



**UKRAINE MARKET REFORM EDUCATION PROGRAM**

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**JANUARY 15, 1999**

**MEMORANDUM**

**TO: VICTORIA MARCHENKO, USAID**

**FROM: STEVEN VAN HOOK, ACTING CHIEF OF PARTY, UMREP**

**SUBJECT: FINAL REPORT SUPPLEMENT FOR UMREP ACTIVITIES  
SEPTEMBER 20, 1998 THROUGH NOVEMBER 30, 1998**

This memorandum serves as a Final Report supplement for the USAID Mission on the public education activities undertaken by the Ukraine Market Reform Education Program for the contract extension period of September 20, 1998 through November 30, 1998. The report is categorized by program component area with topical headings for department activity.

**• PROGRAM CONTENT:**

**Television Department**

**Tatyana Lyakhovetskasya, Manager**

***Crossroads Topics Covered September-November 30, 1998***

**Economic Reform**

- A second anniversary since the introduction of Hrynia. Analysis and forecast;
- The 99'state budget. IMF requirements. Slogans supported by the leftists and moves by the government;
- The meaning of the term "currency and currency corridor" and a breakdown of the situation in Ukraine related to the introduction of a new currency corridor;
- Development of the Ukrainian-French relations based on the results of the recent Jacque Shirack's visit to Ukraine. Perspectives;
- IMF, World bank and EBRD credits and their role in overcoming the financial crisis in Ukraine;
- A story about technical innovations in Kiev at the threshold of the 19-20th centuries as a reminder of the need to provide funding for science and research today, Retro;
- The economic package of decrees by the President of Ukraine. Analysis in each show;

- The term "financial crisis," a retrospective view over the financial crisis situations world-wide. The after-effects, impact on different social strata of Ukraine;
- The cause and lessons of the financial crisis in Russia. Material from Russia;
- The anti-crisis efforts by the government;
- The Belarus motif of supporters of the Union and realities of life in Belarus in materials from Belarus;
- Economic transformation and its effect over life in monasteries;
- What is "economic interest" and three forms it takes: individual, collective and public ownership in Glossary;
- The state of the furniture making industry in Ukraine and export problems;
- Internal bonds as a reason behind the financial crisis in Ukraine. The history, after-effects, perspectives;
- The internal credit policy and advice on how to get a credit for entrepreneurs;
- Foreign credits and creditors: IMF, the World Bank, EBRD. Efforts by the organizations. Why do we need them?
- Foreign investors on the investment policy of Ukraine;
- Analysis of the anti-crisis package of the Government;
- Coverage on a Washington visit of an official delegation headed by Prime-Minister of Ukraine Mr. Poustovoitenko;
- The package of economy decrees b the President of Ukraine. Analysis.
- Retro presents the story of the Kiev K. Marx confectionery. Economic aspects behind the success story that may be of use today;
- Made in Ukraine on survival experience of the K. Marx Confectionery in the crisis environment;
- Survival tips for financial crisis situations. Advice to entrepreneurs.
- Reform of the accounting system in Ukraine;
- The impact of the financial crisis on Ukrainian enterprises. Analysis. An enterprise shuts down. Why? Ideas on getting out of the crisis suggested by entrepreneurs;
- A round-table speech by Mr. Kuchma organized by the Economist magazine;
- A report of the Government of Ukraine in the Verkhovna Rada. The state budget for 1999;
- Efforts by the National Bank of Ukraine in localizing the financial crisis;
- Credits issued by the European Union;
- Made in Ukraine on the problem faced at a Kiev poultry farm on how the introduction of fixed rates may ruin producers;
- Barter: Positive and negative aspects, barterization tendencies and the economy of Ukraine. International experience;
- The term bankruptcy. Reasons that lead to bankruptcy of enterprises, after-effects and finding solutions;
- Glossary on franchising;
- Glossary on inflation and its threat for the Ukrainian economy;
- Practical hints on how to use previliges and keep the unemployed status (related to the approval of amendments to the Law on Employment that comes in effect January 1, 1999);
- Efforts by the National Bank and the Government on upholding hryvnia;
- Social survey results: "What's Behind Poverty in Ukraine?"
- Retro on the lessons of the big American depression (1929-1933). Common features with Ukraine's financial crisis and efforts to overcome the situation;
- Analysis of the phenomenon and ways of fighting corruption in Ukraine;
- The impact of the financial crisis on people. Ways of repelling the crisis. Analysis and advise;

- The economic crisis and regions: Methods of handling its after-effects in Zakarpattia (materials from Lviv);
- The role of foreign investments for French economy;
- What is behind social unrest and revolts? What's the relationship with the economy and how to avoid them? A look back and current analysis.
- Anti-crisis efforts by the Government. 45 new clauses targeted at the stabilization of the social and economic situation;
- Lobbying in Ukraine;
- 99'Draft Budget. A cross between dreams and reality.

### **Privatization**

- The privatization program for 1999;
- The post-privatization support of enterprises. Case-by-case examples;
- Cash auctions results and announcements. Analysis;
- A press-conference at SPFU;
- Information on CC, PPC and cash auctions;
- New trading procedures for enterprise stocks faced by the authorized banks;
- On the establishment of the National Agency for Corporate Rights Management and its functions;
- 99'Privatization Program;
- Use of internal bonds as a means of payment for privatized property.
- Information on CC, PPC and cash auctions;
- A draft of a new Housing Code;
- Private ownership on land: Will the land be tradable?

### **Social Protection and Assistance**

- The progress of the pension reform in Ukraine. Analysis;
- Non-state pension funds;
- New legislation on social subsidies;
- Social protection of the elderly on the eve of the Elderly Day;
- The progress of the Pension Reform in Ukraine. Analysis.
- Updates on the regulatory acts on the issue of social subsidies;
- The progress of the pension reform in Ukraine. Analysis.
- Changes in pension dues.

### **Tax Reform**

- Tax legislation. Updates;
- Taxes, VAT, in particular, Q&A of the Infoline service;
- Glossary on the term "taxes". Why is vital to pay? International experience. IMF on tax legislation in Ukraine. Changes.

### **Capital Markets**

- The state of the stock market in Ukraine and the crisis situation;
- Internal bonds;
- The financial crisis and the banking system in Ukraine;
- The financial situation in Ukraine and its effect over the production sector.

### **Support of Small and Midsize Businesses in Ukraine**

- Success stories based on the performance of small and midsize businesses of Ukraine.  
The Nataly women's magazine with the largest circulation volume in Ukraine;

- New regulatory docs regulating the operation of small and midsize businesses in Ukraine and passing, in a first reading, the Law "On Some Efforts on Deregulation of Entrepreneurial Activities" by the Verkhovna Rada;
- Licensing of entrepreneurship activities;
- Coverage on the work of the International Congress of Entrepreneurs and Bankers;
- Cooperation between Ukraine and Russia in the area of support of small and medium-size businesses on the results of Ms. Kuzhel's Moscow visit;
- The impact of the financial crisis on the state and development of small and medium-sized businesses. Lessons learned in Russia and Ukraine falling out from the results of Ms. Kuzhel's Moscow visit;
- Public announcements and coverage of the work of the International Conference for Small and Midsize Entrepreneurship Development;
- Problems faced by small and midsize businesses in Russia and Ukraine. The third program based on the results of O. Kuzhel's Moscow visit;
- Stats by the State Committee for Entrepreneurship Development on the progress of destatization of Ukrainian enterprises and the input by the non-state enterprises;
- Success stories of small and midsize enterprises as recommended by the State Committee for Entrepreneurship Development.

#### **Economic and Privatization News Segment**

- Updates on the weekly economic and political developments in Ukraine.
- Coverage of Press Club activities.
- Breaking news stories in other Task Order components.

#### **Radio Department**

**Marat Voznyi, Manager**

#### ***Radio Program Topics Covered September-November 30, 1998 (Market from A to Z, Reform Diary)***

#### **Economic Reform**

- National currency turned two years. Why its stability hasn't been used for structural reforms in the economy, as a whole?
- The scale of after-effects for Ukraine produced by the crisis in Russia;
- Internal causes that triggered the financial crisis;
- Payment restructuring of internal bonds as a significant move in overcoming the crisis;
- Commercial bank managers on the urgency of keeping the current banking system in Ukraine;
- Administrative measures by the government toward enterprise managers who do not repay credits;
- Does the establishment of free economic zones entail relaxation of the investment climate;
- Leonid Kuchma on the anti-crisis efforts of the Government;
- Enforcement procedures for the Law of Ukraine on Bankruptcy;
- Keeping the banking system as a task for the national security policy;
- The public savings bank accounts has dropped by 10% in number;
- Finance minister expresses optimism evaluating the anti-crisis efforts by the Government;
- A Draft Law on the establishment of the Public Deposit Protection Fund being considered at the Verkhovna Rada;
- An MP for industrial policies recommends deposit holders keep quiet;

- NBU head on the necessity of comprehensive handling of the economic problems;
- World Bank loans as the credit of confidence of the World Bank toward the market reform in Ukraine;
- The Ukrainian Association of Industrialists and Entrepreneurs offers emergency efforts to find way out of the crisis;
- Anti-bankruptcy international practices;
- Success stories of restructuring: Dnipro and Electron defense industry enterprises;
- Experts of the Bankruptcy Agency on a draft law on bankruptcy;
- IMF consultative support to bankrupt companies;
- Mr. Tyhypko, Prime-Ministers for Economy, on anti-crisis efforts by the Government of Ukraine;
- Mr. V. Litvitsky, presidential aide, on the financial stabilization and cooperation with international financial organizations.

### **Privatization**

- Shares of enterprises available at the September PPC auction;
- The pick-up deadline for CCs has been extended through November 1, 1998;
- The reasons behind suspension of the 29th CC auction. What one can do, if he/she invested?
- The negative after-effects of transferring CCs that haven't been picked up to the state-owned Finprom and Derzhinvest companies;
- Cash auctions. Results;
- Privatization in 1999. What will it look like;
- Approval of a new chair of the State Property Fund has eliminated the roadblock holding back a handful of decisions on privatization;
- Cash privatization through the Ukraine Stock Exchange produced UAH 39,5 million in revenues;
- Stocks put up at the October PPC auction;
- Cash auctions. Results;
- Privatization in the energy sector;
- Polish privatization minister on successful destatization of Gdynia ship yard;
- Privatization experience from Hungary;
- Experts talk on a draft law "On Joint-Stock Partnerships;"
- Success stories. Winners of the national quality contest: Obolon JSC, Svitoch JSC, KhmelnitskLegProm JSC;
- A round-table at the representative office of the World Bank on 99'privatization program;
- Mr.Bondar, SPFU head, on certificate privatization history in Ukraine;
- Mr. Yekhanurov, VR Committee Deputy Head, on results of the certificate privatization;
- IMF experts on use of the bankruptcy instruments in privatizing;
- Mr. O. Riabchenko, VR Privatization Committee Head, on improving legislation on destatization.

### **Social Protection**

- Extraordinary efforts by the government in collecting back payments to the Pension Fund;
- Pension reform. A plan of combining the solidarity and accumulation pension security systems;
- PADCO experts on the vitality of legislative support for the establishment of private pension funds;
- The Verkhovna Rada hears a draft law on the establishment of non-state pension funds;

- Dynamics of growth of back payments in pension payments;
- Pension reform as a major issue at a seminar organized by the Ministry of Social Policies in conjunction with USAID;
- Pensioners speak for the enforcement of a pension reform;
- In-kind repayment of back payments to the Pension Fund;
- A 1-2% increase projections for deductions to the Pension Fund;
- Unrealistic nature of increasing the bottom rate of poverty and salaries proposed by the Verkhovna Rada;
- Plans for repaying back payments in pensions;
- A story on an employer conference dealing with a threat of mass unemployment;
- Humanitarian aid to children of Ukraine;
- Experts on the necessity of legal insurance for pension banks;
- Ms. Kisseliova, President of Consumer League, on the buying ability of Ukrainians.

### **Tax Reform**

- Efforts by the government to overcome the budget deficit;
- The tax police in action;
- The National Tax Administration reports;
- Experts on the necessity of eliminating non-grounded economic decisions;
- Barter transactions as a tool of avoiding tax collection;
- The State Tax Administration on budget revenues;
- Entrepreneurs on the vitality of a tax reform;
- Tax Administration on the dynamics of budget revenues;
- 99' Budget being discussed in Parliament;
- Proposals regarding the introduction of a unified 10% tax and tax policies in Ukraine.

### **Stock Market**

- Institutes of mutual investment;
- Auctioning at the Ukrainian Stock Exchange. Results;
- Materials from the press-conference "The State and Perspectives for the Development of the Stock Market";
- President of the Association of Over-the-Counter Trading System on the necessity of setting up an open-end system that enables each Ukrainian to invest in stocks of enterprises;
- NBU head on the vitality of development of the infrastructure of the stock market and on the establishment of rating agencies, clearing companies, national depository;
- Entering quotes of 17 Ukrainian enterprises in IVC index for developing countries;
- Ukrrechflot stock at the Viden Stock Exchange-a breakthrough in international stock markets;
- A story from Poland on the Warsaw Stock Exchange;
- Law enforcement efforts and the stock market;
- Materials of an international conference on draft legislation "On Joint-Stock Partnership;"
- Recovery at the stock market depends on the change in status of joint-stock partnerships;
- Transformation of closed-end joint-stock partnership into open-end joint-stock partnerships brings new investments.

### **Support of Small and Midsize Businesses**

- Experts comment on provisions of the draft law "On Some Efforts on Deregulation of Entrepreneurship Activities;"
- The necessity of identification of international certification for imports;

- International experience of supporting small and midsize businesses;
- Crediting sources for small businesses;
- Success stories of businesses. Obolon JSC has won the ISO 9001 international quality certificate. New technologies are being enforced at the Kharkiv Tractor Factory;
- A small number of small businesses is a result of not only high taxation, but also bureaucrats who fight back;
- The necessity of improving the legislative basis regulated by the Ministry of Security;
- Specifics of the State Program for Supporting Small Businesses in 1999-2000;
- 1% of the public revenues to develop entrepreneurs;
- The introduction of a new taxation, accounting and reporting system;
- The financial and credit support of entrepreneurship;
- Plans to establish a financial system of guarantees to insure the issue of credits for businesses;
- Credit unions as a self-finance tool for businesses;
- A success story on business: A woman-farmer in the Kiev area;
- Ms. O. Kuzhel, Head of Entrepreneurship Development, on the content of the trilateral cooperation agreement between Ukraine, USA and Poland;
- Consumer and Producer League comes up with Ukrainian Quality action;
- Materials from the conference "Cooperation Ways" organized by Entrepreneurship Development Association and USAID.

**Press Department**

**Andry Kulish, Manager**

***National Press Club Topics, Speakers, September-November 30, 1998***

- "The Light Industry of Ukraine Today and Tomorrow. Competitiveness in the Market Economy Environment."  
Speakers: Ms. Lilia Kravchenko, Administration Head at the Ministry of Industrial Policies.  
Mr. Valeriy Beschastny, President of the Closed-End Joint-Stock Partnership Ukraina.
- "The Economic Package by the President of Ukraine and Its Impact Over Market Relations."  
Speaker: Mr. P. Haidustky, Deputy Head of the Administration at the President of Ukraine.
- "The Current State of the Stock Market in Ukraine and the International Capital Market Crisis."  
Speakers: Mr. Oleksiy Romashko, Interim Commission Head of the State Committee for Securities and Stock Market.  
Mr. Anatoliy and Mr. Victor Ivchenko, Commission members.
- "Strengthening the Role of the National Producer at the Internal Market. Perspectives."  
Speakers: Mr. Volodimir Varenitsa, Head of the Supreme Administration for the Furniture and Wood Processing Industry at the Ministry of Industrial Policies of Ukraine.  
Mr. Grigorii Shliamar, Director of the Shpoliany Furniture Factory (Chercassy Oblast).

Mr. Piotr Puhachuk, Chief Engineer of the Kiev Wood Processing Association Collective Enterprise.  
Joint- Mr. Volodimir Zbarazhsky, Chair of the Board of the Khmilnickmebly Stock Partnership (Vinnitsa Oblast).

- "Social Protection for the Elderly in Ukraine."  
Speaker: Ms. Svetlana Vegera, First Deputy Minister of Labor and Social Policy of Ukraine.
- "The Financial Situation in Ukraine and Its Impact Over the Production Sphere."  
Speaker: Mr. Volodimir Ryzhov, Aide to the President of Ukraine.
- "The Impact of the Financial Crisis Over the Banking System of Ukraine."  
Speaker: Mr. Alexander Suhoniako, President of the Association of Ukrainian Banks.
- "Bankruptcy as a Way for Restructuring Production."  
Speakers: Mr. Alexander Tarassenko, Head of the State Agency for Bankruptcy at the Cabinet of Ministers of Ukraine.  
Mr. Mykhailo Sheptun, Director of Dnipro Research Works.  
Mr. Sviatoslav Babik, Director of Kamianets Podil Electron Factory, Khmelnitsky oblast.
- "Law Enforcement Efforts in the Capital Market in Ukraine."  
Speakers: Mr. Oleg Mozgovy, Head of the State Securities and Stock Market Committee of Ukraine.  
Mr. Oleksy Romashko, Mykola Murnaka, Anatoly Grischenko, CSSMU members.
- "The Financial Stabilization and Cooperation with International Organizations: The Current Phase and Forecast for 1998."  
Speaker: Mr. Valery Litvitsky, presidential aide.
- "Privatization in 1999."  
Speakers: Mr. Alexander Bondar, Chair of State Property Fund of Ukraine.  
Mr. Yu. Grishan, Deputy Chair of State Property Fund of Ukraine.  
Mr. V. Matveiev, MP, Head of Verkhovna Rada Subcommittee for Property, Privatization and Bankruptcy.  
Mr. Ye. Grigorenko, Department Head for Economic Policy at Administration of President of Ukraine.  
Ms. V. Legka, Project Officer, IFC, for Small Privatization in Ukraine.
- "Anti-Crisis Efforts by the Government."  
Speaker: Mr. S.Tyhypko, Vice-Prime-Minister for Economy of Ukraine.
- "Privatization Program in 1998."  
Speakers: Mr. O. Riabchenko, Head of Specialized Verkhovna Rada Control Committee for Privatization.

- “Specifics of Corporate Management of Public Ownership Since the Establishment of the National Agency of Ukraine for Corporate Management.”

Speaker: Mr. O. Taranov, Chair of National Agency of Ukraine for Corporate Finance Management.

### ***Regional Press Clubs***

UMREP contracted for regional press clubs in 24 oblasts to be conducted in October and November. Sample press clubs conducted include:

- Ivano-Frankivsk: How to Become a Leader. Practical Hints.
- Kharkiv: The Crisis from the Inside. A success story of the Electric Equipment Works.
- Rivne: The State of Development of Small and Midsize Businesses in Oblasts.
- Lviv: Foreign Investment at Lviv Enterprises. JSC Svitoch
- Kherson: Subsidies and Compensation Certificates. Perspectives.

### ***New Market Courier Topics Covered, September-November 30, 1998***

#### **In Person**

- The progress of the Pension Reform and the latest innovations commented on by Deputy Minister of Labor and Social Policy of Ukraine Ms. Olena Horiachaia;
- Mr. Ryzhov, a presidential aide, evaluates the current situation in Ukraine;
- Survival of national banks. Ways of avoiding bankruptcy of the banking and financial system. The questions are answered by Alexander Sugoniako, President of the Ukrainian Banking Association.

#### **Financial and Stock Markets**

- The Ukrainian stock market in the first six months of 1998.
- Summer ratings at the stock market.
- Will the Ukrainian stock market become the most competitive in the former Soviet Union countries?
- The latest ratings of operators of the Ukrainian stock market.

#### **Privatization**

- Ukrrechflot or How to Become a Leader in the Market?
- Why do privatized enterprises require restructuring?
- Bankruptcy. Is there something to be scared about?
- Mr. Valery Revenko, scientist-economist, gives analysis and comments on success stories of efficient business restructuring.

#### **Regulatory Acts**

- From the tax diary (review and commentary on the most recent tax innovations).
- Commentaries on recent presidential decrees.

**Hot Issue**

- The corruption story continues. An interview with the Honored Lawyer of Ukraine Mr. Oleg Litvak.

**Reform Chronicles**

- Industrial Agency ratings -- the heart beat of the Ukrainian economy.
- Mr. E. Yukhnovsky, academician, analyses the current economic situation and comes up with concrete moves for coming out of the crisis.
- Budget 98. Key comments by Yezhi Osiatinsky, leading expert for transition economies.

**Our Advisory**

- A selection of acute issues asked at the UMREP hotline service in September 1998.