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KYIV

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Budget 2001

БІЗНІС Е.В.

GOING NOWHERE FAST

KYIV. The Verkhovna Rada has to decide on what to do with the draft 2001 budget Nov. 2. The draft was submitted to the VR for consideration by Premier Viktor Yushchenko's government Sept. 15, and according to the effective budget review schedule, the deputies should have approved a decision

on the draft back on Oct. 19. The VR procedural rules state clearly that after the budget is submitted, deputies may either:

- approve it in the first reading;
- send it back for further fine-tuning before consideration in repeated first reading;
- pass a resolution of non-approval.

However, the draft budget was simply put on hold Oct. 19, after five VR majority factions – Revival of the Regions, the SDPU(o), Yabluko, the NDP and the Greens – refused to support it. Speaker Ivan Plushch announced that the vote would be postponed for two weeks until Nov. 2.

This was a blatant violation of the existing procedure for budget approval stipulated in legislation.

The web of legal, economic and political problems in which the budget process has become entangled indicates that it has entered a critical stage.

Oligarchical Pressure

When it comes time for the VR to approve the budget, it is invariably political considerations that predominate above all others. The five VR factions mentioned are openly hostile to the government

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The heaviest burden

Art: D. Borodayev



Crude oil

Kazakhs to the rescue?

Ukraine's State Property Fund announced earlier this month the terms for the privatization of the 170,000 b/d Kherson refinery which is due to be finalized in Q4. Kazakhstan's state-owned producer KazakhOil is joining forces with the Russian investment holding Alliance in a bid for 60%. While Russian investors like Lukoil, Tyumen Oil, Slavneft and others have been interested in Kherson for some time now, little has actually happened.

The situation changed at the end of last year when the president of the Russian investment bank Alliance and influential Russian oil tycoon of Chechen background, Zia Bazhayev, proposed that Kazakh producers and Ukrainian refineries combine their interests.

The enormous potential of this deal opened the way for the start of Ukrainian-Kazakh cooperation in the oil industry. Since Q4 of 1999 the Kazakh side has sup-

plied about 40,000 b/d to the Kherson unit.

The honeymoon, however, did not last long. Since the beginning of 2000 the Kazakhs have cut their supplies in half, largely due to mounting Russian pressure.

Starting in December 1999, the Russian fuel and energy ministry effectively blocked crude oil exports to Ukraine in retaliation for Ukraine's alleged illegal siphoning of Gasprom's natural gas en route to Western Europe.

The Russian blockade was eased at the end of February when the first barrels of Russian crude arrived in Ukraine. However, Ukrainian-Kazakh relations were overshadowed by the death of Bazhayev in an air crash at Moscow's Sheremetyevo Airport Mar. 9 this year. Specifically, Premier Viktor Yushchenko's trip to Kazakhstan to boost Kazakh crude shipments immediately in the wake of the Bazhayev tragedy

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HIGHLIGHTS THIS WEEK

**George Soros to visit Kyiv
this week**
see p. 14

Happy Halloween!

The environment

Those big, bad steelworks

The range of activities of modern ferrous metallurgy plants generally includes production of pellets, sinter cake, coke and chemical production, production of cast iron in blast furnaces, steel smelting, and rolling. Plants also produce ferroalloys and refractory materials and carry out foundry processes. All these cause pollution of the atmosphere and water. Furthermore, metallurgy plants occupy large areas and produce vast waste dumps, which encroach on the surrounding territory. The concentration of harmful substances in the atmosphere and water near large metallurgy centers is considerably higher than the norm. The ecological situation in such centers of the domestic metallurgy industry as Kryviy Rih, Donetsk, Dnipropetrovsk, Dniprodzerzhynsk, Zaporizhzhia, Alchevsk, Mariupol, and Makiivka has long been a cause of public concern.

Bad Air

All stages of metallurgical production give rise to dust, carbon and sulphur oxides [see table]. Blast-furnace processes also generate hydrogen sulphide and nitrogen oxides. Rolling produces aerosols of pickling solution, emulsion vapors and nitrogen oxides. However, the biggest source of gaseous emissions is coke and chemical production. Along with all the above, this activity generates pyridines, aromatic hydrocarbons, phenols, ammonia, 3-4-benzopyrene, prussic acid and others. Ferrous metallurgy enterprises account for 15-24% of total atmospheric emissions, which in 1999 amounted to 995,500 t. On average, each 1mn t of metal produced by iron and steel plants results in generation of 350 t of dust, 200 t of sulphuric anhydride, 400 t of carbon oxide, and 42 t of nitrogen oxides per day.

Thirsty Work

Ferrous metallurgy consumes a vast amount of water. It accounts for 12-15% of total water consumption by domestic industrial enterprises. Of this amount, 49% is used for cooling machinery, 26% for purifying gases and air, 12% for treatment of metal, 11% for hydraulic means of transport, and 2% for other purposes. 6-8% is lost due to evaporation in water supply systems, production of chemically-purified water and losses during production processes. The rest is returned to water bodies in the form of industrial effluents. About 60-70% of effluents are considered to be "conventionally clean" – they are just at an increased temperature. The remainder are polluted with various harmful substances. Metallurgical plants, having a

great number of workshops and auxiliary services, can occupy an area of up to 1,000 ha. Meanwhile, mining operations, waste dumps, cinder and slag catchers cover an area of 130,000 ha. Metallurgical enterprises generate approximately 3mn t of waste a year, of which only 34% is utilized and decontaminated. The main sources of metal scrap and wastes are rolling production, which accounts for 30% of domestic ferrous scrap, foundry – 9%, steel smelting – 5%, and blast-furnace process – 1%.

Cast iron production generates 7-10 kg of waste per ton of output; steel – 35-40 kg/t; rolled stock – 280 kg/t; steel castings – 530 kg/t; iron castings – 350 kg/t; steel pipes – 110-120 kg/t; cast iron pipes – 170-200 kg/t; forgings – 175-180 kg/t.

Making Polluters Pay

The foregoing is only a brief summary of the harmful effects of metallurgical plants on the environment. In theory, it is possible to improve the situation by application of economic mechanisms designed to channel financial resources into disposal of hazardous waste.

Application of the "polluter pays" principle is meant to determine the financial liability of an entity for the negative effect of its operation on the environment and to stimulate interest in environmental protection. Fines for pollution thus should provide an additional source of financing for environmental protection. However, the main drawback of such mechanisms is their low efficiency in reducing actual damage to the environment, encouraging the rational use of natural resources and introducing resource and energy saving technologies. Meanwhile, there is a shortage of budget funds for environmental protection. The level of fines imposed for discharge of hazardous effluents and emissions and for the unauthorized waste dumps is clearly inadequate to deter enterprises from polluting the environment or to cover the cost of cleaning up. According to the State Statistical Committee, the total amount of fines imposed for polluting water resources in 1999 came to Hr 880,900, for polluting the atmosphere – Hr 592,100, for inadequate waste handling – Hr 272,200, and for polluting land – Hr 244,200.

Many countries make extensive use of so-called ecological taxes such as taxes on consumption of ecologically dangerous products. This is combined with accelerated depreciation of equipment intended for environmental protection purposes. Since, however, it is virtually impossible to improve the general ecological situation in the country by fines alone, the development of levers of economic influence will depend on the state leadership's commitment to working out concrete ecological programs. •

– Y. Brydun

Gaseous waste produced by metallurgy

	pellet production, kg/t	blast-furnace processes, kg/t	steel smelting, kg/t	rolling, kg/t
dust	20-25	100.0-106.0	13.0-13.5	0.1-0.2
carbon oxide	20-50	600.0-605.0	0.4-0.6	0.7
sulphur oxides	3-25	0.2-0.3	0.4-35	0.4
nitrogen oxides			0.3-30	0.5
hydrogen sulphide		10.0-60.0		

Business Incubators

KYIV. The Center for Innovations Development (CID) Oct. 24 presented the results of its Business Incubator Development Program in Ukraine and reviewed programs and activities implemented in partnership with Loyola College in Maryland, International Management Institute, Ukrainian Technoparks Institute for Single Crystals, E.O. Paton Electric Welding Institute, Semiconductor technologies and materials, optoelectronics and sensor techniques and the Slavutych city administration.

Created in 1999, CID is a subsidiary of IMI-Kyiv, the first private business school founded in the former Soviet Union to implement the Business Incubator Development Program funded by USAID. The Loyola College in Maryland, Baltimore is the American partner of the CID.

One of the most important projects for CID in cooperation with Slavutych authorities is the creation of business incubators for the Program for Rehabilitation of the Former Chernobyl Atomic Energy Station employees. The Center also supports the Technoparks infrastructure development. CID is a co-founder and a member of the E.O. Paton Electric Welding Institute Technopark, an internationally known science and technology establishment, which cooperates with other Technoparks focusing on Semiconductor technologies and materials, optoelectronics and sensor techniques.

Apart from this, the Center also helps small businesses obtain financing and extend their commercial opportunities in Ukraine and the USA. It facilitates access to loans for small businesses through the Micro-credit Loans and Loan Guarantees, which are from US \$5,000 – 60,000. These loans are available for technological and commercial projects on a competitive selection basis. For loans in US dollars, the annual interest rate is 17%; in the case where the Center secures the full amount of the loan and the interest is charged on the full amount, the annual interest rate may be 14%. For loans provided in the national currency of Ukraine, the interest rate is at least 10% lower than the regular bank interest rates at the time when the loan is issued. The loan terms cover a period of up to 18 months.

Additionally, CID is engaged in developing and conducting business education and training with respect to management, marketing, finance for business incubators and client-entrepreneurs and developing business plans and consulting. Twenty-six business education and training modules have been developed and implemented, e.g., Effective Business Planning for Small Businesses, How to Commercialize Innovation, International Marketing, Using the Internet Recourses in Business, Art of Presentation etc.

During the last 3 years more than 1200 representatives of small and medium businesses have taken part in the business planning training courses. The program Commercialization of Innovations, was developed on request of the Science and Technology Center of Ukraine. Fifty-eight Ukrainian scientists took part in this Program.

Additional services include consulting in strategic planning and developing business projects, assistance with the registration of firms and tax coordination, management consulting during a firm's start-up, finding sources for financing, evaluation of technical and commercial business projects, marketing research and help with licensing.

– O. Chuprya