

# **EXHIBIT 19**

# Центр комерційного права Commercial Law Center



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**Deloitte  
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ПРОЕКТ ЗДІЙСНЮЄТЬСЯ ФІРМОЮ ДЕЛОЙТ ТУШТОМАТСУ  
ЗА ФІНАНСОВОЇ ПІДТРИМКИ АГЕНТСТВА США  
І МІЖНАРОДНОГО РОЗВИТКУ



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## ABOUT THE COMMERCIAL LAW CENTER

Based in Kyiv, Ukraine, the Commercial Law Center is a 3-year, USAID-funded project managed by Deloitte Touche Tohmatsu Emerging Markets Ltd. The Center is dedicated to commercial law reform in Ukraine.

Despite considerable progress in recent years,

## Mission Statement

The technical assistance of the USAID-Commercial Law Center implemented by Deloitte Tohmatsu, is to assist Ukraine in its transition to a market through the development of a comprehensive, coherent, efficient commercial law framework to support

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enforcement of judgments, the training and education of legal professionals and business leaders, and indeed in fundamental aspects of the civic culture. To effect the necessary change, USAID/Kyiv has designed a comprehensive program to lay the foundation for sustainable commercial law development in Ukraine and Deloitte Touche Tohmatsu has formed a consortium of organizations optimally suited to achieve the desired results.

members of the legal business community by quality public and professional training information through valued programs and publications designed to Ukrainian commercial law. Through the locally implemented Commercial Law Center Project is assertively and integrating the talents and resources of eminent law faculty, practicing government officials harmoniously with the Verkh Rada and other lawmakers provide for rational sustaining commercial law and to implement fair practices to make commercial Ukraine operations enforceable.



The Center closely cooperates with the University of "Kyiv-Mohyla Academy", the National Yaroslav Mudryi Law Academy, and the Law Sciences Academy of Ukraine, as well as with research and educational institutions in Kyiv, Kharkiv, Donetsk, Lviv, and Odesa.

The project is managed by Deloitte Touche Tohmatsu in association with the Center for Institutional Reform and the Informal Sector (IRIS) and the International Law Institute.

## OBJECTIVES

- The key objectives of the project are to:
- Increase knowledge and understanding of commercial law in Ukraine;
  - To organize training for lawmakers, lawyers, and business managers;
  - To establish a forum for dialog on commercial law reform issues;
  - To increase USAID's capacity to address Ukraine's needs in the commercial law reform area.

## TARGET AUDIENCE

## Commercial Law Definition

**Commercial law** governs areas of business transactions, including commerce, including regarding business organizations, sales of commodities, contracts, negotiable instruments, credit transactions, transactions, debtors and remedies, intellectual

The Center's target audience includes:

- Government employees, including municipal-level officials;
- Commercial law professionals, educators, and students;
- NGOs;
- The media;
- The business community;
- The general public.

dispute resolution  
enforcement of judicial  
fair competition, real e  
land transactions, m  
investment and  
mechanisms.

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[statement of responsibility](#)

**DECREE  
OF THE PRESIDENT OF UKRAINE**

**About the Measures to Develop and Regulate Urban and other Non-Agricultural  
Land Markets**

To ensure realization of ownership rights in land by citizens, legal entities and the State, accelerate development and regulation of urban and other non-agricultural land markets, as well as to attract investment to the development of urban land markets and increase revenue to budgets, I DECREE:

1. Approve the Guidelines for Development and Regulation of Urban and other Non-Agricultural Land Markets (attached).

2. Establish that:

Bodies of executive power within their jurisdiction as established by Ukrainian legislation shall ensure transfer of non-agricultural land parcels for entrepreneurial activities to ownership by legal entities of Ukraine and citizens of Ukraine mostly by sale of these land parcels to them.

Starting from the year 2000 annually the Law of Ukraine "About the State Budget of Ukraine" shall provide in a separate line for revenues obtained from sale of non-agricultural land parcels that are currently owned by the State, which shall constitute not less than 1 per cent of the consolidated budget of Ukraine.

3. The Cabinet of Ministers of Ukraine shall:

1) Provide in its Program for the development of normative and legal acts in the years 2000-2004 aimed at implementation of the Guidelines for Development and Regulation of Urban and other Non-Agricultural Land Markets;

2) Improve cooperation with committees and factions of the Supreme Rada of Ukraine regarding acceleration of adoption of the Laws of Ukraine "About Hypothecation", "About State Title Registration", "About Territorial Planning and Development" by the Parliament;

3) Develop and implement starting from the year 2000 procedures for reflection of values of purchased land parcels and rights to them in the inventory systems of economic activities by subjects of entrepreneurship.

4) In the first half of the year 2000 develop mechanisms for obtaining funds by citizens and legal entities of Ukraine for the purpose of purchasing non-agricultural land parcels for entrepreneurial activities and settlements for purchased land parcels; ensure implementation of the above mechanisms according to the established procedure and also provide for:

Extension of leasing legislation to relations arising in the course of realization of ownership rights in land parcels.

Introduction of land parcels and rights to them to statutory funds of enterprises, as well as provide for using funds from emission of stock by stock companies for purchasing land parcels and rights to them.

Targeted loans to support and develop the social sector of economy and residential construction in urban areas backed by the guarantees to sell land parcels.

Use of stock market instruments to settle for purchased land parcels, with exception of settlements where one of the parties is represented by the State.

Use of rights to mortgaged land parcels bearing in mind that mortgage secures execution of obligations under loans (bank loans) or under credit agreements.

5) Ensure equal opportunities for competition according to the established procedure, establish market sale prices for non-agricultural land parcels, their transparency, ensure obtaining of revenues by the National Budget of Ukraine and by local budgets from sale of the above land parcels from State and municipal property, collection of state duties for notarization of alienation agreements and for holding public land auctions (tenders) based on actual land prices.

6) In the first half of the year 2000 define methods for state regulation of the procedure for alienation of non-agricultural land parcels by citizens of Ukraine and legal entities of Ukraine, which have acquired ownership rights in land parcels as the result of privatization (free of charge or for payment) that would provide for:

Full and valid data about transactions with land parcels;

Transparency of alienation transactions and availability of respective information;

Accurate data about the size of land parcels that are alienated;

Full revenues to the Budget from taxes and fees (mandatory payments),

formation of the market history (information about the dynamics of changes of land values in time).

7) Undertake measures to create infrastructure of non-agricultural land markets, develop market attitudes in professional services rendered in these markets.

8) Starting from the year 2000 accumulate statistic information about privatization and market turnover of non-agricultural land parcels.

9) When working on the National Program for Privatization on the annual basis define lists of objects expedient for privatization together with land parcels, as well as lists of land parcels where privatized objects are located, and submit these lists to local state administrations and bodies of local self-government.

4. The Rada of Ministers of the Autonomous Republic of the Crimea, oblast state administrations, the Kiev and the Sevastopol City administrations, and rayon state administrations together with bodies of local self-government and according to the established procedure shall:

Provide for equal opportunities for citizens of Ukraine and legal persons of Ukraine regarding acquisition of ownership rights and other rights in land parcels, as well as for foreign physical and legal persons regarding acquisition of lease rights for land parcels.

Create conditions for legal and physical persons to build real estate on territories that are attractive from investment point of view, including sale of non-agricultural land parcels or their lease based on competition.

During years 2000-2002 develop local regulations for territorial development, which are attractive from investment point of view, with specification of options for their use.

During years 2000-2001 undertake the inventory of non-agricultural land parcels that are not used, land parcels with demolished constructions, polluted land parcels that are formally used by enterprises, but are not actually used for more than two years, and undertake measures according to the established procedure aimed at

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regarding location, quality characteristics, options of use and starting prices for land parcels, inventory of which was completed for the purposes of their sale from the state property based on competition.

In the first half of the year 2000 define non-agricultural land parcels subject to sale in the first place, and provide for openness of information regarding their location, options of use and conditions of sale.

Starting from the year 2000 annually develop plans for privatization of non-agricultural land parcels and provide for a separate line of respective revenues in local budgets taking into account urban development and land surveying documentation and data from the State Land Cadaster.

Ensure development of schemes for privatization of non-agricultural land parcels with subsequent adjustment of general plans for urban development, other urban development and land surveying documentation taking into account the Guidelines for Development and Regulation of Urban and other Non-Agricultural Land Markets.

The President of Ukraine

L. Kuchma

Kyiv, the 4<sup>th</sup> of February 2000  
No 168/2000

**APPROVED**

By the Decree of the President of Ukraine  
dated the 4<sup>th</sup> of February 2000  
No 168/2000

## **Guidelines for Development and Regulation of Urban and other Non-Agricultural Land Markets**

### **Section 1. General Provisions**

The Guidelines for Development and Regulation of Urban and other Non-Agricultural Land Markets (further referred to as the Guidelines) were developed in accordance with the Constitution of Ukraine, the Land Code of Ukraine, other laws of Ukraine, and Decrees of the President of Ukraine regarding privatization, regulation of land relations and entrepreneurial activities.

The purpose of the Guidelines is to create legal, economic and organizational conditions for further development of urban and other non-agricultural land markets (further referred to as the land markets) and their infrastructure aimed at ensuring ownership rights in land by citizens, legal entities and the State, which are guaranteed

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Development of land markets at the current stage includes undertaking of a number of measures, which will use economic and legal levers for regulation of land market relations regarding:

Acceleration of privatization of land parcels by citizens through free transfer of land from the State to private owners and by legal entities through purchasing (primary market).

Creation of conditions for free turnover of land parcels and rights to them (secondary market).

Operation of land markets shall be based on principles of social justice, and those of providing for the State, public and private interests, legality, effectiveness, transparency, and openness, as well as for balanced development of urban and other territories, rational use of land and other natural resources.

### **Section 2. The Current State of Land Markets**

Land reforms in Ukraine are aimed at creation of conditions for development of the

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Since 1992 in urban areas of Ukraine privatization of land parcels by citizens of Ukraine was taking place for the purposes of individual residential, dacha and garage construction, for subsistence and market farming, and other personal needs. As of the 1<sup>st</sup> of January 2000 the number of land owners and land users reached 22 million, out



of them 10.7 million citizens of Ukraine have privatized their land parcels of the total area of 3.2 million hectares.

In 1993 sale of non-agricultural land parcels for entrepreneurial activities began, which included mostly land parcels for gas stations and those where unfinished constructions were located. Since then bodies of local self-government made decisions about sale of more than 1500 land parcels for the total amount of over 45 million Hrivnas. Among those 143 land parcels were sold in 15 oblast centers of Ukraine for the total amount of 16 million Hrivnas.

The process of privatization of non-agricultural land parcels accelerated significantly after the Decree of the President of Ukraine was issued dated the 19<sup>th</sup> of January 1999 No 32 "Sale of Non-Agricultural Land Parcels". In the course of 1999 bodies of local self-government made decisions about sale of over 1 000 land parcels for the total amount of 25 million Hrivnas to subjects of entrepreneurship of Ukraine. Cases of land sale where objects of privatization are located can be found in each region. Many of them can be found in the Donetsk oblast and in the Lviv oblast.

At the same time the process of formation of market land relations goes at a slow pace. In 8 years only 60% of citizens of Ukraine who obtained land parcels in use have privatized them. Three times the dead line for privatization was extended.

In some regions, in particular, in a number of towns and villages bodies of local self-government ignore laws and Decrees by the President of Ukraine about privatization of land parcels, which prevents attraction of investment and credit resources to the country's economy, does not support entrepreneurship and residential construction, and interferes with stable development of urban areas. Only 3% of land parcels where privatized subjects of entrepreneurship are located are owned by the said subjects.

It results in insufficient revenues to local budgets, insufficient financing of social programs out of funds obtained from land privatization, insufficient construction in the social sector, lack of additional jobs and lack of improvement in social and economic development of territories.

At the same time sale of non-agricultural land parcels, the total area of which is 2000 hectares, to subjects of entrepreneurship from the State ownership makes it possible to generate the revenue of 50 billion Hrivnas to the consolidated budget of Ukraine.

Development of land markets is mostly restrained by imperfect legislation for privatization without payment and for sale of land parcels from the state ownership, in particular to subjects of entrepreneurship/legal entities of Ukraine, for land title registration, protection of land ownership rights, unjustified limitations regarding categories of land eligible for privatization by citizens or purchase by legal entities from the State ownership. In addition, strict definition of the legal regime for non-agricultural land parcels in urban areas and beyond them is missing.

In Ukraine financial and legal mechanisms for purchasing non-agricultural land parcels for entrepreneurial activities and ensuring transparency of operation with land parcels in secondary land markets are developed insufficiently; conditions for effective operation of market institutions (such as land exchanges, land banks, land

auctions, etc.) that would ensure development and operation of secondary land markets have not been formed, there is no accurate and easily available information about land parcels, their value, market history (information about the dynamics of land value changes in time) and about limitations of land use, there are no mechanisms that would ensure full collection of all taxes and duties (mandatory payments) to budgets and to the State's special funds, and collection of charges on land markets transactions.

Organization of expert valuation of non-agricultural land parcels is imperfect. Procedures for preliminary approval of building an object on a non-agricultural land parcel, approval of project documentation and obtaining permissions for their development from bodies of executive power and local self-government are very cumbersome.

### **Section 3. Objectives in Creation, Development and Regulation of Land Markets**

According to the strategy of forming the basis for socially oriented market economy in Ukraine the main objectives in the formation of land markets are:

Formation of plural economic system based on equality of all types of ownership in land, development of the institute of private ownership to land.

Ensuring unimpeded realization of possession, use and disposal rights by subjects of entrepreneurship regarding non-agricultural land parcels aimed at increase of their fixed assets and development of businesses.

Improvement of investment climate in the economy, investment and credit attractiveness of enterprises through sale of non-agricultural land parcels.

Increase of revenues to the State Budget of Ukraine and local budgets through income generated by sale of non-agricultural land parcels, and ensuring free turnover of such parcels and rights to them.

Ensuring rational and effective use of non-agricultural land parcels.

Ensuring social and ecological priorities in land use.

### **Section 4. Guidelines in Development of Land Markets**

Guidelines for development, stable operation and regulation of developed land markets are:

Free transfer of non-agricultural land parcels into ownership by citizens of Ukraine and sale of these land parcels to subjects of entrepreneurship.

Formation of land market infrastructure, ensuring its operation, creation of conditions for competition, ensuring transparency of operations and lowering investment risks in these markets.

Implementation of effective systems to study demand and proposal, development of management and marketing in land markets.

Ensuring appraisal of non-agricultural land parcels under market conditions.

Creation of a mechanism to reconcile private, public and state interests in operation of land markets.

Ensuring legal protection of participants in land markets.

Improvement of economic and legal foundation of the mechanism of operation and regulation of land markets, creation of transparent information system to provide for operation and regulation of these markets.

## **5. Objectives in Implementation of the Guidelines**

Implementation of the Guidelines requires the following objectives to be achieved:

In the area of free transfer of non-agricultural land parcels into ownership by citizens of Ukraine and sale of these land parcels to subjects of entrepreneurship:

1) Development and improvement of the transparent procedure for alienation of non-agricultural land parcels and rights to them.

2) Provision of physical and legal entities with an opportunity to choose among different types of functional land uses that are allowed.

3) Development of mechanisms for competition in acquisition of ownership and lease rights (land auctions, and other types of competitions to obtain rights to develop, undertake investment projects, etc.).

4) Improvement of procedures for acquisition of rights to develop by owners and lessors of land parcels.

5) Improvement of organizational and legal mechanisms for conceding land parcels to create and maintain transport and engineering infrastructure in urban areas.

6) Definition of the specifics of realization of rights in land in free economic zones and territories of priority investment development.

In the area of formation of the market infrastructure, ensuring its operation, ensuring conditions to develop competition, ensuring transparency of operations and lowering investment risks in these markets:

1) Creation of the market infrastructure, namely land exchanges, land banks, and other financial and credit institutions, ensuring conditions to set up enterprises, institutions and organizations of different types of ownership that would provide information and consulting services, and set-up of specialized educational establishments, etc.

2) Assisting in creation of consulting and real estate companies and data bank of demand and proposal in land markets.

3) Creation of a state land registry as a component of a state land cadaster.

4) Compilation of lists and making information public regarding location, quality features, possible uses and starting prices of land parcels, which were inventoried for sale from the state ownership based on competition.

In the area of introduction of an effective system to study supply and demand, and in the area of management and marketing in land markets of Ukraine:

1) Compilation and annual approval of lists of land parcels for sale in each town or village, and estimation of volumes of revenues to be received by local budgets from land privatization.

2) Set-up of marketing firms, which would provide services in land markets, and preparation of specialists in land management.

3) Periodic publication of data about supply and demand of land parcels, creation of a publishing house for this purpose, if necessary.

In the area of support to non-agricultural land appraisal in market conditions:

1) Introduction of an independent system for appraisal of non-agricultural land parcels, rights to them, including land appraisal together with objects of real estate located on them.

2) Creation of mechanisms to ensure transparency of transactions in land markets and unimpeded access to establishment of market values for non-agricultural land parcels and rights to them.

3) State support of training and operation of specialists in land expert monetary valuation who provide services in land markets.

4) Organization of state regulation for activities by physical and legal entities undertaking expert monetary valuation of land parcels (licensing, certification, etc.).

In the area of creation of a mechanism to reconcile private, public and state interests in operation of land markets:

1) Improvement of a mechanism to forfeit land parcels for state and public needs.

2) Introduction of the practice of public discussions of investment projects to develop infrastructure and services.

3) Organization of preparation of local development rules for areas, which are the most attractive from the investment point of view with definition of possible uses of non-agricultural land parcels.

4) Achievement of rational land use and ensuring effective use of non-agricultural land resources and effective methods of their appraisal.

5) Establishment of the procedure for approval of conditions to use non-agricultural land parcels in accordance with urban development documentation and local development rules.

6) Development of economic mechanisms to stimulate owners and lessors of land parcels regarding maintenance and improvement of the ecological state of non-agricultural land, as well as of preservation of historic and cultural heritage, and non-profit use of land parcels for specific social, ecological, historic and cultural purposes.

In the area of legal protection of rights of participants in land markets:

1) Improvement of the system of compensations for damages incurred by owners or lessors of land parcels as a result of limitations in their use, preliminary and full compensation of values of forfeited land parcels, and real estate located on them and other related expenses to owners and lessors.

2) Establishment of guarantees of landowners' rights in the case of forfeiture of their land for state and public needs.

3) Ensuring equal possibilities for citizens of Ukraine and legal entities of Ukraine regarding acquisition of ownership rights and other rights to land parcels, and for foreign physical and legal persons regarding acquisition of rights to lease land parcels.

In the area of improvement of economic mechanisms for operation and regulation of land markets, creation of transparent information system to ensure operation and regulation of these markets:

- 1) Development of mechanisms to provide citizens and legal entities of Ukraine with funds to purchase non-agricultural land parcels for entrepreneurial activities and to provide for settlements for purchased land parcels, as well as ensuring implementation of the above mentioned mechanisms.
- 2) Formation of legal foundation for involvement of rights to non-agricultural land parcels into the market turnover.
- 3) Introduction of a progressive scale of land taxation for land that does not comply with targeted use.
- 4) Development of privatization plans for non-agricultural land parcels taking into account urban development and land surveying documentation, data from the state land cadaster.
- 5) Development of land privatization schemes with subsequent adjustment of general plans, other urban development and land surveying documentation.
- 6) Ensuring of the possibilities for investors to obtain information necessary to acquire ownership or lease rights in non-agricultural land parcels and conditions for their use.

#### **Section 6. Organizational, Legal and Economic Principles for Regulation of Non-Agricultural Land Markets**

In order to reconcile private, public, and state interests in the process of formation and operation of primary and secondary land markets in Ukraine adequate regulation of these processes by bodies of state power and local self-government shall be in place.

Realization of state policies in this area shall be undertaken by authorized central and local bodies of executive power, as well as by bodies of local self-government at the national and local levels respectively.

At the national level normative and legal acts shall be adopted regarding:

- Subdivision of land in state and collective ownership.
- Registration of non-agricultural land parcels, other real estate and rights to them.
- Land distribution and redistribution.
- Development of basic principles and methods of land privatization.
- Provision of non-agricultural land parcels to be used by state enterprises, establishments and organizations.
- Forfeiture of non-agricultural land parcels for the sake of state and public needs.
- Urban territorial planning, and development of local development rules for urban territories.
- Improvement of basic principles for charging land payments.
- Maintenance of the state land cadaster.
- Land surveying.
- State control over non-agricultural land use by owners and lessors.
- Resolution of land disputes.

State regulation at the national level shall provide for the use of economic leverage for effective and ecologically safe operation of land markets. With this purpose development and implementation of the following mechanisms shall be planned:

Introduction of special charges for undeveloped land based on progressive scale depending on the period of land possession.

Progressive taxation for resale land transactions depending on the term of possession of a non-agricultural land parcel by one person to prevent speculations in land markets.

Progressive taxation for land parcels, which were not used according to their targeted uses.

At the local level regulation of the following issues shall be undertaken:

Redistribution and use of land based on plans for land development, urban development documentation and local development rules.

Issue and registration of titles.

Charging payments for land.

Accumulation of funds obtained from privatization of land parcels to finance the social sector, assistance in formation of land management adjusted to market requirements.

Land management.

Land market monitoring.

Undertaking of other tasks aimed at development of non-agricultural land markets.