

August 7-13, 2000

ВРЖАВН Е.О.

KYIV

VOL. 7, #28 (340)

Ag sector reform

TIME BOMB

The repayment of former collective farm debts to private creditors got a new shot in the arm when the Cabinet issued resolution N°1179 July 28 on measures for repaying the consumed electricity debts of reformed farms, while paying back debts is theoretically a good idea, the measures in this resolution could prove disastrous for the agriculture sector and to the entire economy.

Ticking Clock

The time bomb lies in the resolution's Art. 1 that states: "To ensure farmers pay for consumed electricity during ag sector reforms, the Cabinet recommends the Fuel and Energy Ministry together with the Crimean Council of Ministers, oblast state administrations and energy supply companies compile an inventory of the existing consumed electricity debt of reformed farms and undertake the appropriate organizational measures for restructuring debts for 5 years via quarterly cash settlements in equal installments starting Jan. 1, 2001 on condition that CAEs make timely payments."

A few questions arise immediately like how much reformed farms actually owe for consumed electricity – do newly-reformed

farms owe what has accumulated since they were created after the Dec. 3 presidential decree was issued or do they include the debts of the ex-Collective Agricultural Enterprises?

The Cabinet resolution does not address this at all. However, according to the Cabinet press center, to date ex-CAEs have still owe Hr 1.05bn for electricity, which is 13% of the country's total debt. So, it seems that the resolution was aimed at clearing the ex-CAE debts. However, the problem is that no collective farms exist in the country any more since they were replaced by over 11,000 new private farms this winter, most of which do not consider themselves CAE successors.

Who Shall Inherit The Kingdom?

Although one of the main drafters of the December presidential decree Deputy Chief-of-staff Pavlo Haidutskiy promised to clear up the ex-CAE debt issue to creditors before Mar. 1, 2000, he failed to do so and debt resolution has run into a dead end. The main obstacle is defining the successor of ex-CAEs. Things are clear with joint stock com-

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Yekhanurov in Washington

Just say 'yes'

WASHINGTON. The Ukrainian government delegation to Washington headed by First Vice Premier Yuriy Yekhanurov wrapped up its three days of talks with international financial institutions Aug. 4. Kyiv officials and the heads of the International Monetary Fund, World Bank, US Treasury Department, US National Security Council and USAID held talks on possibly renewing financing for Ukraine. The green light from these organizations is important for Ukraine because it opens the way for other institutions and private investors to put needy money back into the country.

Yekhanurov, along with Finance Minister Ihor Mitiukov and National Bank Governor Volodymyr Stelmakh, avoided making any public statements about their trip after returning to Kyiv. The IMF as well – after holding a series of working sessions of experts and a meeting between Yekhanurov and IMF Managing Director Horst Koehler – limited itself to an official statement

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Sevastopol Oceanarium dolphins
healing autistic kids

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Energy market

Lifeline

The energy sector is the industrial foundation of any country's existence, employing hundreds of thousands of people and utilizing vast material and financial resources. A country with a developed energy sector is economically independent. As real indexes of the sector's activities show, energy is the priority sector of Ukraine's economy. The sector has drawn attention this year because reforms are underway to control the national energy market and privatize regional energy companies. However, Ukraine's rough financial condition and cash shortages stop energy companies from effectively using their current capacity and equipment in accordance with standard technical specifications.

Ukraine's energy complex has three sub-systems:

- the fuel supply system
- the energy supply system
- the energy consumption system

Production volumes in the energy sector are falling mostly due to the insolvency of consumers – both legal and private entities. This, in turn, leads to limited electricity supplies in the regions. Vice Premier for Fuel and Energy Yulia Tymoshenko June 1 met with the heads of oblast energy supply companies on settlements for consumed electricity.

Among other things, the conference highlighted the low level of settlements between energy suppliers and the wholesale energy market for consumed electricity. The total debt has increased since the beginning of the year by 49.7%. KirovohradOblEnergo's debt has doubled, that of PrykarpattiaOblEnergo and KhmelnytskyiOblEnergo has grown by more than 80%, while the debts of ZaporizhzhiaOblEnergo, KyivOblEnergo, MykolaivOblEnergo, RivneOblEnergo, KharkivOblEnergo, SevastopolEnergo, OdesaOblEnergo and ChernihivOblEnergo each rose by over 50%.

The process of cutting off debtor companies has been mostly suspended. A total 41.5% of debtor companies, or 18,900, continue to operate, consuming 3.7bn kWh monthly of energy – or over Hr 380mn worth. This, in turn, leads to exceeding energy consumption limits in 11 regions, particularly in:

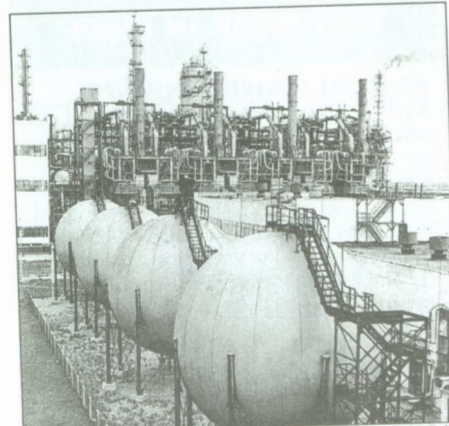
- Luhansk oblast by 79.9%
- Zaporizhzhia oblast by 33.4%
- Khmelnytskyi oblast by 27.6%

Cash settlements in the wholesale energy market, such as by privatized oblenergos, and those managing the oblenergos on behalf of the state remain extremely low. For example, LuhanskOblEnergo pays only 4.7%, ChernihivOblEnergo and PrykarpattiaOblEnergo pay 4.1%, KirovohradOblEnergo, KhersonOblEnergo and VinnytsiaOblEnergo pay 3% and TernopilOblEnergo only 0.3% of consumed energy.

Yet, ZhytomyrOblEnergo has made some headway in making payments. It pays 65.8%, RivneOblEnergo – 51.8%, Donetsk – 44.7%, and KyivOblEnergo – 42.3%.

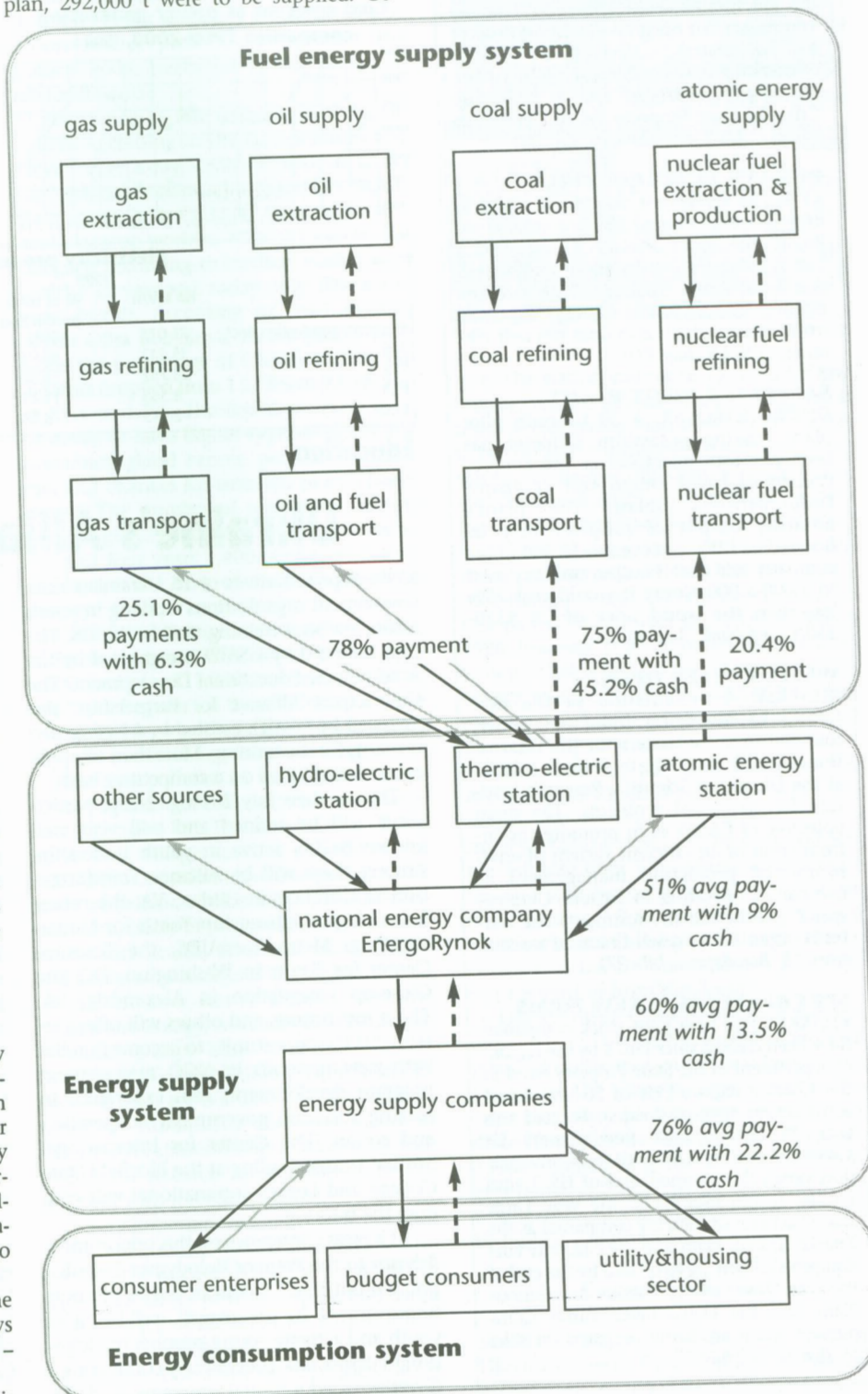
A troubling issue for the energy sector is

fuel supplies at electricity stations. According to the Fuel and Energy Ministry, the average daily coal supply in 2000, which should be 100,000 t, has been at 82,500 t, including 5,500 t from abroad. As of June 1, coal reserves at thermo-electric stations were 1.003mn t. According to the Fuel and Energy Ministry, the planned amount was 1.640mn t. In June 115,000 t was delivered to the TES, including 80,200 t from Russia and the balance from Poland. According to plan, 292,000 t were to be supplied. Go-



Energizing the market

Photo: V. Falin



THIS WEEK IN BRIEF

NO NATO ANSWER ON AN-70

KYIV. Ukraine still has not received an official response from the tender committee on the An-70 military transport airplane project, for supply to the NATO country air forces, said State Industrial Policy deputy head Valeriy Kazakov. Kazakov noted that Europe will encounter a number of technical problems in implementing their A-400M aircraft project. (UNIAN, July 31)

BRIDGING THE KERCH

SIMFEROPOL. Moscow city administration and the Crimean government have agreed to construct a 7 km bridge across the Kerch strait, which will join Ukraine and Russia. An open JV Kerchynskiy Most will be created to develop the project. Ownership will be divided: 74% to the Moscow government and 26% to the Crimean State Property Fund. The bridge will cost US \$1bn. (UNIAN, July 31)

RUSSIAN TAXES CONTINUE

KYIV. The agreement on indirect taxation of goods exported to Ukraine offered by Russia does not suit Ukraine, said State Tax Administration International Relations head Yuriy Hladun. The Russians maintained the VAT on energy exported from Russia, which also does not suit Ukraine. (UNIAN, July 31)

SALTPETER PILOT PLANT

DNIPROPETROVSK. A 30 t/month pilot plant making potassium saltpeter has been put into operation at the Dniprodzerzhynsk-based DniproAzot company, Dnipropetrovsk oblast. The plant's monthly output of saltpeter may be boosted to 3,000 t or even to 12,000 t. The company said that if output was increased to 3,000-5,000 t/mo., it would cost 20% less than the world price of US \$320-350/t. (Infobank, Aug. 1)

WASTE CENTER OPEN

KHARKIV. A presentation of the new Center of Managing Industrial Waste, founded in accordance with the international TACIS program, took place July 27 at the Ukrainian Scientific Research institute for ecological problems. The main objective of CMIW is to promote the introduction of an efficient system of environmental protection management at companies operating in Eastern Ukraine, which pollute the environment. The center is organized as a self-financed association. (A. Borodayeva, July 27)

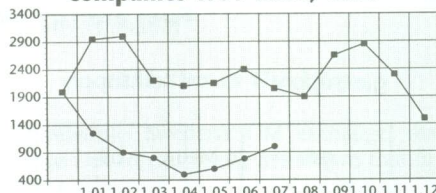
SPF CREATES FIVE NEW FIRMS

KHARKIV. Five new joint stock companies have been created since Jan. 1 by the regional department of the State Property Fund in the Kharkiv region. Out of 50 unfinished construction sites planned to be sold this year, 29 already have new owners. Hr 4.488mn have been received from privatization versus the planned sum of HR 3.4mn for the first 6 months of the year. Large share packages of such big companies as the Kharkiv Tractor Plant and the Chuhuiv Fuel Equipment Plant are to be sold by the end of the year. Shares of the Kharkiv Autogenous Plant and the Derhachivsk Turbo Compression Plant are being prepared for sale. (A. Borodayeva, July 27)

vernment resolutions also called for supplies of 2.335mn t of foreign coal in shipments of 130,000 t/mo to 365,900 t/mo to TES between June 2000 to April 2001.

This all is testifies that funding the commodities turnover in the industry with real money depends on general economic conditions, especially on the state's monetary and credit policy. Currently, real money finances only between 9% and 22% of the sector. This figure depends directly on electricity settlements and considerably slows repayments of mutual debts of energy companies. The current investment and credit policy leads to the suspension of long-term bank credits and investments aimed at renewing companies'

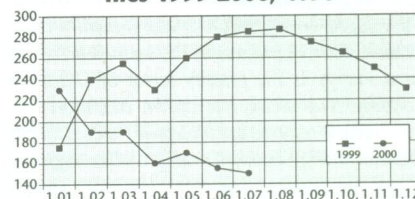
Coal reserves at power generating companies 1999-2000, '000 t



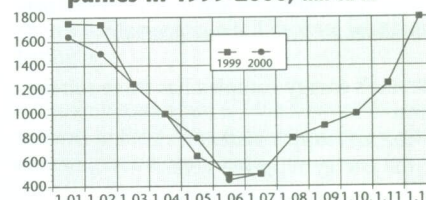
fixed assets. Settlements with the budget are accompanied by constant growth of debts for taxable income. This effectively means that the schedule of fuel deliveries outlined in the Cabinet's decree is not being met. •

— Y. Brydun

Mazut reserve at generating companies 1999-2000, '000 t



Gas consumption at generating companies in 1999-2000, mn cu m



Electricity production 1999-2000

	1999		2000		vs last year (-/+) bn kW/h
	bn kW/h	% of total production	bn kW/h	% of total production	
Electricity production, incl	75.075	100%	74.408	100%	-0.667
AES	35.243	46.94	31.796	42.73	-3.447
TES	28.752	38.30	34.112	45.84	5.36
HES	8.565	11.41	5.679	7.63	-2.886
other	2.515	3.35	2.821	3.79	0.306

Education

Ukraine's Alliance with USA

KYIV. Representatives of 16 Ukrainian non-government organizations working in youth affairs are on a training visit to the US. The trip, financed by USAID is organized by the Academy for Educational Development. The Counterpart Alliance for Partnership, also financed by USAID, assisted in selecting participants for the training. More than 60 applicants were selected on a competitive basis.

During their July 20-Aug. 2 trip, participants will be trained and will visit well known NGO's active in youth leadership. Among these will be Alliance Transformation of Conflicts in Fairfax, VA, the center for ecological citizenship Youth for Understanding, Metro TeenAIDS, the Resource Center for Youth in Washington, DC, the Close-up Foundation in Alexandria, VA. These institutions and others will offer participants the opportunity to become familiar with new methods in NGO management program development, gain experience in seeking funding, government cooperation and so on. The Center for International Mutual Understanding at the Bluefield State College and Legacy International will conduct the training.

At a press conference on this opportunity, Advisor to the Premier Volodymyr Tsybulko pointed out that "American NGOs promote improvement in the overall well-being of youth and activate young people's participation in democratic processes by conducting a diversity of educational programs in differ-

ent countries. This training visit gives them the chance to use this experience in developing Ukrainian NGOs. This is why the government of Ukraine is interested in permanent dialogue between the public organizations of both countries." Before going to the US, participants will undergo a three-day, intensive training program on NGO management issues in Poland.

Counterpart International has been working in Ukraine and Belarus since 1993, rendering consulting and technical assistance to local NGOs. The Counterpart Alliance for Partnership has provided initial grants worth over US \$2mn to more than 200 NGOs in Ukraine and Belarus, including women's and charity organizations, rehabilitation centers, societies offering assistance to homeless people, children's healthcare associations, alcoholism and drug addiction treatment centers, HIV/AIDS treatment centers and others. Since 1992, CAP USA has given Ukraine over US \$1.4mn to support democratic, economic and social transition.

Counterpart is an all-encompassing program resulting from the joint activity, experience and resources of Counterpart International, Inc. and its five main partners, including the worldwide Salvation Army, the Elwyn Institute, Inc., the International Center for Not-for-Profit Law, the University of Colorado and the Counterpart Creative Center. •

— N. Onyshchenko