

Data Sheet

USAID Mission:	Ukraine
Program Title:	Improved Investment Climate
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	121-0141
Status:	Continuing
Planned FY 2005 Obligation:	\$3,230,000 FSA
Prior Year Unobligated:	\$70,000 FSA
Proposed FY 2006 Obligation:	\$1,600,000 FSA
Year of Initial Obligation:	2003
Estimated Year of Final Obligation:	2007

Summary: USAID supports steps to improve Ukraine's investment climate through: 1) a financial sector that mobilizes resources for investment in an environment of transparency and accountability and 2) integration into the global trading system. Currently, USAID's program to improve the investment climate includes technical assistance to improve commercial legislation, support accession to the World Trade Organization (WTO), and implement international accounting practices at the enterprise level. In the future, USAID will focus its economic assistance in the following priority areas: improved financial sector regulation; better integration into the world economy; a more transparent commercial legal system, and better national fiscal and energy policies.

Inputs, Outputs, Activities:

FY 2005 Program: Strengthen the Financial Sector's Contribution to Economic Growth (\$3,230,000 FSA, \$70,000 FSA carryover). USAID will continue to strengthen the legal and regulatory environment for doing business in Ukraine through its Commercial Law Resource Center (CLC). The CLC will provide technical assistance and training to the Government of Ukraine (GOU) on a range of commercial legal subjects. It will work to ensure that the regressive Economic Code is repealed or brought into conformity with the Civil Code. The project will work to improve the system for judicial enforcement by simplifying procedures, introducing international best practices, and training judges and state enforcement officials to improve the investment environment. CLC assistance will provide for improvement in the legal/judicial environment and will have a direct positive impact on that aspect of the business climate that most concerns potential investors. As a result, Ukraine will experience a more rapid rise of foreign direct investment, which is currently very low. Principal contractor: to be determined (TBD).

The Accounting Reform project will: 1) provide support for development of a new professional association with membership based on Certified International Professional Accountants (CIPA) examinations; 2) continue CIPA training, examination and certification of enterprise accountants; 3) recruit business schools and MBA programs to participate in CIPA exams; 4) work with the Ministry of Finance on reconciliation of tax and financial accounting; 5) work with financial sector regulators to amend the accounting law to adopt International Financial Reporting Standards; and 6) establish the CIPA Institute Ukraine to act as the local representative office of the examination network based in Moscow. By the end of 2005, there will be 2,000 CAPs and 200 CIPAs preparing financial statements that are transparent and comprehensible. Ukrainian enterprises will be able to attract foreign investors and access credit through commercial banks and capital markets. Those companies, which have CIPAs as Chief Accountants and Chief Operating Officers, will be better qualified to manage their businesses for greater productivity and profitability. Principal contractor: TBD.

USAID will launch a new Financial Sector/Pension System Development Project (FS/PSD), which will reduce the risks and administrative costs of the new pension system through development of a more balanced and secure financial market. As a result of this project, Ukrainian businesses will obtain more efficient and secure access to capital, and Ukrainian citizens will have more

confidence in their pension system. Principal contractor: TBD.

FY 2006 Program: Strengthen the Financial Sector's Contribution to Economic Growth (\$1,600,000 FSA). The Commercial Law Center will facilitate drafting, adoption and enforcement of laws in such areas as property ownership, bankruptcy, competition law, and capital markets. The FS/PSD project will: 1) build the capacity of the financial sector regulators to protect investors and improve capital markets; 2) develop the second-tier (mandatory contribution) private pension system to protect retirement funds; and, 3) establish financial instruments that allow diversification of portfolio funds. The Accounting Reform project will support the new professional association and the CIPA program. Principal contractor: TBD.

Performance and Results: USAID's economic growth projects offered results in 2004 that contribute to an improved investment environment in Ukraine. A new mortgage law came into effect in January, leading to \$450 million in new mortgage loans. GOU sanitary and phytosanitary regimes were brought into compliance with WTO requirements, greatly increasing the likelihood of accession in 2005; a Working Party meeting in November 2004 was Ukraine's most productive to date. The American Institute of Certified Professional Accountants and the International Accounting Standards Committee Foundation partnered with USAID in the CIPA Global Development Alliance to give the CIPA certification greater international credibility and added value to Ukraine's enterprise accountants. The National Bank of Ukraine adopted "risk-based" supervision as recommended by the Basel accords, thereby improving the overall soundness of the banking system and increasing investors' confidence (As a result, personal bank deposits have increased by 40% through October 2004). The Overseas Private Investment Corporation made two loans valued at \$40 million to the International Mortgage Bank and the ProCredit Bank as a result of a USAID evaluation of the commercial banking sector and USAID's technical assistance in mortgage lending.

US Financing in Thousands of Dollars

Ukraine

121-0141 Improved Investment Climate	FSA
Through September 30, 2003	
Obligations	9,110
Expenditures	1,029
Unliquidated	8,081
Fiscal Year 2004	
Obligations	5,179
Expenditures	6,308
Through September 30, 2004	
Obligations	14,289
Expenditures	7,337
Unliquidated	6,952
Prior Year Unobligated Funds	
Obligations	70
Planned Fiscal Year 2005 NOA	
Obligations	3,230
Total Planned Fiscal Year 2005	
Obligations	3,300
Proposed Fiscal Year 2006 NOA	
Obligations	1,600
Future Obligations	0
Est. Total Cost	19,189