

---

## Financial sector

---



**NBU announces transition to flexible exchange rates.** The National Bank of Ukraine has announced that it is adopting a policy of flexible currency exchange rates, with the possibility of adjusting the exchange rate when necessary. The National Bank of Ukraine's Deputy Board Chairman Oleksandr Savchenko made the announcement at the Fitch international rating agency's conference "Ukraine During the Global Financial Crisis". "Our model can be interpreted as a policy of free determination of the exchange rate with the possibility of its correction by the National Bank» Savchenko said. According to Savchenko, the policy of fixed exchange rates exercised over a long time has created economic risks, which became evident during the crisis. «The policy of fixed exchange rates resulted in such risks» Savchenko said. He stressed that it is impossible to overcome the crisis in the economy and finance without introduction of a flexible hryvnia exchange rate. "At present, it is impossible to overcome the crisis without a flexible exchange rate. No reserves will be sufficient" Savchenko said. He expressed the hope that the situation in the area of currency exchange rate will soon stabilize. One of the major risk factors for currency exchange rate remains the Ukrainian trade account deficit.



**World Bank might allocate USD 500 million to Ukraine.** The World Bank might take a decision on the allocation of a USD 500 million loan to Ukraine by the end of 2008. Ukrainian Deputy Prime Minister Hryhoriy Nemyria and World Bank Vice President for Europe and Central Asia Shigeo Katsu announced this at a meeting, according to the press service of the deputy prime minister. Nemyria stressed the intensification of cooperation between the Ukrainian government and the World Bank and said this is particularly important during the financial crisis. He also praised the pace of the talks being held on the allocation of Development Policy Loan III worth USD 500 million. Katsu, in turn, said that this loan would be provided under standard conditions for 30 years. He also said that there are all grounds to hope that a decision will be taken by the end of this year.

---

## Foreign Investments

---



**Switzerland's AEG to build five hydropower plants in Ivanofrankivsk.** Switzerland's Alter Energy Group AG (earlier Fincon, Zurich) has signed a letter of intent to build and own five hydropower plants in the Ivano-Frankivsk region of Ukraine with Halychynaenergoinvest Company. The company says it plans to build two 40 MW and 20 MW plants on the Dniester river and three 5 MW plants on the Prut and Limnitsa rivers.

## Automotive sector



**Ukraine remains actually the only country in Europe demonstrating the growth of car sales in October 2008.** Sales in October grew by 14% against September 2008, and by 2% against October 2007. "Following a ban on preterm withdrawal of deposits and a sharp hryvnia devaluation, buyers rushed to the auto dealers and purchased almost everything that was nominated in the hryvnia at the former rate", the experts note. Over recent several

weeks, representatives of the Ukrainian automotive producers stated that the global financial crisis and a sharp drop in loans for car purchases led to a substantial drop in demand for cars and they have to cut down production plans. Therefore local producers plead the Government and the Parliament to introduce high restrictive duties for imports of new cars and give preferences for the Ukrainian car manufacturers. On the other, such steps would harm importers of cars and also contradict to the WTO's requirements.

## Infrastructure

**Zhytomyr authorities hoping to raise international funds to reconstruct Kyiv-Chop road section ahead of Euro-2012.** Zhytomyr authorities (Central Ukraine) hope that the Kyiv-Chop road

section in the region will be reconstructed at the expense of an international loan within Euro-2012 preparations, Volodymyr Zahriivyi, First Deputy Head of Zhytomyr Regional State Administration, told UKRINFORM correspondent. "Surely, the global crisis does not depend on us. But we believe that those international loans provided for reconstruction for Euro-2012 will be fully allocated," the official said. According to him, the works, designed for 30 months, are underway. In particular, preparatory processes are running here: designing, equipment delivery, customs clearance, etc. As UKRINFORM earlier reported, in September 2008, the Verkhovna Rada adopted a resolution on the possibility for raising an international loan to construct the Kyiv-Chop road. More than 190 km of the highway goes in Zhytomyr region. Three companies from Ukraine, Turkey and Macedonia are involved in the road construction.



**Ukraine harmonizing phone numbers with EU standards.** Ukraine has launched a four-year program on harmonizing phone numbers with European standards. In particular, the emergency numbers ('01' – fire brigade, '02' - police, '03' - ambulance, '04' – gas emergency service) will be replaced by '101', '102', '103' and '104'. Later on it is also expected to introduce a single emergency number - '112'. Ukraine also plans to

change an access code for inter-city and international calls (namely '0' will be used instead of '8', and '00' will be used instead of '810').

## Regions



**Serpents Island may become free economic zone.** The Cabinet of Ministers of Ukraine has approved the bill on special free economic zone Achillya on Serpents Island (Zmiinyi) in the Black Sea. In the Cabinet of Ministers' opinion, the creation of this zone will help draw investments, create recreation and tourist infrastructure on the island, and develop archeological researches there. Under the latest reports, the creation of a free economic

zone on the island in the course of the first ten years of its functioning will make it possible to draw investments for about EUR 4 million. Now the bill must be approved by the parliament. The Serpents Island of 20.5 hectares is situated in the Black Sea, 100 kilometers off Odesa and 30 kilometers off the Danube mouth. It became part of Ukraine in keeping with the Paris Agreement of 1947, after Bessarabia was annexed to the Soviet Union. Following lasting territorial debates after the split of the USSR, Romania finally recognized Ukrainian sovereignty over the island. But the dispute on delineation of the Black Sea shelf around the island between Ukraine and Romania is continuing at the UN International Court in The Hague.

### **Western Ukrainian Management Consulting**

Stepana Bandery Str. 6/1

Lviv, 79013

Ukraine

Phone: +38 032 2971871

+38 032 2970121

Fax: +38 032 2971066

E-mail: [contact@wumc.lviv.ua](mailto:contact@wumc.lviv.ua)

[www.wumc.lviv.ua](http://www.wumc.lviv.ua)