

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID)
CIPA – UKRAINE PROJECT

USAID

CIPA – Ukraine Project

**Quarterly Report for the Period:
April 1, 2006 thru June 30, 2006
(Second Calendar Quarter)**

USAID CONTRACT ORDER NUMBER **121-M-00-05-00708-00**

Start Date: November 1, 2005

Completion Date: October 31, 2007

Ceiling Price: \$2,438,010.00

Submitted to:

U.S. Agency for International Development
Mission for Ukraine, Belarus and Moldova
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15 July 2006

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SECTION I.

INTRODUCTION

TASK ORDER OBJECTIVES

Specific task order objectives are:

1. Supporting the professional accountancy association and helping it achieve financial sustainability and to take the lead in accounting reform including transition to IFRS;
2. Helping CIPA training providers strengthen and broaden their network across the country;
3. Helping CIPA-EN establish its operations as an independent and sustainable entity;
4. Increasing public awareness of the CIPA certification among industry and the government;
5. Improving efficiency and transparency of tax administration through tax and financial accounting reconciliation.

HIGHLIGHTS OF ACHIEVEMENTS – Second Quarter 2006

Management Issues

- Project Registration and Accreditation successfully completed in second quarter.
- UFPAA and UACAA merger discussions at a standstill
- UACAA makes application to be represented on the National Standards Methodological Council headed by Golov
- Exam Fee for July exam set at 170 UAH
- CIPA training was supported for 1,099 students for July exams in 13 Ukrainian Oblasts
- UACAA membership exceeds 700 members, a 40% increase from previous quarter
- Marketing efforts substantially increased during second quarter.
- 1,600 register for July CIPA Examinations

SPECIFIC ACTIVITIES

This section covers progress against the five deliverables as stated in the Project scope of work.

1.1 Project Objectives

The purpose of the CIPA Ukraine project is to enhance the quality of accounting profession with the aim of improving the accuracy and credibility of financial reporting. This will be achieved through the implementation of the CIPA training, examination, and certification program.

The objectives of the project will include: supporting the professional accountancy association and helping it achieve financial sustainability and to take the lead in accounting reform including transition to IFRS; helping CIPA training providers strengthen and broaden their network across the country; helping CIPA-EN establish its operations as an independent and sustainable entity; increasing awareness of the CIPA certification among industry and the government; improving efficiency and transparency of tax administration through tax and financial accounting reconciliation.

1.2 Project Tasks

Task 1 – Strengthen the technical, organizational, and financial capacity of progressive Ukrainian accountancy associations

The goal of this task is to help the Ukrainian Association of Certified Accountants and Auditors (UACAA) become a full-fledged professional self-regulatory organization that will promote standards-setting, enforcement, and certification functions. The contractor will help it achieve financial sustainability and take the lead in accounting reform, including transition to IFRS, and harmonization of financial and tax accounting.

Expected results. At least one professional accountancy association will:

- a) Offer a range of appropriate services to its membership;
- b) Implement IFAC ethics code;
- c) Become a full IFAC member;
- d) Be financially self-sufficient by the end of the contract.

Association Development Component Activities

Support Strategic Sustainability of UACAA

UACAA Strategic Development Business Plan (SDBP) content outline has been submitted and approved by UACAA management and Board. Document drafting has been started. Two strategic planning brainstorming sessions have been conducted with participation of UACAA executive management, regional branches representatives and Board members as well as some regular active members. Separately, UACAA's President, Vadim Linnyk, has developed an action plan that will be incorporated into the overall strategic plan.

One meeting of the newly elected Board has been held and the Board decided to develop a Scope of Work and procedures for an Advisory Board. The new Board is composed of the following members. Members with terms expiring in 2008 are the new Board members.

Name	Region	Term Thru	Certification
Vadim Linnyk	Kyiv	2007	CIPA
Oleg Bazaliyskiy	Kyiv	2007	CIPA
Iryna Balchenko	Kyiv	2007	CAP
Natalia Vasylenko	Kyiv	2007	CIPA
Sergiy Kanygin	Kyiv	2007	CIPA
Andriy Klimov	Kharkiv	2007	CIPA
Olean Mugliy	Donetsk	2008	CIPA
Sergiy Ohotnik	Dnipropetrovsk	2008	CAP
Olena Stoyan	Donetsk	2008	CAP

Capacity Building

Two members of UACAA Executive management participated in a Fundraising Seminar from June 1-5, organized in Kyiv by the International Fund Raising Group and by the Philanthropy Center. The members gained basic knowledge of fundraising and were able to do a lot of networking for potential cooperation with other NGOs that are active in Ukraine.

A UCAN founded training NGO, the Institute of Successful Communities, has developed a corporate training proposal for UACAA on capacity building, leadership, NGO financial and legal management, and project management for an NGO. A needs assessment will be conducted prior to the training.

There is a new part-time employee that has been hired by executive management for the position of Marketing and Website Manager. A position opening for Association Manager has been posted and resumes are being collected and reviewed by the project.

UACAA participated in Effective Financial Reporting using XBRL (by Capital Market Project) conference on May 23rd, 2006.

CIPA-Ukraine assisted UACAA in applying for a \$25,000 grant from the International Renaissance Fund, in cooperation with NGOs “Successful Ukraine” and “New Formation”. The project they proposed will address Tax Reform Lobbying in State Authorities.

Legal Support

CIPA-Ukraine provided legal consulting and logistical support on preparation and organization of UACAA Annual meeting and developing draft documents for the Annual meeting, including:

- 1) Draft amendments to the charter;
- 2) Draft amendments to the bylaw on general meeting;
- 3) Draft amendments to the ARC charter;
- 4) Ballots, Power of Attorney, draft minutes on credential committee and countable commission

All required documents for the amendments to UACAA’s charter draft registration were prepared and presented to the Ministry of Justice.

On issues of taxation, CIPA-Ukraine provided legal tax consultancy to UACAA in the following areas: tax treatment of advertising expenses, tax on office rent and taxes on membership and initiation fees.

Operational Activity

An Annual Report has been developed and published and an Annual General Meeting was held on April 15, 2006 in Kyiv. Three new Board members have been elected.

UACAA Board President, Vadim Linnyk, and one other Board member, Olena Stoyan, and the Executive Director, Valeriy Belkin, participated in ECCAA’s Annual Meeting in Saint-Petersburg on June 4-7, 2006. Five new members – professional organizations from Russia, Belarus and Turkmenistan and Kazakhstan have been accepted as full members of ECCAA.

FAAFMACU (Federation of Agricultural Accountants) proposed UACAA to conduct a joint International Scientific-Practical Conference in October 19-20th, 2006. The topic of the conference is “Audit, Reporting and Bookkeeping Reforms in Agricultural Industry of Ukraine: Current Status and Future Prospective”. Potential cooperation on that conference is under discussion.

UACAA sent an application letter to State Tax Administration of Ukraine Community Collegiums. If accepted, UACAA would become a member of the Advisory Board for tax policy.

During the second quarter, membership increased from 574 to 628 and close to 100 new membership applications were received, which will bring their membership total to over 700.

Marketing and PR

UACAA and CIPA program presentation has been made by UACAA Board member Olena Stoyan at the CURE conference on June 15-16th, 2006 in Sviatogorsk, Donetsk Oblast for journalists and mass media people from Kharkiv, Donetsk, Dnipropetrovsk, Zaporizhzhie, and Luhansk Oblasts. The conference was entitled “Ukraine joining WTO: Opportunities and Challenges for SMEs”. The presentation aimed to raise the issues of professional certification and promote the CIPA program and its benefit to SMEs.

Two radio broadcasts (May 25th and June 22nd 2006) were conducted on Era Radio station with UACAA President and Vice-President as a part of the program *Personal View* supported by CURE. Those 45 minute programs each publicized the CIPA program and increased awareness, resulting in more than 20 phoned in questions from each program.

CAP Certificates Award Ceremony took place in Mariupol on June 27th at the steel giant Azovstal. Azovstal was nominated as The Best CIPA Corporate Client 2005. The ceremony was broadcast on national TRK Ukraine TV as a part of their News program). New certificates were issued to 14 Azovstal employees during the ceremony, bringing the company’s total number of certified accountants to 30. The company has sent a total of 74 accountants to CIPA training.

Help partner association to achieve full IFAC membership

Accountants Association of Poland (AAP), represented by Mr. Maciek Fraczek, made a proposal to assist with developing policies and procedures for UACAA’s IFAC Code of Ethics implementation and enforcement. The scope of work for this cooperation has been discussed with the President of UACAA and drafted.

A mandatory Code of Ethics for all UACAA members has been approved at the Board Meeting.

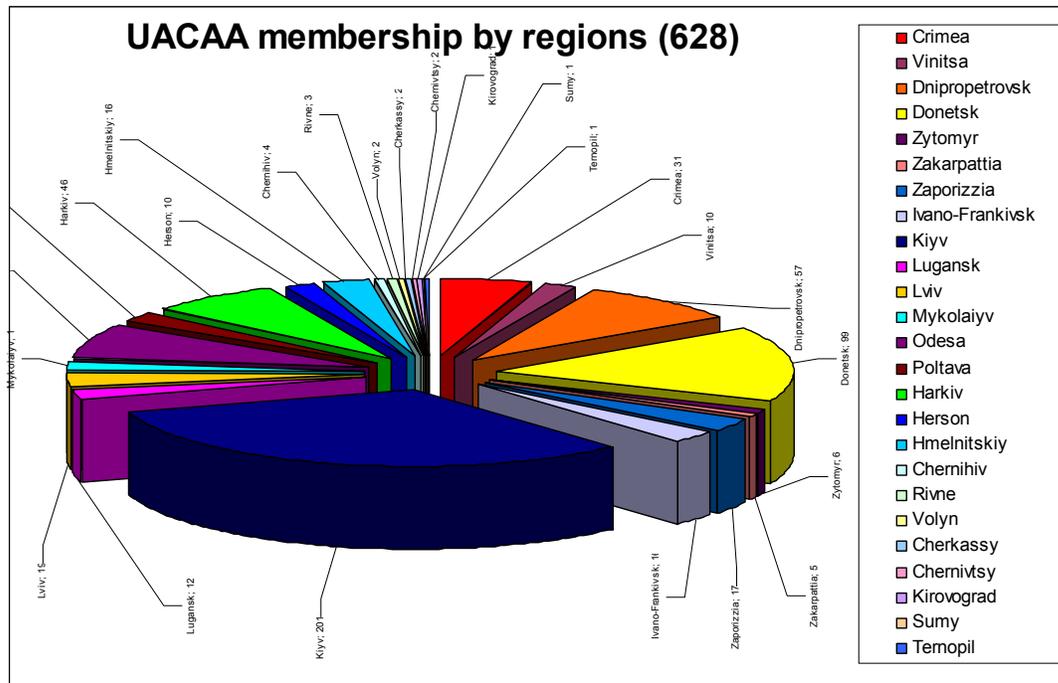
IFAC application questionnaires have been revised and presented for the approval of UACAA’s Vice-President.

Advise partner associations on strategic alliances or mergers to improve sustainability

A Memorandum for Cooperation with UFPAA was approved at the UACAA General Meeting. UACAA President made a speech at the UFPAA General Meeting and UFPAA President made a speech at the UACAA General Meeting on April 15, 2006.

Joint Board meetings of UACAA and UFPAA did not take place due to different drafts of the Memorandum signed and also due to loss of interest from UFPAA side. UACAA was not invited to participate in a partnership between UFPAA, UAU, FAAFMACU and the Audit Chamber. These organizations signed a Memorandum for Cooperation on May 26th, 2006.

In addition to working with UACAA on IFAC Code of Ethics implementation and enforcement, the Accountant Association of Poland made preliminary agreement about cooperation on membership development and retention, capacity building, marketing and PR. A draft Scope of work defining this cooperation has been drafted.



Task 2 – Strengthen and broaden the network of CIPA training providers across the country

The purpose of this task is to strengthen the capacity of the CIPA training providers to offer high-quality CIPA training services.

Expected results. All CIPA courses will be offered on a commercial basis in at least 16 oblasts.

In order to better understand how to strengthen the capacity of CIPA training providers and broaden the network of providers, our newly hired Business Development Advisor, Elena Amerova, conducted an evaluation of LTPs in key regions. The main criteria of the analysis included:

- Quantity of trained people;
- Number of CIPA courses delivered;
- Quality of Training;
- LTPs potential to sell CIPA training based on marketing approach of LTP: advertisement; client’s feedback& evaluation of training; product development.

These visits also served to uncover common issues and “best practices.” Although many of the issues expressed came as no surprise, these visits provided empirical evidence that these issues are common and widespread. The most pressing issues of current LTPs according to survey conducted during regional visits:

1. Low awareness and perception of CIPA certification.
2. Course Materials need to be updated on a continuous basis; more exercises needed.
3. CIPA training is not a profitable product for many LTPs (Note: most LTPs do little marketing to attract students)
4. Lack of feedback from CIPAEN.

In order to address these issues, elements of the work plan have been enhanced and refined to include a marketing support program focused on the following:

- Supporting LTPs independent sales efforts with sales support materials including PowerPoint presentations for different target audiences, such as students, professionals, businesses, recruiting agencies, and HEIs.
- Sales and marketing training for LTP staff and/or trainers.
- PR training for LTPs.
- National and regional events for LTPs for the purpose of CIPA awareness.
- Creation of UACAA Training Committee for development and maintenance of CIPA training material; comprised of LTP “Corporate Members”.
- Education of LTPs on the need to conduct training evaluations and institute continuous improvement processes.

During the second quarter trainings were delivered in 13 oblasts (16 cities) (see Attachment 1). In total, 1099 students took CIPA training courses in preparation for July 2006 exams - 835 in three CAP subjects and 264 students in four CIPA subjects with some form of project support. This compares to 1539 for July 2005 (1286 CAP and 253 CIPA). The decrease is primarily due to increased cost of trainings and exams, and the discontinuation of the project policy of providing free books for every student. It is the Project’s opinion that this decrease is only temporary and that numbers will increase again due to our aggressive marketing efforts and other activities to stimulate market demand for training.

The Project supported 21 training providers in 11 oblasts (13 cities) with a library of textbooks. The library is meant to be loaned to students; those capable purchase textbooks and the LTP can replace the books by purchasing additional books from vendors.

Contact information of all LTPs was upgraded and used in print and internet advertising on www.cipa.org.ua and www.cipcipa.biz during the second quarter to promote training for CIPA exams. Not only was LTP contact data uploaded, but all training classes offered, with dates and costs, were issued in print and internet form to potential clients.

In early May, Project representatives participated in conference “Accounting and Taxation in Ukraine: Theory and Practice”, organized by the accounting newspaper “All About Accounting”, for accounting trainers from different regions. The audience was comprised of educators and trainers and provided a good opportunity to obtain leads for potential training providers. One of the attending organizations at this conference was Sevastopol Business School OSBI, who subsequently sent trainers to the May FA1 ToT.

All CIPA Training Providers were polled to determine their need for additional ToTs, to increase the depth of the trainer pool. As the result, FA1 ToT was delivered in May. Thirteen trainers from seven regions (Poltava, Kharkiv, Zaporizhzhie, Kyiv, Chernihiv, Sevastopol and Odessa) participated in this training. They represented five existing training providers and five new potential training providers. The new potential training providers included:

- Poltava University of Consumer Cooperation

- Kharkiv National Economic University
- Chernihiv branch of Kyiv business school KIBIT
- Sevastopol Business School OSBI
- Kyiv consulting firm “Finance Studio”

CIPA-Ukraine was also actively recruiting other training providers. The project targeted several higher educational institutions (HEI) by doing presentations for their Management. They are:

1. Odessa State Economic University
2. Kyiv National Economic University (Masters Program department)
3. Poltava University of Consumer Cooperation
4. Zaporizhzhie Institute of Economics and Informational Technologies
5. Zaporizhzhie Institute of Postgraduate Education
6. Branch of Kyiv National Economic University in Kryvyi Rig

All these institutions specialize in economic and financial subjects and consider CIPA program as an important complementary product to their main curriculums. They express very high interest in incorporation of CIPA components into their working plans. As a result of this activity, two HEIs, Poltava and Kryvyi Rig, signed Protocol of Partnership with the Project and CIPAEN. The Poltava UCC signed their Protocol as part of a formal event involving local business leaders, city officials, and members of the press. Others are in the process of reviewing the specific details of the Protocol. All of these organizations have indicated their intention to start CIPA trainings in September.

In addition, Project representatives delivered presentations of CIPA program to student and professor audiences in Taras Shevchenko University, Kyiv Institute of Investment Management. As the result Training center “Profit” that is associated with Kyiv Institute of Investment Management signed protocol of intent regarding cooperation in delivering CIPA trainings. In addition, a professor of Taras Shevchenko University started to deliver Audit CIPA training for local Training Provider.

Ongoing meetings with the Deputy Rector, Dean of the Accounting and Economics Department, and Chair of the Accounting and Audit Department of Kyiv National Economics University have finally resulted in an informal agreement to implement the CIPA program into their curriculum. This will start with CAP level courses being offered as elective courses for Masters degree students in the Economics Department, beginning in January, 2007.

Task 3 – Establish CIPA-EN operations as an independent and sustainable entity

The purpose of this task is to continue support of the Ukraine branch of the CIPA Examination Network while helping it to become financially sustainable.

Expected results. CAP/CIPA exams will be conducted in accordance with the established exam schedule, while CIPA-EN Ukraine will be fully self-sustainable and cover its operational costs, royalties and fees out of the exam charges.

Exam fees were raised from \$32 to \$34 for the July session and for the first time, an increased fee was established for late registration. This increased fee was \$40 and applies to the last two weeks of the registration period. Another first is that exam fees were collected directly by

CIPAEN and deposited directly to CIPAEN's bank account. Additionally, it is now possible for examinees to make online payments for their exams with VISA, MasterCard, e-money (Paycash), or Webmoney. Previously, CPSD was collecting exam fees on behalf of CIPAEN.

There is a growing trend in the increase in number of candidates registering for exams directly with CIPAEN, rather than through "coordinators". These exam registration coordinators include LTPs and the regional chapters of the UACAA and UFPAA. Out of 1600 candidates who registered for the July session, 847 (53%) registered with coordinators and 753 registered directly with the CIPAEN office. Of those who registered directly with CIPAEN, 544 registered online and 209 registered by mail or fax.

This growing trend of direct registration is evidence of CIPAEN's reduced dependence on CPSD. CPSD is no longer collecting exam fees for CIPAEN, and is no longer proctoring alone. In 7 out of 8 sites for the July session, CIPAEN staff proctored exams alongside CPSD contract proctors.

CIPAEN has an "on demand" policy for the establishment of additional exam sites. If there are approximately 30 examinees per exam day registered in a location that is not normally an exam site, then additional exam sites may be established at those locations. For the July session, this happened in Simferopol and Mariupol.

CIPAEN Proctors now have Proctor's uniforms. This blue vest with the CIPA logo on the front and CIPAEN name on the back is part of the CIPAEN corporate branding strategy and enhances the professional image of the CIPAEN exam administration process.

Two members of the Ukrainian securities and exchange commission (SSMSC) observed the exam administration on June 30th. Yana Luppova, from the CIPAEN Headquarters in Moscow, was also present at the June 30 exam session and was conducting a routine audit of the exam administration procedures. CIPAEN HQ audits approximately 6-8 exam sites each exam session as part of their quality control procedures.

New, visible security measures have been instituted, designed to further enhance candidates confidence in the secure and confidential nature of the exam administration process. These include exams being delivered to the exam site in branded, secured bags that are sealed with zip ties containing a unique serial number. A candidate is invited to witness the breaking of the seal and opening of the exam packets and answer modules. After the exam, candidate "witnesses" are again involved in the process of packaging the exams and answer modules for delivery to the grading center and sealing these packets. The seals are signed by the witnesses.

CIPAEN continued the practice of disseminating materials from all four professional financial associations who are ECCAA members. These materials were disseminated at all exam sites.

Task 4 – CIPA Public Awareness and Promotion Effort

The goal of this task is to help the CIPA program gain recognition by the profession, businesses, investors, and government.

Expected results. A minimum of an additional 3,000 CAPs and 200 CIPAs will be produced by the end of the project.

Marketing the CIPA Program and creating widespread Public Awareness, even within the relatively limited market of financial professionals continues to be a challenge and requires a great deal of project resources. Marketing and PR efforts now include direct marketing through mail and phone, advertising in print media and on the internet, continued development of the CIPA Project and Program websites, and continued staffing of the toll-free hotline.

Direct Marketing: Mail

During April-May 2006 three direct mailings were carried out to the following target groups:

- 7,884 participants of the CIPA program
- 10,000 big enterprises
- 9,000 enterprises that previously received CIPA information (follow-up mailing)

Materials sent: newsletter, registration card, LTP contact list, motivational leaflet.



Direct Marketing and Marketing Research: Telephone

Between May and June, a survey of 4,316 of the most recent and active CIPA program participants was conducted. The calls had the following goals:

- Encourage them to take summer exams
- Check their personal contact details
- Survey them on attitudes towards the CIPA program

The sample used in the telephone survey was derived from the CIPA program participant’s database and was divided into the following categories:

- **Base 1** (527 respondent – those “last seen” in the program in the November 2003 – “old” participants)
- **Base 2** (1700 respondents – “last seen” from March 2004 to March 2005)
- **Base 3** (2089 respondents – “most recent” participants – since March 2005 to March 2006 – not taking into account July 2006 session)

Results of the call-through program: major effectiveness indicators

- Sample size: 4316 respondents
- Successful communication: 2745 respondents (64% of the sample)

Key Findings

- The newer participants are definitely more eager to continue participation in the CIPA program, than those who were “last seen” in 2003 and 2004.
- One-third of the more recent participants are planning to go to summer exams, comparing to only 7% rate among older participants.
- Most recent participants are also the most active; more than two-thirds of those planning to participate have already registered at the moment of call (end of registration time).
- There is a reverse relationship between the being “last seen” in the program and eagerness to participate in exams.
- Reasons for not participating in summer 2006 exams have the same patterns throughout all “aged groups”, with lack of time being the outstandingly popular answer.
- Two other major reasons for not taking exams right now – the high price and lack of interest to CIPA program tend to increase with time “being last seen”.
- At the same time, exactly half of all successfully communicated respondents (and 89% of those not planning to participate in July 2006 session) stated that they have plans to pass exams in the future.
- For those who indicated that they were not participating in July exams because they did not have enough time, the willingness to participate in future exams (about 90%) is quite uniform throughout all three “Base groups” of the study.
- Dropping out reasons: two most popular reasons for disenchantment, not participating in the CIPA program ever, are that
 - 1) CIPA is not affecting income and
 - 2) It is too difficult.
- There is a slight tendency of people thinking that employers don’t care about certificates as they stop showing up at CIPA events. CIPA being a state (governmentally required) standard is the least mentioned option through all “aged groups”.
- The most recent participants are the least sensitive to exam price, while the majority of respondents wish that exam price would be up to 100 UAH.
- CIPA program participants demonstrate a rather high knowledge of foreign languages. English is overwhelmingly popular, with German, French, and Polish lagging behind.
 - CIPA participants also speak Spanish, Bulgarian, Italian, Turkish, Slovak, Azeri, Lithuanian, Belorussian, and Hungarian.
- Vast majority of respondents think that CIPA has no competitors, but awareness of other certification programs falls with “aged group” – i.e. most recent participants know more about other professional certifications.
 - The most popular competitor, as perceived by participants, is ACCA.
- Almost 90% of all surveyed value CIPA program highly and are ready to recommend it to the peers.
- “Oldest” participants are most critical towards the CIPA program. About 7% of those would not recommend participating in CIPA program to their friends (with 11% “don’t know” answer).

For the complete report on telephone survey of CIPA participants, please refer to the presentation attached in separate file.

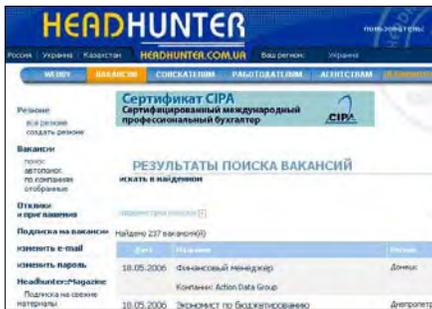
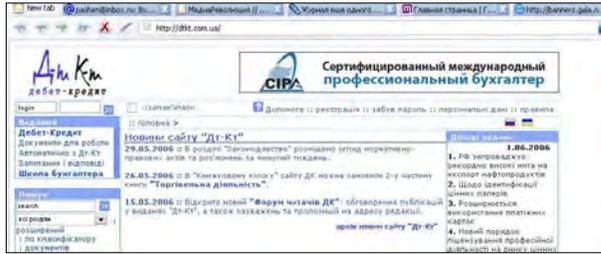
Advertising: Press

- In May 2006 CIPA adverts informing about registration for exams was placed in major trade (accounting) press:
 - *Vse pro Buhgaltersky Oblik*
 - *Business.Buhgalteria*
 - *Debet-Kredyt*
 - *Visnyk Podatkovoi Sluzhby*
- Total circulation was 427,654 copies
- In April, May and June 2006 also the advertising of CIPA website as a reliable source for financial personnel (“job fair” section) was also placed in specialized HR press (e.g. HR Department Ukraine magazine)



Advertising: Internet

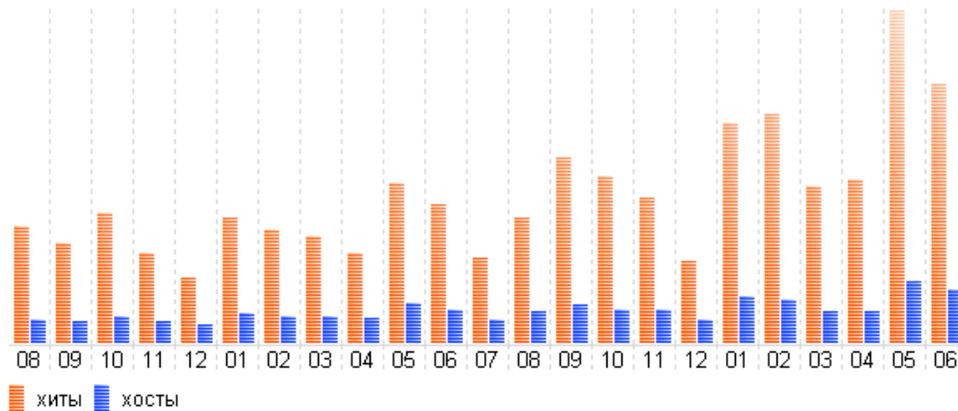
- Placement of advertising for CIPA exams registration on the popular
- Business and finance websites (liga.net, times.liga.net, finance.ua, bin.com.ua, ufs.com.ua)
- Employment websites (rabota.com.ua, ukrjob.net, headhunter.com.ua)
- Accounting website (DTKT.com.ua)
- Placement of web banners on the websites
- Placement of news on financial, business-related websites
- Use of direct e-mail services of those websites and subscribe.ru “Accounting” Ukrainian subscribers base



УВЕРЕННОСТЬ И УСПЕХ

Informational resources: web site www.cipa.org.ua

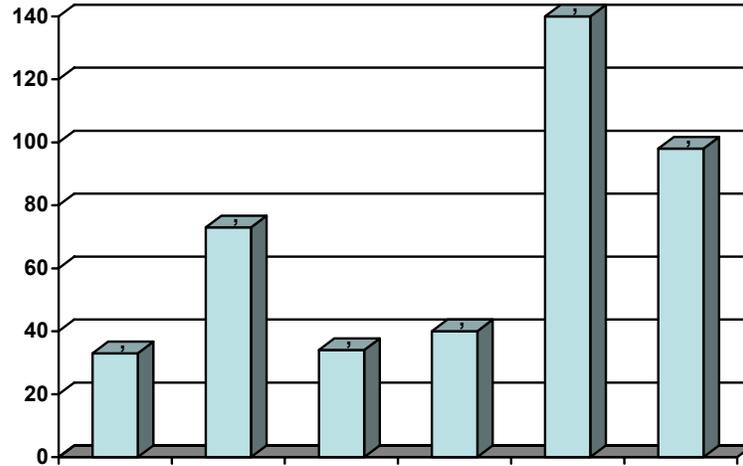
- Number of website visitors increased by 50% in May 2006 as a result of promo campaign on the web and reached its historical maximum (5,463 visitors and 30,339 page views).



Informational resources: Toll-free hotline 8 800 502 47 20 (8 800 50 CIPA 0)

- Professional call centre operators are ready to answer Frequently Asked Questions about:
 - CIPA program
 - Exams
 - Registration and fees
 - Professional associations
 - Education and training
 - In May 2006 number of calls to the hotline doubled comparing to February 2006.

Calls Received by CIPA Hotline



Jan 2006	Feb 2006	March 2006	Apr 2006	May 2006	June 2006
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Cooperation with Strategic Partners

In May and June, an agreement was reached with the Center for Ukrainian Reform Education, a Ukrainian public education NGO, which is implementing the USAID-funded project Ukraine Reform Education Program. It was decided by representatives of the two projects to join efforts in promoting economic reforms in Ukraine, specifically through:

- Promoting the issue of importance of IFRS adoption in Ukraine
- Promoting the need for continuing professional development of financial specialists and accountants
- Promoting professional certification and professional accountancy associations

Early results of the cooperation:

Olena Stoyan, UACAA board member and CIPA trainer, was able to participate in a CURE seminar for over 50 journalists (representatives of key mass media) of Donetsk, Luhansk, Dnipropetrovs'k, Zaporizhzhie, and Kharkiv regions. The event took place on June 15-16, 2006 in Svyatogorsk, Donetsk oblast. The CIPA program was presented for mass media, and issues related to IFRS introduction in preparation for Ukraine's accession to the WTO were discussed.

Task 5 – Tax and Financial Accounting Reconciliation

The purpose of this task is to improve the efficiency and transparency of tax administration through tax and financial accounting reconciliation.

Expected results. Tax and financial accounting reconciliation methodology in the pilot enterprises will be implemented, the competency of the STA and MOF staff in IFRS-based financial accounting, and tax and financial accounting reconciliation will be enhanced.

CIPA-Ukraine continued to train, examine and certify professions through the associations to act as advocates to the new government for tax reform based on financial income and tax reconciliation.

The Inter-Ministry Task Force created by the Presidents administration with the purpose of reconciling tax and financial reporting last meet in December 2006 with project and UACAA representation. The Task Force did not receive the official status and recognition it had hoped for, in the form of official recognition from the Presidential Administration. However, it does still exist, but is not expected to meet again until September due to elections and the formation of a new government. Presidential advisor Mr. Lanovoy was instrumental in recruiting members and the formation of this working group, and is a real ally in the quest for change.

In a Presidential Decree, dated April 10, 2006, a PLAN of top priority actions in the area of investing activities was issued, of which, in part, is was decreed:

15. Draft laws to put them forward to the Parliament for consideration:

[...] amend some laws regarding the convergence of financial and tax accounting.

Ministry of Finance of Ukraine,
Ministry of Economy of Ukraine,
State Tax Administration of Ukraine,
Ministry of Justice of Ukraine

- Completion time – first half of 2006

In cooperation with UACAA, the CIPA Ukraine Project will continue to encourage this process, but much depends on the political will of the Government.

The timeline for action on this item is dependent upon the formation of a new government in Ukraine. The situation is still fluid and resolution is expected soon.

The project and UACAA intend to follow this situation carefully, be prepared to draft supporting draft laws, and work with Presidential Advisor Lenovoy to identify those in the new government responsible for taxation issues.

Addendums

Addendum 1 - Second Quarter CIPA Training Participation by Oblast and Course

Total Training Participants (April - June 2006)

	Course Oblast	FA 1	MA 1	T&L	Total CAP trainings	FA 2	MA 2	Finance	Audit	Total CIPA trainings
1	Kyiv	122	88	62	272	44	23	10	14	91
2	Donetsk	62	79	41	182	24	42	41	21	128
3	Dnipropetrovsk	42	30	28	100	19				19
4	Odesa	24	19	22	65					
5	Lviv	23	15	16	54					
6	Zaporizhzhya	8	25	17	50					
7	Simpheropol	16	12	16	44	6	8			14
8	Sevastopol	19			19					
9	Kharkiv	9	7		16				12	12
10	Mykolaiv			16	16					
11	Luhansk		9		9					
12	Rivne			7	7					
13	Kherson	1			1					
	Total	326	284	225	835	93	73	51	47	264

Addendum 2 - YTD CIPA Training Participation by Oblast and Course

Total Training Participants (January 2006 - July 2006)

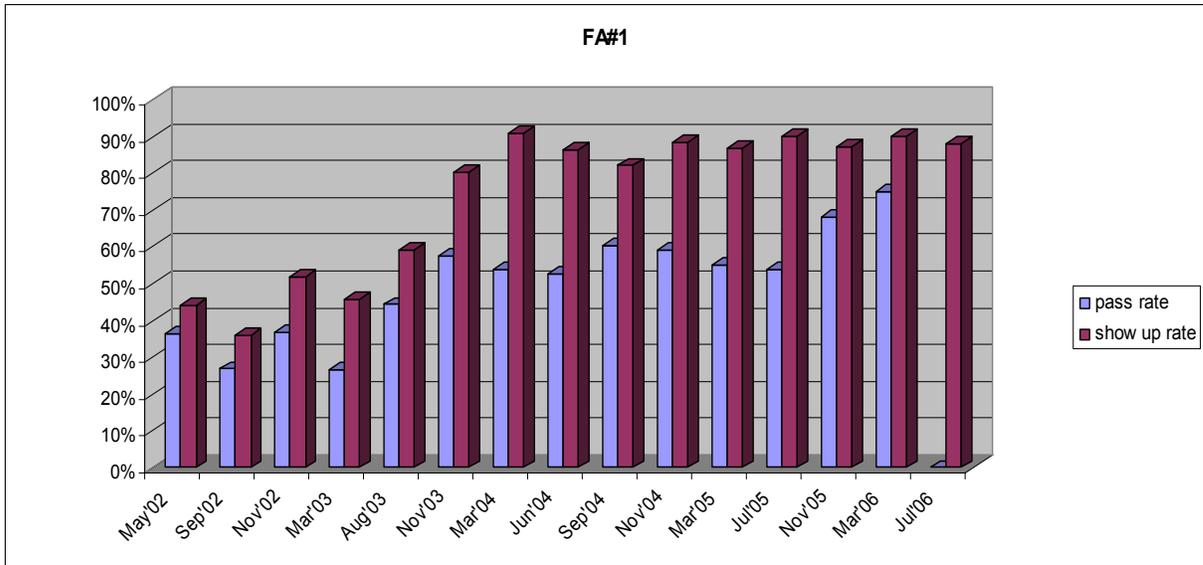
	Course Oblast	FA 1	MA 1	T&L	Total CAP trainings	FA 2	MA 2	Finance	Audit	Total CIPA trainings
1	Kyiv	193	183	105	481	44	23	10	14	91
2	Donetsk	107	108	110	325	24	42	41	21	128
3	Dnipropetrovsk	62	123	64	249	19				19
4	Odesa	37	33	34	104					
5	Lviv	50	42	38	130					
6	Zaporizhzhya	8	25	17	50					
7	Simpheropol	27	25	23	75	6	8			14
8	Sevastopol	19			19					
9	Kharkiv	37	17	8	62				12	12
10	Mykolaiv			16	16					
11	Luhansk		9	8	17					
12	Rivne			7	7					
13	Kherson	1	5	4	10					
14	Poltava	4	4	4	12					
	Total	545	574	438	1557	93	73	51	47	264

Addendum 3 – CIPAEN Statistics

CAP Level Exams

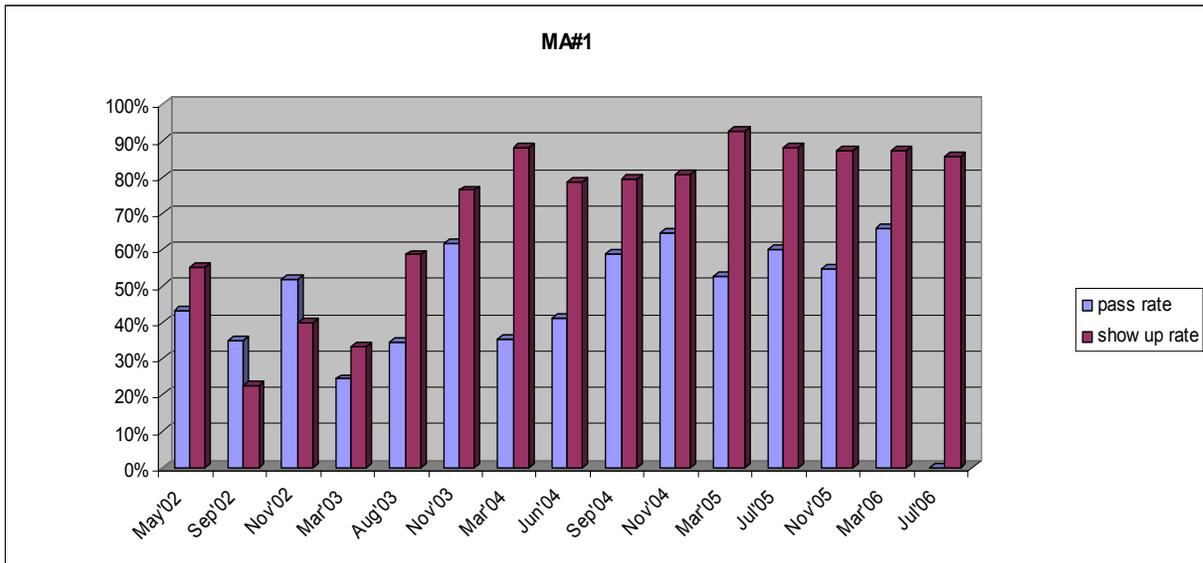
FA#1

	May'02	Sep'02	Nov'02	Mar'03	Aug'03	Nov'03	Mar'04	Jun'04	Sep'04	Nov'04	Mar'05	Jul'05	Nov'05	Mar'06	Jul'06	avg /total
registered	231	540	1013	576	370	450	356	328	95	495	491	402	635	349	412	6743
examinees	102	194	525	263	219	362	323	283	78	438	427	362	554	314	362	4806
passed	37	52	193	70	97	208	174	149	47	259	235	195	378	236		2330
pass rate	36%	27%	37%	27%	44%	57%	54%	53%	60%	59%	55%	54%	68%	75%	0%	48%
show up rate	44%	36%	52%	46%	59%	80%	91%	86%	82%	88%	87%	90%	87%	90%	88%	71%



MA#1

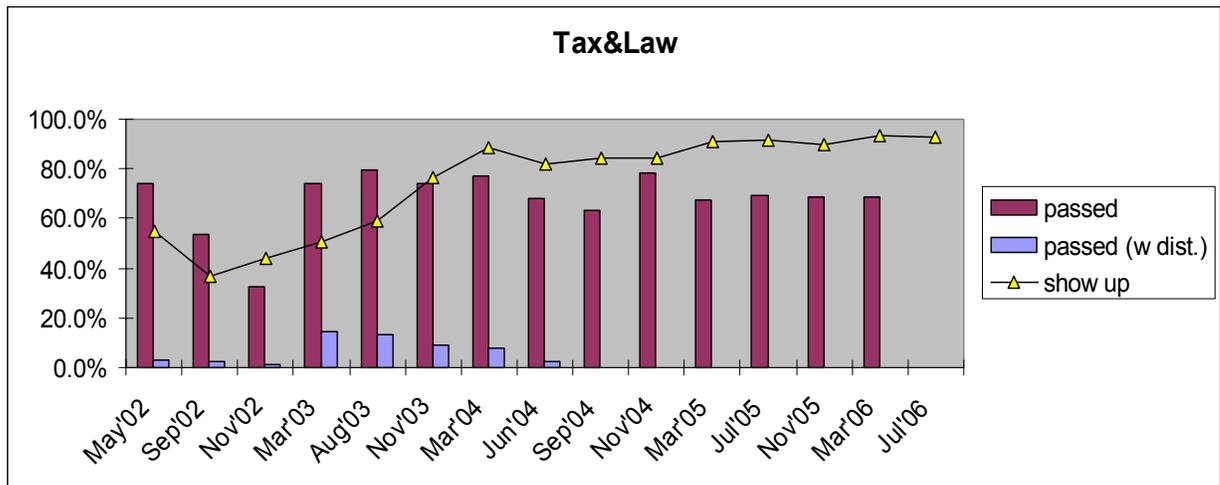
	May'02	Sep'02	Nov'02	Mar'03	Aug'03	Nov'03	Mar'04	Jun'04	Sep'04	Nov'04	Mar'05	Jul'05	Nov'05	Mar'06	Jul'06	avg /total
registered	172	414	812	539	324	453	333	345	122	394	390	414	498	435	414	6059
examinees	95	94	323	180	190	346	293	271	97	318	361	365	434	380	354	4101
passed	41	33	167	44	66	213	104	112	57	206	190	220	237	251		1941
pass rate	43%	35%	52%	24%	35%	62%	35%	41%	59%	65%	53%	60%	55%	66%	0%	47%
show up rate	55%	23%	40%	33%	59%	76%	88%	79%	80%	81%	93%	88%	87%	87%	86%	68%



T&L

	May'02	Sep'02	Nov'02	Mar'03	Aug'03	Nov'03	Mar'04	Jun'04	Sep'04	Nov'04	Mar'05	Jul'05	Nov'05	Mar'06	Jul'06	total
registered	433	702	1278	780	402	425	332	283	103	349	340	402	419	307	390	6945
examinees	238	259	561	395	237	324	294	232	87	294	309	368	376	287	361	4622
passed	177	139	184	292	189	240	227	158	55	230	209	255	259	197		2811
passed (w dist.)	7	7	8	58	32	30	23	5								170

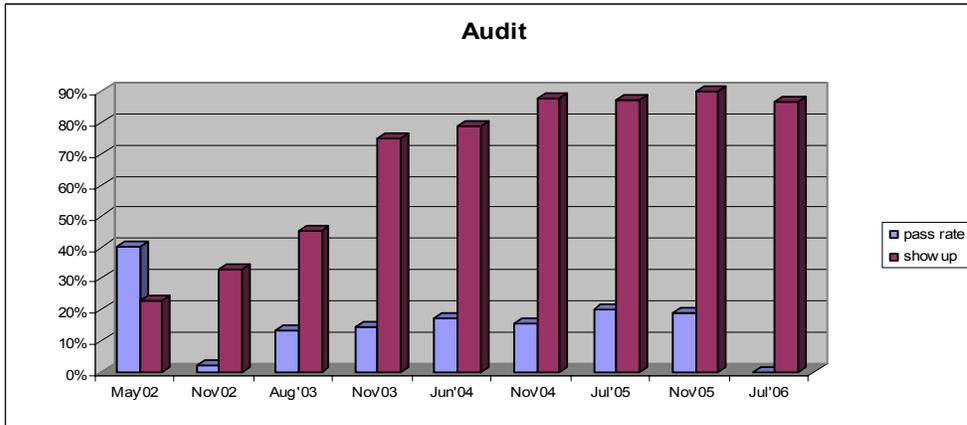
	May'02	Sep'02	Nov'02	Mar'03	Aug'03	Nov'03	Mar'04	Jun'04	Sep'04	Nov'04	Mar'05	Jul'05	Nov'05	Mar'06	Jul'06	avg
passed	74.4%	53.7%	32.8%	73.9%	79.7%	74.1%	77.2%	68.1%	63.2%	78.2%	67.6%	69.3%	68.9%	68.6%	0.0%	60.8%
passed (w dist.)	2.9%	2.7%	1.4%	14.7%	13.5%	9.3%	7.8%	2.2%								3.7%
passed (w dist.) rel.	4.0%	5.0%	4.3%	19.9%	16.9%	12.5%	10.1%	3.2%								6.0%
show up	55%	37%	44%	51%	59%	76%	89%	82%	84%	84%	91%	92%	90%	93%	93%	67%



CIPA Level Exams

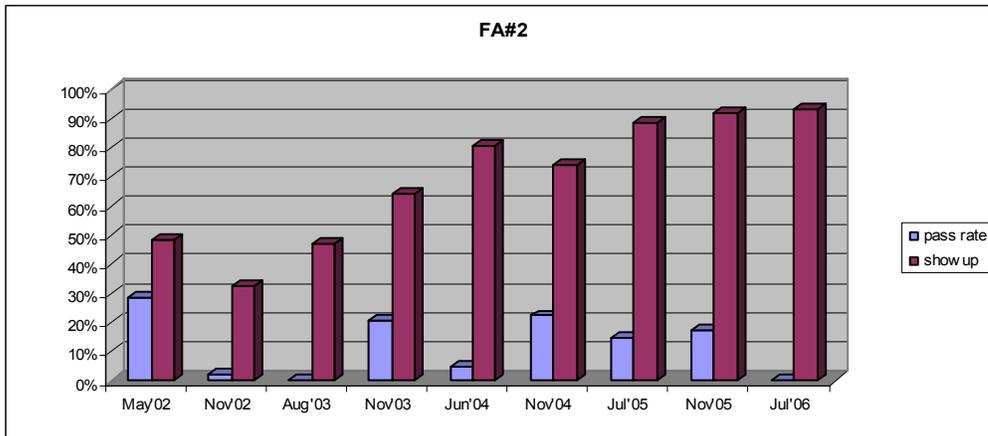
Audit

	May'02	Nov'02	Aug'03	Nov'03	Jun'04	Nov'04	Jul'05	Nov'05	Jul'06	avg /total
registered	22	301	33	28	173	141	85	89	83	955
examinees	5	99	15	21	137	124	74	80	72	627
passed	2	2	2	3	24	19	15	15		82
pass rate	40%	2%	13%	14%	17.5%	15.3%	20.3%	18.8%	0.0%	13.1%
show up	23%	33%	45%	75%	79.2%	87.9%	87.1%	89.9%	86.7%	65.7%



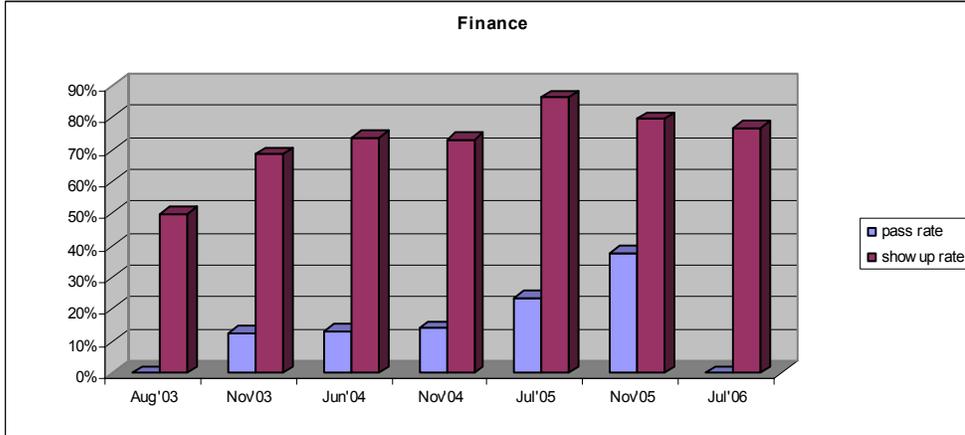
FA#2

	May'02	Nov'02	Aug'03	Nov'03	Jun'04	Nov'04	Jul'05	Nov'05	Jul'06	avg /total
registered	87	393	49	61	227	187	117	114	107	1342
examinees	42	129	23	39	183	139	104	105	100	864
passed	12	3	0	8	9	31	15	18		96
pass rate	29%	2%	0%	21%	4.9%	22.3%	14.4%	17.1%	0.0%	11.1%
show up	48%	33%	47%	64%	80.6%	74.3%	88.9%	92.1%	93.5%	64.4%



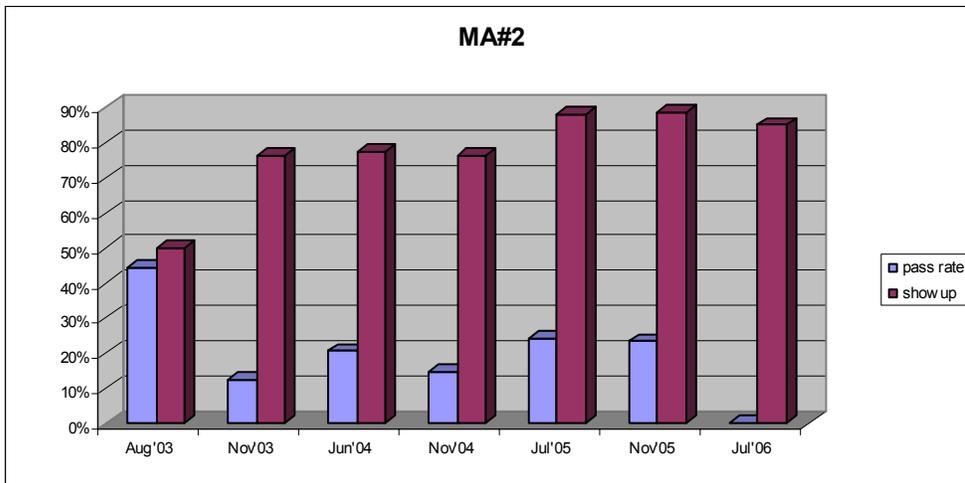
Finance

			Aug'03	Nov'03	Jun'04	Nov'04	Jul'05	Nov'05	Jul'06	avg /total
registered			24	35	194	145	88	103	78	667
examinees			12	24	143	106	76	82	60	503
passed			0	3	19	15	18	31		86
pass rate			0%	13%	13.3%	14.2%	23.7%	37.8%	0.0%	17.1%
show up rate			50%	69%	73.7%	73.1%	86.4%	79.6%	76.9%	75.4%



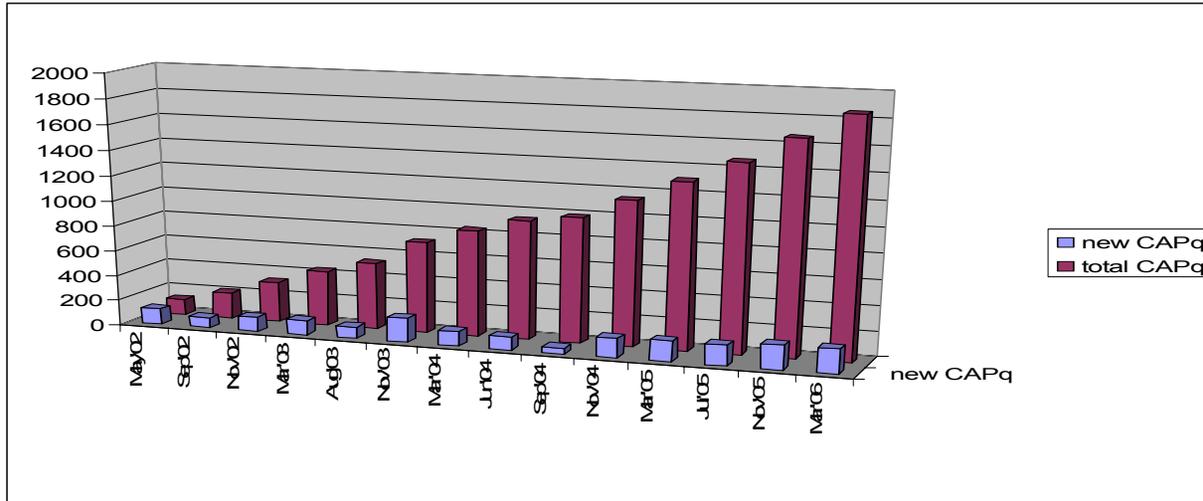
MA#2

			Aug'03	Nov'03	Jun'04	Nov'04	Jul'05	Nov'05	Jul'06	avg /total
registered			54	42	194	170	108	106	114	788
examinees			27	32	150	130	95	94	97	625
passed			12	4	31	19	23	22		111
pass rate			44%	13%	20.7%	14.6%	24.2%	23.4%	0.0%	17.8%
show up			50%	76%	77.3%	76.5%	88.0%	88.7%	85.1%	79.3%

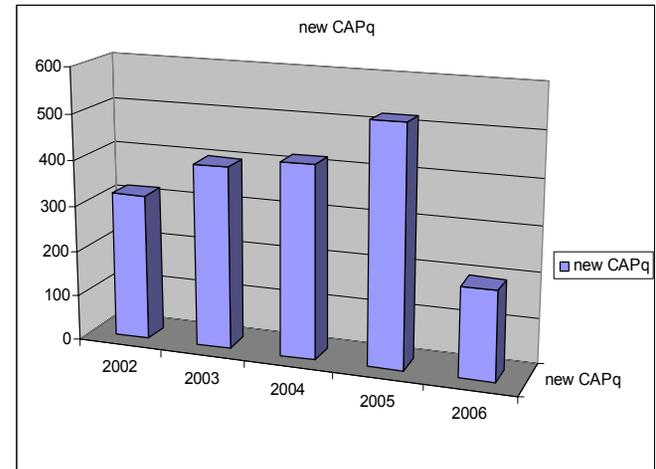
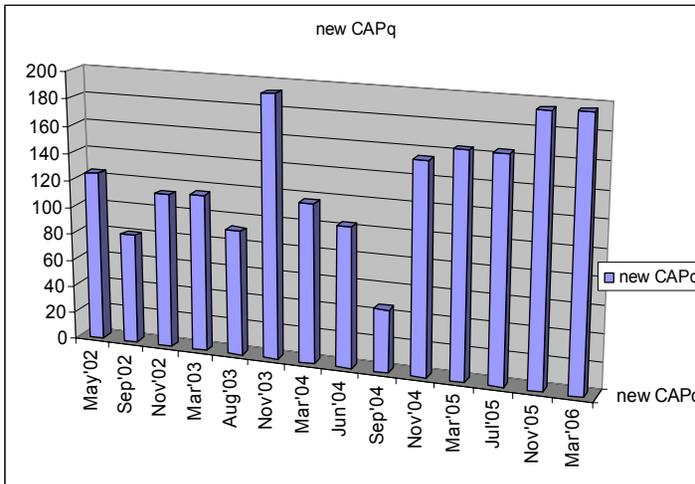


New CAPs and CIPAs

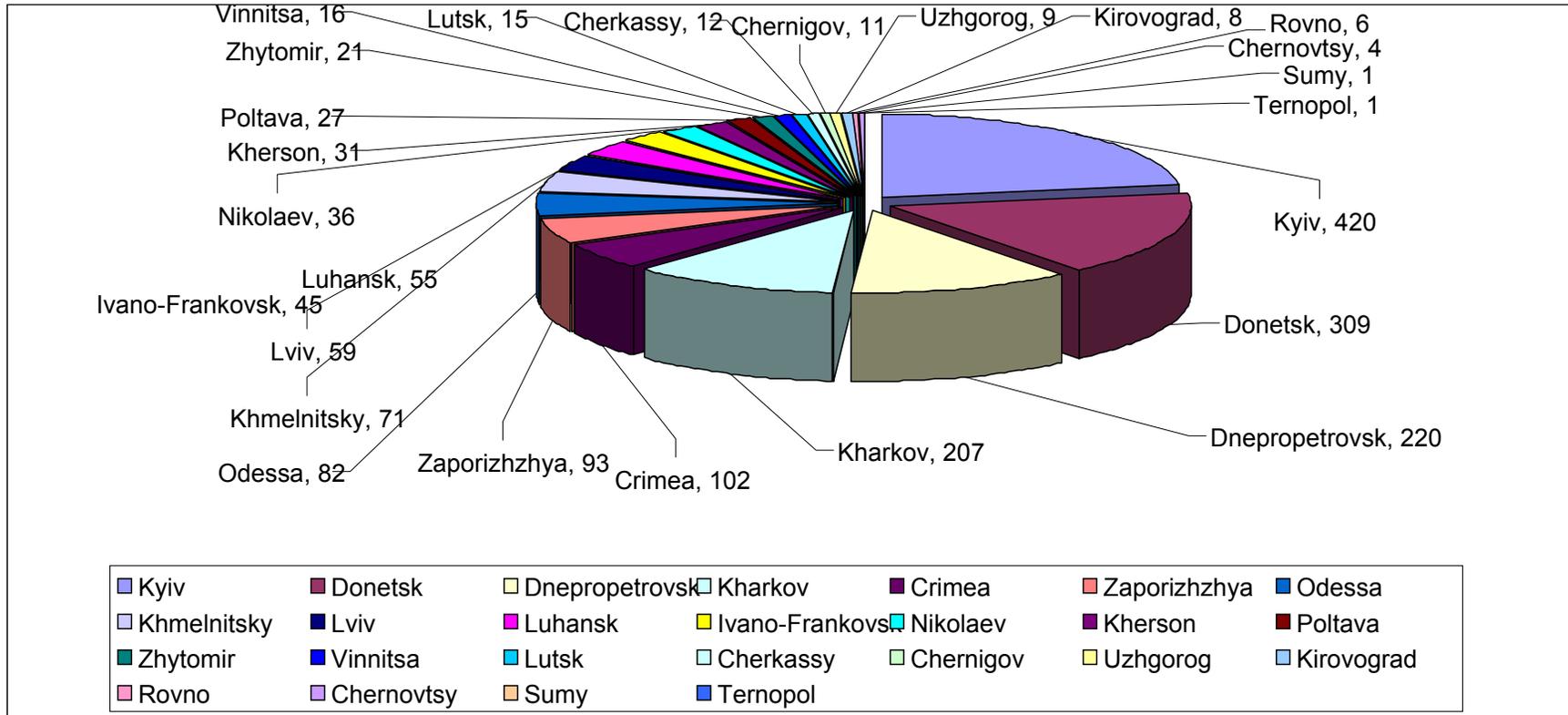
Session	new CAPq	total CAPq
May'02	125	125
Sep'02	81	206
Nov'02	114	320
Mar'03	116	436
Aug'03	92	528
Nov'03	193	721
Mar'04	117	838
Jun'04	103	941
Sep'04	46	987
Nov'04	155	1142
Mar'05	164	1306
Jul'05	164	1470
Nov'05	195	1665
Mar'06	196	1861



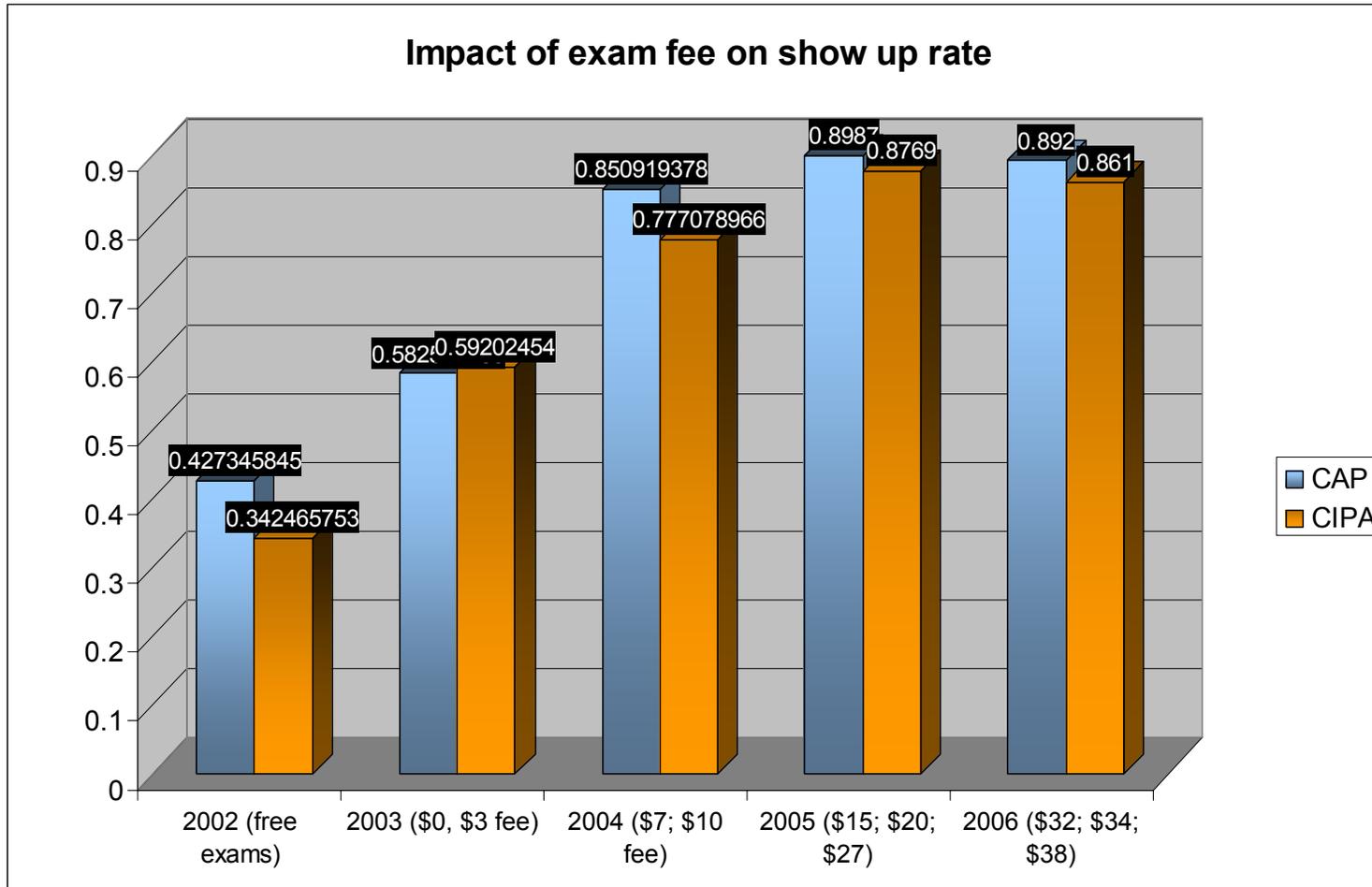
year	new CAPq
2002	320
2003	401
2004	421
2005	523
2006	196



Addendum 4 – Number of CAPs/CIPAs by Region

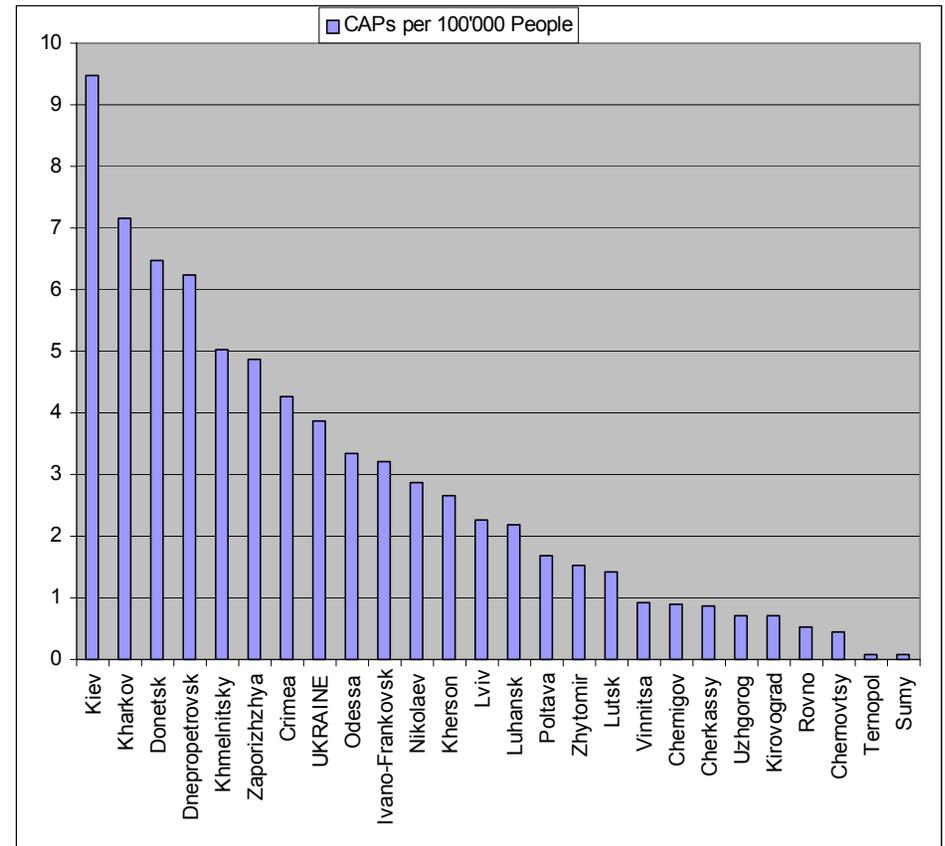


Addendum 5 – Impact of Exam Fee on Show-up Rate



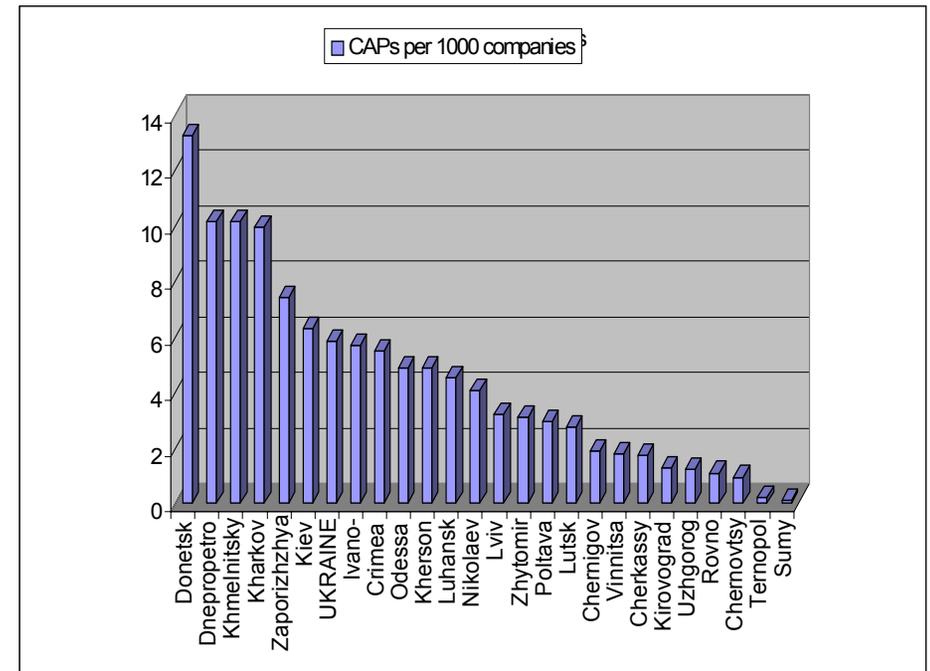
Addendum 6 – CAPs per Population

Region	CAP	Persons	Region	CAPs per 100'000 People
Kyiv	420	4430	Kyiv	9.480813
Kharkiv	207	2887.9	Kharkiv	7.167838
Donetsk	309	4774.4	Donetsk	6.472017
Dnepropetrovsk	220	3532.8	Dnepropetrovsk	6.227355
Khmelnitsky	71	1414.9	Khmelnitsky	5.018022
Zaporizhzhya	93	1909.3	Zaporizhzhya	4.870895
Crimea	102	2396.9	Crimea	4.255497
Grand Total	1861	48003.5	UKRAINE	3.876801
Odessa	82	2448.2	Odessa	3.3494
Ivano-Frankivsk	45	1403.7	Ivano-Frankivsk	3.205813
Nikolaev	36	1251.5	Nikolaev	2.876548
Kherson	31	1161.4	Kherson	2.669192
Lviv	59	2611	Lviv	2.259671
Luhansk	55	2507.3	Luhansk	2.193595
Poltava	27	1609.4	Poltava	1.677644
Zhytomir	21	1373.9	Zhytomir	1.528496
Lutsk	15	1054.7	Lutsk	1.422205
Vinnitsa	16	1753.9	Vinnitsa	0.912253
Chernigov	11	1225.2	Chernigov	0.897813
Cherkassy	12	1386.6	Cherkassy	0.865426
Uzhgorog	9	1253.9	Uzhgorog	0.717761
Kirovograd	8	1115.7	Kirovograd	0.717039
Rovno	6	1168.3	Rovno	0.513567
Chernovtsy	4	918.5	Chernovtsy	0.435493
Ternopol	1	1134.2	Ternopol	0.088168
Sumy	1	1279.9	Sumy	0.078131



Addendum 7 – CAPs per Companies

Region	CAP	Persons	Companies	Region	CAPs per 1000 companies
Donetsk	309	4774.4	23375	Donetsk	13.21925
Dnepropetrovsk	220	3532.8	21668	Dnepropetrovsk	10.15322
Khmelnitsky	71	1414.9	7000	Khmelnitsky	10.14286
Kharkiv	207	2887.9	20842	Kharkiv	9.931868
Zaporizhzhya	93	1909.3	12581	Zaporizhzhya	7.392099
Kyiv	420	4430	66731	Kyiv	6.293926
UKRAINE	1861	48003.5	319309	UKRAINE	5.82821
Ivano-Frankivsk	45	1403.7	7940	Ivano-Frankivsk	5.667506
Crimea	102	2396.9	18648	Crimea	5.469755
Odessa	82	2448.2	16787	Odessa	4.884732
Kherson	31	1161.4	6384	Kherson	4.85589
Luhansk	55	2507.3	12204	Luhansk	4.506719
Nikolaev	36	1251.5	8857	Nikolaev	4.064582
Lviv	59	2611	18347	Lviv	3.215785
Zhytomir	21	1373.9	6812	Zhytomir	3.082795
Poltava	27	1609.4	9081	Poltava	2.973241
Lutsk	15	1054.7	5494	Lutsk	2.730251
Chernigov	11	1225.2	5809	Chernigov	1.893613
Vinnitsa	16	1753.9	8947	Vinnitsa	1.788309
Cherkassy	12	1386.6	6837	Cherkassy	1.755156
Kirovograd	8	1115.7	6329	Kirovograd	1.264023
Uzhgorog	9	1253.9	7348	Uzhgorog	1.224823
Rovno	6	1168.3	5409	Rovno	1.109262
Chernovtsy	4	918.5	4178	Chernovtsy	0.957396
Ternopol	1	1134.2	4960	Ternopol	0.201613
Sumy	1	1279.9	6741	Sumy	0.148346



Results of the Telephone Survey of CIPA Program Participants

May-June 2006



Prepared by Andriy Gorbali, July 6, 2006

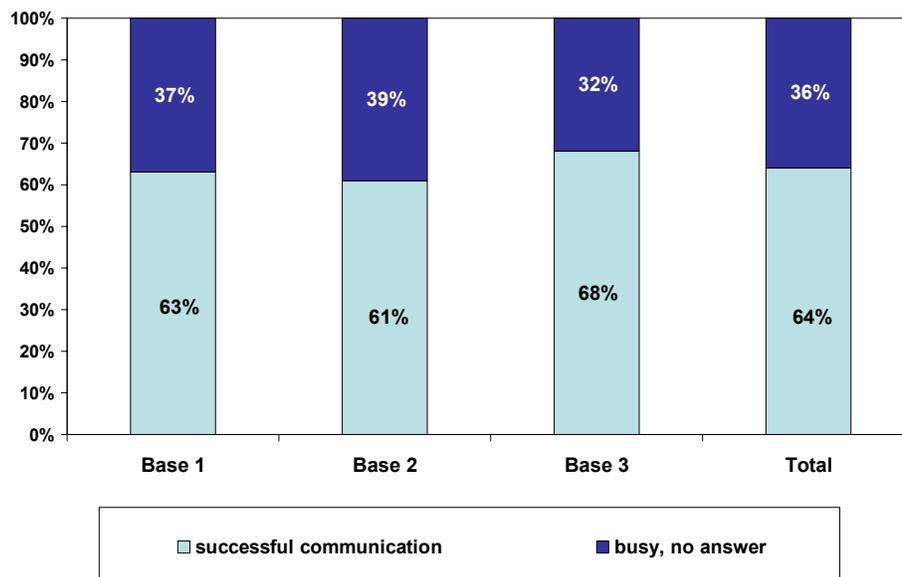
Sample

- The sample used in the telephone survey consisted of CIPA program participants database
- Sample size: 4316 respondents
- Sample consistence:
 - **Base 1** (527 respondent – those “last seen” in the program in the November 2003 – “old” participants)
 - **Base 2** (1700 respondents – “last seen” from March 2004 to March 2005)
 - **Base 3** (2089 respondents – “most recent” participants – since March 2005 to March 2006 – not taking into account July 2006 session)

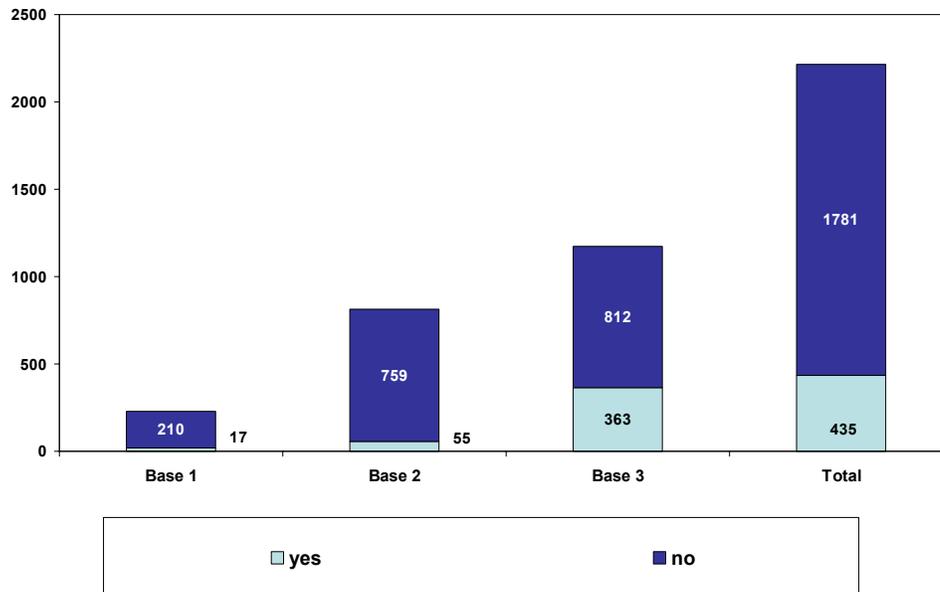
Results of the call-through program: major effectiveness indicators

- Sample size: 4316 respondents
- Successful communication: 2745 respondents (64% of the sample)
- No answers to all questionnaire answers but important information from participants received:
 - All phone numbers are incorrect – **202 (5% of total sample size)**
 - Maternity leave – **31**
 - Moved including abroad – **17**
 - Retired – **6**
 - Died - **6**

Results of the call-through by different categories of respondents (%)

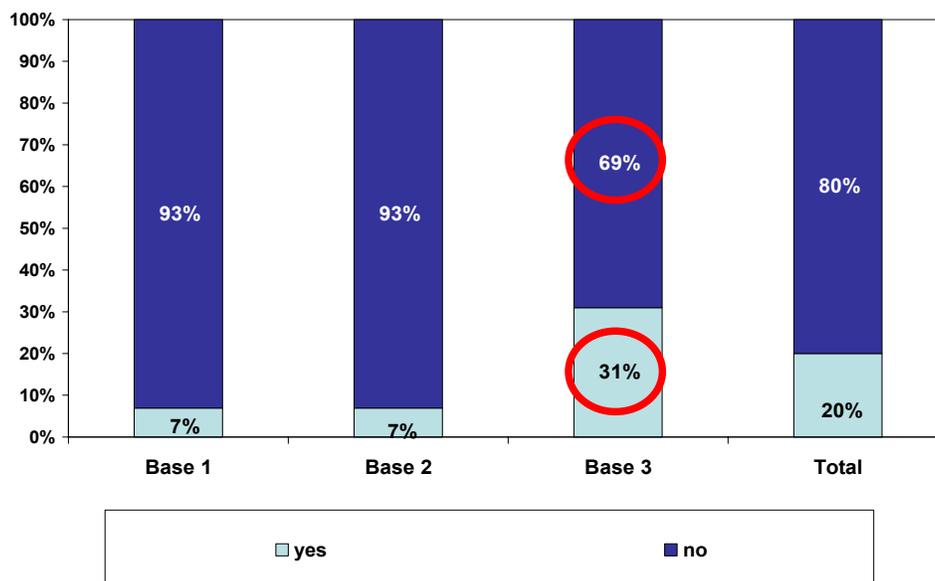


Do you plan to participate in the summer 2006 session?



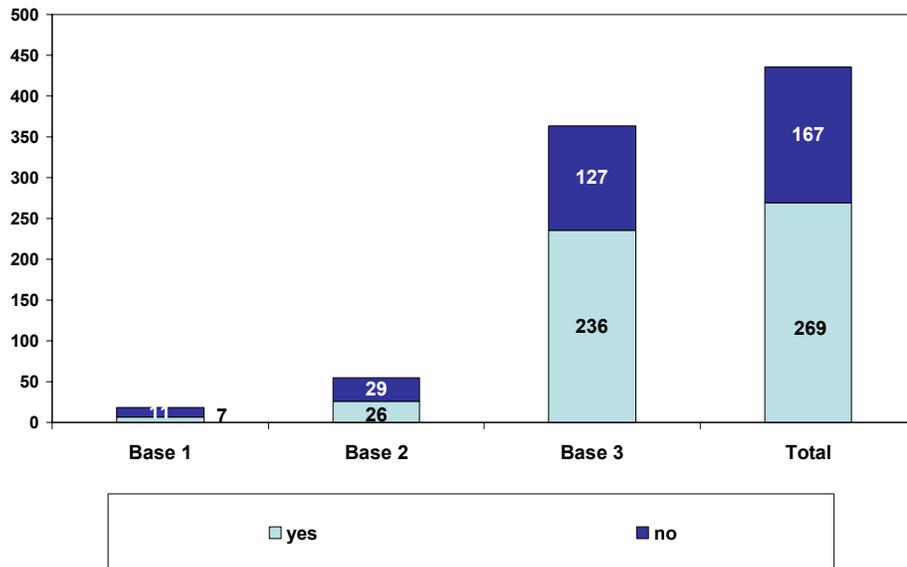
The newer participants are definitely more eager to continue participation in the CIPA program.

Do you plan to participate in the summer 2006 session (%)



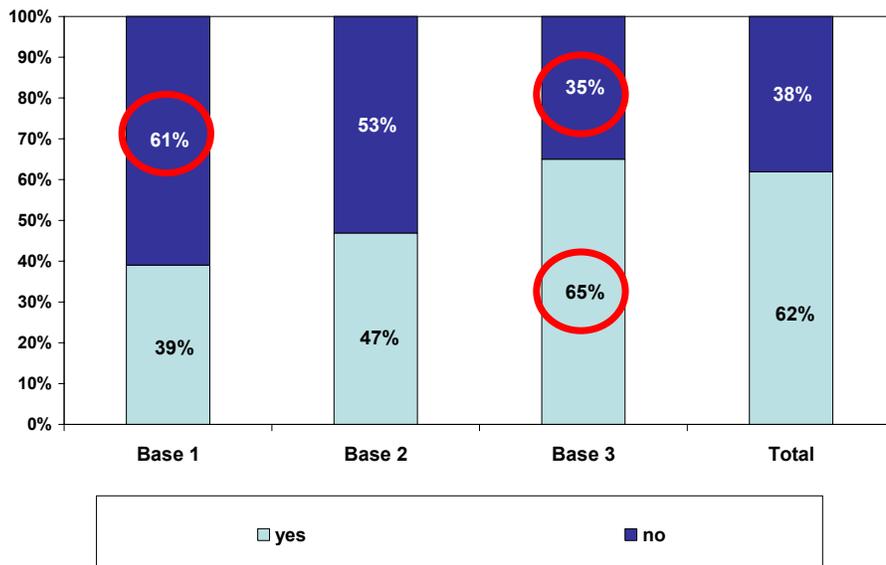
One-third of the more recent participants are willing to go to summer exams, comparing to only 7% rate among older participants.

Have you already registered? (out of those planning to participate)

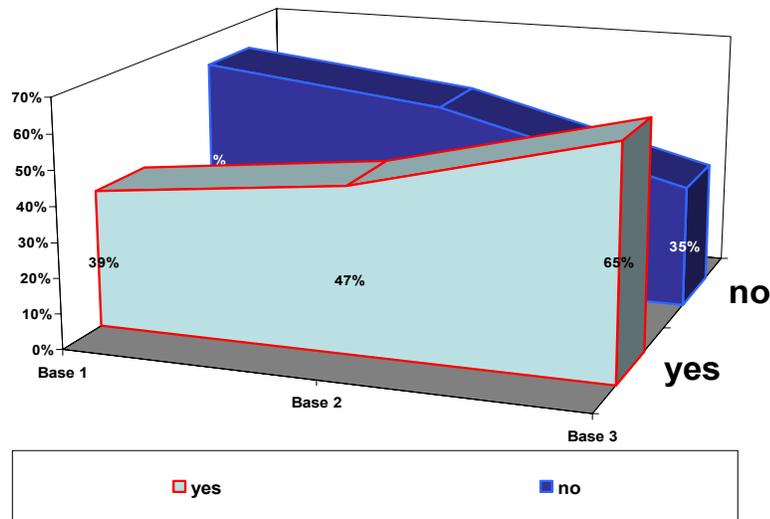


Most recent participants are also most active, more than two-thirds of those willing to participate have already registered at the moment of call.

Have you already registered? (%)

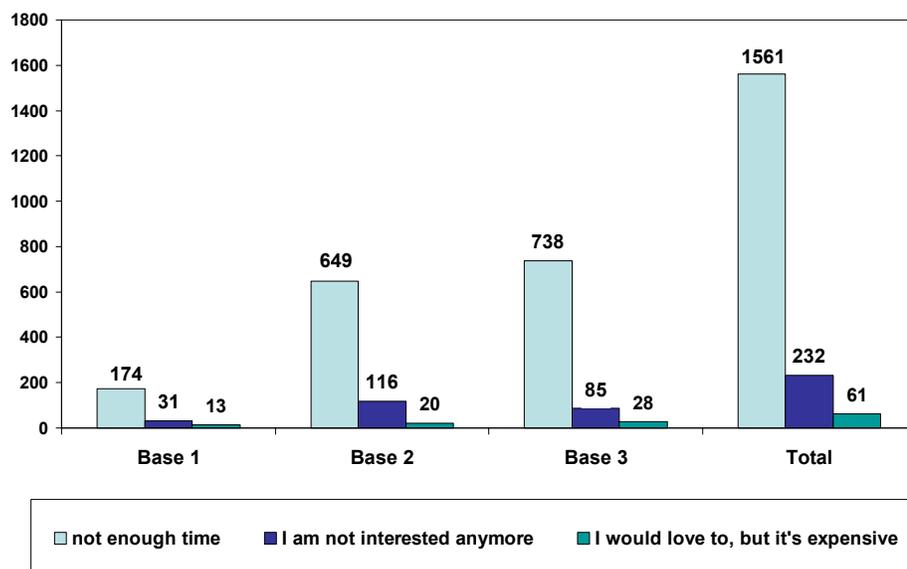


Have you already registered? (%)



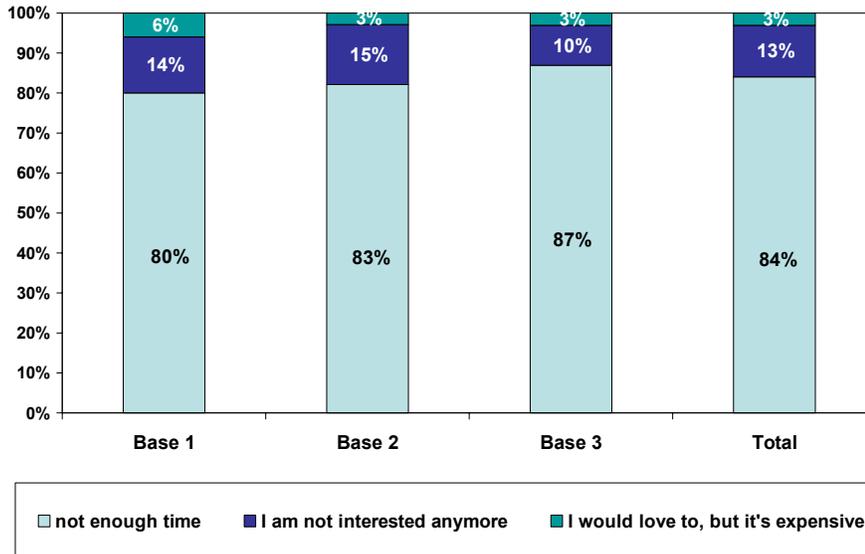
As it can be seen from the chart above, there is a reverse relationship between being “last seen” in the program and eagerness to participate in exams.

If you are not planning to participate in this summer exam session – why?



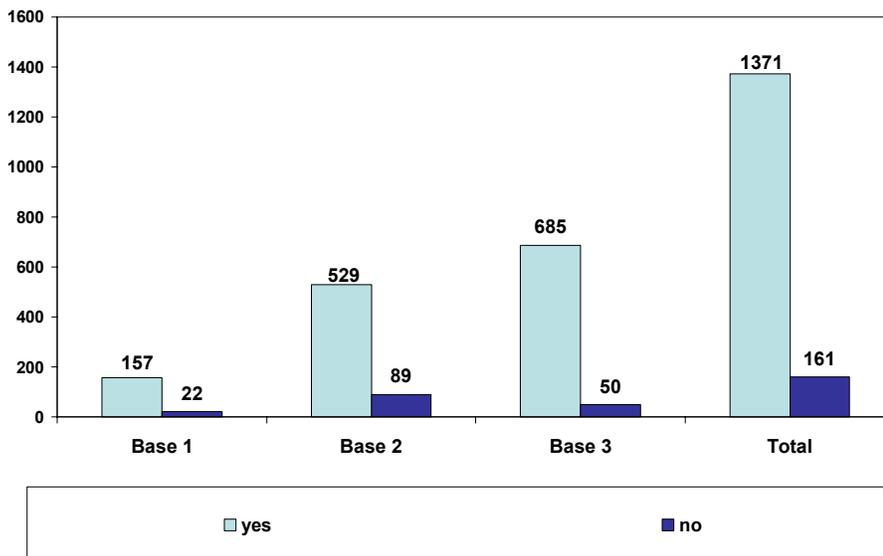
Reasons for not participating in summer 2006 exams have the same patterns throughout all “aged groups”, with lack of time being the outstandingly popular answer.

If you are not planning to participate in this summer exam session – why? (%)



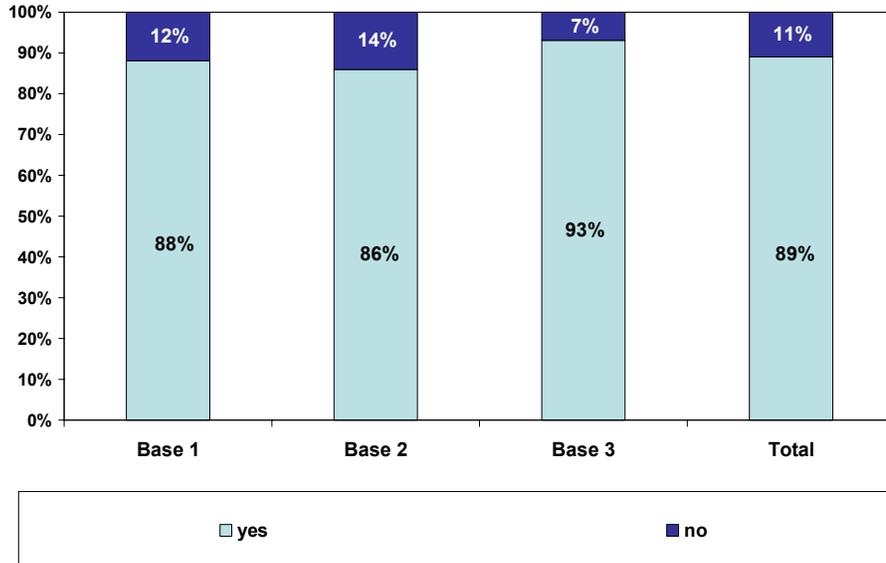
Two other major reasons for not taking exams right now – the high price and lack of interest to CIPA program tend to increase with time “being last seen” (at exams or trainings).

Do you plan to pass CIPA exams in the future? (out of those who stated they have no time right now)



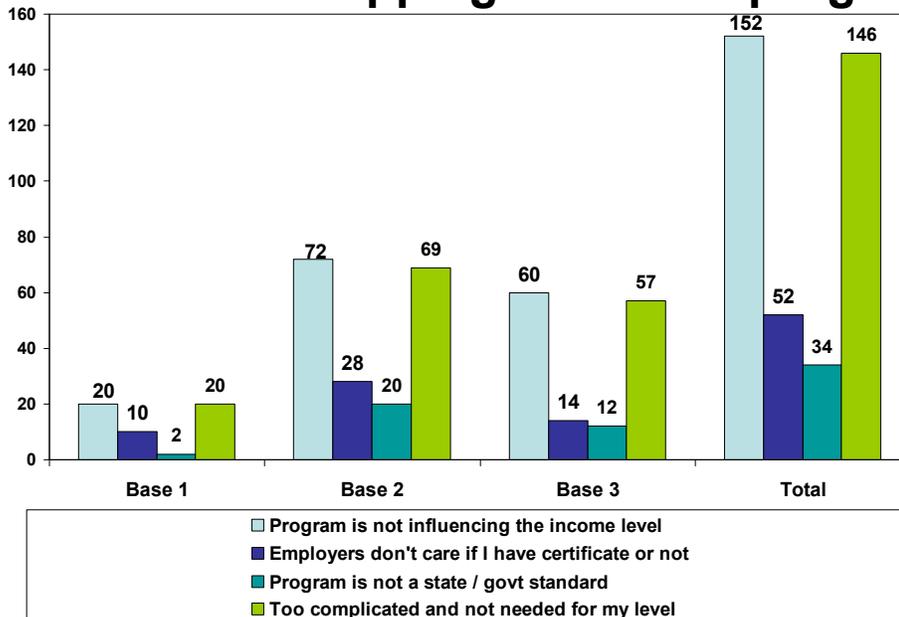
At the same time, exactly the half of all successfully communicated respondents stated that they have plans to pass exams in the future.

Do you plan to pass CIPA exams in the future? (%)



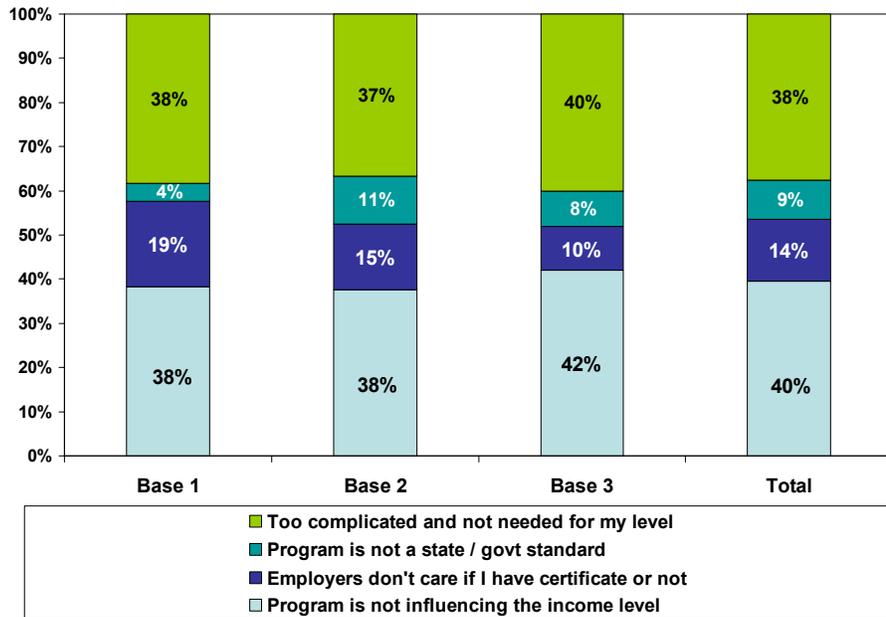
The willingness to participate in future exams (not this time) is quite uniform throughout all three “aged groups” of the study (out of those who stated they have no time this session)

If not, why? (out of those not willing to participate in the future): Reasons for dropping out of the program



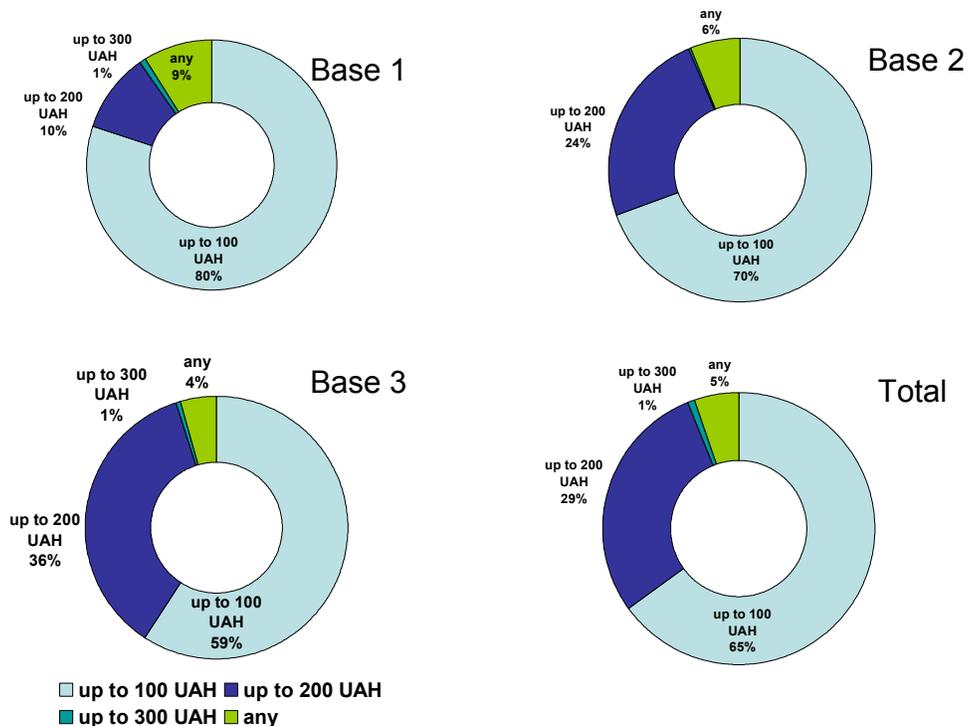
Two most popular reasons for disenchantment, not participating in the CIPA program never more, are that 1) CIPA is not affecting income and 2) it is too complicated and unnecessary for participants.

Reasons for dropping out of the program (%)

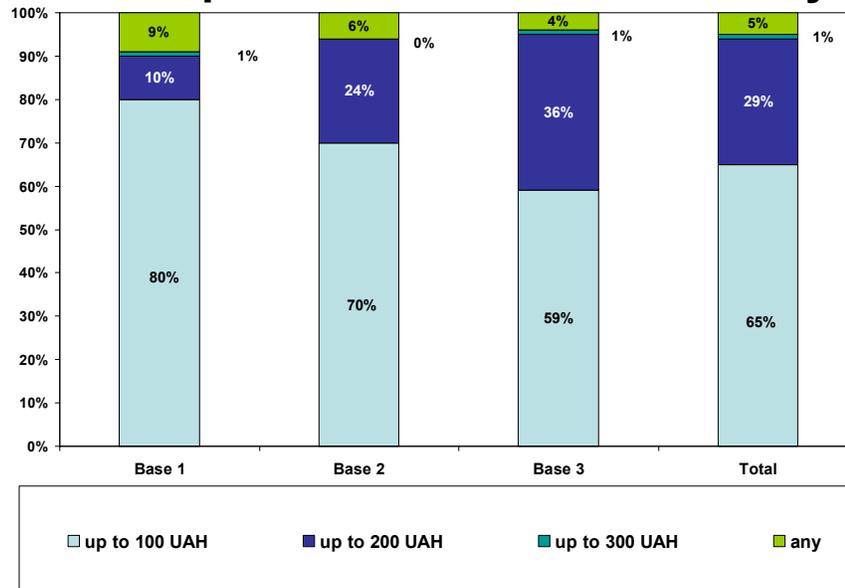


There is a slight tendency of people starting thinking that employers don't care about certificates as they stop showing up at CIPA events. CIPA being a state standard is a least mentioned option through all "aged groups".

What exam price would be suitable for you?

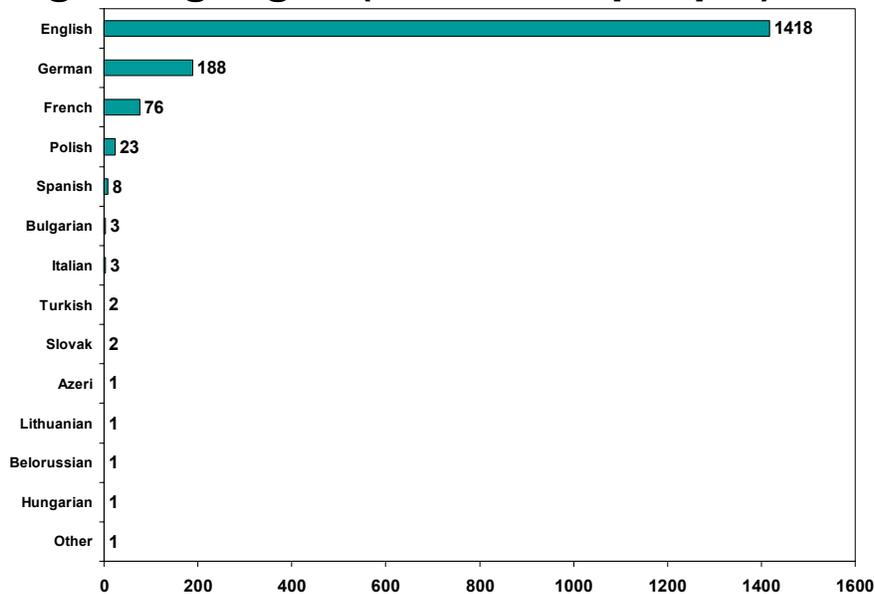


What exam price would be suitable for you? (%)



The most recent participants are the least sensitive to exam price, while the majority of respondents wish that exam price would be up to 100 UAH.

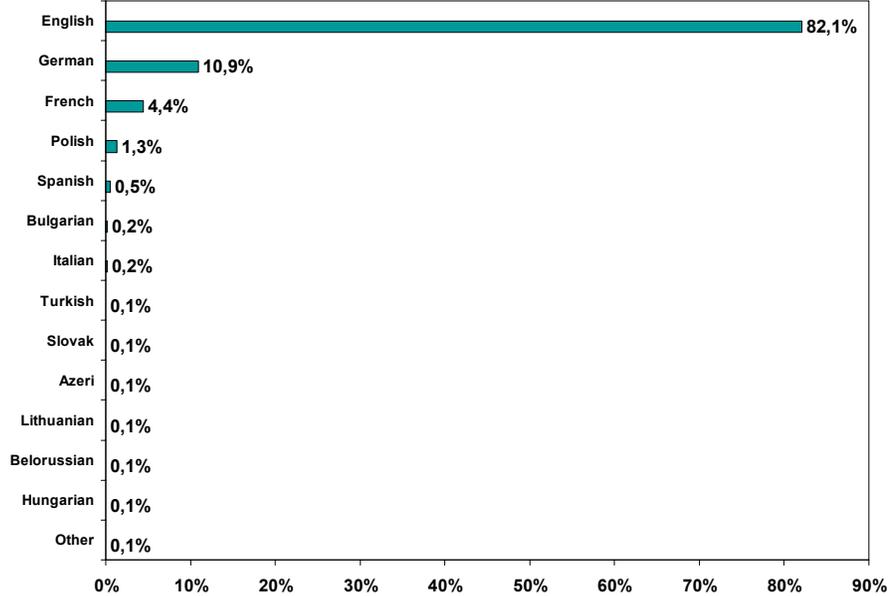
Foreign languages (number of people)



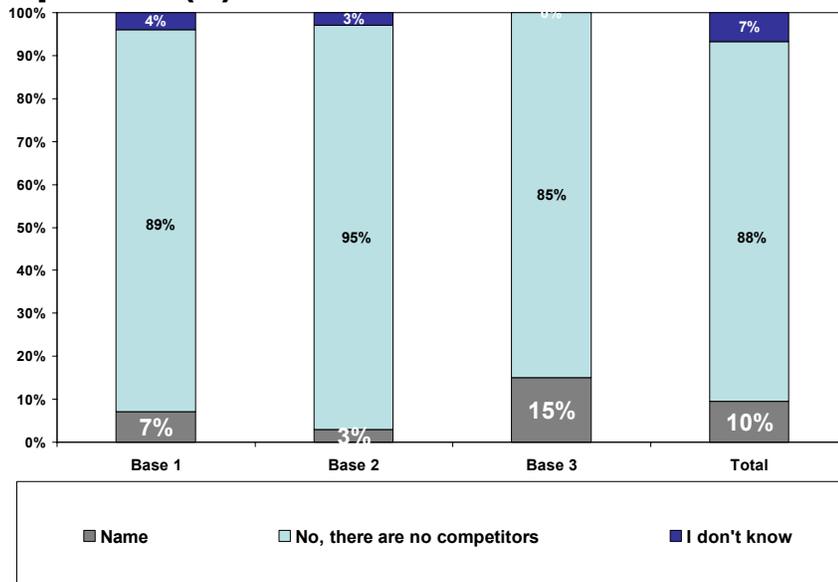
CIPA program participants demonstrate a rather high knowledge of foreign languages. English is overwhelmingly popular, with German, French, and Polish lagging behind.

CIPA participants also speak Spanish, Bulgarian, Italian, Turkish, Slovak, Azeri, Lithuanian, Belorussian, Hungarian.

Foreign languages (%)



Can you say who (what program) is CIPA's competitor(s)?

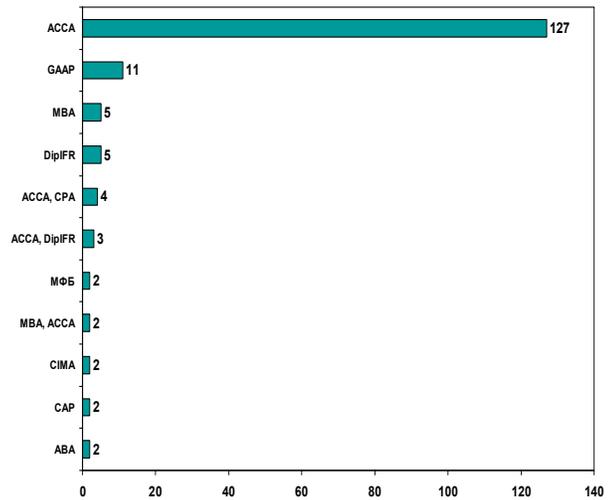


Vast majority of respondents think that CIPA has no competitors, but awareness of other certification programs falls with "age group" – i.e. most recent participants know more about other professional certifications.

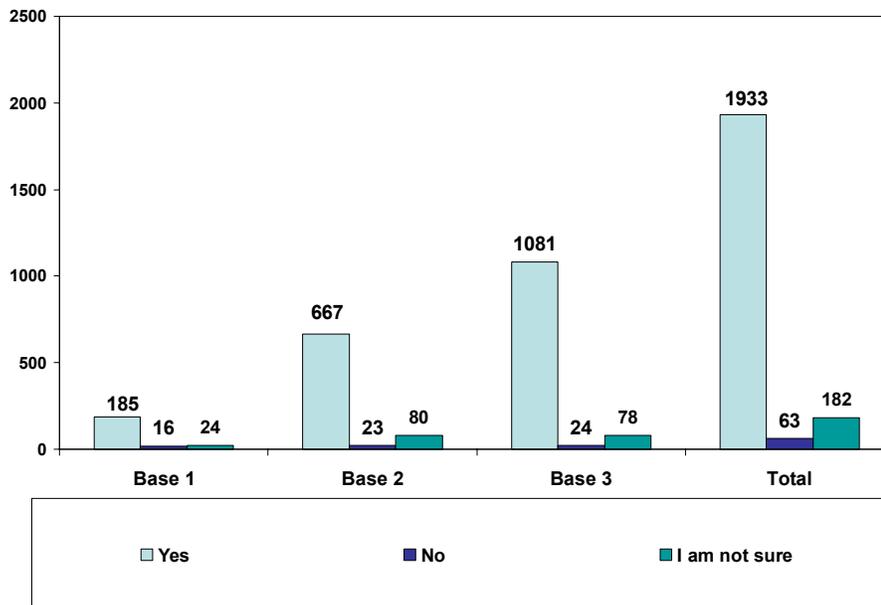
CIPA competitors

The most frequently mentioned competitor was ACCA. But there were other, quite interesting options:

- ACCA
- GAAP
- DipIFR
- MBA
- ACCA, CPA
- ACCA, DipIFR
- АВА
- САР
- СИМА
- MBA, ACCA
- МФБ
- Федерация
- ВВА
- ACCA, СМА
- GAAP, ACCA
- КРМГ
- ауд.лин
- АУДИТ
- БизнесАльянс
- ИРКА
- Лонд.прогр.
- МААП
- **палата федералов ФАС**
- Управленч.учет1
- ХОК
- ЯНГИ

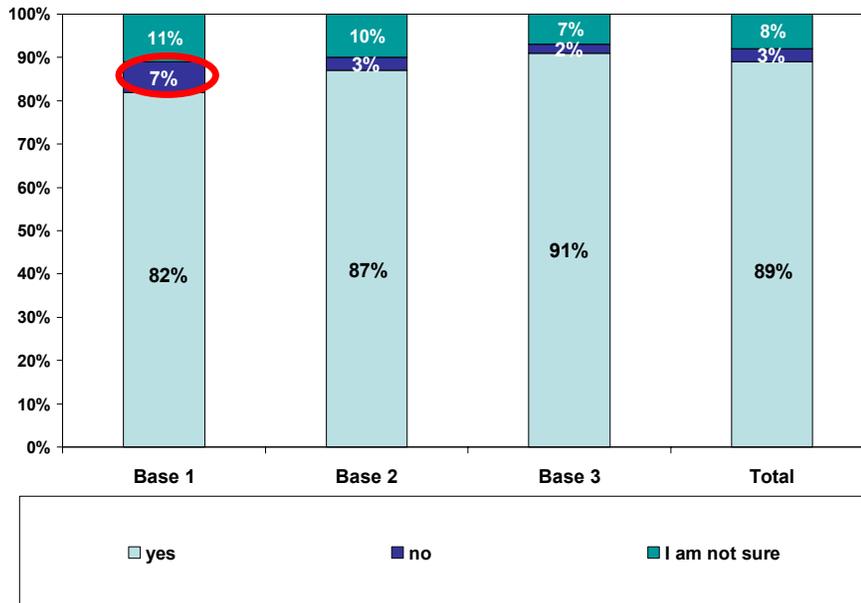


Would you recommend the program to your friends?



Almost 90% of all surveyed value CIPA program highly and are ready to recommend it to the peers.

Would you recommend the program to your friends? (%)



“Oldest” participants are most critical towards the CIPA program. About 7% of those would not recommend participating in CIPA program to their friends.

Key Findings

- The newer participants are definitely more eager to continue participation in the CIPA program, than those who were “last seen” a while ago.
- One-third of the more recent participants are planning to go to summer exams, comparing to only 7% rate among older participants.
- Most recent participants are also the most active, more than two-thirds of those planning to participate have already registered at the moment of call (end of registration time).

Key Findings

- There is a reverse relationship between the being “last seen” in the program and eagerness to participate in exams.
- Reasons for not participating in summer 2006 exams have the same patterns throughout all “aged groups”, with lack of time being the outstandingly popular answer.
- Two other major reasons for not taking exams right now – the high price and lack of interest to CIPA program tend to increase with time “being last seen”.

Key Findings

- At the same time, exactly the half of all successfully communicated respondents (and 89% of those not planning to participate in July 2006 session) stated that they have plans to pass exams in the future.
- The willingness to participate in future exams (not this time) is quite uniform throughout all three “age groups” of the study (about 90%).
- Dropping out reasons: two most popular reasons for disenchantment, not participating in the CIPA program ever, are that
 - 1) CIPA is not affecting income and
 - 2) it is too complicated and unnecessary for participants.

Key Findings

- There is a slight tendency of people thinking that employers don't care about certificates as they stop showing up at CIPA events. CIPA being a state (governmentally required) standard is the least mentioned option through all "aged groups".
- The most recent participants are the least sensitive to exam price, while the majority of respondents wish that exam price would be up to 100 UAH.
- CIPA program participants demonstrate a rather high knowledge of foreign languages. English is overwhelmingly popular, with German, French, and Polish lagging behind.
 - CIPA participants also speak Spanish, Bulgarian, Italian, Turkish, Slovak, Azeri, Lithuanian, Belorussian, Hungarian.

Key Findings

- Vast majority of respondents think that CIPA has no competitors, but awareness of other certification programs falls with "aged group" – i.e. most recent participants know more about other professional certifications.
 - The most popular competitor, as perceived by participants, is ACCA.
- Almost 90% of all surveyed value CIPA program highly and are ready to recommend it to the peers.
- "Oldest" participants are most critical towards the CIPA program. About 7% of those would not recommend participating in CIPA program to their friends (with 11% "don't know" answer).