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INVESTMENT GUIDE

UKRAINE

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

Paris 1993

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FOREWORD

BY SALVATORE ZECCHINI

The Centre for Co-operation with European Economies in Transition, which was created in March 1990, is the focal point for co-operation between the OECD and the countries of Central and Eastern Europe and the former Soviet Union. Its major responsibility is to design and manage a technical assistance programme which puts the expertise of the Secretariat and Member countries at the disposal of countries in the process of economic transition.

Private sector development is a key element of this programme. Foreign direct investment plays an important role in the development of the private sector, and therefore, in the transformation from a planned to a market-oriented economy.

A country's ability to promote itself as a sound and profitable place for investment is essential to the attraction of the levels of investment necessary for a successful transition. It is for this reason that the Centre decided to support the Ukrainian government in the preparation of its first comprehensive investment guide.

In addition to providing detailed economic and policy information, this guide clearly outlines the current legal and regulatory framework for investment and provides a list of investment opportunities. I am confident that it will prove to be useful for businessmen interested in investing in Ukraine.

Salvatore Zecchini
Assistant Secretary-General OECD
Director of the CCEET

FOREWORD

BY THE PRESIDENT OF UKRAINE

Upon gaining independence in 1991, Ukraine has become an equal member of the international community. A new country has appeared on the map, comparable in territory and population to the largest of Europe. Nobody doubts the economic, scientific and human potential of sovereign Ukraine, which offers many business opportunities.

One of the biggest obstacles to the full integration of Ukraine into the world economy is the lack of available information about the political, economic, financial and legal conditions for the operation of foreign capital on the territory of our country.

As a solution to this problem, a group of Ukrainian experts prepared this guide with the support of the OECD. The guide is addressed to potential investors, bankers, lawyers, businessmen, officials, analysts, and experts of the international organizations. We hope that the information and analysis provided will encourage decision makers to include Ukraine in their international investment strategies.

The role and importance of foreign investment as a catalyst to the process of economic reform is indisputable. Such an attitude toward foreign direct investment is reflected in the current legislation, government decrees and other official documents. The parliament, the President and the government of Ukraine hold the view that business cooperation with foreign countries, including foreign investment, will facilitate the integration of Ukraine into the world economic community and ensure the mutual enrichment of our country and its business partners.

Leonid Kravchuk

This guide has been prepared under the auspices of the Ministry of External Economic Relations of Ukraine and the Centre for co-operation with the European Economies on Transition (CCEET) at the Organisation for Economic Cooperation and Development (OECD) by a team of experts: **Mr. Mikhail Kalinin** (Ministry of External Economic Relations), **Dr. Yuri Poluneev** (PollyCorp, Ltd.), **Dr. Vladimir Sidenko** (Institute of World Economy and International Relations) and **Mr. Dmitry Grischenko** (Law offices of Grischenko, Frishberg & Palliashvili).

The work on the project was directed and coordinated by **Mr. Boris Sobolev**, First Deputy Minister, Ministry of External Economic Relations, assisted by **Mr. Serguey Piven** of the Ukrainian School of International Business and, on the OECD side by **Mr. Rainer Geiger**, Deputy Director, Directorate for Financial, Fiscal and Enterprise Affairs, and **Mrs. Barbara Peitsch**, International Investment Division. The work was carried out in the framework of the Centre's programme of work with the New Independent States.

The guide is intended to help those interested in doing business and investing in Ukraine. When foreign investors encounter specific problems, it will often be necessary for them to refer to the laws and standing regulations as well as obtain qualified legal and professional advice.

The information contained within this guide was collected until April 1, 1993, and unless otherwise stated, is based on data available at that time. The views expressed in this guide are those of the authors and do not commit the Ukrainian government, the OECD or its Member countries.

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OVERVIEW

Ukraine is a newly independent country comparable in geographic size and population to France. It is well located in the heart of Eastern Europe, surrounded by the countries of Central and Eastern Europe and the former Union. Its strategic location and domestic market potential, together with its rich natural resource base and skilled, low cost labour create unique business opportunities for investors.

Investment opportunities and risks

The Ukrainian Cabinet of Ministers recently designed a programme to promote foreign investment. The objectives of the programme are to facilitate industrial restructuring, increase domestic consumption levels, develop resource-saving, research-intensive and environmentally friendly technologies, promote exports and import substitution, and to encourage new product development.

Given these objectives, the following sectors are considered top priority: agricultural processing, light industry, energy, chemicals and petrochemicals, metallurgy, timber and wood-working, natural resource based industries, health care, and tourism.

Officials estimate that more than US\$ 7.2 bn. of foreign investment will be necessary to meet the country's economic development goals. The breakdown in required investment is the following: agriculture and food processing (US\$ 87 mn.), light industry, including the production of consumer goods (US\$ 39 mn.), energy (US\$ 31 mn.), chemical and petrochemical industry (US\$ 1.62 bn.), transportation and telecommunications (US\$ 1.05 bn.), engineering and defense conversion (US\$ 85 mn.), timber and wood-working (US\$ 35 mn.), pharmaceutical and medical instrumentation (US\$ 25 mn.), and tourism (US\$ 1.5 bn.).

As soon as the programme is adopted by parliament, foreign investment in these priority sectors will have access to tax and other incentives as well as bank loans at subsidized interest rates.

In order to facilitate the inflow of foreign investment, a center for the promotion of foreign investment is to be created. The center will be a "one-stop-shop", where investors can collect information on relevant laws and policies, register their investments, and establish initial contact with potential local partners. The programme also envisages the establishment of an international business center in Kiev, which will offer various business services to foreign investors.

The government intends to offer a sovereign guarantee in order to secure hard currency financing for certain projects. The guarantee programme will be managed by the National Insurance Company, which will also provide insurance for the most important foreign investments.

Ukraine is an absolutely new market for the overwhelming majority of potential foreign investors. The mechanism and duration of decision-making, methods for dispute settlement and many other practical aspects of doing business in Ukraine differ substantially from practices in OECD Member countries. Poor local market knowledge, together with an unstable economy and an underdeveloped legal infrastructure, may seriously affect a foreign investor's performance, particularly at the early stages of market entry.

The potential risks associated with doing business in Ukraine include:

- a) Limited demand for domestic output;

- b) Unreliable suppliers of raw material and other inputs;
- c) Economic instability and hyper-inflation.

In order to reduce the risks specified in (a) and (b), it is advisable to target the priority sectors outlined in the respective government industrial development programs, including the programme for the promotion of foreign investment.

Moreover, a foreign investor can substantially decrease the risk of (b) if he is able to arrange alternative supply sources and maintain larger inventories than are generally held in the West. This may also allow him to reduce losses caused by inflation.

The Ukrainian currency exchange rate is characterized by constant downward pressure, due to inflation and inconvertibility. Foreign investors should therefore pay particular attention to the currency aspects of their investments. Insurance against exchange risk is now available from various western official and private sources. Hedging, however, is not possible at present due to the inconvertibility of the local currency (karbovanet).

Political risk also exists for investments in Ukraine, but this can be mitigated through official and private insurance programmes.

General legal framework

The Law on Foreign Investment clearly states the rights and privileges of foreign investors. Foreign investment can take any legal form as long as the foreign investor contributes at least 20 per cent of initial capital or maintains a share of at least US\$ 100,000 on average throughout a calendar year. There is no minimum investment required; however, foreign investments under US\$ 100,000 or 20 per cent of total initial capital are subject to a separate set of laws and regulations. National treatment applies to all foreign investments. Legal guarantees are provided against expropriation and nationalization.

Upon the payment of taxes and other mandatory duties, foreign investors are guaranteed the right to unimpeded and prompt remittance of their profits in hard currency abroad that were obtained in connection with their investments. Also, in the event of termination of investment activity in Ukraine, a foreign investor shall have the right to the unimpeded repatriation of his initial capital investment. The transfer of profits of a foreign investor is made from his own foreign exchange revenue resulting from the investment as well as from other legal sources of income. The transferred profits are taxed at 15 per cent of the amount transferred.

Tax laws provide investors with incentives if they invest in priority sectors, such as high tech, agriculture and health care, or if their investment creates jobs. Taxable income is decreased by the amount of profits retained for the reconstruction and modernisation of fixed assets, or new construction of plant and equipment. This privilege is granted on the condition that depreciation deductions and retained earnings are fully utilized. The export of goods and services, including transportation and freight-forwarding services but excluding barter operations, are exempt from value-added tax.

Part I

UKRAINE - BACKGROUND

- * Favourable geographic location, mild climate
- * Rich natural resources
- * Potential consumer market of 53 mn. people
- * Highly educated labour force
- * Developed transport infrastructure
- * Improvement in international telecommunications

Chapter 1 - General Characteristics

Geography and climate

The word "Ukraine", which means a borderland, fully reflects the geographic location of the country. It lies on the southeastern edge of Europe and the southwestern part of the former USSR, on the threshold of Asia and along the fringes of the Mediterranean. It is also a divide between the massive forest lands to the north and the open steppes in the south. Ukraine borders Russia, Belarus, Poland, Hungary, Moldova, Romania and Turkey.

In terms of territory, Ukraine is the third largest among the former Soviet republics after the Russian Federation and Kazakhstan (2.7 per cent of the former USSR land area). In terms of population (18 per cent of the entire population in the former USSR), it is the second largest after Russia. By both territory and population, it is about the size of France.

Bound by the Carpathian Mountains in the west and the Black Sea in the south, Ukraine is a relatively flat, fertile plain that stretches 1,316 kilometres (km) from west to east, 893 km - from north to south, and covers the space of 603,700 square km (or about 232,000 sq. miles).

Ukraine's geographic location is favourable for economic development. Its area includes three natural zones - mixed forest, forest-steppe and steppe regions. The major part of the territory lies in the basin of the Dnieper, one of the longest rivers in Europe. The northern tier of the country extends from the Prypiat Marshes and contains forests thick with birch, beech, maple, larch and ash trees. The area covered by forests comprises about 14.3 per cent of the entire territory. Mountains are found in the west (the Carpathians) and on the southern coast of the Crimean Peninsular (the Crimean Mountains).

Moving towards the southwest, the land becomes "darker" because of a dark-coloured humus-rich soil that makes agriculture so productive in Ukraine. The country is crossed by 13 large rivers, including the Dnieper, Dniester, Yuzhny Bug, Seim and Danube. And throughout the country, there is, on average, an adequate supply of drinking water.

The climate is moderate continental, but on the southern coast of the Crimea, it is closer to subtropical. The average annual precipitation level varies from 300 to 700 mm. The temperatures range from -8°C in the winter to +23°C in the summer. In the north and northeast, there is a clearer distinction between autumn and winter; in the west and south, winters are milder with little or no snow and an average temperature of around 0°C.

History

History has not been as generous to the country as nature. The land inhabited by Ukrainians bears some of the oldest traces of human life in Europe. Regardless of political realities, the Ukrainian nation lived compactly on more or less the same "national territory" for more than fifteen hundred years.

Ukraine, as a state, originates from the Kiev Rus, a medieval state which cradled the Ukrainian, Russian and Belorussian nations. The division of Kiev Rus that started in the 11th century was finalized in the mid-13th century under the impact of the Tartar-Mongol invasion. In the 14th century, the rapidly rising Lithuanian state took it away from the Tartars except western territories, which fell into the possession of Poland.

From the late 14th century, Lithuania and Poland started to merge into a political union, which gave the Ukrainian lands a chance for reunification. By the end of the 16th century, a new Ukrainian entity emerged on the steppe frontier as a military formation (Cossakdom), and formed its own political nucleus - Zaporizhska Sich. Formally submitting to the sovereignty of the Polish-Lithuanian state and sometimes calling themselves "the royal army", the Zaporizhian Cossacks behaved independently, raided bordering states and established diplomatic relations with foreign governments.

In the early 17th century, the Ukrainian aristocracy entered into alliance with the Cossakdom trying to create an independent Ukrainian state with the support of its own armed forces. Ukraine became the scene of an anti-Polish insurrection led by Bohdan Khmelnytsky. It substantially changed political relations in Eastern Europe and served as a turning-point in the history of the Ukrainian nation. In 1654, Ukraine and Russia concluded the Pereyaslav Reunification Treaty. For Ukraine, the main purpose was to engage Moscow in the war against Poland and eventually establish an independent state. However, the Pereyaslav Treaty did not solve the Ukrainian question.

After Khmelnytsky died, Ukraine was split for centuries between Poland which retained control over the right-bank Ukraine and Moscow which received the left-bank part of the country. Since the end of the 18th century, the Ukrainian lands were gradually taken over by Russia.

The history of Ukraine has always been the history of a nation that had to survive and develop without a regular and continuous framework of a full-feature nation state. Politically, it was an independent state only during three distinct periods: (1) the period of Kiev Rus (early 9th to mid-14th centuries); (2) the Het'man state (mid-17th to mid-18th centuries), and (3) the period of the Ukrainian National Republic (March 1917 through April 1918). At other times, Ukraine was incorporated into one or split among several empires - Polish, Russian, Austro-Hungarian, and, finally, the Soviet. Since 1922, after the Bolsheviks again regained control over Ukraine, and until 1991, Ukraine remained a part of the USSR formally being a sovereign Soviet republic and a member state of the United Nations.

Perestroika, the August coup and the resulting break-up of the Soviet Union, has led to the creation of a sovereign Ukrainian state. On July 16, 1991, the Ukrainian parliament (Supreme Rada) adopted a Declaration of Independence, and on August 24, it adopted the Act of Independence of Ukraine. The country-wide referendum and presidential elections in December, 1991, legalized the above legislative acts and gave Ukraine its first president, Mr. Leonid Kravchuk. Ukraine as an independent state has been recognized by over 100 countries to date.

Political system and climate

The political climate in Ukraine has been shaped by a number of important factors, including an intensive formation of the national attributes of statehood (national army, customs, border guards, etc.) and the transfer of all industries to the republic's jurisdiction. This was accompanied by recurring political frictions with Russia over the issues of nuclear weapons, the Black Sea fleet, territorial disputes (mainly, over the Crimea), a dispute over Soviet external debt and assets, and the fate of the Ruble zone and the Commonwealth of Independent States (CIS). Payments settlement problems between Russian and Ukrainian enterprises due to the uncontrolled credit expansion in Ukraine forced the exit by the latter from the Ruble zone and introduction of Ukrainian quasi-currency. The resulting disruptions in oil and gas supplies from Russia aggravated by the incompetence of the previous government led the country into a power crisis.

The political system in post-totalitarian Ukraine has been characterized by a slow and difficult transition towards a democratic society. The "creation of a state" as a process of establishing the necessary bureaucratic institutions is clearly ahead of the process of establishing a solid basis for democracy with its refined and balanced values, ideals and clearly expressed public and private interests. Currently, a dozen political parties and various public associations as well as independent trade unions are active in the country.

Ukraine is a presidential and parliamentary republic. Typical to all former Soviet republics, it has a highly structured and hierarchical governance system with its most visible features being: (1) the lack of a generally acknowledged concept for the structure of political power and system; (2) the lack of a clearly defined division of responsibilities and authority among major political institutions - the President and his administration, the Supreme Rada and the Cabinet of Ministers, municipal and local councils and bodies; (2) the inner structural deficiencies of legislative, executive and judicial powers.

At the end of 1992, as a result of the suspension by the Parliament of a few articles of the Constitution, the power focus shifted to the new Cabinet headed by Prime Minister Leonid Kuchma. The Cabinet received extraordinary "rule-by-decree" powers and became the sole decision-maker on the issues of ownership, business enterprise, social infrastructure and culture, customs policies, credit and finance, taxation, wages and pricing. In addition, the National Bank of Ukraine (NBU), the State Property Fund, the State Anti-Monopoly Committee, and local state administrations now report to the Cabinet as well as the Parliament.

Despite several "hot spots" in Donetsk-Pridneprovsk economic region (the crisis in the coal, iron and steel industries, the continuous threat of miners' strikes), in the Crimea (the autonomization processes aggravated by the ethnic tensions caused by the resettlement of Tartars), and Chernobyl after-effects in the Polissya region, Ukraine could be regarded as one of the few former Soviet republics where the political situation has been relatively stable.

Demographic patterns

The population of Ukraine exceeds 52 million (46 per cent male and 54 per cent female), which makes it comparable to France. Population density is about 86 people per square kilometre (the average figure for Europe is 67).

The demographic situation is influenced by a continuous economic crisis. The birth rate declined from 12.7 in 1990 to 11.5 last year. The death rate increased correspondingly. Since 1991, a declining growth rate in the population of Ukraine had turned negative (-0.7 per cent).

The only potential for population growth is a significant improvement in economic performance that could encourage a migration of Ukrainians from neighbouring countries. With 6.8 million Ukrainians living in other post-Soviet states (4.4 mn. in Russia, 900,000 in Kazakhstan, 291,000 in Belarus, 153,000 in Uzbekistan and 108,000 in Kyrgyzstan), and 3 million in the rest of the world, this may occur, but not in the short-term.

The distribution between urban and rural population is 68 per cent to 32 per cent. During 1979-1990, the rural population had decreased by 2.4 mn. people due to a continuing migration to the cities. Starting from 1989, a net loss of rural population in 16 Ukrainian provinces was observed. The situation is aggravated by the ageing of the rural population -- the share of retired persons varies from 24 to 30 per cent in different regions of the country, while that of children under 15 -- already fell to an average of 22 per cent.

Administratively, Ukraine consists of 24 provinces (oblast) and the Crimean Autonomous Republic. The capital of Ukraine is Kiev, the third biggest city in the former Soviet Union. There are also 485 rural districts, 28,000 rural settlements, 437 towns and cities, of which five have one million or more inhabitants: Kiev (2.6 mn.), Kharkov (1.6 mn.), Dnepropetrovsk (1.2 mn.), Donetsk (1.1 mn), and Odessa (1.1 mn.).

Ethnic composition and languages

Ukraine's population is made up of almost 73 per cent Ukrainians and 22 per cent Russians. This Russian presence is partly due to the attempt of the Soviet system to "Russify" Ukraine and partly because of the historical ties among Ukrainian, Russian and Belarussian nations. Beside these two major groups, a dozen other ethnic groups live in Ukraine, the largest of them being Belarussians (0.9 per cent), Jews (0.9 per cent), Moldavians (0.6 per cent), Bulgarians (0.5 per cent), Poles (0.4 per cent), Hungarians (0.3 per cent), Rumanians (0.3 per cent), Greeks (0.2 per cent), Tartars (0.2 per cent), Armenians (0.1 per cent) and Germans (0.1 per cent).

The population is predominately living in the eastern part of the country, with only 15 per cent living in the west. Russians and Ukrainians are mixed throughout the country, so the main division is more in the traditional socio-political alignment of the western Ukraine with Europe and the eastern Ukraine with Russia.

The official language is Ukrainian. Both Russian (in the central, southern and eastern part of the country) and Ukrainian (predominantly in the western and some eastern provinces) are the most widely used languages. Polish and Hungarian are also spoken in some areas of the western Ukraine. English is the most used among foreign languages, although foreign language proficiency is generally low.

Education

Education at the primary, secondary and higher levels has been available free of charge to all citizens. In 1990, the number of higher school students in Ukraine per 10,000 (171) exceeded similar numbers for such countries as Great Britain (118), Italy (135), Germany (142), France (164) and Japan (150). In 1990, per every 1,000 of the employed there were 139 persons with a university degree, 236 with a technical school degree, 400 with a high school degree and more than 200 with an intermediate school degree.

Vocational training schools (VTS) are the main suppliers of professionally trained manpower. In Ukraine, 754 such schools annually train about 740,000 skilled workers.

There are 150 higher educational establishments in Ukraine with an average enrolment of 900,000 students. There are 80 research establishments with more than 200,000 scientists and researchers. Annually, Ukraine produces about 15.3 Ph.Ds per 10,000 people which is higher than in the majority of former Soviet republics and in some developed countries.

Labour and employment

The labour force consisted of about 22.5 million people in 1991, 52 per cent of which were women. Of the total number employed, 19.1 mn. (85 per cent) were engaged in industrial production

and 3.4 mn. (15 per cent) in agriculture. As the data below shows, industry, construction, agriculture and science account for almost 80 per cent of the total labour force.

Low unemployment rates (about 0.2 per cent in 1991 and 0.6 per cent in 1992) reflect slow reform and privatisation processes. The enormous housing shortage restricts the mobility of labour, especially in the urban areas.

EMPLOYMENT DISTRIBUTION BY SECTORS

(1990, per cent)

- industry and construction	- 40.2
- forestry and agriculture	- 20.1
- transport and communications	- 7.0
- trade, public catering	- 7.4
- health care, education, science and arts	- 17.6
- public administration	- 2.2
- public utilities, services	- 5.5

With market reforms under way, unemployment in the country is expected to rise in the near future. As privatisation unfolds in 1993, the number of jobless may double. In order to weaken the impact of mass unemployment on the population, unemployment centres are being set up to provide unemployment benefits and retraining.

Chapter 2 - The Economy

Economic management

Ukraine inherited little of the institutional infrastructure necessary to formulate and implement economic policy. The relationships between and responsibilities of the President, the Prime Minister, Parliament, the Ministries of Economy, Finance, and Foreign Economic Relations, and the National Bank of Ukraine, are still being worked out. Up until now, the Cabinet of Ministers, under the direction of the Prime Minister, has assumed most of the responsibility for economic management, and it has, for example, drafted the economic reform programme. Economic legislation has to be enacted by the Parliament, but there are circumstances in which regulations can be made by decree.

Although the Governor of the National Bank is appointed by parliament, the Bank is an independent institution. By law, it has sole responsibility for directing monetary policy, but appears to be under the influence of the cabinet of ministers and parliament. The Finance Ministry is responsible for the country's fiscal policy (budget management), and together with the National Bank will be influential in the implementation of economic stabilisation.

The Ministries of Industry and Foreign Trade and the Ukrainian Chamber of Commerce still maintain regional branches and, alongside the State Property Agency, are likely to be involved in privatisation and international business activity, including foreign investment.

Structure of the economy

The economic structure of Ukraine has been an integral part to that of the former Soviet Union. By its level of economic development, Ukraine ranked second only to Russia. It accounted for almost 18 per cent of the Soviet GDP in 1990, about 17 per cent of the national income, 17.5 per cent of total industrial output, 22 per cent of agricultural and 18 per cent of consumer goods production. By per capita GDP, Ukraine ranked sixth among former Soviet republics after Estonia, Latvia, Belorussia, Russia and Lithuania.

In 1992, industry generated 52.3 per cent of the national income, agriculture - 21.3 per cent, construction - 15.0 per cent, transportation and telecommunications - 4.4 per cent, services and other sectors - 7.0 per cent. Compared to 1991, the shares of industry and construction grew considerably, while those of other sectors fell, including almost a 9 per cent decline in the share of agriculture.

The country possesses several competitive strengths, namely a strategically advantageous geographical position and mild climate, rich natural resources, a sizeable consumer market, a highly educated labour force, developed transport infrastructure, significant achievements in natural sciences and military-related research, and a developed R&D infrastructure.

a) Natural resources

It is estimated that Ukraine, which comprised 2.7 per cent of the former USSR territory, contains about 20 per cent of former Soviet and about 5 per cent of the world's mineral resources.

Minerals

There are about 8,000 deposits of more than 80 types of mineral resources, including significant deposits of coal, iron ore, peat, manganese, mercury, uranium, titanium, chromium, nickel, zirconium, lithium, beryllium, phosphate, kaoline, china clays, limestone, graphite, serum, asbestos, gypsum, dolomite, salt, construction materials, decorative stones and mineral water.

Principal resources where the country has a great potential for export include: graphite (700 per cent over domestic consumption requirements in 1990), kaoline (400 per cent), mercury (250 per cent), bromine (250 per cent), serum (200 per cent), manganese (175 per cent), salt (150 per cent), iron ores (140 per cent), titanium (140 per cent), construction stones (116 per cent), and gypsum (106 per cent). According to the Ukrainian Academy of Sciences, Ukraine used to export the equivalent of more than US\$ 28.0 bn. of minerals per year under the Soviet rule.

Ukraine possesses highly developed industries to facilitate production and use of natural resources. Central and eastern parts of the country are the areas where mining and heavy industries are concentrated.

Energy resources

Energy sources include oil and gas, anthracite and lignite, uranium deposits as well as hydroelectric resources. Most of these resources are well-identified and are under exploitation, in combination with an important industrial complex of power plants and refineries.

The proven recoverable oil and natural gas resources in Ukraine are modest: oil - 90 mn. tons (as of 01.01.90), liquefied petroleum gas (LPG) - 55 mn. tons, and natural gas - 731 bn. cu. meters. At the 1991 rates of production, those reserves will last from 29 (oil & LPG) to 30 years (natural gas). The exploration works began in the sea of Azov but the off-shore techniques have not been mastered so far.

Ukraine has huge reserves of coal (47 bn. tons) and is 95 per cent self-sufficient in it. The Donetsk basin had, until the last decade, been the largest producer of coal in the former USSR with 30 per cent of the total annual Soviet production.

At the existing rate of production (134 mn. tons in 1992), the country can in theory rely on its coal deposits for another 346 years. But reserve levels are becoming thinner and thinner, as the deposits have been under exploitation for many decades. The depth of mining has also increased dramatically. Besides, the utilization of coal for the production of energy requires a more advanced environmental technology and stricter pollution controls than Ukraine so far possesses.

The basin of the Dnieper river has six electric power stations with a combined capacity of 3,500 MW. No major extension can be foreseen in Ukraine due to a high population density in major hydrographic basins. Electricity production has been emphasized since the 1920s, and most of the industries actually use electricity rather than fuels, consuming 65 per cent of its total production. Ukraine has a self-sufficient electric power generation sector and currently exports electricity to neighbouring states.

More than 70 per cent of electricity is produced by thermal plants, 3.6 per cent by hydroelectric power stations and the remaining 26 per cent by nuclear plants. In 1991, electricity production fell significantly for the first time since 1985 (see "Major Economic Indicators" table). This was due to a decline in the production of thermal power stations, the shutdown of several units at the Chernobyl nuclear power plant as well as growing environmental awareness and opposition towards nuclear power after the accident.

Despite the strategic disadvantage in energy supply that Ukraine seems to have, there are a number of factors that could help stabilize the energy situation in the medium term: (1) the production of primary energy resources per capita is still comparatively high; (2) coal and uranium deposits are

sufficient to almost completely meet medium-term energy requirements; (3) both GDP energy intensity and losses in power generation, transportation and use (iron and steel, heavy industries, cement and coal production) are high enough to allow for their significant decrease; (4) Ukraine has been a net exporter of electricity with exports reaching 15 per cent of the total production in 1990; (5) the oil import bill could be dramatically reduced since a significant share of imported oil has been re-exported after refining in Ukraine; (6) there is a great potential for energy conservation (in electric power alone it is estimated at 8 per cent of 1990 consumption - or more than the present electricity consumption by construction and transport sectors combined); (7) recently, new locations for potential oil and gas production have been identified; (8) the introduction of ethane/propane/butane fuel processing technology could allow for increased production of fuels as well as production of fuel from ethanol; (9) upgrading of refining technologies (heterogeneous cracking and hydro-cracking catalysts, hydro-purification, isomerization); (10) planned diversification of external energy supply sources, including a project for the construction of an Iran-Ukraine gas pipeline.

b) Agriculture

The agroindustrial complex (AIC) has always been one of the most important sectors in the Ukrainian economy. Ukraine, until recently, was responsible for a very large percentage of former Soviet agricultural production. Ukrainian farms produced 58 per cent of all sugar beets grown in the former Soviet Union, 25 per cent of meat and dairy products and 20 per cent of all grains. While wheat is a primary grain, barley, corn, rye and tobacco are also harvested in the country. Sunflower seeds, flax and potatoes are produced in large quantities. In 1990, Ukraine accounted for 23.4 per cent of the total Soviet grain output.

Ukraine has also been the biggest producer of vegetable oil in the former Soviet Union. Two major world-known research centres for this oil are located in Odessa and Zaporozhye. While the USSR used to be a net importer of vegetable oil, Ukraine now exports it to other post-Soviet republics. In the recent past, surplus production of meat and milk was also exported to other parts of the CIS.

Ukraine is also a major producer of sugar beets. Sugar has been the biggest imported commodity in value terms (it accounted for almost 20 per cent of the USSR's import bill), twice as much as wheat or corn. In 1989, the value of the Soviet sugar imports was \$ 4.4 bn. So exports of sugar beets alone could generate up to \$ 1.0 bn. in hard currency or equivalent goods.

The country's 1990 level of per capita production of main agricultural products was comparable or, in some cases, exceeded those of Germany, France and Italy (see the box below).

The second most important agricultural activity is livestock production.

The farming system includes approximately 7,400 collective farms (kolkhoz) and 2,200 state farms (sovkhoz). As of January 1, 1992, there were only 2,000 private farms in the country. This figure is still very small for such a large country, and shows that the privatisation process has not yet started.

Since 1989, Ukraine's agriculture and associated sub-sectors have been affected by a long-term structural crisis reflected by the negative production growth rates and a decline in production in absolute terms. The roots of the crisis in agriculture can be summarized as follows: a) no private incentives given to producers, b) a sharp decrease in domestic consumption, c) the breakdown in former agricultural trade relations, d) the price scissors that exists between the manufactured and agricultural goods, e) a state monopoly over land, processing, storage and distribution, and f) growing energy costs.

PRODUCTION OF KEY AGRICULTURAL PRODUCTS
(kilogram per capita)

	<u>Ukraine</u>	<u>Germany</u>	<u>France</u>	<u>Italy</u>
Grain	1033	445	1058	295
Potatoes	378	118	85	42
Meat	115	96	112	63
Milk	469	450	519	204
Sugar	118	50	67	18

Source: Ukrainian Business Digest, March 1991, p. 5.

Recently new legislative moves have been made to give farmers the right to land use and inheritance but not the right to full land ownership. A proposal has been made to dismantle the state and collective farming system and convert it into a system of voluntary farmers' cooperatives and private farms.

c) Industry

Ukraine has a highly developed industrial base. In some areas, the republic accounted for the bulk of the Soviet industrial output. Structural change is the most burning issue for the Ukrainian economy. The industrial sector is characterized by a very high share of heavy industry in total industrial output, an inadequately low share of consumer industries, and a high level of inter-republican specialization, especially in heavy machine-building and military hardware.

Ukraine possesses a highly developed iron and steel industry that produced nearly 50 per cent of cast iron, over 40 percent of steel and rolled steel, and about 25 per cent of steel pipes in the former USSR. On the whole, the country produces around one tenth of the world's production of cast iron and 1/11 of steel.

The output of the energy and mining industry, especially fuel materials, also comprises a very high proportion of the former Soviet total. The industry's main products include coal, natural gas, and iron ore. The country accounts for 1/12 of the world's coal output.

The Ukrainian chemical industry produces various plastics, tires, fertilizers. The former Soviet republic accounted for one-half of all the coke produced, 21 per cent of mineral fertilizers, and 18 per cent of the sulphuric acid produced in the Soviet Union. The oil-refining industry has a capacity of 60 mn. tons of crude oil annually that exceeds domestic requirements in petroleum products.

Manufacturing, which has diversified into more than 150 fields, is one of the most important sectors in the economy in terms of productivity and potential revenue. Manufacturing industries are most notable for their production of agricultural machinery, machinery and equipment for chemical plants and oil refining, electric power turbines (30 per cent of the former Soviet production), electric welding equipment and metallurgical equipment, excavators, diesel locomotives, automobiles (KRAZ heavy-duty diesel trucks, LAZ buses, TAVRIA and VOLYN cars, assembly of MOSKIVICH cars), tractors, rail cars, jumbo passenger and cargo ANTONOV airplanes and turbojet engines, river and sea ships (tankers and cargo ships, fishing boats, warships, river boats), machine tools (digital-controlled metal-cutting lathes), mainframe and personal computers, consumer electronics (TV sets), electric measurement devices and medical instrumentation, and new composite materials.

The construction materials industry is known for its under-utilized export potential, especially in cement and decorative stones. Fairly developed light industries produce a wide range of consumer goods.

Ukraine has proven itself capable of world class technology and performance in the defense industry, which includes 837 military enterprises and 335 research, design and construction institutions. Ukrainian high-tech military enterprises have produced heavy duty cargo planes, missile launchers, including SS-18, ENERGY rockets, sophisticated electronic guidance systems, unique armoured vehicles and other weaponry and systems. This potential will be utilized to enhance the technological basis of civilian industries as well as partially converted to produce consumer goods. Aircraft, tankers and other ships, sophisticated consumer electronics, vacuum cleaners, microwave ovens, TV sets and other products may be manufactured by former military plants.

The industrial sector consists almost entirely of medium and large state-owned enterprises. These enterprises continue to dominate the Ukrainian economy. As of January 1993, the total number of enterprises was 6,845 which included 151 joint-stock company, 5,159 state-owned enterprises and 1,535 enterprises with mixed ownership. About 75 per cent of industrial output is produced in the state sector, 20 per cent by leased enterprises and 3.5 per cent by private companies and cooperatives.

Privatisation of the state property will be one of the most difficult problems in Ukraine as it will involve a large amount of property and will have to be carried out in a very short period of time. The amount of state-owned property to be privatised in Ukraine is far greater than that in Poland, the Czech and Slovak Republics and Hungary combined.

The privatisation programme aims to complete the so-called small-scale privatisation by the end of 1993. This will be conducted using privatisation certificates with a nominal value of URK 30,000 that eventually will become negotiable instruments. About 30 state enterprises have already been turned into joint stock companies. The sale of stocks for certificates is to start in April. The next privatisation "wave" is expected in the second half of the year. Foreign investors will not be encouraged to participate in the small-scale privatisation but are welcome to purchase various unfinished projects and larger enterprises. Underwriting of corporate stocks will be held twice a year.

d) Infrastructure

Transportation

The transportation infrastructure is fairly well developed. The flat relief of most of Ukraine's territory presents very few obstacles. The country possesses almost every means of modern transportation. Ukraine's territory is crossed by two major gas and two oil pipelines (with total length of more than 30,000 km) connecting production areas and markets to the sea ports. The rail road network is electric and serves majority of cities and main industrial and agricultural areas. The electric power grid is excellent being a part of the Unified Power System that links all of the European CIS republics with the other European countries and with the electricity production areas.

Automotive transport is a main source of passenger and cargo transportation (80 per cent of all freight), followed by the railway (14 per cent), pipelines (4.4 per cent), river (1 per cent), sea (0.7 per cent) and air (0.001 per cent). Therefore, pipelines, river, sea and air transportation combined account for only 6.1 per cent of the total freight turnover. But the sea cargo fleet, despite its low share in total domestic cargo transportation, is an important source of hard currency revenue.

The highway system is considered developed by the "Soviet" standards. About half of the roads in Ukraine are paved. A network of relatively good highways connects all the provinces and large industrial centres. The links between Kiev and Moscow, Kiev and St. Petersburg are of importance to the whole CIS.

Railroad transportation plays an important role in maintaining economic links with neighbouring countries. The railroad network includes six major lines with the heaviest concentration of trackage

being in the Donetsk Basin, the Dnieper river area and the right-bank provinces. The largest rail centres are Kharkov, Kiev, Dnepropetrovsk, Bakhmach, Yasinovataya, Debaltsevo, Kovel, and Kupyansk.

With the non-freezing sea ports in Odessa, Ilyichevsk, Nikolaev, Kherson, Feodosiya, Kerch and Mariupol, Ukraine accounts for more than 20-25 per cent of all the CIS ocean freight. Odessa is the principal port, handling about 30 million tons of cargo per year. Ilyichevsk is the second largest handling 22 million tons of cargo per year.

There are three major sea shipping companies in Ukraine:

(1) The Black Sea Shipping Company with ports in Odessa, Illichevsk, Yuzhny, Belgorod-Dnestrovsky, Nikolaev, Kherson, Yalta and Feodosia; (2) The Danube Sea Shipping Company (ports of Izmail, Reni, Kiliya, Ust-Dunaisk); and, (3) The Azov Sea Shipping Company (port of Mariupol).

The new Ukrainian national air carrier, Air Ukraine, services 400 cities within the country and connects Ukraine with 150 cities in the former Soviet Union and many foreign countries. Internationally, flights with world-class service are provided on a regular basis by the Air Ukraine International from the Kiev international airport to Athens, Amsterdam, Berlin, Brussels, Tel-Aviv, Vienna, New York, London, Paris, Frankfurt, Dusseldorf, Munich, Zurich, Damascus, Madrid, Milan and all Eastern European capitals.

Telecommunications

The telecommunications system could be considered a weakness. With a population of 53 million, Ukraine has only 4.7 mn. private telephones, or nine phones per every 100 citizens (USA, for example, has 3 telephones per every 4 persons). In the large cities, this number is 12 per 100, while in the countryside and small towns - only 3 per 100 people. The direct-dial calls within the country and to major cities in the CIS are possible from all provincial centres as well as many smaller towns. But the quality of the connection is poor. Digital exchanges, fibre optic cables, cellular systems, and advanced switching capabilities are virtually non-existent.

At the end of 1992, by commissioning the Ukrainian International Exchange operated by the joint venture UTEL (Ukraine-USA-Germany-Netherlands), Ukraine made a major breakthrough in international telecommunications. The Siemens-made digital switches with 4,600 channels, including 1,200 international, allow for direct dial from Kiev to 167 countries. A similar exchange was also installed in Lvov. From other cities, operator-assisted long-distance calls still must be placed.

Several dedicated telecommunications networks exist that were previously used by the military, the KGB, the party and directors of large industrial enterprises. Some of these networks are now being commercialized that will expand the scope and quality of international communications. A number of international data communications companies offer - through their local partners - advanced data communication services, such as electronic mail, facsimile and telex services.

Banking

According to the Law on Banks and Banking, in force since May 1991, Ukraine nationalized all Soviet banks on its territory, established a central bank, the National Bank of Ukraine (NBU), which started to register commercial banks as of November 1991. The Law is supplemented by a number of regulations by the NBU. The primary objective of the current banking reform is to transform the monobank system into a two-tier banking system.

The country's banking sector, which inherited the blueprint of the 1987 Soviet banking reform, has the following structure:

* National Bank, tax-exempt legal entity subject to direct overview by the parliament and the Cabinet; is responsible for monetary policy;

* commercial banks include: former specialized state banks (Agricultural bank "Ukraine", Industrial and investment bank "Prominvestbank", Savings bank "Oschadbank", Bank for social development "Ukrsotsbank" and State Export/Import bank), new joint-stock commercial banks have been formed mostly by cooperatives, state enterprises and private entities.

There has been a rapid growth in the number of commercial banks in Ukraine - from 66 in 1991 to more than 200 by the end of 1992. They have to be joint stock companies and meet the minimum level of the authorized capital (URK 500 mn.). Most commercial banks are still closely associated with particular industrial and agricultural sectors and have extended loans mainly to affiliated enterprises or state agencies.

As stipulated by the law, commercial banks are bound to observe certain ratios set by the National Bank (equity/asset ratio, maximum single-client exposure). But the introduction of effective banking supervision has not kept pace with the rapid growth in the banking sector.

The current banking legislation emphasizes the independence of commercial banks and outlines a wide range of their activities.

The following services are offered by the commercial banks:

- 1) corporate and personal deposits in local currency - demand and term deposits (usually opened for no less than 90 days);
- 2) corporate current accounts
- 3) commercial loans - usually short-term (starting from 30 days and up to one year) and medium-term (up to 3-5 years);
- 4) purchasing, selling and holding negotiable financial instruments and securities;
- 5) factoring;
- 6) leasing;
- 7) corporate and personal accounts in foreign currencies - demand and term deposits;
- 8) international payments (wire transfers, documentary collections, letters of credit), collection of cheques;
- 9) operations on domestic and international markets with foreign exchange and precious metals;
- 10) trust operations;
- 11) consultancy services.

The ability of the newly-established commercial banks to compete for the sources of funds and deposits has been rather limited due to: 1) the highly monopolistic nature of the banking sector (dominance of the former state banks with their nation-wide branch networks); 2) strict regulatory constraints; 3) strong dependence on the central bank credit and interest rate subsidies; 4) problem loans to the state enterprises; and 7) the dominance of large state enterprises in credit and deposit portfolios.

In February 1993, out of 110 commercial banks which reported their activities, 70 banks extended loans and only 23 banks accepted deposits. The following table gives an idea about the structure of short-term (90-day) interest rates (as of end February):

<u>Banks</u>	<u>Deposits</u>	<u>Loans</u>
Former state banks*	51-107%**	74- 90
Other banks:		
Kiev	87-121	60-175
Dnepropetrovsk	84-110	60-175
Donetsk	...	45- 89
Lvov	90-100	102-148
Odessa	60-134	91-140
Kharkov	100	94-160
Crimea	15- 87	20-198
Ref: The central bank "refinancing" (prime or inter-bank) rate - 80%		
* -	Bank "Ukraina", Prominvestbank, Ukrsotsbank, Oschadbank, Eximbank	
** -	minimum and maximum rates	

The inter-bank clearing is done through 25 regional "settlement and cash centres" of the National Bank, which process data supplied by the banks via modems, teletypes or regular mail on a daily basis. Most payments, until recently, were made by direct payment orders ("avizo").

The clearing and settlement system rests on a gross (item-by-item) basis (checking the legality of each payment), with no netting, third-party guarantees or sub-clearing arrangements. The system is governed by detailed regulations on the use of cash, on the use of payment orders or settlement checks as well as on the priorities in payments. Due to the lack of a unified computerized network as well as the poor quality of telecommunications, delayed and "lost" payments are a frequent phenomenon.

Operations in foreign currencies, including payments for all foreign trade transactions are to be executed through the Ukrainian State Export/Import Bank, licensed commercial banks, and foreign banks accredited in Ukraine.

So far, 36 commercial banks have received a general foreign exchange license (listed in Appendix) but only a few are active internationally and have established a sufficient number of correspondent accounts with known international banks. Only 5 domestic banks (National Bank of Ukraine, Bank "Ukraina", Ukrsotsbank, INKO and Eximbank) are currently members of SWIFT and will start using the system in September 1993. The rest of the banks use regular telex facilities, which result in delays in international payments.

Foreign banks are allowed to operate through a wholly-owned subsidiary, a representative office or a shareholder participation in a Ukrainian bank. As of March 1993, only Deutsche Bank, Dresdner Bank, WestLB, Societe General and Credit Lyonnais have opened representative offices in Kiev. One bank with foreign equity participation (The First Ukrainian International Bank) was established in Donetsk.

Interest rates on hard currency US dollar 90-day deposits ranged from 4 to 12 per cent (as of end February), while rates on short-term 90-day US dollar loans - from 12 to 35 per cent across commercial banks in Kiev. Very few banks, however, can afford to extend loans in foreign currencies, among them the State Eximbank, Bank "Ukraina", Prominvestbank, Ukrinbank and Bank INKO. Since about 80 per cent of all foreign trade contracts are denominated in US dollars (20 per cent - in Deutsche Marks), the currency structure of loan portfolios reflects the above pattern.

Foreign physical and legal entities can open current and savings accounts both in local and foreign currencies. A set of forms must be filled out at the bank if the company is to be registered locally. Foreign individuals may hold local currency accounts. The whole procedure of opening an account may last up to 2 days depending on the bank.

Money and capital markets

The money and capital markets are still in their initial stage of development reflecting uncertainties in the settlement system for payments, the lack of high-quality paper for trading, and the absence of active liquidity management by the National Bank.

Of money market instruments (T-bills, retail CDs, NCDs, commercial paper, eurodollar deposits, banker's acceptances, inter-bank funds, repurchase agreements), only retail CDs and inter-bank funds in the form of short-term inter-bank loans so far exist in Ukraine.

Of capital market securities (government notes and bonds, municipal bonds, corporate bonds, equity securities), Soviet government 1982 bonds and a limited number of equity securities are traded.

There are 7 commodity exchanges that have specialized securities trade departments and 7 stock exchanges in the country. The Ukrainian Stock Exchange (USE) established in 1992 by the joint efforts of the government and major commercial banks is the most prominent institution responsible for the establishment of both primary and secondary markets. Nowadays, USE is forming a nation-wide secondary market by establishing its branches in all provincial centres (by mid-March 1993, 15 branches were already established).

Fifty companies have so far registered as brokers with the USE. Recently, the USE introduced rules for listing that will expand trade in securities. It is also installing electronic funds transfer and management systems as well as developing a computer-based Central Depository for securities which will keep electronic records of all securities transactions in the country.

Equity securities are represented by common and preferred stocks issued during 1992 mostly by commercial banks and a few large joint stock companies. In 1992, more than 45 issuers of stock were registered by the Ministry of Finance but less than 30 securities were traded on the primary and secondary markets. Of this number, more than half were securities issued by Russian banks, financial and joint stock companies. Among Ukrainian securities, stocks of six commercial banks (HRADOBANK, AZHIO, LESBANK, NIKKOMBANK, EKONOMBANK and "INKO"), five finance and securities companies (UNIKOM, DIKOM, KINTO, Ukrainian Financial Group and Financial Group "Eastern Ukraine"), a mortgage company (Crimean Mortgage Fund), three investment funds (Popular Investment Fund "Kinto", Odessa Investment Fund and Diaphone-Fund) and four joint stock companies (HERMES-DNIEPER, UTAR, SIGMA and QUIZAN) were publicly traded as of March 1993. Debt securities are almost non-existent except for the above-mentioned Soviet government bonds.

In 1993, the government plans several measures to create its own debt instruments, including the issue of the government certificates with annual coupon payments equal to current market borrowing rates and the issue of long-term government bonds with yields equal to commercial bank deposit rates. Banks, insurance companies, pension funds and other financial intermediaries will have to keep 15 per cent of their portfolios invested in government securities. Progress in this area will depend on the legal clarification of permissible forms of ownership and the speed with which the intended privatisation proceeds.

Foreign exchange market

The current situation is characterized by tightening control over foreign exchange sources. Only limited foreign exchange is available for sale on the domestic market.

As a result of liberalization in foreign exchange regulations, residents and non-residents are permitted to open foreign currency accounts without specifying the sources of origin. In March 1992, the President's decree allowed all entities engaged in foreign trade to settle accounts in convertible currency.

A new foreign exchange system, defined in Cabinet decrees and a National Bank regulation, is aimed at strengthening foreign exchange controls and the role of the National Bank in this process. The system stipulates a mandatory sale of 50 per cent of export proceeds through authorized commercial banks and introduces a system of licensing for foreign exchange transactions both within the country and internationally. Hopes for free convertibility in current account transactions lie with the eventual introduction of a new national currency Hryvnia (probably in the end of 1993). This is most likely to be accompanied by mandatory sales of all foreign exchange receipts.

Basic elements of an inter-bank foreign exchange market have been established under the auspices of the National Bank. A limited possibility to purchase foreign currencies exists at weekly auctions run by the Ukrainian Foreign Currency Exchange (UFCE). The latter was established by the National Bank in late 1992 and currently has 40 commercial banks among its registered members.

The member banks trade on their own behalf and on behalf of their clients through appointed brokers. Trade is held twice a week on Tuesdays and Thursdays from 10.00 am to 1.00 pm. at the National Bank of Ukraine. The application for the purchase/sale of a foreign currency should indicate the sum in US dollars at the previous trade rate. The minimum purchase/sale contract is US\$ 10,000. The settlement is done through clearing banks appointed by the Exchange Board. As of March 18, 1993, the official US dollar rate of the National Bank is based on the rate set at the previous trade at the UFCE.

Current economic outlook

Both in the Soviet period and afterwards, Ukraine has not been moving towards the market-oriented reforms as actively as the Baltics or Russia. The economic situation in the country has continued to deteriorate over the last two years.

Major economic indicators

In 1990, the economy's growth rate turned negative for the first time in many years. Several factors contributed to the decline in economic performance. Among them: 1) the breakup of economic linkages with the other former Soviet republics, mainly Russia; 2) a distorted structure of industrial production (only 30 per cent of all enterprises manufacture consumer goods); 3) largely obsolete fixed assets; 4) a deep crisis in agriculture; 5) the absence of a well-defined economic development strategy.

In constant prices, national income fell to its late 1970s level. Per capita national income in 1989 was Rb 5,190, and in 1992, it fell by 30 per cent to URK 3,613, or Rb 14 less than in 1976 (in 1991 prices).

The last three years have witnessed a widening gap between growing consumer demand and a shrinking supply of goods. In 1990, income and savings exceeded the sales of goods and services by 140 per cent, in 1991 by 150 per cent, and this gap grew to 160 per cent last year. As a result, the monetary overhang in 1992 amounted to URK 600 bn., or 45 per cent of the entire retail trade volume.

The aggressive credit expansion in 1992 as well as uncontrolled monetary emission led to a huge budget deficit which jumped 17.4 its 1991 level and amounted to 33 per cent of GDP. Social expenditures and subsidies to state enterprises accounted for almost 80 per cent of all public expenditures. The huge public debt (more than URK 1,000 bn. by the year end) as well as payments problems with other CIS countries put extremely heavy pressure on the domestic financial and banking system.

Serious financial disorder resulted in galloping inflation. A wage-price spiral was triggered by a number of factors, including the lack of progress in market reforms and privatisation, an extremely ineffective, confiscation-type tax system, expansionary monetary policy, constant hikes in the prices of imported energy resources, uncontrolled growth of wages and government expenditures, and monopolistic pricing.

Wholesale prices in industry grew by 4,200 per cent in 1992 led by the fuel sector (23,700 per cent), chemical (7,200 per cent) and petrochemical (5,500 per cent) industries. In agriculture, wholesale prices increased by 2,000 per cent. The consumer price index in 1992 is officially estimated at 2,500 per cent which means that consumer-led inflation reached, on average, 220 per cent a month.

As a result of the measures undertaken by the government, some economic indicators for the first quarter of the current year have displayed signs of improvement. For example, the GDP growth rate declined by only 10 per cent (17 per cent in January-March of 1992). The rate of inflation slowed significantly (22 per cent in March compared to 28 per cent in February). In March, the tight wage controls resulted in the lowest quarterly increase in wages in more than a year.

The credits by the National Bank of Ukraine to the government and banks --the single largest source of domestically induced inflation -- also significantly decreased. In January 1993 they had increased by 67 per cent, while in March, fell to only 10 per cent. Similarly, growth in the money supply also slowed to 9 per cent in April compared to 22 per cent a month in 1992. The fluctuations of URK/US\$ exchange rate during March and April did not exceed 0.2 per cent reflecting efforts by the central bank to stabilize the national currency.

MAJOR ECONOMIC INDICATORS	1990	1991	1992*
Gross domestic product (bn. Rb, current prices)	165	295	4,400
Growth rates (constant prices)	-0.4	- 21	- 14
National income (bn. Rb, current prices)	118	224	4,800
Industrial output (% of change)	...	-4.8	- 9.0
Productivity of labour (% of change)	...	-2.4	- 6.0
Budget deficit (bn. Rb)	1.3	21.1	367.4
Inflation (CPI, per cent)	25	200	1,338#
Unemployment (thou.)	...	40	128
Exports (non-CIS, bn. US\$)	...	1.7	3.8
Imports (non-CIS, bn. US\$)	...	1.5	2.1
Trade balance (bn. US\$)	...	0.2	1.7
External debt (bn. USD)	...	12.4	13.1
Industrial output:			
Electricity (bn. kWt/h)	300	298	250
Oil (incl. LPG, mn. t)	5.3	4.8	4.5
Natural gas (bn. cu m)	28	23	21
Coal (mn. t)	165	145	134
Rolled steel (mn. t)	39	33	29
Steel pipes (thou. t)	...	5.6	5.1
Fertilizers (mn. t)	5.1	3.8	2.9
Cement (mn. t)	23	22	20
Automobiles (thou.)	197	200	177
Tractors (thou.)	...	90	71
TV sets (mn.)	3.9	3.7	2.6
Refrigerators (thou.)	909	883	840
Sugar (mn. t)	5.2	3.8	3.6
Meat (mn.t)	2.2	2.0	1.6

* Financial figures for 1992 are in Ukrainian karbovanets.

Unofficial estimates put inflation at 2500 % in 1992.

Source: Ukrainian Ministry of Statistics.

Balance of Payments

The country's share in the world exports is less than 0.5 per cent, though Ukraine accounted for 12.2 per cent of the total Soviet exports, including 42 per cent of iron ore, 65 per cent of coal, 64 per cent of pig iron, 37 per cent of rolled metal, 78 per cent of electricity, 40 per cent of steel pipes, 75 per cent of metallurgic equipment, and 65 per cent of sugar.

Ukraine currently trades with 116 countries. The structure of trade is dominated by the exports of raw materials and some consumer goods (87 per cent in 1992 compared to 79 per cent in 1991), some types of machinery and equipment (10 per cent compared to 12 per cent in 1991) and imports of oil and gas, non-ferrous metals, timber and chemical products, finished and semi-finished engineering goods, and consumer goods. More than 34 per cent of the total trade turnover were barter transactions (37 per cent of all non-CIS exports and 29 per cent of imports.) The major non-CIS trade partners are listed in the box below.

Major exporters:	Major importers:
1) Germany	1) China
2) Italy	2) C&SR
3) Czech & Slovakia	3) Latvia
4) South Korea	4) Turkey
5) USA	5) Italy
6) Poland	6) Bulgaria
7) Lithuania	7) Hungary
8) Latvia	8) Lithuania
9) Hungary	9) Germany
10) Bulgaria	10) Poland

The adoption of the foreign investment law, regarded as one of the most attractive in Eastern Europe, led to an expansion in foreign investment. By the end of 1992, there were more than 1,500 foreign investments registered in Ukraine, among them 80 wholly-owned foreign subsidiaries and the rest joint ventures. Of the latter, 811 are operational, employing 44,622 people, 44,110 of which are Ukrainian. By the origin of investment, Italy was the first in terms of capital value (as of March 1992), followed by the USA, Germany, Sweden and Spain.

More than 52 per cent of all joint ventures are engaged in trade and various forms of intermediary and brokerage activities, 16 per cent in manufacturing, 7.8 per cent in information technology and computers, 7.5 per cent in R&D and management training, 5.6 per cent in construction, and the rest deal with the health care, advertising, transportation, tourism, food processing, polygraphic production, marketing, agriculture and law.

The country concluded international treaties and bilateral agreements on trade and investment with the majority of its trade partners. Ukraine has granted most favoured nation status to more than 30 countries, and has signed bilateral tax treaties to prevent double taxation with a number of countries (see Appendix E).

Ukraine is a member of the United Nations and its specialized agencies, it has also received an observer status in GATT. The country recently joined the European Bank for Reconstruction and Development (EBRD), the Chicago Convention on International Civil Aviation, the Convention Establishing a Customs Cooperation Council, and the Paris Convention for Protection of Intellectual Property.

According to the debt allocation treaty signed by 10 former Soviet republics in December 1991 after a Memorandum on joint responsibility for the repayment of Soviet debt was endorsed, Ukraine's share was set at 16.37 per cent (or US\$ 12.28 bn.) of the US\$ 75 bn. total debt. Now, with the deferred 1992 debt service payments of US\$ 1.8 bn., this number stands at US\$ 13.1 bn. Independent

Ukraine is nearly debt free, however, due to its inability to access international commercial credit markets. Ukraine has been offered official credit from Germany and Canada for trade purposes.

Problems between Russia, the only country that partially met its debt service obligation last year, and Ukraine arose late in 1992 due to Ukraine's claim on former Soviet external assets. A provisional protocol was signed in November 1992 whereby Ukraine would hand over its debt obligation to Russia in exchange for its claim on assets. When Russia failed to provide information on the latter, Ukraine rejected the protocol.

The two countries have so far discussed several options for debt settlement: (1) Russia accepts responsibility for Ukraine's debt in exchange for its share of former Soviet assets (the "Zero Plus Option"); (2) Ukraine becomes indebted to Russia and the latter deals independently with Western creditors; (3) Ukraine services its debt itself and opts for its share of assets. It appears likely today that Ukraine will accept the Zero Plus Option offered by Russia.

In June 1992, the country became a member of the IMF and the World Bank. Its quota in the IMF is 0.69 per cent or USD 798 mn. In 1993, the country's quota could, if borrowing conditions are met, allow for USD 1.0 bn. in borrowing from the IMF and up to USD 1.3 bn. from the World Bank.

Recent economic policy developments

Business conditions and the investment climate in Ukraine should improve with the implementation of the anti-crisis package prepared by the Cabinet. The package identifies the most important objective to be the revitalization of economic growth through more active structural reforms and stabilization of the financial sector through state-regulated pricing, a wage freeze, reductions in public expenditures and the budget deficit, increased efficiency of the taxation system, and stimulation of export-oriented production.

The government has already declared its firm intention to reverse the negative economic trend by the end of the current year. For this purpose, it plans to reduce monthly inflation rates from the current three-digit figure to 2-3 per cent by the end of the year. The proposed measures include: tightening of monetary policy, an increase in the central bank refinancing rate (base rate), stricter banking supervision practices, an increase in the minimum capital requirements for newly-established commercial banks, the lifting of restrictions on international banking, an increase in the efficiency and performance of the inter-bank foreign exchange market, stabilization of the dollar/karbovanets exchange rate, Hryvnia monetary reform (end of 1993) and the introduction of internal convertibility.

Reduction of the budget deficit from 33 per cent of GDP (in real terms) in 1992 to 14-15 per cent by the end of the current year is regarded as a second priority. The deficit, planned at URK 983 bn., will be financed mostly by central bank credit, increased tax revenue and issues of government debt instruments, while the central bank will decrease circulation of the Ukrainian currency from 15 per cent in 1992 to 8-10 per cent of the total budget deficit.

Serious measures are planned to boost the international competitiveness of the Ukrainian economy by reforms in international economic policy. Foreign trade, foreign exchange, and investment legislation will become more consistent and transparent, rules for customs clearance will be unified, tariff and non-tariff regulation of trade will be established, a new system for the distribution of export/import quotas through open auctions will be introduced, and export and import duties will replace direct state interference in international business activity.

Taking into account an extremely high degree of monopolization, the government will facilitate active demonopolization and competition by liquidating horizontal state monopolies (concerns, associations, corporations, etc.), maintain controls over monopolistic pricing, eliminate subsidies to state enterprises, accelerate privatisation of residential property, small enterprises (through auctions), transportation means, land, assets of collective and state farms, and fixed assets of larger state enterprises (through the establishment of joint stock companies), simplify land lease contracts, eliminate

the system of residence permits to encourage labour migration, and facilitate the formation of investment companies and funds.

The government expects economic growth to resume after inflation rates drop to the projected 6-10 per cent per month in the second half of 1993. Major efforts will focus on increasing savings rates and shifting the investment burden from the state onto enterprises and individuals. By eliminating government expenditures to finance production, the government will encourage investment financed by retained earnings, depreciation, issuance of corporate securities (stocks and bonds), foreign investment and credit. The Ukrainian government intends to guarantee hard currency loans to finance foreign investment that will lead to structural changes, military conversion, and the production of consumer and research-intensive goods.

In order to oversee the transitional reform processes, the state plans to maintain a fairly strong regulatory role. To implement reform policies, the government plans to liberalize most prices, to eliminate state orders with guaranteed supply of material inputs, to accumulate depreciation funds in order to invest into socially important sectors, and to privatize unfinished construction projects.

Ukraine was one of the first post-Soviet states to declare its intention to create its own currency. The plans for monetary reform, announced in 1991, envisaged the introduction of a parallel pseudo-currency (Ukrainian coupon/karbovanets) to gradually replace the Ruble and later on to be replaced by a real national currency, the Hryvnia.

An interim monetary reform was introduced by the Cabinet in mid-November 1992, in order to address a payments crisis with Russia, i.g. restrictive attitudes by Russia's central bank towards payments from Ukraine, and growth of the country's public debt to Russia as a result of capital flight.

Part II

FOREIGN INVESTMENT POLICY FRAMEWORK

- * National treatment for foreign investors
- * Inviolability of investor property
- * Material compensation for losses and damages
- * Simplified registration procedures
- * The right to establish relations with any entities, open bank accounts, transfer money, borrow and extend credit
- * Free access to domestic stock market operations

Chapter 3 - Foreign Direct Investment Legislation

a) Forms of investment

Foreign investment in Ukraine may take the following forms:

- a) foreign currency, other currency assets; currency in circulation on the territory of Ukraine;
- b) any property (land, buildings, structures, equipment and other material resources) and all related property rights;
- c) shares, bonds and other securities or any other forms of participation in business;
- d) money claims and the rights to claim in compliance with the fulfilment of contractual obligations that have a value;
- e) all rights for intellectual property with a value, including copyright, patent and trademark rights;
- f) rights to business activity, including the rights to prospecting, development, mining or utilization of natural resources granted pursuant to the legislation or in compliance with an agreement;
- g) paid services;
- h) other kinds of investment not forbidden by Ukrainian national legislation.

Foreign entities have the right to invest in the following forms:

- a) shared participation in enterprises that are created jointly with Ukrainian legal and physical entities or the acquisition of a share in existing enterprises;

- b) the creation the of economy of enterprises that are wholly owned by foreign investors, (branches, subsidiaries and other structural entities of foreign legal persons) or the total acquisition of existing businesses;
- c) the acquisition of movable or immovable property, including plots of land ¹, buildings, apartments, equipment, transport facilities and other property through directly obtaining the property or in the form of shares, bond and/or other securities ²;
- d) the acquisition of rights to use land or concession for the utilization of natural resources in Ukraine individually or with the participation of Ukrainian entities;
- e) the implementation of specific investments that have not been explicitly and exclusively banned by the legislation of Ukraine, in particular, those based on agreements with Ukrainian business entities.

b) Registration and approval procedures

As a rule, foreign investment needs no particular authorization from the state. The only exception to this rule is investment in the sectors mentioned in para (c).

In order to enjoy the privileges provided by the Law on Foreign Investment, investors have to register with the Ministry of Finance. The registration procedure requires that the foreign investor submits information setting forth the general scope, form, implementation period and investment objective, legal (company) name, legal status and state affiliation of the foreign investor and his representatives on the territory of Ukraine -- according to the format established by the Ministry of Finance (Appendices). The specified information may be submitted by the foreign investor in person, through his official representatives, or by mail.

In the event a foreign investor requests additional preferences under the state programme for the promotion of investment, he should submit additional information to the Ministry of Finance confirming his compliance with the criteria set forth by the above program.

A duplicate copy of the information report is marked by a special stamp during registration period and is returned to the foreign investor to confirm state registration. If a foreign investor is granted additional preferences in connection with the state programme to promote foreign investment, he or she is provided with an investment certificate of a standard format (see Appendices) that shall serve as the basis for obtaining such preferences.

The Ministry of Finance shall register foreign investment or disclose the reasons of the denial of registration within three working days or, in case of special preferences, within 21 days from the submission by a foreign investor of the specified information. The registration procedure does not require permission for investment. A denial of registration may take place only if a foreign investor violates the investment procedure established by the law of Ukraine or if submitted information fails to comply with registration requirements. A denial, by the request of a foreign investor, shall be documented in written form, shall specify the reasons for denial and may be appealed in court.

¹ Unfortunately, the acquisition of land property by foreigners is not yet envisaged by the Ukrainian Land Code, which makes this provision of the Law on Foreign Investment restricted in its application. Land can be leased for 50 years, received under concession for the term of 99 years, or granted for permanent utilization.

² Foreigners can also acquire buildings and apartments for private purposes.

c) Restricted sectors

The general restrictions on entrepreneurial activity set forth by article 4 of the Law "On entrepreneurship" (revised as of October 15, 1992) apply to foreign investors as well. The following sectors are restricted for foreign investment:

State monopoly sectors

Activity on production and realization of drugs, weapons and ammunition, explosives can be carried out only by public sector enterprises.

Sectors subject to special authorization

Without special permission (license) granted by the Cabinet of Ministers of Ukraine or its authorized body, some lines of business cannot be carried out by domestic or by foreign investors (see Appendix B).

In the near future all licenses are to be granted by the Licensing Chamber of Ukraine based on a unified procedure which is to be established according to the government decision taken on January 13, 1993.

A relevant license for a period of not less than three years may be granted by the authorized bodies within 30 days from the date of application. Refusal to grant a license may be appealed in court or through arbitration.

In addition, banking activities as well as foreign exchange transactions require a license from the National Bank of Ukraine, intermediary operations with securities from the Ministry of Finance, intermediation in the area of employment from the Ministry of Employment.

General restrictions of investment activity

According to article 4 of the Law "On investment activity", investment is prohibited in enterprises that do not meet sanitary and hygienic requirements for radiation, ecological, architectural and other standards or which violate legally protected rights and interests of citizens, legal entities and the state. According to article 15 of the same law, international investment projects and programs, which are funded by budgetary and non-budgetary sources, shall be liable to public scrutiny. Investments from the other sources are subject to official scrutiny on the issues of maintaining environmental, sanitary and hygienic requirements.

Special restrictions for foreign investment

Ukrainian legislation may, for reasons of national security, designate territories wherein the activity of foreign investors or enterprises with foreign investment may be restricted or prohibited. In fact, such restrictions apply to territories of military strategic importance or those having a special regime for other reasons (e.g., 30 km zone around the Chernobyl nuclear power plant). However, presently, there are no areas or territories which are completely closed.

According to the Law on Privatisation and the Resolution of the Supreme Council of Ukraine dated November 31, 1990, on the protection of the sovereign proprietary rights of Ukraine, foreign investment by way of purchasing state-owned assets shall take place only with the permission of the State Property Fund of Ukraine. Accordingly, with regard to municipal property, it is necessary to obtain permission of the respective municipal property management bodies. The permission to purchase

state-owned assets is therefore granted by the above mentioned agencies. This permission is not needed in the case of participation in an official privatisation auction.

The Decree of the Cabinet of Ministers adopted on December 29, 1992, prohibits state enterprises to act as founders of enterprises of any organizational form as well as business associations, including those with the participation of foreign investors. On the part of the state, only bodies, authorized to manage state property can act as founders of such enterprises (associations). With regard to property belonging to the state, such bodies are represented by the State Property Fund of Ukraine and relevant ministries or other executive bodies subordinate to the Cabinet of Ministers.

d) Legal and international guarantees for FDI

The government guarantees for the protection of foreign investment are set forth in the Law "On foreign investment". They include the following provisions:

- 1) the establishment, with regard to foreign investment and forms of its implementation, with the exceptions envisaged by this Law, other laws and the international agreements binding on Ukraine, of *national treatment* for these investments and related activities. Additional privileges may be extended to foreign investors in key sectors of the economy under the state programs aimed to promote foreign investment. The first such programme is expected to be adopted by mid-1993;
- 2) *guarantees against changes in legislation*: in the event that subsequent legislation on foreign investment changes the conditions of protection extended to foreign investment under this Law, then, if required by a foreign investor, the legislation in effect at the time of registration of the investment shall continue to apply for the period of at least ten years.
- 3) *Guarantees against expropriation and unlawful acts of government bodies and officials*: foreign investments in Ukraine are not subject to nationalisation; the government bodies cannot expropriate foreign investments, with the exception of emergency cases (natural disasters, accidents, or epidemics), when a specific expropriation occurs, such decisions may be appealed in a legal proceeding.
- 4) *Compensation and damages for losses incurred by foreign investors*: foreign investors have the right for the compensation of their losses, including lost benefits and moral damages, incurred as a result of actions or omissions on the part of governing bodies of Ukraine or government officials which contradict legislation in effect, and also as a result of improper execution on the part of such governing bodies or officials, of obligations and duties required by the legislation with respect to foreign investors or enterprises with foreign investment. Specified expenses and losses shall be indemnified at the current market rates and/or established values certified by independent auditors. Compensation shall be prompt, adequate and effective, and shall be calculated from the moment of the decision to compensate. Compensation shall be paid without delay in the currency in which the investment was made or in any other currency acceptable to the investor in accordance with the effective law of Ukraine on foreign exchange. Beginning with the emergence of the right to compensation and up until the moment that compensation is made, interest rates for the entire amount to be paid as compensation shall be applied in accordance with the current interest rates effective for the current account deposits in the Ukraine money market. Compensation of losses shall be made at the expense of the country's state budget or from other sources pursuant to procedures stipulated by the Cabinet of Ministers.
- 5) *Guarantees against termination of investment activity*: a foreign investor shall have the right, within six months from the date of the termination of the investment, to recoup his investment, together with the proceeds therefrom, in the form of cash or commodities based on the actual market value as of the moment of the termination of the investment activity, unless otherwise stipulated by the law or agreements between the parties.

- 6) *Guarantees for the transfer of income, profits and other sums* in connection with foreign investment (see para (e)).
- 7) *Guarantees for the disposal of revenue, profits and other assets obtained in connection with foreign investments on the territory of Ukraine*: revenues, profits and other funds obtained in Ukraine in the currency circulating on its territory or in a foreign currency in connection with investment may be reinvested in Ukraine. In order to save revenues, profits and other funds denominated in the currency of Ukraine, foreign investors can open deposit and transaction accounts with Ukrainian banks. They have the right to use funds in these accounts to purchase locally both foreign currencies or goods for exports abroad.
- 8) *Guarantees envisaged by bilateral investment protection treaties that have been signed by Ukraine with other countries* (See Appendices).

e) Transfer of payments, profits and capital

Transfer of payments from Ukraine abroad and from abroad to Ukraine is to be made on the basis of international payments and settlements that are generally accepted in international financial and banking practices including wire transfers, cheques, letters of credit, remittances, etc.

Following the adoption of the Cabinet's Decree "On the system of foreign exchange regulation and foreign exchange controls" (February 19, 1993), the local currency became partially convertible for current account transactions. The right to sell and purchase foreign currency is granted to both residents and non-residents.

In order to guarantee foreign currency payments in the form of interest, dividends or profits from foreign investments as well as to enable the repatriation of a terminated foreign investment, Ukrainian banks with a foreign exchange license are obliged to buy foreign currency on the Ukrainian inter-bank foreign exchange market on behalf and at the expense of their customers.

While submitting an application for the purchase of a foreign currency one should declare the purpose of a transaction, namely: (a) a purchase or/and sale of goods and services, realization of intellectual property rights; (b) transfer of funds to service debt; and (c) indemnities of expenses to employees travelling on business abroad.

The procedures for the transfer of income and profits resulting from foreign investment in Ukraine are defined in a corresponding regulation by the National Bank dated July 6, 1992. Upon the payment of taxes and other mandatory duties, foreign investors are guaranteed the right to unimpeded and prompt remittance of their profits and other funds in foreign currency abroad that were obtained through their investments. Also in the event of termination of investment activity in Ukraine, a foreign investor shall have the right to the unimpeded repatriation of its initial capital investment. The transfer of profits of a foreign investor is made from his own foreign exchange revenues resulting from the investment as well as from other legal sources of income. The transferred profits are taxed at 15 per cent of the amount transferred.

Remittances of foreign funds in cash are restricted. Only the amounts that were previously taken into the country and declared at the customs are allowed to be taken out.

f) Protection of industrial and intellectual property

The Law "On external economic activity" allows foreign entities to engage in any entrepreneurial activities on the territory of Ukraine connected with the issuance of licenses, patents, trademarks, and other intangible assets including "know how". In addition, any form of technology transfer acceptable by international standards may be used, including full employment and work on a contractual basis of relevant experts in the field of science and technology. The Law prohibits exports and imports violating the rights of industrial and intellectual property.

Moreover, article 20 of the Law stipulates that participants in international business activity authorized by the state may not export or import nuclear technologies, equipment and services connected with them, or other kinds of production, technology and services, used for the production of arms and military equipment and technology.

In accordance with the Law on foreign investment, any form of intellectual property which has value, including copyright, patent and trademark rights, industrial models, and know-how, may be considered a form of foreign investment entitled to the protection and privileges set forth by the law.

This law envisages that the protection of the intellectual property rights of an enterprise with foreign investment is in accordance with other Ukrainian legislation in effect. Employees of enterprises with foreign investment, as authors, have the right to enter into agreement with their employers to specify their rights to the intellectual property that emerges from their work pursuant to assignments confirmed by the documentation of an enterprise.

Enterprises with foreign investment are entitled to exercise the intellectual property rights specified above only after concluding relevant agreements with the employees who are the authors of inventions, prototypes, trademarks and other objects of intellectual property.

Patents and other legal titles for the objects of intellectual property are issued to an enterprise after the conclusion of a relevant agreement between an employee and an employer. In addition to granting an employee the right to obtain a patent or some other legal title, the agreement shall specify respective obligations of an enterprise with regard to an employee. In the event that such an agreement was not concluded, the patent or other legal title is issued to the author of the invention, industrial prototype, trademark, etc., and the enterprise has the right to use these objects within the terms specified by a contract with the owner of the legal title.

An enterprise with foreign investment shall make its own independent decision as to the registration of inventions, industrial prototypes, trademarks and other objects of its own intellectual property abroad.

The framework of the patent system in Ukraine is based on the governmental *"Temporary Provisions on Legal Protection of Industrial Property and Know-how in Ukraine"* dated September 18, 1992 (hereinafter, the *"Temporary Provisions"*).

Of particular importance was also Ukraine's recognition, in September, 1992, of the following international treaties:

- 1) The Paris Convention on Protection of Industrial Property dated March 20, 1883 in its Stockholm revision of July 14, 1967 with the amendments thereto passed on October 2, 1979;
- 2) The Madrid Agreement on the Trademark International Registration Order effective as of April 14, 1991 in its Stockholm revision of July 14, 1967 with the amendments thereto of October 2, 1979; and
- 3) The Patent Cooperation Treaty dated July 19, 1970 as it was later amended and modified on October 2, 1979 and on February 3, 1984.

The main feature of the patent system, which is being established now in Ukraine, is the statement of a patentee's exclusive right to perform any and all types of commercial and technological disposal of the patented property for the defined term.

Pursuant to the *Temporary Provisions*, the effective legal protection is now provided for the following types of industrial property:

- inventions,
- industrial designs,
- trademarks,

- service marks.

Certificates of legal protection are issued by Derzhpatent of Ukraine, the Ukrainian state patent agency ("Derzhpatent").

Novelty, inventive level and industrial applicability are required for an invention to be protected in Ukraine. The items which can be considered **inventions** are as follows:

- devices,
- techniques,
- substances,
- micro-organisms,
- cultures of cells of plants or animals, and
- new applications of previously known devices, techniques, substances or micro-organisms.

The list of items which, on the contrary, may not be regarded as inventions include the following:

- scientific theories,
- production management and control methods,
- conventional signs,
- rules and regulations,
- schedules,
- algorithms,
- software programs, and
- construction designs and drawings.

The right to an invention should be confirmed by the patent which certifies the authorship, priority and the exclusivity of an inventor's right to use the patent within Ukraine. The patent is valid for twenty (20) years following the date of filing of the claim with Derzhpatent and payment of all required fees.

The individual by whose creative labour the invention has been made is formally granted the authorship for the invention. Persons which have not been involved directly in the creative work on the invention, i.e. those who provided technical, managerial and/or financial assistance to the author may not be considered authors.

The following individuals and legal entities can be regarded as patentees:

- 1) an author of an invention,
- 2) an inventor's successor,
- 3) an inventor's employer, as long as the assignment agreement is entered into between such author and employer, and
- 4) Fund of Inventions of Ukraine.

The industrial design is characterized by its form, technical or colour drawing or the combination thereof which expressly defines the visual appearance of the product. A patent may be granted for the design proved to exhibit the following properties:

- novelty,
- authenticity, and
- industrial applicability.

Not all designs can be considered industrial. The list of those which may not be referred to in this way is, without limitation, as follows:

- architectural and industrial projects, except some small architectural forms,
- printed matter, and
- objects not having specified form (consisting of dry and/or gaseous products).

A set of pictures detailing and completing the visual appearance of a design, as well as its description, general view drawings, ergonomic and arranging schemes are required for the filing of an application by Derzhpatent.

Trade and service marks distinguish goods or services of one entity or an individual from similar goods or services of other entities and/or individuals.

The following registered images performed in any colour or combination of colours can be trademarks in Ukraine:

- verbal signs,
- drawings,
- three-dimensional signs, and
- any combinations thereof.

Images which, on the other hand, may not be registered as trademarks are as follows:

- those not having distinctive features,
- state emblems,
- banners and armorial bearings,
- official names of the states,
- stamps and seals,
- rewards.

The above mentioned images, however, may be included in trademarks as unprotected elements, subject to consent of the relevant authority.

The following items, as well, may not be considered trademarks:

- images serving the commonly used symbols of certain goods,
- generally accepted terms and symbols,
- signs providing any information on the appearance, quality, quantity, properties, purposes, value, place and time of manufacturing of goods, and
- signs which can mislead a purchaser as to the product and its quality.

Any individuals or legal entities that engage in entrepreneurial activity may be regarded as trademark holders. An association of entrepreneurs producing goods or services having some common features may be the holder of a collective trademark.

The exclusive right to use an invention or an industrial design is entitled to its patentee, provided that the rights of other holders of patents are not violated. Neither person or entity is allowed to make use of the patented property unless a patentee's formal consent is obtained.

The following actions, as regards a patented invention or an industrial design, are considered violations of the patentee's rights, subject to the patentee's consent:

- manufacturing,

- usage,
- importation,
- offering for sale, or
- any other product utilization, involving an application of such an invention or design or the protected techniques thereof.

A holder of a trademark certificate is entitled to the exclusive right to the use and dispose of the trademark as well as impose a ban on its use by others. Neither person or entity can use the trademark patented in Ukraine without its holder's consent. The following actions, with regard to a product with trademark protection in Ukraine, are considered violations of the rights of the holder:

- importation,
- offering for sale,
- sale, or
- any other utilization of such a product.

Should any party in Ukraine (either an individual or a legal entity) create, or prepare for production and/or utilization of an invention or an industrial design prior to the effective priority date of a similar protected invention or design, then the said party, pursuant to article 18 of the *Temporary Provisions*, would be allowed to start or proceed with such production and/or utilization free of any charges. This can happen only if the volume of utilization in question would not be increased; and, provided further, that such "right of precedent usage" can be transferred by the party to any transferee together with the production facilities where the said utilization has taken place or where all preparation for it has been made.

All disagreements and disputes arising with respect to industrial property utilization are settled in the order prescribed by the applicable legislation.

Any patent infringement should cease upon the patentee's request and indemnification for losses resulting from the illegitimate use of the patented invention or industrial design should be provided. A party illegitimately using a trademark should halt such usage on demand of the holder of the trademark certificate and pay all damages.

The draft decrees by the Cabinet "On patents of inventions, the last models and industrial designs" and "On trade and service marks" were published in December, 1992. A provision in the Decree "On patents of inventions, the last models and industrial designs" establishing the order of legal protection of the last models is essentially new.

According to the draft, a patent for a beneficial model is issued for a design (or parts thereof) showing: (a) novelty; (b) industrial applicability; (c) expressly shaped in space; (d) referred to industrial production or considered an item of consumption.

The mentioned decrees also specify more precisely a patentee's rights, establish the procedure for the settlement of disputes concerning patent infringement cases. These decrees are planned to be enacted within the first six months of 1993.

It is of significant importance that, according to the *rules for the transitional period* established in the *Temporary Provisions* dated September 18, 1992, certificates of legal protection issued in the former USSR (patents, author's certificates on inventions and industrial designs, applications there of, and trademark certificates) may be submitted to Derzhpatent for registration and issuance of the certificates of protection that are valid on the territory of Ukraine. The term of the transitional period has been initially established until March 18, 1993, and is now prolonged by Derzhpatent: **(i)** for author's certificates, patents and applications for invention rights until September 18, 1993; and **(ii)** for author's certificates and patents for industrial designs and trademark certificates and the applications thereof until July 18, 1993.

Development and enforcement of laws, decrees and other regulatory acts, started in September, 1992 will help to establish an effective patent system in Ukraine and the proper legal environment in the field of intellectual and industrial property¹.

g) Employment issues

Labour relations, including hiring and firing, work procedures, salary, guarantees and benefits at enterprises with foreign investment, are regulated by collective and individual labour contracts. If agreed between the parties, an employer may sign a labour contract with an employee.

The terms of a collective contract and labour agreements may not worsen the position of the hired workers of these enterprises in comparison with the conditions stipulated by the Labour Code and other labour legislation in effect. Specifically, it is prohibited to set a salary lower than a minimum salary level stipulated by the labour legislation in effect (from January 1, 1993 - URK 4,600 per month). According to foreign exchange regulations, salaries in foreign currency shall not be paid to the residents of the country.

Until December 1992, a system of indexation of the population's income, had been in place. But in accordance with the Cabinet's Decree dated December 9, 1992, this system has been abolished.

Enterprises with foreign investment may employ both residents and non-residents of Ukraine. Labour relations with employees who have no permanent residence in Ukraine are regulated by the legislation of Ukraine if, in negotiating the terms of a labour contract or in a subsequent agreement, the parties have not chosen the legislation of another country to regulate individual elements of labour relations. The selection by the contracting parties of a legal regime that will regulate labour relations shall be valid provided that the regime in question bears a close relationship to labour relations and does not undermine the rights of employees in comparison to those envisaged by the law of Ukraine. Foreign employees can repatriate their emoluments in a convertible currency.

Article 4 of the Law "On external economic activities" envisages the possibility of employment on a contractual basis of Ukrainian citizens by foreign companies both in Ukraine and abroad, as well as employment of foreigners on a contractual basis by Ukrainian businesses. The terms of such employment are to be determined by relevant contracts.

h) Settlement of disputes

Disputes between foreign investors and the Ukrainian government on the subject of state regulation of foreign investments and activities are to be examined by Ukrainian courts.

All other subjects are to be resolved by common and/or arbitrations courts of Ukraine or, if agreed to by the parties, by conciliatory courts, including those abroad.

The specific forms of possible incentives and privileges are left to the discretion of the government.

¹ For information on registration procedures see Appendix C.

Chapter 4 - Incentive Measures

a) Tax incentives

All investors, both domestic and foreign, are granted certain tax incentives and privileges. Taxable income is decreased by the amount of profits retained for the reconstruction and updating of fixed assets, or construction of new plants and equipment. This privilege is granted on the condition that there is full utilization, for the above purposes, of depreciation deductions and retained earnings. The export of goods and services, including transportation and freight-forwarding services, except barter operations, are exempt from the value-added tax.

Special preferences could also be granted to foreign investors. Such privileges in the field of corporate taxation of foreign investments are permitted by article 32 of the Law on foreign investment, which provides for preferences to all foreign investors and additional privileges under special foreign investment promotion programs to be granted upon the adoption of these programs by the Cabinet, if a foreign investor complies with the requirements set forth by the mentioned programs.

Bilateral tax treaties

Ukraine has concluded several bilateral tax treaties with foreign countries providing for the prevention of double taxation and granting tax preferences. (See Appendix E).

b) Customs preferences

A special system of preferences, in the area of customs duties, as regards foreign investors and enterprises with foreign investment, has been implemented in Ukraine. Customs duties and import taxes are not levied in the following cases:

- 1) on assets imported to Ukraine as part of the contribution by a foreign investor to the charter capital of an enterprise with foreign investment for the period established by the Law on companies and partnerships (see chapter 5, para (a));
- 2) on assets imported to Ukraine for the purposes of investment on the basis of economic agreements (contracts) for the period established by the corresponding investment agreements (contracts);
- 3) on finished products, raw materials, semi-finished goods, components, spare parts and accessories imported to Ukraine for the use of enterprises with foreign investment;
- 4) on assets imported to Ukraine by foreign employees of enterprises with foreign investment for their private consumption.

The license-free importation of goods and services is guaranteed if it is necessary for the production of an enterprise with foreign investment. License-free exportation is envisaged for goods manufactured and services rendered by such enterprises.

c) Lending facilities

All participants in international business activity in Ukraine have the right to directly obtain and grant commercial credits at their own expense in Ukrainian currency and in foreign currency both inside and outside Ukraine. Foreign investors and enterprises with foreign investment on the territory of Ukraine have the right to freely choose among the banking institutions which will service them and provide them with both wholesale and retail banking services. There are no particular restrictions in this area.

Priority sector enterprises will be able to access state-subsidized low interest bank loans. For this purpose, the Long-Term Lending Fund is planned, and will be established under the auspices of the National Bank of Ukraine.

The single customer loan exposure for state foreign currency loans and guarantees for up to one year shall not exceed 5 per cent of the annual volume of state credits allocated for international transactions.

Foreign funds can be borrowed against a guarantee by the Cabinet of Ministers and the National Bank in accordance with the *Regulation on the procedure of the receipt, use and repayment of foreign credits which are granted against guarantees by the Cabinet of Ministers and the National Bank* endorsed by the Foreign Exchange and Credit Council of the Cabinet on August 27, 1992.

The State Export-Import Bank of Ukraine is the agent of the government for the promotion of foreign credits against guarantees of the Cabinet and the National Bank of Ukraine. Decisions on guaranteeing loans are taken by the Foreign Exchange and Credit Council following consideration of relevant proposals from the Ministry of Economy and the State Export-Import Bank of Ukraine.

All participants in international business transactions, which grant credit to foreign entities or obtain credit from abroad are to inform the National Bank of such credits (the total volume, currency, interest rate and maturity) within 3 days.

According to the Law "On pledge (collateral)" (in force since November 11, 1992), both tangible (only those that can be alienated) and intangible assets may be pledged as collateral. Moreover, the assets that become property of a pledgor after the pledge agreement was concluded (manufactured goods, future harvest, rents and other forthcoming income) may also be pledged, if a pledge agreement has a corresponding provision. It's also possible to pledge goods in circulation.

Several types of pledged collateral are defined in the legislation. *Hypotheca* is a mortgage secured by land or immovable property, in which the subject of the pledge remains in the possession of a pledgor or a third party. When a building is concerned, the land use rights relating to it are also covered by this pledged collateral. The term *hypotheca* may cover "the integral complex of assets of an enterprise" which makes it interesting for the newly privatised businesses. *Zaklad* denotes a pledge in which the collateral is transferred to a pledgee's possession. Other types of collateral include proprietary rights and negotiable securities.

Any collateral agreement must be concluded in writing and publicly notarized in order to establish a proper priority date. If objects requiring notarization are pledged, the pledgor should keep a book of collateral records and thus is liable for failing to do so, especially if damages result from the pledgor's failure to create or maintain records in a timely or accurate manner.

To the extent that a secured party wishes to enforce its security interest over pledged assets, it still must obtain a judgement or an order from a competent court or a notary public, unless the legislation states otherwise.

d) Free economic zones

According to the law on Foreign Investment and the Law on General Principles of Free Economic Zones of October 13, 1992, the latter may provide for preferential conditions for economic activity of

both national and foreign investors. The specific economic regime of every Zone is to be set by a special legislative act.

Draft legislation with regard to creating free economic zones in Odessa, Zakarpatye, Sevastopol has been already prepared and is being considered by the Cabinet of Ministers and the Supreme Council. Some other drafts relating in particular to Kiev, Chernigov, Donetsk and the Crimea are being studied.

e) Priority development regions

Additional preferences may be granted by the Cabinet of Ministers to investors in the priority development areas mentioned in part 4 (f).

Chapter 5 - National Legislation and Regulations Relevant to Foreign Direct Investment

a) Entrepreneurship and corporate law

Legal foundations of entrepreneurship

Entrepreneurship in Ukraine can be independently initiated by all citizens and carried out on a systematic basis at one's own risk for the purpose of gaining profit.

The primary legal acts regulating entrepreneurial activity are the laws "On entrepreneurship" (February 7, 1991), "On enterprises" (March 27, 1991), "On external economic activities" (April 16, 1991), "On foreign investment" (March 11, 1992), "On protection of foreign investment" (September 10, 1991), and "On the farm economy" (December 20, 1991).

Entrepreneurs

Entrepreneurs in Ukraine can be: (a) citizens of Ukraine and other states not restricted in their legal capacity or (b) legal entities of all types of ownership. The following categories are not allowed to participate in entrepreneurial activity: military personnel, officials of procurator offices, courts as well as those involved in national security, domestic affairs, state arbitration, notary public, bodies of government and municipal administration regulating business activity.

Organisational forms of entrepreneurship

Pursuant to the forms of ownership established by the Law "On property" and according to the Law "On enterprises", the following types of business are envisaged in Ukraine:

- 1) an individual enterprise based on the personal ownership by an individual and using exclusively his or her own labour;
- 2) a family enterprise based on the ownership and labour by the members of one family living together;
- 3) a private enterprise based on the ownership by an individual authorized to hire labour;
- 4) a collective enterprise based on collective ownership by the workers and employees of enterprises, cooperatives, other statute-regulated companies, public and religious organizations;
- 5) a state-owned municipal enterprise based on ownership of administrative and territorial units;
- 6) a state-owned enterprise based on the state ownership;
- 7) a joint venture established by pooling the assets of founders (mixed ownership). Legal entities and individuals of Ukraine or other countries may be among the founders.
- 8) an enterprise based on ownership by legal entities and individuals of the CIS republics and other countries.

According to its sales and number of employees and irrespective of its form of ownership, an enterprise may be categorized as a small business (depending on its activities, its manpower should not

exceed 200 people). The activities of small businesses are also regulated by the Decree of the Cabinet dated September 22, 1990 "On measures for establishing and promoting small businesses".

Unless contradictory to anti-monopoly legislation, the enterprises may form associations, corporations, consortia, concerns, or other amalgamations established along sectoral, territorial and other lines. The following types of amalgamations are possible:

- 1) an association - a contractual amalgamation established to permanently coordinate the business activities of its members;
- 2) a corporation - a contractual amalgamation established on the basis of joining production, research and sales efforts by delegating some powers of a centralized control over the activities of participants;
- 3) a consortium - a temporary statutory amalgamation of industrial and banking interests to achieve common goals;
- 4) a concern - a statutory amalgamation of enterprises on the basis of entire financial dependence on one or more holding companies;
- 5) other amalgamations based on sectoral, territorial and other principles.

An amalgamation operates on the basis of a contract or a statute constituted by its founders or owners. Enterprises participating in amalgamations preserve the rights of legal persons.

Amalgamations of enterprises registered in Ukraine may incorporate enterprises of other countries. Ukrainian enterprises may enter amalgamations registered abroad.

Corporate law

The specified domain is regulated by the Law "On enterprises" (dated March 27, 1991), the Law "On business companies and partnerships" (dated September 19, 1991) and Law "On securities and stock exchange" (dated June 18, 1991).

The Law on enterprises permits the establishment and operation of the following types of enterprises with foreign participation:

- 1) a joint venture established on the basis of merging assets held by different shareholders. The latter may include both individuals and legal entities of other countries;
- 2) an enterprise based on property and assets of exclusively foreign individuals and legal entities.

The Law on business companies and partnerships stipulates the establishment of joint-stock companies, limited liability companies, extended liability companies, full partnerships, limited partnerships (partnerships *in commendam*) with the status of legal entity.

Enterprises, organizations, institutions and individuals can be founders or participants in a company (partnership). Foreign nationals, persons without citizenship, foreign legal entities, and international organizations may become founders and participants in a company (partnership) on an equal basis with individuals and legal entities of Ukraine.

A joint-stock company is one that has an authorized capital divided into shares of equal nominal value. The stockholders are liable for the association only within the limits of the shares they own.

A limited liability company is an association that has authorized capital divided into parts, the size of which is determined by constituent documents. Participants of a limited liability association take responsibility within the limits of their contributions.

An extended liability company has authorized capital, divided into parts the size of which is determined by constituent documents. The participants of such an association are responsible for its debt, to be covered by their investment into authorised capital; in the event that debt exceeds capital,

the property additionally belonging to them is reapportioned on a pro rata basis to each participant's investment.

Full partnership pertains to all persons who take up common business activity, and hold joint responsibility for their association's commitments.

A limited partnership (partnership in commendam) is an association in which the participants are responsible for their association's commitments; one or more participants has responsibility which is limited by its share in the association's property.

Joint-stock, limited and extended liability companies are established and operate on the basis of a constituent agreement and a charter; full partnerships and commandite partnerships are established on the basis of a constituent agreement only.

The state registration of enterprises, companies, partnerships, irrespectively of their types and shareholders, is carried out uniformly by a state administration of a district, or the cities of Kiev and Sevastopol, or executive committee of a district or a city area Council of People's Deputies, depending on the location of an enterprise, company, partnership. The registration is done - on the basis of a submitted application, a resolution by a founder (founders) on establishing an enterprise, company, partnership, a statute, and other documents, depending on the lines of business and type of enterprise, company, partnership - within 30 days from the date of application. In the event the main provisions of a statute or the status of an enterprise, company, association (partnership) are altered, the re-registration must occur. A denial of state registration may take place only in the event of a violation of the procedure established by the law on the establishment of enterprises, companies, associations (partnerships), or in the event their constituent documents fail to comply with the requirements of the legislation. A denial of registration due to inexpediency for the establishment of an enterprise, company or association is not allowed.

In the event that state registration is not carried out within a stipulated term or denial of registration takes place for reasons not considered valid by a founder (founders), he or she (they) may appeal to court and has (have) the right to recover losses inflicted by the illegal denial of registration in court.

In circumstances when the establishment and activities of an enterprise require land or other natural resources, permission to use them shall be granted by the appropriate Council of People's Deputies or the Supreme Council when necessary, provided approval is granted by state environmental inspection or a local council.

A special procedure is provided for the establishment of a commercial bank. In accordance with the Law "On banks and banking" (dated March 20, 1991) and the provisional Regulation by the National Bank of Ukraine (dated July 17, 1992), commercial banks of various forms of ownership may be established in the form of joint-stock companies or limited liability companies. The share of any founder may not exceed 35 percent of the bank statutory capital which should meet the minimum capital requirement of URK 500 mn.

The registration of commercial banks is carried out by the National Bank of Ukraine on the basis of submitted documents. They include: an application for registration; a constituent agreement; a bank statute, the minutes of the statutory meeting containing decisions on the adoption of a statute, election of management bodies and appointment of managers (a chairman of the board and treasurer); feasibility study; balance sheets of all share-holders; report of an auditor on the financial position of shareholders; information on the professional qualifications of bank management (chairman of the board and treasurer) recommended by the founders, as well as copies of a document certifying the payment of a registration fee, copies of the report on open subscription for shares enclosing a list of shareholders, references on the availability of necessary premises, and lease agreement for a period of not less than 5 years.

In addition, the registration of foreign banks, their branches, and banks with foreign investment requires the submission of documents, locally notarized and legalized by consular institutions of Ukraine, including the following:

- a) by foreign legal entities: documented decision of the foreign founder (participant) on the establishment of a bank (a branch) on the territory of Ukraine; a consent in written form by the regulating agency of the country where the founder (participant) is registered, in the event it is envisaged by law of the respective state; copies of statutes (regulations) of foreign founders (participants); the extract from the trade (banking) register of the country in which the foreign founder (participant) has an officially registered office; reference of a banking institution in which the foreign founder (participant) holds accounts; and an official audit.
- b) by foreign individuals: a confirmation by a first-class bank on the financial position of the founder (participant); letters of reference from at least two foreign legal entities or individuals with proved solvency.

The registration of a commercial bank is carried out by the National Bank of Ukraine within 30 days upon receipt of the application and all relevant documentation. For each day of overdue registration, the National Bank pays to founders a fine amounting to 0.01 percent of the announced statutory capital of a commercial bank.

A denial of registration may take place in the event of an unsatisfactory financial situation of founders and/or unqualified management. It also can be appealed in court.

An enterprise has the right to establish branches, representative offices and other separate units, which have the right to open accounts with banks, whereas a company (partnership) is entitled to establish branches, rep offices and subsidiaries on the territory of Ukraine under the procedures stipulated by legislation.

The law establishes that the statutory capital of an association may not be less than URK 100,000, while that of a limited liability company - URK 50,000. No less than 60 per cent of company shares must be subscribed and paid for within 6 months, and founders shall be holders of not less than 25 per cent of shares during the first 2 years. Every shareholder in a limited company must contribute, before the company is registered, at least 30 per cent of the contribution specified in the constituent documents. It must be proven by the documents issued by a banking institution.

A company (partnership) may be reorganized by means of a merger, or restructuring, depending on management. A company is subject to liquidation in the following cases:

- a) after the expiration of the term of its activity or upon the fulfilment of its goals;
- b) after the decision by management of the company (partnership);
- c) according to a decision by a court or arbitration court at the request of a regulating body, in the event of systematic or flagrant violation of laws;
- d) on the basis of a decision of an arbitration court according to the procedure stipulated by the Law "On Bankruptcy (dated May 14, 1992);
- e) in other cases envisaged by constituent documents.

The liquidation and reorganization of an enterprise (corporation) is carried out the owner(s), by court decision or arbitration. Reorganization of enterprises which may cause ecological, demographic or other negative consequences must be coordinated by the respective council of people's deputies.

b) Securities regulations

The Law "On securities and stock exchange" has been in effect since January 1, 1992. The law determines the conditions and procedures for issuing securities and regulating activities of financial intermediaries on the issue and trade of securities.

Types of securities

Securities may be negotiable and non-negotiable (issued to a bearer). Negotiable securities may be transferred to other owners by full endorsement. Non-negotiable securities (securities to a bearer) are fully negotiable and circulate freely on a secondary market. Securities can be utilized for carrying out payments and securing credit.

According to the Law, the following types of securities are to be used in the primary and secondary securities markets:

- government (Treasury) bills;
- certificates of deposit (CDs);
- promissory notes and bills of exchange;
- government notes and bonds;
- municipal bonds;
- corporate bonds and debentures;
- stocks;
- privatisation securities.

Government securities are negotiable securities. They include money market instruments (bills with maturities of up to 1 year), and capital market instruments or longer-term government notes (1-5 years) and bonds (5-10 years). Short-term securities are issued by the decision of the Ministry of Finance of Ukraine, while the Cabinet of Ministers makes all decisions concerning the issuance of medium and long-term obligations.

Certificates of deposit are bank notes certifying deposits with a specified interest and maturity period.

Bills may be ordinary bills and bills of exchange. The Law contains the necessary characteristics for each type of bill.

Bonds can be issued for a specified maturity and fixed interest, they can be full bonds or bonds to bearer. The detailed characteristics of debentures are given in a special chapter of the Law. The minimum value of one debenture is URK 50.

Stocks may be full shares, warrants, preferred and common stock. As a rule, individuals are the holders of full shares. The minimum nominal value of a share cannot be less than URK 50. Values over URK 50 must be divisible by 50. The legislation specifies different types of shares, their attributes and the order of issue.

Circulation of shares should be recorded in the registration book of a joint-stock company. The registered information must contain the title, the owner's name, time of purchase and the amount of shares issued to each shareholder.

The issuance of shares and bonds is subject to registration in the designated financial authority (currently in the Ministry of Finance of Ukraine). The issuance of shares and bonds for the purpose of open sale must be registered with the financial authority and an information memorandum must be provided. Such registration must be provided within 30 days upon submission of an application and the relevant documents. Denial of registration may be appealed.

After registration, information about the securities must be published in the papers of parliament and the Cabinet and also in the official paper of the stock exchange. Securities may start circulation only 30 days after the publication of the announcement.

An issuer of securities (stocks, bonds) shall publish an annual report, and also promptly (within 2 days) publicize information on changes in his or her economic activity that could influence security price and the expected yield.

Financial intermediation in securities is allowed on the basis of a special license granted by the Ministry of Finance of Ukraine. Such licenses may be issued to the underwriters that have a paid-in charter capital fund of at least URK 5 mn., whereas intermediaries need to have a paid-in capital of URK 1 mn.

As to privatisation securities, their issuance, use and circulation are regulated by special legislation on privatisation matters.

A license is not to be given to those traders who own other traders' assets in amounts exceeding 10 per cent of the charter fund, including 5 per cent in direct holdings. A securities trader may not deal with securities issued by him and also with those stocks where he directly or indirectly holds 5 per cent of capital.

Securities are bought and sold at the Ukrainian stock-exchange.

Stock exchanges

According to the legislation, a stock exchange may be established by at least 20 co-founders that are licensed traders in securities if they deposit no less than URK 50 mn. in charter capital. A stock exchange becomes a legal entity upon its registration by the Cabinet of Ministers.

Stock exchange regulations must contain data on the types of contracts traded, trade rules, conditions for listing securities, conditions for the underwriting, pricing procedures, duties of the stock exchange members, the information system and its cost, rules for accounting, and other information relevant to its operation.

A stock exchange terminates its operations if its membership drops to 10 and no new members are accepted during a 6 month period. The procedures for the termination are defined by the Law "On business companies and partnerships".

Regulatory bodies

The Ministry of Finance and local financial bodies supervise operations with securities. The Minister of Finance appoints state representatives to the stock exchanges. They are authorized to take part in the management of the exchanges.

The following sanctions are envisaged for different violations of the stock exchange:

- notices,
- suspension of the underwriting and trade in securities for a term of up to one year,
- withdrawal of a securities trading license.

According to the regulations, the registration fee for intermediary activities in securities is URK 1,000 and should be paid to the Ministry of Finance.

The Ministry of Finance approves all securities regulations which determine the forms to be submitted for registration, the terms and conditions for registration, the grounds for rejection of registration, reporting requirements, and the contents of the information memorandum and annual report.

According to the Regulation "On procedures to register stocks and bonds" (September 30, 1991), the Ministry of Finance registers securities circulating nationally while the financial authorities of the Crimean Autonomous Republic and provincial centres are responsible for the registration of securities that circulate locally.

c) Privatisation laws and programme

The process of privatisation in Ukraine is regulated by the Law "On privatisation of assets of state-owned enterprises" (March 4, 1992), the Law "On privatisation of small state enterprises" (March 6, 1992), the Law "On privatisation certificates" (March 6, 1992), the Law "On privatisation of state-owned housing" (June 19, 1992), and by the State Programme of Privatisation of Assets of State-Owned Enterprises (July 7, 1992).

Assets to be privatised

The assets to be privatised include the following:

- a) the property of enterprises, factory shops, production facilities, and divisions applying for registration as independent enterprises and constituting self-sustained (integral) property-owning entities;
- b) unfinished construction projects;
- c) the state-owned shares in the assets of business companies (partnerships) and other associations.

The primary assets of small privatisation include the entire property of small public enterprises, such as unfinished construction projects, the book value of which does not exceed URK 20 mn. and also units (shares, stocks) within the property of enterprises, the recovery value of which exceeds this amount if it is envisaged by the privatisation plans.

The industries subject to priority privatisation are as follows:

agricultural processing, technical support and maintenance and local industries; construction; building material industry; light and food industries; manufacture of transportation means; trade and public catering; consumer services; maintenance and repair of residential property; timber industry; loss-making enterprises; unfinished construction financed by the state and local budgets.

Institutional framework

The state privatisation policy is carried out by the State Property Fund of Ukraine (SPF) and by privatisation authorities in Crimea as well as by local authorities.

The State Property Fund is authorized, with regard to the property owned by the state, to change the legal form of enterprises by reorganizing them into companies or to act as a lessor of property; to sell property; to form privatisation commissions; and to approve plans for the privatisation of property; to issue licenses to intermediaries in the field of privatisation.

The SPF is an independent state agency which reports both to parliament and to the Cabinet. It has its representative offices (agencies) in the major provincial centres of the country.

The privatisation agencies of the Republic of Crimea and of local administrative units of Ukraine prepare drafts of corresponding privatisation programs, establish commissions on privatisation of state and municipal property, approve privatisation plans; and act as an owner of the assets to be privatised. Overall control over the implementation of the Privatisation Programme is carried out by the Control Commission on Privatisation of the Supreme Council of Ukraine.

Participants

The participant buyers of assets to be privatised may include not only citizens of Ukraine but also foreign nationals, persons without citizenship, and legal entities of other countries.

In order to collectively participate in privatisation, citizens may establish companies (partnerships) or so-called "buyers' associations" by concluding cooperation agreements.

Buyers cannot include legal entities where the state owns more than 25 per cent of assets.

Methods of privatisation

The State Privatisation Programme (as amended by the Cabinet of Minister's Decree of December 15, 1992) sets forth seven methods of privatisation. They include:

- 1) Buy-out of small privatisation property by buyers' associations established by the employees of the respective objects;
- 2) Buy-out of state-owned assets in accordance with alternative privatisation plans (a buyers' association becomes an owner of the property, according to its own plan, which is an alternative to the plan proposed by the privatisation commission).
- 3) Sale at competitive auctions to the highest bidder;
- 4) Sale through a non-commercial tender (a bidder, which offers the best operational plan or, under other conditions equal, the highest price, becomes the owner);
- 5) Sale through a commercial tender (a privatisation commission defines the parameters of the request for tender and all bidders participate on such conditions and a bidder, which, under the initially fixed conditions, offers the highest price becomes the owner);
- 6) Sale at auctions with postponed payment (for 3 years on the condition of a 30 per cent down payment of the asset value);
- 7) Sale of shares of joint-stock companies through a stock exchange or other means of public distribution (employees have a priority right to purchase shares equivalent to the face value of privatisation certificates held by them plus an additional number of shares equal to half of the aggregate value of the privatisation certificates so used; buyers who offer the highest price for the greatest number of shares, after the preferred stock is sold, become the owners of the common stock).

Those enterprises, which, according to international agreements concluded by Ukraine¹, are privatised with the participation of foreign investors are subject to all of the above methods, except the first and the third. This exclusion is invalid if privatisation that takes place beyond the framework of international agreements.

Foreign investors may take part in the privatisation of all assets, except those which are totally excluded from privatisation both for residents and non-residents under the current legislation, according to the list of such assets as determined in the Cabinet's Decree dated December 31, 1992.

The government of Ukraine defines and publishes the list of assets, the privatisation of which is highly desirable with the participation of foreign investment. The first such list, endorsed by the Cabinet on February 26, 1993, includes 26 entities selected for privatisation.

Foreign investors can freely purchase assets subject to privatisation at auctions. In this case, all payments should be made in a convertible currency. The value of the asset being privatised with a convertible currency should be determined at the market exchange rate of the National Bank and

¹ No agreements of this type have been signed so far.

appreciated using a privatisation co-efficient. This uniform co-efficient is set by the State Property Fund on a quarterly basis and used for foreign purchases of industrial property (excluding land and real estate) during competitive bids or auctions.

When a stake in a public enterprise is sold without an auction, a special hard currency valuation of the property is to be made. The same procedure for payment applies to all legal entities established on the territory of Ukraine by foreign investors as well as by enterprises with foreign investment to represent buyers of the assets to be privatised. Foreign auditing, legal, consulting firms, and/or investment banks can participate in such valuation.

Preparation procedures

During the course of privatisation, following steps are envisaged:

- a) A request must be submitted to the SPF in order to be included on the list of companies to be privatised, which the SPF is currently putting together. The request is not an application for privatisation but rather an application to be included on the list. The request should include basic information about the enterprise (address, date and place of state registration), and guarantees to cover privatisation expenses.
- b) A minutes of the meeting of the enterprise employees must be presented stating their consent to privatize the enterprise.
- c) An information memorandum on the performance of the enterprise during first three months of 1992 must be presented. The note should include data on sales, book value of fixed assets, current value of fixed assets, depreciation level of assets (%), value of current assets, rate of return, and number of employees.
- d) The above mentioned documents should be accompanied by a description note of the assets to be privatised addressed to the Chairman of the Board of the SPF. It should include a proposed legal form of the privatised enterprise (e.g. joint-stock company, full partnership or limited partnership, etc), indicate if there is a foreign investor that intends to participate in the privatisation and specify the latter's proposed participation method (e.g. acquiring 55 per cent of shares in a joint-stock company) as well as a type of investment (cash or in kind). Generally, it would be useful to include into the note any important information relevant to the assets.

Presenting the above mentioned documents to the SPF will be followed by a written response from the SPF. The response may specify some conditions and limitations which the SPF imposes on the nature of business activities of a particular project. These limitations may not exceed a period of two years.

Precedent shows that the Fund may be required to hold some equity in a proposed joint-stock company or may impose some restrictions on future exports of a privatised enterprise. Some of the conditions or restrictions may be due to the anti-monopoly law, especially if a privatised enterprise holds a monopolistic position in the economy. The other reasons for certain restrictions and special conditions that could be imposed are environmental, though these particular considerations are not specified in the privatisation legislation.

The privatisation process

As soon as an applicant enterprise is included by the SPF on the privatisation list, the actual privatisation process can move forward. The application for privatisation should be presented to the SPF either by the employees of the enterprise or by perspective investors (buyers). No set format for such an application has been adopted yet.

No permission or approval from a corresponding ministry or any other regulating body is required. A ministry may become involved only during the establishment of a privatisation commission after a decision on privatisation is made. However, it would be useful to have some support from a ministry at an early stage.

Once an application has been submitted, the SPF should make a decision on the privatisation of an enterprise within 30 days. The application may be rejected by the SPF only on the limited grounds explicitly specified in the privatisation law.

Within a month after the decision on privatisation, the SPF should approve the formation of a privatisation commission which should include representatives of investors (buyers), representatives of government privatisation bodies, representatives of the relevant ministry, and representatives of local authorities responsible for the privatisation plan.

Within that same month, the SPF is to set up a date to present the privatisation plan which should not exceed 60 days from the date when the formation of a privatisation commission was approved.

A privatisation plan to be drafted by a privatisation commission should include the following information: terms and organizational forms of privatisation; book value of the privatised enterprise.¹

The privatisation plan should be presented to the regional department of the SPF. The latter should approve of the Plan and present it to all parties concerned within 10 days. As soon as the privatisation plan is approved, the actual reorganization of the enterprise starts.

d) Legislation on property

The Law "On property" (March 26, 1991, amended on July 7, 1992 and October 14, 1992) envisages that forms of ownership in Ukraine may include private, collective and public (or state), all of which are treated equally. All proprietors are equal in exercising their rights. The state is not allowed to interfere in the business activity of others. The Land and its riches, air space, water and other natural resources of the country's continental shelf and inclusive (maritime) economic zones are exclusive property rights of the Ukrainian nation.

International organizations and legal entities of foreign countries are entitled to own buildings, structures, and other property of social, cultural and productive use on the territory of Ukraine. Joint ventures with the participation of Ukrainian and foreign legal and physical entities are entitled to own the property which is necessary to carry out business as determined by their statutory documents.

The foreign physical and legal entities cannot own the following property in Ukraine: **(a)** weapons, ammunition (except for hunting equipment under special licenses by the Ministry of Interior), military equipment, missiles and space technology equipment, **(b)** explosives and explosion technologies, all types of rocket fuels as well as materials for their production, **(c)** combat poison gasses, **(d)** drugs, psychotropic and poisonous substances and medicines (except those prescribed by a physician), and **(e)** anti-hailstone units.

e) Currency exchange regulations

The framework for foreign exchange regulations of Ukraine is set forth by the following decrees of the Cabinet dated February 19, 1993: "On the system of foreign exchange regulation and foreign exchange controls, "On the rules of settlements in foreign currencies, On the provisional rules for the

¹ It should be noted that in case the employees do not agree with the privatization plan proposed by a privatization commission, the employees have the right to propose an alternative privatization plan.

disposal of foreign exchange revenues". The mentioned regulations introduced a very strict system of foreign exchange controls with regard to all enterprises, irrespective of their ownership and legal form.

Legal tender and exchange rates

According to the regulations in effect since March 1993, the national currency of Ukraine, Ukrainian Karbovanets (URK), a transitional national currency, is the only legal tender on the territory of the country freely convertible into Rubles of the countries comprising the Rouble Zone and only partially convertible into foreign currencies for current account transactions.

The exchange rates to foreign currencies are set on the basis of trade at the Ukrainian Foreign Currency Exchange (UFCE). The following exchange rates are envisaged:

- 1) the official exchange rate set by NBU and to be used by all entities for current account transactions, accounting and reporting purposes;
- 2) the buyer/seller rate of the National Bank to be used by the Bank alone for foreign exchange transactions outside the inter-bank foreign exchange market;
- 3) exchange rates set by commercial banks for current account transactions within a 2.5 per cent band around the official exchange rate;
- 4) a special exchange rate that could be separately set by the National Bank for capital transactions.

The exchange rates (1) - (3) are to be exclusively used for all types of current account transactions (foreign trade and short-term credit payments, transfers of interest rate payments on loans and profits from foreign investment, private unrequited transfers, including transfer of wages, pensions, etc.). Other exchange rates are not allowed for the above types of transactions.

Foreign exchange regime and controls

The availability of foreign exchange on the inter-bank domestic market is likely to increase with the decreed 50 per cent mandatory sales by enterprises of their foreign exchange receipts through licensed commercial banks. The latter are also obliged to purchase foreign exchange on behalf of their clients at the inter-bank market for the following types of current account transactions:

- a) to secure payments in foreign currencies for the imports of goods and services, intellectual and other property rights, except payments for securities, monetary metals and other currency values;
- b) to guarantee transfer of interest payments on foreign credits and repatriation of profits resulting from foreign investment;
- c) to repatriate a principal investment if foreign investment activity is terminated.

Non-residents have the right to purchase foreign currency mainly for the repatriation of their revenue obtained in connection with their investment in Ukraine.

An application for the purchase of foreign exchange submitted to a licensed bank should indicate the intended use of the currency, namely:

- a) for the purchase or/and sale of goods and services, purchase of intellectual property rights;
- b) for the transfer of funds to service external debt;
- c) for the reimbursement of foreign travel expenses by employees.

The funds received by residents and non-residents as a result of the above inter-bank transactions are not subject to the mandatory sale of foreign exchange receipts. In addition, the exemption cases include funds received by individuals as wages and salaries (other than profits), funds that belong to the licensed commercial banks, funds in non-convertible or clearing currencies that are disposed according to the inter-governmental agreements and funds received during privatisation.

The licensed banks are to sell all foreign exchange receipts of the residents through the inter-bank market within 5 days. Funds in Karbovanets sold for foreign exchange are to be transferred to the residents' accounts within 2 days after the correspondent bank accounts are credited.

The regime of licensing is introduced in the country. The general foreign exchange licenses are extended to commercial banks and other financial intermediaries to engage in foreign exchange transactions.

Individual licenses are to be obtained by residents and non-residents for the following transactions with foreign currencies: (1) transfers and shipments of foreign currencies abroad and into Ukraine, (2) disbursement and receipt of bank loans in foreign currencies if their maturities and volumes exceed official ceilings, (3) use of foreign exchange as a payment means in Ukraine, (4) placement of foreign exchange funds abroad, (5) investments abroad, including portfolio investments, except foreign securities received by individuals as gifts.

Individual licenses are not required for payments on foreign trade transactions, interest on bank loans or the transfer of profits from foreign investment or the principal investment if the investment is terminated.

Profits of a foreign investor both in national and foreign currencies can be reinvested locally according to the procedures set forth in the laws "On investment activity" and "On foreign investment".

To facilitate the transfer and reinvestment of profits, foreign investors can open savings and current accounts with the Ukrainian banks. The corresponding regulation by the National Bank dated July 6, 1992 "On the order of disposing funds by foreign investors deposited with the Ukrainian banks in the currency of Ukraine" sets forth the following rules:

- a) a foreign investor can open one account in a foreign currency and one account in local currency with licensed banks;
- b) a foreign exchange current account (type "A") is used to deposit investment funds as well as dividends or profits from the investment; foreign currency on this account can be freely transferred abroad or sold to a licensed bank;
- c) type "A" accounts are denominated as a rule in one foreign currency;
- d) the following documents should be submitted by a foreign investor to a licensed bank in order to open a type "A" account: application certified by an embassy, notarized copy of a charter (statutory documents), specimen of signatures, a copy of the registration certificate from a home country, a copy of the registration with the Ministry of External Economic Relations (for representative offices) or with the local state administration (for joint ventures), a copy of the foreign investment registration certificate from the Ministry of Finance; for a foreign physical entity, a reference from a foreign bank is needed instead of the registration certificate and statutory documents.

The trade in foreign currencies by both resident and non-resident legal entities is done only through licensed banks and other financial institutions operating on the inter-bank foreign exchange market. The resident and non-resident physical entities have the right to sell/buy foreign exchange either to/from licensed financial institution or, through their intermediation, to/from other resident physical entities.

All foreign exchange operations between residents and non-residents are subject to foreign exchange controls. Controlling bodies have the right to obtain from residents and non-residents full

disclosure about their foreign currency operations, the status of their bank accounts as well as the property to be declared (the residents' assets abroad).

Payments and settlements

Payments between residents and non-residents in foreign currencies are to be made only through licensed banks. Non-resident employers can reimburse resident employees in foreign currencies both in cash and through deposits. Payments between residents and non-residents within Ukraine in national currency is subject to individual licensing by the National Bank.

Foreign exchange can be used as a means of payment within Ukraine only by retail traders who obtained individual licenses for foreign currency trading. Such licenses will be granted mostly to resident retailers trading in international airports, rail road terminals, sea ports, international hotels, free economic zones, etc. Only foreign-made goods can be sold for hard currency. Foreign exchange sales revenue from the above operations are subject to the general order of disposal for the foreign exchange receipts. All other trade in foreign currencies between the residents has been outlawed as of March 31, 1993.

Regulatory bodies

The National Bank of Ukraine implements foreign exchange policy, compiles, jointly with the Cabinet, the balance of payments, oversees the ceilings for external debt, sets limits of indebtedness in foreign exchange by licensed banks to non-residents, issues foreign exchange regulations, accumulates and uses official foreign reserves, grants and withdraws licenses for operations in foreign currencies, defines methods for determining exchange rates, etc.

The Cabinet of Ministers determines and submits limits for the country's external debt for parliamentary approval, participates in compiling balance of payments, provides for the execution of budgetary and fiscal policies concerning operations in foreign currencies, establishes and operates the State foreign exchange fund.

The State Taxation Inspection is responsible for the control over foreign exchange operations within Ukraine. The Ministry of Communications oversees the transfer of foreign exchange across the state border, while the State Customs Committee is responsible for the physical movement of foreign exchange across state borders.

f) Accounting procedures

Accounting procedures currently in effect in Ukraine differ substantially from those set by the Cabinet of Ministers' Regulation as of April 3, 1993 on the organization of the accounting and financial reporting in Ukraine. These rules also differ from the standards and procedures used in developed market economies.

The preparation of financial statements for enterprises with foreign investment shall be conducted under rules set forth by the legislation of Ukraine -- in conformity with the mandatory Set of Accounts, the instructions of the Ministry of Finance on the Rules of Composing Annual Financial Statements by the Enterprises with Foreign Investment (dated November 1992) and other instructions. Enterprises may additionally issue financial statements based on the rules and procedures effective in the home country of the foreign investor. In preparing financial statements, the enterprises with foreign investment must use a current exchange rate determined by the standing foreign exchange legislation (the official NBU exchange rate).

Recently, steps have been taken to convert the present accounting system in Ukraine into a system compatible with internationally accepted standards.

g) Environmental requirements

The Law "On environmental protection" (June 25, 1991) stipulates that ecological standards are set by special legislation and that environmental requirements are to be introduced by the Ministry of Environmental Protection, Ministry of Health and other authorized state agencies.

State control over environmental protection is exercised by local councils of people's deputies, their executive bodies (or local authorities), by the Ministry of Environmental Protection and its local offices and other authorized state agencies as well as by public inspectors according to the regulations of the Ministry of Environmental Protection.

Enterprises and organizations which carry out activity that, in their estimation might affect the environment, are to file an application on this matter with the Ministry of Environmental Protection or its local offices. Enterprises and other entities damaging the environment are to be put out of operation. New technologies and equipment are not to be commissioned unless state ecological experts determine that they will provide adequate protection.

Natural resources which have been extracted illegally and the products made out of them, as well as the means of this illegal activity are subject to confiscation. The income received from these activities is reallocated to non-budgetary funds for environmental protection. The damages inflicted as a result of violating environmental protection legislation are subject to full compensation through a court procedure. Any infringement of this legislation may also be punished according to the Criminal Code and the Administrative Offenses Code.

In the case of property transformation or investment in an existing enterprise, the new enterprise will inherit the responsibility of the previous company relating to environmental damage.

Foreign legal entities and individuals as well as persons without nationality are obliged to observe environmental protection legislation and are responsible for its infringement on common grounds, if the latter is not stipulated by the treaties between Ukraine and corresponding foreign countries.

Part III

TAX SYSTEM

- * Various corporate tax deductions, incentives and exemptions
- * Reduced tax rates for foreign investors
- * Accelerated depreciation rates
- * Decreased land lease and resource utilization rates
- * Customs duty incentives

Since independence, Ukraine has been moving towards a new taxation system more compatible with international standards. The principal types of taxes include: corporate income tax, personal income tax, value-added tax, excise taxes, a series of customs duties and other taxes and fees of a more specific nature.

Chapter 6 - Corporate Taxation

In compliance with the Law "On Income Taxation of Enterprises and Organisations" as of February 21, 1992 enterprises are to pay revenue tax, i.e. the taxation base is the total amount of gross revenues (gross profits plus the payroll fund of an enterprise).

Ukraine taxes gross revenue of most domestic and foreign business entities at the **18 per cent tax rate**. Certain activities are taxed at the **15 per cent rate**. In addition, joint ventures meeting certain requirements are also taxed at a decreased 15 per cent rate.

The below lines of business have different tax rates:

- enterprises engaged in research and development 9%
- leasing of real estate and individual property, video rental, show business and gambling 70%
- intermediary business, sale of goods and assets through auctions 75%

The following capital yields are subject to the **15% tax rate**:

- corporate income derived from the sale of securities;
- interest income and dividends obtained by Ukrainian legal entities (foreign legal entities are exempt) from shares, bonds and other securities issued in Ukraine;
- income of residents obtained from the participation in the activity of joint-ventures established in Ukraine.

Income from government bonds and other government securities is tax exempt.

Taxation of enterprises takes into account income obtained from all legal sources in Ukraine, its continental shelf, including (maritime) economic zones as well as income obtained from abroad.

Gross revenues constitute all revenues obtained from the sale of goods and services (excluding VAT and excise taxes) less the material costs of production (including capital depreciation) and sales. Rental payments, income from securities issued in Ukraine (stocks and bonds) as well as income from equity participation in other Ukrainian business entities are not included in gross income for tax purposes.

The revenue tax allows for various deductions and exemptions envisaged for R&D expenditures, investment in capital assets, expenditures on social infrastructure health and child care, retirement plans, etc., business activities in the area of education, production and sales of prosthetic and orthopaedic devices, other medical equipment, the income of enterprises used for environmental protection as well as manufacturing of products new to the Ukrainian market, etc.

Foreign legal entities are subject to Ukrainian taxation only on income derived from domestic sources. For taxation purposes, a foreign legal entity must register with the tax authorities within 30 days from the start of operation in Ukraine. The failure to do so may be regarded as tax evasion. The legislation envisages different tax filing and payment procedures for 100 per cent Ukrainian-owned businesses, enterprises with foreign equity participation and 100 per cent foreign legal entities.

Taxpayers are required to keep records in compliance with domestic accounting procedures and standards.

Income of an enterprise which is a sole proprietorship of a foreign individual is considered, for the purpose of taxation, to be personal income of this individual subject to taxation under the provisions for the taxation of individuals (see chapter 2).

As for foreign legal entities engaged in business activities in Ukraine through representative offices, taxation is the same, except revenue and profits obtained abroad.

Corporate income obtained in foreign currency is subject to taxation jointly with the income obtained in national currency using the official exchange rate of the National Bank.

Income of foreign legal entities, not connected with their business in Ukraine through representative offices, derived from dividends, interest and equity participation the sources of which are located in Ukraine are taxed, in the case of repatriation abroad, at a rate of 15 percent unless otherwise stipulated by double taxation treaties between Ukraine and other countries (see Appendix E).

New tax legislation stipulates a list of general income tax privileges which are also relevant to enterprises with foreign investment. These privileges include mainly:

- 1) A decrease in the amount of taxable income.
- 2) A complete income tax exemption.
- 3) A temporary income tax exemption.

In certain cases, business entities may have the right to a tax credit:

- 1) Corporate tax applicable to foreign legal entities may be suspended or decreased on the basis of bilateral agreements with foreign countries.
- 2) Tax on the income of enterprises from foreign sources, outside Ukraine's continental shelf, excluding free (maritime) economic zones, and collected abroad under foreign tax legislation, is deductible from the taxable income in Ukraine. However, the deductible amount may not exceed the taxable amount subject to payment in Ukraine.

Chapter 7 - Taxation of Individuals

In accordance with the Decree by the Cabinet "On income taxation of individuals" (dated December 26, 1992), effective as of January 1, 1993, tax payers subject to the Ukrainian personal income tax include: citizens of Ukraine, foreign nationals and persons without citizenship, both residents and non-residents. ¹

The taxation base of Ukraine's residents is the aggregate taxable income during a calendar year consisting of monthly aggregate taxable revenue obtained from various sources both on the territory of Ukraine and abroad. The taxation base of non-residents is the aggregate income obtained from all sources in Ukraine.

The income tax rates are as follows:

The sum of a monthly aggregate taxable income	Applicable tax rate
- minimum wage ²	exempt
- from minimum wage <u>plus</u> URK 1.00 to 10 minimum wages inclusively	10%
- from 10 minimum wages <u>plus</u> URK 1.00 to 20 min. wages inclusively	tax on 10 minimum wages <u>plus</u> 20% of the sum exceeding 10 minimum wages
- from 20 minimum wages <u>plus</u> URK 1.00 to 30 min. wages inclusively	tax on 20 minimum wages <u>plus</u> 35% of the sum exceeding 20 minimum wages
- over 30 minimum wages	tax on 30 minimum wages <u>plus</u> 50% of the sum exceeding 30 minimum wages

The tax rate for individuals that receive income in Karbovants is progressive (see table above); and it is not for those who are paid in foreign currency. There is no minimum monthly wage exemption for wages paid in hard currencies or for wages in Karbovantsi that exceed 30 minimum wages. Income in hard currencies is to be converted into local currency using the official exchange rate.

The tax on income obtained by individuals from sources other than principal (full-time) employment, and also by non-residents of Ukraine is withheld by the source of payment at a rate of 20 per cent.

¹ Persons who reside in Ukraine for at least 183 days during a calendar year.

² URK 4,600 as of January 1, 1993.

The tax on income, obtained by individuals as dividends or profits resulting from the participation shares in enterprises is withheld at the source of payment on the basis of an aggregate taxable income at a rate of 15 per cent.

The aggregate net income, i.e. the difference between gross income (returns in monetary form and in kind) and confirmed expenses directly related to income generation, is considered taxable income of individuals engaged in entrepreneurial activity.

The same tax collection procedure exists for foreign nationals and persons without citizenship that reside in Ukraine. Their taxable income base may exclude:

- a) amounts allocated by the employer of foreign nationals to the social security and pension insurance funds;
- b) reimbursement of residential rents and expenses on maintenance of vehicles used for business purposes;
- c) business travel expenses.

Taxation of foreign individuals may be terminated or largely decreased in conjunction with relevant international agreements.

Chapter 8 - Value-Added Tax

The Decree of the Cabinet "On value-added tax (dated December 26, 1992) specifies that the following entities are subject to VAT in Ukraine: all entities engaged in entrepreneurial activities on the territory of Ukraine, international associations, foreign legal entities and individuals engaged, on their own behalf, in the production and other business activities in Ukraine.

The taxation base covers revenues from the sale of merchandise (goods and services), except those sold for foreign currencies. The value-added tax is incorporated in the price for goods and services and now is applied at a **flat 28 per cent rate**¹. Several categories of goods are exempt from the value-added tax. It should also be noted that the exemption from VAT for enterprises with foreign investment that existed under the previous tax legislation, has now been abolished.

The taxation base for imported goods and services purchased for foreign currencies is the difference between sales revenue in local currency and the invoiced value in foreign currencies as declared to customs officials and converted into Karbovants at the official rate of the National Bank on the date of the customs clearance.

The taxation base for the trade, procurement, wholesale, consumer supply and other intermediary services is the difference between the final sales price of goods and services and purchase prices quoted by suppliers including their value-added tax.

The taxation base also includes:

- a) value of goods and services, transferred without payment or partially paid, within an enterprise for the needs of internal business or individual consumption, costs of production of which are not added to initial cost of production (sales);
- b) value of goods and services transferred, free-of-charge or for partial payment, to other enterprises or individuals;
- c) value of goods and services transferred without payment in exchange for other goods and services.

¹ For 1993 the value-added tax is fixed at 28%.

Chapter 9 - Other Taxes

In accordance with the existing tax legislation the additional taxes, duties and fees are effective in the country. They include:

- a) excise tax
- b) natural resources charge
- c) land tax
- d) forest charge
- e) ecology tax
- f) state duty
- g) vehicle owner tax
- h) customs duty.

Excise tax, according to the Cabinet of Ministers' Decree of 26 December 1992, is imposed on high value and monopoly-priced goods and is included in the retail value of these goods. An excise tax varying from 10 per cent to 85 per cent on such items as alcohol, chocolate, cigarettes and motor vehicles, is levied on goods manufactured and produced in Ukraine as well as on imported goods, but the tax is not applied to exported merchandise.

A natural resource charge is paid by all businesses, organizations and individuals which utilise natural resources. The rates are fixed by the Cabinet of Ministers. Payment is made to the respective local authorities.

In accordance with the Law dated July 3, 1992, a land tax is paid by enterprises, organizations and individuals that purchase or lease. The rate is determined by the quality and location of the land. Payment is levied in the form of land tax or rental, disbursed to the budget of a respective local authority, except land rental which is paid to a non-budgetary fund of a local council of people's deputies.

A forest charge is paid on the use of timber and on other uses of forests of national importance. The payment for standing timber is levied at rates fixed by the Cabinet of Ministers; for secondary lumber and forest by-uses, at rates fixed by the local councils of people's deputies. It is paid to the local authorities.

An ecology tax is paid by all enterprises, organizations and individuals that inflict damage to the environment or cause a degradation of a natural habitat. The tax is levied at rates fixed depending on the level, scope and nature of pollution and natural resource degradation, in accordance with decisions taken by the Cabinet of Ministers. It is paid to the non-budgetary environmental funds of the local councils of people's deputies.

A stamp duty is imposed, in accordance with the Cabinet of Ministers' decree (dated January 1993), on enterprises, organizations and individuals for documents and accomplished legal deeds at rates fixed by the above mentioned decree. It is paid to the local authorities.

Transportation (vehicle owner) tax. The owners of motor vehicles and other self-propelled mechanisms pay this tax to the respective local authorities, in accordance with the corresponding law dated December 11, 1991.

Customs duties were set forth by the Cabinet of Ministers' Decree "On Customs Tariff of Ukraine" passed on January 11, 1993. In accordance with commodity classification based on a Harmonized System, it calls for import duty rates of 0.2; 5; 10 and 20 per cent depending on the commodity for trade with countries granted "most favoured nations" status.

Export customs duties were introduced by the Cabinet's Decree "On Export Customs Duty" (dated January 11, 1993). The rates are 5 per cent, 10 per cent, 20 per cent and 30 per cent of the commodity's declared customs value, depending on commodity classification.

Part IV

INVESTMENT OPPORTUNITIES

The draft State Programme for the Promotion of Foreign Investment in Ukraine, prepared by the Cabinet of Ministers, and to be adopted in the near future, outlines the priority sectors for foreign direct investment. These priorities are based on the following principles: **(a)** production oriented at raising the standard of living and consumption levels, new products; **(b)** development of resource-saving, research-intensive and ecologically friendly technologies; **(c)** promotion of exports; **(d)** substitution of imports; and **(e)** structural changes.

On this basis, the following sectors are considered top priority: agricultural processing, light industries, the energy sector, chemicals and petrochemicals, metallurgy, timber and wood-working, natural resource based industries, health care, and tourism.

Officials estimate that more than US\$ 7.2 bn. of foreign investment will be necessary to meet economic development objectives in the near future. The breakdown in required investment is the following: transportation and communications (US\$ 1.05 bn.), engineering and conversion (US\$ 0.85 bn.), pharmaceutical and medical instrumentation (0.25 bn.), agriculture and food processing (0.87 bn.), energy (0.31 bn.), chemical and petrochemical industry (1.62 bn.), production of consumer goods (0.39 bn.), iron and steel (0.5 bn.), construction materials (0.05 bn.), wood-working (0.35 bn.), development of the regional infrastructure (1.0 bn.) and construction of an international business centre (US\$ 66 mn.).

Foreign investment in these priority sectors will enjoy tax breaks and other incentives as well as bank loans at subsidized interest rates as soon as the Programme is adopted by parliament.

In order to facilitate the inflow of foreign investment, a Centre for investment Promotion is to be created. The Centre will be a "one-stop-shop", where investors can collect information on relevant laws and policies, register their investments, and establish initial contact with potential local partners.

The Programme also envisages the establishment of an international business centre in Kiev, which will offer various business services to foreign investors, including specialized insurance and re-insurance programs. It will be managed by the National Joint-Stock Insurance Company, which will create a special state reserve fund to be used as collateral for the most important foreign investments.

a) Agriculture and food processing

The agricultural processing sector is regarded as the first priority. Despite extremely favourable natural conditions and fertile land, its performance is inferior due to a number of reasons. Among them: (a) direct controls exercised by the state over the agroindustrial sector, including distribution and marketing of products with the resulting lack of private initiative for higher efficiency and productivity; (b) the shortage of agricultural inputs, including fertilizers, pesticides, food for animals; (c) a low quality of agricultural know-how and technologies, slow implementation of R&D; (d) antiquated equipment and shortage of small-scale production means.

Nevertheless, foreign investment in the sector is fairly promising due to the following advantages: (a) geographical location and mild climate; (b) high-quality lands, including the world's best black soil and low labour costs; and (c) a well-developed system for marketing Ukrainian agricultural output in Russia, other CIS and Eastern European countries.

The government estimates that up to US\$ 6.6 bn. of foreign investment could be easily absorbed by the food-processing sector. In 1993-1995, Ukraine will only produce 40 per cent of food-processing machinery, while 60 per cent of its projected requirements will have to be imported by local or foreign investors. For 1993, the Ukraine government has identified several investment projects in agriculture worth US\$ 773 mn.

Growing losses during harvesting, storage and processing as well as inadequate transportation have stressed the necessity for better and more efficient storage/transport facilities. On average, the losses during primary storage and transportation are estimated as follows: grain - up to 20 per cent, fruits and vegetables - 30 per cent and milk - 5 per cent.

Fixed assets in storage/transportation facilities have become increasingly obsolete since the mid-1970s. In 1975-1987 the share of obsolete assets had risen from 30 to 35 per cent. Now, this figure, most probably approaches 50 per cent. On average, the deficit of storage facilities for seed amounts to 20 per cent, though, for certain crops, the gap between the available facilities and required capacity is much wider -- 77 per cent for root crop or forage, 42 per cent for manure pits, 30 per cent for village storehouses and dutch barns. The gap between the existing milk storage capacities and requirements is estimated at 25-50 per cent.

The construction of new storage facilities as well as the development of the transportation infrastructure have been inadequate compared to requirements and continue to lead to significant losses in production. At most only 50 per cent of the demand for agricultural storage and food-processing equipment is met by domestic suppliers.

According to government projections, a decrease in production losses and improvement in food processing technologies alone could increase per capita consumption of meat by 0.7 kg (to 71.8 kg) milk and dairy products by 2.7 kg (381.2 kg), eggs by 10 (285), vegetables by 14 kg (153 kg) and fruits by 7 kg (67 kg).

Specific opportunities for foreign investors include the following:

Grain production. The major grain production regions include Odessa, Dnepropetrovsk, Kharkov, Vinnitsa, Zaporozhye, Poltava, Kherson and Nikolayev provinces. Significant returns may be obtained if investment is made in the following areas: (a) application of high-quality seeds and chemicals, (b) transfer of the state-of-the art grain cultivation technologies which may allow for a sizable increase in yields; and (c) use of modern harvesting machinery.

Sugar industry. The major sugar producing areas are: Vinnitsa, Khmelnytsk, Poltava, Cherkassy, and Kiev provinces. Promising directions for investment include: (a) high-quality seeds, (b) transfer of advanced sugar cultivation and harvesting technologies, and (c) re-equipment of sugar processing plants, etc.

Edible oil production. Ukraine has accumulated vast experience in the production of vegetable oil, especially sunflower and corn oils. Ukraine currently exports both sunflower seeds and sunflower oil. Investment in this sector may yield significant returns due to the high export potential of edible oils. The principal investment areas are: (a) introduction of soy beans and rape seed which have not been harvested, (b) reconstruction of existing plants, construction of new plants for the production of vegetable oil, refinement and packaging of end-products, and improvement in pressing and extracting techniques.

Tobacco industry. One of the key features of this industry in Ukraine is the lack of high-quality tobacco products on the domestic market. Therefore, investment is required to increase output and to improve quality of cigarettes.

Meat and dairy. In spite of a significant fall in the output of meat and dairy products in 1992 (20 per cent below 1991), this industry remains quite promising, especially in terms of the production of some items (dry milk, butter, cheese, etc.).

On the other hand, output of meat and poultry has been insufficient to meet growing demand. Outmoded machinery urgently needs to be replaced: 51 per cent of all conveyor lines for beef and cattle processing; 54 per cent of conveyor lines for sheep and goat processing; 56 per cent of the sausage thermal treatment plants; 71 per cent of frozen meat packaging and freezing lines; 37 per cent of meat canning lines as well as automated lines for slaughterhouses and meat-processing plants, including meat-cutting and weight-control systems.

The following projects, among many others, have been identified by government authorities as the most important in this sector:

Development of children's foods with biologically active components for the reduction of radiation effects. Contact: Igor Dubinsky; tel: (044) 444-3374

Development of new sunflower cultivation and processing technologies (area - 10,000 ha). Contact: Ivan Pavlichenko; tel: (04352) 2-13-65

Development of a new pea production facility (area - 2,000 ha). Contact: Same as above

Development of processing and storage technologies. Contact: Alexei Onipko; tel: (044) 444-3374

New technologies for cultivating and processing sugar beets (area - 10,000 ha). Contact: Vladimir Rog; tel: (04633) 2-14-45

Development of vegetable oil production capacities (area - 10,000 ha). Contact: Ivan Rudik; tel: (03800) 2-35-75

Development of a grape production facility and vineyard (area - 50,000 ha). Contact: Nikolai Pavlenko; tel: (0652) 27-25-04

Construction of a special film-packaging equipment for food products. Contact: Viktor Mova; tel: (044) 476-0888

Development of anarobic bioenergetic unit for processing animal waste. Contact: Vadim Tkachev; tel: (0562) 42-00-22

Production of rape seed and rape seed oil (area - 10,000 ha). Contact: Ivan Rudik; tel: (03822) 2-41-11/2-14-17

Plant for the production of soft drinks in plastic 1.5l bottles. Contact: Yuri Chovgansky; tel: (0482) 68-59-14

Plant for cattle bone processing. Contact: Alexei Kondratenko; tel: (0562) 23-10-55

Production line for soy bean cottage cheese. Contact: Vladimir Sinitsyn; tel: (044) 514-51-58

Production line for nut substitutes from soy beans. Contact: Same as above

Production line for soy bean milk and drinks. Contact: same as above

Poultry processing and freezing facilities. Contact: Vladimir Shevchenko; tel: (044) 293-8156

b) Manufacturing

The government estimates that the amount of foreign investment required for development of manufacturing could potentially amount to US\$ 10 bn. in the medium-term, of which US\$ 5.6 bn. will be needed in the production of pharmaceutical, biological products and instrumentation, US\$ 2.0 bn. in machine building and other engineering industries, US\$ 2.0 bn. in transportation and US\$ 250 mn. in defence conversion.

The branches regarded as highest priority are automobile and diesel engine production, oil-processing, consumer electronics, chemistry, paper processing, and light industries. Foreign investment which reduces power consumption by transportation and other sectors will be given preferential treatment. Opportunity lies in the utilization of local R&D and technological potential to manufacture high-quality and competitive engineering goods.

Ukrainian manufacturers and researchers could take part in international cooperation for the production of large fuselage airplanes using unique domestic know-how and experience manufacturing such planes as the Antonov (AN)-124 and AN-225. Of particular interest to foreign investor could be a programme for launching satellites using ecologically safe propulsion rocket carriers. A very important area for foreign investment is conversion of the country's military-industrial complex. Former military plants face tremendous challenges to convert their production, undergo corporatization and privatisation as well as adapt to the complex decision-making processes of a market economy. There are more than 330 military plants which account for almost 35 per cent of all industrial output of the country. The high technological and human potential of these enterprises could be used to manufacture world class consumer goods.

Some of the top priority **potential investment projects**, identified by the government, are listed below:

Pharmaceutical and medical instrumentation

Reconstruction of a Kiev pharmaceutical plant for the production of ready-to-use drugs. Contact: Vyacheslav Vinogradov; tel: (044) 224-8947

Construction of a medical instrumentation plant. Contact: Vasilij Cherinko; tel: (044)

Production of pharmaceutical. Contact: Viktor Bondarenko; tel: (0642) 2 22-05

Production of essential oils and other inputs for the pharmaceutical industry (capacity - 200 tons a year). Contact: Alexander Nazarov; tel: (0652) 27 25 04

Hygienic medical rubber production facility. Contact: Anatoly Zherdev; tel: (0652) 27-20-16

Engineering and machine-building

Technology for super-precision diamond micro-optics and machine components, machine tools for ultra-precise processing, dental mirrors, solar power plants and optical spherical elements for TV projectors. Contact: Genadij Dobrovolsky; tel: (044) 435-3291

Development of production of pressure rings from silicon carbide for industrial pumps. Contact: same as above

Production of lead-acid batteries. Contact: Vladimir Tatarenko; tel: (044) 417-2209

Production of lead-acid batteries. Contact: Viktor Dzenzersky; tel: (0562) 46-17-26

Reconstruction of plants that produces refrigerator compressors. Contact: Nikolai Kuschak; tel: (0482) 22-43-39

Production of fixtures and upholstery for furniture manufacturing. Contact: Mikhail Boiko; tel: (035222) 2-42-54

Reconstruction and expansion of facilities at Kharkov "Orgtekhnika" plant. Contact: Konstantin Karmanov; tel: (0572) 21-40-48

Reconstruction of tool manufacturing facility at "Elektronmash" plant. Contact: Alexander Tarasov; tel: (044) 474-1261

Production of consumer air conditioners. Contact: Alexei Pokusa; tel: (0562) 44-28-28

Diamond power plates based on polycrystal diamonds. Contact: Vladimir Sinitsyn;
tel: (044) 514-5158

Production of optical filters and anti-reflection coatings. Contact: Miron Matsko;
tel: (044) 265-1725

New technologically advanced laser for industrial applications. Contact: Lev Melnikov;
tel: (044) 265-6033

Development and production of digital frame processing systems. Contact: same as above

Multi-channel optical vibration connector. Contact: same as above

Production of enamelled wire (at the Uzhelectromash). Contact: Vladimir Orlov;
tel: (05536) 4-23-80

Telecommunications

Modernization of existing long distance network. Contact: Viktor Zhenzhera; tel: (044) 224-7274

Reconstruction of existing secondary (telex) telecommunications network. Contact: Anatoly Tarasenko; tel: (044) 224-4044

Ukrainian space communications centre. Contact: Valery Yurchenko; tel: (044) 226-2260

Technical reconstruction of the "PROMSVIAZ" plant. Contact: Eugenij Karacharov;
tel: (044) 212-3145

Ferrous and non-ferrous metallurgy

Production of high quality ingots, semi-finished products and billets from titanium, nickel and titanium-and nickel-based alloys. Contact: Alexei Tikhonovsky; tel: (044) 264-1182

Equipment for casting frames for sewing machines. Contact: Nikolai Maleta; tel: (0522) 55-15-54

Production of rolled raw aluminum billets. Contact: Vladimir Rakhmany; tel: (06143) 34-53-56

Reconstruction of a pipe rolling facility at the Nikopol Uzhnotrubny Plant. Contact: Nikolai Shevchenko; tel: (05662) 93-308

New production facilities for zirconium processing. Contact: Vladimir Fiterer;
tel: (05653) 5-27-78

Paper, pulp and wood-working

Construction of a straw-cardboard factory. Contact: Georgij Bedin; tel: (044) 517-4372

Construction of a bleached straw pulp factory. Contact: same as above

Construction of a plant for the production of bleached pulp (140,000 tons/year), thermo-chemical mechanical mass (150,000 t/y), and printing paper (200,000 t/y). Contact: same as above

Wood-working complex (200,000 sq. m a year). Contact: Alexander Nazarov;
tel: (0652) 27-25-04

Expansion of furniture production facilities. Contact: Anatolij Dzhuma; tel: (04497) 5-42-50

Construction of a mattress and soft furniture production plant. Contact: Miron Bakhmata; tel: (0572) 43-51-40

Power generation facilities

Construction of Chigirin natural gas and steam power plant. Contact: Alexander Martynyuk; tel: (0622) 55-23-26

Chemical and petrochemical industries

Production of carpets at the Kiev "Khimvolokno" plant. Contact: Anatoly Malchevsky; tel: (044) 226-2612

Production of textured nylon thread for hosiery. Contact: same as above

Modernisation of fibre production jointly with production of nylon thread. Contact: same as above

Equipment for the production of laminated plastics (reinforced plastics and laminated insulation). Contact: Victor Goncharov; tel: (05449) 22-046

Production of fertilizers at "AZOT" plant. Contact: Alexander Levchenko; tel: (05692) 7-81-30

Production of styrol. Contact: same as above

Production of aniline. Contact: same as above

Setting production of ABC-plastic and polyvinyl-chloride. Contact: same as above

Reconstruction of ammonia production lines. Contact: same as above

Construction of deep oil refinery plant. Contact: Vladimir Shevchenko; tel: (044) 293-81-56

Turn-key project for vacuum oil refining with hot-oil distillation equipment. Contact: same as above

Reconstruction of Lisichansk soda plant. Contact: Ivan Zaitsev; tel: (05451) 6-21-23

Transportation

Establishment of air and land cargo transportation company. Contact: Alexei Miroshnichenko; tel: (044) 212-3145

Development of high-speed magnetolevitating transportation means. Contact: Sergey Konyukhov; tel: (0562) 42-20-21

Expansion and reconstruction of ship-building facilities. Contact: Anatolij Cherevaty; tel: (0690) 52-43-20

Diagnostic and control system for oil and gas pipelines. Contact: Vasilij Vaschenko; tel: (044) 441-5926

Construction of a new international airport on the site of a military air force base. Contact: Vladimir Shevchenko; tel: (044) 293-8156

Production of a new TU-334 plane. Contact: same as above

c) Mining

There are several sub-sectors where foreign investment is required, namely: coal-mining (modernization of extraction technology and equipment), oil extraction from exhausted deposits, gold-mining (introduction of modern technology for the development of gold deposits discovered in Ukraine), joint exploitation of granite deposits, production and sales of decorative stones.

Ukraine also intends to encourage investment in the ore-dressing facilities that could increase revenue from export.

The **projects for potential foreign investment** listed below have been identified by the authorities:

Facilities for the production of basalt for the reinforcement of mines and of insulation materials. Contact: Vasilij Vaschenko; tel: (044) 441-5926

Development of re-exploration oil and gas facilities from water-filled deposits. Contact: Alexander Voitovich; tel: (044) 444-3374

Development of production and exports of natural stones and development of new machine lathes and stone-cutting technologies. Contact: Victor Dyumin; tel: (044) 442-7986

Mining and refining complex for granite and decorative stones (2 mn. t/y). Contact: Alexander Nazarov; tel: (0652) 27-25-04

Dressing of iron ore concentrate at the Uzhny Ore-Mining Complex. Contact: Nikolai Garmash; tel: (0672) 21-73-22

Increase in the effectiveness of hole cutting techniques using a control system. Contact: Anatoly Sinitsyn; tel: (044) 444-3374

d) Tourism

Tourism is considered a very important sector for foreign investment. More than 500 mn. people a year travel world wide generating approximately US\$ 200 bn. in revenue. In some countries, these revenues comprise a significant share in total export revenues (Spain 30 per cent, Italy 11 per cent, Austria 9 per cent, Denmark 8 per cent).

Ukraine is visited by some 250,000 foreign tourists annually, which used to account for comprise 12 per cent of the former USSR tourism. This number used to net Ukraine a mere US\$ 40-60 mn. of revenue each year.

Development of tourism requires sizeable investments into infrastructure - modern hotels, camp sites, motels, spas, restaurants and entertainment facilities.

Ukraine would like to further develop its spa facilities. Research performed supports the fact that there is a great demand for health resorts, rehabilitation services, and spa facilities on the sea coast of Ukraine. From 6 to 10 per cent of interviewed customers of tourist firms in the western countries expressed their wish to spend some time on the sea coast health resorts in Ukraine.

The government is aware of the need to step up development of the tourism infrastructure. For this purpose, the department of foreign tourism was set up within the Ministry of External Economic Relations in September, 1992. The establishment of a special state committee for developing and promoting foreign tourism is also now under consideration.

e) Free economic zones

Free economic zones exist in Ukraine. On October 13, 1992, the parliament adopted the Law "On general principles of establishment and operation of free economic zones". Under this law, the status and territory of a free economic zone as well as the period for which it is established, are determined by the Ukrainian parliament which is to adopt an individual act for each zone.

These zones can provide preferential business conditions for both national and foreign investors. The conditions of each zone are to be set by special legislation. Such an act will envisage:

1. Balance of interests between investors and the state, province, domestic enterprises and population;

2. Step-by-step establishment and growth of individual zones, orientation towards the establishment of local (point) zones with a distinct functional and/or sectoral specialization;
3. Funding projects mostly through non-budgetary resources (retained profits, corporate and individual savings, both domestic and foreign) with budget funding being regarded exclusively as a share of the state in the collective investment into a zone;
4. Direct dependence of incentives provided to business entities of the zone on the compatibility of their activities with the *raison d'être* of a zone.

Draft legislation on free economic zones in Odessa, Zakarpatye, Sevastopol has already been prepared and submitted for consideration to the Cabinet and the parliament. Draft legislation on other zones in Kiev, Chernigov, Donetsk and the Crimea is being studied.

Taking into account the economic and geographical position of Ukraine, the establishment of the following types of free zones can be expected sooner or later:

- 1) a network of free ports, customs and storage areas on the Black Sea coast (Mariupol, Kerch, Sevastopol, Yalta, Odessa, Illichevsk, Reni, Izmail) and in other international commodity traffic nodes;
- 2) export-production and import-substitution zones;
- 3) industrial parks and technological areas in the regions with high R&D and technological potential.

Experts consider the following areas to be the most likely candidates for free economic zones in the near future: **(a)** Illichevsk; **(b)** Odessa free port zone with the subsequent establishment of an integrated free economic zone; **(c)** an industrial park in Kiev; **(d)** a point export-industrial zone on the basis of a "Photon" plant in Simpheropol; **(e)** a freight-forwarding/customs/storage zone in the town of Sokal (Lvov province); **(f)** establishment of the Trans-European transportation corridor, with some sections of it being free zones, along the "45th parallel" (Lisbon-Madrid-Milan-Budapest-Kiev) with its extension to the "Great Silk Road".

f) Priority development regions

Growing interest toward Ukraine on the part of foreign investors could lead to a distribution of investment across industries, sectors and regions that does not take into account sectoral and regional priorities as well as inherent competitive strengths. A selective approach is necessitated by existing differences in the level of economic development of various regions, demographic trends, resource allocation, availability of infrastructure, labour and employment patterns as well as ethnic and cultural traditions.

The regional priorities are shaped by the following factors:

- 1) level of economic development
- 2) status of fixed assets in industry
- 3) demographic and employment trends
- 4) intensity of R&D
- 5) availability of natural resources
- 6) standard of living
- 7) level of wages and salaries
- 8) quality and professionalism of labour
- 9) ethnic composition and prevailing work ethics

10) attitudes towards market reforms

11) availability of developed infrastructure.

Foreign investment may tend to concentrate in densely populated areas with developed infrastructure and industrial base (Donetsk and Dnepropetrovsk provinces) as well as large cities (Kiev, Kharkov, Donetsk, Dnepropetrovsk, Zaporozhye, Odessa, Nikolayev, Lvov, and Kherson).

Smaller towns in the south of Ukraine (Nikolayev, Odessa and Kherson provinces) as well as in Rovno and Volyn provinces could easily accommodate foreign investment in food-processing and light industries. Of special importance are recreational areas in the south of Ukraine, especially those in Odessa and Yalta, the south eastern part of Crimea and Azov sea shore. A special emphasis will also be put on the construction and modernization of sea port facilities in the south of the country.

In the central and eastern industrial region or the Donetsk-Pridneprovsk region (Donetsk, Lugansk, and Dnepropetrovsk, Zaporozhye provinces), the development of energy-saving technologies, low energy-intensive engineering and machine building capacities, automobile and aircraft building as well as the modernization of metallurgical and chemical enterprises shall be promoted on the basis of non- and low-waste and ecologically clean technologies.

In the western part of Ukraine (Lvov, Ivano-Frankovsk, and Ternopol provinces), the emphasis is put on production facilities that utilize local natural resources (sulphur, potash and table salt, coal, oil and gas). Great potential also exists there for developing a network of world class recreational and health spas and resorts.

APPENDICES

A. APPLICATION FORMS AND PROCEDURES

**Information report on foreign investments
in accordance with Article 15 of the Law
of Ukraine on Foreign Investments**

(investor)

sends the information report on implemented investment
and requests to register it according to standard procedure

Investor (legal company name, legal status, state affiliation and location)	Form of investment (in accordance with Article 4 of the Law of Ukraine on Foreign Investments)	Investment objective (address and other requisites and status of enterprise; location of assets, information on securities, property rights)	Kinds of investment (in accordance with Article 3 of the Law) and their total volume, evaluated in foreign currency and the currency effective in Ukraine	Implementation period (beginning, termination, estimated duration)	Notes
1	2	3	4	5	6

Signature of
foreign investor

Registration No.
" ____ " _____ 199__

Seal

" ____ " _____ 199__ Head of the Foreign Exchange and
Economy Department,
Ministry of Finance, Ukraine

" ____ " _____ 199__

Investment certificate

The Ministry of Finance of Ukraine attests that the foreign investor _____

implements investments in Ukraine evaluated in the amount of

in the form of -----

in accordance with Information Report on foreign investments in Ukraine registered on "___" _____ 199__ by the Ministry of Finance of Ukraine, registration No_____.

The specified investments are implemented in accordance with the government programme on the promotion of foreign investment

and comply with the criteria of the specified programme that gives the right for the additional privileges set forth by the specified programme, namely:

Date of issuance "___" _____ 199__

Expiration date "___" _____ 199__

Seal

Deputy Minister
of Finance of Ukraine

B. LIST OF BUSINESSES SUBJECT TO SPECIAL AUTHORIZATION

- a) exploration and exploitation of mineral deposits, licenses granted by the State Committee for Geology in case of exploitation - after obtaining consent from the State Committee for Safety Supervision of the Works in Industry and Mining; exploration and prospecting for power generation, public communications, war industry facilities, as well as gas and oil pipelines, bridges, tunnels, electric power stations, airports, sea ports at the territories subject to seismic activity, as well as to karst-formation, sinking, shifts, displacement and landslides (State Committee for Geology);
- b) production, repairs and realization of sports weapons, shot-guns and related ammunition, as well as cold steel; guard services for the state, collective and private property; installation and maintenance of electronic guarding devices (Ministry of Internal Affairs);
- c) practice of law (Ministry of Justice);
- d) production of wine, brandy (Ministry of Agriculture and Food-stuffs); of beer, vodka, other liquors, tobacco ¹ products (State Committee on Industry);
- (e) preparation and sales of veterinary medicines (Head Administration for Veterinary Medicine and the State Veterinary Inspection of the Ministry of Agriculture and Food-stuffs); practice of veterinary medicine (Crimean republican, regional veterinary administrations);
- f) extraction of precious metals and precious stones, manufacture and sales of articles containing them; collection, processing of solid and liquid production wastes containing precious metals and precious stones, and their scrap;
- g) audit and insurance activities (Ministry of Finance);
- h) production of securities, currency notes and postage stamps (Ministry of Finance upon the consent by the National Bank of Ukraine);
- i) construction and technical servicing of public data networks and systems for the data communications; construction and technical servicing of transmitting stations for satellite communications; international and inter-city mail delivery; mail processing operations; payment and reception of money remittances; use of radio frequencies (Ministry of Communications);

¹ In accordance with the Decree of the Cabinet (dated December 29, 1992, this restriction extends also to trade and export operations carried out by private businesses (licenses are granted by executive committees of local councils of peoples deputies or local state administrations).

- j) internal and international transportation of passengers and cargo by air, river, sea, railway and automobile transport; establishment of agencies and freight services by the merchant fleet; herbicide air-spraying operations (Ministry of Transport);
- k) implementation of aerial photography; topographical and cartographical operations and cadastre surveys (Head Administration of Geodesy, Cartography and Cadastre);
- l) production and repairs of means of measurement and control (State Committee for Standardization);
- m) production and sales of medicines and chemicals; practice of medicine (Ministry of Health);
- n) extraction, production and utilization of radioactive substances and sources of ionizing radiation, processing and disposal of radioactive wastes; design, construction and maintenance of nuclear power facilities (State Committee for Nuclear and Radiation Safety Supervision);
- o) production and sales of chemicals (Ministry of Industry);
- p) establishment and maintenance of gambling houses, organization of gambling; trade in hot drinks (executive committees of local councils of peoples deputies or local state administrations);
- q) intermediation in connection with the privatisation securities (the State Property Fund).

C. REGISTRATION PROCEDURES RELEVANT TO INTELLECTUAL PROPERTY

1. Registration procedures for patents

A patent application on invention should to be filed by Derzhpatent. The basic procedures for the execution and submission of such an application are set forth in the "Rules of execution and submission of application for the patent of Ukraine on invention".

An application should include the claim for the patent issuance containing (a) data about an inventor and an applicant; (b) a description and formula of an invention; (c) illustrated materials (drawings and schemes); (d) an abstract; and (c) a receipt for a duty.

The invention priority may be established pursuant to the following dates:

- i) the date of filing by Derzhpatent of an application containing all stipulated documents, provided that they are executed in compliance with the applicable requirements; or
- ii) the date of filing of the first application by a patent agency in a foreign country, signatory to the Paris Convention on the Legal Protection of Industrial Property, subject to the submission of such first application to Derzhpatent within twelve (12) months as of the said date.

Since it is filed by Derzhpatent, the application should undergo the formal examination in order to check whether all necessary documents are presented and executed pursuant to the applicable requirements. In case of positive decision, the application is placed for consideration.

The information related to the application placed for the consideration, including the formula of invention, is published in the *Official Bulletin of Derzhpatent* after 18 months as of the date of priority establishment;

As stipulated in the article 68 of the *Temporary Provisions*, the examination of an application for invention rights, carried out while the necessary patent information base is not yet completed, is subject to any of the following conditions:

- 1) The submission of a patent search report made by an international entity registered in Derzhpatent as having competence to implement such a search; or
- 2) The delivery of permission for the patent issuance by a foreign patent agency of the state having enacted patent issuance control system.

2. Registration procedures for industrial designs

The patent certifies authorship, priority and exclusivity of a patentee's right for the design's industrial utilization and is valid for ten (10) years as of the date of filing of an application by Derzhpatent. This term, however, may be extended for five (5) years, subject to the presentation of a corresponding request and payment of the state fees.

Industrial designs can be special ("models"), plane ("drawings"), or combined:

- i) The composition based on the three-dimensional structure (e.g. visual appearance of a model, lamp, device, machine or automatic line, etc.) is typical for spatial designs.
- ii) Flat designs are commonly shown by a linear graphic composition of elements with undefined volume (like, for instance, carpet appearance). The features of both flat and spatial design are common to combined designs which can be a show-room and an indicator board.
- iii) A set of objects can, as well, serve as an industrial design, provided, that, though each performing its own function, all of them are dedicated to the single objective; provided, further, that all of them are unified in a composition and style as, for example, a set of furniture, a tool kit or a dinner service.

The patent for an industrial design is issued within the applicant's responsibility. Since the issuance permission is granted, data on a patented design is published in the official bulletin and included in the State register ("Derzhreestr") and, also, the actual patent is delivered to a patentee.

3. Registration procedure for trade and service marks

When considering an application for the registration of the trademark, it is necessary to take into account:

- 1) its similarity to the other trademarks for similar products previously registered in Ukraine in the name of other entities or persons, or
- 2) its similarity to the other trademarks, that: **(a)** are protected on the territory of Ukraine pursuant to international agreements; **(b)** have titles (or parts thereof) registered in the names of other entities or persons; and **(c)** have been protected prior to the date of filing of a trademark application in question.

A trademark certificate may not be given if a trademark (or its elements) bears the information on the place of origin of a product not inherently related to the quality or some of its exclusive properties, provided that such elements are not liable to the general protection of trademark.

The trademark priority is established pursuant to the following dates:

- i) the date of filing of an application by Derzhpatent, or
- ii) the date of filing of the first application by a patent agency of a foreign country, signatory to the Paris Convention, subject to the submission of such first application to Derzhpatent within six (6) months as of the said date.

A trademark certificate is valid for ten (10) years as of the date of filing of an application by Derzhpatent, provided its term is extended for the following ten (10) years, subject to the submission of a holder's request. Such request should be submitted: either within the last tenth year of the regular (first ten-year) term of the certificate; or, subject to payment of additional fee, no later than six (6) month after the date of expiration of the regular term.

A trademark application should contain either a set of photographs or printed pictures, that is, twenty five (25) 50x50 mm or 50x100 mm copies providing visual appearance of the mark, or a set of labels with its full-size image. If a trademark submitted includes certain colours, its image should be accompanied by the appropriate colours.

A decision on registration of a trademark and issuance of a trademark certificate is made pursuant to the results of examination carried out by Derzhpatent.

Non-residents and foreign citizens having permanent place of residence abroad or their respective patent agents transact affairs in Ukraine, in order to obtain the documents protecting their intellectual property and maintain the validity thereof, through the patent agents registered by Derzhpatent. A

registered patent agent should be given a power of attorney to act on behalf of an applicant. Currently, Derzhpatent has 82 registered patent agents on file, pursuant to the article 20 of the *Temporary Provisions*. The Ukrainian Association of the patent agents is now in the process of establishment.

4. Miscellaneous

In order to secure a patent of Ukraine for invention or industrial design or a trademark certificate pursuant to the certificate of legal protection issued in the former USSR, a holder thereof should submit the request with the attached 2 sets of copies of the said certificates of the former USSR duly certified by the notary public or a legal entity acting as an applicant.

To secure a patent of Ukraine pursuant to an application filed by the patent agency of the former USSR, the relevant applicant should enclose: (a) a copy of the initial application; (b) filing receipt issued by the patent agency of the USSR; and (c) a copy of the decision on the issuance of a certificate of legal protection made by the agency in question. In case of application for the invention rights, 2 sets of the following documents are additionally required: a copy of the description of an invention revised in accordance with its formula, drawings, schemes and so on.

In order to resume the processing of an application filed by the patent agency of the USSR before December 25, 1991, an applicant should submit the filing receipt and the summary of correspondence with the expert commission (requests and responds).

The Governmental Decree "On the state duties" dated January 21, 1993 establishes the payment procedures and fees charged for the operations related to the issuance of certificates of legal protection, extension of the terms thereof and the transfer of rights for such certificates.

D. CLASSIFICATION OF ENTERPRISES SUBJECT TO PRIVATISATION

The State Privatisation Programme classifies enterprises to be privatised into six groups, depending on their balance sheet as of May, 1992:

- Group A:** Value not exceeding URK 20 mn.
- Group B:** Asset value from URK 20 mn. to URK 1.5 bn. and the asset value is not more than 1.5 times the face value of a privatisation certificate multiplied times the number of employees.
- Group C:** Asset value from URK 20 mn. to URK 1.5 bn. and such value is more than 1.5 times the face value of a privatisation certificate times the number of employees;
- Group D:** Strategic enterprises (military or other with asset value exceeding URK 1.5 bn. or other enterprises as determined by the Cabinet of Ministers) for which a special Cabinet approval is needed.
- Group E:** Unfinished construction projects and the property of liquidated enterprises.
- Group F:** State asset holding in Ukrainian enterprises.

E. INTERNATIONAL FRAMEWORK

Most favoured nation treaties

- | | | |
|------------------|-------------------|-----------------|
| 1. Australia | 11. Italy | 21. USA |
| 2. Austria | 12. Canada | 22. Hungary |
| 3. Belgium | 13. Liechtenstein | 23. Finland |
| 4. Bulgaria | 14. Luxembourg | 24. Germany |
| 5. Great Britain | 15. Netherlands | 25. France |
| 6. Greece | 16. New Zealand | 26. Czechia |
| 7. Denmark | 17. Norway | 27. Switzerland |
| 8. Ireland | 18. Poland | 28. Sweden |
| 9. Iceland | 19. Portugal | 29. Japan |
| 10. Spain | 20. Rumania | 30. Slovakia |

Ukraine also maintains the preferential trade regime with 145 third world countries that fall under the UN classification "developing countries".

Bilateral agreements on the prevention of double taxation

Ukraine has concluded bilateral tax treaties, providing for the prevention of double taxation and granting tax preferences to the business entities, with the following foreign countries (as of December 1992, OECD data):

- | | | |
|------------|----------------|--------------------|
| 1. Austria | 6. France | 11. Spain |
| 2. Canada | 7. Germany | 12. Sweden |
| 3. Cyprus | 8. Japan | 13. United Kingdom |
| 4. Denmark | 9. Netherlands | 14. USA |
| 5. Finland | 10. Norway | |

With the other countries, similar treaties are being negotiated.

Bilateral investment protection treaties

Currently, such agreements exist between Ukraine and the following countries. Agreements with another 17 countries are being negotiated.

1. China
2. Denmark
3. Egypt
4. Finland
5. Germany
6. Kyrgyzstan
7. Mongolia
8. North Korea

9. Poland
10. United Kingdom
11. USA (OPIC)
12. Uzbekistan

Membership in selected international organizations

1. MF (09/03/92)
2. World Bank (09/03/92)
3. International Labour Organisation (as part of the USSR)
4. World Health Organisation (USSR)
5. World Intellectual Property Organization (USSR)
6. World Meteorological Organisation (USSR)
7. Union Postale Universelle (USSR)
8. International Telecommunications Union (USSR)
9. UNESCO (USSR)
10. UNIDO (USSR)
11. International Atomic Energy Agency (USSR)
12. UN Economic and Social Council (USSR)
13. UNCTAD (USSR)
14. Economic Commission for Europe (USSR)
15. UN Development Programme (USSR)
16. UN Environment Programme (1992)
17. UNICEF (USSR)
18. European Bank for Reconstruction and Development (06/03/92)
19. Permanent Chamber of the Arbitration Court (1991)
20. International Exhibitions Bureau (USSR)
21. European Union of Telecommunications
22. European Organisation of Satellite Communications (12/03/92)
23. Paris Union for the Protection of Industrial Property (1992)

Participation in selected conventions

1. UN Convention on Contracts for the International Sale of Goods (08/16/90)
2. Convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958; 09/10/60)
3. UN Convention on the Limitation Period in the International Sale of Goods (09/01/92)
4. Vienna Convention of the United Nations on States Representatives in the Relationship with International Organisation of the Universal Character (1992)
5. Vienna Convention on Legal Succession of States in Relation to Agreements (09/17/92)

F. HINTS FOR THE VISITING BUSINESSMAN

Visitors' visas

Unless exempt from visa requirements, each alien seeking entry to Ukraine as a nonimmigrant must obtain an appropriate visa. Ideally, a visa application should be made to a consular office of a corresponding Ukrainian embassy. Since the country's consular services abroad are in the process of establishment, entry visas can be easily obtained at Borispol international airport in Kiev. The applicant will have to present a valid passport, invitation, if appropriate, two photos, and pay an insignificant fee in US dollars.

Currency

The only legal tender in Ukraine is Ukrainian Karbovanets, represented in cash circulation by coupon/karbovanets notes. One karbovanets is equal to 100 kopijkas. Externally, the karbovanets is denoted by the symbol URK. The following coupon/karbovanets notes are currently in circulation: 1, 3, 5, 10, 25, 50, 100, 200, 500, 1000, 5000. Counterfeit coupons are not uncommon.

US dollar and Deutsche Mark are major foreign currencies readily accepted for payment by both state and private entities selling for hard currency. These currencies are also accepted by companies in the service sector and private individuals and are actively traded on the black market at a premium over the official exchange rate. The rate of karbovanets against major foreign currencies has been constantly falling reflecting a general deterioration the economic situation.

International time

There is only one standard time zone in Ukraine, and it is two hours behind Greenwich Mean Time. It should be noted that the country observes daylight saving time by advancing its clocks one hour from the first Sunday in April to the last Sunday in October.

Dates and numbers

Dates are usually written in order of day, month, year; as, for example, 15 June 1956: 15.06.56. In writing full numbers, neither periods nor commas should separate digits (eight thousand five hundred twenty five - 8525). In short writing of big numbers, commas can separate thousands from millions, millions from billions (155,7 mn. - one hundred fifty five million and seven hundred thousand). Karbovanets are separated from kopijkas by a period (eight thousand karbovanets and fifty kopijkas - URK 8000.50).

Business hours

Business offices and public organizations normally work an eight-hour day, Monday through Friday. Working hours range from 9 a.m. to 6 p.m., including one hour for lunch usually from 1.00 p.m. to

2.00 p.m. Banking hours also vary. Most banks are open to the public from 9.00 a.m. to 1.00 p.m., Monday through Friday.

Business information services

Such services are rare and available only in major international hotels. There are very few reliable sources of domestic information on the business environment and investment opportunities. See Appendix G for the addresses of some law firms and consulting companies as well as banks that can provide potential investors with relevant information.

Local customs

As one of the US expatriate managers of the successful "S.C. Johnson Kiev" joint venture once put it, "business life here is a thriller. We are never sure what we are going to be doing next. Uncertainty is the only certain thing". According to this manager, "this is certainly not an ideal situation, but we plan to be here a long time". Business in Ukraine is generally conducted in a formal way. Use of both first and patronymic names is common. Business meetings are often held during "working" lunches and dinners which are among the very few business entertaining opportunities. The others include visits to theaters, concert halls, casinos, and friends' apartments for dinner parties.

National holidays

The following official holidays are observed in the country:

Holiday	Date observed
New Year's Day	January 1
Orthodox Christmas	January 7
Women's Day	March 8
Easter	Date varies
Labour Solidarity Day	May 1
Victory Day	May 9
Independence Day	July 16

Electric power requirements

Electricity is available without any major limitations almost throughout the country. US and Canadian-manufactured electric appliances need to have power converters and plug adapters. Electric power requirements: 220 Volts, 50 Hertz. For industry, the following voltage standards are used: 220/380/500/3,300 /6,000/10,000/35,000/110,000/220,000/330,000/500,000/750,000 Volts.

Weights and measures

Measurement of length, area, capacity, and weight in Ukraine is the same as in most European countries, except Great Britain. Metric units - the International System of Units (SI) are used everywhere. The language and tools of Ukrainian science is entirely metric as well as the language of business and public education.

G. USEFUL ADDRESSES

Official establishment

Administration of the President

7 Bankivska Str.,
Kyiv, 252008, Ukraine

Supreme Rada (parliament)

12/2 M. Hrushevsky Str.,
Kyiv, 252008, Ukraine

Cabinet of Ministers

12/2 M. Hrushevsky Str.,
Kyiv, 252008, Ukraine
tel: (044) 293-5227
fax: (044) 293-2093

National Bank of Ukraine

9 Zhovtnevoji Revolutsiji Str.
Kyiv, 252007, Ukraine
tel: (044) 226-2914/293-6921
fax: (044) 293-1698

Key ministries

Ministry of Economy

12/2 M. Hrushevsky Str.,
Kyiv, 252008, Ukraine
tel: (044) 293-9394
fax: (044) 293-0108

Ministry of Finance

12/2 M. Hrushevsky Str.,
Kyiv, 252008, Ukraine
tel: (044) 226-2044
fax: (044) 226-2517

Ministry of Foreign Affairs

15/1 K. Libknekht Str.,
Kyiv, 252024, Ukraine
tel: (044) 226-3379/293-7124
fax: (044) 293-6950

Ministry of External Economic Relations

8 Lvivska Plaza, MSP,
Kyiv, 254655, Ukraine
tel: (044) 226-2733/212-5402
fax: (044) 212-5202

Ministry of Industry

15 Raskova Str.,
Kyiv, 252167, Ukraine
tel: (044) 226-2623

Ministry of Energy and Electricity

30 Khreschatyk Str.,
Kyiv, 252001, Ukraine
tel: (044) 226-3027

Ministry of Engineering, Military-Industrial Complex and Conversion

6 Pushkinska Str.,
Kyiv, 252034, Ukraine
tel: (044) 229-0390
fax: (044) 229-1001

Ministry of Telecommunications

22 Khreschatyk Str.,
Kyiv, 252001, Ukraine
tel: (044) 228-1500
fax: (044) 228-6141

Ministry of Transport

57 Pros. Peremohy,
Kyiv, 252113, Ukraine
tel: (044) 446-3030
fax: (044) 446-4005

Ministry of Agriculture and Food

24 Khreschatyk Str.,
Kyiv, 252001, Ukraine
tel: (044) 226-3466
fax: (044) 229-8756

Major state committees and agencies

Committee for Coal Industry

16 Striletska Str.,
Kyiv, 252034, Ukraine
tel: (044) 226-2273
fax: (044) 226-2768

Committee for Geology and Utilization of Natural Resources

34 Volodymyrska Str.,
Kyiv, 252034, Ukraine
tel: (044) 226-2007
fax: (044) 228-7654

Committee for Food Industries

1 B. Hrinchenka Str.,
Kyiv, 252001, Ukraine
tel: (044) 226-2353
fax: (044) 229-7456

Committee for Sciences and Technology

4 K. Libknekht Str.,
Kyiv, 252008, Ukraine
tel: (044) 293-7593

State Patent Bureau

4 K. Libknekht Str.,
Kyiv, 252008, Ukraine
tel: (044) 293-2188
fax: (044) 268-2541

Committee for Standardization, Metrology and Certification

10 R. Luxembourg Str.,
Kyiv, 252021, Ukraine
tel: (044) 226-2971

State Customs Committee

19 Reitarska Str.,
Kyiv, 252034, Ukraine
tel: (044) 226-5186/446-7858
fax: (044) 226-2315

State Property Fund

3 Sadova Str.,
Kyiv, 252008, Ukraine
tel: (044) 226-2650/228-5062

National Space Agency

4 K. Libknekht Str.,
Kyiv, 252008, Ukraine
tel: (044) 293-2188
fax: (044) 268-2541

State Copyright Agency

34 Lenin Str.,
Kyiv, 252003, Ukraine
tel: (044) 224-2238
fax: (044) 224-2904

Ukrainian National Foundation for the Support of Enterprise and Competition

3 Sadova Str.,
Kyiv, 252008, Ukraine

Chamber of Commerce and Industry

33 Velyka Zhytomyrska Str.,
Kyiv, 252025, Ukraine
tel: (044) 212-2911
fax: (044) 212-3353

Center for Exhibitions and Fairs

1 Pros. Akademuka Hlushkova
Kyiv, 252085, Ukraine
tel: (044) 261-7424
fax: (044) 261-6339

Arbitration courts

Supreme Arbitration Court of Ukraine

5 Khreschatik Str.,
Kiev, 252001
tel: (044) 228-1956/228-1890

Arbitration Court of Kiev City

44b Lenin Str.,
Kiev, Ukraine
tel: (044) 274-5044

**State corporations,
associations and concerns**

State Corporation for the Construction Materials

73 Artema Str.,
Kyiv, 252055, Ukraine
tel: (044) 211-3969/226-2633
fax: (044) 216-5044

State Construction Corporation

7 Kotsubynskoho Str.,
Kyiv, 252601, Ukraine
tel: (044) 221-3033
fax: (044) 225-2294

State Corporation for the Automobile Transport

7/9 Schorsa Str.,
Kyiv, 252006, Ukraine
tel: (044) 269-1031/226-2204
fax: (044) 268-1041

State Corporation for the Light Industries

8/10 Esplanadna Str.,
Kyiv, 252601, Ukraine
tel: (044) 226-2105
fax: (044) 220-6598

State Concern for the Local Industries

26 Boul. Lesi Ukrainky
Kyiv, 252133, Ukraine
tel: (044) 295-8119
fax: (044) 295-0840

State Cement and Asbestos Concern

23 M. Raskova Str.,
Kyiv, 252167, Ukraine
tel: (044) 517-5877
fax: (044) 517-5822

Concern for the Material Supply and
Maintenance in Agroindustrial Complex

16 Mechnikova Str.,
Kyiv, 252601, Ukraine
tel: (044) 293-1093
fax: (044) 226-3305

State Sugar Concern

1 Hrinchenko Str.,
Kyiv, 252001, Ukraine
tel: (044) 228-1137
fax: (044) 226-3305

State Gas Industry Concern

6 Lenin Str.,
Kyiv, 252601, Ukraine
tel: (044) 226-3470
fax: (044) 228-3745

Concern for the Medical and Biological
Industries

120 Pros. Peremohy
Kyiv, 252115, Ukraine
tel: (044) 444-7253
fax: (044) 444-8567

State Concern for the Operation of Nuclear
Power Stations and Nuclear Industries

7-9 Bastionna Str.,
Kyiv, 252014, Ukraine
tel: (044) 229-8628
fax: (044) 294-8456

State Concern for the Production and Supply of
Packaging

10 Prov. T. Shevchenko
Kyiv, 252001, Ukraine
tel: (044) 229-3487

State Oil and Petrochemicals Company

2 Chervonoarmijska Str.,
Kyiv, 252601, Ukraine
tel: (044) 226-3127

Joint-Stock Foreign Tourism Company

36 Yaroslaviv Val
Kyiv, 252034, Ukraine
tel: (044) 212-5570
fax: (044) 212-4524

Ukrainian Foreign Trade Association of the
Cabinet of Ministers (UKRIMPEX)

22 Vorovsky Str.,
Kyiv, 252054, Ukraine
tel: (044) 216-2174
fax: (044) 216-2996/1926

State Association "Ukrainian Airlines"

14 Pros. Peremohy
Kyiv, 252135, Ukraine
tel: (044) 226-2567
fax: (044) 216-8235

State Administration for the Sea Cargo Fleet

1 Lastochkina Str.,
Odessa, 270601, Ukraine
tel: (0482) 252-160

Inter-Branch State Association for the River Cargo Fleet

51 Nyzhnij Val, MSP,
Kyiv, 252655, Ukraine
tel: (044) 417-4280
fax: (044) 417-1593

State Administration for the Air Transport

14 Pros. Peremohy
Kyiv, 252135, Ukraine
tel: (044) 216-6227

Major banks

State Export-Import Bank

8 Khreschatyk Str.,
Kyiv, 252001, Ukraine
tel: (044) 226-2745/229-4729
fax: (044) 229-8082/228-2776

State Specialized Commercial Savings Bank

7 Pros. Nauky
Kyiv, 252028, Ukraine
tel: (044) 265-3140/267-3959
fax: (044) 264-9941

Joint-Stock Commercial Agroindustrial Bank "UKRAINA"

8 Prov. Ryl'skoho
Kyiv, 252025, Ukraine
tel: (044) 228-9746/293-9249
fax: (044) 229-0239/293-4332

Joint-Stock Commercial Industrial and Investment Bank "UKRPROMINVESTBANK"

12 Prov. T. Shevchenka
Kyiv, 252601, Ukraine
tel: (044) 226-2032
fax: (044) 229-1456

Joint-Stock Social Development Bank "UKRSOTSBANK"

29 Kovpaka Str.,
Kyiv, 252006, Ukraine
tel: (044) 269-0836/268-9522
fax: (044) 269-1307

Joint-Stock Commercial Bank "UKRINBANK"

12-a Zhovtnevoji Revolutsii
Kyiv, 252601, Ukraine
tel: (044) 229-3804
fax: (044) 229-0275

Joint-Stock Commercial Bank "INKO"

18 Mechnikova Str.,
Kyiv, 252021, Ukraine
tel: (044) 294-9219
fax: (044) 290-6292

Joint-Stock Bank "BROKBUSINESSBANK"

3 Shota Rustaveli Str.,
Kyiv, 252023, Ukraine
tel: (044) 294-6440
fax: (044) 227-0433/294-8790

Joint-Stock Bank "VIDRODZHENNIA"

7-a M. Kotsyubynskoho Str.,
Kyiv, 252030, Ukraine
tel: (044) 224-1540/224-8574
fax: (044) 225-1360

Joint-Stock Bank "AVAL"

9 Leskov Str.,
Kyiv, 252011, Ukraine
tel: (044) 294-9691/295-3205
fax: (044) 295-3231/295-7291

Joint-Stock Bank "HRADOBANK"

1 Dimitrova Str.,
Kyiv, 252650, Ukraine
tel: (044) 227-6421
fax: (044) 268-1530

Joint-Stock Bank "LEGBANK"

8/10 Esplanadna Str.,
Kyiv, 252601, Ukraine
tel: (044) 220-4245
fax: (044) 220-8129

Joint-Stock Bank

"UKRBUDMBANK"

74 Artema Str.,
Kiev, Ukraine
tel. (044) 216-7595

Joint-Stock Bank "AZHIO"

9 Leskova Str.,
Kiev, Ukraine
tel: (044) 295-3161
fax: (044) 294-8960

Kiev Narodny Bank

11 Zolotovorotska Str.,
Kiev, Ukraine
tel: (044) 228-3945
fax: (044) 228-4873

Joint-Stock Bank "PERKOMBANK"

17 Sagaidachny Str.,
Kiev, Ukraine
tel: (044) 291-8629
fax: (044) 291-8689

Joint-Stock Bank "INTELLEKT"

6 Heroiv Revolutsii
Kiev, Ukraine
tel: (044) 229-3125
fax: (044) 245-4201

Joint-Stock Bank "Ukrainian Financial Group"

8-a Kudriavska Str.,
Kiev, Ukraine
tel: (044) 229-8106
fax: (044) 212-4135

Joint-Stock Bank "INTERBANK"

36 Yaroslaviv Val,
Kiev, Ukraine
tel: (044) 212-4070
fax: (044) 212-5810

The First Ukrainian International Bank

107 Chelyuskintsev Str.,
Donetsk, 340000, Ukraine
tel: (0622) 93-12-97
fax: (0622) 99-10-36

Commercial Bank

"DONKOMBANK"

117 Postyshev Str.,
Donetsk, 340017, Ukraine
tel: (0622) 91-68-26

Commercial Bank "DNIPRO"

1 Naberezhna Str.,
Dnepropetrovsk, 322010,
tel: (0562) 41-63-90
fax: (0562) 41-61-38

Commercial Bank "PRIVATBANK"

2 Naberezhna Str.,
Dnepropetrovsk, 320600,
tel: (0562) 41-20-01
fax: (0562) 41-22-84

Commercial Bank "LISBANK"

52 Zhovtneva Str.,
Uzhgorod, Ukraine
tel: (0312) 3-31-01
fax: (0312) 3-72-40

Commercial Bank "TAVRIDABANK"

10 Marksa Str.,
Melitopol, 332339, Ukraine
tel: (06142) 4-22-87
fax: (06142) 4-22-87

Commercial Bank "INVESTBANK"

59 Lenin Str.,
Odessa, 270011, Ukraine
tel: (0482) 24-01-29

Joint-Stock Bank "KHARKIV"

1 Sumska Str.,
Kharkov, Ukraine
tel: (0572) 22-54-97

Commercial Bank
"KHARKOVINKOMBANK"

1 Prospekt Rad. Ukrainy
Kharkov, Ukraine
tel: (0572) 22-58-22
fax: (0572) 22-43-83

Commercial Bank
"POLTAVABANK"

2a Kotlyarevsky Str.,
Poltava, Ukraine
tel: (05322) 2-78-63

Joint-Stock Bank "EKONOMBANK"

32 Dragomanov Str.,
Rivne, 266027, Ukraine
tel: (03622) 6-66-93

Joint-Stock Bank "NEVIKONBANK"

2 Nakhimova Str.,
Sevastopol, 335000, Crimea
tel: (0692) 52-53-23
fax: (0692) 52-40-81

Joint-Stock Western Ukrainian Commercial Bank

67 Levitsky Str.,
Lviv, 290017, Ukraine
tel: (0322) 75-05-41
fax: (0322) 75-05-31

Joint-Stock Bank "ELEKTRONBANK"

11 Hrabovsky Str.,
Lviv, 290601, Ukraine
tel: (0322) 72-39-20
fax: (0322) 74-12-94

Joint-Stock Bank "HALITSKY"

11 Hnatyuk Str.,
Lviv, Ukraine
tel: (0322) 72-40-71
fax: (3224) 72-70-71

Commodity and stock exchanges

Ukrainian Universal Commodity Exchange

70 Pros. 40-richya Zhovtnya
Kyiv, 252127, Ukraine
tel: (044) 268-1770
fax: (044) 268-1677

Ukrainian Agroindustrial Exchange

3 Pros. Vyzvolyteliv
Kyiv, 252125, Ukraine
tel: (044) 543-9511
fax: (044) 543-9511

Ukrainian Stock Exchange

10 Prov. Ryl'skoho
Kyiv, 252025, Ukraine
tel: (044) 228-0016
fax: (044) 228-5140

Major insurance companies

Ukrainian State Insurance Company

34/1 M. Hrushevsky Str.,
Kyiv, 252021, Ukraine
tel: (044) 293-6231
fax: (044) 293-1584

SALAMANDRA

tel: (044) 290-2824/227-4568

INGOSSTRAKH

tel: (044) 212-2919

OMETA-INSTER

tel: (044) 212-0926

Foreign and domestic law firms

Adams & Reese

15 Prorizna Str.,
Kyiv, 252034, Ukraine
tel: (044) 229-5236/228-64-81
fax: (044) 229-5284

Baker & McKenzie
Suite 102, Hotel "Zhovtnevy"
5 R. Luxembourg Str.
Kyiv, 252021, Ukraine
tel: (044) 228-4194

Grischenko, Frishberg & Paliashvili
19-v Velyka Zhytomyrska Str.,
Kyiv, 252025, Ukraine
tel: (044) 212-2951
fax: (044) 212-5271

"YURZOVNISHSERVISE"
57/3 Chervonoarmijska Str.,
Kyiv, 252005, Ukraine
tel: (044) 227-2010
fax: (044) 227-2054

"PROXEN"
tel: (044) 211-9781

Accounting, consulting and services

Arthur Andersen & Co
2 Khreschatyk Str.,
Kyiv, 252001, Ukraine
tel: (044) 228-3156
fax: (044) 228-6388

Corstjens Eastern Europe Business (moving personal effects)
1 Laboratory Prov.
Kyiv, 252006, Ukraine
tel: (044) 269-1028
fax: (044) 269-1028

DHL World Wide Express
Palace of Sports,
1 Sportyvna Plaza
Kyiv, 252005, Ukraine
tel: (044) 221-5095

Ernst & Young
3/7 Kiyanovsky Prov.
Kyiv, 252053, Ukraine
tel: (044) 212-3564
fax: (044) 212-3965

Federal Express
601, Hotel Druzhba,
5 Boul. Druzhby Narodiv,
Kyiv, Ukraine
tel: (044) 268-9002
fax: (044) 268-9024

Ukrainian Services Corporation
125-a Gorky Str.,
Kyiv, 252006, Ukraine
tel: (044) 269-8565

United Parcel Service
45 Lenin Str.,
Kyiv, 252030, Ukraine
tel: (044) 244-2944/223-6612
fax: (044) 229-7692

Ziegler and Associates (business services)
Apt. 113, 22-a Tychyna Str.,
Kyiv, 252000, Ukraine
tel: (044) 216-5293
fax: (044) 228-7272

PollyCorp, Ltd. (consulting)
18 Kominterna Str.,
Kyiv, 252032, Ukraine
tel: (044) 244-0073
fax: (044) 244-0073

ESL UKRAINE (consulting)
Suite 319,
30/1 M. Hrushevsky Str.,
Kyiv, 252021, Ukraine
tel: (044) 293-9347
fax: (044) 293-9347

Licensed privatisation intermediaries

Ukrainian Universal Commodity Exchange
1 Pros. Alexander Glushkov
Kiev, 252085
tel: (044) 268-3259

Commodity Exchange "UKRAINIAN REAL ESTATE EXCHANGE"

51 Krasnozvesdny Pros.
Kiev, 252180
tel: (044) 276-6151

Consulting and Research Firm "PRAVEKS"

20 Pushkinskaya Str.,
Kiev, 252017
tel: (044) 224-4320

Small Trade and Insurance Enterprise "REZERV"

4 Vorovsky Str.,
Kiev, 252053
tel: (044) 212-1497

Ukrainian Capital City Exchange

4 P. Lumumba Str.,
Kiev, 252042

Trade House "MERKURIJ"

108 Frunze Str.,
Lugansk, 348002
tel: (0642) 49-49-41

Odessa Mercantile Exchange

140a Chernomorskaya Doroga
Odessa, Ukraine

Collective Enterprise "Information and Commercial Services"

Suite 220, 75 Pr. K. Marksa
Dnepropetrovsk, 320011
tel: (0562) 44-30-36

Finance and Investment Company "INFIKO"

33 Lenin Str.,
Cherkassy, 257002
tel: (0472) 47-94-18

Vinnitsa Universal Commodity Exchange

67 Lenin Str.,
Vinnitsa, 287100
tel: (04322) 2-80-90

Ukrainian Stock Exchange, Kharkov Branch

3 Sovnarkomovskaya Str.,
Kharkov, 310002
tel: (0572) 47-02-69

Mariupol Universal Commodity Exchange

129 Stroitelei Str.,
Mariupol, 341000
tel: (0629) 34-21-61

Ukrainian-Russian Commodity Exchange

3 Sovnarkomovskaya Str.,
Kharkov, 310002
tel: (0572) 47-02-69

Zaporozhye Exchange

41 40-let Sovetskoi Ukrainy
Zaporozhye, 330037
tel: (0612) 34-70-62

Unified Kharkov Commodity Exchange "UKRAINA"

5 Universitetskaya Str.,
Kharkov, 310003
tel: (0572) 22-74-95

Foreign embassies

Algeria

tel: (044) 295-7126

Austria

Hotel "Zhovtnevy"
5 R. Luxembourg Str.
Kyiv, 252021, Ukraine
tel: (044) 291-8848
fax: (044) 291-8966

Belgium

26 K. Libknekhta Str.,
Kyiv, 252024, Ukraine
tel: (044) 293-3646/293-2110
fax: (044) 293-8455

Bulgaria

1 Hospital'na Str.,
Kyiv, 252000, Ukraine
tel: (044) 224-5360/225-5119
fax: (044) 225-4389

Canada

Hotel "Zhovtnevy"
5 R. Luxembourg
Kyiv, Ukraine
tel: (044) 291-8858
fax: (044) 291-8958

China

Hotel "RUS"
4 Hospital'na Str.,
Kyiv, Ukraine
tel: (044) 227-8425
fax: (044) 227-8402

Croatia

45 Volodymyrska Str.,
Kyiv, Ukraine
tel: (044) 224-0500/224-2005
fax: (044) 225-2214

Cuba

5 Bekhterevsky Prov.
Kyiv, Ukraine
tel: (044) 216-2950/216-2930

Czech Republic

34 Yaroslaviv Val
Kyiv, Ukraine
tel: (044) 212-0210

Denmark

49 Volodymyrska Str.,
Kyiv, Ukraine
tel: (044) 225-3252
fax: (044) 224-6105

Finland

Hotel "RUS"
4 Hospital'na Str.,
Kyiv, Ukraine
tel: (044) 227-8434
fax: (044) 227-8456

France

39 Reitarska Str.,
Kyiv, Ukraine
tel: (044) 228-7369/228-8728
fax: (044) 229-3683

Germany

84 Chkalova Str.,
Kyiv, Ukraine
tel: (044) 216-1477
fax: (044) 216-9233

Holland

Hotel "Dnipro"
1/2 Khreschatyk Str.,
Kyiv, 252001, Ukraine
tel: (044) 229-8817/229-3433

Hungary

33 Reitarska Str.,
Kyiv, Ukraine
tel: (044) 225-0298/212-4004
fax: (044) 212-4134

India

Hotel "RUS"
4 Hospital'na Str.,
Kyiv, Ukraine
tel: (044) 227-8325/227-8304
fax: (044) 227-8305

Iran

Hotel "Zhovteva"
5 R. Luxembourg Str.
Kyiv, Ukraine
tel: (044) 291-8369/229-4463
fax: (044) 229-3255

Israel

Hotel "RUS"
4 Hospital'na Str.,
Kyiv, Ukraine
tel: (044) 227-8029/226-1217

Italy

Hotel "Zhovtneva"
5 R. Luxembourg Str.,
Kyiv, Ukraine
tel: (044) 291-8892/291-8894
fax: (044) 291-8897

Kyrgyzstan

8 Kutuzova Str.,
Kyiv, Ukraine
tel: (044) 295-7311/295-5380

Lithuania

8 Kutuzova Str.,
Kyiv, Ukraine
tel: (044) 295-4967/229-5149

Mongolia

3 Yu. Kotsubinskoho Str.,
Kyiv, Ukraine
tel: (044) 216-8891

Poland

12 Yaroslaviv Val
Kyiv, Ukraine
tel: (044) 224-3283/224-8040
fax: (044) 229-3575

Romania

8 Yu. Kotsubinskoho Str.,
Kyiv, 252053, Ukraine
tel: (044) 224-5261

Russia

Hotel "Zhovtneva"
5 R. Luxembourg Str.,
Kyiv, Ukraine
tel: (044) 294-64012/291-8914
fax: (044) 294-8673

Slovakia

tel: (044) 212-0210
fax: (044) 212-0908

South Africa, Republic of

tel: (044) 229-6633

Spain

38 Parkhomenka Str.,
Kyiv, Ukraine
tel: (044) 211-3711/211-0237
fax: (044) 213-0031

Sweden

Hotel "Zhovtneva"
5 R. Luxembourg Str.,
Kyiv, 252021, Ukraine
tel: (044) 291-8919
fax: (044) 291-6233

Switzerland

Hotel "RUS"
4 Hospital'na Str.,
Kyiv, Ukraine
tel: (044) 220-4461/227-8664
fax: (044) 226-8688

Turkey

Hotel "Zhovtneva"
5 R. Luxembourg Str.,
Kyiv, 252021, Ukraine
tel: (044) 291-6362/291-8884
fax: (044) 291-8845

United States of America

10 Yu. Kotsubinskoho Str.,
Kyiv, 252053, Ukraine
tel: (044) 244-7349/244-7344
fax: (044) 244-7350

Vatican

96 Chervonoarmijska Str.,
Kyiv, 252005, Ukraine
tel: (044) 269-9103

Major international hotels

DNIPRO

tel: (044) 229-8387

KIEV

tel: (044) 293-0155

RUS-INTOURIST

tel: (044) 227-9556/220-5122

INTOURIST

tel: (044) 220-4144

SALYUT

tel: (044) 290-6130

LYBED

tel: (044) 274-3206

MIR

tel: (044) 268-5483

MOSKVA

tel: (044) 228-2804

NATSIONALNA (ZHOVTNEVA)

tel: (044) 293-2064

LENINGRADSKAYA

tel: (044) 225-7101

UKRAINA

tel: (044) 229-4303

KHRESCHATYK

tel: (044) 229-73-39

Duty-free shops

"LVOV-TRADING"

Lvov Customs

Lvov Airport

"LVOV-TRADING"

Mostoska Customs Point,

Lvov Province

"IGRA-KOS"

Uzhgorod Customs Point

"KIEV-REANTA"

Borispol International Airport

"CHOP-TRADING"

Volyn Customs "Yagodin" Point

"CHOP-TRADING"

Uzhgorod Customs Point

"CHOP-TRADING"

Chop Customs "Chop" and "Tyssa" Points

"CHOP-TRADING"

Vinogradov Customs "Dyakovo" Point

H. LIST OF LAWS AND REGULATIONS RELEVANT TO FOREIGN INVESTMENT

1. Regulations concerning the issuance of special permits (licenses) to entrepreneurial subjects for realization of different forms of activity (Cabinet of Ministers, Resolution on Licensing, April 15, 1991)
2. Act of Ukr.SSR "Entrepreneurial Activity" (26 February, 1991).
3. Ministry of Finance of Ukraine concerning the Order of Registration of Joint Ventures (No.06-203) 31 January 1992.
4. Cabinet of Ministers of Ukr.SSR. Resolution of 5 November 1991, N 312.
5. Decree of the President of Ukraine regarding steps to stimulate foreign economic activity (19 March, 1992).
6. Resolution of the Parliament of Ukraine on the creation of a Foreign Currency Fund of Ukraine in 1992 (February 5, 1992).
7. Law of Ukraine on Taxing the income of enterprises and organizations (February 21, 1992).
8. Law of Ukr.SSR on external economic activity (July 1, 1991).
9. Law of Ukraine on excise tax (December 18, 1991).
10. Law of Ukraine "On Foreign Investments" (March 13, 1992).
11. Law of Ukraine "On privatisation of small state enterprises (small privatisation)" (April 12, 1992).
12. Law of Ukraine on investment activity (October 18, 1991).
13. Law of Ukr.SSR on entrepreneurial activity (February 7, 1991).
14. Law of Ukraine on privatisation certificates (April, 1992).
15. Law of Ukraine on privatisation of assets of state-owned enterprises (April 12, 1992).
16. Law of Ukraine on income taxation of enterprises and organizations (February 21, 1992).
17. Law of Ukraine on economic association (September 19, 1991).
18. Regulations concerning the procedure of calculation of payment for lease of state-owned enterprises' property and organizations' property (Cabinet of Ministers of the Ukraine, August 19, 1992, No. 482).
19. Law of Ukraine on Amendments to the Law of Ukraine on entrepreneurial activity (October 15, 1992).
20. Law of Ukraine on enterprises in Ukrainian SSR (March 27, 1991).
21. Decree of Cabinet of Ministers of the Ukraine "On regulation of the activity of the subjects of entrepreneurial activity" (December 31, 1992).
22. Law of Ukraine "On citizens association" (July 16, 1992).

23. Law of Ukraine "On amendments to some legislative acts" (February 19, 1992).
24. Law of Ukraine "On limitation of monopolism and inadmissibility of unconscientiousness competition in entrepreneurial activity" (February 18, 1992).
25. Regulations of Supreme Soviet of Ukraine "On excise rate for separate goods" (February 21, 1992).
26. Law of Ukraine "On amendments to the Law of Ukraine "On Value-added tax"" (February 21, 1992).
27. Regulations of Supreme Soviet of Ukraine "On perspective budget calculations of Ukraine for 1992" (February 21, 1992).
28. Law of Ukrainian SSR "On valuable papers and stock exchange" (June 18, 1991).
29. Regulations of Cabinet of Ministers of Ukraine "On measures for execution of the Law of Ukraine "On enterprises, institutions and organizations of union subordinate which is situated on the territory of Ukraine" (September 26, 1991).
30. Law of Ukraine "On amendments to some legislative acts" (March 13, 1992).
31. Law of Ukraine "On State Budget of Ukraine for 1992" (June 18, 1992).
32. Law of Ukraine "On Special (Free) Economic Zones" (Project).
33. Law of Ukraine "On Enterprises in Ukrainian SSR" (March 27, 1991).
34. Law of Ukraine "On bankruptcy" (May 14, 1992).
35. Order of Ministry of Foreign-Economic Relations "On measures for realization of Decrees of Cabinet of Ministers on regulation of the export of goods (works and services) (February 5, 1993) and tree Amendments.
36. Decree of Cabinet of Ministers "On procedure for export of strategic goods" (Project).
37. Decree of Cabinet of Ministers "On quotation (allocation) and licensing of export of goods (works and services) (January 12, 1993). (List of goods which is undertaken for quotation and licensing in 1993).
38. Decree of Cabinet of Ministers "On export duty in 1993" (January 11, 1993). Rates of export duty in 1993.
39. Regulations "On order of realization of quotas and granting of licenses for export of goods (works and services) in 1993 (December 28, 1992).
40. Regulations "On procedure of export of goods which is realized by the subjects of foreign-economic activity, which are specially authorized by Cabinet of Minister of Ukraine (January 27, 1993).
41. Regulations "On order of determining of products, works and services of the enterprises with foreign investments, which are exported as products of self production" (January 4, 1993).
42. Order of Ministry of Foreign-Economic Relations of Ukraine "On approval of the Regulations on procedure of determining of products, works and services of enterprises with foreign investments, which are exported as products of self production" (December 31, 1992).
43. Decree of Cabinet of Ministers of Ukraine "On association of state enterprises of communication and introduction of licensing of some kinds of activity in the sphere of communication (January 21, 1993).
44. Law of Ukraine "On agriculture (farming)" (December 20, 1991).
45. Law of Ukraine "On agricultural enterprise" (February 14, 1992).

46. Law of Ukraine "On property" (February 7, 1991).
47. Law of Ukraine "On consumer cooperation" (April 10, 1992).
48. Law of Ukrainian SSR "On banks and banking activity" (March 20, 1991).
49. Regulations of Cabinet of Ministers "On procedure of rent for lease property of state-owned enterprises and organizations" (August 19, 1992, No. 482).
50. Procedure of calculation of rent for lease property of state-owned enterprises and organizations approved by the Regulations of Cabinet of Ministers of Ukraine (August 19, 1992, No. 482).
51. Procedure of use of the funds by the foreign investors on the accounts in empowered banks, opened in hard currency of Ukraine (July 6, 1992).
52. Regulations "On the procedure of transfer abroad profits, incomes and other funds, received by the foreign investors" (August 31, 1992).
53. Regulations of the Supreme Soviet of Ukraine "On formation of currency funds of Ukraine in 1992" (February 5, 1992) and Addendum "Tax rates".
54. Regulations of the Supreme Soviet of Ukraine "On amendments to the Regulations of Supreme Soviet of Ukraine of February 5, 1992 "On formation currency funds of Ukraine in 1992"" (May 12, 1992).
55. "On Indexation of balance price of the main funds of the enterprises, organizations and institutions in connection with lifting of prices" (May 27, 1992).
56. Regulations of Cabinet of Ministers of Ukraine "On execution of total revaluation of the main funds, accounting of mutual debts of the enterprises and replenishment of circulating assets of state-owned enterprises and organizations (May 7, 1992, No. 229).
57. Convention between Government of Union of Soviet Socialist Republics and Government of United Kingdom of Great Britain and Northern Ireland on removal of double taxation regarding taxes on incomes and increment of property value.
58. Regulations of Cabinet of Ministers of Ukraine "On peculiarities of formation profit imposed of tax of foreign legal entities" (November 12, 1992, No. 625).
59. Regulations of Supreme Soviet of Ukraine "On the procedure of financing of deduction from state budget in first quarter 1993".
60. Annex to the Regulations of Cabinet of Ministers of Ukraine of September 2, 1992, No. 522 "Procedure of evaluation of privatisation objects and leasing" and Annex 1, Annex 2, Annex 3, Annex 4, Annex 5, Annex 6.
61. Regulations of Cabinet of Ministers of Ukraine "On approval of Procedure of evaluation of the price of privatisation objects and leasing" (September 2, 1992, No. 522).
62. Regulations of Supreme Soviet of Ukraine "On the order of entering into force the Law of Ukraine "On Value-added tax" (December 20, 1991).
63. Regulations of Cabinet of Ministers of Ukraine "On the order of tax payment for currency earnings from export of goods (works and services) in 1992" (10.04.92, No. 304).
64. Law of Ukraine "On Value-added tax" (December 20, 1991).
65. Law of Ukraine "On Amendments to the Law of Ukraine "On Value-added tax"" (May 14, 1992).
66. Law of Ukraine "On Income tax from persons residing in Ukrainian SSR, foreign persons and persons without residing" (July 5, 1991).

67. Law of Ukraine "On Amendments to the Law of Ukraine "On Income tax from persons residing in Ukrainian SSR, foreign persons and persons without residing"" (May 14, 1992).
68. Regulations of Supreme Soviet of Ukrainian SSR "On the order of entering into force the Law of Ukraine "On Income tax from persons residing in Ukrainian SSR, foreign persons and persons without residing"" (July 5, 1991).
69. Regulations of Supreme Soviet of Ukraine "On the order of entering into force the Law of Ukraine "On income taxation of enterprises and organizations" (February 21, 1992).
70. Law of Ukraine "On State Duty" (December 18, 1991).
71. Regulations on Privatisation Plan, approved by the Order of State Property Fund of Ukraine No. 476 (November 10, 1992).
72. The Order of Filling and Examination of Privatisation Statement (Approved by the Order of Chairman of the Board of Fund of State Property of Ukraine of August 26, 1992, N 345).
73. Regulations of Cabinet of Ministers of Ukraine "On approval of the Order of reorganization of State-owned Enterprises into Open Stock Company in the process of privatisation" (1992).
74. "Order of reorganization of State-owned Enterprises into Open Stock Company in the process of privatisation" approved by the Regulations of Cabinet of Ministers of Ukraine (1992).
75. Decree of Cabinet of Ministers of Ukraine "On Management of Property which in State Property" (December, 1992).
76. Order of Fund of State Property "On approval of Regulations on amount of coefficient of recalculation of objects cost" (21.12.1992).
77. Standard Privatisation Plan.
78. Order of Fund of State-Owned Property of Ukraine "On approval of Regulations for Privatisation Plan" (10.11.1992, No. 476).
79. Order of Fund of State-Owned Property of Ukraine "On approval of Regulations of Privatisation Committees" (08.09.92, N 371).
80. Order of Fund of State-Owned Property of Ukraine "On approval of Regulations on the procedure of calculation for obtained privatisation objects" (02.11.1992, No. 467).
81. Regulations of Supreme Soviet of Ukraine "On the order of entering into force the Law of Ukraine "On privatisation of state-owned dwelling fund".
82. Law "On privatisation of state-owned residential fund".
83. Law of Ukraine "On Amendments to the Law of Ukraine "On privatisation of the property of state-owned enterprises" (September 18, 1992).
84. Regulations of Supreme Soviet of Ukraine "On State Privatisation Programme of state-owned property of enterprises" (July 7, 1992) and Annex "State Privatisation Programme of state-owned property of enterprises".