



LUHANS'K COMMUNITY PROFILE

Compiled by

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I INTRODUCTION

The city of Luhans'k is the administrative center of the Luhans'k oblast and it is one of the largest industrial, scientific, cultural and commercial cities of Ukraine. It is located in the eastern part of the Donetsk Coal Basin. It has an area of 282,3 sq km, which comprises almost 1,1% of the oblast's territory.

The city has a very advantageous geographical location – it is situated in the crossroads of important transport routs.

Luhans'k is divided into four districts – Artemivs'kyi, Zhovtnevyi, Kamyanobrodskyi and Leninskyi. Besides, the towns of Shchastya, Oleksandrivs'k and Yuvileine are subject to the municipal district councils.

Shchastya – is the town subject to the Zhovtnevyi district municipal council. This town is located on the left bank of the Siverskiy Donets' river and it is in the 18 km distance from Luhans'k. Shchastya is one of the youngest towns in the oblast. Its origin is related to the construction of the heat-electric generating plant. The town of the powermen developed from a small village with the same name, which was founded in the middle of the 17th century.

Oleksandrivs'k - is the town subject to the Artemivs'kyi district municipal council. This town is located in the western outskirts of Luhans'k on the middle stream of the Luhan' river.

There is one more territory that is subject to the Artemivs'kyi district municipal council. It is an urban type community village of Yuvileine. It is located in the 28 km distance from the regional center and within 8 km. from Luhans'k train station. The eastern border of the village is directly sides with the outskirts of the city of Luhans'k.

The major factor that determined the peculiarities of the climate of the above mentioned territory is the geographical latitude. An extreme continental climate formed on this territory, because it is positioned in the middle between the Equator and the North Pole. This type of climate features droughty and hot summer with droughty and dry winds and relatively cold winter with few snowfalls. The average temperature of the warmest month (July) is +22⁰C, the highest summer temperature is +40-45⁰C and the coldest month (January) is -7,9⁰C, the lowest winter temperature occasionally reaches -42⁰C.

The average volume of precipitations is 460 mm per year. The number of precipitation days is small. In summer it could be weeks, or even months without rain. It typically rains in the form of heavy showers. That is why the largest volume of precipitations (approximately one half of a year's volume) falls in summer. Most of the thunderstorms and heavy showers happen in July. Heavy showers deteriorate the top soil level, erode ravines, gullies.

The landscape has a major influence upon the climate. The most generic feature of the country's landscape is the interchange of open spaces with hills and river valleys, galleys and a very intensive ravine formation. Two rivers flow through this territory that are a very important for vital activity. They are Luhan' and the largest water way of Donbas – Siverskiy Donets'. Diverse landscape and climate conditions caused a considerably diverse underlayer. In the valleys of the rivers that flow through the territory one can find separate spots of alkaline and typical saline soil and small areas of callow soils in some other locations. Although, in general, the underlayer consists of rich black soil, typical argillaceous sand, sod eroded soil on shale and it is appropriate for growing all types of timber.

The presence of heavy industry enterprises and other branches that have historical origin in the city of Luhans'k caused the process of formation of a large industrial system with high concentration of production. The municipal industry is represented through a number of branches with machine-building and metal-working as the main ones. Light industry and food industry branches play a very substantial role in Luhans'k industry as well.

Consumer goods production plays a very important role in municipal functioning.

The industrial value of the territory is formed by the presence of a high quality coal deposits which are mined in village of Yuvileine and by the distribution of certain construction supplies. There have been established therapeutic mineral water springs in the city.

Table 1. Comparison of the city and the region

	Area (sq m)	Area to the total area of the country (%)	Population	Population to the the total population of the country (%)	Density of population (person per sq km)
City	286,0	0,047	486961	1,034	1702,66
Region	X	X	X	X	X
Oblast	26684,0	4,42	2405,854	5,1	90,2
Ukraine	603700	100,000	47100500	100,000	78,02

Table 2. Functional characteristics of the competitor cities

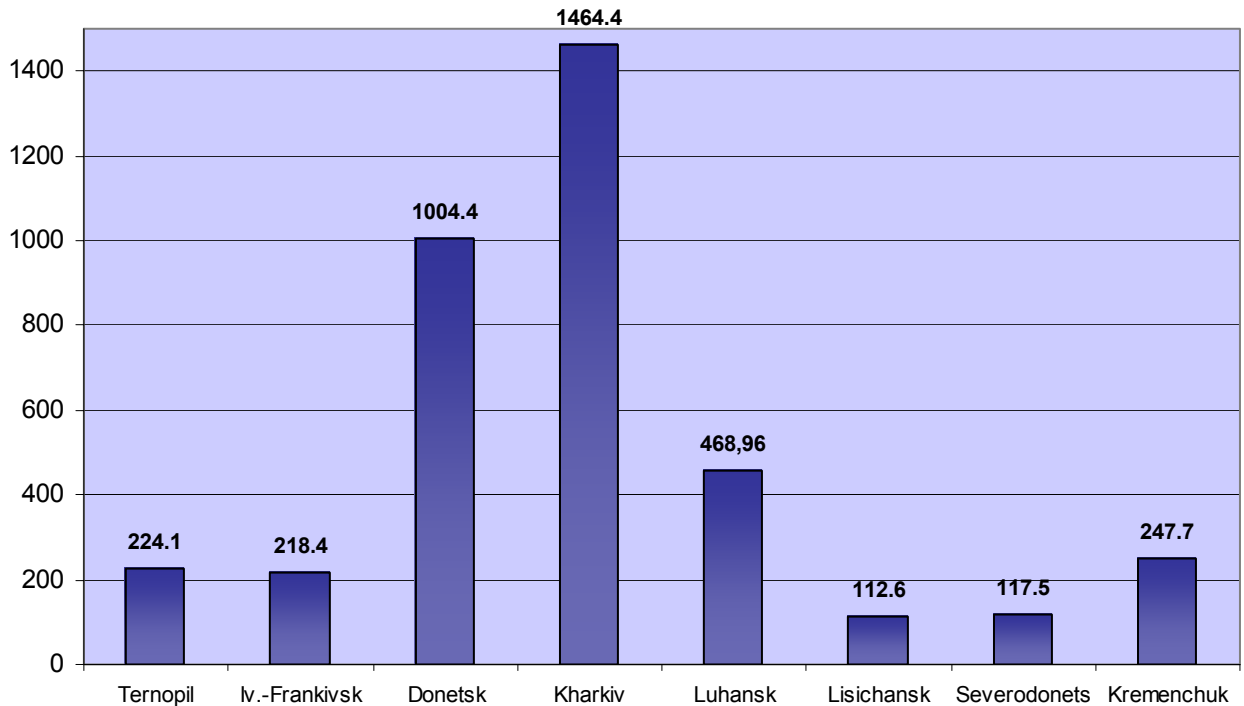
	Function		
	Population	Employment	Services
Luhansk	1,034%	0,715%	0,000%
Donetsk	2,213%	-	0,000%
Kharkiv	3,121%	6,335%	8,156%

Note: Function “population” – number of permanent residents of the city as percentage to the country population; function “employment” – number of employees in the city as percentage to the total number of employees in the country; function “services” the same as “employment” for agriculture, forestry, industry, construction, transportation and communication.

Comparative characteristics to the population of Ukraine, %



Population (as of 2004)



Luhans'k competitor cities are Donetsk'k and Severodonets'k. Luhans'k is the 2nd in the population number among the competitor cities. The population of Luhans'k is 468, 96 thousand people, while the population of Donetsk'k is 1004, 4 thousand people, and the population of Severodonets'k is 117, 5 thousand people. In Luhans'k, there are 2, 5 times less residents than in Donetsk'k, and 2, 5 times more than in Severodonets'k.

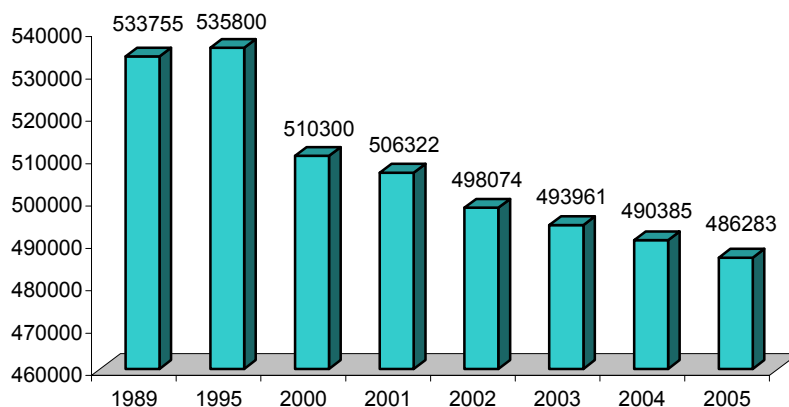
II POPULATION

In 2005, the population of Luhans'k was 486 961 people; the population density was 1702, 66 per sq. km. From 1989 to 2002, there was observed the growth of the population, but starting 2002, new tendencies emerged and the pace of population growth declined. This problem is related to a complex environmental condition, to the reduction of the number of population in a childbearing age from the total amount of the population of the region and to the decline in the overall quality of life among population.

Table 3. City population in the period of 1989-2005. (Dec 31)

	1989	1995	2000	2001	2002	2003	2004	2005
City	533755	535800	510300	506322	498074	493961	490385	486283

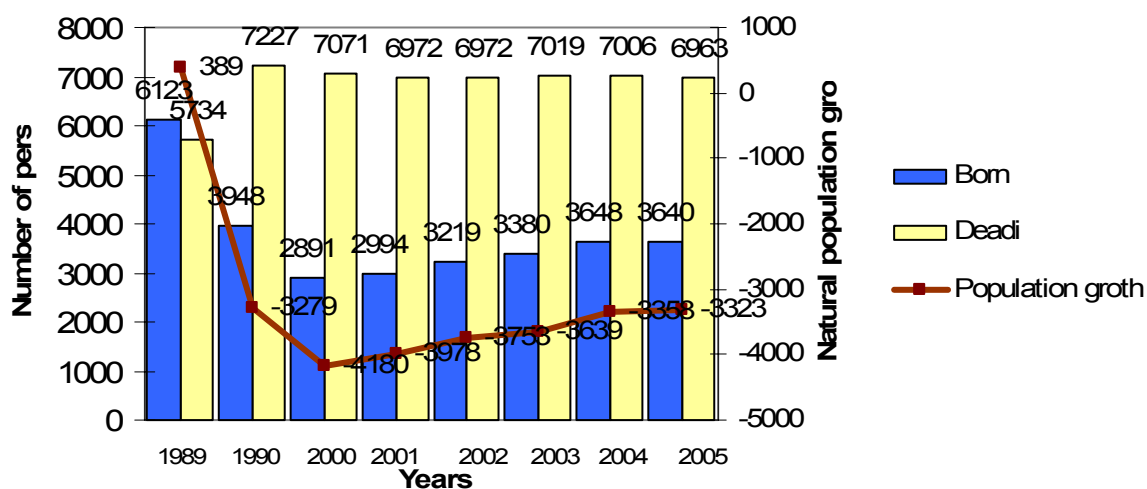
**City of Luhansk population
1989 to 2005. (residents)**



Natural and migration changes in population

	1990	1995	2000	2001	2002	2003	2004	2005
Born	6123	3948	2891	2994	3219	3380	3648	3640
Dead	5744	7227	7071	6972	6865	7019	7006	6963
Natural population increase	379	-3279	-4180	-3978	-3646	-3639	-3358	-3323
Immigrants	-	-	759	-	2521	411	407	1739
Emigrants	-	-	1568	-	7016	885	625	2518
Gross migration	-	-	-809	-	-4495	-474	-218	-779
Total populations changes	-	-	-4989	-	-8141	-		
Chain index – population changes (%)	-	98,7	95,2	99,4	99,1	99,3	99,3	99,3

**City of Luhansk demographic situation 1989 -
2005**



According to the data from the table, the death rate in Luhans'k exceeds the birth rate almost twice. From 1989 to 2000 population growth declined in a very fast pace, but starting 2000 we can observe that it is growing slowly, because of the indicated increase of birth level in the birth and death ratio. If in 2000, there were born 2891 people, while 7071 people died, then in 2002, 3219 people were born, while 6972 people passed away.

Another significant reason for the decline in the number of population is the migration processes among population. In fact, most of migration takes place towards the cities in the Russian Federation. This process started at the end of the 90s and it is still on. This is how people react to the processes that occur in municipal industry, which is in economic recession.

Table 4. Population distribution by age ¹

	1989 ³	% ⁴	2000 ²	% ⁴	2005	% ⁴
Men 0-14 years old	55085	11,08	34434	6,75	27826	5,67
Women 0-14 years old	52914	10,65	32457	6,36	26429	5,38
Men and women 0-14 years old combined	107999	21,73	66891	13,11	54255	11,05
Men 15-24 years old	38897	7,83	45357	8,89	43333	8,82
Women 15-24 years old	44187	8,89	47352	9,28	47198	9,61
Men and women 15-24 years old combined	83084	16,72	92709	18,17	90531	18,4
Men 25-44 years old	77059	15,50	68694	13,46	67032	13,65
Women 25-44 years	85687	17,24	77001	15,09	73739	15,02
Men and women 25-44 years old combined	162746	32,75	145695	28,55	140771	28,67
Men 45-60 years old	48829	9,82	43624	8,55	46382 ⁵	9,45
Women 45-60 years old	58797	11,83	57789	11,32	61614 ⁵	12,55
Men and women 45-60 years old combined	107626	21,66	101413	19,87	107996 ⁵	21,99
Men over 60 years old	22644	4,56	33305	6,53	32242 ⁶	6,57
Women over 60 years old	49656	9,99	59201	11,60	59652 ⁶	12,15
Men and women over 60 years old combined	72300	14,55	92506	18,13	91894 ⁶	18,71
«Age index»	0,67		1,38		1,69	

1- Population division by Luhansk city council.

2- Data as of Dec. 05, 2001 census.

3- Data as of 1989 census.

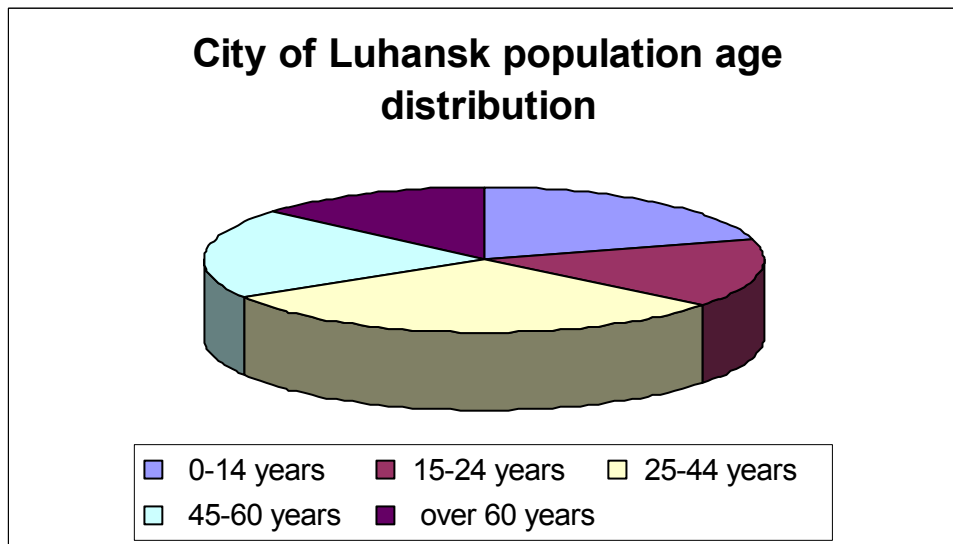
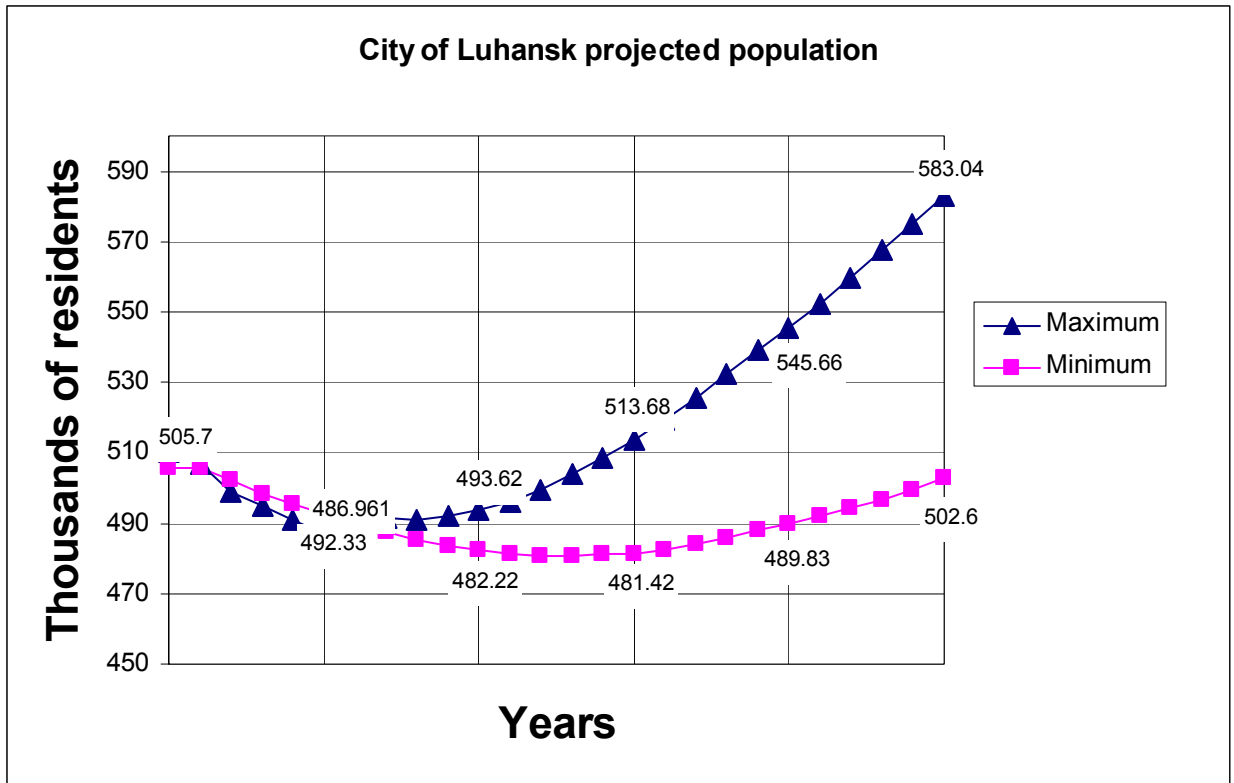
4- Percentage of the same population

5- 45 to 59 years old (as no data available for 45-60 years old group)

6- 60 years old.

Note:

$$\text{Age index} = \frac{\text{Number of population over 60 years old}}{\text{Number of population under 14 years old}}$$



Speaking about the age based distribution of population in the city one can observe, that female population is prevalent in almost all age categories. The total amount of able-bodied population exceeds the amount of residents in the retirement age. Although, based on the data from the table, it is obvious that the rate of the able-bodied population is constantly declining, while the amount of residents in the retirement age is growing. It means that in just a few years the employment market will experience a severe shortage of the work force.

The information in the graph, on the demographic situation in Luhans'k, is the forecast of the Institute of Economics and Law Research of the National Academy of Science of Ukraine.

Table 5. Education levels of population (10 years and older) (based on the information from 2001 national census)

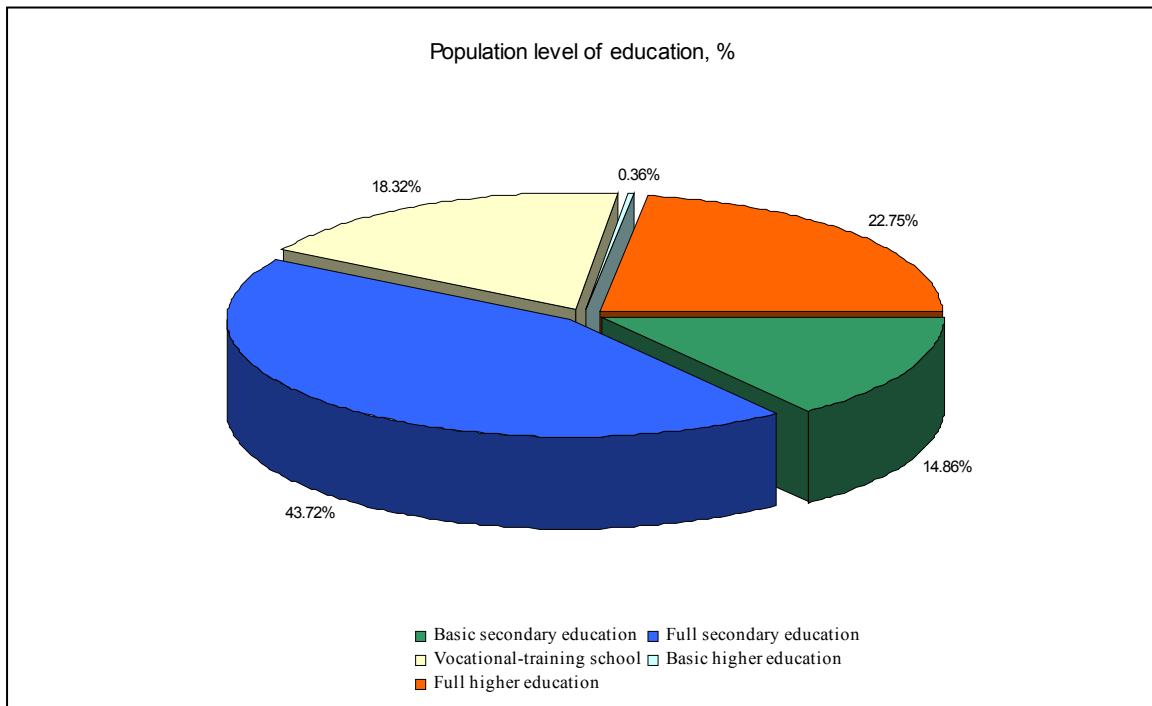
	Number of person	Structure (%) ²	Structure for the Ukrainian urban population, %
Basic secondary education	58749	18,19	25,0
Full secondary education	172870	53,52	34,8
Vocational-training school	72417 ³	22,42	
Basic higher education	1422	0,44	21,3
Full higher education	89933	27,85	16,6

- 1 – level of education for the population above 10 years old
- 2 – structure calculated for the total population above 10 years old
- 3 – total number of person graduated from vocational training school

Notes:

- 1) For “Vocational-training school” category stated total number of person graduated from vocational-training schools (excluding ones entered colleges and universities) regardless level of their secondary education (basic of full)
- 2) For “Full secondary education” category stated total number of person with full secondary education graduated both from secondary schools and vocational-training schools.

In Luhans’k, there arose a situation where a significant number of residents who have higher education have unemployed status, which means that this particular category of city residents is constantly filling the army of the unemployed. It indicates that the municipal employment market will not develop. There is no state demand for training of certain specialists. This can lead to the situation, where the city’s economy will stop developing and the new technologies will not be implemented. Finally, it will cause the decline in the municipal economy and cultural life.



Summary of the chapter

The demographic situation in Luhans'k remains complex for the last couple of years. The research in the internal population migration processes shows that the flow of migration aims at other oblasts (including Kharkivs'ka and Donets'ka oblasts), other countries, but never at Luhans'k, or other towns of Luhans'k oblast.

The analysis of the dynamics of the population structure shows that the female population is prevalent over males in the total amount of population. The female population prevalence is observed after the margin of 15 years of age. It indicates that the female age structure is older than male.

III. HOUSING

Housing and communal services is one of the most important social services, that provides residents, enterprises and organizations with all the necessary housing and communal services.

Operation and maintenance of housing recourses of the territorial community fund of the communal property of Luhans'k is carried out through 3 municipal housing enterprises ra association of residents „ZHEK-2” of the municipal public organization „ The Revived Historical Center”.

The Housing and Communal Services Reform and Development Program is aimed towards improvement of the situation. The objective of the Program is to raise the effectiveness and reliability levels of functioning of the life-support systems for the population, quality improvement for housing and communal services, ensuring availability of the latter for the residents with low income level.

There are 334 apartment buildings in the city that belong to the category of the initial mass series of housing construction. These, so called “khrushchevsky”, were built in 60s-70s and now they require an urgent upgrade. Besides, the technical condition of these housing recourses is absolutely unsatisfactory, especially those housing recourses that were taken to the communal property from bankrupt enterprises.

In order to support the establishment of the Apartment Buildings Proprietors Association (ABPA) the executive authorities of Luhans'k City Council, using mass media resources, conducted a broad range of educational activities, provide the general public and residents self-organization authorities with the necessary organizational, legal and methodological assistance in order to involve them in the process of finding solutions for housing issues.

Housing is one of the most energy consuming kinds of municipal economy. Among apartment buildings in use, there are buildings that have been built with no consideration of energy saving measures.

The absence of heat insulation in the walls, roofs, basements, heating system thermoregulators, hermetic windows and doors leads to a significant loss of heat and electric power.

City of Luhansk major residential construction objects year 2006.

№	Name	Dates of construction
1	Residential complex “Oxford” next to Eastern Ukrainian National University named after V. Dal', Molodizhny square	2006-2007
2	Three section multistory residential building, Molodizhny square, Zhvtnevy rayon (next to building number 1b)	2006-2007

3	Residential building with build-in trading and services complex, next to the crossroad of Luhacharskogo and Kotsubynskogo streets.	2006-2007
4	Residential building at 12 Kotsubynskogo str., crossroad with Lermontova str.	2006-2007
5	Residential micro-district "Dubki", Pavlovska str., Leninski komsomol square	2006-2007
6	Residential micro-district at 26 Bakinskikh Komisariv str.	2006-2007
7	Two storey building, Kakhovska str. ("Babiy Yar" ravine)	2006-2007
8	Nine storey residential building, horodok Ostra Mohyla (next to buildings number 157 and 158)	2006-2007
9	Residential building at Alexeeva str.	2006-2007
10	Residential building, Yuvileyny settlement	2006-2007
11	Residential building, Zarichny square	2006-2007
12	Residential building with a build-in trading center at Krasnoznamjonna str.	2006-2007
13	Residential building at Lenina str.(next to building number 121)	2006-2007

In 2005 the residents of Luhans'k paid 144,0 million UAH for housing and communal services, including acquittance payments for previous seasons. It is 39% (41,1 million UAH) more compared to 2004. Besides, the residents paid 29,9 million UAH for power consumption.

The residents' payment level for housing and communal services in 2005 is 121,8%.

Utilities payments, year 2005.

Total to be paid, thousand UAH	118261,7
Total paid, thousand UAH	143988,0
Level of payment, %	121,8

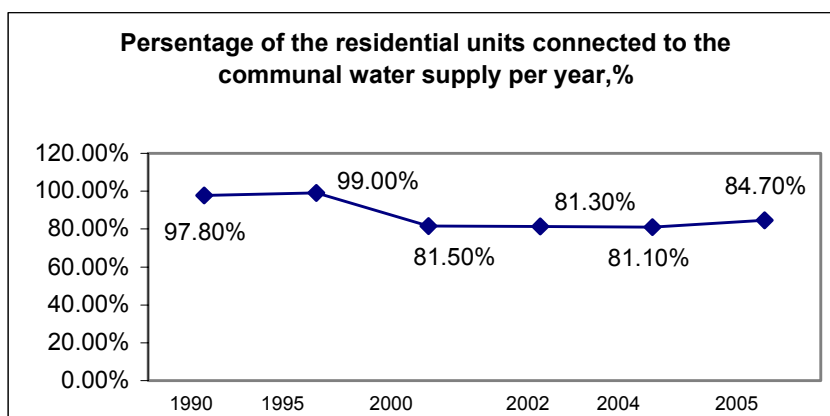
Number of utilities personal accounts as of January 10, 2006

	Total	With debt	With debt over 3 months
Utilities and building maintenance fee			
Building maintenance fee	116214	77303	36716
Water supply	173210	131528	98969
Drainage	6207	2511	2511
Heating and hot water supply	117883	87324	76486
Gas supply	172649	131450	108861
Trash removal	19784	11053	5741
Also,			

Electricity	177740	61167	-
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Table 6. Housing support development

	1990	1995	2000	2002	2004	2005
Total number of permanently occupied residential units, including	55695	56430	56879	56997	57400	57450
- private houses	52358	53268	54240	54420	55177	55416
- % of private houses	94,01	94,40	95,36	95,48	96,13	96,46
Permanently occupied residential units, including	113158	74531	174673	173562	171442	210444
- private houses	-	-	125351	130620	150121	154120
- % private houses	-	-	0,72	0,75	0,88	0,73
% of residential units connected to the communal water supply	97,80	99,00	81,50	81,30	81,10	84,70
% of residential units connected to the communal gas supply	93,60	92,10	86,70	86,10	85,80	87,60
% of residential units connected to the communal sewerage	97,40	98,70	80,20	79,90	79,70	83,60
% of residential units connected to the communal heating	96,90	96,90	85,50	85,60	85,40	88,20
Number of the residential units per 100 residents	20,9	14,2	34,8	35,1	35,1	43,4
Number of the residential units per 100 residents in Ukraine (for urban population)	50,7	52,1	56,8	58,4	-	-



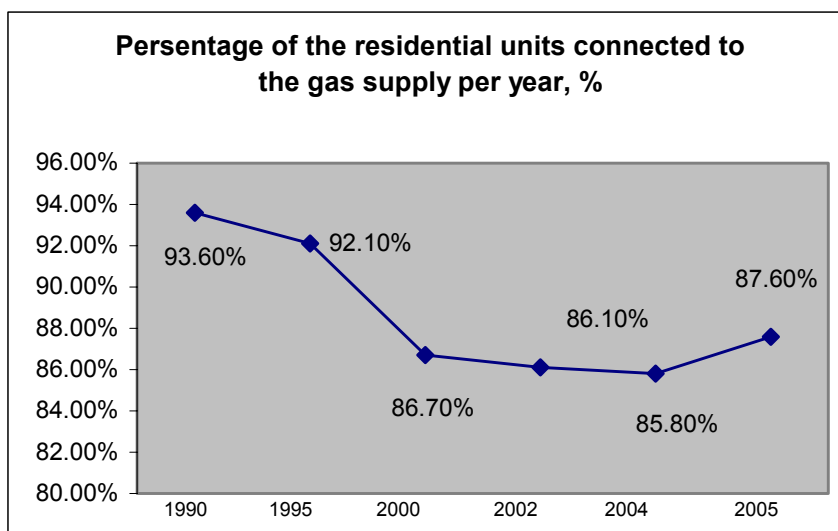
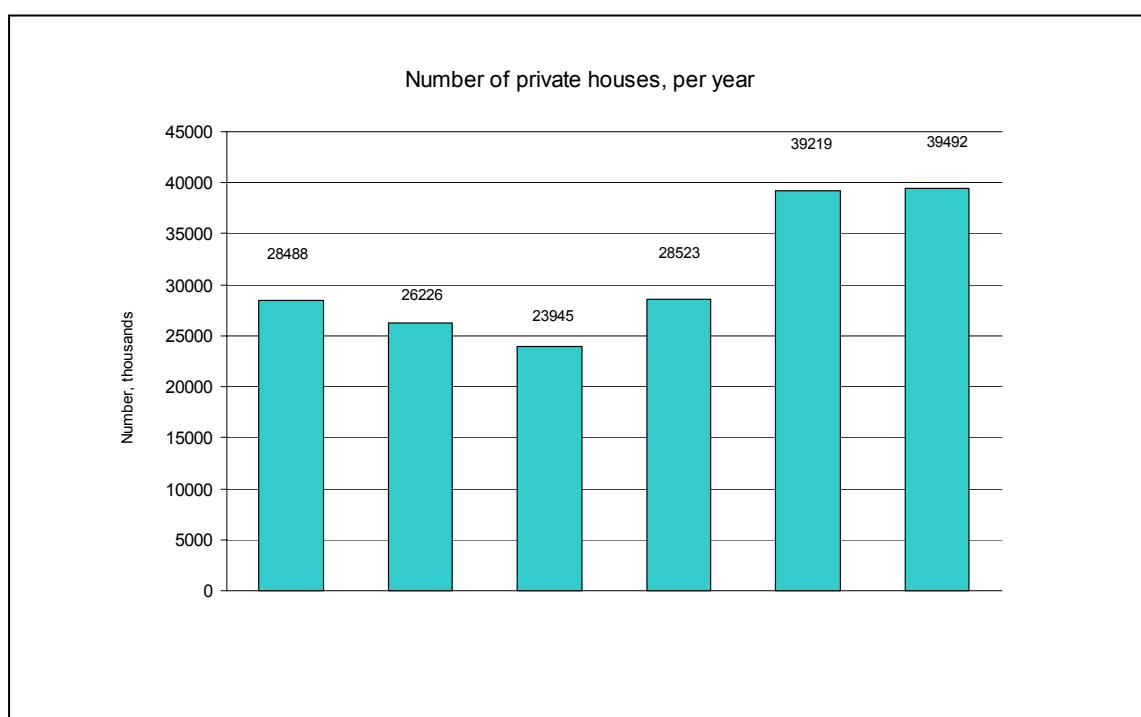


Table 7. Introduction of new housing

	1990	1995	2000	2002	2004	2005	2006
Total number of the new housing, including:	166560	68160	42241	46742	52343	65361	76910
- private houses	28488	26226	23945	28523	39219	9492	44600
- % of private houses	17	38	57	61	75	60	58
New housing construction, including:	-	-	-	-	-	-	-
- private houses	-	-	-	-	-	-	-
- % of private houses	-	-	-	-	-	-	-
Average price of the residential buildings, per sq m, UAH	-	-	945	1330	1515	1967	2546



Speaking about the tendencies of construction of new municipal housing, it must be mentioned that the number of new private houses prevails over the number of new apartment buildings, because municipal housing construction is not carried out and investment projects, aimed at construction of housing estate, are still in the development stage.

The increase in prices for both new and used housing market is observed due to the underdeveloped market of new housing, absence of the price offers competition for living quarters on one hand with a continuous increase in demand in the used housing market because of a small amount of new living quarters on the other.

Summary of the chapter

Housing and communal services require improvement of their structure and raise of management effectiveness level of the property that belongs to Luhans'k territorial community (housing resources, objects of engineering infrastructure etc.), establishment of competitive environment in services domain and systematic and major renovations of the housing resources. Major challenges: absence of profits and low housing functional effectiveness; municipal housing resources are technically outdated.

IV. EMPLOYMENT AND REVENUE

2,1 thousand unemployed residents were registered with Luhans'k municipal employment center by Jan 1 06.

During 2005, 6660 people were employed, 147 residents found employment on subsidy, 196 – received a one-time financial aid for starting private enterprises. 1780 residents were involved in community work. 1125 people were trained and retrained.

An average employment level for 2005 is 10% higher than the corresponding level for the same period of the previous year.

Female residents comprise 59,4% (2252 people), young population (28 years old and younger) – 37,5% (1423 people) of the total number of employed

In 2005, 344 municipal enterprises planned to reduce the number of personnel by 6033 people. In fact, 2168 people in 282 enterprises lost their jobs. Among them: 930 female residents (55,9% of the total number of dismissed), young population (28 years old and younger) – 186 people (11,2%), 913 office workers (54,8%), 568 – worker positions (34,1%), 184 – positions that did not require any special training (11,1%) of the total number of dismissed.

One can observe an increase in the rates of planned and actual employee dismissal, i.e. 140% versus 125,5% in 2004.

One of the most important areas of municipal employment service activities is establishment and support of partnership relations and cooperation aimed at satisfaction of the need of the employers in personnel on one hand, and the need of the employment service in positions for the unemployed on the other.

Some of the most effective activities in this area are employment fairs and specialist auctions.

Major challenges:

- inappropriate adherence of certain employers to the labor law requirements about registering contractual agreements officially with hired personnel;
- proficiency and qualification disbalance in the job market;
- lack of qualified workers and engineer personnel who have professional work experience in industry, construction and other areas;
- difficulties with employment for noncompetitive population categories in the job market (physically challenged, young population, etc).

IV A. Employment

Table 8. Employment, based on activity categories

	1990	1995	2000	2001	2002	2003	2004
City							145 058
Oblast	-	-	574700	569300	568500	579200	-
Ukraine	-	23811900	21336700	21112400	21502500	21587500	-

Small business employment

Year	2000	2001	2002	2003	2004
City	23246	25022	27384	28662	27155

In 2005 the work force movements in Luhans'k comprised 9 396 people. There was a reduction in 5,3% among those who voluntarily quit their jobs. There was an increase in 6,1% among those who registered in the period of Jan-Dec 2005 compared to the rates of 2004 (7269 and 6848 people accordingly).

In 2005, 344 city enterprises planned to reduce the number of personnel by 6 033 people. In fact, 2168 people in 282 enterprises lost their jobs. This number comprises 35,9% of the planned amount. The major personnel reductions took place in the following enterprises: Public Corporation "Luhans'k Municipal Auto Park" - 113 people, Association, Research Enterprise "Luhans'kermal'" - 109 people; State Guard Service Department of Ministry of Foreign Affairs Administration in Luhans'k oblast - 106 people.

An increase in actual dismissal from positions in 2005 caused an increase in the number of registered unemployed in Luhans'k municipal employment center. The number was 1245 people, which is 10% more than in 2004 (1131 people). This rate made a significant impact on the number of residents who applied for early retirement for people of pre-retirement age.

Year	Number of person who applied for early retirement
2003	207
2004	130
2005	211

By July 1 2006, 29 514 retired residents who were employed, were registered in Luhans'k, namely:

- In Artemivskiyi district - 5 255 people;
- In Zhovtnevyi district - 9 247 people;
- In Leninskyi district - 12 857 people;
- In Kamyanobrids'kyi district - 2 155 people.

In 2005, 253 people, out of the total number of registered dismissed residents, were employed through the employment center i.e. 20,3% of the total number of the dismissed, registered with the employment center.

4 420 people were employed za 2005 pik. Out of the total number of employed female residents constitute 2615 people, youth (28 years old and younger) - 1677 people.

During 2005, 196 people out of the total number of unemployed received a one time welfare compensation, which is 10 people less than in 2004 (206 people).

Among those, who received a one time financial aid to start a private enterprise, youth (28 years old and younger) comprises -15,3%, female population - 52%. Besides, there are examples of finding a solution for a family unemployment problem through organization of a small-scale business. Therefore, in 2005, two unmarried mothers and two servicemen, who retired due to the reformation process in Ukrainian Armed Forces, received a one time financial aid for the unemployed to start a private enterprise.

A characteristic feature of development of modern economics is a structured redistribution of the work force in the area of private business undertakings, a small-scale business and also in other areas of applied labor. Thus, based on statistical observation data of economic activity among population, the number of people, who strive for independent self-employment (self-employed, those who work in family business, or engage in a private part-time farming activities, etc) is growing annually.

IV B. Wages

For the previous years, as the result of achieved macroeconomic stability, raise of labor productivity, increase in minimal government labor compensation and social support guarantees, indexing of wages, a positive tendency of steady raise of nominal and actual profits among population was formed.

Luhans'k city wages in 2005 were 952,59 UAH per month.

The raise of profits among population promoted an increase in consumer demand, internal and regional market development and increase in the production volume in the fields, that function towards satisfaction of consumer demand.

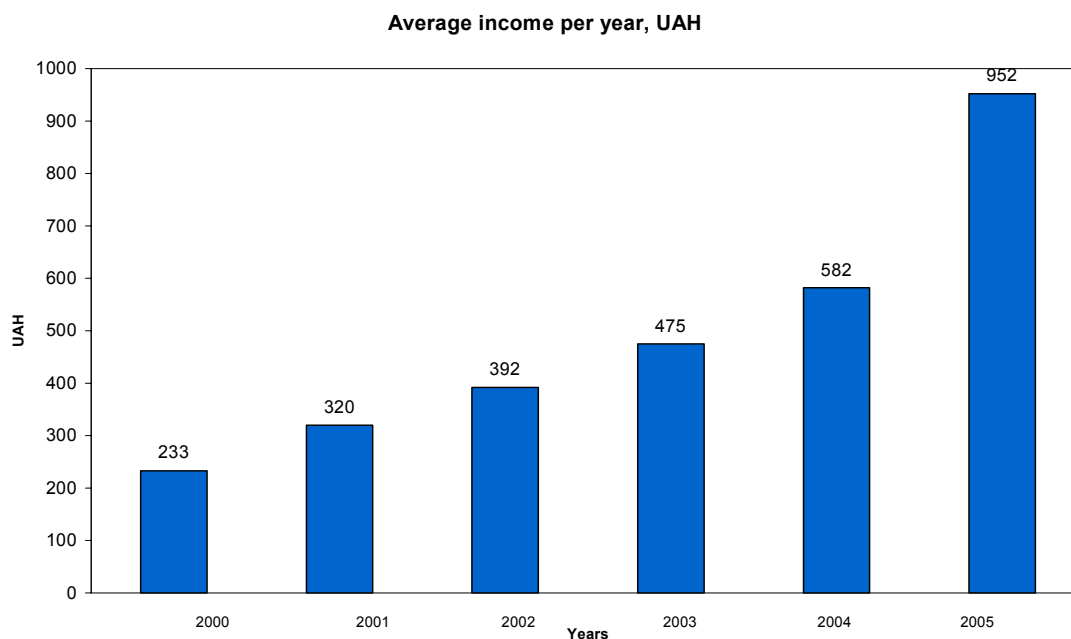
Table 9. Average wages

	2001	2002	2003	2004	2005	2001/ 2000	2002/ 2001	2003/ 2002	2004/ 2003	2005/ 2004
	Nominal value, UAH					Increase, %				
City	320,0	392,0	475,0	582,0	952,2	37,34	21,17	22,53	22,5	63,62
Rayon	-	-	-	-	-	-	-	-	-	-
Oblast	320,0	393,3	473,5	595,8		37,39	22,91	20,40	25,82	-
Ukraine	311,0	376,3	462,2	589,6		35,22	21,02	22,82	27,55	-

By Jan 1 06, the total amount of arrears of wages in Luhans'k was 18,8 million UAH, which is 13,0 % more compared to the beginning of the year.

The highest arrears of wages are within the industrial municipal enterprises, it is 49, 7% of the total amount of arrears of wages. Construction industry has 17, 6% of arrears of wages, Transport and Communications industries – 4, 7%.

Large municipal enterprises have more than 25,0% of the total amount of arrears of wages including enterprises of state property, that have been filed for bankruptcy.



At this point 24 municipal enterprises with the total amount of arrears of wages equal to 9465,3 thousand UAH go through paying capacity recovery or bankruptcy procedures.

10. Wages, based on activity categories

	2000 ¹	2001 ¹	2002 ²	2003 ²	2004 ²	2001/ 2000	2002/ 2001	2003/ 2002	2004/ 2003
	Nominal value, UAH					Increase, %			
Agriculture, hunting, forestry and fishing	-	-	369,09	1006,1	1133,7	-	-	172,58	12,68
Industry	-	-	414,66	481,90	611,65	-	-	16,22	26,92
Construction	-	-	334,86	370,39	442,58	-	-	10,61	19,49
Wholesale and retail trade; means of transportation trade and services	-	-	248,10	289,44	355,21	-	-	16,66	22,72
Hotels and restaurants	-	-	204,31	244,98	304,37	-	-	19,91	24,24
Transportation and communication	-	-	558,56	682,55	816,63	-	-	22,20	19,64
Finance	-	-	978,31	948,28	1176,2	-	-	-3,07	24,04
Real estate trade and rent	-	-	392,78	464,41	605,78	-	-	18,24	30,44
Government	-	-	551,17	641,85	733,63	-	-	16,45	14,30
Education	-	-	287,49	374,99	458,92	-	-	30,44	22,38
Health care and social services	-	-	232,31	290,86	363,60	-	-	25,20	25,01
Professional and other services	-	-	263,84	304,85	385,97	-	-	15,54	26,61

1- No data collected for years 2000 and 2001

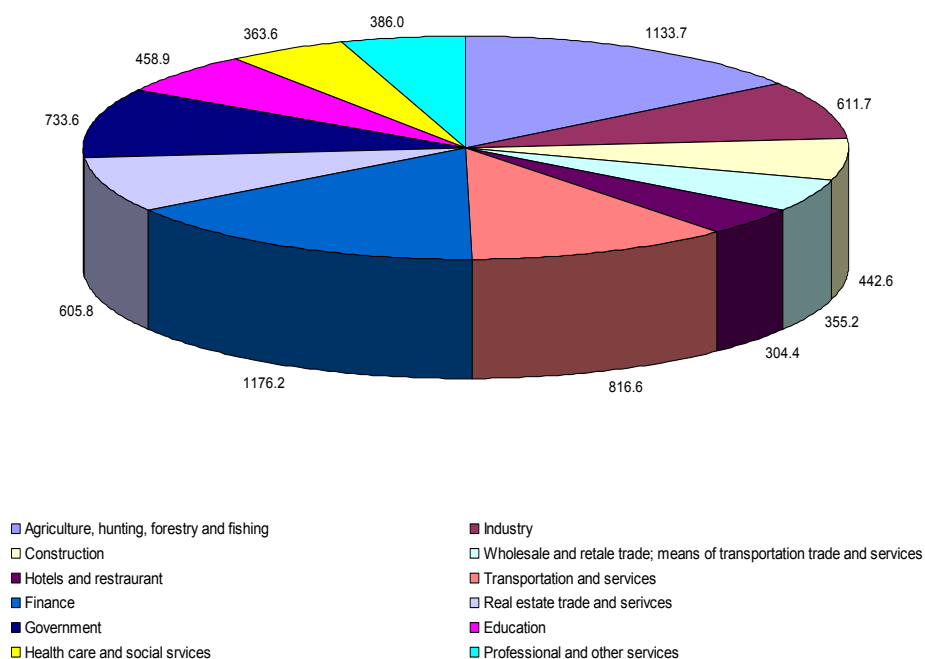
2- Offset Structures not included

For the last few years, there has been achieved macroeconomic stability in promotion of rising of the quality of life, decrease in arrears of wages, increase in actual wages, retirement compensations and purchasing capacity among population.

The main support factor of possible demand is the growth of cash income among population. Starting Jan 3 2006, a scheduled increase to 350 UAH in the minimum wages level took place.

The highest wages are among those, who work in financial services - 1 176,2 UAH. For transport and communications enterprises this number is 816 UAH. 733 UAH receive local government administration employees. The lowest wages are among those, who work in health services and social support - 363,6 UAH.

Income per sectors of economy year 2004, UAH



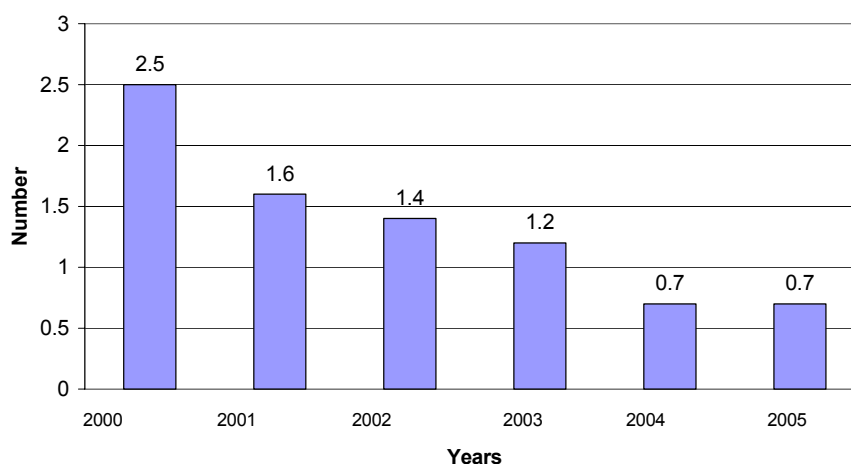
IV C. Unemployment

Table 11. Registered unemployment level by Dec 31 (percentage ratio to the level of economically active population in the age capable of working)

	2000	2001	2002	2003	2004	2005
City	1,3	1,0	0,9	0,8	0,7	0,7
Ukraine	4,2	3,7	3,8	3,6	-	-

Table 12. Number of unemployed per vacancy by Dec 31

	1995	2000	2001	2002	2003	2004	2005
City	-	2,5	1,6	1,4	1,2	0,7	0,7
Ukraine	2	17	11	9	7	-	-

Number of unemployed person per vacancy

The competition rates per vacancy decreased compared to 2003. By Jan 1 2005, it was 0,7 individuals per vacancy and this level remained stable throughout 2005. This fact indicates stabilization in the employment market and prevalence of vacant positions over the demand in the work force in the employment market.

Table 13. Unemployed population, registered on the basis of the education level

	2000		2001		2002		2003		2004		2005	
	person	%	person	%	person	%	person	%	person	%	person	%
Basic secondary education	-	-	-	-	-	-	38	0,7	46	0,8	36	0,7
Full secondary education	-	-	-	-	-	-	553	9,5	558	10,0	588	10,7
Vocational-training school	-	-	-	-	-	-	837	14,3	814	14,5	754	13,7
Basic higher education	-	-	-	-	-	-	2225	38,2	2067	36,9	1910	34,7
Full higher education	-	-	-	-	-	-	2177	37,3	2111	37,8	2210	40,2

One can observe a situation in Luhans'k, when the number of registered unemployed with complete and basic higher education prevails over the number of unemployed with other education levels. Thus, during 2005, 1910 people out of the total number of registered educated unemployed (5498 people) had basic higher education, 2 210 people had complete higher education, 754 unemployed had vocational education, 36 people had basic secondary education and 588 unemployed - complete secondary education.

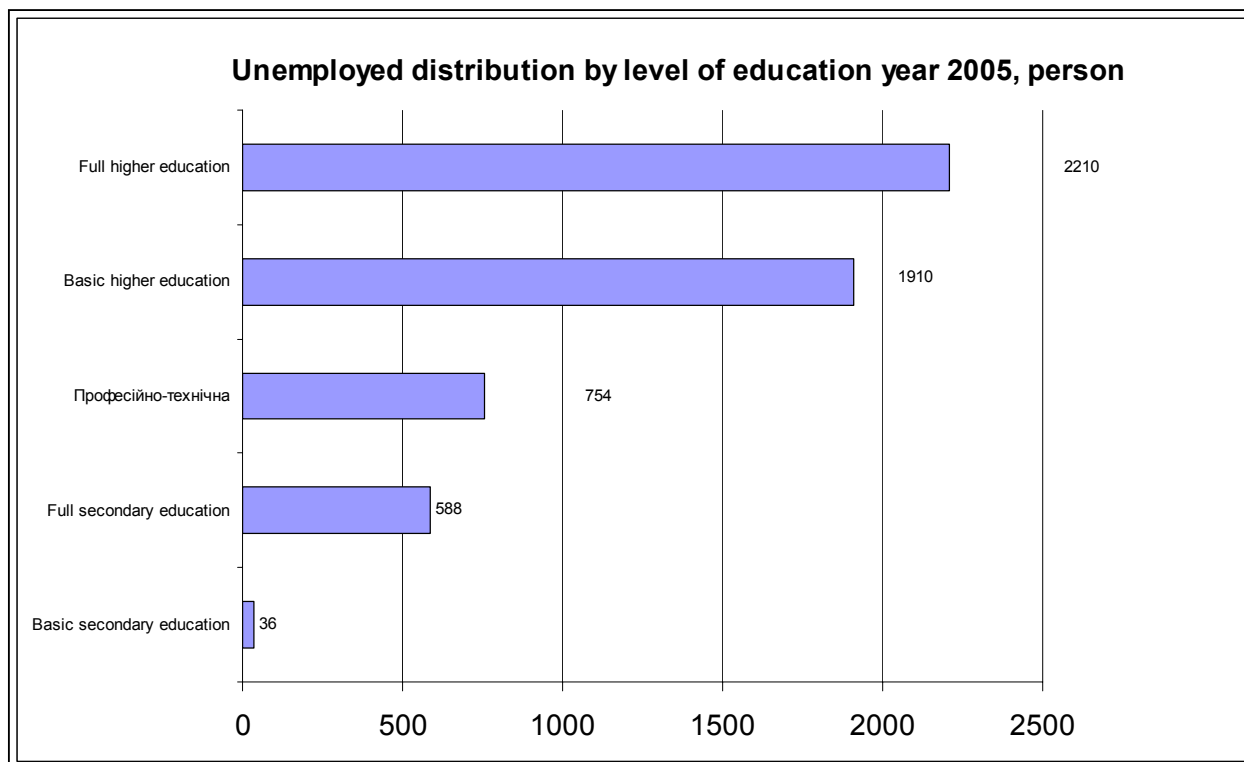


Table 14. Unemployed population, registered on the basis of duration of their unemployed status (by Dec 31)

	2000		2001		2002		2003		2004		2005	
	Person	%	Person	%	Person	%	Person	%	Person	%	Person	%
Up to a month	223	3,0	219	3,0	541	8,5	480	8,2	447	8,0	499	9,1
1-3 months	623	8,5	695	9,4	989	15,4	938	16,1	986	17,6	1171	4,3
4-6 months	1421	19,4	1026	14,3	1381	21,6	1277	21,9	1162	20,8	1301	23,7
7-9 months	1274	17,4	1323	18,4	879	13,7	845	14,5	872	15,6	795	14,6
10-12 months	1174	16,0	1261	17,5	822	12,8	816	14,0	795	14,2	628	11,4
13-18 months	1473	20,1	1486	20,7	1074	16,8	940	16,1	824	14,7	701	12,7
19-24 months	695	9,5	572	8,0	377	5,8	314	5,4	286	5,1	229	4,1
25-36	377	5,1	453	6,3	213	3,3	136	2,3	146	2,6	106	1,9
Over 36 months	75	1,0	173	2,4	133	2,1	86	1,5	79	1,4	68	1,2

Data comparison for the duration of unemployment among the population, registered in the employment center and the unemployed, determined using MOP (MOII) methodology, indicates that chances to find job independently are lower compared to the opportunities of finding a job, with employment service's assistance. Thus, in 2004, the average duration of registered unemployment period was 7 months, while with the unemployed, determined using MOP (MOII) methodology; this rate was higher and comprised 19 months. By the duration of unemployment, the number of unemployed who could not find jobs from 4 to 6 months is dominant, the number of unemployed who could not find jobs for more than 36 months is much less. For example, in 2005 the number of unemployed who could not find jobs from 4 to 6 months was 1301 people, the number of unemployed who could not find jobs for more than 36 months was 68.

Table 15. Age distribution of the registered unemployed population

	2001		2002		2003		2004		2005	
	Person	%	Person	%	Person	%	Person	%	Person	%
15-17 years old	32	0,44	19	0,30	31	0,53	39	0,70%	20	0,40%
18-27 years old	1927	26,7	1592	24,84	1538	26,38	1564	28,00	1531	27,80
28 years old to pension age	5200	72,14	4210	65,69	3720	63,81	3509	62,70	3419	62,20
Other	49	0,68	588	9,17	541	9,28	484	8,60	528	9,60

Table 16. Comparison table of the structure of the registered unemployed population in the city

		2000	2001	2002	2003	2004	2005
Persons registered by unemployment fund for the period over 6 months	City	69,09	73,09	54,58	53,77	53,60	45,90
	Region	-	-	-	-	-	-
	Oblast	31,3	33,6	29,7	35,9	32,9	-
	Ukraine	-	-	-	-	-	-
18-27 years old	City	-	98,37	98,82	26,38	28,00	27,80
	Region	-	-	-	-	-	-
	Oblast	-	-	-	-	-	-
	Ukraine	-	-	-	-	-	-
28 years old to pension age	City	-	-	-	63,81	62,70	62,20
	Region	-	-	-	-	-	-
	Oblast	-	-	-	-	-	-
	Ukraine	-	-	-	-	-	-
Higher education	City	-	-	-	75,50	74,70	74,90
	Region	-	-	-	-	-	-
	Oblast	-	-	-	-	-	-
	Ukraine	-	-	-	-	-	-
Women	City	-	78,78	82,11	81,09	78,34	76,08
	Region	-	-	-	-	-	-

	Oblast	-	-	-	-	-	-
	Ukraine	-	-	-	-	-	-
Person with disabilities	City	0,3	0,22	0,17	0,25	0,40	0,51
	Region	-	-	-	-	-	-
	Oblast	-	-	-	-	-	-
	Ukraine	-	-	-	-	-	-

During 2005, 4 420 people were employed (47,0% to the movements of the work force). There were 2615 women, 1677 young people (28 years old and younger) out of the total number of employed. If to sort residents' employment by the kinds of economic activities - the highest employment level has been achieved in wholesale and retail trade, automobile sales, renovation services - 1495 people and manufacturing industry - 889 people.

5498 unemployed were registered with the employment center in 2005 (58,5% of the total number of registered residents), which made up 98,2 % for the same period of time in 2004 (5597 people), 4390 people received unemployment welfare. The unemployment level decreased by 1,8 points compared to the previous year. During 2005, 1473 unemployed found jobs. The employment level made up 15,7%. The total number of applications to the employment center in 2005 was 55,5 thousand. Residents, who apply to the employment center, are provided with consulting services. The total number of services provided is 28203; they included the following areas: employment - 5956, professional orientation services - 17 879, participation in community work - 4368.

V. ECONOMICS

V.A. Agents of economical activity

The development of private enterprises has a decisive impact on economic growth, stabilization of price formation, expanding of economic ties and ensuring productive employment. In Luhans'k, during 2005, 3670 natural persons, agents of private enterprises and 1056 legal entities were registered.

The total amount of agents of small-scale private enterprises per 10 thousand people of actual population comprises 92,5 agents, which is almost two times more than the average national rates.

In order to solve the employment challenges of the population, a special attention is paid to small-scale private enterprises. The number of employees in small-scale private enterprises is 27,2 thousand people, which is 1,5 thousand people less than in the previous year.

The distribution of the number of small-scale private enterprises by kinds of economic activities featured gradual decrease of a portion of wholesale and retail enterprises (from 59% down to 58,3%) with simultaneous growth of the volume of real estate operations, services for legal entities and construction.

In other words, the process of re-orientation of newly created small-scale private enterprises from trade to other kinds of economic activity is taking place, though not very actively.

The total amount of taxes from agents of economical activity – natural persons by Jan 1 2005 made up 17,5 million UAH and by Dec 1 2005 – 21,2 million UAH.

The following items produce negative impact on the development of municipal economy:

- insufficient coverage for supervisors and specialists in small-scale private enterprises by the system of personnel training for small-scale private enterprises;
- underdevelopment of leasing industry, which can become an effective instrument of obtaining basic assets by the agents of small-scale and mid-level private enterprises;
- factual inaccessibility of long term financing due to high interest rates restrains private enterprise development in the area of manufacturing.

Registered agents of economical activity per 1000 residents by Dec 31

A. Legal entities

	1996	1998	2000	2002	2004	2005
City	24,8	32,0	34,2	35,0	36,4	41,2

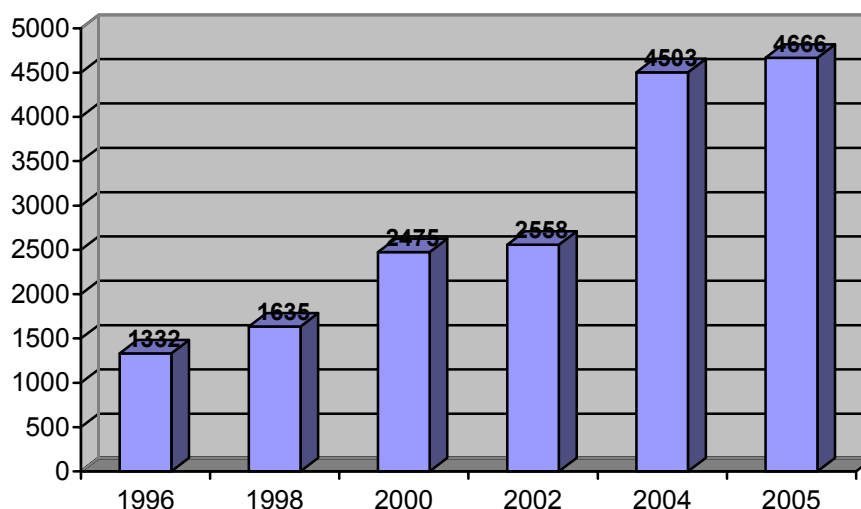
B. Natural persons

	1996	1998	2000	2002	2004	2005
City	--	15,7	33,0	38,2	72,6	74,1

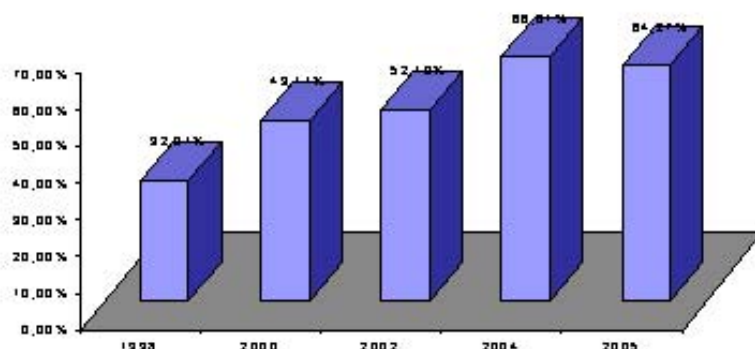
Table 18. Registered agents of municipal business

	1996	1998	2000	2002	2004	2005
Total number of registered businesses	1332	1635	2475	2558	4503	4666
Private entrepreneurs, %	0	49,54	65,87	66,78	78,20	79,94
Number of registered businesses, chain index, %	--	122,7	151,3	103,3	176,0	103,6

Number of the registered businesses, per year



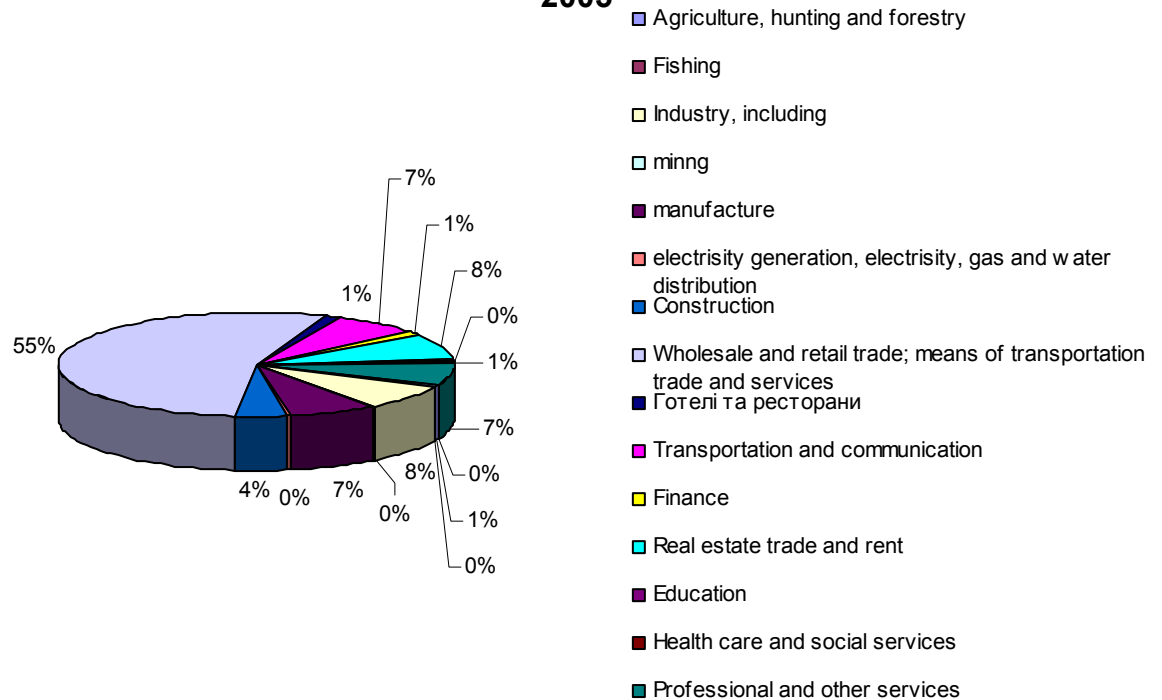
Private entrepreneurs share among all Luhansk business, per year



Registered agents of municipal economical activity

	2000	2004	2005
Agriculture, hunting and forestry	70	157	144
Fishing	5	6	3
Industry, including	918	2047	1247
Mining	377	506	50
Manufacture	541	1541	1197
Electricity generation, electricity, gas and water distribution	24	51	42
Construction	413	808	676
Wholesale and retail trade; means of transportation trade and services	3025	9542	9008
Hotels and restaurants	78	198	184
Transportation and communication	245	1118	1176
Finances	166	226	185
Real estate trade and rent	379	1130	1350
Education	90	163	71
Healthcare and social services	76	200	100
Professional and other services	451	1017	1151
Maidservants	5	3	1
Total			

Registered businesses distribution by sectors of economy year 2005



Based on data, presented in the table, one can observe decrease in the number of registered agents of economic activities in industry, construction, health and social support services.

In 2005, the number of registered agents in the area of education reduced compared to 2004. 163 agents were registered in 2004, and 71 in 2005. The number of agents in extractive industry reduced 10 times over the year (506 agents in 2004 and only 50 in 2005).

On the other hand, one can observe an increase in the number of registered agents in real estate operations (1130 agents in 2004, 1350 in 2005), and in the area of transport and communication services (1118 agents in 2004 and 1176 in 2005).

Table 20. The amount of products and services, based on the kinds of activities in prices by comparison

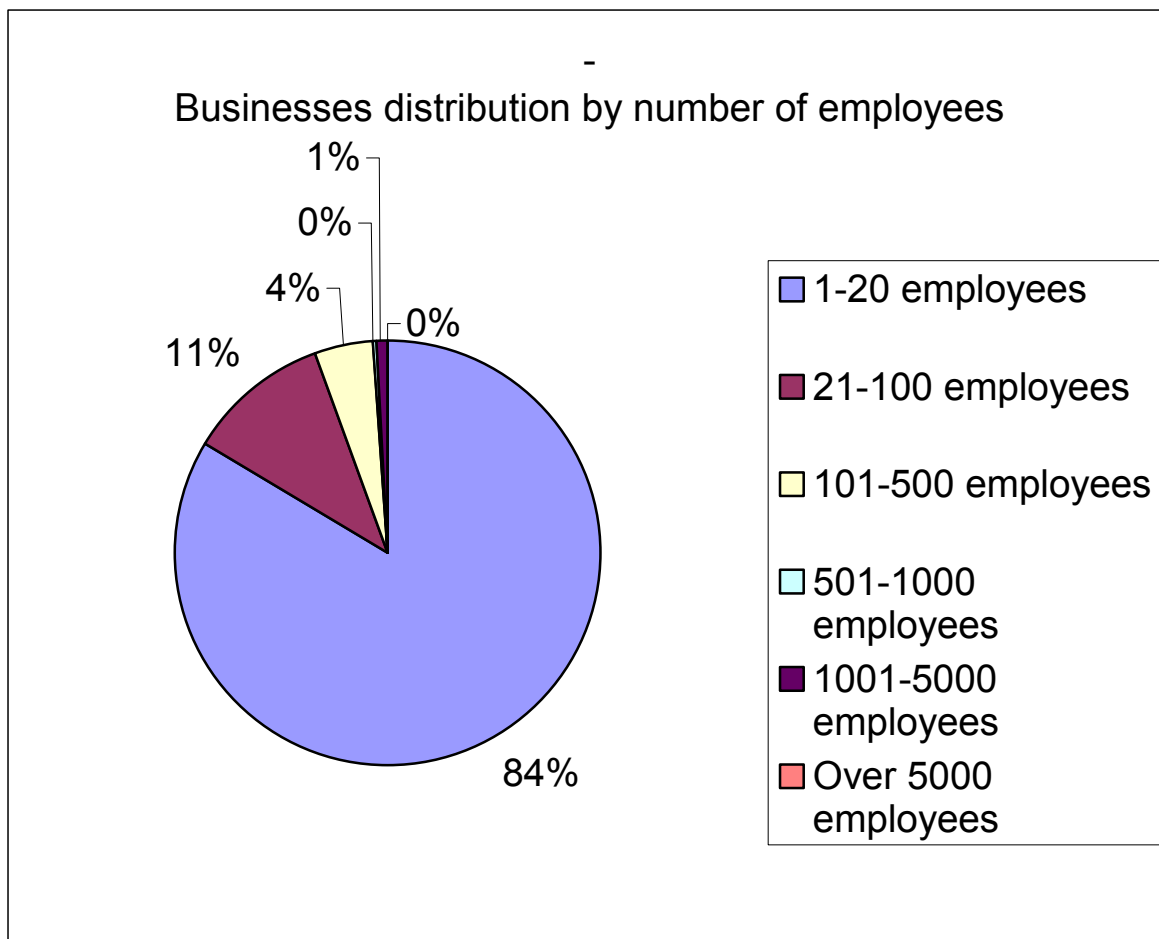
	1996	2000	2004	2005
Agriculture, hunting, forestry and fishing	--	63100,9	221595,6	253565,9
Industry, including	--	2897940	6501608	5770927
Mining	--	137683,4	1064340	471541,9
Manufacture	--	1169063	3790349	3442887
Electricity generation, electricity, gas and water distribution	--	1591193	1646919	1856498
Construction	--	227591,2	541536,9	711420,3
Wholesale and retail trade; means of transportation trade and services	--	3344285	16616655	10646741
Hotels and restaurants	--	13830	20096,7	33084,3

Transportation and communication	--	185666,8	256466,4	322646,5
Finances	--	21860,7	220425,2	223853,9
Real estate trade and rent	--	110296,4	400652,7	431086,3
Education	--	3224,7	5625,9	6875,4
Healthcare and social services	--	1353	6337,3	9253,5
Professional and other services	--	14325	50820,5	64867,8
Maidservants	--	-	6,9	-
Total	--	6883473	24841828	18474322

Speaking about the tendencies in the volume of products and services by the kinds of activities in 2005, compared to 2004, a growth by 169 883,4 USD in construction, by 66 180,1 USD in the area of transport and communication services is observed, but a significant reduction by 730 681 USD is registered in the industry and by 5 969914 USD in wholesale and retail trade.

III Table 21. Municipal enterprises by the number of employees

	1998		2000		2002		2004	
	person	%	person	%	person	%	person	%
0 (selfemployed)	--	--	1	0,03	--	--	9	0,22
1-20 employees	3020	83,54	2756	82,49	3218	83,80	3349	83,52
21-100 employees	391	10,82	401	12,00	455	11,85	484	12,07
101-500 employees	159	4,40	144	4,31	132	3,44	132	3,29
501-1000 employees	18	0,50	15	0,45	14	0,36	17	0,42
1001-5000 employees	24	0,66	22	0,66	20	0,52	15	0,37
Over 5000 employees	3	0,08	2	0,06	1	0,03	4	0,10



Among the number of municipal enterprises, small-scale businesses with 20 or less employees are prevalent. They constitute 84% of the total number of enterprises.

Luhans'k is the city with large industrial system and high density of manufacturing. Machine building and metal manufacturing are the major branches of industry in the city economy. Light and food industries also play an important role.

Some powerful municipal enterprises are: holding company "Luhans'kteplovoz", close corporation "Founding and Mechanical Plant", close corporation "Luhans'k Pipe Manufacturing Plant", Consortium "UkrBat", public corporation "Luhans'k Electrical Equipment Plant", daughter enterprise SHU (SHY) "Luhans'ke", daughter holding company "Luhans'kvuhillya", close corporation "Lutri" firm, close corporation "Luhans'k distillery "Luha-Nova", public corporation "Luhans'kholod", public corporation "Luhans'k meat-packing factory", public corporation "Luhans'kmlyn", public corporation "Luhans'k Brewery", close corporation agricultural production firm "Ahroton", public corporation "Stil'" firm.

Brief characteristics of some of the most powerful municipal enterprises

Daughter holding company "Luhans'kteplovoz" – is a production-economy system which incorporates the main enterprise - diesel-locomotive-building works, seven daughter companies, seven public corporations. The company is one of the top employers with 7 025 employees. It is the major manufacturer of railway towing transportation means. DHC "Luhans'kteplovoz" produces main-line locomotives, street-cars, diesel locomotives, mining equipment, and agricultural equipment. The enterprise is a monopolist in main-line cargo locomotive manufacturing in the CIS.

The customers of the company:

- Ukrainian, European and CIS railway authorities;

- Ukrainian and CIS diesel-locomotive-repair works;
- state enterprises, that provide railways with bulk equipment supply;
- large enterprises (metallurgical works);
- municipal economies, who have fleet of street-cars;
- Ukrainian coal mining enterprises вугледобувної.

Close corporation research and production center "Transmash" was established in 1998. The specialization of the enterprise is manufacturing of components, mechanisms and component parts for transport machine-building, for railway transport in particular. "Transmash" conducts its economic activities in the manner of mutually beneficial cooperation with "Ukrzaliznytsia", DHC "**Luhans'kteplovov**", and more than 100 other enterprises, research and production firms of Ukraine and foreign countries. Some business partners of RPC "Transmash" – main suppliers of component parts and billets are DMK (ДМК) (Dniprozderzhyns'k), NTZ (HT3) "Interpipe" (Dnipropetrovs'k), plants from Riga, Nizhni Novgorod, and Novocherkas'k etc.

Dominant portion of the total volume of Luhans'k export operations belongs to the CIS countries. For instance, in 2005, the volume of export to the CIS countries made up 131227,67 thousand USD, while to the EU countries - 92 629,52 thousand USD.

Russian Federation is the number one partner in the list of major foreign commerce partners. In 2005 the volume of export operations comprised 85 288,41 USD, which is almost 65% out of total volume of export to the CIS countries, and 35% of total volume of export operations in general. Besides, some of the other major commerce partners of Luhans'k municipal enterprises are Germany, Kazakhstan, France, and the UK.

The following categories of goods are the key to the export structure in 2005: textile and textile products (53 718,7 thousand USD), mechanical equipment: machines and mechanisms, electrical equipment (41 680,83 thousand USD), non-precious metals and products (34 082,63 thousand USD), processed food products (14 192,82 thousand USD), adipose and phytogenic oil (12 871,97 thousand USD).

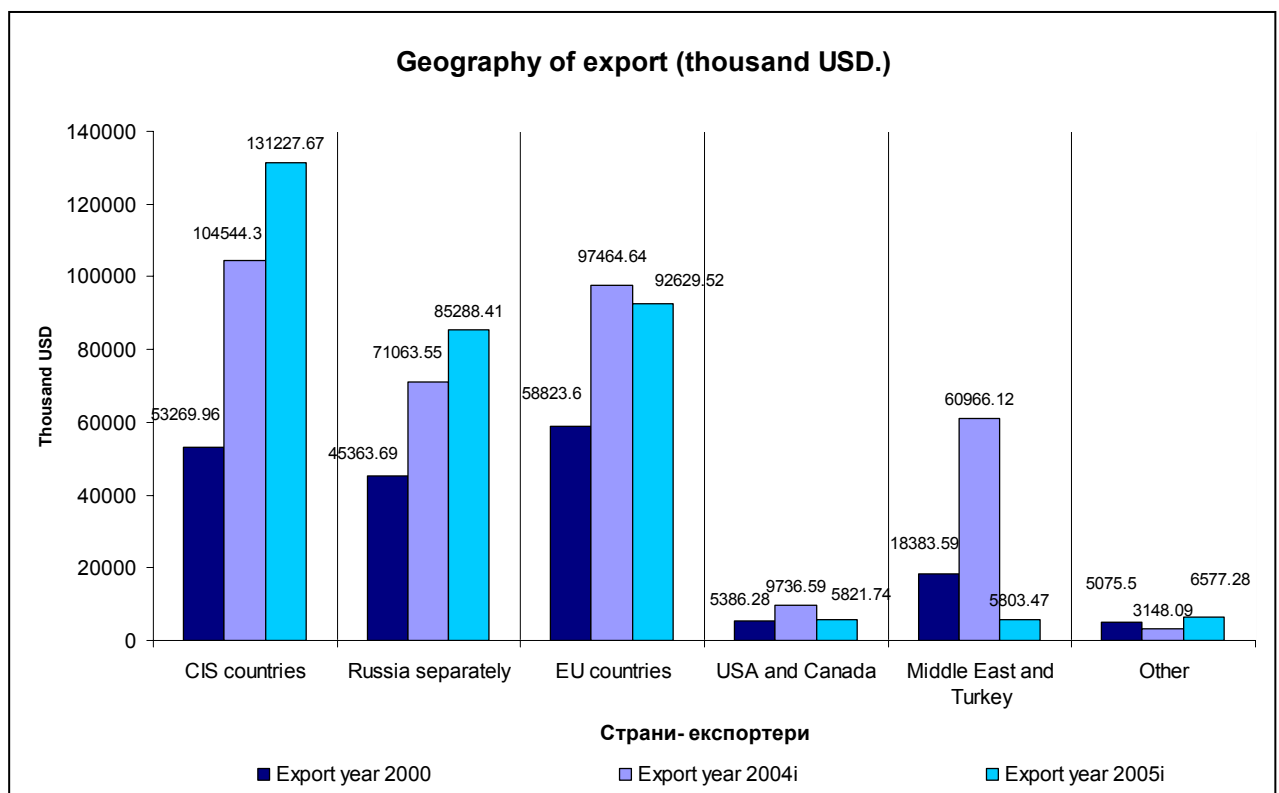
Table 22. Commodity composition of export, thousand USD, according to government statistics

	2000	2004	2005
Livestock and animal produce	92,33	1146,64	1650,05
Plant-growing produce	1628,9	1929,24	2446,52
Fat and oil	975,59	12551,2	12871,9
Ready foodstuffs	2009,13	11959,6	14192,8
Mineral products	218,56	1850,47	219,27
Chemical products	2033,4	11171,1	2795,61
Polymeric, plastic and rubber products	2958,88	5436,7	5653,64
Fur and leather raw materials and ready products	986,48	2186,9	907,84
Wood and wood products	168,46	316,58	128,95
Laminated and fibrous wood and wood cellulose products	59,48	20,36	18,79
Textile	35994,5	58744,8	53718,7
Shoes, hats and umbrellas	1,02	745,05	54,29
Stone, gyps, cements ceramic and glass products	246,72	120,78	72,62
Non germ raw metals and products	72661,6	50843,0	34082,6
Machinery, electric equipment and parts, sound recording and playing equipment	14386,4	32549,6	41680,8
Means of transportation and road construction equipment	5886,4	79450,1	68882,5

Optics, photographic and cinema, medical and surgical equipment, watches and clocks, musical instruments	364,81	3455,56	409,98
Other goods	196,06	381,36	291,44
Art	-	-	-
Goods purchased at the sea ports	-	15,33	38,32
Misc.	1,11	985,21	1942,89
Total	140938	275859	242059

Table 23. Geographical structure of export, thousand USD, according to government statistics

	2000	2004	2005
CIS countries	53269,96	104544,30	131227,67
Russia, separately	45363,69	71063,55	85288,41
EU countries	58823,6	97464,64	92629,52
USA and Canada	5386,28	9736,59	5821,74
Meddle East countries and Turkey	18383,59	60966,12	5803,47
Other	5075,5	3148,09	6577,28
Total	140938,83	275859,74	242059,68

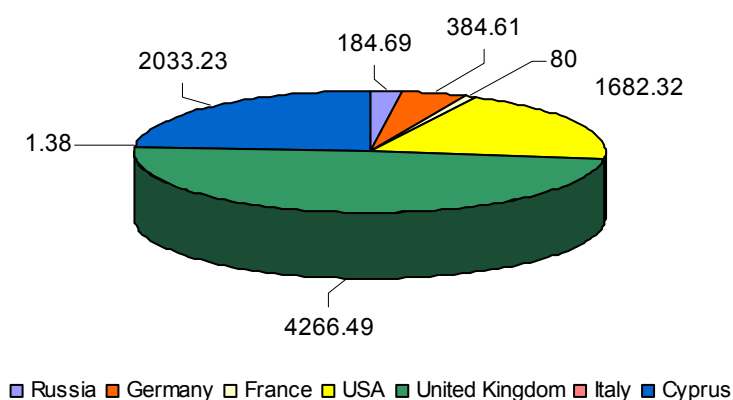


Speaking about the tendencies in the geography of export, one can observe an increase in volume of export operations with the CIS countries in general and with Russian Federation in particular. On the other hand, the volume of export operations to the EU countries, the USA, Canada and Middle East countries is decreasing. To compare the volume of export operations in 2005 to 2004, the volume of export operations to the CIS countries increased by 26 683, 37 thousand USD, to Russian Federation by 14 224,86 thousand USD, and decreased by 4 835,12 thousand USD to the EU countries, by 3914,85 thousand USD to the USA and Canada, and by 55 162,65 thousand USD to Middle East countries and Turkey.

Table 24. The structure of direct foreign investments, based on the country of origin, thousand USD, according to government statistics

	2005	Cumulative starting year 1990	% from total
Russia	184,69	2217,09	0,49
Germany	384,61	382,27	1,03
France	80	80	0,21
USA	1682,32	1713,58	4,49
United Kingdom	4266,49	4279,47	11,38
Italy	1,38	1,42	0,00
Cyprus	2033,23	1823,58	5,42
Other	28854,22	29259,45	76,97
Total	37486,94	39756,86	100,00

Foreing direct investments geographical structure, thousand UAH year 2005



V.B. Top employers

Table 25. Top employers

Company	Major product	Чисельність працівників у 2004 р.
JSC "Style"	Clothes	1786
JSC "Luhabsk meat company"	Sausage and prepared food	1075
JSC "Thermo"	Boilers	530
JSC "Luhansk beer factory"	Beer	127
"Luhansk goffered package company Ltd"	Goffered cardboard and goffered package	134
"Millenium Ltd"	Soft drinks and drinking water	205
JSC "Zlit"	Car radiators	136
JSC "Luhansk mill"	Grain products	367
BAT "Luhansk pharmaceutical company "	Medicine, cosmetics and perfumes	345
JSC Scientific Center "Transmash"	Wheel pairs, railway transport spare parts	425
JSC Fabricated metal products Dinamo"	Athletic equipment	120
JSC "Prokat"	Rolled products	120
JSC "Luhansk electric equipment company"	Low voltage and control electric equipment	163
JSC "Locomotive recourse"	Foundry waste processing products	100
"Milam Ltd"	Sausage, pasta, cookies and cleaning supplies	792
"Vager Ltd"	Soft drinks and drinking water	217
JSC "Automotospareparts"	Engine valves	380
MKP "Teplocomunenergo"	Heating	1831
State holding company "Luhansk diesel locomotives"	Diesel locomotives, diesel locomotive spare parts and wheel pairs	7025

V.C. City economics

Planned income for 11 months in 2005 has a 97,6% achievement level. With planned income in the sum of 280130,4 thousand UAH, actually, 273546,8 thousand UAH were received, which comprises 115,8% in comparison with the corresponding period in 2004 - 102,7% of the index of payments of Ukrainian Ministry of Finance by Dec 1 2005p.

Actual received payments from the main types of taxes:

Natural persons' income tax - 172200,3 thousand UAH and 128963,4 thousand UAH in assessments to Luhans'k municipal budget;

Land fees - 18449,6 thousand UAH and 13837,0 thousand UAH in assessments to Luhans'k municipal budget.

Table 26. Municipal budget revenue per resident, UAH

A. Year 2003

	Income tax	Municipal services companies profit tax	Municipal taxes and fees	Land tax	Gross tax revenue	Municipal property rent revenue
City	249,25	5,47	13,56	23,90	329,81	4,14
Ukraine	285,01	--	12,49	42,84	1 145,00	--

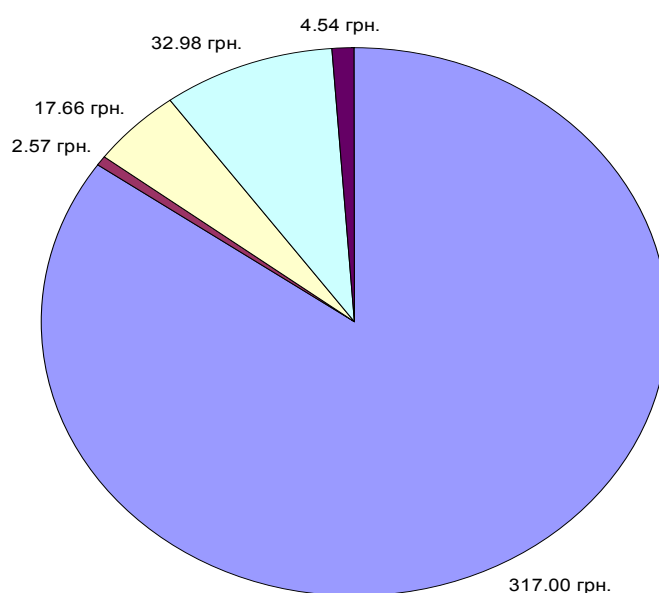
B. Year 2004

	Income tax	Municipal services companies profit tax	Municipal taxes and fees	Land tax	Gross tax revenue	Municipal property rent revenue
City	245,07	5,19	15,17	27,92	339,04	4,19

C. Year 2005

	Income tax	Municipal services companies profit tax	Municipal taxes and fees	Land tax	Gross tax revenue	Municipal property rent revenue
City	317,00	2,57	17,66	32,98	426,57	4,54

City budget revenue per capita, year 2005



■ Income tax ■ Municipal services companies profit tax ■ Municipal taxes and fees ■ Land tax ■ Municipal property rent revenue

Natural persons' income tax for 2005 was received in the amount of 147482,9 thousand UAH, or 89,7% of the approved plan - 16 958,5 thousand UAH.

Underfulfilment of the natural persons' income tax plan happened because the government forecasted money receipt from the natural persons' income tax, at the cost of raise in minimum wages and legalization of the natural persons' income, which didn't happen (average minimum wage increased by 39,3% in 12 months while the natural persons' average income tax increased in 28,5%).

In comparison with the corresponding period of time in 2004, assessments of the natural persons' income tax to Luhans'k municipal budget increased by 32344,3 thousand UAH, or by 28,1%.

Planned fees for land in 2005 have 94,9% achievement level or in the total amount of 15194,0 thousand UAH, which is less in comparison with the approved plan of 816,5 thousand UAH, but it is 2219,7 thousand UAH more, than received during corresponding period of time in 2004.

Planned achievement level for commercial patents payment receipt by Jan 1 2006 trough this kind of tax is 83,5% or 9251,3 thousand UAH, while the approved plan for the same period of time is 11080,1 thousand UAH.

With planned 8105,9 thousand UAH in local taxes and fees by Jan 1 2006, the actual achievement was 8201,5 thousand UAH, i.e. 101,2%, including: advertisement tax 119,6%, fulfilled, communal tax 102,3% fulfilled, parking fee 126,7% fulfilled, marketplace fee 100,1% fulfilled, apartment order delivery fee 70,0% fulfilled, fee for conducting local auctions 7,7% fulfilled, fee for utilization of local emblems 100% fulfilled.

Execution of the plan on the unified taxation brought 16268,5 thousand UAH or 90,4% compared to planned 18003,8 thousand UAH, including the unified tax for legal entities' private enterprise activities that was fulfilled by 108,3 and the unified tax on natural persons' private enterprise activities that was fulfilled by 78,8%.

Achievement level on set agricultural tax is 20,2 thousand UAH or 121,7% compared to planned 16,6 thousand UAH.

While planned amount of trade tax receipt had been 38,0 thousand UAH, the actual achievement comprised 46,0 thousand UAH or 121,1%.

Communal property enterprises' income tax brought 1156,5 thousand UAH in 2005; planned rates have not been fulfilled by 3354,6 thousand UAH or by 74,4%; planned amount of fees for distribution of authorizations for placing commercial and service units have not been fulfilled by 113,9%.

Table 27. Available (free) municipal land designated for conducting economic activities

Address and description	Owner	Area (thousand sq m)
New residential districts, old airport	Luhansk city council	167,0
New residential district "Zapadny"	Luhansk city council	228,0
New housing construction, Vilny settlement	Luhansk city council	20,0
New residential micro-district "Kalmytski"	Luhansk city council	7,8
New residential micro-district "Mar"evski"	Luhansk city council	24,8

New residential districts "Vidne", micro-districts 3,4 and 5	Luhansk city council	292,5
New residential districts at the former LVVAUS territory	Luhansk city council	493,8
New residential micro-district, 26 Bakinsky komisariv St.	Luhansk city council	4,2
Settlement "Vostochno-2", new housing construction	Luhansk city council	102,3

Summary of the chapter

Municipal budget income analysis defines three basic sources of income – natural persons' income tax, land fee, local taxes and fees. In order to increase budget income it is necessary to establish conditions favorable for development of private enterprises, which can lead to an increase in the number of agents of small and mid-level business and, consequently, to an increase in payments of taxes, fees and mandatory payments, to execution of inventory of the municipal plots and raise in the effectiveness of local resources utilization.

There are a lot of issues that require urgent solutions, such as improvement of the economic situation in Luhansk, development of climate favorable for investments, foreign-economic activity and interregional ties.

It is necessary to stop any displays of dishonest competition, develop the system of leasing, as an effective tool for acquiring basic assets, and establish conditions favorable for long-term financing.

VI. ESTABLISHMENTS OF PUBLIC USE AND INFRASTRUCTURE

While executing a system of important tasks to help young population adjust in the society in general and in the employment market in particular, municipal education branch has been tasked to support the process of upbringing, provide general and professional education, comprehensive physical and intellectual development, outlook formation to the young population.

There are 55 pre-school teaching and educational establishments that involve 9,6 thousand children. Types and number of establishments:

- compensatory – 3;
- sanatorium pre-school establishment – 1 (for children who have low level and extinct types of tuberculosis);
- combined - 25;
- overall development - 26.

In 2005, one more departmental elementary school #14 was introduced to communal property of the territorial community.

There are 67 communal secondary educational establishments that involve more than 42 thousand students.

Communal secondary educational establishments network consists of:

- 4 pre-school teaching and educational establishments: elementary school;
- 3 teaching and educational facilities: 1st level specialized school – gymnasia (##30,42,52);
- 1 teaching and educational facility: 1st and 2nd levels secondary school - lyceum;
- 1 teaching and educational facility: 1st level secondary school - gymnasia # 59;
- 15 specialized schools;
- 1 lyceum;

- 1 night shift school;
- 41 secondary schools.

Teaching and educational establishments employ 3600 people.

Indicators	2004	2005	2006
Number of the pre-school institutions	54	55	57
Gross number seats at the pre-school institutions	8122	8293	9640
Gross number of children at pre-school institutions	10151	10300	10500
Gross number of pre-school teachers	3600	3595	3380
Number of secondary schools, including	76	76	76
regular	75	75	75
evening schools	1	1	1
private schools	9	9	9
Number of students, including	46566	43051	44300
at regular secondary schools	45747	42256	43480
at evening secondary schools	819	795	820

In 2005 on the basis of secondary schools ## 8, 11, 26, 55 ,29 there were established schools with specialization in advanced foreign language training.

The network of classes where Ukrainian is spoken increased.

In adherence to the laws of Ukraine “About education”, “About general secondary education”, to the directive issued by the Cabinet of Ministers of Ukraine on 11.16.2000 #1717 “About the transformation of the establishments of general education towards new contents, structure and 12-year education” all the 10th and 11th grades of the establishments of general education have switched to the specialty education.

A special attention is paid to the issues and challenges of teaching children with psychological, physiological and physical disabilities. This category of children is educated in the “School - Kindergarten” #135 for those with delayed psychological development and nerve system and psychological diseases and in communal establishment " Luhans'k 1st-3rd level general secondary education school #6". On the basis of communal establishment " Luhans'k 1st-3rd level general secondary education school #45", there functions a regional scale experimental ground “Intensive pedagogical adjustment and early rehabilitation section for educationally challenged children”.

In 2005, there has been started an experimental work experimental work in the communal establishment „Luhans'k 1st-3rd level specialized school #5”, that has been titled “Psychological and pedagogical design of student’s development”.

Extracurricular facilities have been secured in the city that have established all the necessary conditions for conducting of supplementary education. There are more than 17 thousand children involved in the study/hobby groups and clubs of these establishments. Research and methodological seminars are conducted on the regular basis, where current issues of functioning of the extracurricular facilities are examined.

In 2005, all students from general secondary education school in the grades from 1 to 4 were provided with free meals paid from municipal budget resources.

This year, on the basis of communal establishment "Luhans'k 1st-3rd level general secondary education school #31" computer lab was established.

Table 28. Graduates of establishments of secondary and higher education

School type and name (secondary schools – total)	1996	1998	2000	2002	2004	2005
Secondary schools	2755	2977	4138	4387	4332	4329
Vocational-training schools	-	-	3934	4013	3719	3457
Colleges and universities	-	-	52329	60014	67285	73569

There are 11 vocational schools in Luhans'k that involve adolescents with 8, 9 or 11 years of high school education level. Starting 2002, the number of vocational school graduates has been decreasing. In 2002 there were 4013 graduates, in 2004 - 3719, and in 2005 - 3457 graduates. This situation is caused by an increase in the number of graduates from higher education establishments. This number is growing by 7 000 graduates annually.

Luhans'k vocational school # 19 provides training in the following areas of expertise: footwear assembly, shoemaker and cutter. Most graduates are employed with the basis enterprises of ATZT (AT3T) "Luhan".

Vocational school #44 provides training in the following areas of expertise: auto mechanic, accountant, cashier, secretary, PC user and communications operator.

Vocational school #45 provides training for the following specialists: PC user, mechanics and turners.

Vocational school (JIBIY) #47 provides training for the following specialists: sales person and cook.

Besides, there is a specialized vocational boarding school for handicapped that trains the following specialists: PC user, tailor and cutter.

Luhans'k health services system has a very developed infrastructure.

Medical assistance for city residents is provided through a network of health and disease prevention establishments: 16 city hospitals, maternity hospital, 7 independent out-patients' clinics (including 4 dental clinics) and ambulance station.

There are 17 health and disease prevention establishments with the capacity of 3235 beds.

Supply of hospital stationary beds is 68,3 units per 10 thousand people. Compared to 2004, this number decreased by 20 beds for adult gastroenterology patients and by 15 maternity beds.

Medical assistance for city residents is provided through 1951 doctors and 3184 mid-level medical employees.

Emergency medical assistance is provided by 2 family doctors, who practice for 3005 residents.

Two year olds and younger children are supplied with free meals by 83,5%, in the cost of 121,1 thousand UAH.

Soft furniture equipment was purchased through municipal budget funds in the amount of 32,2 thousand UAH, (for the maternity section of the city hospital #3 in the amount of 21,0 thousand UAH) and through the funds from other sources in the amount of 88,1 thousand UAH. It helped to supply services with soft furniture equipment by 11% of the recommended standards.

Besides, for health protection establishments, there was purchased equipment in the amount of 130,1 thousand UAH through municipal budget funds, and through the funds from other sources in the amount of 474,3 thousand UAH.

192 children from socially unbalanced and underprivileged families received treatment in the rehabilitation clinic, 2983 pregnant ladies received free disposable delivery packages as a part of municipal programs "Children of Ukraine" and "Reproductive health".

In 2005, children's hospital #2 acquired new facility, where out-patients' section has been established. Besides, children's hospital #2 acquired newly built urological center.

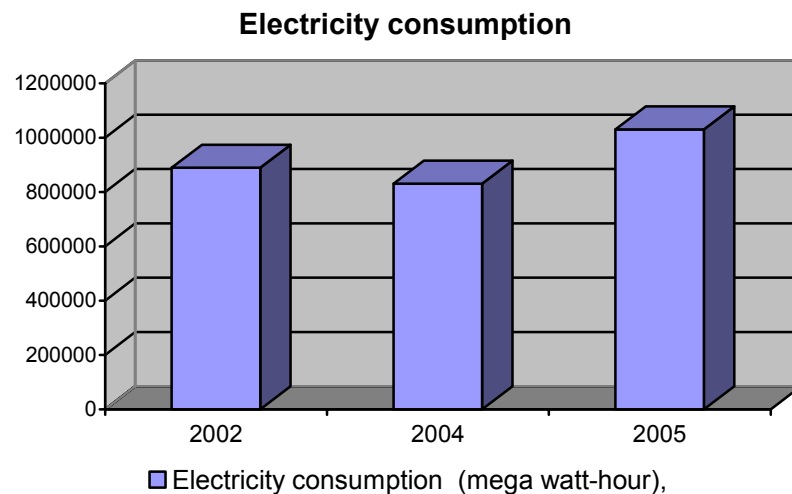
Table 29. Hospitals capacity as of Apr. 01, 2006

Healthcare institution	Capacity, person
Luhansk city clinic multi profile hospital number 1	320
Luhansk city clinic multi profile hospital number 2	350
Luhansk city clinic multi profile hospital number 3	335
Luhansk city clinic multi profile hospital number 4	300
Luhansk city clinic multi profile hospital number 5	100
Luhansk city hospital number 6 ("Luhansk diesel locomotive" medical unit)	160
Luhansk city clinic multi profile hospital number 7	240
Luhansk city clinic multi profile hospital number 8	120
Luhansk city clinic multi profile hospital number 9	260
Yuvilejninska multi profile hospital	210
Olexandrivska city clinic multi profile hospital	40
Schastynska city hospital	120
Luhansk city children multi profile hospital number 1	80
Luhansk city children hospital number 2	30
Luhansk city children multi profile hospital number 3	200
Luhansk city children multi profile hospital number 4	120
Luhansk city maternity hospital	250
Luhansk city dermatovenerologic clinic	100
Total	3335

Table 30. Energy consumption as of government statistics

	1998	2000	2002	2004	2005
Electricity consumption (mega watt-hour), including:	-	-	889251	830409	1030474
- population	-	-	200824	263413	281911
- businesses	-	-	688427	566996	748563
Project capacity	-	-	-	-	-
Gas (thousand cubic m)	672542,0	519469,0	487311,0	501932,0	507559,0
Project capacity	-	-	-	-	-
Drinking water (thousand cubic m)	70558,0	52031,1	36210,6	28734,3	28696,0
- population	49237,0	34555,0	25790,0	19339,2	20156,1
- businesses	21321,0	17476,1	10420,6	9395,1	8539,9
Project capacity (thousand cubic m)	116800,0	116800,0	116800,0	119574,0	119574,0
Heating (giga calorie), including:	-	418563	784513	933702	901212
- population	-	292076	561168	770050	714510

- businesses	-	126487	223345	163652	186702
Project capacity	-	1058,4	892,56	1287,82	1193,56



Municipal passenger transport is a constituent part of a sophisticated system of city residents' life support. Passenger transport operates in balance and generally fulfills transportation needs of residents and municipal economy.

To satisfy the needs of city residents in passenger transportation services, a network of bus, street-car and trolleybus routes is functioning.

Generally, in 2005 passenger transportation service routes involved 179 increased and mid-level capacity buses, 683 small capacity buses that function as taxi shuttle buses, 53 street-cars and 33 trolley buses.

Automobile transport comprises 71% of the total volume of passenger transportation services.

Municipal passenger transport development objective is to ensure necessary amount and technical maintenance of public transport mobile equipment (first of all, due to upgrade and supply of new units to the street-car, trolleybus and bus fleets), raising of the quality of service levels combined with establishment of the foundation for fast, convenient and safe city commute based on the growth of the route system and elimination of discrepancy between its capacity and the need for an increase in traffic activity.

Passenger transportation services market is formed through competition between enterprises and private entrepreneurs i.e. natural persons, who signed contractual agreements with the executive committee of Luhans'k City Council to provide regular shuttle transportation services.

Currently, 10 transport enterprises, that cover Luhans'k city routes, operate in passenger transportation services market.

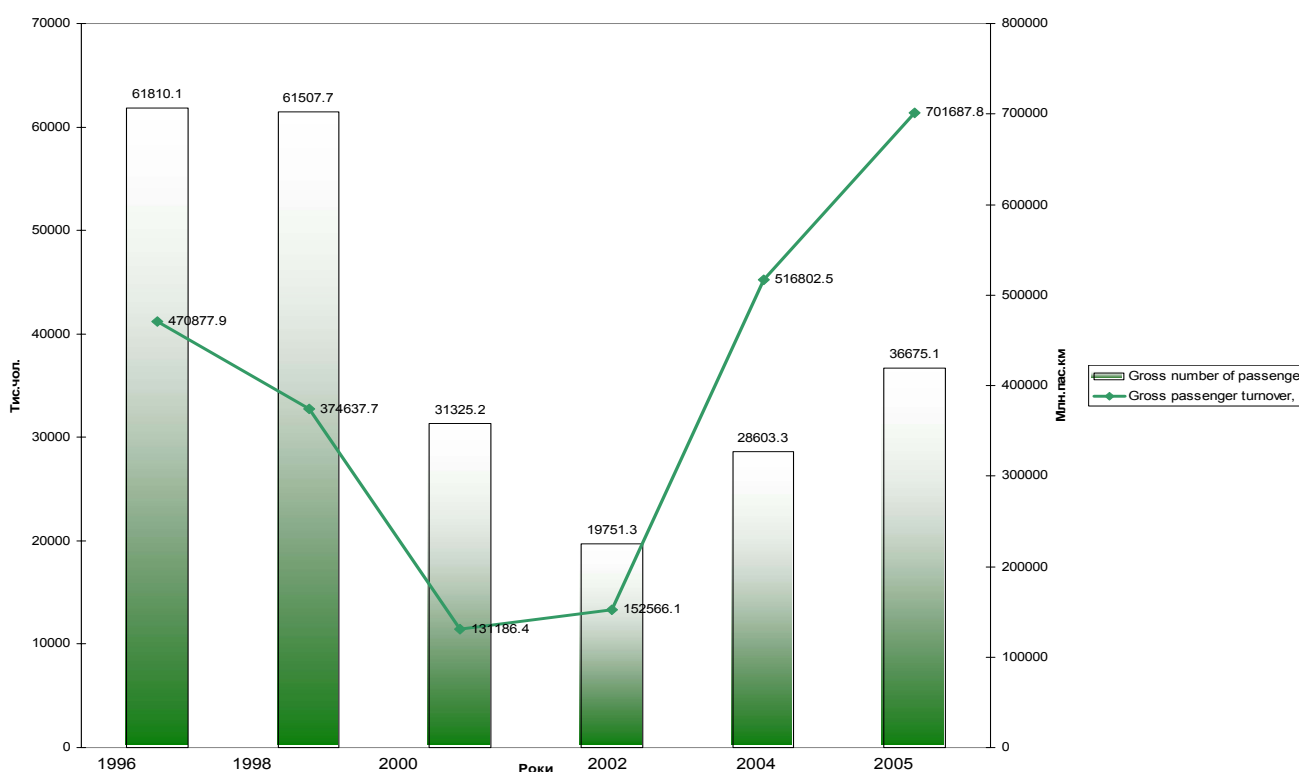
The number of bus operated city routes has been increasing. During the years of 2004 – 2005, 12 new routes have been activated. They function in a taxi shuttle bus mode, involving 128 vans, with total capacity of 1856 people, resulting in improved level of passenger transportation.

Investment policy in passenger transportation services market is shaped by the transportation enterprises' own resources and by private entrepreneurs who work in this sector. Consequently, these resources depend on the existing level of rates, prices and economic features of the operated routes.

Priority areas for investment are renovation of the bus fleet that operates on the routes in regular mode.

Currently, after the passenger transportation tender contest has taken place, the bus fleet that operates on the routes in regular mode received 40 new units to utilize on the permanent municipal bus operated routes of general public use.

Municipal transportation system development 1996 to 2005



Company “Luhans’kinterresurs” Ltd purchased 27 new increased capacity buses, and has become the top investor to Luhans’k transport branch for the past 10 years. According to the plan of investment for 2005-2006, “Luhans’kinterresurs” Ltd plans to seek investment for the city to purchase 80 -100 increased capacity buses.

In 2005, 250 new units were introduced to the fleet of small capacity buses that operate in a taxi shuttle bus mode.

Table 31. Public transport

	1996	1998	2000	2002	2004	2005
Gross number of passengers, thousand						
a) bus	53487,4	49454,6	15198,2	7264,6	21242,9	29592,7
б) tramcar	4340,0	7066,5	10228,7	8036,5	4663,0	4372,2
в) trolleybus	3982,7	4986,5	5898,3	4450,2	2697,4	2710,2
Gross length of the passenger routes, km						
a) bus	429,9	483,2	631,4	1286,2	1547,5	1634,3
б) tramcar	142,5	153,9	153,9	153,9	153,9	153,9
в) trolleybus	106,6	106,6	106,6	106,6	83,3	83,3
Number of passenger routes						
a) bus	36	39	46	86	89	92
б) tramcar	9	10	10	10	10	10
в) trolleybus	5	5	5	5	4	4
Passenger turnover million passenger km						

a) bus	470877,9	374637,7	131186,4	152566,1	516802,5	701687,8
б) tramcar	-	-	-	-	-	-
в) trolleybus	-	-	-	-	-	-

Summary of the chapter

A positive dynamics of growth in Luhans'k infrastructure is observed; this area, though, still experiences a lot of challenges. The educational establishments are underfunded, which makes their adherence to the standards of materials and equipment supply (especially with computer labs, educational equipment supply and methodological reference literature) harder, causes instability among the staff of educators; there is a need to bring the network of specialized group of elementary schools to a compliance with the actual health condition of the children; also, there are problems with conservation and end use of the departmental elementary schools facilities, with fire safety equipment supply for educational establishments and execution of fire safety activities.

The challenging areas of health services domain are the following: free medication supply for the categories of residents who qualify for government benefits; establishment of conditions, necessary to satisfy the needs of the population in health services; effective utilization of personnel, financial and equipment resources in health services domain; establishment of a unified municipal medical computer system.

Public transport experiences the following challenges: insufficient upgrade and new equipment supply for the fleet of passenger transport vehicles; insufficient development of municipal transport infrastructure and mechanisms of its financing; unsatisfactory inventory procedures for ecological component while establishing the route network and vehicles selection; inefficient correlation between different types and kinds of vehicles that operate on municipal routs; substandard organization of cab service for population; unsatisfactory condition of street-car rail system.

VII. ENVIRONMENT

VII.A. Air pollution

There are more than 250 enterprises in Luhans'k, that impact local environment.

Major air pollutants are metallurgical, machine building, construction industry, power and heat generation industry enterprises.

Due to the reduction in the production volume, atmospheric emission in the city reduced up to 30 %, compared to the early 90s.

However, atmospheric emission produced by mobile sources has a significant impact on the air condition. There has been established a tendency, when vehicle produced atmospheric emission rates increase (31, 1 thousand tones in 2004 compared to 27, 6 thousand tones in 2003). At the air pollution monitoring stations, run by Luhans'k regional hydrometeorology center, an exceeding of permissible concentration of certain ingredients (carbon monoxide, nitric oxide, anhydrous hydrogen fluoride, formaldehyde, dust) is registered.

In some of the enterprises the condition and operation modes of gas and dust-treating plants are not monitored, which leads to an increase in atmospheric emission.

There are no efforts to reduce atmospheric emission at gas stations. Tank fueling oil vapor recovery system is not utilized at any of the gas stations; this system is sporadically used when the fuel is pumped from a fuel truck into reservoir.

The management of the enterprises is not paying enough attention to the issues of organization of sanitary and protective areas, and their appropriate landscaping.

An increase in the volume of atmospheric emission is also related to the growth of the number of vehicles utilized in the city. It also attributes to the use low quality fuel and utilization of technically outdated vehicles.

According to the statistics, there are more than 38 million tones of industrial and consumer waste buried within the city limits. Щорічно в місті утворюється понад More than 300 thousand tones of industrial waste with 1 to 4 hazard levels and more than 150 thousand tones of hard consumer waste build up in the city annually.

Most of the enterprises perform inventory, storage and recycling of the industrial waste. Small enterprises and transport support businesses do not fall in this category.

City's sanitary state is a matter of an increased concern, especially emerging of unauthorized dump yards in private housing areas of the city territory, which is caused by the lack of dump trucks and dumpsters.

In order to solve this issue, in 2005, 12 modern dump trucks and 605 dumpsters were purchased at the cost of municipal funds.

Most of the waste that builds up in the city territory consists of consumer garbage. Waste disposal is carried out in the municipal hard consumer waste range. Currently, one portion of the range is overfilled which can lead to garbage fire. Further waste disposal in this area can lead to a considerable pollution of the environment including the ground water that is consumed by the residents through a system of water supply stations. Currently another portion of the garbage range is under construction.

Based on results of geological research, there is a steady tendency of a constant decrease in the ground water quality. On average, annually, it decreases by 3-4% per element.

This happens because the city's ground water supply is filled from the following sources:

- Rain and thaw water, that is mostly filtered through marlaceous soil is all polluted with waste;
- Surface water, which is polluted with industrial sewage, foul drains and sewer system (it is almost 100 million cubic meters per year). More than 33 million cubic meters of foul discharge per year falls into the Luhan' river and more than 33 million cubic meters fall in the river of Sivers'kyi Donets';
- Water leaks caused by municipal sewer system engineering malfunction.

For the past 30 years the area of ground water distribution that features the level of mineralization up to 1 r/dm reduced 4 times of its original size. The levels of chloride, sulphate and nitrate increased twice. Besides, highly concentrated portions of lithium and bromine were found in the ground water.

Besides its being the source of drinking water, the ground water it is also the reason of underflooding of the city territory by the subterranean waters. As the result of the influence of natural activities and activities conducted by men, a large part of the city territory with private houses and apartment buildings and enterprises turned out to be underflooded. The following measures have been taken to stop the city from underflooding: header and drainage network and water drains were implemented, побудовані drain pump stations have been built in Artemivs'kyi and Kamyanobrids'kyi city districts. The construction of the mentioned above stations has started in Zhovtnevyi district.

The main source of municipal water resource pollution is water, polluted with industrial sewage that flows into surface water bodies that permanently feature a high water-level. In 2005, the amount of polluted sewage water that was discharged into surface water bodies, was 13, 8 million cubic meters, while 10, 9 million cubic meters flew into surface water without any purification.

Green plantations are the most important ecological and aesthetic component of the permanent surrounding environment that creates both positive emotional background and produces substantial influence upon the nature and people's health. They play a vital role in the process of city's environment recovery, microclimate formation, retention and elimination of pollutants, dust and noise. Green plantations for public use are the locations for mass resident recreation.

Environment pollution dynamics

Indicator	2004	2005	2006 (expected)
Gross volume of the sewage water emission to the surface reservoirs, million cubic m	13,8	13,8	13,9
- including without disposal	10,8	10,9	11,0
Gross number of the pollutant emission in the sewage water, thousand tons	106,4	107,1	107,3
- including without disposal	8,5	8,5	8,4
Gross number of pollutants emission in the air, thousand tons	143,1	125,7	131,2
- permanent sources of pollution	112,0	94,6	100,0
- mobile sources of pollution	31,1	31,1	31,2

Table 32. Air pollution

	1992			1996			2000			2004			2005		
	SO ₂	NO _x	Dust	SO ₂	NO _x	Dust	SO ₂	NO _x	Dust	SO ₂	NO _x	Dust	SO ₂	NO _x	Dust
Pollutants emission, thousand tons/per year	67,8	14,9	99,9	48,7	6,3	50,4	58,1	6,0	77,5	67,3	7,6	59	67,9	7,8	61,1
Maximum permissible concentration, mg/sq m	0,5	0,08	0,5	0,5	0,08	0,5	0,5	0,08	0,5	0,5	0,08	0,5	0,5	0,08	0,5

VII.B. Waste recycling

Table 33. The amount of produced waste (per year) and the cost of recycling

Type of waste	Number (t)	Cost (thousand UAH)
Mixed waste	325628	34224
Organic waste	94	993
Street waste	No information collected	-
Plastic	36	377
Glass	163	1711
Other non-organic waste	293	3080
Break	251	2635
Electric technical waste	No information collected	-
Market-places waste	No information collected	-

Paint, tar and glue	No information collected	-
Sewage water (thousand cubic m)	42,99 million cubic m	-
Rain water (thousand cubic m)	5,712 thousand cubic m per year	-

Summary of the chapter

The ecological situation in the city is unsatisfactory; there are many problematic issues that require urgent solutions because the ecological situation in the city produces an impact on the demographic development of Luhans'k. These are the pressing issues in the area of city ecology:

- high pollution of the water basin of the city of Luhans'k by the sewage water and hazardous matter;
- significant level of air pollution, especially caused by mobile and stationary sources;
- municipal land resources pollution as the result of the absence of effective technologies of industrial and consumer waste recycling;
- inadequate (compared to the existing standards) coverage of city areas with green plantations.

VIII. TOURISM

The city of Luhans'k is the administrative center of the Luhans'k oblast. There are a lot of industrial and commercial enterprises; scientific and cultural establishments that have comprehensive and economical ties. It brings a great number of various exhibitions, seminars and conferences to the city. International exhibition "Shidna Brama" is annually conducted in the city and involves official delegations and business representatives from Russia, Belarus, China, Poland and other countries.

Table 34. The number of visitors

	Attendance						
	1997	2000	2001	2002	2003	2004	2005
Luhansk	-	23626	36688	28302	43105	27834	33536
Oblast	-	47652	64584	59152	76248	76708	75378
Ukraine	1539000	1729000	1904000	1963000	2513000	1448000	-
Donetsk							
Severodonetsk	-	4735	6350	10497	10792	27758	11974

Table 35. The opportunities of visitor placement in hotels, boarding houses, tourist bases

Hotel	Capacity, guests	Attendance, per year
Hotel "Elite comfort"	9	-
JSC Hotel complex "Druzhba"	66	-
JSC "Club "Initial"	64	-

The city of Luhans'k as a historic, cultural and religious center has a precious and diverse historic and cultural legacy and powerful cultural and artistic potential. There is a museum of city history and culture. Its other branch – V. Titov museum, located in the apartment where he had lived; V. Dal' literature museum have unique assets and a wide variety of prominent architectural and historical landmarks.

In 2005, 24 more exhibits were introduced to museum assets.

There are 23 libraries for adults and children that incorporate 534, 0 thousand books.

Extracurricular education infrastructure (arts and music) is represented by 9 aesthetic education schools that involve 2800 children.

Along with cultural and artistic events that have been conducted in the city, there has been established a tradition of artistic performance contests that engage aesthetic education school students. In 2005, 3rd International Festival of Child Choreography "Vesnyani Arabesky" took place.

Culture development indicators

Indicators	2004	2005	2006 (expected)
Number of the public libraries	23	23	25
Gross library fund, thousand of books	534,0	525,0	526,0
Number of readers	45900	45300	46800
Number of reader clubs	1	1	2
Number of children aesthetic school (music, painting, choreographic)	9	9	9
Gross number of students	2800	2861	2861

The city of Luhans'k has been registered in the list of Ukrainian cities that had been historically populated. In the city, there are: 124 monuments of history and monumental art, 2 objects out of 124 have national status; they are - V. Dal' museum, located in the house where he had lived and Revolution Fighters' Memorial; 150 town-planning and architecture museums, including two museums with national status: memorial house on Dal'st.7, memorial estate town of Oleksandriv'sk, a group of 10 buildings on the Red Square.

Major challenges:

- insufficient financial support of the establishments of culture and art and landmark preservation activities;
- insufficient upgrade of the material and equipment assets in the area of culture and art (including implementation of current information technologies);
- unsatisfactory sanitary and technical condition of a number of landmarks located in Luhans'k;
- underdeveloped system of activities to promote and advertise cultural legacy objects, especially for students and youth.

Table 36. The capacity of facilities of culture and sport designation

Facility	Number of seats	Most scenic and popular shows
Municipal company "City palace f culture named after Lenin"	1114	- professional artists concerts; - meetings; - culture events
Oblast municipal company "Luhansk	478	- plays

oblast academic musical drama theater”		
Oblast municipal company "Luhansk oblast Russian drama theater”	778	- plays
Oblast municipal company “Oblast puppet-show”	300	- plays
Oblast municipal company "Oblast palace of culture"	467	- culture events
Oblast municipal company "Luhansk oblast philharmonic society"	538	- concerts
Sport palace "Dinamo"	500	- international and Ukrainian sport competitions
Athletics manege	200 глядачів 100 відвідувачів одноразово	- sport fests - box competitions
Shooting gallery "Dinamo"	50 глядачів 30 учасників одноразово	- competitions
Swimming pool "Yunist"	500 глядачів 100 відвідувачів одноразово	- competitions
Swimming pool "Olimp sport"	50 глядачів 60 відвідувачів одноразово	- competitions
Stadium "Avangard"	22 000	- competitions - concerts - Ukrainian cup football games
Equestrian sport school	500 глядачів 60 учасників	-competitions

The priorities in the area of physical culture and sport are determined by the Law of Ukraine "About physical culture and sport"; by the President’s Decree "About additional measures as for the government support of physical culture and sport development in Ukraine" and regional Special systematic program "Physical Education is Health of the Nation".

For the previous years it was possible to preserve the network of sport facilities. There function 6 stadiums, 160 gymnasiums, 5 swimming pools, 296 sport grounds and 12 sport clubs in the residential areas of the city.

Sport and culture development indicators

Indicators	2004	2005	2006 (expected)
Number of person practicing any sport	24965	25990	27320
Including:			
- number of the secondary school students practicing any sport	13927	14750	15800
- number of vocational-training schools students practicing any sport	1534	1610	1780
- number of college students practicing any sport	8732	8850	8950
Number of sport instructors	772	780	790

There has been an improvement in the personnel, occupied in this area. Currently, 201 sport instructor-coaches, more than 375 teachers are employed with educational establishments of different levels of accreditation.

In order to increase the number of people, involved in sport activities, city sport contests are conducted for high school and college students, for physically challenged, for business management representatives, for public deputies of Luhans'k City Council and employees of self-government bodies. The same type of contests has been established for elementary school students and retired residents. In 2005, more than 47 thousand people took part in these events.

The number of participants of city mass sport shows and city championships in different kinds of sports increased in 2, 5 times (6 thousand people in 2001 compared to 20 thousand in 2005).

During 2005, city championships, tournaments and sport celebration events in 26 kinds of sports took place in Luhans'k.

In 2005, around 3 thousand residents of different age categories took part in the traditional running event, dedicated to the Victory Day and in the 3rd Minor Olympics, dedicated to the 18th Olympic Games in Athens. City street soccer tournament raised a lot of interest among children and adolescents.

In cooperation with local handicapped associations, there were conducted activities aimed at involvement of physically challenged persons in sport events. In 2005, this category of residents took part in competitions in 3 kinds of sports.

Industrial municipal enterprises have the largest portion of arrears of wages – 49, 7% of the total amount of debts, including arrears of wages in construction industry – 17, 6%, and 4, 7% in transport and communications enterprises.

The Dept. of Sport and Physical Culture of Luhans'k City Council actively cooperated with municipal sport organizations and promoted their involvement in development of sport and physical culture. For the last 3 years there were established 8 non-government organizations in 4 kinds of sport that have been operating since. Measures are taken by the city for municipal sport facilities support.

However, sport and physical culture have not yet become an integral part of city population's life.

Major challenges:

- unsatisfactory condition of many sport facilities and their variance with current requirements, especially in residential areas;
- insufficient financial support for sport and rehabilitation establishments;
- end of functioning of certain sport facilities, (especially swimming pools and stadiums) certain enterprises and organizations due to high maintenance expenditures;
- inadequate promotion levels for healthy lifestyle, physical training and sport;
- absence of material and equipment assets, especially for the handicapped;
- lack of attention to physical training in pre-school establishments, secondary schools and higher learning establishments.

IX. CITY DEVELOPMENT OBJECTIVES

Table 37. Planned municipal investment activities by 2008

Project	Budget cost (UAH)	Budget source
Means of transportation purchase for municipal company "Luhanskavtrans"	3 734 000	State budget, city budget
Thermo pump installation Gotaverken Miljo AV purchase for municipal company "Teplozabespechennja"	9 053 900	

Heating and hot water supply systems renovation for municipal company "Teplozabespechennja"	692 900	
Individual heating units construction for municipal company "Teplozabespechennja"	1 600 000	
Thermo pump installation at "Vostochna" boiler-house	1 600 000	
Garbage collection initiated by Luhansk city council	1 300 000	
Garbage processing complex construction initiated by Luhansk city council	2 200 000	
Water intake and cleaning complex construction initiated by Luhansk city council	300 000	
Biogas collection and usage system construction at the city dumping ground initiated by Luhansk city council	600 000	
Construction of the ground water cleaning complex initiated by Luhansk city council	300 000	

The following are the areas of investments based on the branches of industry in Luhans'k:

1. Power engineering.

Investment designation:

- upgrade of a structural subunit of Luhans'k heat and power generation plant (HPGP) in "Skhidenergo" association (town of Shchastya) in order to increase its capacity;
- improvement in technical and economic figures of Luhans'k heat and power generation plant in "Skhidenergo" association;
- environment protection measures;
- production of commercial wind power generators.

Expected outcome:

- increase in capacity of HPGP up to 225 megawatts;
- improvement in technical and economic figures;
- reduction in harmful impact on the environment.

2. Machine-building.

Investment designation:

- organization of production of electric powered trains for passenger commute;
- wheel pair production;
- establishment and further production of agricultural equipment of industrial designation;
- automobile valve production upgrade;
- production of soldered aluminum design radiator;
- building of highly productive drilling equipment;
- battery recycling;
- an increase in small gas boiler production for communal needs;
- technical upgrade, and production of radiators that comply with the international standards;
- production of high quality steel fastening equipment.

Expected outcome:

- production of competitive high quality products;
- increased product variety;
- enhanced product quality;
- production certification by the international standards;

- access to the international market;
- reduction in harmful impact on the environment.

3. Light industry.

Investment designation:

- upgrade of existing capacity of light industry enterprises;
- enhancing product quality and competitiveness;
- increase in product variety.

Expected outcome:

- increase in enhancing light industry product quality;
- satiation of the national market with high quality domestic consumer goods;
- increase in demand in domestic consumer goods.

4. Food and manufacturing industries.

Investment designation:

- upgrade of existing capacity of industry enterprises;
- purchase and utilization of new technologies of food production;
- organization of soy food production;
- organization of snack production;
- organization of juice bottling.

Expected outcome:

- increase in product quality;
- satiation of the national market with domestic consumer goods;
- increase in production of competitive goods, that can replace imported analogs;
- improvement of packaging design;
- increase in production of goods in small packages;

5. Environment protection.

Investment designation:

- utilization of new environment-friendly, wasteless, energy saving technologies;
- organization of enterprises for recycling of industrial and consumer waste, including coal mining;
- construction and upgrade of purifying facilities;
- implementation of the system of activities to improve the quality level of drinking water;
- implementation of the system of activities to protect regional environment from negative impact of mining shafts closure.

Expected outcome:

- recovery and stabilization of regional environment;
- increase in ecological safety of population;
- efficient consumption and recovery of natural resources;
- increased usage of recycled materials in production process.

6. Commercial printing.

Investment designation:

- upgrade of existing capacity of printing enterprises;
- purchase of current printing equipment;
- introduction of digital full color offset printing to produce booklets, brochures, and other printed materials.

Expected outcome:

- increase in printing quality that complies with the international standards;
- increase in the variety of the advertising materials;
- broader market for printing products supply.

X. BASIC CHARACTERISTICS OF THE CITY

Historical development of the city starts in 1754, the time when the towns of Vergunka and Kamyanyi (later - Kamyanyi Brid), were established.

In the 2nd half of the 18th century the territory of today's Luhans'k was a part of I. Shevych's Serbian regiment (1754-1764), Bahmut province of Novorossiysk government, Donetsk district, of Katerynoslav намісництва (60-90 роки XVIII сторіччя).

In the 2nd half of the 18th century the territory of today's Luhans'k was a part of I. Shevych's Serbian regiment (1754-1764), Bahmut province of Novorossiysk government, Donetsk district of Katerynoslav authority (60-90s of the 18th century).

The events of the late 18th century are the mile stones in the development of Luhans'k. In 1795, on November 14 (25) empress Catherine the II issued the decree about the establishment of cannons and cannon ball production foundry and about the establishment of coal mining production in Donetsk (Slavyanoserbyskiy) district of Katerynoslav authority, next to the government village Kamyanyi Brid, for naval fortresses and ships of Russian Bleak Sea Navy. For the first time in the Russian Empire, a blast furnace was introduced in Luhans'k foundry, where it became possible to produce cast iron based on coal coking and a mass production of cannon and cannon-balls. This event started Ukrainian metallurgy.

There are 6 higher learning establishments of 3rd-4th accreditation levels, including three national universities in Luhans'k – The Eastern Ukrainian University that incorporates pedagogical and agricultural subdivisions, medical university, culture institute and the institute of foreign affairs. The largest educational establishment in the city is the Eastern Ukrainian National University, which is a classic university type. In 1996, the university received the 4th (the highest) level of accreditation. For more than 80 years, this university has educated more than 100 thousand experts. Currently, there are around 26 thousand full time and distance learning students that receive education in 107 different specialties. The Eastern Ukrainian National University comprises 18 departments, 3 research institutes and a college. 55 academicians and correspondent members of branch academies of science of Ukraine, 75 professors and PhDs, 525 PhD candidates are involved in the teaching process. Eight years ago the university educated mostly engineers. For the recent years the following specialties have been introduced to the curriculum; Math, Science, Psychology, Finance (accounting), Economics, Political studies, Journalism, Sociology, Ecology, Law and informational specialties. The graduates, new specialty experts, are expected to meet substantial demand in regional employment marked and beyond.

There are around 7 thousand students majoring in 16 different areas of expertise in Luhans'k National Agricultural University. Besides, there are 400 teachers; including 45 PhDs. 70% of students come from rural areas. The most needed specialties in regional employment market are: food preservation technology experts and experts in production and conservation of agricultural products.

The National Pedagogical University consists of 7 departments with 50 different specialties and involves 10 thousand students. 336 teachers, including 33 PhDs are involved in teaching process. There is a culture institute as a subsidiary of this university.

Medical University consists of 7 departments with 172 different specialties. 360 teachers, including 63 PhDs are involved in teaching process.

Distance learning education is currently growing in the educational domain. Besides, due to the structural changes in economics, regional needs in the experts of certain areas must be considered and not only for now but for future perspective as well.

Due to various reasons, such as: - management influences, internal and external economic factors, readiness of the society for changes, social and economic processes transform and might be reflected in the transformation from a higher quality level into a level of a lower quality. An example of degrading of quality transformation is the process of reduction in social and economic state of certain regions. It is especially acute in the east of Ukraine, in the old industrial centers where technologically outdated and environmentally harmful productions are concentrated. The city of Luhans'k is an example of such a place. Since 1990, a rapid deterioration in the city recovery processes has taken place: a decrease in the investments and utilization of the manufacturing capacities to full potential; the process of recovery of the basic assets has not been conducted.

Luhans'k industry development analysis shows that for the last years the structural changes have taken place. There were no changes for an increase in high technology production along with resource saving technologies. The changes occurred in the growing number of production enterprises that are heavy energy and material consumers.

The amount of energy spent on production is several times higher than in developed industrial countries. The volume of energy consumption increased by 1, 2 compared to 1990 and material consumption in machine-building by 1, 4. Production cost price is very high; this cost consists of raw materials, equipment and energy resources.

Environmental situation in Luhans'k requires most urgent attention. The harm that has been caused for the past few years to local environment, as result of resources exploitation, led to the unsatisfactory condition of the latter. Considering that any changes in basic environmental factors impact human health, it needs to be pointed out that, unfavorable environmental condition that covers large territories is one of the main factors that causes demographic problems.

For the last few years the issue about harmful waste disposal and pollutant emissions in the city and in the region remains complicated. Збіднюється якісно і кількісно Flora and Founa are polluted both quantitatively and qualitatively, steppe plants and animals that grew and lived there for centuries, get gradually extinct; there is a steep reduction in the number and quality of species in rivers and lakes.

First of all, the consequences of production in a large city like Luhans'k, produce an impact on its air basin conditions.

The main source of air pollution is Luhans'k heat and power generation plant; it produces 83,4% of total atmospheric emissions in the city. The following enterprises also produce a significant amount of air pollutants: daughter company shaft authority «Luhans'ke» daughter holding company «Luhans'kvugillya», Luhans'k daughter communal enterprise «Теплокомуенерго», daughter company GZF (ГЗФ) «Luhans'ka» holding company «Luhans'kteplovoz».

Considering environmental situation in the city, it is necessary to implement environment protection measures that must be carried out through new methods, technologies and equipment.

Luhans'k water supply is carried out through a system of water supply stations (Aidarska, Kondrashevs'ka, Petrovska), subsidiaries of OKP (ОКП) «Luhans'kvoda» located off city limits

There are four water support stations located in the city limits. Explored reserves of ground water for consumer drinking supply approximately make up 170 thousand cubic meters per 24 hours.

Luhans'k has a very developed power supply network, operated by «Luhans'k Power Networks» company, a subsidiary of «Luhans'k Power Association».

The total length of the surface powerlines with the voltage of 0,4-110 kilowatts is 1902,12 km and cable power lines with the voltage of 0,4-35 kilowatts - 878,4 km. Around 4,5% of the surface powerlines with the voltage 0,4-10 kilowatts require replacement and 44,1% powerlines of with the voltage of 0,4-110 kilowatts require upgrade and annual full scale maintenance.

There are 15 power stations with the voltage of 110/35/6-10 kilowatts with the total transforming capacity of 312,14 kilowatts, which are worn out by 42%.

Natural gas economy in Luhans'k is operated by a public corporation «Luhans'kmis'kraigas». There are 360 thousand gas consumers, or 71,6% of total population of Luhans'k. It is 161760 apartments, including 47184 private houses, 244 gas centralized heat provider stations, 832 communal-general facilities, 240 industrial establishments.

There are 117 km of gas pipelines in the gas supply system, with completed book value that are being utilized for more than 40 years and require replacement. Every year more and more pipelines fall in this category. The absence of replacement funds leads to an increase in maintenance cost, which is reflected in the price for the transported gas.

Municipal economy of heat generation and supply is represented by the communal enterprises "Teplokomunenergo", "Luhans'k Service Plus", production and operational enterprise "Luhans'kkomunenergo". Together, they comprise 137 centralized heat provider stations of a total capacity of 1624 gigacalories per hour and 387,5 km of hot water pipelines (in double). These enterprises produce and deliver energy to satisfy consumer needs in heating and hot water supply.

Heat providing has become an unprofitable business for the past few years due to constant increase in expenditures (cost price of heat generation) that are out of management's control. It is caused by the changes in legislation and regulatory documents, inflation of rates and cost of energy resources.

A major challenge of this branch of industry is substandard condition of pipeline and heat supply network because the time of their utilization has expired, that is why they are highly unreliable and thermal insulation is extremely worn out.

Due to long-term utilization and reduction in effectiveness of thermal insulation, made of ineffective and outdated insulation materials, the heat delivery networks lose up to 13% of energy.

Municipal communications in Luhans'k is represented by postal and electric connections. In Luhans'k, Directorate of «Ukrposhta» (Ukrainian mail) has 43 post-offices. The following are Luhans'k communications enterprises: Luhans'k, Directorate of the joint-stock company "Ukrtelecom", "Luhans'k Phone Company" association, "TK Velton. Telecom. Luhans'k", association, "Luhans'kvuglezvyazok" association, private enterprise "Delta-zvyazok". In the city communications market there are branches of mobile communication providers and several providers of paging communications.