



## OVERVIEW

# EBRD ACTIVITIES IN UKRAINE

The European Bank for Reconstruction and Development (EBRD) was established in 1991 to foster the transition towards open market-oriented economies and to promote private and entrepreneurial initiative in the Central and Eastern European countries committed to and applying the principles of multiparty democracy, pluralism and market economies. The EBRD seeks to help its countries of operations to implement structural and sectoral economic reforms, including demonopolization, decentralization and privatization, taking into account the particular needs of countries at different stages of transition. One of the primary conditions for achieving this is to build the necessary institutional infrastructure and an enabling business environment in the region.

Following are the highlights of an address to the CUCC Business Conference in Toronto, Oct. 25, 1994, by John Coleman, EBRD Director for Canada, London: "Ukraine: The Sleeping Giant Awakens."

## EBRD STRATEGY

- Support for private commercial banking sector, to provide source of term lending for private companies and normal, commercial export intermediation facilities and credit;
- Early equity and term financing for private entrepreneurs and newly privatized small and medium companies;
- Technical co-operation to assist public sector clients in developing investment proposals, and to strengthen local capabilities in financial planning, international procurement and project management;
- Loan financing for infrastructure, in parallel with clear sectoral reform commitments from Government; and
- Sectoral priorities: financial sector, small enterprises, agriculture, energy and manufacturing.

### Ukraine Fund.

Venture capital fund: \$11.8 million, EBRD investment \$5.1 million, alongside US partners and IFC. Nine investments approved, all successful so far. Strong project pipeline. Administered locally by joint expatriate/Ukrainian team. Operations Manager and two staff killed recently in a car accident. The Bank is working with the Fund and other sponsors to rebuild the management structure.

### Borispil Airport Rehabilitation.

Terminal upgrades to improve immigration formalities, and handling of passengers and luggage. Total cost \$14.8 million, EBRD financing \$3.5 million.

### ITUR Telecommunications Project.

Construction of a fibre optic cable linking Ukraine and Russia to Western Europe. Bank financing covers the Ukrainian share of the project. Total cost \$62.25 million, EBRD financing \$53.12 million. This project will significantly improve Ukraine's international telecommunications.

### 1994 target.

EBRD commitments of approximately ECU 100 million.

## PROPOSALS BEING DEVELOPED

Approximately 20 proposals presently under active consideration, most involving, joint ventures between local and western partners. Strong focus on development of export sectors into (mostly) new markets in western Europe and the Mediterranean, and on adding value to existing manufacturing activities:

### Financial Sector:

- A new bank to provide range of term financing facilities for private enterprises;
- Line of credit for small and medium private enterprises, in parallel with programme of institutional strengthening of selected private sector banks.

- An additional venture capital fund;
- Improved facilities for export intermediation (a key constraint to exporting private enterprises).

### Privatization and Restructuring:

- Development of a fund to support newly privatized small and medium private enterprises (at an early stage). Restructuring of Ukrichflot, following privatization, and Ukraine International Airlines, privatization assistance to Blasco.

### Manufacturing:

- Upgrading of production lines in range of industries, from shipbuilding, building materials, ceramics, glass and plastics, to the production of agricultural machinery and the automotive sector, some involving conversion of former military industries. Focus is on assisting joint ventures to exploit export niches where Ukraine enjoys comparative advantage and will likely achieve long-term cost competitiveness;
- Production increases, linked to new export markets, in ceramics, plastics and other manufacturing industries.

### Natural Resources:

- Development of domestic oil and gas resources, and selective upgrading of refining facilities.

### Power & Energy Utilities:

- Rehabilitation of gas transit pipeline system, in parallel with restructuring gas utility;
- Introduction of modern thermal generation technology in the power sector;

- Assistance to Government in design of project for Chernobyl replacement sarcophagus.

### Agriculture:

- Support for establishment of new wholesale markets;
- "Replacing the state" -- private provision of modern agricultural inputs, improved storage, distribution and marketing;
- Upgrading of a variety of agricultural processing facilities.

### Tourism and Property:

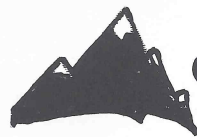
- Real estate, targeting the needs of the foreign business community and tourism.

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