—TDA has provided partial funding (\$750,000) for a study on construction of an oil pipeline from Odessa to Brody. Although the study (carried out by Gulf Interstate Engineering) was completed in late 1999, the results have still not been released by the government. The reasons may include the continued reshuffling of key officials within the energy sector and reluctance within the government to diversify fuel supplies.

Vinyl Windows—TDA is providing partial funding (\$250,000) for a study on production in Ukraine and Russia of vinyl windows from U.S. components. ACRO Extrusion Corporation is conducting the study.

Defense Conversion—TDA is providing funding (\$150,000) for an Orientation Visit for representatives of Kharkiv-based defense enterprises. Power Tech Associates is organizing the OV.

Coal Recovery—TDA provided partial funding (\$375,000) for a study on recovery of coal from slurry ponds. A consortium headed by Oxbow Coal and Carbon is conducting the study.

Air Traffic Control—TDA is providing funding (\$500,000) for a study on upgrading the ATC system in Ukraine. ARINC is conducting the study.

Meat Processing—TDA provided partial funding (\$150,000) for a study on four meat processing projects. Koch Supplies Inc. is conducting the study.

Kyiv Airport—TDA provided partial funding (\$500,000) for a study on upgrading Boryspil airport. The Canadian Government provided an additional \$300,000. Hughes Aircraft conducted the study.

Power Plant Repowering—TDA provided partial funding (\$400,000) for a study on conversion of a coal-fired power plant in Dnepropetrovsk to gas. NRG and Black & Veatch conducted the study.

Aluminum Smelter—TDA provided partial funding (\$500,000) for a study on upgrading of environmental controls and automation at the Zaporozhye smelter. Technalum conducted the study.

Spent Fuel—TDA provided partial funding (\$300,000) for a study on construction Services conducted the study.

Power Plant Systems—TDA provided partial funding (\$200,000) for a study on coproduction of instrumentation systems for nuclear power plants. Westinghouse Electric conducted the study.

Electronic Money—TDA provided partial funding (\$450,000) for a study on development of a new banking network utilizing smart cards. Vastarr conducted the study.

Antonov Aircraft—TDA provided partial funding (\$1,000,000) for a study on coproduction of the An-38, a small passenger/cargo aircraft. AlliedSignal conducted the study.

Cement Plants—TDA provided partial funding totaling \$400,000 for separate studies on the rehabilitation of two cement plants. Fuller International conducted the studies.

District Heating—TDA provided funding (\$626,000) for a study on upgrading the Kyiv district heating system. Joseph Technology conducted the study.

Energy Conservation—TDA provided partial funding (\$400,000) for a study on energy conservation investments at three facilities. Honeywell Inc. conducted the study.

Railways—TDA provided funding (\$250,000) for studies on restructuring of and development of a telecom plan for Ukrainian Railways. Clell Harral International conducted the telecom study. The Winner Inc. conducted the restructuring study.

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Privatization and Capital Markets:

USAID provides technical assistance for privatization of unfinished construction sites and social assets to broaden the base for private sector development. The activity includes: 1) advisory work for the Government of Ukraine and the legislators on the legal and regulatory framework of privatization; and 2) policy

and organizational support of local privatization authorities and businesses in

idle assets.

Capital markets development assistance includes regulatory drafting, technical assistance, training and equipment to: 1) support the Securities Commission; 2) foster a better legal and enforcement environment for corporate governance and shareholder rights that focuses on investor protection; 3) improve issuers' financial disclosure procedures; 4) enhance the computerized nationwide share trading system and the private central securities depository; 5) develop securities industry institutions such as independent registrars, custodians, and broker-dealer firms; and 6) establish self-regulation within the securities industry and improve professional standards. As part of the capital markets program, USAID also supports accounting reform by 1) improving the regulatory framework; 2) assisting in the conversion of enterprises to a new International Accounting Standards based accounting system; 3) supporting the development of professional self-regulation; and 4) promoting university curriculum reform and partnership development.

Business Development:

USAID supports new and privatized businesses, particularly small and medium-sized enterprises (SMEs), through activities that seek to improve SME access to market-driven business skills and information; create a legal, regulatory, and political environment more conducive to SME development; and enhance SME access to finance. A network of fifteen business centers and three incubators provide training, consulting, and information services to a variety of businesses. Credit and investment is provided to businesses through the Western NIS Enterprise Fund, while micro and small loans are provided to businesses through the EBRD and business incubators. USAID has also been working with Ukrainian NGOs, the government, and other organizations to develop the legal framework that would allow NGOs to provide microfinance to local businesses. An enterprise restructuring activity builds on corporate governance practices to bring about improvements in privatized enterprises. USAID also supports the privatization of urban enterprise land so that enterprises may own their own land, which can be used as collateral as well as make the enterprise more attractive to potential investors. To date, the activity has led to over 2,400 land privatizations, generated UAH 77 million in revenues for local government budgets, and created a network of twenty-eight land sales field offices.

Economic Restructuring:

The focus of USAID's economic restructuring program is to help Ukraine create the institutions of a market economy, particularly in the banking system, commercial law, fiscal and macroeconomic areas. The program concentrates on: 1) improving overall tax structure and administration; 2) developing tools for budget estimation, analysis and monitoring; 3) developing professional skills and organizational capability at the National Bank and advancing professional skills of the commercial banks; 4) providing macroeconomic policy research and analytical support for key policy makers; 5) strengthening the commercial law framework; and 6) reforming the regulatory regime of the government as it affects private business.

Agriculture:

Reactivating and transforming Ukrainian agriculture and the entire food production system is central to economic recovery and reform. USAID is assisting Ukraine in restructuring this priority sector through an agricultural strategy that focuses countrywide on: 1) financing and developing private sector sources of inputs to agriculture, and private processing of agricultural products; 2) privatizing agricultural land with special emphasis on restructuring collective agricultural enterprises into private entities and the issuance of land titles and developing a land market; 3) reducing the environmental impact of agricultural chemicals; 4) private farm and household plot development; and 5) implementing new agriculture policies to facilitate a private-sector based market economy.

Energy:

USAID has helped develop a multi-faceted energy program for Ukraine which focuses on: 1) power sector restructuring, which has helped transform the power sector from a vertically integrated monopoly to a market system with regulatory oversight of tariffs and licensing, and power distribution based on financial bids; 2) assisting the government of Ukraine to privatize the power sector, starting with 27 distribution companies; 3) development of a coal bed methane industry; 4) improving energy production and conservation by introducing new technologies, management techniques and applying market principles; and 5) indirectly supporting Ukraine's nuclear safety performance and improving nuclear sector regulation and inspection.

Environment:

USAID's environmental program aims to promote sound environmental management for sustainable development through activities that: 1) strengthen the policy, legal and regulatory framework; 2) involve citizens and NGOs in environmental decision-making; 3) increase environmental investment; 4) improve environmental management at public and private facilities; and 5) promote the use of environmentally sound technologies. Over the next three years, USAID will assist Ukrainian communities in developing Local Environmental Action Programs (LEAP). LEAPs help build partnerships between citizens, authorities and industry to reduce local environmental threats to human health and the ecology. USAID will support LEAP pilot projects in six Ukrainian communities and will develop training materials, guidelines and centers of excellence. USAID is cooperating with Ukraine to reduce harmful greenhouse gas emissions and meet global commitments under the United Nations Framework Convention on Climate Change (UNFCCC). The USAID Climate Change Initiative (CCI) is assisting Ukraine to: 1) establish national administrative structures; 2) develop technical methodologies to implement a national climate change program; 3) prepare projects for investment; and 4) build consensus among industry, environmental organizations and government authorities.

Democratic Reforms:

Ukraine is seeking to become a nation ruled by law, where human rights are respected and freedom of speech and press ensured, in which government policy and activity reflect the needs and wishes of an informed citizenry, and to whom representatives are responsive and officials are accountable. USAID programs promote democratic reform by helping to: 1) develop competitive and fair political processes, including elections; 2) support the emergence of laws and legal institutions that support and embody democratic processes; 3) strengthen local government to make it effective, responsive and accountable to citizens; 4) empower citizens to participate actively in the political and economic life of their communities through non-governmental organizations, through democratically-structured political parties, and independent trade unions; and 5) strengthen independent media.

Social Protection:

USAID's support for social sector restructuring in Ukraine is designed to protect the most vulnerable members of the population during the economic transition, reduce government budget expenditures on the social sector, and facilitate price increases necessary to increase the quality of social services. Our activities address the urgent humanitarian and health needs of the people

of Ukraine by: 1) supporting the government in moving from universal housing and communal services subsidies to targeted social services; 2) providing humanitarian assistance and strengthening the ability of non-governmental organizations to deliver social services; 3) laying the foundation for a sustainable system of pensions and social insurance; 4) providing training and supplies to improve the quality of and access to reproductive health care and the screening

health care and exchange of information, training and personnel; 6) providing thyroid cancer screening and psycho-social interventions to child victims of the Chernobyl accident, while strengthening the Ukrainian government's ability to respond to health and environmental crises; and 7) providing technical assistance in addressing both the TB and the STI/HIV/AIDS epidemics.

CCG Customer Satisfaction Survey

U.S. Department of Commerce
International Trade Administration
The Commercial Service

The U.S. Department of Commerce would appreciate input from U.S. businesses that have used this CCG report in conducting export market research. Please review the privacy statement / disclaimers at the bottom of this Web site. Please take a few moments to complete the attached survey and fax it to 202/482-0973, mail it to QAS, Rm. 2002, U.S. Department of Commerce, Washington, D.C. 20230, or Email: Internet[Robert.Opfer@mail.doc.gov].

*** About Our Service ***

1. Country covered by report: _____

Industry/title: _____

Commerce domestic office that assisted you (if applicable):

2. How did you find out about the CCG service?

- Direct mail
- Recommended by another firm
- Recommended by Commerce staff
- Trade/state/private newsletter
- Department of Commerce newsletter
- Other (specify): _____

3. Please indicate the extent to which your objectives were satisfied:

- 1-Very satisfied
- 2-Satisfied
- 3-Neither satisfied nor dissatisfied
- 4-Dissatisfied
- 5-Very dissatisfied
- 6-Not applicable

- Overall objectives
- Accuracy of information
- Completeness of information
- Clarity of information
- Relevance of information
- Follow-up by Commerce representative

4. In your opinion, did using the CCG service facilitate any of the following?

- Decided to enter or increase presence in market
- Developed an export marketing plan

- Added to knowledge of country/industry
- Corroborated market data from other sources
- Decided to bypass or reduce presence in market
- Other (specify): _____

5. How likely would you be to use the CCG service again?

- Definitely would
- Probably would
- Unsure
- Probably would not
- Definitely would not

6. Comments:

*** About Your Firm ***

1. Number of employees: 1-99 100-249 250-499
 500-999 1,000+

2. Location (abbreviation of your state only): _____

3. Business activity (check one):

- Manufacturing
- Service
- Agent, broker, manufacturer's representative
- Export management or trading company
- Other (specify): _____

4. Value of export shipments over the past 12 months:

- Less than \$10K
- \$11K-\$100K
- \$101K-\$500K
- \$501K-\$999K
- \$1M-\$5M
- More than \$5M

May we call you about your experience with the CCG service?

Contact name: _____

Phone: _____

Fax number: _____

Email: _____

Thank you--we value your input!

This report is authorized by law (15 U.S.C. 1512 et seq., 15 U.S.C. 171 et seq.). While you are not required to respond, your cooperation is needed to make the results of this evaluation comprehensive, accurate, and timely. Public reporting burden for this collection of information is estimated to average ten minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden, to Reports Clearance Officer, International Trade Administration, Rm. 4001, U.S. Dept. of Commerce, Washington, D.C. 20230, and to the Office

of Information and Regulatory Affairs, Office of Management and
Budget, Paperwork Reduction Project (0625-0217), Washington, D.C.
20503.

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information and assistance or country-specific commercial information should consult with their

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