



Reviving Ukraine's Private Sector: How US Leadership Can Yield Benefits

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The resuscitation and development of a vibrant private sector in Ukraine should be a priority for US foreign policy. A Ukrainian economy, integrated with the rest of Europe and by extension, the world economy, is essential for the country's political stability and its ability to withstand Russian attempts to infringe on its political and economic sovereignty. Moreover, fostering a healthy, dynamic economy in Ukraine with expanding opportunities and improving living standards is a cost-effective means for countering Russian influence and displaying the benefits of integration with the advanced developed economies of Europe and North America. Of equal importance is the fact that a revitalized Ukrainian private sector could bring benefits to the US economy as it will present opportunities for American companies to expand trade and investment links with a country that has the potential to develop into a significant player in the European, Black Sea, and Mediterranean regions.

While the United States should be coordinating with the European governments and the International Monetary Fund (IMF) to develop a large-scale macro-economic assistance program for Ukraine on the order of the Marshall Plan, mobilizing a multinational coalition for such a program, along with planning and organizing its deployment, could take time. In the interim, existing US government programming, administered by the economic development agencies, can be utilized to provide an immediate positive jolt to the private sector economy in Ukraine.

This paper proposes the creation of a **Ukraine Private Sector Development Initiative** that draws on current programming and relatively recent precedents where the US government has concentrated agency resources in a particular market. The Initiative should not require new funding or authorizations. But its launch and success will depend on three conditions:

Ukraine in Europe Initiative

In response to Russia's seizure of Crimea in February 2014, the Atlantic Council launched a campaign to galvanize the transatlantic community into helping ensure that Ukraine survives as an independent nation. Ukraine must have a fair chance to build democracy and shape its own future, including, if it chooses, greater integration with Europe.

- First, Congress and the executive branch must establish economic assistance to Ukraine as a top priority for the relevant agencies.
- Second, the congressional committees that oversee the agencies must provide encouragement and allowance for the policies and procedures of this program to be modified to fit the economic realities of today's Ukraine.
- Third, a coordination mechanism must be instituted so that complementary forms of assistance by different US government agencies can be delivered together to targeted industries, projects, and enterprises.

Current State of the Ukrainian Economy

By a host of indicators, the Ukrainian economy, and the private sector in particular, is currently in disarray. Real gross domestic product (GDP) contracted by 6.8 percent in 2014¹ and is expected to decline further by 9 percent in 2015.² Currency depreciation and a

1 IMF, "World Economic Outlook April 2015," <http://www.imf.org/external/pubs/ft/weo/2015/01/pdf/text.pdf>.

2 IMF, "IMF Statement on Discussions with Ukraine on First Review under the Extended Fund Facility Arrangement," press release no. 15/243, May 31, 2015, <https://www.imf.org/external/np/sec/pr/2015/pr15243.htm>.

UKRAINE'S ECONOMIC DILEMMA IS NOT A LOCALIZED ISSUE WHERE THE ADVANCED, DEVELOPED WORLD CAN AFFORD TO BE A SPECTATOR.

major increase in domestic natural gas prices have caused widespread inflation, which reached almost 60 percent as of May 2015.³ In the banking sector, there is minimal credit available for new companies or projects, as banks have been limiting their lending to renewing facilities for their most reliable existing customers. Total banking assets amounted to \$84 billion at end of 2014, down from \$156 billion a year earlier, and decreased further to \$63 billion by May 1, 2015.⁴ This dramatic decline in US dollar terms is partially due to the currency depreciation, but also to a write-down of assets throughout the system. There is little or no capital markets activity. As the Ukrainian government's negotiations with a foreign creditor group led by Franklin Templeton drag on without a resolution, the threat of a sovereign default hangs over the system, further inhibiting investment and depressing economic activity.

Ukraine's economic dilemma is not a localized issue where the advanced, developed world can afford to be a spectator. For the United States, which has a vested interest in the spread of democracy, rule of law, free trade, and market-oriented economies, the time is short and the stakes are high. The Ukrainian people have been patient thus far, but there are signs that this will not continue indefinitely. Some politicians associated with reform are starting to sound populist themes that will make it harder for the government to implement its reform program.

Why the United States Should Support Ukraine

If no significant initiative is organized from the outside of Ukraine to stimulate significant inflows of private capital, we can envision a few scenarios that should be troubling to the United States:

³ Ukraine State Statistics Service, "Consumer Price Indices for Goods and Services in 2015," June 5, 2015, http://ukrstat.org/en/operativ/operativ2015/ct/is_c/isc_e/isc2015pm_e.html.

⁴ National Bank of Ukraine, http://bank.gov.ua/control/uk/publish/article?art_id=36807&cat_id=36798.

- First, there will be a continuing contraction of the Ukrainian economy characterized by declines in real incomes, unemployment, and a reduction in living standards, making it difficult for a democratically elected government to maintain momentum for the reform agenda.

- Second, continued economic decline will likely lead to large-scale bankruptcies and withdrawal from the market of illiquid small- and middle-market enterprises. This will enable the largest, oligarch-controlled businesses to maintain and expand monopoly control over major sectors of Ukraine's economy, an outcome that will harm the health of a private sector economy.

- Third, Kremlin-sponsored Russian capital may fill the vacuum directly and indirectly, especially in the eastern half of the country that retains strong trade and investment linkages with Russia. As of May 2015, 5.4 percent of the \$41 billion in foreign direct investment (FDI) in Ukraine, comes directly from Russia, while an additional 28.5 percent (the largest share) comes from Cyprus—a popular conduit for Russian-based capital—making Russia's share of Ukraine's FDI closer to 30 percent.⁵ The historical, geographic, logistical, and cultural linkages between the countries will only facilitate Russia's ability to extend its economic leverage over Ukraine if Western capital remains on the sidelines.

Presently, the perception of political and economic risk is too high for outside investors to deploy capital in a manner that will provide meaningful benefits to the Ukrainian private sector, especially in light of ongoing Russian military aggression against Ukraine. The only investors who appear to have a genuine readiness to commit capital to Ukraine are distressed debt specialists—those with an appetite for high risk who are seeking to buy up existing corporate debt at deep discounts. Otherwise, numerous foreign capital sources with an interest in Ukraine are investigating opportunities, but they appear hesitant to be the first to test the waters in this environment. With private investors unwilling to enter the Ukrainian market, government-sponsored and multilateral development financing programs need to step in to make the first large-scale commitment. In doing so, they could stimulate an influx of foreign investment that can alleviate the system-wide capital shortage, create a pool of funding to recapitalize Ukraine's private sector, and lower the overall risk profile of investing in Ukraine.

This is not to suggest that the United States and its economic partners should embark on an assistance campaign that centers on distributing grants or loans with little expectation of repayment to private enterprises in

⁵ Ukraine State Statistics Service, http://ukrstat.org/operativ/operativ2015/zd/ivu/ivu_r/ivu0115_r.htm.

need. Instead, the emphasis of the Initiative should be on providing affordable loans, loan guarantees, technical assistance, and, most importantly, fostering close collaboration with private equity sources in the United States. These efforts should target the most promising small- and medium-sized enterprises (SMEs) of the Ukrainian private sector. To reduce the risk associated with providing US-dollar denominated loans and investment, and to maximize the positive impact on the fiscal health of the economy, the Initiative should focus on the sectors in Ukraine that generate hard currency directly (e.g., agribusiness, information technology), support exporting industries (e.g., logistics) or provide goods and services that can replace imports (e.g., food processing, alternative energy). The overarching objective of the US-led Initiative should be to provide, facilitate, and mobilize foreign capital into the Ukrainian private sector and to expand trade links with the US business community.

Investing in Ukraine's Future

While its economy might be in a distressed condition today, it is also true that Ukraine has ample natural, human and institutional resources to support an export-oriented private sector with capacity for significant growth. Agribusiness in particular has exceptional growth prospects. Ukraine is the world's largest exporter of sunflower oil, the third largest exporter of barley, fourth largest exporter of corn, and the seventh largest of wheat.⁶ Information technology (IT) is another hard currency-generating sector of the Ukrainian economy that experienced tremendous growth in 2009-14. At the beginning of this year, there were more than fifty thousand engineers employed by Ukrainian IT firms. There are some five hundred IT outsourcing companies and more than two thousand startups in the country.⁷

There are over 60,000 registered private SMEs in Ukraine and over 275,000 micro-businesses.⁸ The SME businesses range from manufacturing and processing companies with significant fixed assets and up to 250 employees, to asset-light trading companies, retail outlets and research-oriented technology firms that have 10-50 employees. To provide support services for the private sector, there are experienced law firms and accounting firms, many of which are affiliates or member firms of international networks. There are investment banks, advisory and consulting firms staffed by highly qualified personnel, often with degrees from European

6 International Trade Center, Trade Map, "Trade Statistics for Support for International Business Development," <http://www.trademap.org/Index.aspx>.

7 "Ukrainian IT Industry Makes Progress in 2014 despite War," Kyiv Post, December 27, 2014.

8 Ukraine State Statistics Service, http://ukrstat.org/operativ/operativ2013/fin/kp_ed/kp_ed_r/kp_ed_r_2014.htm.

THERE ARE AMPLE PRECEDENTS FOR CONGRESS AND THE WHITE HOUSE ESTABLISHING REGIONAL PRIORITIES FOR THE GOVERNMENT AGENCIES, MOST NOTABLY THE EFFORTS UNDERTAKEN IN EASTERN EUROPE AND THE FORMER SOVIET UNION AFTER THE FALL OF THE BERLIN WALL.

and American educational institutions. Lending activity might be reduced for now, but there is a functioning network of commercial banks, private and state-owned, and a legitimate central bank (National Bank of Ukraine) that plays the traditional roles of regulator and lender of last resort. In this way, the Ukrainian private sector already has many of the ingredients necessary for ensuring that an inflow of foreign capital could be channeled into investments that yield profits and growth.

Policy Precedents

There are ample precedents for Congress and the White House establishing regional priorities for the government agencies, most notably the efforts undertaken in Eastern Europe and the former Soviet Union after the fall of the Berlin Wall.⁹ Then, Congress authorized over \$1 billion to establish ten enterprise funds in Eastern Europe and the former Soviet Union, which leveraged an additional \$5 billion in private investment capital into the region.¹⁰ These were countries where the private sector had to be developed from scratch. This is not the situation in Ukraine today where amidst all of the predatory governance, corruption, periodic crises, and political instability over the last twenty years, a market-

9 The Support for Eastern European Democracies Act (1989) and the Freedom Support Act (1992). A recent example is the Power Africa Initiative (2013), designed to utilize a wide range of US government tools to support investment in Africa's energy sector.

10 USAID, "Supporting Private Enterprise," July 31, 2012, <http://www.usaid.gov/what-we-do/economic-growth-and-trade/supporting-private-enterprise>.



The port of Odessa, depicted here, is Ukraine's most important seaport and serves as a major transportation hub.
Photo credit: Aktron/Wikimedia Commons.

oriented economy has taken root. Therefore, nothing on the scale of what was needed to fund those prior initiatives will be required.

Mobilizing US Development Agencies to Jump-Start Ukraine's Economy

The **Ukraine Private Sector Development** Initiative should seek to provide, facilitate, and mobilize foreign capital into the Ukrainian private sector (mostly SMEs) through existing US government programs within the primary economic development agencies that provide international assistance and foster trade and investment ties with the United States. These agencies are: the Export-Import Bank of the United States (Ex-Im Bank), the Overseas Private Investment Corporation (OPIC), the US Agency for International Development (USAID), the US Trade and Development Agency (USTDA), and the Department of Commerce. To ensure proper and energetic coordination and implementation of this Initiative, it is essential that the administration appoint a senior official to oversee it. While this is an economic initiative, it must be closely coordinated with our overall policy. Therefore, it is probably best that the coordinator be an ambassador-at-large reporting directly to the Assistant Secretary of State for European Affairs, or under the Under Secretary of State for Economic and Business Affairs.

Ex-Im Bank provides loans and guarantees/insurance for purchases of goods and services from US exporters. The loans are made directly by Ex-Im Bank. The guarantee programs are accessed by outside lenders, both banks and non-bank financial institutions, which underwrite and issue the loans, but do so under a guarantee or insurance policy that provides up to 100 percent coverage in case of default.¹¹

There are two major obstacles to utilizing Ex-Im Bank programs in Ukraine today. First, the Ex-Im Bank's underwriting criteria are based on an analysis of a borrower's past three years of financial performance. This is problematic because given that the past eighteen months have been marked by revolution, war, and economic disarray, few Ukrainian SMEs could meet those criteria. Second, borrowers need to submit financial statements that offer a reliable basis for analysis. Again, only a fraction of Ukrainian SMEs produce financial statements in English that are reviewed or audited according to international standards.

In this challenging context, Ex-Im Bank can adopt a two-pronged approach to provide much-needed financing support to Ukrainian companies that would like to purchase American-made products. First, Ex-Im Bank should proactively engage directly with a select

¹¹ The assumption of this paper is that Congress will reauthorize Ex-Im Bank by the end of August 2015.

group of foreign-owned banks in Ukraine to identify and underwrite creditworthy medium and large-sized corporate clients that are eager to obtain loans to buy US-manufactured goods. These would be long-standing customers of these banks with favorable credit histories and businesses that generate hard currency revenues (mainly exporters). In effect, Ex-Im would guarantee repayment of the loan made by the foreign-owned bank to the Ukrainian client, enabling the bank to offer a longer term and lower rate than would be otherwise possible in today's conditions. It might still be necessary to relax aspects of the credit underwriting criteria, but this part of the program would target a small number of companies that have retained a strong business and credit profile due to their export orientation and have maintained an excellent relationship with a foreign-owned bank.

Second, to reach the SME market, Ex-Im Bank should follow a model that it used in Russia in 2000 to re-enter that market only two years after that country's sovereign default and ensuing financial crisis. Instead of making loans directly to companies, the Bank did so almost exclusively through a pre-approved list of local commercial banks that provided bank guarantees on behalf of the importer of the goods from the United States. In many cases, the banks themselves were the borrowers and on-lent the funds to the end-user. The banks were creditworthy and had English-language financial statements audited according to International Financial Reporting Standards (IFRS). The program resulted in loan transactions in the hundreds of millions that promoted US exports and provided much-needed long-term debt to the local economy.

The same approach can be taken in Ukraine today. In an otherwise bleak Ukrainian economy, the majority of Ukrainians banks remain solvent and adequately capitalized.¹² The flip side of not lending is that most have been preserving capital and remaining current on obligations, including depositor withdrawals. It shouldn't be difficult to compile an initial list of reliable, creditworthy banks to serve as guarantors or intermediaries for Ex-Im Bank-supported loans. Such a list might include the two state-owned banks once the Ukrainian government succeeds in negotiating a restructuring of its sovereign debt, and some smaller banks that specialize in SME lending and have experience working with foreign financial institutions. For finalizing the list, Ex-Im Bank should solicit input from the National Bank of Ukraine, the European Bank for Reconstruction and Development (EBRD), the

12 The National Bank of Ukraine has closed over 50 banks in the last 18 months, but this was an expected consequence of reforming the country's financial sector, and as of June 1, 2015, over 140 banks remain open. See National Bank of Ukraine, http://www.bank.gov.ua/control/publish/article?art_id=37942&cat_id=37937.

International Financial Corporation (IFC), and other outside entities that have experience with the sector.

Aside from focusing on bank-guaranteed transactions, Ex-Im Bank exposure fees will have to be reduced if its programs are to be accessible to borrowers in Ukraine. Due to its recently revised reserve requirements, Ex-Im Bank significantly raised the fees it charges for its guarantees on medium-term transactions, leaving little room for a guaranteed lender's spread and causing the overall cost of the loan to be unaffordable to a potential borrower. The rise in Ex-Im Bank's fees is cited in the agency's own report to Congress on "Global Export Credit Competition" as a factor for the decrease in the number of Ex-Im Bank-supported transactions concluded worldwide.

Ex-Im Bank will also need to modify US content rules for exports that can qualify for financing. It's unrealistic in a 2015 economy to expect that machinery and equipment exported from the United States will have greater than 85 percent US content. Moreover, Ex-Im Bank's report to Congress states that its content requirements are far more stringent than those of export credit agencies from other Organization for Economic Cooperation and Development (OECD) countries, rendering Ex-Im Bank financing less competitive in this area.

In Ukraine, Ex-Im Bank should focus on loans of less than \$20 million to ensure that beneficiaries are primarily SMEs rather than largest corporates. Another recommended element is that a significant portion of the program must entail the participation of a US small business (less than \$250 million annual revenue) either directly as exporter, or indirectly as a supplier to the exporter, to prevent it from becoming the exclusive domain of large US corporates.

To ensure that deals are expedited and are not lost among other agency priorities, Ex-Im Bank will need to create a "Ukraine Team" within the agency, consisting of credit underwriters and decision-makers from any other division that opines on the application approvals.

OPIC programming is distributed over three general areas: funds, finance (direct loans and guarantees), and political risk insurance. For the Initiative, OPIC's funds group should issue a request for proposals (RFP) for Ukraine-specific fund proposals, a step that would be in line with previous OPIC actions in high-priority countries.¹³ Currently, OPIC supports funds through debt financing or leverage that facilitates a fund manager's ability to solicit investment commitments from limited partners. Given the expected risk profile of a Ukraine-specific fund, this may not be enough to raise capital

13 The participation of OPIC-supported funds in the Obama administration's Power Africa initiative is a recent example of this connection.

from outside investors. Instead, OPIC should consider instituting a more developmental form of fund assistance that the Canadian government has utilized recently—providing a first-in/last-out equity tranche. In effect, this is a first-loss guarantee of up to, for example, 25 percent of fund, that lowers the risk for investors while providing preserving significant upside for OPIC should the fund’s investments be successful. The funds should be of modest size (\$100-200 million), focus on priority sectors, and limit individual investments to \$20 million and less to ensure the SME focus.

Loans and loan guarantees are already available from OPIC’s finance division for qualifying Ukrainian enterprises that have a significant connection to the United States through shareholding (individual and institutional) or long-term services contract. To maximize the utility and impact of the loans in today’s Ukraine, OPIC should allow for substantial portions of proceeds to be used for existing debt restructuring and working capital, categories that OPIC usually limits in favor of new plant and equipment. Also, Congress should provide OPIC with the latitude to soften or eliminate its US connection requirement, which usually takes the form of a minimum 25 percent US shareholding. There is no analogous condition in the programs of the development institutions of Western European countries, which are free to support projects that are consistent that fit with their missions, regardless of whether they’re tied somehow to the host country of the institution. With the loosening of this encumbrance, OPIC will enlarge the universe of its client prospects, and be better positioned to deploy its resources in support of the most promising Ukrainian private companies operating in the priority sectors.

As with Ex-Im Bank, OPIC may benefit from the creation of an internal Ukraine Team for the Initiative with full

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decision-making authority that includes representatives from its Finance, Credit, Legal, and Investment Policy areas.

OPIC’s third product, political risk insurance, should be a recommended component of Ukraine transactions such that losses due to expropriation, political violence, currency inconvertibility, etc., are covered and automatically become a matter for consideration by the Ukrainian government. Moreover, the required US participation level should be reduced to enable OPIC to insure a variety of joint-venture projects in Ukraine where the US share is less than 50 percent.

USAID has a wide variety of active programming that could be effective in supporting Ukraine’s private sector. It is beyond the scope of this paper to outline all of USAID’s capabilities but of note is the Agency’s Development Credit Authority, which works with financial institutions to offer risk-sharing loan guarantees and its Private Capital Group (currently focused on Africa) that can provide seed capital for private equity funds. It is not necessary to capitalize entirely a new enterprise fund for Ukraine, as USAID did in many countries in Eastern Europe and the former Soviet Union in the 1990s. But perhaps USAID and OPIC could combine efforts to provide the first-in/last-out equity tranche of a Ukraine fund, which would create a strong incentive for private investors to commit capital to the fund.

Business development and planning is a critical need among Ukrainian SMEs that are understandably focused on managing dwindling sources of cash flow and maintaining their livelihood. USAID can provide funding to nongovernmental organizations (NGOs), with prior experience in the region and in similar contexts as USAID contractors (e.g., International Executive Service Corps, Financial Services Volunteer Corps, ACDI/VOCA). These new organizations can work with USAID to provide targeted technical assistance to financial institutions and SMEs to improve their operations, market their products, and plan their investments. USAID could administer modest-size grants to be accessed by SMEs to subsidize the expense (50-50 cost-sharing) of English-language business plans and IFRS audits done by pre-screened accounting firms and investment banks. There is no longer the need, as there was in the 1990s, to import US companies to perform these services at a high cost, as there is a sufficient number of purely local and internationally affiliated firms in Ukraine that can provide accounting, legal, and investment banking services at a reasonable cost. \$1 million could enable one hundred Ukrainian SMEs to develop the information packages needed to present themselves to outside lenders and investors.

Given its position as the US government agency responsible for foreign assistance and the depth of its experi-

THE SUCCESS OF ANY OUTSIDE INITIATIVE WILL DEPEND HEAVILY ON THE DEGREE TO WHICH THE UKRAINIAN GOVERNMENT ENACTS AND INSTITUTIONALIZES A RANGE OF CRITICAL REFORMS TO IMPROVE THE COUNTRY'S INVESTMENT CLIMATE.

ence in private sector development worldwide, USAID would be the likely candidate to provide the critical in-country coordination role for the Initiative.

USTDA programming links US businesses, primarily exporters, to development projects in emerging markets. USTDA could contribute an important set of resources to the Initiative through its ability to organize conferences and workshops for companies within particular industries as well as engage in reverse trade missions that could bring Ukrainian SME buyers to the United States as opportunities for US businesses to establish or enhance relationships. Moreover, USTDA's feasibility studies could be useful in linking Ukrainian foreign project sponsors with US businesses for major infrastructure investments (e.g., conforming rail gauges and/or enhancing trans-loading capacity in Western Ukraine; port facilities; renewable energy projects). Little within the existing USTDA program catalog would need to be modified other than making Ukraine a priority region with activity targets.

The US Department of Commerce should assist USAID with the critical in-country coordination role for the Initiative, through its US Commercial Service (USCS) at the US Embassy in Kyiv. In fact, USCS staff currently working in Ukraine has experience working from the US Embassy in Moscow in the 2000s, on behalf of OPIC and Ex-Im Bank—when those agencies were eager to expand their programming in Russia. The USCS in Kyiv already provides market information, background information on local companies, as well as partnering services for US exporters and investors. From Washington, the Department of Commerce can

organize trade missions to Ukraine for middle-market American companies interested in exporting to or investing in Ukraine.

Role for the Ukrainian Government

As outlined above, US government assistance programs can be a vital catalyst for mobilizing investment in Ukraine. But certainly the success of any outside initiative will depend heavily on the degree to which the Ukrainian government enacts and institutionalizes a range of critical reforms to improve the country's investment climate. The Ukrainian parliament has already introduced legislation in the last six months in a number of critical areas including deregulation, reduction of gas subsidies, banking reform, and transparency in public spending and accounting. However, for most investors looking at opportunities in Ukraine, the jury remains out. Investors will need convincing that Ukraine is fully committed to reducing corruption at all levels of the government, enshrining the rule of law, strictly enforcing a property rights regime, reforming its tax code, and breaking up monopolies held by powerful oligarch-controlled industrial groups.

Expectations should be measured and pragmatic: it is not realistic to expect Ukraine's government to achieve a wholesale makeover of its institutions in a matter of months. Nevertheless, for the Initiative to have its intended impact, it will need to work in collaboration with the Ukrainian government to (a) receive the latest information on the government's reform efforts, and (b) relay concerns from active or would-be investors that touch on the investment climate. Toward that end, the Ukrainian government should commit to the following:

- appoint a dedicated liaison to work directly with Initiative Coordinator in Ukraine;
- establish a committee or rapid task force to address immediately any instance of raiding, corruption, etc., brought to their attention by the Initiative Coordinator; and
- provide a monthly progress report on key investment climate issues that can be disseminated to the investor community.

Conclusion

For the Initiative to be effective, the White House and congressional oversight committees will need to emphasize to the economic development agencies that developing the Ukrainian private sector is a top priority and that their programs are critical tools of US economic diplomacy to further that objective. As such, policies

and practices need to be flexible and accommodating to the conditions in Ukraine in order for the tools to be effective, though this is not a suggestion that they be discarded altogether. As they have done before in similar situations, the US development agencies should find that middle ground between a strict risk-return assessment and a purely charitable exercise. To be sure, Ukraine will remain high-risk for the next few years, and a portion of supported projects can be expected to end up as defaults and bankruptcies. Congress and the White House will have to give assurances that in cases of losses incurred in pursuit of the Initiative's objectives, the agencies will not be held unduly accountable for being insufficiently prudent or risk-averse. It's worth noting that the SME-focus of the Initiative, with transactions capped at \$20 million each, limits the potential size of those losses.

The status of Ex-Im Bank bears special mention. At present, the agency is effectively closed as Congress did not approve its reauthorization by June 30, 2015. This is unfortunate because of the potential contribution that Ex-Im Bank can make to a significant US foreign policy objective in Ukraine. By highlighting this potential, Ex-Im Bank could enlist additional support for its reauthorization. The main criticism launched against Ex-Im Bank by its opponents is that the agency uses taxpayer dollars to subsidize the foreign sales of large US corporations. In becoming a vital component of a comprehensive US government program to reinvigorate the Ukrainian private sector, especially one aimed at SMEs, Ex-Im Bank would gain an effective counter to that criticism. As suggested above, the participation of US small business exporters can be mandated into Ex-Im Bank's portion of the Initiative, which would help parry the mistaken claim that only the largest US companies are the Bank's beneficiaries.

The Initiative will require the coordination and integration of programming for its success. It will not be sufficient simply to instruct the agencies to make Ukraine a priority and to modify policies and practices. The Initiative's impact will be far greater if multiple services and products are channeled into the same set of industrial sectors, or even focused on common companies. For example, recipients of OPIC or Ex-Im-supported funding should be preferred candidates for USAID-sponsored technical assistance to shore up some aspect of their operations. This will require the sharing of information and experiences among the agencies, the creation of a general database, and as mentioned above, identifying a coordinating body within the US Embassy in Kyiv.

The Initiative will also benefit from the creation of an Advisory Committee consisting of representatives from exporters (large and SME), finance (banks, finance companies, P/E firms), NGOs, policy community, and

AS SUGGESTED ABOVE, THE PARTICIPATION OF US SMALL BUSINESS EXPORTERS CAN BE MANDATED INTO EX-IM BANK'S PORTION OF THE INITIATIVE, WHICH WOULD HELP PARRY THE MISTAKEN CLAIM THAT ONLY THE LARGEST US COMPANIES ARE THE BANK'S BENEFICIARIES.

representatives of the government agencies. The Advisory Committee would meet at least quarterly to review the progress of the Initiative.

The programming and the funding that's required for the US government through its economic development agencies to provide a significant boost to the Ukrainian private sector is already in place. What's needed is a clear statement from the Congress and the White House that economic assistance for Ukraine is a tier one priority, that resources within the agencies need to be allocated as such, and that certain policies and procedures of their programs need to be modified (not ignored or discarded) to account for the realities of the Ukrainian economy.

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List as of April 29, 2015

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1030 15th Street, NW, 12th Floor, Washington, DC 20005
(202) 778-4952, AtlanticCouncil.org