A broad range of successful anti-corruption measures have been introduced in the economic sphere. Thus, according to the World Bank, the qualities of the business environment have improved through the introduction of business registration and government inspection procedures. The introduction of a simplified tax structure for small businesses has led to a reduction in the number of inspections per year; as well as stronger tax and customs administration, coupled with policy reforms; improvement of the procurement system, focusing on transparency, competition, and standardization; civil service reform; and judicial reform.

Corruption can be reduced through broader efforts to promote transparency and mechanisms for redressing citizens' grievances (i.e., conflict of interest laws, asset declaration rules for public officials, Freedom of Informations legislation, establishment of auditing institutions, ombudsman offices, anti-corruption commissions, hotlines and other avenues for citizen complaints).

The existing challenges should help demonstrate the need for reform and point to potential areas for assistance from international donors. The MCC Threshold Program for Ukraine addresses a number of these issues, but goes beyond reform of the economic sphere. It is a joint effort with the government of Ukraine and, if successful, will contribute to the achievement of the government's overall goals in the area of anti-corruption.

True commitment to reducing corruption can make a real difference through the promotion of a variety of economic and institutional reforms. These measures could include more efficient fiscal policies; trade liberalization; streamlined business regulations through one-stop shops, one-day business registration, and limits on the number of inspections per year; as well as stronger tax and customs administration, coupled with policy reforms; improvement of the procurement system, focusing on transparency, competition, and standardization; civil service reform; and judicial reform.

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KHERNCHENKO, GERMAN CHANCELLOR DISCUSUIERMURO"IIE TIES

During his working visit to Germany on February 8-10, Ukrainian President Viktor Yushchenko met with German Chancellor Angela Merkel for talks in Berlin. The two leaders discussed regional and European issues, and especially how to build closer ties between Ukraine and the European Union.

Yushchenko and Merkel agreed to formulate new energy policies to ensure that European consumers get oil and gas delivered transparently and on time. The Ukrainian president said Ukraine was aware of its significant role in Europe’s energy security and would thus adhere to the European Energy Charter to fulfill its obligations. Merkel said in turn that their meeting had reassured her that “Ukraine is ready to take responsibility for transporting energy to Europe.”

Discussing Ukrainian domestic politics, they agreed there should not be a power struggle but reform for the sake of the country’s development, as this will help to improve Ukraine’s image as a reliable partner worldwide.

Speaking at a joint press conference after the talks, the Ukrainian president said: “There is no doubt Ukraine will be a member of the European Union, but we understand that this ambition is not immediate...Our priorities are economic association and political integration into European structures.”

Merkel said in turn a new agreement with the EU would “support Ukraine’s desire for reform” and confirmed her intention to visit our country this fall to attend a Ukraine-EU summit.

While meeting Bavarian Prime Minister Edmund Stoiber, President Yushchenko praised Ukraine’s ties with Bavaria and thanked Mr. Stoiber for his personal contribution to the development of the partnership. He said the activities of the Ukrainian-Bavarian Commission were very important and added that Ukraine was interested in attracting foreign investment, particularly from Bavaria’s world-famous companies.

Yushchenko also addressed German business leaders and journalists while attending a meeting of the German Association for East European Studies (Deutsche Gesellschaft für Osteuropa-kunde, or DGO) in Berlin.

His speech focused on Ukraine’s relations with the European Union and the country’s role in Europe’s energy system. “The reason I came here is to develop Ukraine’s ties with Germany and to help our voice be heard through the prism of this relationship,” he said, describing his meeting with Chancellor Angela Merkel as successful.

PRESCRIBER YUSHCHENKO ATTENDS INAUGURATION OF NEW TURKMEN PRESIDENT

Ukrainian President Viktor Yushchenko on February 14, 2007, attended the inauguration ceremony of new Turkmen President Gurbanguly Berdimukhamedov in Ashgabat. Berdimukhamedov’s inauguration was attended by delegations from 30 countries, including Kazakhstan, Tajikistan, Georgia, Afghanistan, Iran, Russia, Turkey, Armenia and Uzbekistan.

Yushchenko and Berdimukhamedov agreed that Turkmenistan would remain Ukraine’s strategic gas provider. The two presidents discussed ways to develop Ukraine’s ties with Turkmenistan, particularly in the energy sector and education. They agreed to formulate a 2007-2009 cooperation plan. They also discussed the implementation of Ukrainian investment projects in Turkmenistan.
Ukraine, Slovakia Sign Number of Agreements

- Ukraine and Slovakia on February 26, 2007, signed an intergovernmental agreement on the facilitation and mutual protection of investments.

- The documents were signed by Ukrainian Prime Minister Viktor Yanukovych and Slovakian Premier Robert Fico. The sides also signed a plan for Ukrainian-Slovakian cooperation as part of the implementation of the Ukraine-EU action plan and an intergovernmental agreement on the facilitation and mutual protection of investments.

Speaking at intergovernmental negotiations on the same occasion, Yanukovych said Ukraine had offered several energy security projects, including the construction of a European oil transport corridor to Slovakia. Ukraine “is interested in close energy security cooperation,” especially the coordinated transit of Russian energy resources to Europe and diversified energy imports from EU member countries, he said. The government thinks it important to build the European oil transport corridor, Yanukovych said, adding that Poland, Slovakia, and Ukraine should pool efforts.

Yanukovych-Prime Minister Robert Fico said his country is also interested in diversifying energy deliveries and is ready to take part in the transportation of light Caspian oil through the Odessa-Brody pipeline.

Ukraine also proposed to Slovakia to hold a meeting of the intergovernmental commission for economic cooperation in May.

Yanukovych Satisfied with His Visit to Germany

- Ukrainian Prime Minister Viktor Yanukovych, who was on a one-day working visit to Germany on February 28, 2007, said he is satisfied with his talks with German Chancellor Angela Merkel.

- “Frau Merkel gave clear answers to the questions that concerned us. We received a signal that the door to the European Union is open for Ukraine and this will be expressed in a new agreement covering the next 10 years,” he said at a joint news conference after talks in Berlin.

- “We support Ukraine on the road of reforms and are ready for cooperation on both a bilateral level and as the country presiding in the European Union,” she said.

- “We want to see Ukraine as the EU member state,” he added.

- Yanukovych submitted the proposal during his official visit to Georgia on March 1-2.

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Strategy for 2008-2011 is currently derpinning for sustained growth and anian government’s commitment to World Bank welcomed the Ukrain growth, Katsu stressed that the progress in advancing economic try, as well as future support from the World Bank Group. Commerces of Ukraine until 2011. It will be prepared following broad consulta- ted to consideration of the new version of the insurances legislation, Mr. Petro Poroshenko, the Head of the Parliamentary Committee, presided over the hearings. Also, Mr. Valeriy Asoyev, Head of the State Commissions for Regulation of Financial Services Markets of Ukraine, Mr. Mikulik, the President of the Insur- ance and author of the Draft Law took an active part in the discussion. It was decided to cre- ate a special working group that will analyze the combined version of the Draft Law “On Insurance”, which unites the documents developed by Mr. Iry- oshin and the Draft Law, elaborated jointly by the Commission for Regulation of Financial Services Markets and Insurance League. Mr. Asoyev, the President of the Cham- ber’s Banking and Finance Committee, will be the primary Chamber Committee responsible to work on this piece of legislation.

Draft Law “On Joint Stock Companies” In mid-February the Cabinet of Ministers of Ukraine approved the first version of the Draft Law “On Joint Stock Companies” that was sub- mitted to the Parliament for consideration. A proposed law contains several important issues for all sectors of business operating in Ukraine and is a major cornerstone for the protection of minority shareholders’ rights and fostering proper corpo- rate governance.

Reforming the Tax System The Government of Ukraine approved the “Concept of Reforming of the Tax System in Ukraine” with Resolution of Cabinet of Minis- ters of Ukraine #56. The Concept envisions three stages for Tax System Reform and out- lines the following actions:

- 2002-2012 — simplification of tax and fees administration in Ukraine, liberaliza- tion of the tax system as a part of State reform and regulation of the customs tariff policy.

State Tax Administration representatives noted that the Draft Tax Code is planned to be submitted to the Ministry of Finance for the Cabinet’s approv- al by April 2nd, 2007. If adopted (most likely in June 2007), the new Tax Code will become valid starting from January 1st, 2008. The Chamber’s Tax Com- mittee will continue to work on this important issue ensuring that the business community’s concerns addressed and international best practices are incorporated into the ultimately adopted Tax Code.

Draft Unified Social Tax Update The Chamber took part in the round table discus- sion organized by the Banking and Finance Committee of the Verkhovna Rada, and devoted to the Unified Social Tax. The Meeting was chaired by Mr. Petro Poroshenko, Head of the Committee and Mr. Mykhajlo Papiyev, Minister of Social Policy of Ukraine, as well as many Peoples Deputies, rep- resentatives of central executive bodies, Federa- tion of Employers of Ukraine, Federation of Trade Unions.

During the meeting five draft laws regarding Unified Social Tax (Payment) were presented by their authors and further discussed. Most attend- ees expressed their support to Draft Law #2691 “On System for Collecting and Audit of Unified Social Payment for General Obligatory Social Insur- ance”, developed by the Ministry of Social Policy and submitted for Parliamentary consideration by the Cabinet. During the discussion several con- troversial issues were raised, in particular, atten- tion was paid to the format of the Unified Social Payment, instead of tax, and in this context the Minister of Social Policy stated that he believes the payment system is the most appropriate and necessary. He said that there is a possibility for public control over the funds generated. Also, participants discussed whether the transi- tion to Unified Social Payment will decrease adminis- tration related expenses, and addressed officials with a request to manage a system in such a way, that the former funds will be destined for insurance payments only, not for budget related issues. Also, the necessity to closely define the mechanisms for refusal of Unified Social Payment was discussed. As per the problem of legitimizing the salary system of Ukraine, it was proposed to divide the proposed Concept of social payments in half between employ- ers and employees.