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KYIV

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Proposed customs changes

NEW HEADACHES

The implementation of the State Program on Reducing Smuggling may have a negative effect on the operation of entities engaged in foreign economic activity.

The program on curbing smuggling and the sale of illegally imported goods for the period 2000-2001, which was approved by Cabinet Resolution №1608 of Oct. 26, 2000, was a long time in the making. Many participated in its development, including the State Customs Service, State Security Service, the Interior Ministry, the Economy Ministry, and the State Tax Administration.

According to JurMaels law firm GM Valeriy Rubchenko, despite the widely-based participation, the program is not a "comprehensive and economically sound legal document containing the prerequisites for a clear-cut algorithm for state operations in fighting contraband".

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Recovered treasures

Photo: V. Falin

IMF mission visits

Waiting for a signal

KYIV. An IMF mission headed by Julian Berengaut was working in Kyiv Nov. 8-14. This is the 11th round of talks between the Ukrainian government and the IMF – both in Washington and Kyiv – since lending to Ukraine under the Extended Funding Facility program was suspended back in September 1999. Before and after mission visits, senior Ukrainian government officials invariably talk optimistically about the chances of the IMF releasing new EFF loan tranches. Unfortunately, the grounds for this optimism have always turned out to be fairly slender.

A Show of Optimism

This time too, First Vice Premier Yuriy Yekhanurov, who is the government member responsible for talks with the IMF, made a display of optimism saying that the IMF Board of Directors may approve the renewal of funding Dec. 5 and that around US \$250mn could be released. This is the usual play-acting that members of the Ukrainian government put on: they desperately hope to receive IMF loans in the absence of any objective grounds for these hope. It is no accident that of late relations with the IMF have been based entirely on 'political signals.' That is, the Ukrainian side has come to

understand that it can no longer seduce the IMF with promises along and are instead waiting for any kind of signal that would serve as grounds for the World Bank or EBRD opening their purses.

Recapping the results of the visit, Berengaut as usual did not make any clear promises about renewing financing to Ukraine. He said that a number of issues remain to be resolved before Ukraine's official request can be submitted to the IMF Board for review.

On the eve of Berengaut's visit, the IMF issued a press release listing the conditions Ukraine must fulfill in order to for relations with the fund to be normalized.

Budget Doubts

First of all, the Verkhovna Rada must pass a realistic budget for 2001. Ukraine has repeatedly insisted on its readiness to fulfill this precondition. During the 'fact-finding mission' of IMF Second European Department Director John Odling-Smee to Kyiv Nov. 3-5, which was intended to prepare the ground for the arrival of the main mission, the parliament demonstratively passed the budget for 2001 in its first reading.

Later, amendments were made to the document while Berengaut was in Kyiv. In the first place, projected privati-

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HIGHLIGHTS THIS WEEK

Happy Thanksgivings' Day
Nov. 23

Regional survey: Horodok

Tale of a small town

The Horodok raion is situated in the Khmelnytskyi oblast, 300 km from Kyiv, and has a population of 59,000, 18,000 of which are pensioners. The raion is situated on the territory of the Podol plateau, which is abundant in rich black soil, has a temperate continental climate and many other factors which create good conditions for the development of agriculture in the area. Horodok is an industrial-agricultural region, specializing in agriculture, food and machine building. Agriculture is focused on the cultivation of grain crops, apiculture and cattle breeding. The food industry is mostly known for condensed milk, 80% of which was exported in Soviet times.

Horodok is 500 years old and was founded by Polish lord Bedrykh, who built the settlement encircled by a reinforced rampart and named it the town of Bedrykhov. Since that time, the town was renamed Horodyshche and then Horodok. It was visited by, such famous Ukrainian writers as Mykhailo Kotsiubynskiy and the sugar baron Tereshchenko, who founded the first sugar mill in the raion.

Agriculture And Processing

After ownership reforms, 22 limited liability companies, 5 agricultural cooperatives and 5 private companies are operating in the region.

In the nine months of 2000 the gross harvest of grain crops amounted to 52,800 t with an average yield of 22.2 centners/ha, which is 2,700 t more than in the same period last year. Of these 52,800 t, 2,049 t were directed to settlements for received equipment and material assistance, 423.5 t – for wages, 1,807 t – land rent, 746 t – for paying off fixed taxes.

48,000 t of sugar beet, were harvested from 2,746 ha. The sugar processing plants received 44,200 tons of sugar beet.

In the nine months of 2000 in the livestock industry, 6,742 t of milk were produced, 1,630 t of meat, 42,000 eggs, which is 10% less in comparison with the previous year. Milk yield from a cow is 1,421, which is 116 kg less than last year. The average daily weight increase of cattle and pigs is 0.367 kg and 0.140 kg respectively. 1,738 tons of hay, 15,206 t of silage and 34,510 t of silo is stored for the winter period for public cattle feeding. Lisovody canned food plant, Sataniv and Vatutin are the leading agricultural companies in the Horodok raion.

This year local councils received subsidies of Hr 450,000, or 59% of the planned amount.

Industry Outlook

There are 85 small companies, three sugar processing plants, a milk and canned food complex, a research and experimental plant for smelting aluminum, rolling, a machine

tool plant and other food industry companies registered in Horodok raion.

When analyzing the industrial development in the raion in the nine months of 2000, it is evident that positive trends in economic development were reversed. Volumes of production have dropped by 5.4% compared to the same period in 1999.

Consumer goods produced were worth Hr 21.27mn including non-food goods – Hr 41,200 or a 3.2% drop, and food stuff – Hr 21.23mn, or 8.9% less than in the same period last year.

The food industry was the most successful of all branches. Such companies as Sataniv sugar plant and Horodok canned fruit plant are increasing their volumes of production. Horodok increased production volumes by 68.9% thanks to foreign investments.

In January-September 2000, industrial companies sold goods for Hr 17.04mn, Hr 12.705mn of which went as non-cash payments, or 74.3% of the total. Due to a reduction in the number of barter agreements, an additional Hr 4.285,4mn or 25.1% were received from the sale of goods. Further, the share of commodity exchange transactions dropped by 19.2% with a 20% increase in proceeds.

Overall, industrial companies generated Hr 351,000 in profits in the first nine months of 2000, but the region showed a loss of Hr 3.96mn. The most unprofitable branches in the regional economy are industry, construction and transport.

A considerable number of these companies are facing difficult financial times in all branches of the economy. In January-August, 63% of the operating companies suffered a total loss of Hr 5.65mn. At that, industry showed a 53% loss, while construction showed a 100% loss. The total figure of debit and credit debt is Hr 34.95mn and Hr 91.57mn respectively. The biggest credit debts belong to industry, construction and agriculture. For the most part, debts arise during settlements for goods, labor and services.

This year the budget received proceeds of Hr 6.27mn, including Hr 3.63mn to the state budget and Hr 2.64mn to the local one. As of Oct. 1, 2000, the arrears to the budgets are Hr 3.19mn. The biggest debt belongs to Dairy Cannery Plant - Hr 1.01mn, VAT Hover - Hr 934,100, Budivelnik - Hr 279,700, VAT Horodok Sugar Mill - Hr 153,400, VAT KhmelnytskTsukroBud - Hr 130,600.

Currently, 45 of all the small companies registered in the raion are operational, 43 of which have switched to a simplified tax system and paid Hr 270,900 in taxes or 4.3% of the total sum of proceeds.

The main reasons for industrial produc-



tion declines in the region are the lack of working capital, inefficiency of use of fixed assets associated with a high percentage of wear and tear. That is why deductions for the renewal of such assets do not cover the need for such renewal. The actual depreciation is far less than the objective requirement. Sizable accounts receivable quickly devalue due to the declining national currency exchange rate and companies are under threat of such debts not being paid off, which in turn deprives them of working capital. In addition, production expenditures are growing due to the tendency of prices growing for raw materials.

The economic situation and managing conditions associated with it – namely, inflation processes, lack of stable business relations with suppliers, changes in legislation, lack of foreign and domestic investments in Ukraine – negatively effects the growth of companies.

The Social Sphere

The average salary from the beginning of the year amounts to Hr 91.9, which is Hr 18.8 more compared to the last year. The level of salary of industry employees is Hr 153.9, 16% more than last year. In the construction industry it is Hr 113.2 or 5% less than last year. The salary debt in the region is Hr 13.157mn or 3% less than the same period last year. In the agricultural sector, wage arrears dropped by 8%, in education – 59%, cultural institutions – 15%. Salary debt in industry totals Hr 2.452mn and in the construction sector – Hr 459,000.

In the nine months of 2000, the Pension Fund received Hr 17.95mn, including subsidies from the state budget of Hr 13.79mn and Hr 4.16mn of local proceeds. The debt to the Pension Fund is Hr 2.22mn and has fallen since the beginning of the year by Hr 165,000.

A growth in the number employed has been observed on the job market. Employment agencies registered 1,405 people, 595 of whom were placed into a job. 106 people took professional training courses. The total level of unemployed is 1.66%.

There are 39 basic education schools, two primary schools and a high school with 609 pupils in Horodok raion. The construction of one more secondary school is nearly complete. A professional technical school has also been opened. •

– Y. Brydun, O. Fedotov