



sector - oil and gas - that are very critical to Ukraine's well-being. We are involved in selected infrastructure projects, the transportation sector, in communications, and in helping to create private enterprise. Very important to Ukraine is always the agricultural sector. In short, the breadth of EBRD's involvement in Ukraine now spans literally all sectors.

When it comes to public sector infrastructure projects, EBRD is extremely selective. For example, we participated in the renovation of Boryspil International airport in Kyiv, because we knew that it would have a large multiplier effect on the local economy. Chornobyl, on the other hand, does not fall under EBRD's mandate. However, we did finance a study of Ukraine's energy industry to help identify possible alternatives to replace the energy loss resulting from the closing of Chornobyl.

• *How is Ukraine government supporting your work here?*

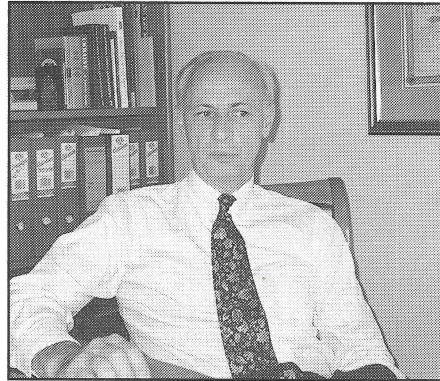
The Ukrainian government is cooperative. There are certain laws that get changed fairly often and unpredictably which make the business environment very difficult to operate in. So consequently if we are involved in financing, for instance, the exploration of oil or gas, and a given set of laws exists at the time that we conclude a financing arrangement, then we ensure that the legal conditions that existed to when we signed a loan are kept in tact and not made worse by subsequent changes in the law that may unfavourably affect the project. Consequently we bring to bear our influence, if you will, that precludes changes that create disadvantages or impair the economic viability of a given project.

These contacts with the government are encouraging for both the western financiers, who are involved with us, and certainly by the investors who are putting up their own money - risk capital - in making projects work.

• *Are there any major, obvious problems for investors coming into Ukraine?*

Officially, it is not the mandate of the EBRD to advocate change in Ukraine's legal structure. However, in our frequent contacts with government officials, particularly senior officials of the cabinet, we do point out that they need to create a stable legal environment here, one that will be attractive to western capital. They have to look at Ukraine as a market and market it appropriately, making it attractive for western investors. Western investors and foreign investors look at the whole world; this is a global investment community and they look at opportunities in China, Malaysia, Far East, Africa, Latin America and they risk-rate - where do they

want to place their money, where do they want to invest?



Ukraine has to stand out, not only in a global environment, but more particularly, in an East European environment and show that it is an attractive potential for western investors and that it is a safe haven for their capital. In order to do that they have to have laws that are attractive; they have to give tax holidays. They have to provide investment incentives and give these western investors a confidence that the political and investment climate generally here is conducive to investing and making money. So they are competing for a scarce resource - capital - not only with their neighbouring countries but with countries elsewhere in the world.

• *You were mentioning that there are some major projects in specific sectors?*

The energy sector is the big push for us now. Until now we have not had any projects in the energy sector but given its importance to Ukraine's economic well being and further economic developments, and in view of Ukraine's dependence on the import of natural gas and oil, this is a sector that we have singled out for attention. Now we have several projects in the gas sector that will enable Ukraine to commercialize their unique facilities here to the benefit of the national interest and to the well being of the population.

We have also clearly singled out the agricultural sector because Ukraine has an inherent and competitive advantage here. It has fertile soil but requires investment of capital and equipment. Ukraine has the potential to flourish and feed not only its own population, but to be a major and significant exporter of grain and foodstuffs. In order to do that, it needs to become more productive and more efficient, and to process, package, and distribute the food. These are things which did not exist in the Soviet command economy.

• *Which countries are the key players in Ukraine?*

The United States is very active, not only in terms of technical assistance but also as a source of investors. Germany is also a very sizeable player in terms of technical assistance and bilateral aid as well as investment.

Canada is an important player as well. Canada has a very unique relationship with Ukraine, not only because of the large Ukrainian immigrant population, but also because of Canada's political relationship. Canada has taken the initiative to act as interlocutor and undertakings that provide help and being an interlocutor for Ukraine's dealings with the international community. The Canadian government has a unique relationship and a technical assistance focus on public sector development, public administration, and good government. That is really necessary here because the country is under governed in terms of the resources and the capabilities of its civil servants.

In terms of investors, the Canadian presence is not on the scale that would be comparable to the Germans or the Americans. But having said that, there are some very large projects that are currently under way by Canadians. Northland Power is one such example. They have a project to introduce co-generation technology to a district heating and power plant in Kyiv; it will generate some 50% more electricity while consuming a mere 3% more fuel. Canadians are also involved in oil and gas exploration, and although EBRD has not done any financing in this area yet, we will be getting into that as well.

We've got essentially quite a few major Canadian companies now that are beginning to find a niche here. In the field of telecommunications - Northern Telecom is a supplier on the fibre optic system here. The Ottawa firm Newbridge is doing some work under contract. The Canadian Bank Note Company has done currency printing. There are increasingly companies, both private as well as public, involved in the Ukrainian marketplace. But what we would really like to do is bring on side major companies from the Canadian energy sector - in the gas transportation sector. We've got some Canadian utilities - Ontario Hydro, Quebec Hydro - involved here, but these are not investments as such; they are carrying out work under technical assistance programs funded by the government.

• *What steps should be taken by Canadian companies that want to take advantage of the support given by the EBRD?*

First and foremost, they need to come to us and tell us what their project is. We have criteria in terms of establishing credit worthiness of projects that are no different than commercial banks apply in the west. Some of the critical criteria are the following: as a Bank, we will not lend or invest or guarantee more than 35% of the value of any