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# **UKRAINE**

**RESULTS REVIEW**

**AND**

**RESOURCE REQUEST**

**USAID/West NIS**

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## **PART I: FACTORS AFFECTING PROGRAM PERFORMANCE**

### **1. The Development Context**

Ukraine's transition to a market-oriented democracy is well underway, yet it is not so far along that the country can be said to have taken final shape. There are still many basic issues to be resolved. Substantial differences of opinion exist on the ultimate nature of Ukraine's economy and society. How the debate is conducted depends not only on internal forces, but also on external factors, including U.S. assistance.

The history of reform in Ukraine is mixed. Only in 1995, four years into independence, did the country begin its economic transformation in earnest. Along the way, there have been periods of accelerated reform as well as substantial stalling. Over the past year, Ukraine has made significant progress toward sustained economic stabilization. Inflation has been reined in, the budget deficit has been reduced, and the new currency, introduced last fall, has remained remarkably stable. Significant structural changes have also been made including the near complete privatization of small enterprises and more than half of medium and large state enterprises. Finally, with enactment of a new Constitution last June, fundamental rights and protections that will form the basis of a stable and transparent legal system have been established. It is the next stage of reform -- structural changes that would affect entrenched interests -- that has been more difficult to bring about. This includes reforms that will create a competitive environment in which private enterprise development and investment can flourish and a fundamental quality of life can be assured.

The prospects for second-stage reform -- in terms of both its parameters and its pace -- are uncertain. President Kuchma has spearheaded comprehensive reform. He is personally engaged in leading his country through the minefield that is the transition. There is some room for optimism, given the practical matter of Ukraine's need for balance-of-payments support which will only be forthcoming in response to significant change. However, the government's program is extremely ambitious, and though it was welcomed with great enthusiasm by Western donors, it has predictably met with considerable resistance from the socialist-led Parliament, and from numerous elements within the government. The passage of the Constitution, an important long-term gain, may have even contributed to the reform stalemate by striking a relatively even balance in allocating power between the executive and legislative branches and by introducing ambiguities in procedure that can only be clarified over time. Strong government leadership will be necessary to secure passage of the program.

Political maneuvering in preparation for the March 1998 parliamentary elections and 1999 presidential election also affects the outlook for reform. President Kuchma has recently realigned his cabinet. He permitted the resignation of Deputy Prime Minister Pynzenyk, who had been primarily responsible for conceiving and implementing economic reform, and retained Prime Minister Lazarenko, who is widely accused of being corrupt and whom Kuchma has blamed for failure to promote reform. To succeed Pynzenyk, Kuchma has chosen Sergei Tyhypko, a prominent banker without previous government experience, but with strong management credentials. How these moves will influence the pace of reform,

the outcome of the elections, and such other important issues such as the prospects for curtailing government corruption, is the subject of much speculation.

The social cost of the transition is staggering. It is among the most potentially destabilizing forces in Ukraine. The cost of living continues to rise above the means of average Ukrainians, whose buying power has plummeted five-fold over the past five years. Incomes are falling as the economy deteriorates, with wage and pension arrears mounting to \$1.7 billion, [comparison to GDP]. Pension reform is being studied, but it will be some time before a new system will be operational. A full array of targeted subsidies for the neediest is not yet in place, which means that the 28 percent of the population that falls below the GOU's officially defined poverty level is without an effective social safety net. Life expectancy continues to decrease, and the health care system, in need of wholesale structural change, is not able to meet a number of basic needs such as vaccines and drugs. It is generally agreed that comprehensive social sector reform is essential to ensuring the sustainability of reforms that will lead to economic growth, but there is no consensus on the direction it should take. The concern is that if the government does not take steps to address these problems, popular support for market reform will deteriorate along with the chance for a successful transition.

Corruption is a growing and much publicized concern, in terms of both the viability of good governance and successful business development. Pressure is building within Ukraine and the United States to do something about it. On the U.S. side, involvement is contemplated with specific reference to protecting and fostering U.S. business interests in Ukraine. Corrupt practices and bureaucratic red tape at national and local levels make it extremely difficult for honest citizens in Ukrainian to make a decent living and overwhelm most American firms trying to operate there. Members of Congress have begun talking about reducing U.S. assistance to Ukraine because of corruption. With official Ukrainian policy set on increasing foreign investment, neither side can ignore this problem any longer. Ukraine is also beginning to take action in response to the negative publicity about corruption. President Kuchma recently issued a "clean hands" decree to reduce government corruption. Without a solid enforcement and political, the decree will not be effective in curtailing corruption.

Local government has emerged as a strong force for change. Some local government officials have taken initiative to improve services, privatize new assets including land, increase transparency and citizen participation, and organize themselves into a major lobby for changes that will shift resources and authority to local government control. The growing number of non-governmental organizations (NGOs) has also begun to take matters into their own hands as they struggle to help meet the enormous human need caused by the transition. Both local government and NGOs have been hampered by the failure to enact national legislation clarifying the framework under which they will operate, but despite this their accomplishments are noteworthy.

## **2. USAID Program Impact**

USAID assistance has played an important role in helping President Kuchma realize his vision for Ukraine by providing technical assistance to those most committed to implementing

reform. One of Mr. Tyhypko's first steps as Deputy Prime Minister was to organize individual reformers in the governmental Parliament into a single team. They, our Ukrainian counterparts, embody the constituency for reform -- those who are keeping the momentum for reform going -- and represent our best opportunity to promote it. USAID technical assistance is also geared toward improving implementation capacity, which has been identified as a major constraint. Without the necessary human and institutional capacity to implement and enforce new legislation and regulations, they will make no difference.

USAID technical assistance programs gain considerable leverage when coordinated with World Bank and IMF lending programs, which provide considerable financial incentive to proceed with difficult reforms. USAID's coordination with other bilateral and multilateral donors also ensures that to the extent possible foreign technical assistance is mutually reinforcing. We greatly improve the prospects for success if we and other donors act in unison to achieve mutually agreed upon goals. This is particularly true in such areas as mass privatization, energy, and agriculture sector reform, where USAID continues to work closely with the World Bank, IMF and EU to achieve our objectives.

Donor unity is also critical in the agriculture sector, where we are working in close coordination with the World Bank, involving the U.S. and Ukrainian private sector, and assisting large and small farmers in a variety of ways to improve their productivity and use private alternatives to state-run agricultural systems. There is much resistance from entrenched interests and recent backsliding with the creation of new state monopolies. However, it may be premature to act unilaterally by curtailing USAID assistance in response, given the importance of agriculture to the Ukrainian economy. What is likely to be most effective in promoting reform is to stand united with the World Bank, IMF, and other donors making it difficult for the GOU not to move ahead with agriculture sector reform. If in the final analysis Ukraine does not sufficiently fulfill the conditionality and donor support falls through, the consequences of the GOU's failure will be widely felt.

### 3. Factors Affecting Program Direction

For the future, the content and pace of reform should continue to determine the parameters of the U.S. assistance program. Possible reform scenarios and USAID responses include:

1. **The tax and deregulation reform package is passed in full, and momentum for reform increases.** Under this scenario, USAID would want to move quickly to help the GOU consolidate these gains with technical assistance to implement the new laws. Our emphasis would be on accelerating progress in economic restructuring, specifically fiscal and financial reform and improving the legal environment for doing business in Ukraine, including anti-corruption measures. We would continue ongoing work in specific sections (energy, privatization, agriculture, capital markets, etc.) in accordance with the pace of reform in each. We would also want to continue with democracy programs and governance assistance, particularly strengthening rule of law and local government, as well as with social sector restructuring and NGO support to improve capacity to deal with the social transition.

2. **Reform is implemented at a slower pace and piecemeal, with some backsliding.** Under these circumstances, we would expect the GOU to gather the political will to move ahead with some significant reforms, but probably not quickly or cleanly. USAID would continue focusing on areas with the most promising outlook for reform and encouraging progress in areas where prospects are less advanced. Of particular importance would be strong coordination with the IMF and World Bank, specifically with regard to reinforcing conditionality and setting the parameters of assistance -- or withdrawal thereof -- in the absence of reform. Programs supporting civil society, local government, and strengthening basic services including health care would be essential.
3. **No significant progress or significant backsliding on tax and deregulatory reform or other sectoral reforms.** Under this scenario, USAID would shift its program away from areas where reform has failed to materialize and focus efforts on strengthening the capacity of selected organizations and people to bring about reform through grassroots, democratic action. USAID would emphasize community-based programs to promote a local constituency for reform and to demonstrate the benefits of reform for the citizenry. NGO development and democracy and governance would be heavily emphasized, with continued attention to selected elements of the social transition.

#### 4. Highlights of Achievements

There are strong limits to how much can be accomplished in the absence of an appropriate economic reform policy environment. However, given the difficult climate in which we work, USAID has an impressive record of achievement to date of measures that have advanced reform and are paving the way for progress in the second stage of reform. Here is a brief sampling of achievements to date.

- 5,500 medium and large companies of a total of 8,000 have been privatized;
- small-scale privatization, involving about 40,000 enterprises, has been completed;
- a securities commission has been formed and empowered, the essential legislation for securities market regulation is in place or in process, and the volume of securities trading, while still small is rapidly increasing;
- condominium associations covering 39,000 families in 43 cities have been or are being registered and contracts for residential building maintenance services for more than 140,000 families in 26 cities have been or are being negotiated with private firms;
- competitive privatization of urban land parcels has been implemented in four cities and is being replicated throughout Ukraine;
- the National Bank of Ukraine's Interbank Payments System is fully functioning, with technical execution of payments taking minutes rather than weeks;
- six farm service centers, established with U.S. private sector participation, have

increased yields by more than 100 percent on 2 million acres of farmland by providing U.S. technology and inputs, as well as providing a private alternative to state systems for marketing output;

- 70 collective farms have been restructured and individual land titles are being distributed to the former members of those farms;
- in power sector reform, Ukraine is ahead of every other country in the region: the energy wholesale market is operating, the generation system has been demonopolized into four joint stock companies, with 27 local joint stock electricity companies to distribute and sell electricity to consumers and a national electricity regulatory commission created to oversee fair competition and ensure reasonable tariffs;
- modernization of the water distribution system in Lviv has resulted in improved service for over 100,000 people, creating a model which can be replicated in other cities;
- USAID programs supported the drafting process which led to the adoption of the new Constitution and are supporting education for people about their constitutional rights and responsibilities;
- USAID support to municipal governments has led to their reducing operating costs, increasing revenue and improving services to citizens;
- the beginnings of a social safety net have been put in place: about 6 million families who could otherwise not afford increases in housing and utility costs have received subsidies for part of the cost; and
- fee-for-service health activities are increasing, ensuring more reliable health care even as central and local governments cutback funding and resources for health and other social services.

## **5. Summary**

These and other examples demonstrate that U.S. assistance has been instrumental in promoting sustainable reform. Given strong U.S. interests in an independent Ukraine, it is essential that we continue to provide adequate support in strategic areas, particularly as the economy continues to deteriorate. With so much at stake and such tremendous economic potential, the USAID role in promoting economic, democratic and social reform becomes all the more important during this uncertain period.

## PART II: PROGRESS TOWARD OBJECTIVES

### SO 1.1 Increased transfer of state-owned assets to the private sector

In 1996, USAID-supported aspects of the GOU's privatization program met or surpassed their targets. This was achieved primarily as a result of close coordination between SO team members, GOU counterparts and fellow donor organizations. In early 1997, political and legislative developments posed new challenges to completing mass privatization. Continued close collaboration will be needed to complete the privatization program as planned.

#### 1. Performance Analysis

<b>OBJECTIVE:</b> SO 1.1 Increased Transfer of State-Owned Assets to the Private Sector			
<b>APPROVED:</b> June 1996 <b>COUNTRY/ORGANIZATION:</b> USAID/Kyiv			
<b>RESULT NAME:</b> Increased Transfer of State-Owned Assets to the Private Sector			
<b>INDICATOR:</b> Percentage of GDP generated by the private sector			
<b>UNIT OF MEASURE:</b> percent	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> IBRD	1995		49 (B)
<b>INDICATOR DESCRIPTION:</b> private sector component of GDP	1996	50 (T)	55
<b>COMMENTS:</b> Includes estimates for the shadow economy	1997	65	
	1998	65	
	1999	70	

The indicator used to track progress of the Strategic Objective is Percentage of GDP generated by the private sector. In 1996 the private sector accounted for 55% of GDP compared to a target of 50%. Privatization in Ukraine successfully achieved its targets for 1996. Though the 1996 program was successful, prospects for mass privatization in 1997 do not look as bright. USAID assisted the State Property Fund (SPF), which manages the GOU's privatization program, with one draft for the 1997 plan while the Parliament developed another. The SPF version stalled in the Cabinet of Ministers, where it received criticism for insufficient generation of cash revenue. The President's Administration, Parliament and the Cabinet of Ministers have not been able to agree on a final version. In the absence of an approved Program, the number of enterprises offered at auction has begun to drop off. Mass privatization is a component of World Bank and IMF loan conditionality. If Ukraine fails to meet the agreed upon mass privatization targets, (Mass Privatization), the disbursement of those loans is at risk.

### IR 1.1.1: Large and medium state enterprises fully privatized

<b>OBJECTIVE:</b> Increased Transfer of State-Owned Assets to the Private Sector			
<b>APPROVED:</b> June 1996 <b>COUNTRY/ORGANIZATION:</b> USAID/Kyiv			
<b>RESULT NAME:</b> IR 1.1.1: Large and medium state enterprises fully privatized			
<b>INDICATOR:</b> Number of companies at least 70% privatized			
<b>UNIT OF MEASURE:</b> cumulative number of companies	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> State Property Fund	1995		N/A
<b>INDICATOR DESCRIPTION:</b> 70% private ownership of an individual company	1996	5,000 (B)	5,004
	1997	8,000 (T)	
<b>COMMENTS:</b>	1998	10,000	
	1999	N/A	

The indicator is **Number of companies at least 70% privatized** and the 1996 target was 5,000. There were 5,004 companies privatized as of February, 1997. USAID assistance helped establish the contributing intermediate results to support that success. The level of participation by the population exceeded expectations in that the number of privatization certificates picked up or accounts opened represented 84 percent of the population (4 percentage points over target). However, of those certificates picked up, only 54 percent were invested as opposed to the target of 75 percent. Work on policies, laws and regulations has been successful to date, though the absence of an agreed upon 1997 Program may put that into question. USAID has been successful in working on the pipeline of companies, getting them ready for privatization. There is an Enterprise Preparation Task Force and auction network operating in each of the 27 oblasts<sup>1</sup>.

### IR 1.1.2: Small scale enterprises are sold

<b>OBJECTIVE:</b> Increased Transfer of State-Owned Assets to the Private Sector			
<b>APPROVED:</b> June 1996 <b>COUNTRY/ORGANIZATION:</b> USAID/Kyiv			
<b>RESULT NAME:</b> IR 1.1.2: Small scale enterprises are sold			
<b>INDICATOR:</b> Number of small businesses privatized in Ukraine			
<b>UNIT OF MEASURE:</b> number	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> State Property Fund	1995		21,000 (B)
<b>INDICATOR DESCRIPTION:</b> Small businesses are those valued under \$175,000	1996	31,900 (T)	37,205
	1997	39,000	
<b>COMMENTS:</b> The State Property Committee began double counting both premises and enterprises in the summer of 1996	1998	N/A	
	1999	N/A	

<sup>1</sup> Technically speaking, there are 24 oblasts, two city administration districts (Kyiv and Sevastopol), and the Autonomous Republic of Crimea.

The indicator is **Number of small business privatized in Ukraine**. The target was 31,900 and the reported result was 37,205. The actual result was probably about on target because the official number includes double counting for some enterprises since the summer of 1996. At that time the State Property Fund began counting both the enterprises and the premises they occupy as separate objects of privatization. USAID has been a catalyst in helping the GOU meet the target. As of February, USAID-funded programs accounted for over one-third of all the small businesses privatized and helped develop policy improvements that facilitated all small scale privatizations. USAID has funded privatization teams in 22 of the 27 oblasts and in the Crimea. Those teams cover 25 cities and 45 small towns.

**IR 1.1.3: Residential buildings are privately owned**

<b>OBJECTIVE: Increased Transfer of State-Owned Assets to the Private Sector</b>			
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.1.3: Residential buildings are privately owned			
INDICATOR: Number of condominiums registered with local government			
<b>UNIT OF MEASURE:</b> number per year	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> State Committee for Housing and Municipal Economy	1995		7 (B)
<b>INDICATOR DESCRIPTION:</b> Resident groups	1996	15 (T)	170
<b>COMMENTS:</b>	1997	200	
	1998	300	
	1999	400	

The indicator is the **Number of condominiums registered with local government**. The target was 15 registered private condominium associations and the actual count was 170 for 1996 with 208 by February 1. Those 208 registered condominiums are spread over more than 50 localities, which means a broad-based mechanism is in place and capable of registering an unlimited number of condominiums. In addition to USAID’s promotional and technical assistance activities there appear to be two major factors contributing to success beyond expectations: (1) Local governments want to divest themselves of the liability of running housing maintenance programs and to create the foundation for a local tax base; (2) People living in multi-unit housing see condominium associations as a mechanism for improved maintenance services. USAID has successfully supported those objectives by working with both local governments and residents through seminars, workshops, a step-by-step guidebook for residents on how to register a condominium, a housing sector reform newsletter and a soon-to-be released BBC radio program. According to a January government report, there are 17 million housing units in Ukraine of which two-thirds are single family and privately owned. The remaining one-third are multifamily units that nevertheless house 60 percent of the population. Of the urban stock eligible to be privatized, 40 percent is now in private hands.

#### IR 1.1.4: Land is privatized (urban, rural and agricultural)

<b>OBJECTIVE:</b> Increased Transfer of State-Owned Assets to the Private Sector			
<b>APPROVED:</b> June 1996 <b>COUNTRY/ORGANIZATION:</b> USAID/Kyiv			
<b>RESULT NAME:</b> IR 1.1.4: Land is privatized (urban, rural and agricultural)			
<b>INDICATOR:</b> The amount of privately owned agriculture land used by collective farms			
<b>UNIT OF MEASURE:</b> cumulative hectares (millions)	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> State Committee on Land Resources	1995		0 (B)
<b>INDICATOR DESCRIPTION:</b> The amount of land transferred into the ownership of collective farm members by issuing land certificates	1996	1.0 (T)	6.2
	1997	8.0	
	1998	12.0	
	1999	15.0	
<b>COMMENTS:</b> Land certificates provide ownership right in a specific land area, but not to a specific plot			

There are three indicators for this Intermediate Result, one for agricultural land, one for urban land and one for surplus land of State Owned Enterprises (SOE). For agriculture, **The amount of privately-owned agricultural land used by collective farms** had a target of 1 million hectares - 6.2 million hectares were actually turned over to private farmers through the issue of land share certificates to them. **The amount of urban land privately used** had a target of 90 parcels and the actual result was 106, and **the amount of surplus land sold or leased by SOEs to private companies** performed as expected at zero parcels (this program has not started). The 6.2 million hectares represent land for which farmers have received land rights and increasingly land title to a specific plot. The agricultural land certificate program is popular among the general population, among farmers and is a priority of local government. Public opinion polls show a wide majority in favor of privatizing land and there is a degree of political expediency in responding to the public will. USAID had set a target of 600,000 certificates to be distributed in 1996 and the actual distribution totaled 3.2 million. The next step is actual land titling and USAID is already working with the State Committee on Land Resources to develop simplified procedures for issuing individual land titles (200 are expected to be issued in May, 1997). USAID actively supported the GOU with planning and policy issues prior to distribution and with direct distribution in 70 collective agricultural enterprises (CAEs) in seven oblasts. Current activities focus on assisting the Ministry of Justice with drafting several laws (e.g., "On Real Estate Titling and Registration", "On Land Lease") and helping the State Committee on Land Resources working group draft new legislation on land assessment procedures.

It should be noted however that there is considerable entrenched opposition within the Parliament to land privatization, particularly of agricultural land. Considerable policy work will be required to successfully affect significant privatization of agricultural land and the surplus land surrounding privatized enterprises.

## 2. Expected Progress through FY 1999 and Management Actions

Progress in Mass Privatization is slowing down pending GOU approval of a 1997 State Privatization Program that emphasizes appropriate approaches and targets for mass privatization. USAID is actively engaged in policy dialogue with the GOU, in concert with our partners, to encourage adoption of an acceptable 1997 Plan. The Mission is also developing alternatives for the use of funds if the plan does not materialize (a modest program of support to sell up to 40,000 unfinished construction sites is, for example, showing very promising results). Since each sale represents a new business start-up opportunity, further support looks attractive. With approval of the Program, we expect the targeted level of success for 1997 and a phase out of our support for mass privatization during the second quarter of FY 98. USAID support for small scale privatization will cease by the summer of this year, with all targets met.

Privatization of housing does not depend on the State Privatization Program. It has reached a critical mass and is of sufficient popularity with both local government and residents of multi-unit housing that we expect privatization to exceed targets through 1999. In order to decrease USAID involvement and leave a promotional mechanism in place, USAID plans to support a Ukrainian Housing NGO to build on the success of the program USAID helped establish.

For agricultural land USAID will extend information to farmers on the final step of land titling while assisting the GOU to prepare for that step. We anticipate a rapid increase in the number of individual titles given and intend to roll out the current farm restructuring program to achieve that. We will continue to help open up local titling and registration offices, while laying the ground work for a National Real Estate Title Registration System. With Parliamentary approval of agricultural sale legislation, we expect the privatization of land to exceed expectations into 1999. Work will begin this year to privatize land owned by private enterprises.

### Strategic Objective 1.1 Resource Request

FY 97	FY 98	FY 99
16,250	5,850	8,000

## SO 1.2 Increased soundness of fiscal policies and fiscal management practices

The GOU has proposed an economic reform program which includes major changes in the tax and budget systems that should stimulate economic growth and promote the accomplishment of this SO. However, the reform package is being stalled and even damaged by opposition in the Parliament; prospects for the 1997 budget are worsening; and international aid has been jeopardized. If the hurdles presented by the 1997 situation can be overcome, then planned expansion in USAID's technical assistance for fiscal reform—especially in the areas of budget process, tax policy and administration, and advice to the Parliament—could result in substantial progress on this SO in 1998 and 1999. Targets set out for this S.O. were largely met in 1996.

### 1. Performance Analysis

<b>OBJECTIVE: SO 1.2 Increased Soundness of Fiscal Policies and Fiscal Management Practices</b>			
<b>APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv</b>			
<b>RESULT NAME: Increased soundness of fiscal policies and fiscal management practices</b>			
<b>INDICATOR: GOU meets IMF deficit target</b>			
<b>UNIT OF MEASURE: Yes/No</b>	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE: Ministry of Finance, IMF, Resident Representative</b>	1995(B )		No
<b>INDICATOR DESCRIPTION: budget deficit as percent of GDP does not exceed limit in IMF program, according to IMF definition</b>	1996	Yes (2.5%)	Yes
	1997	Yes (4.0%)	
<b>COMMENTS:</b>	1998	Yes	
	1999	Yes	

The indicator is **GOU meets IMF deficit target**, and the deficit target for 1996 of 2.5 percent of GDP was met. However, the IMF allowed the deficit to be calculated on a cash rather than an accrual basis, which ignores the substantial build-up of wage and other arrears in the budget sector. Government employees and pensioners are among those most affected by the accumulation of arrears. Many of them have not been paid for months, at increasing social cost and possibly political cost for the GOU.

IMF conditionality for the proposed three-year \$3 billion extended financing facility (EFF) now under negotiation require that the GOU pay down all budget sector arrears in 1997 and refrain from accumulating new arrears. This will make it much more difficult for the GOU to meet the 1997 deficit target of not more than 4% of GDP. As of April 1997, the GOU has yet to submit, much less pass, a realistic budget that conforms to the deficit target, and arrears continue to mount. A decision on the EFF has been deferred, and it is possible that short-term funding will be substituted, pending resolution of this, and a number of other outstanding issues.

### IR 1.2.1: MOF budgeting and financial management practices are reformed

<b>OBJECTIVE: Increased Soundness of Fiscal Policies and Fiscal Management Practices</b>			
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
<b>RESULT NAME: IR 1.2.1 MOF budgeting and financial management practices are reformed</b>			
<b>INDICATOR: Number of budget revisions required due to inaccurate budget forecasts is reduced</b>			
<b>UNIT OF MEASURE: Number</b>	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE: Ministry of Finance - BPMA</b>	1995(B)		3
<b>INDICATOR DESCRIPTION:</b>	1996	2	0
<b>COMMENTS: One mid-year revision should suffice if revenue and expenditure forecasts are accurate; two or more indicates significant forecasting errors</b>	1997	1	
	1998	1	
	1999	1	

The indicator is **Number of budget revisions required due to inaccurate budget forecasts is reduced**. The target was two revisions, and in fact there were none at all, in marked contrast to prior years. However, this was attributable more to a decline in inflation than an increase in the accuracy of budget forecasts. The budget was not revised despite the fact that revenues came in at only 80% of the projected amount. Since expenditures are made on a cash availability basis, listing obligations in the budget in excess of expected revenue (so they might get paid) has immediate political value. Postponing the actual payment decisions allows the maximum amount of flexibility to respond to daily economic and political pressures. However, it also leads to the accumulation of arrears and even to late payments of debt service, which jeopardizes the government securities market as a source of government finance.

USAID and U.S. Treasury advisors are working with the Budget Department of the Ministry of Finance to institute reforms for the 1998 budget process, including a budget classification system meeting international standards, detailed instructions for Ministries to follow, and spending ceilings for Ministries at the beginning of the process.

#### IR 1.2.1.1.1: Macroeconomic forecasting capability is improved

<b>OBJECTIVE: Increased Soundness of Fiscal Policies and Fiscal Management Practices</b>	
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv	
<b>RESULT NAME: IR 1.2.1.1.1: Macroeconomic forecasting capability is improved</b>	
<b>INDICATOR: Accuracy of GDP forecasts improves</b>	

<b>UNIT OF MEASURE:</b> percent	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> IMF Resident Representative, and/or Ministry of Statistics, Ministry of Economy	1995(B )		16
<b>INDICATOR DESCRIPTION:</b> percentage difference between forecast and actual GDP decreases	1996	14	12.4
<b>COMMENTS:</b>	1997	12	
	1998	10	
	1999	8	

The key indicator is **Accuracy of GDP forecasts improves**, and the target was a 14% discrepancy between projected and actual GDP. The actual discrepancy was 12.4%. Decline of real GDP was less than projected, and with lower inflation, nominal GDP can be more readily projected. It should be noted, however, that the accuracy of forecasting models will remain limited unless they can be based on data which are complete, readily available, and of good quality, and this continues to be a major problem in Ukraine. We are presenting recommendations about developing and maintaining a common database for the economic policy units of the GOU: the MOF, State Tax Administration, Ministry of Economy, Ministry of Statistics and National Bank. This would provide access to data readily available in other countries--such as money supply, GDP, budget execution--and could greatly improve macroeconomic forecasting in Ukraine, especially if combined with efforts to improve data quality. However, such data transparency runs very much counter to Ukrainian practice and is unlikely to be realized anytime soon.

#### IR 1.2.2: A market-oriented tax system that encourages compliance is created

<b>OBJECTIVE:</b> Increased Soundness of Fiscal Policies and Fiscal Management Practices			
<b>APPROVED:</b> June 1996 <b>COUNTRY/ORGANIZATION:</b> USAID/Kyiv			
<b>RESULT NAME:</b> IR 1.2.2: A market-oriented tax system that encourages compliance is created			
<b>INDICATOR:</b> Number of Taxpayers Identification Numbers (TIN) system is established and the number of taxpayers included in the system increases			
<b>UNIT OF MEASURE:</b> cumulative number (millions)	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> STI	1995		---
<b>INDICATOR DESCRIPTION:</b> total number of TINs issued to individuals or enterprises increases over prior year	1996	19.6	15.6
<b>COMMENTS:</b> data not available for 1995 baseline	1997	26	
	1998	27	
	1999	30	

The indicator is **Taxpayer Identification Numbers (TIN) system is established and the number of taxpayers included in the system increases**. In a market economy, the number of potential taxpayers increases rapidly, especially outside of the government sector, and the controls on revenue collection exerted by the central planning system are lost. Thus a vital

first step is to identify taxpayers in order to track whether they are complying with their tax obligations, and issuance of TINs (or their equivalent, such as Social Security numbers) is the usual means of doing this. The target for 1996, the initial year, was 19.6 million TINs issued to individuals or enterprises, and the actual result was 15.6 million, which is not too far off target and might be made up in 1997.

### IR 1.2.2.1: Tax system supports economic growth

<b>OBJECTIVE: Increased Soundness of Fiscal Policies and Fiscal Management Practices</b>			
<b>APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv</b>			
<b>RESULT NAME: IR 1.2.2.1: Tax system supports economic growth</b>			
<b>INDICATOR: Major tax laws are revised using international standards, harmonized for incorporation into a single tax code, submitted to Parliament</b>			
<b>UNIT OF MEASURE: number submitted to Parliament</b>	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE: Rada, STI</b>	1995(B)		0
<b>INDICATOR DESCRIPTION: draft revisions to VAT, administrative provisions, corporate income, personal income, excise taxes</b>	1996	2	4
	1997	TBD	
<b>COMMENTS: Only one law actually passed. Targets for 1998 and 1999 will be defined in 1997.</b>	1998		
	1999		

The indicator for this contributing IR is **Major tax laws are revised using international standards, harmonized for incorporation into a single tax code, and submitted to Parliament.** Four different tax laws were submitted to Parliament, whereas the target was only two. Of the four, two have been passed. Regarding **IR 1.2.2.2: Tax laws are fairly and efficiently administered,** efforts to improve tax administration are still in the early stages and are not yet expected to show a positive impact on revenues and collection costs. The operations of the tax training center should have a substantial impact on tax administration over time, but unfortunately the start-up has suffered from contractual delays and problems with the NMS.

### IR 1.2.3: From SO 2.2 Parliament acts affirmatively on fiscal reform legislation

<b>OBJECTIVE: Increased Soundness of Fiscal Policies and Fiscal Management Practices</b>			
<b>APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv</b>			
<b>RESULT NAME: IR 1.2.3: From SO 2.2: Parliament acts affirmatively on fiscal reform legislation</b>			
<b>INDICATOR: Law to establish Audit Control Chamber</b>			

<b>UNIT OF MEASURE:</b> drafted/submitted/passed/implemented/enforced	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> Rada Gazette	1995(B )		drafted
<b>INDICATOR DESCRIPTION:</b>	1996	passed	passed
<b>COMMENTS:</b>	1997	implemented	
	1998	enforced	
	1999		

The first indicator focuses on a **Law to Establish an Audit Control Chamber** (now known as the Accounting Chamber), which was passed as targeted. The next two, dealing with information and transparency, are still in the early stages, with some progress on openness of committee sessions to other government officials.

With respect to **IR 1.2.3.3, Banking and Finance Committee's deliberation on tax legislation is strengthened**, as indicated above, all of the four major pieces of tax reform legislation submitted in November 1996 have met with difficulties in the Banking and Finance Committee, due mainly to adamant opposition from the Committee's Chair. One of the proposals, on value-added tax, has passed its third reading, but only with some crippling amendments. The other two are in various stages of consideration by the Rada.

Clearly the Parliament (Verkhovna Rada) is now the major decision maker for all economic reform proposals, including those on fiscal reform. Therefore USAID is undertaking a major, new effort in 1997 to support the Rada with various types of technical assistance. These include establishment and staffing of a Fiscal Analysis Unit for the Rada, provision of advisors in tax and budget analysis and intergovernmental finance, and potentially assistance to the new Accounting Chamber.

## **2. Expected Progress through FY 1999 and Management Actions**

The GOU is facing a potential crisis with the 1997 budget. Both the IMF deficit target and the budget as proposed assume adoption of the package of economic reforms presented in November 1996, which includes revenue, expenditure and deregulation measures. In particular, the budget relies in large part on revenues from external sources, including the proposed EFF and pending World Bank loans, whose receipt depends not only on these reforms but also on other actions, the bulk of which are not yet accomplished. Delays in and revisions to the reform measures have thus far served to make the budget situation worse, and arrears continue to mount. As of the beginning of May, it is still not clear when an acceptable budget for 1997 will be passed, much less passed. The fact that parliamentary elections are scheduled for March 1998 complicates the situation still further, by making Rada members more reluctant to support controversial reforms whose beneficial impact is not likely to be felt before the elections.

USAID continues to act on the assumption that the economic reform package will pass and

that there is a genuine desire to meet the other conditions of the proposed IMF and World Bank loans, many of which fall in the area of fiscal reform. The ultimate aim of these measures is to stimulate economic growth and the development of the private sector, which should then have a beneficial impact on the budget after 1997. Thus the major problem is to deal with 1997 in a way which is acceptable to international donors and which promotes rather than jeopardizes the prospects for real economic progress in succeeding years. Accordingly, USAID is expanding its fiscal reform efforts in 1997, particularly in the areas of budget process, tax administration and technical assistance to the Parliament.

- Proposed changes in the budget process for 1998, including a new budget classification that meets international standards, spending ceilings and detailed instructions for ministry budgets, better data access to improve revenue forecasting, and stricter financial management procedures, could greater enhance the prospects for responsible budgets and elimination of arrears problems from that year forward.
- Planned efforts to complete the modernization of tax laws and their incorporation into a single tax code, and to strengthen tax administration through enhanced information systems and improved collection and audit techniques, should result in a more stable and equitable tax system which does not stand in the way of economic development.
- Proposed assistance to parliamentary analysis of economic policy measures should result in better informed deliberations on these measures and a legislature which is more responsive to the need for economic reforms that can result in a better way of life for the electorate.

This SO could require additional funding for 1997 to achieve these aims and lay the foundation for accelerated improvements in succeeding years, should pending changes in the GOU increase the receptivity to economic reform.

**Strategic Objective 1.2 Resource Request**

FY 97	FY 98	FY 99
5,800	7,600	6,100

## SO 1.3 Accelerated development and growth of private enterprises

This strategic objective encompasses the very broad range of objectives and activities needed to accelerate the growth of the private sector. Results depend heavily on success in the complementary SOs of privatization, financial sector and fiscal policy development. Overall, USAID activities to achieve this objective can be categorized into those that directly assist enterprises and those that establish an enabling environment for them. The most resources and the most results are concentrated in the former.

### 1. Performance Analysis

<b>OBJECTIVE: 1.3 Accelerated Development and Growth of Private Enterprises</b>			
<b>APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv</b>			
<b>RESULT NAME: SO 1.3 Accelerated development and growth of private enterprises</b>			
<b>INDICATOR: Growth of legally registered private firms</b>			
<b>UNIT OF MEASURE:</b> cumulative percent	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> DAI/NewBizNet	1995(B)		49,500
<b>INDICATOR DESCRIPTION:</b> yearly percent increase of registered firms over baseline in three targeted oblasts in which NewBizNet Centers operate	1996	5 (T)	7
	1997	10	
	1998	15	
	1999	20	
<b>COMMENTS:</b>			

There are two indicators for the Strategic Objective: 1. **Growth of legally registered private firms**, and 2. **Private enterprise contribution to GDP**. In 1995 there were 49,500 legally registered firms and the target for 1996 was a 5% increase over this baseline. The actual increase was 7% to 53,211 legally registered firms.

<b>OBJECTIVE: 1.3: Accelerated Development and Growth of Private Enterprises</b>			
<b>APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv</b>			
<b>RESULT NAME: SO 1.3: Accelerated development and growth of private enterprises</b>			
<b>INDICATOR: Private enterprise contribution to GDP</b>			

UNIT OF MEASURE: percent	YEAR	PLANNED	ACTUAL
SOURCE: World Bank	1995(B)		49
INDICATOR DESCRIPTION:	1996	50 (T)	55
COMMENTS:	1997	60	
	1998	65	
	1999	70	

Private enterprise contribution to GDP also exceeded the target of 50%, as the reported actual percentage was 55. The contribution to GDP figure includes an estimate of the contribution of the informal or "shadow" economy and it is evident that both the informal and the formal private sector are growing. Together they are as yet insufficient to counter the falling public sector contribution, as GDP continues to shrink (about 10% in 1996).

#### **IR 1.3.1: Legal, regulatory and political environment conducive to sustainable enterprise growth**

Here USAID takes guidance from the foreign investor. The number of foreign investors and the amount of their investment provide good proxies for how the market reads the legal, regulatory and political environment. The first indicator is **Direct foreign investment in Ukraine** and the cumulative number from 1992 to 1996 is \$1.4 billion. This baseline figure is reported to be among the lowest levels of direct foreign investment per capita in the region.

Among a wide range of activities designed to improve the legal, regulatory and political environment (including activities in other SOs), USAID has contributed to at least five new draft laws, including a new draft Competition Law and a comprehensive Customs Code for Ukraine. We are also providing assistance to the GOU on entry into the World Trade Organization. Bankruptcy and antimonopoly are other areas of active intervention. A major step toward financial transparency in business was made when the Ministry of Justice certified the Ukrainian Federation of Professional Accountants and Auditors as an independent SRO (self regulating organization). We expected 500 members of this certified SRO in 1996 but membership reached 1,100. Membership is expected to increase to 3,000 by next year and the Association conducted its first professional certification examinations in March of this year. As a reflection of the tremendous growth in membership in the Federation, the targets for this indicator for the outlying years have been increased.

### IR 1.3.2: Improved application of market-driven business skills

<b>OBJECTIVE: 1.3: Accelerated Development and Growth of Private Enterprises</b>			
<b>APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv</b>			
<b>RESULT NAME: IR 1.3.2: Improved application of market-driven business skills</b>			
<b>INDICATOR: Land area using new technologies</b>			
<b>UNIT OF MEASURE:</b> percent  <b>SOURCE:</b> CNFA & Ministry of Statistics  <b>INDICATOR DESCRIPTION:</b> percent of sown area using (1) no till cultivation, (2) new seed varieties and (3) modern cultivators/harvesters  <b>COMMENTS:</b>	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1995	(1) NO TILL	5 (B)
	1996	7 (T)	7
	1997	10	
	1998	15	
	1999	25	
	1995	(2) SEED	2 (B)
	1996	5 (T)	5
	1997	10	
	1998	15	
	1999	25	
	1995	(3) CULT/HR	1 (B)
	1996	5 (T)	3
	1997	7	
	1998	10	
	1999	15	

Indicators for this IR focus, in part, on the agricultural sector and include **Land area using new technologies** and **Increased yields from land area using new technologies**. The land area using new technologies is expressed in percent of sown area using three new technologies: no till cultivation; new seed varieties; and cultivators/harvesters. No till cultivation increased from 5% of cultivated land to 7% as targeted. New seed varieties covered 5% of the seeded area of the country (up from 2%) as targeted. The use of new cultivators/harvesters increased from 1% to 3% of the cultivated area but fell short of the target of 5%. Further imports and use of such machinery are pending payment on previous orders. The predicted increase in productivity as a result of employing new technologies was 35%, but actual production fell 5%. A drought reduced national production by 20% so those who adopted the new technologies did 15% better than the national average.

### IR 1.3.3: Free availability and flow of business-related information

<b>OBJECTIVE: 1.3: Accelerated Development and Growth of Private Enterprises</b>			
<b>APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv</b>			
<b>RESULT NAME: IR 1.3.3: Free availability and flow of business-related information</b>			
<b>INDICATOR: Circulation of top three business periodicals in Ukraine: <u>Business</u>, <u>Financial Ukraine</u>, <u>Galitsky Contracty</u></b>			
<b>UNIT OF MEASURE:</b> percentage of yearly increase	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> Periodical circulation	1995(B)		147,000
<b>INDICATOR DESCRIPTION:</b> Number of printed copies	1996	2 (T)	2
<b>COMMENTS:</b>	1997	5	
	1998	10	
	1999	15	

The indicator for this IR is **Circulation of top three business periodicals in Ukraine** and they showed a slight increase of 2% as targeted. Behind this 2% increase are a number of USAID sponsored contributing activities. Four Business Service Centers have business information networks connected to a central database in Kiev with Internet access and have 320 active members with 70 paying subscribers. The Ukrainian Realtors Association topped 90 dues paying members (compared to a target of 35), who are tied into a growing flow of real estate technical assistance and information channeled by the Association. As an acknowledgment of the dramatic increase in their membership, we have increased the targets for the outlying years for this indicator.

Training provided by the Business Service Centers for a fee generated over 70% of the centers' revenue in 1996, which is a solid indicator that the market demands and will pay for information. Work continues on developing the agricultural commodities exchanges ( which reveal sales and price information widely) in all aspects, including organizing and training an association of commodities exchanges, designing an electronic trading system, and negotiating clearing and settlement details with banks. But actual trading was about half of the target volumes due to a drought and a grain trade embargo imposed by the GOU.

In general, demand for business-related information is growing exponentially as the private sector portion of the Ukrainian economy grows and the deficiencies of government-supplied information become more evident. The GOU-specific definition of what constitutes a business information enterprise is still to be promulgated as a part of its registration rules. However, anecdotal evidence shows that information is flowing as the market responds to the concept that accurate, reliable and up-to-date business-related information is a valuable commodity which can be purchased at a price. Selected cases of government intervention continue to exist as some officials still believe that business-related information should be

controlled by the state.

### IR 1.3.4 Successful models of private enterprise growth

<b>OBJECTIVE: 1.3: Accelerated Development and Growth of Private Enterprises</b>			
<b>APPROVED: July 1996 COUNTRY/ORGANIZATION:</b>			
<b>RESULT NAME: IR 1.3.4: Successful models of private enterprise growth</b>			
<b>INDICATOR: Number of successful models created under IR 1.3.4.1 - IR 1.3.4.4: a) collective farms restructured; b) joint ventures created; c) equity/debt capital supplied; d) housing maintenance contracts signed</b>			
<b>UNIT OF MEASURE:</b> a) number b) number c) \$ (millions) d) number <b>SOURCE:</b> Project reports <b>INDICATOR DESCRIPTION:</b> a) number of collective farms restructured into western style private enterprises; b) joint US/Ukr JV Farm Service Centers and processing enterprises; c) \$ mln investments in Ukrainian companies by WestNIS Enterprise Fund; d) municipal-level private maintenance contracts for residential buildings <b>COMMENTS:</b>	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1995	a) collect farm	0 (B)
	1996	20 (T)	10
	1997	200	
	1998	1,000	
	1999	3,000	
	1995	b) joint venture	4 (B)
	1996	12 (T)	8
	1997	20	
	1998	28	
	1999	36	
	1995	c) capital	0 (B)
	1996	27 (T)	15
	1997	30	
	1998	25	
	1999	25	
	1995	d) housing	4 (B)
	1996	8 (T)	43
	1997	75	
	1998	115	
1999	150		

The indicator is **Number of successful models created** and it tracks successful private enterprise initiatives and activities that result from USAID and other donor assistance. They

fall into four separate categories: a) collective farms restructured and rationalized; b) new joint ventures created; c) equity or debt capital supplied to Ukrainian businesses; and d) private housing maintenance contracts. All activities are still underway or are only recently completed. It is thus too early to measure success.

Of the 20 collective farms targeted for restructuring (indicator a), 10 have achieved it. USAID accounts for seven of the 10 and the British Know How Fund/IFC the other three. The Know How Fund did not perform as we expected. We projected seven of the targeted 12 joint ventures (indicator b) as farm service centers and came in right on target; we achieved only one of the projected five joint venture agricultural processing centers, however. Processing centers have proved to be more difficult because they involve construction of the physical plant. Our efforts in processing enterprises only started in September 1996 and most of these enterprises will emerge in 1997. They are a higher risk because their visibility attracts potential graft, corruption, and general political meddling. For example, the recent grain embargo by the GOU sent a negative message to private enterprise that the government intends to stay in the agricultural commodities market.

By April 1997 the West/NIS Enterprise Fund had committed about \$ 35 million in approved loans to some 17 small and medium-sized businesses, exceeding the target ( indicator c) of \$ 27 million. In the first four months of 1997, performance has picked up considerably, and has already outperformed the \$ 15 million of investments in 1996. We expect performance will follow this trend through 1998 and beyond.

On the housing side, we expected eight private housing maintenance contracts in 1996 and there were 43 actual. This model has all the indications of success, as those 43 contracts were signed in 26 different cities. Interest in the program has reached a self-generating critical mass. But the deteriorating financial condition of local government raises a new challenge since it delays payments to contractors. They are being encouraged to diversify their activities to spread their risk and even out cash flow. As an indication of the actual growth in this indicator, we have increased the targets for the outlying years.

There are ample opportunities for expanding existing partnerships through the Partnerships for Freedom Initiative or the New Partnerships Initiative. Joint ventures for farm service centers and food processing plants by Monsanto, Cargill and Commodity International Limited are test cases for what could be growth industries supported by commercial partnerships. The growing real estate market can be supported by partnerships with U.S. State Boards of Realtors. The growth in private housing will create opportunities for U.S. business in building materials and supplies.

## **2. Expected Progress Through FY 1999 and Management Actions**

We expect to continue to reach the targets set through 1999. We will build on the success of the training and consultancies by the Business Service Centers and push them from 70% financial self-sufficiency toward 100% for their programs. The Housing NGO we are helping organize will be designed to evolve toward self sufficiency at organizing private maintenance programs. Pending resolution of policy issues related to government's role in

agriculture, we will continue to invest in commodity exchange development and agribusiness partnerships with dramatic increases in commodity trading volume and in new agricultural technology in use as a result. The policy front will continue to be a high priority to bring much needed predictability and rationality to the business environment. Here, we will support attaining a number of domestic and international legal milestones including: the passage of a corporate accounting law in 1998. The focus on Self Regulating Organizations will change from legal and organizational issues to issues of increased professionalism. A new project to facilitate the restructuring of privatized companies will start in late 1997, and be supported at least through 1998.

**Strategic Objective 1.3. Resource Request**

FY 97	FY 98	FY 99
42,200	30,230	29,300

**3. Funding Constraints**

Despite increased planning levels for SO 1.3 (including special PFF initiatives, see below), there will not be sufficient funds to permit the roll-out, in FY 98, of a pilot effort to assist privatized companies to purchase and sell their land. Unless funds are available under the PFF's Regional Credit and Equity Program, USAID will not be in a position to assist in developing a mortgage lending market for land and property, or to assist the GOU to clarify the tax regime for land ownership and sales, or to develop franchising and leasing as a means to promote small and medium enterprises. Unless World Bank funds substitute, we will not be able to extend further support to establish land titling and registration systems. No funds will be available in FY 1998 or beyond for business incubators. At the current level of funding, support for academic business education institutions is not available.

The impact of the level of funding proposed for SO 1.3 in FY 1998 will be particularly hard on the agribusiness partnerships program. It will almost certainly reduce the rate at which this program facilitates the startup of new joint ventures and the 2.5-fold level of foreign private investment they generate. We would also be unable to support de-monopolization and privatization of the fertilizer industry, and unable to respond positively to promising proposals from U.S. institutions to extend training to private farmers.

**4. Special PFF Initiatives - Trade and Investment**

The Regional Credit and Equity Investment Program proposed under the PFF offers dramatic possibilities to increase results under SO 1.3 and increase investment in Ukraine. We propose that the \$31 million available to Ukraine be used to fund a range of activities: first, the U.S. Government's contribution to the Ukraine Agricultural Development Corporation (\$5.0 million) that is expected to leverage \$100 million per year in private credit for the import of U.S. agricultural inputs and equipment; second, USAID is considering a TA

program to develop legislation and pilot experience mobilizing mortgage finance for land and property (\$3.0 million); third, a project to develop the leasing and franchising industry (\$3.0 million); fourth, an expansion of the Eurasia Foundation's small business lending program with local banks (\$1.25 million) is envisioned. Finally, a major new effort (\$17.75 million) to restructure Ukrainian industry with three components is being contemplated: micro-enterprise and micro-enterprise finance, linked to the NewBizNet and other business centers; finance for energy efficiency and waste management improvements at privatized and new startup firms; and a program to encourage development of local feeder industries for major U.S. investors, improving local quality and production so that U.S. firms source parts and service from Ukrainian enterprise. The last component might also support U.S. firms' efforts to develop local, sustainable providers of social services as social assets are separated from the companies themselves.

The Mission also supports the use of Joint Activities Support funds, a PFF mechanism, to finance the in-country supervision costs of the planned Exim agricultural finance program over a two-year period. Funding will pay for expatriate and local technical assistance to participating Ukrainian banks.

**PFF Initiatives Resource Request (SO 1.3)**

FY 97	FY 98	FY 99
	33,000	

## **SO 1.4 A More Competitive and Market Responsive Private Financial Sector**

Over the last year, there have been few external impediments to achieving the results of this Strategic Objective and consequently most results anticipated were actually attained. The only challenge was from parliament which threatened to curb central bank independence by putting a monetary council with policy making powers over the central bank. This event, undoubtedly would have meant that the National Bank of Ukraine (NBU) would be forced to fund the budget deficit through monetary emissions, jeopardizing the hard-won gains on the inflation front. Fortunately this did not happen and large strides were made in reducing inflation, which is fundamental to developing a more competitive and market-oriented private banking sector, and promoting savings mobilization through the banking system.

In addition to the favorable monetary policy referred to above, the more active participation of the World Bank, through preparations for the Financial Sector Adjustment Loan (FSAL), helped to focus needs on critical bottlenecks such as lack of substantive regulations on capital, lending to insiders, etc. Growth was still falling steeply and interest rates carried a substantial risk premium, so business lending was very subdued.

The overall environment for the securities market was quite favorable with market activity and regulation developing as well as or better than projected. The largest external factor impacting on its development was the dearth of large, attractive companies that were privatized and therefore available to the securities market. Much of this problem can be attributed to the considerable decline in the use of compensation certificates in the privatization program and the reluctance of the State Property Fund to auction large enterprises without significant compensation certificates available for the auctions. At this time there is no indication that this problem will be resolved.

### **1. Performance Analysis**

<b>Objective: 1.4: A More Competitive and Market Responsive Private Financial Sector</b> <b>APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv</b>
<b>RESULT NAME: SO 1.4: A more competitive and market responsive private financial sector</b>
<b>INDICATOR: Increased banking sector investment</b>

UNIT OF MEASURE: percentage	YEAR	PLANNED	ACTUAL
<b>SOURCE:</b> "Ukrainian Economic Trends", European Center of Macroeconomic Analysis of Ukraine, EC TACIS  <b>INDICATOR DESCRIPTION:</b> share of total commercial bank credits to private enterprises and households as a percentage of total bank credit  <b>COMMENTS:</b>	1995(B)		36
	1996	40	39 (Jan-Oct)
	1997	45	
	1998	50	
	1999	55	

Starting with the overall objective IR 1.4, the first indicator was **Increased banking sector investment** and the expectation was for a small increase in the share of total commercial bank credits to private enterprises and households as a percentage of total bank credits. The actual result for ten months was about 39 percent, which is within 1 percentage point of the target. The reason for expecting essentially little change is the overall role of financial intermediation to the private sector, including:

- Still declining economic growth meant that if banking were prudent, all things being equal, there should not be an upsurge of lending to private business with no track record (by banks with no experience).
- Rapid development of the government treasury bills market offered banks a lucrative, relatively risk-free earning asset.
- The risk premium on business lending continues to move down slowly in spite of rapidly decelerating inflation, related as much to the still confiscatory and arbitrary business environment -- the carryover from the old regime of a limited track record on tight monetary policy. These high lending rates in turn dampen business demand for loans.

<b>Objective: 1.4: A More Competitive and Market Responsive Private Financial Sector</b> <b>APPROVED:</b> June 1996 <b>COUNTRY/ORGANIZATION:</b> USAID/Kyiv
<b>RESULT NAME:</b> SO 1.4: A more competitive and market responsive private financial sector
<b>INDICATOR:</b> Increased securities market investment

<b>UNIT OF MEASURE:</b> percentage	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> "Ukrainian Economic Trends", European Center of Macroeconomic Analysis of Ukraine, EC TACIS	1996(B )		0
<b>INDICATOR DESCRIPTION:</b> total capital in the investment fund industry as percent of GDP	1997	1	
<b>COMMENTS:</b>	1998	2	
	1999	4	

The second indicator for SO 1.4 is **Increased market capitalization** in the securities market. The current estimate of market capitalization of corporate securities traded is \$685 million for the 45 enterprises that have had activity in the PFTS (over-the counter market). The capitalization figure expected in 1996 was zero because we did not expect to have a sufficiently organized marketplace in which a reasonable estimate could be made. But the PFTS is now fully competent to establish objective data and provided the initial figure. Market capitalization should double each of the coming years with addition to the securities market (primarily into PFTS) of larger and more attractive enterprises from the mass privatization program. If this occurs and the development of the market infrastructure plus trading activity all go well together, it is possible that market capitalization could grow exponentially not linearly as currently expected.

#### IR 1.4.1: Market-oriented private banking sector developed

<b>OBJECTIVE: 1.4: A More Competitive and Market Responsive Private Financial Sector</b>			
<b>APPROVED:</b> June 1996 <b>COUNTRY/ORGANIZATION:</b> USAID/Kyiv			
<b>RESULT NAME:</b> IR 1.4.1: Market-oriented private banking sector developed			
<b>INDICATOR:</b> Capital of country's largest ten private banks increases			
<b>UNIT OF MEASURE:</b> percentage	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> NBU: Bank Supervision	1995(B )		35
<b>INDICATOR DESCRIPTION:</b> total assets of largest 10 private sector banks as a percentage of assets of 5 former & current state-owned banks	1996	41	39
<b>COMMENTS:</b>	1997	50	
	1998	58	
	1999	68	

The indicator, **Capital of country's largest ten private banks increases**, looks at a subset of the largest private banks relative to the former state owned banks. The Ukrainian banking system is extremely fragmented and "over banked" because of the prolific issuance of licenses in the first period after independence, which is characteristic of many countries in

the region. A large portion of the so-called banks are little more than arms of an enterprise treasury and will probably not survive as viable entities. For this reason it is misleading to look at more than a subset of banks which will later become the nucleus of a true private and market oriented banking sector. Our expectation was that there would be a small but steady acceleration in the share of the private banks because of their greater flexibility to search out higher income earning assets. In fact, the actual share in 1996 was below expectation, probably a reflection of the slower than expected growth in the economy. Moreover, the relatively slow growth of deposits until recently does not sustain a sizeable balance sheet expansion.

#### **IR 1.4.1.1: Financial infrastructure promotes confidence in the banking system**

IR 1.4.1.1 measures confidence in the banking sector in terms of the development of the financial infrastructure. This and the other components under IR 1.4.1.1 have to do with institutional development of fundamental banking infrastructure -- bank supervision, bank accounting standards, electronic funds transfer system, legal infrastructure and a collateral registry. The key indicator is **Commercial banks meeting minimal capital requirements** and there were 94 qualifying banks, two more than the 92 set as the target. This is the level at which the technical assistance of USAID enters. During 1996 we had a large bank supervision project, a new project started on the collateral registry, we had previously made a large investment in an electronic funds transfer system and a lawyer from the Office of the Comptroller of the Currency worked with legal counterparts at the NBU. The bank accounting project is scheduled to start in mid-1997. While all targets were basically met, what should be mentioned is that progress is very slow in Ukraine to date. The consensus for reform, even at the NBU, which is among the vanguard in the reform movement, was appreciably changed only in the closing months of 1996. However, as we have found in other countries in the region, once there is a commitment to reform, development can be very quick, given the high level of technical expertise and enthusiasm at the staff level. Our projection is that one year from now the level of professional expertise at the NBU will be much greater. This will be a critical year.

#### **IR 1.4.1.2: Increase in savings mobilization through the banking system and IR 1.4.1.3: Increased competition in the banking system**

The IRs 1.4.1.2-3 show confidence in the system from other aspects: increase in consumer confidence as evidenced by an increase in currency plus bank deposits, and fall in intermediation spread which often happens as competition and bank services increase. Again our expectations were pretty much on target. The indicator **Increase in savings mobilization through the banking system** reached an actual figure of 13% of GDP as compared to the target of 15%. Not only this measure, but a whole host of others, including currency to M2, and velocity are telling the same story. Despite the substantial reduction of inflation, expectations are slow to adjust. The risk premium in transitional economies has as much to do with the business culture of confiscation and arrears as it does with inflation. Only gradually will confidence be restored. The indicator **Fall in intermediation spread** had a target of 51% and exceeded that at 46%. The fall in the intermediation spread at this early date probably does reflect greater competition for funds on the liability side of the balance sheet as bank lending rates were sticky throughout the year and followed cuts in the NBU

discount rate with a substantial lag. Nevertheless, the intermediation spread exceeded expectations and dropped fifteen percentage points.

Underscoring all of these non-infrastructure indicators is the need to develop human capital which AID is doing through a bank training program. Our goal in this technical assistance program is to build a self-sustaining unit staffed by Ukrainian trainers. Though the target was essentially achieved in 1996, it was more a function of AID's withdrawal than the development of Ukrainian trainers. However, an excellent train-the-trainers program is in place and starting in 1997 this proxy will have more meaning as it will measure not only withdrawal of US funding but also assumption of teaching responsibility by Ukrainians.

#### **IR 1.4.2: Transparent and open securities market established**

<b>Objective: 1.4: A More Competitive and Market Responsive Private Financial Sector</b>			
<b>APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv</b>			
<b>RESULT NAME: IR 1.4.2 Transparent and open securities system established</b>			
<b>INDICATOR: Market capitalization of corporate securities traded</b>			
<b>UNIT OF MEASURE: \$ billions</b>	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE: Individual Stock and OTC Exchanges</b>	1995		0
	1996	0	0.7
	1997	2.0	
	1998	4.0	
	1999	10.0	
<b>INDICATOR DESCRIPTION: total value of first tier shares listed on regulated securities markets as percent of GDP</b>			
<b>COMMENTS:</b>			

Performance in 1996 throughout the securities markets was generally in line with expectations. Progress was uneven in the regulatory part of the program with the development of the legal framework going well but the application of newly-established regulation falling short of requirements. Market activity increased more than expected. Since the initiation of institutional and operational structures of the secondary market is so recent, the baseline activity becoming clear upon which future expectations can be built is only now. Nevertheless, by all measures, this activity is progressing well. Also, the infrastructure institutions upon which the secondary market is based are being built as envisioned or faster than envisioned.

#### **IR 1.4.2.1 Securities Commission Empowered and Functioning**

The Securities Commission was fully empowered to oversee capital market activities in November 1996 with the passage of the Law on State Regulation of the Securities Market. In the following month the Commission adopted (with Ministry of Justice concurrence) four important regulations which bolster its capabilities, regarding: 1) securities traders' activities, 2) self-regulatory organizations, 3) organized trading and information systems, and 4) corporate disclosure. Thus the target of one law, decree or major regulation adopted in 1996

to establish the regulatory framework was exceeded - - five regulatory documents adopted versus the one expected. Three remaining laws need to be adopted to provide the proper legal basis for the Commission to regulate market infrastructure institutions, the investment fund industry and to enact a comprehensive law updating and enhancing the 1991 Law on Securities and the Stock Market. These laws and accompanying regulations will be the principal focus in building the regulatory framework over the next two years.

The Securities Commission completed its first enforcement case in March 1997 and sanctioned the offending investment company for trading its own securities and not disclosing required information on its activities. The target for 1997 is two such cases and there has been one already. Given the Commission's greater capacity and focus on this important area it is expected that it will be successful in meeting the target of two **completed enforcement/compliance cases** in 1997.

#### **IR 1.4.2.2: Self-regulating organizations (SROs) of market participants authorized and effective.**

The **number of SROs licensed by the SSMSC** was expected to be two in 1996. None were authorized by government even though several private capital markets associations nonetheless exert discipline over the actions of members. The GOU did pass legislation in 1996 authorizing SROs in the abstract and defining their level of self-regulatory authority. However, the SSMSC then created additional requirements, including criteria for membership and standards for "capacity" that greatly increased the difficulty of qualifying SROs. It is expected that the licensing of two SROs in 1997 may be fulfilled given the considerable attention that USAID and the World Bank are paying this matter.

The PFTS has not been granted full SRO status. Nevertheless, in 1996 it adopted procedures to be able to conduct **disciplinary actions** within the association. It conducted its first such case in February 1997. Consequently, the target for such actions in 1997 will be met, and probably exceeded, if the PFTS gains SRO status during the year.

#### **IR 1.4.2.3: Active and open trading of shares**

<b>Objective:</b> 1.4: A More Competitive and Market Responsive Private Financial Sector <b>APPROVED:</b> June 1996 <b>COUNTRY/ORGANIZATION:</b> USAID/Kyiv
<b>RESULT NAME:</b> 1.4.2.3: Active and open trading of shares
<b>INDICATOR:</b> Share turnover

UNIT OF MEASURE: \$ (million) annual figure	YEAR	PLANNED	ACTUAL
SOURCE: OTC Exchange (PFTS), SSMSC	1995		0
	1996	1	1.5
INDICATOR DESCRIPTION: volume of trade in the PFTS	1997	10	
	1998	100	
COMMENTS:	1999	300	

The target for **share turnover** in 1996 was exceeded by 50 percent, \$1.5 million of trading volume at the PFTS as compared to the \$1 million expected. This marketplace has build up a critical mass of members, established effective trading procedures among its members, and found securities with considerable attraction to traders.

An example of the more effective trading processes is the increased use of independent share registrars to manage the shareholder lists of large enterprises. Registrars generally provide a more standardized and efficient processing of ownership claims which facilitates trading. In March 1996 a presidential decree required all large (500 shareholders or more) privatized companies to pass their shareholder lists to independent registrars. Since then 25 percent of all large privatized companies are properly **using independent registrars**. Our expectation was 5 percent for 1996.

## 2. Expected Progress through FY 1999 and Management Actions

The conservative banking targets set for 1996 were met by and large; similarly conservative targets are projected through 1999 and we expect them to be met, given no major disruptions in the social, political and economic environments.

The Government is making slow but steady progress in fulfilling the conditionality necessary for a World Bank Financial Sector Structural Adjustment Loan which forms the basic framework for reform of the banking sector. Regulations have been passed to strengthen capital requirements and regulate the worst transgressions of the lending portfolios such as concentrated lending to one borrower; work has just begun on full-scope examinations of the state banks to identify management weakness and get some handle on the size of the impaired loans; a pilot program is starting in a select group of banks to develop international accounting standards for the system. Work in all of these areas will continue.

By 1998 and beyond we would expect to see the following important accomplishments:

- The basic infrastructure is in place with passage of amendments to both the Central Banking Law and the Law on Banks and Banking;
- The banking system has converted to international accounting standards;

- The National Bank of Ukraine Supervision Department has been upgraded in stature and its components are functioning as an integrated unit;
- Relicensing of banks has culled the system of the so-called pocket banks;
- A central collateral registry is functioning;
- The strongest, top tier of private banks are beginning to develop ties with the international banking community and this, in turn, has prompted them to begin the work of international upgrading.

More problematic, but equally important to ensure a safe and sound banking system for the country are the following:

- Full scope examinations has been conducted and rehabilitation actions begun for the three largest former state banks which compose about two-thirds of banking sector assets;
- The National Bank of Ukraine has begun to act aggressively to restructure, and, if necessary, find strategic investors for banks which have acute and chronic liquidity problems;
- The National Bank of Ukraine, empowered with liquidation authority by the Law on Banks and Banking, is moving aggressively to close insolvent banks.

The primary risk is that the Ukrainian government will not begin to address the question of systemic risk in the banking system, given the short-term horizon with which it tends to operate in many areas. The other risk, although less likely, is that the forces, which would have the banking system continue to give directed credits to nonpaying enterprises, gain ascendancy.

For capital markets, USAID will work with the Securities and Stock Market State Commission on enforcement and further legislation, and with various associations to assist them in becoming fully licensed and functioning self-regulatory organizations. USAID has also already started to work with Ukrainian government and private investors to develop a national depository and clearance and settlement system to accommodate the expected rapid increase in share turnover. This will continue through FY 98.

#### **Strategic Objective 1.4 Resource Request**

FY 97	FY 98	FY 99
18,244	16,020	15,500

### **3. Funding Constraints**

Planned funding levels will not be adequate to accomplish all tasks required to meet our objectives. In capital markets, we will be unable to assist the GOU and market participants to integrate the development of collective investment vehicles - such as pension or mutual funds - with the developing market for shares. We will not be able to assist pioneer Ukrainian companies to raise capital through initial public offerings of shares.

## **SO 1.5 A more economically sustainable and environmentally sound energy sector**

Assistance to the energy sector has been designed to address three key areas viewed as critical to the economy of Ukraine: 1) power sector restructuring; 2) fuel resources development (coal, oil, and gas); and, 3) energy efficiency, conservation, and social impact activities associated with the closure of the nuclear power plant at Chernobyl

Over the past two years the Ukraine electric power industry has embarked upon an ambitious market reform program and has implemented mechanisms that facilitate the operation of a competitive energy market. The pace with which the Ukraine power sector has been restructured and put to market regulated operation has no comparison in other countries in the region. The reform disaggregated the eight Minenergo enterprises into their constituent parts of power generation, dispatch, transmission, and distribution. The industry now consists of four fossil-fuel, one nuclear, and two hydroelectric generation companies (GENCOs), a power pool operator, a high-voltage transmission enterprise, 27 local electric companies and over 100 independent electric suppliers.

In spite of the overall progress, significant macroeconomic problems across all sectors of the Ukrainian economy, tied with socio-political instability, have had a negative impact on the energy sector. In particular, there is evidence that the power industry is going through a major financial crisis as a result of widespread non-payment and prices which still do not reflect actual costs.

The World Bank recently issued a formal notice to the GOU calling for urgent actions to be taken to improve the financial position of the sector and meet the conditions of the World Bank Electricity Market Loan supporting the development of a competitive power market. These actions center on improvements in collection, wholesale market price adjustments, enforcement of real retail market prices, and proper rescheduling of payables and receivables of the NDC and Gencos.

In terms of fuel resources (supply and distribution), there are likewise significant problems which have impacted progress. In short, Ukraine continues to suffer from the lack of a competitive market for fuel resources. This is particularly evident in the coal sector which faces major problems -- most prominently, an uncontrolled increase in production costs, insufficient budgetary support for restructuring, and the lack of a program to create alternative employment in the regions affected by coal mine restructuring. The increase in production costs is a direct result on the industry's inability to adjust to market conditions. In addition, although the Coal Sector Policy states that "all corporatized coal enterprises are free to market coal to any customer at prices which are freely negotiated", in fact the Ministry of Coal Industry continues the practice of "recommending" the selling price through an industry-wide price list. In the area of oil and gas development, lack of broad investment protection, coupled with serious corruption, has made reform difficult and has slowed down our program of technical assistance. Even in the area of coal bed methane, recognized as a high priority for the GOU and a rich resource by potential investors, these broader issues on investment will constrain potential impact.

## 1. Performance Analysis

<b>Objective: 1.5: A More Economically Sustainable and Environmentally Sound Energy Sector</b>			
<b>APPROVED:</b> June 1996 <b>COUNTRY/ORGANIZATION:</b> USAID/Kyiv			
<b>RESULT NAME:</b> SO 1.5: A more economically sustainable and environmentally sound energy sector			
<b>INDICATOR:</b> Reduction in budgetary subsidies for power and energy resources production			
<b>UNIT OF MEASURE:</b> (a) power sector = \$ millions (b) coal sector = % of Budget  <b>SOURCE:</b> Government budget, Min. Of Finance, IBRD report on Proposed Coal Sector Adjustment Loan  <b>INDICATOR DESCRIPTION:</b> Amount of central budgetary line items for power and coal sectors.  <b>COMMENTS:</b> Baseline year is 1996 but coal sector has historical data for 1995.	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1996	(a) power	625
	1997	600	
	1998	500	
	1999	400	
	1995	(b) coal	1.6
	1996		4.4
	1997	3.6	
	1998	2.5	
	1999	1.5	

Performance in 1996 is difficult to measure since 1996 represents the baseline year. The first indicator for the Strategic Objective is **reduction in budgetary subsidies for power and energy resources production**. It has two components: one for the power sector and one for the coal sector. For the power sector the subsidy is measured in millions of dollars and 1996 is the baseline year at 625. In early 1996 the GOU passed the National Energy Program of Ukraine through the year 2010. That act, combined with other Decrees and acts of government, created a totally reorganized energy sector. There is now a foundation for a competitive, national wholesale electricity market that should become increasingly independent of GOU financial support.

For the coal sector the indicator is measured in percentage of the budget dedicated to the subsidy. The baseline, set in 1996, is 4.4 percent of the national budget. According to World Bank figures (report No. P-6969 UA), subsidies to the coal sector as a percent of the budget dropped from 1993 at 8.3 percent to a low in 1995 of 1.6 percent with an increase in 1996 to 4.4 percent with an expected decline in 1997 to 3.6 percent. The low in 1995 is explained by government's fiscal policy and coal pricing policies on a cost-plus basis for each mine, which allowed cross subsidies from the more efficient to the less efficient mines.

Several factors are driving Ukraine to subsidize an inefficient coal industry. Ukrainian coal supplies about 24 % of the country's energy needs. The sector employed 684,000 people in May of 1996 and the coal miners are among the highest paid industrial employees, are well organized, and have considerable political influence.

<b>OBJECTIVE: 1.5: A More Economically Sustainable and Environmentally Sound Energy Sector</b>			
<b>APPROVED: June 1996 COUNTRY/ORGANIZATION:</b>			
<b>RESULT NAME: SO 1.5: A more economically sustainable and environmentally sound energy sector</b>			
<b>INDICATOR: Improved energy efficiency</b>			
<b>UNIT OF MEASURE:</b> percent above OECD level	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> project reports	1995		30 (B)
<b>INDICATOR DESCRIPTION:</b> reduce energy consumption to OECD level by 2015	1996	30	30
	1997	25	
	1998	18	
	1999	15	
<b>COMMENTS:</b>			

The second indicator is **Improved energy efficiency**. It is measured by the percent in excess of OECD energy consumption levels that Ukraine consumes per unit of production. The baseline year is 1996 and Ukraine is 30% over OECD levels with plans to equal it by 2015.

#### IR 1.5.1: Competitive, financially sustainable power delivery system

<b>OBJECTIVE: 1.5: A More Economically Sustainable and Environmentally Sound Energy Sector</b>			
<b>APPROVED: June 1996 COUNTRY/ORGANIZATION:</b>			
<b>RESULT NAME: IR 1.5.1: Competitive, financially sustainable power delivery system</b>			
<b>INDICATOR: Increased revenue collection</b>			
<b>UNIT OF MEASURE:</b> percent	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> Annual/quarterly reports of GENCOs, LECs, and other power sector enterprises, WB and/or experts	1995		83
<b>INDICATOR DESCRIPTION:</b> Actual revenue collected divided by what is owed	1996	0	93
	1997	95	
	1998	96	
	1999	98	
<b>COMMENTS:</b>			

The indicators are **increased revenue collection** and **private investment in the sector**. The revenue collection rate was 83% in 1995. In 1996, the target was 65% and the actual was 93%. Revenue collection rate was achieved because of the World Bank's Electricity Market Development Project (\$299 million loan) which requires that monthly revenue collections must be at or exceed 90%.

USAID is directly assisting 12 out of 27 Local Energy Companies (LEC) to improve their cash collection procedures. Those procedures include disconnecting service to delinquent customers, instituting transparent collection systems, and providing "subsidy certificates" for

customers considered to provide “essential services” (e.g., hospitals).

<b>OBJECTIVE:</b> 1.5: A more economically sustainable and environmentally sound energy sector			
<b>APPROVED:</b> June 1996 <b>COUNTRY/ORGANIZATION:</b>			
<b>RESULT NAME:</b> IR 1.5.1: Competitive, financially sustainable power delivery system			
<b>INDICATOR:</b> \$ of private investment in sector			
<b>UNIT OF MEASURE:</b> dollars (millions)	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> WB analysis, Minenergo	1995		0
<b>INDICATOR DESCRIPTION:</b> new investment	1996	0	114
<b>COMMENTS:</b>	1997	200	
	1998	500	
	1999	750	

For the private investment indicator, the expected investment was zero and actual investment was \$114 million. That amount represents a signed deal with a Canadian firm to refurbish the Darnitza thermal power station through a repair/own/transfer agreement. The Canadian company will sell energy to the Energo market.

USAID has been very successful in assisting the achievement of lower-level Intermediate Results contributing to improvements in the power delivery system. The existing National Electricity Regulatory Commission (NERC) was born and raised on USAID technical assistance. Presently USAID is assisting NERC to analyze and remove distortions in the payment systems of the wholesale energy market. NERC issued 200 licenses in 1996 for generating companies, local electric companies and independent suppliers. The target was only 20.

USAID is also active with the generating companies to improve their financial viability. They have reduced their uncollected receivables accounts due from the LECs from 35 percent to 21 percent, when we expected no real improvement until 1998.

#### **IR 1.5.2.1: Improved fuel supply and distribution**

For the majority of indicators, baselines and targets are not yet defined. Assessment will be conducted as part of new activities. Contracting delays on the part of both USAID and the contractor contributed to the late start-up.

Though the baseline and targets are not defined, progress was made which contributes to Indicator 1: **Tons of coal from (2) selected coal mines (Independent Zasiadko mine, Independent Krasnolimanskaya mine) sold and covered by payment.** The World Bank made a \$123.7 million procurement of emergency winter coal and fuel oil supplies under competitive international conditions. With USAID assistance, Ukraine won 40 percent of the coal procurement. Also, after nearly two years of marketing seminars for the coal sector, the government’s central marketing mechanism, Ukruglesbyt, was disbanded and coal mines

are engaged in competitive marketing for the first time.

Progress is anticipated by 1999 towards Indicator 2: **Sale of cubic meters of coal bed methane for energy production.** USAID will begin a coal bed methane partnership program in late Spring 1997 based on several years of exchanges between Ukrainian experts and experts from the International Coal Bed Methane Group (ICMG) of Alabama. Past exchanges have led to a proposal from ICMG to the Trade Development Agency to fund pre-feasibility assessments of commercial opportunities. This partnership may be an important contribution under the Partnership For Freedom Initiative as it holds promise for commercial underpinnings to long-term relationships among U.S. and Ukrainian coal bed methane developers.

**IR 1.5.3: Environmental, economic & social consequences of Chernobyl reduced**

<b>OBJECTIVE: 1.5: A More Economically Sustainable and Environmentally Sound Energy Sector</b>			
<b>APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv</b>			
<b>RESULT NAME: IR 1.5.3: Environmental, economic and social consequences of Chernobyl reduced</b>			
<b>INDICATOR: New development in Slavutych</b>			
<b>UNIT OF MEASURE: number</b>	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE: GOU</b>	1995		0
<b>INDICATOR DESCRIPTION: new industry not related to Chernobyl</b>	1996	2	3
<b>COMMENTS:</b>	1997	10	
	1998	15	
	1999	20	

There are two indicators which show progress to date. The first indicator is **New development in Slavutych**, which tracks new industry unrelated to Chernobyl that may provide alternative work to the workers. There were three new industries created in 1996 against a target of two.

<b>OBJECTIVE: 1.5: A More Economically Sustainable and Environmentally Sound Energy Sector</b>	
<b>APPROVED: June 1996 COUNTRY/ORGANIZATION:</b>	
<b>RESULT NAME: IR 1.5.3.3: Environmental hazard reduced</b>	
<b>INDICATOR: Reduced sulfur dioxide and nitric oxide emissions from thermal power plants which are replacing atomic generated energy</b>	

<b>UNIT OF MEASURE:</b> percent of tons of emissions reduced against baseline <hr/> <b>SOURCE:</b> DOE <hr/> <b>INDICATOR DESCRIPTION:</b> (a) sulfur dioxide (b) nitric oxide <hr/> <b>COMMENTS:</b> Both sets of emissions had to meet 2% target	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1995(B )	(a) SO2	1,124,700
	1995	(b) Nox	230,300
	1996	2 (T)	2
	1997	5	
	1998	7	
	1999	10	

The second indicator is **Reduced sulfur dioxide and nitric oxide emissions from thermal power plants which are replacing atomic generated energy.**

Under a third indicator, **decommissioning of the Chernobyl Nuclear Power Plant (CNPP)**, at a G7 meeting in Naples in July 1994 delegates outlined an action plan for closing the Chernobyl Nuclear Power Plant (CNPP) that was later formalized in a Memorandum of Agreement (MOA) in December 1995. The MOA provides for closing the plant by the year 2000. It includes projects totaling over \$4 billion and the G-7 would make efforts to mobilize grant or concessional finance for non-revenue earning projects such as closure costs, safety standards for the enclosure, and social impact mitigation.

## 2. Expected Progress through FY 1999 and Management Actions

The government appears to be committed to making reform of the energy sector work. The wholesale market is close to becoming just that and the NERC has developed very quickly into one of the better regulatory commissions in this part of the world. The existing generation infrastructure is heavily dependent on thermal (non-nuclear) production (54.8 percent) and those power plants are 70 percent dependent on fuel imports. Those costs are mounting (accounts payable) as the GOU is increasingly unable to meet its obligations. World Bank loans have allowed the GOU to restructure and Ukraine cannot afford to lose the opportunity. The sector is pushing privatization. Five of the local electric companies have already issued 10-15 percent of the companies' value in stock to the employees. The British Know How Fund will help to develop a Privatization Plan for the electrical industry and USAID will assist GENCOs and LECs in pre-privatization preparations. The sector should continue to meet USAID targets through 1999 and beyond.

USAID has teamed up with the World Bank's Coal Sector Adjustment Program and the Government of Ukraine's Coal Sector Restructuring Program, both launched in 1996. USAID, the UK Know How Fund, and EU TACIS will provide technical assistance to the coal sector during the restructuring process. For the GOU a lack of progress means the coal sector will continue to threaten macroeconomic stability; accumulating payment arrears will generate social unrest and political instability; continued cross subsidy within the industry will worsen its competitive position in the world economy; and the accumulation of receivables will soften the budget constraint on the power and steel sectors, further delaying

their restructuring. The forces that may restrain progress include coal sector lobbies and labor unions which would absorb the economic and social costs of restructuring. The restructuring program includes a strong social mitigation component to counter the potential political cost. Two mines have been closed on a pilot basis. Prospects look good for reaching USAID results targets through 1999. The Chernobyl program is tied to the G-7 MOU, which carries considerable international weight, and we expect the GOU and the G-7 countries to comply with the agreement. USAID will meet its targets as part of the overall schedule of action of the MOU.

### Strategic Objective 1.5 Resource Request

FY 97	FY 98	FY 99
11,500	12,500	12,050

### 3. Funding Constraints

Constraints on the core budgets for fiscal years 1998 and 1999 will have a significant impact on our ability to achieve broader program results. In particular, with a budget of \$12.5 million (of which \$5 million is needed to cover the costs of program management and staff) we will only be able to provide core support on power sector reform and limited support in energy efficiency. This will include continued assistance in developing the institutional capacity of the NERC to perform its role as an independent regulator and assistance to the GENCOs and LECs to promote commercial feasibility and facilitate privatization. This assumes that broader activities to improve financial stability of the sector as a whole, and develop adequate financial management systems, as well as the actual privatization planning and implementation, are financed by other donors. With these budget limitations, we will not be able to undertake any further work in fuel distribution or supply -- and, in particular, in the coal sector -- with the exception of some continued work in coal bed methane development and, perhaps, some preliminary work in improvement in the investment climate for other forms of gas, as well as oil.

## **SO 2.1 Increased better-informed citizens' participation in political and economic decision-making**

In a 1995 nation-wide poll of Ukrainian citizens, 84 percent of the respondents said they did not belong to any non-governmental organization, association, or political party. A 1996 poll reported that 87 percent of Ukrainians said they are not members of an NGO. This downward trend is not what was expected. But it is not surprising given the public's skepticism of membership in associations following the Soviet practice of mandatory membership in a range of associations and unions. For many Ukrainians, rather than gaining the right to associate freely, independence afforded them the freedom NOT to be associated with organizations which, at least in the past, represented the interests of the ruling elite. Furthermore, even if people want to join an NGO, most Ukrainians still cannot afford the time or money necessary to be actively involved in one. Economic hardship and discontent with the political process add insult to injury for a public that maintains the Soviet-era mind set that the State, not citizens, has the primary responsibility for providing for the welfare of the people. Many people believe they are powerless to influence changes in the political and economic decision-making process, which leads to a less active civil society. Only when people begin to see clear examples of how participation within the system has led to positive changes are they likely to participate themselves. Therefore, it is necessary to bolster the minority of people who are active and well-informed, and to disseminate to the general public success stories of civic minded individuals influencing government action. Furthermore, it is necessary to ensure that citizens who decide to participate understand their rights and how to engage the system to have those rights enforced.

### **1. Performance Analysis**

The data for the primary indicator of this SO, **Number of Citizens who participate in NGO activities**, shows a decrease from 1995 to 1996 in the number of people reporting membership in an NGO. The target for this indicator was not met. Though the results are not positive, educating people and building confidence in the system, as set out in the intermediate results, will form the foundation for an eventual increase in participation in an active civil society.

#### **IR 2.1.1: Increased confidence in the political process**

<b>OBJECTIVE:</b> SO 2.1: Increased Better-informed Citizens' Participation in Political and Economic Decision-making
<b>APPROVED:</b> June 1996 <b>COUNTRY/ORGANIZATION:</b> USAID/Ukraine
<b>RESULT NAME:</b> IR 2.1.1 Increased confidence in the political process.
<b>INDICATOR:</b> Percentage of people who believe they could do something about an infringement of their rights by the government.

UNIT OF MEASURE: Percentage	YEAR	PLANNED	ACTUAL
SOURCE: Democratic Initiatives polling	1995(B)		5.7
INDICATOR DESCRIPTION: People answering "yes" to a random sample, forced choice question- "if the government were to make a decision that infringes upon the interests of the people, could you do anything against such a decision?"	1996(B)	6	5
	1997	7	
	1998	10	
	1999	15	
	COMMENTS:		

[Note: The previous indicator was replaced because the new indicator is a better measurement of the IR and more easily measured.]

Whereas the trend from 1995-1996 for this indicator, **Percentage of people who believe they could do something about an infringement of their rights by the government**, is slightly downward, USAID programs have contributed to a number of actions taken by individuals and organizations that have in fact reversed an infringement of rights. It is expected that such demonstration cases will lead more people to believe they can do something about an infringement of their rights, which will eventually result in more people actively participating in the political process. The activities which support cases of individuals and organizations "doing something" about an infringement of their rights are described in IR 2.1.1.1.1.

#### **IR 2.1.1.1: Increased perception that citizens' rights are upheld**

[Note: As a result of an expanded team meeting, the wording of this IR was slightly revised. The previous indicator was replaced with a similar one because of an absence of baseline data.]

The 1996 baseline data for this indicator, **People who believe that legal protection in defending their rights and interests is sufficient**, supported the strategic assumption that most citizens do not believe that their rights and interests can be adequately defended within the current political system. In a 1996 nationwide poll, only 7% of Ukrainians said that legal protection in defending their rights and interests is sufficient. It is expected that an increased awareness of one's rights under the law (SO 2.1.1.1.2) and sufficient demonstration of citizens rights being upheld (SO 2.1.1.1) will eventually lead to an increase in the number of people who believe that citizens' rights are being upheld in general, and subsequently, the number of people who have confidence in the political system.

#### **IR 2.1.1.1.1: Citizens and NGOs successfully advocate on behalf of citizens' rights**

[Note: The previous indicator was replaced because it measured the number of NGOs rather than actions taken by NGOs.]

The baseline data for this IR's indicator, **Environmental cases settled in favor of citizens'**

**interests that were initiated by NGOs**, is being collected, but numerous results already can be reported. The ABA/CEELI Environmental Public Advocacy Centers (EPACs) have successfully settled more than several dozens incidents involving violations of environmental laws. From a farmer being compensated for contamination of his well-water, to suspension of the activities of an enterprise violating environmental laws, citizens' rights are being upheld as a result of this AID-funded program.

The Committee of Voters of Ukraine, an NGO supported by a USAID grantee, has successfully mobilized citizens in several cities to conduct lobbying campaigns which have resulted in the restoration of municipal services such as public transportation and hot water.

### **IR 2.1.2.3: Better independent news coverage**

The indicator for this IR is **Number of medium and large cities (population over 250,000) with coverage of national news by non-government stations**. In 1996, independent TV companies were operating in all but two of Ukraine's 28 largest municipalities. Of these, 15 were producing and broadcasting their own news programs at least four times a week. USAID-funded programs have provided extensive technical and material support to independent TV stations outside of Kiev since 1993. Journalists, technicians, and management have all received training as well as access to technical and informational resources. During this time the quality and quantity of television news has increased. Television is the primary source of information for most Ukrainians. Though it is difficult to measure the quality of news programs, Ukrainians clearly are being presented with more than one point of view. It is expected that the number of cities with independent news programs will increase in 1997, and we are trying to obtain baseline data for 1995 and earlier to show the progress in this area.

It should also be noted that the number of independent news programs being broadcast on the three nationwide channels decreased in early 1997 following a reorganization of state TV that drastically reduced the number of independent companies providing news for those channels. But USAID support for nascent networks of independent regional stations may compensate for that trend by the end of the year.

## **2. Expected Progress Through FY 1999 and Management Actions**

For the coming year the mission will continue to follow the current program plans for this Strategic Objective. However, progress will be monitored closely to detect changes in public reaction to government.

USAID activities contributing to SO 2.1 through FY 1999 will take on added importance due to the parliamentary and presidential elections scheduled for 1998 and 1999 respectively. Adoption and enforcement of a new election law should lay the groundwork for elections to fill all the seats of the parliament for the first time. A transparent election administration and an informed electorate should boost confidence in the political process and increase public demand for the accountability of elected officials.

It is expected that public education activities, continued support for the development of independent media and the continued success of public-advocacy NGOs will also lead to increased confidence in the system and thus an increase in better-informed citizen participation in the political and economic decision-making process. These activities are expected to produce numerous news and informational programs that are free of any political bias; an increase in citizens' understanding of their rights; improved legal frameworks for NGOs and election administration; and greater transparency in government decision-making.

**Strategic Objective 2.1 Resource Request**

FY 97	FY 98	FY 99
5,955	5,000	5,000

## SO 2.2 Create legal systems that better support democratic processes and market reforms

With the adoption of a new constitution in 1996 a major obstacle to legal reform has been removed. Though key elements of the legal system, such as defining the role of three branches of power, are included in the constitution, most of the legal framework remains to be defined in subsequent legislation. New civil and civil procedure codes, criminal and criminal procedure codes, and other fundamental legislation remain to be adopted. The role of the courts has been more clearly defined, but they lack the informational and technical resources necessary to carry out that role. Finally, application and enforcement of laws is inconsistent, contributing to corrupt practices and less public confidence in the judicial system. Citizens are not fully aware of their rights, responsibilities, and opportunities under the law, and therefore have little effect influencing the legislative process or demanding accountability. Without political will to address these problems, progress in reaching this SO may be hindered by the political stalemate which has arisen in anticipation of the upcoming elections. In general, the key targets established in 1996 were not met.

### 1. Performance Analysis

<b>OBJECTIVE: SO 2.2: Legal Systems that Better support Democratic Processes and Market Reforms.</b>			
<b>APPROVED:</b> June 1996 <b>COUNTRY/ORGANIZATION:</b> USAID/Ukraine			
<b>RESULT NAME:</b> SO 2.2: Legal Systems that Better support Democratic Processes and Market Reforms.			
<b>INDICATOR:</b> Administrative Law Code			
<b>UNIT OF MEASURE:</b> Legal Code	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> official Gazette	1995(B )		No
<b>INDICATOR DESCRIPTION:</b> New Administrative Legal Code	1996	designed	No
	1997	drafted	
	1998	adopted	
	1999	implemented	
	<b>COMMENTS:</b>		

Adoption and implementation of a **new Administrative Law** will be one of the major steps toward achieving SO 2.2. A comprehensive and coherent administrative law, governing the administration of government business at the central and local levels, will provide fewer opportunities for corruption and inefficient governance that are proving to be major obstacles to democratic and market reforms.

Though a parliamentary working group, with the assistance of a USAID contractor, has contributed to the drafting of a concept design, a draft administrative law has yet to be

presented to the Rada as we had anticipated. Therefore, this indicator was not met this year. However, this is not surprising given the general backlog of key legislation, including new civil and criminal codes, yet to be adopted by parliament. Despite the backlog and the politicking taking place in anticipation of the March 1998 elections, there should be significant progress in drafting the administrative code in 1997 now that the Minister of Justice is heading an intergovernmental working group on the topic. USAID will continue to support this effort.

**IR 2.2.1: Courts carry out their role as an independent branch of government**

[Note: This IR has been refined to more fully reflect the desired end product of fully functioning independent courts. In addition, the previous indicator was not an appropriate measure of this IR. It should be noted, however, that the old indicator, constitution adopted, was met.]

Though the revised indicator, **Constitutional Court functioning independent of the executive and legislative branches**, does not directly address the functions of the entire court system, including the courts of arbitration and general jurisdiction, the nature of the cases to be decided by the Constitutional Court is likely to provide clear examples of the degree of independence of the total judiciary. Due to the impasse over a new constitution, the Constitutional Court was only established in late 1996. USAID programs will provide much needed technical assistance to the new Court as it prepares to consider the backlog of cases before it in early 1997.

**IR 2.2.1.1: Increased access to information available for use by judges**

<b>OBJECTIVE:</b> SO 2.2: Legal Systems that Better Support Democratic Processes and Market Reforms.			
<b>APPROVED:</b> June 1996 <b>COUNTRY/ORGANIZATION:</b> USAID/Ukraine			
<b>RESULT NAME:</b> IR 2.2.1.1 Increased capacity of judges.			
<b>INDICATOR:</b> Access to current text of laws..			
<b>UNIT OF MEASURE:</b> number of courts	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> project reports	1995(B )		0
<b>INDICATOR DESCRIPTION:</b> oblast courts of general jurisdiction with access to current laws	1996	N/A	
	1997	100	
	1998	150	
	1999	200	
<b>COMMENTS:</b>			

[Note: This IR is a combination of the previous 2.2.1.1 and 2.2.1.3, because the former (i.e. lack of information) is one of the main obstacles to increasing the capability of judges to fulfill their duties. Also, upon further review it was determined that the baseline data for the

indicator under IR 2.2.1.3 was not representative of judges' capability because lower court judges often refer to higher level judges before making difficult decisions.]

Progress toward meeting the indicator, **Number of oblast courts of general jurisdiction with access to current laws**, for this IR in 1997 is being met as planned. Based on extensive preliminary research conducted in 1996, and on technical assessments as well as recommendations by judges and court officials, computer networks were procured for use by the Supreme Court and the Higher Arbitration Court. When installed in early 1997, the systems will give judges access to legal databases, and enable better management of the court system. The courts have also benefited from conferences and training seminars to educate judges about new and pending legislation, and a risograph to duplicate training and informational materials for judges at the local level.

**IR 2.2.1.2: The constitutional role of the courts is clarified (separation of power)**

<b>OBJECTIVE:</b> SO 2.2: Legal Systems that Better support Democratic Processes and Market Reforms.			
<b>APPROVED:</b> June 1996 <b>COUNTRY/ORGANIZATION:</b> USAID/Ukraine			
<b>RESULT NAME:</b> IR 2.2.1.2 The constitutional role of the courts is clarified (separation of power).			
<b>INDICATOR:</b> Separation of power established.			
<b>UNIT OF MEASURE:</b> articles	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> Gazette	1995(B )		drafted
<b>INDICATOR DESCRIPTION:</b> articles in new Constitution	1996	adopted	adopted
<b>COMMENTS:</b>	1997	implemented	
	1998	N/A	
	1999	N/A	

The indicator for this IR, **Separation of power established in the new constitution**, was satisfied in 1996 with the adoption of the new constitution which clearly defined the role of the judiciary as an independent branch of government. USAID grantees and other international donors maintained working relations with members of the constitutional drafting group and key lobbies for the court system to provide advice and commentary on the articles of the constitution referring to the judicial branch. These individuals included Ukrainians who have received technical assistance, participated in training programs, or otherwise cooperated with USAID's Rule of Law programs.

**IR 2.2.2: Constitution, Civil and Criminal Codes are harmonized to meet Western standards**

[Note: This IR was refined to more correctly define the intended objective, and the indicator was revised accordingly.]

Progress is being made toward meeting the indicator for this IR with the adoption of the new

constitution and the drafting of the new civil code for Ukraine. USAID's programs in Ukraine have contributed significantly to the development of the Constitution. Town hall meetings were organized and sponsored by USAID, as was a Constitutional Forum convened by the World Congress of Ukrainian Lawyers. USAID grantees provided material to Ukrainian officials on comparative constitutional systems and supported wide public debate in connection with the adoption of the new constitution. One activity which assisted in strengthening the Ukrainian Association of Cities, was instrumental in developing articles decentralizing state power and resources to local governments and defining their relationship with the national government. A USAID-sponsored round table discussion with leading Ukrainian independent trade unionists recommended the addition of a clause on trade union rights, absent in earlier drafts of the constitution, which was included in subsequent versions. Numerous NGOs that receive technical assistance and training from USAID have participated in the debate, and Ukraine's growing independent media, which also benefits from USAID assistance, have provided extensive coverage, analysis and opinions throughout the development and adoption of the constitution. USAID also assisted with a public education campaign on the status and importance of the constitutional process.

Adoption of a new civil code is an essential element of legal reform as it will establish the basic rules of all civil relations, including commercial, for this civil law country. Whereas USAID's donor partners have provided much of the assistance in this area, USAID has provided extensive technical assistance in the drafting of related commercial legislation. The draft civil code was prepared in 1996 and introduced to parliament in early 1997.

### IR 2.2.3: Increased public awareness of laws and procedures

<b>OBJECTIVE:</b> SO 2.2: Legal Systems that Better Support Democratic Processes and Market Reforms.			
<b>APPROVED:</b> June 1996 <b>COUNTRY/ORGANIZATION:</b> USAID/Ukraine			
<b>RESULT NAME:</b> IR 2.2.3 Increased public awareness of laws and procedures.			
<b>INDICATOR:</b> Public familiarity with privatization laws.			
<b>UNIT OF MEASURE:</b> percent of people polled	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> polling	1995(B )		TBD
<b>INDICATOR DESCRIPTION:</b> increase in number of people familiar with procedures for participation in privatization	1996	TBD	TBD
	1997	50	
	1998	50	
	1999	50	
<b>COMMENTS:</b>			

Although baseline data has not yet been established for this indicator, USAID programs are providing information to the public designed to increase awareness of laws and procedures. A public education campaign designed by the Ministry of Justice received USAID support to provide students with copies of the constitution and revised curricula based on the new fundamental law. Most of USAID's democracy activities include an information component, making information available to trade union members, NGO leaders, political party activists,

journalists, and the general public.

Citizens have also gained knowledge of laws and procedures through media coverage of legal advocacy cases successfully completed by Environmental Public Advocacy Centers and other advocacy organizations. Support to legal libraries and law schools has provided access to previously unavailable information for law students, government officials, and others.

## **2. Expected Progress Through FY 1999 and Management Actions**

The current attention given to corruption in Ukraine underscores the importance of a properly functioning legal system as the basis for further economic and democratic reforms. While the degree of progress made in this area will depend in large part on the level of political will, there is likely to be at least moderate progress through FY 99. Scores of draft laws, including new civil and criminal codes, have been prepared and await debate in the Rada; a presidential edict has identified still more legislation to be revised or drafted to reduce corruption and increase transparency; and government restructuring will be determined by legislation governing key institutions such as the courts and the civil service. USAID activities will complement the planned \$30 million World Bank Legal Reform loan which will provide resources for improving legislative drafting, strengthening the independence of the courts, revising law school curricula, and other legal reforms. A major restructuring of the court system should be underway and the professional capability of judges will be improved as a result of better access to current laws and rationalization and clarification of laws governing the judicial system. Continuing legal education and active associations of legal professionals will raise the professional qualifications of lawyers and judges. Law schools will have contemporary course materials in conformity with revised curricula, and more law schools will offer pro bono legal clinics for course credit. Increased awareness of laws and increased activity of public-advocacy NGOs will result in more cases of government decisions being influenced by citizens engaging in the political process.

### **Strategic Objective 2.2 Resource Request**

FY 97	FY 98	FY 99
7,545	2,500	2,500

### **SO 2.3 More effective, responsive and accountable local government**

Since independence, the legal basis for local government in Ukraine has been confused and unstable, having been altered dramatically several times since 1991. The key operative laws are the 1992 Law on Local Radas (councils or committees) of People's Deputies and the law on Local and Regional Self-Governance. The 1992 laws construe local government as cities, towns, and villages and as being distinct from the national level administrative apparatus. These laws remain largely in effect, though changes to them in 1994 and 1995 have left local government powers weakened and more subject to national control. Both laws are currently in revision, being debated in the national parliament, and new laws are expected to be passed later this year.

The June 1996 Constitution sets out a new legal framework considerably stronger than its legal precedents. It gives increased powers and responsibilities to local governments by providing for direct election of city council members and mayors, and asserting local governmental rights to own property, set budgets, raise revenue, and implement projects. However, these and other constitutional provisions on local government are sketched out in broad terms and will require as many as twenty (20) detailed laws to implement. Legislation implementing the constitutional mandate is at various stages of consideration. This legislation will redefine municipal government in terms of its functions, its finance, its control over property in its territory, and its intergovernmental relationships.

The Mission has had one activity specifically focused on local government in Ukraine, the Municipal Finance and Management (MFM) Project, which was implemented from early 1994 through early 1997. Continuation of activities begun under the project has been delayed for approximately six months due to major contracting problems in FYs 1996 and 1997 which have impacted on our ability to meet targets in 1996. Those problems have been resolved and activities have restarted. The Mission recently determined to strengthen operations under this SO. As a result, two other activities, the US-Ukraine Community Partnership for Training and Education and the Municipal Finance and Management II, will begin implementation this year. Other Mission activities indirectly support the objectives of this SO because they involve local governments and democratization. For example, USAID has supported local government efforts to bring about private ownership of housing units and improve the delivery of maintenance and other communal services. To coordinate this assistance, the Mission has created a community-based program committee which reports and meets regularly.

## 1. Performance Analysis

<b>OBJECTIVE: SO 2.3: More Effective, Responsible and Accountable Local Government.</b>			
<b>APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Ukraine</b>			
<b>RESULT NAME: SO 2.3: More effective, responsible and accountable local government</b>			
<b>INDICATOR: Public opinion</b>			
<b>UNIT OF MEASURE:</b> percent	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> project reports	1995		N/A
<b>INDICATOR DESCRIPTION:</b> increase in public approval of local government	1996	N/A	N/A
<b>COMMENTS:</b>	1997	TBD	
	1998	TBD	
	1999	TBD	

The principal indicator for the Strategic Objective is the percentage **change in public opinion** concerning local government. However, due to the cost and complexity of obtaining information on this indicator the Mission has been unable to obtain baseline data on it. A national poll to obtain this data is scheduled for 1998. In the interim the Mission has chosen a proxy indicator with which to measure progress.

<b>OBJECTIVE: SO 2.3: More Effective, Responsible and Accountable Local Government.</b>			
<b>APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Ukraine</b>			
<b>RESULT NAME: SO 2.3: More effective, responsible and accountable local government</b>			
<b>INDICATOR: (PROXY) Number of cities with improved transportation</b>			
<b>UNIT OF MEASURE:</b> cumulative number of municipalities	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> project reports	1995	N/A	N/A
<b>INDICATOR DESCRIPTION:</b> increase in the size of the operational fleet; increase in revenues/collections;	1996	N/A	1 (B)
<b>COMMENTS:</b>	1997	5 (T)	
	1998	10	
	1999	23	

Because local government is judged by its capacity to deliver crucial local public services the Mission has chosen the **number of cities with improved public transportation** as the proxy indicator. In Ukraine, 80-90 percent of the population use public transportation. In addition, Ternopil's experience sparked similar efforts by other public-owned transportation companies, five of which have entered into a joint agreement to purchase used buses and spare parts, refurbish other vehicles, and repair engines.

Electric trolley buses are the major form of urban transport in mid-size cities. The current operating fleets are typically at 50 to 60 percent of pre-independence levels and although fares have increased by a factor of more than 16 in real terms since 1995, service has worsened. The result is severe overcrowding, long waits, service breakdowns, restricted service, poor fare collection, public anger and loss of confidence in government and in the reforms associated with independence. In public opinion surveys, transportation is listed as first or second in the public services found least satisfactory.

In November, 1994, baseline data compiled under the MFM contract showed that in Ternopil, the size of the electric bus fleet in operation was less than 50 percent of what it was in 1989. Waiting times were long and buses were so overcrowded that fare inspection was impossible to carry out. Revenue from fares covered less than 16 percent of operating costs in 1994. The subsidy required from the city budget exceeded one million US dollars in 1994.

Under the MFM project, 15 repaired and refurbished buses were officially added to the fleet in November, 1995, thereby increasing passenger capacity by almost 40 percent. In addition, management procedures were evaluated and improved as part of this effort. By June, 1996, the operating fleet reached 68 units with an availability ratio exceeding 75 percent. Fare revenue now covers about 60 percent of total costs including a substantial fund for fleet improvement, not simply operating costs. Illegal free riding has been reduced to less than 5 percent, every bus carries an inspector and tickets can be purchased on the bus and not only from kiosks as in the past. Additional revenue from advertising and from rental of commercial space at bus stops is small, but increasing. The operating subsidy from the city budget has been reduced by almost 50 percent for 1996. Currently, a detailed assessment of electric transportation is being conducted in four additional cities, Lviv, Rivne, Ivano-Frankivsk and Chernivtsy in preparation for improving their fleets. Approximately five more cities will be assisted next year. Like Ternopil, these cities are expected to show dramatic improvement in transportation services with inputs that have been proven and which result in significantly improved public perception of local government.

**IR 2.3.1: Improved management**

<p><b>Objective:</b> SO 2.3: More Effective, Responsible and Accountable Local Government.  <b>APPROVED:</b> June 1996 <b>COUNTRY/ORGANIZATION:</b> USAID/Ukraine</p>
<p><b>RESULT NAME:</b> IR 2.3.1: Improved management</p>
<p><b>INDICATOR:</b> New business investment</p>

<b>UNIT OF MEASURE:</b> increase in the number of businesses registered.	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> Project report and Ukraine Association of Cities	1995	N/A	N/A
<b>INDICATOR DESCRIPTION:</b> New private investment in Lviv and Kharkiv oblasts	1996	N/A	14,321 (Lviv) 19,916 (Kharkiv) (B)
<b>COMMENTS:</b> New indicator from last year (see SO 2.3 narrative for explanation)	1997	4,000 (T)	
	1998	5,000	
	1999	5,000	

Due to data not being available as planned, a new performance indicator, **new business investment** has replaced the old indicator **budget deficit decreases**. The change in the framework indicator resulted during the annual review of the R4. The new target was set because USAID's assistance has helped cities become more efficient and effective in administration and service delivery and new business investment reflects the effectiveness of government operations and planning. Two oblasts have been selected, Kharkiv and Lviv Oblasts, east and west (respectively) as initial areas of focus for measuring target performance. Additional oblasts will be monitored in the future to gain a broader picture of performance. The five oblasts also have taken major strides in reforming their governments with USAID assistance.

As of January 1, 1996, there were 19,916 registered enterprises in Kharkiv oblast and 14,321 registered enterprises in the Lviv oblast. As of January 1, 1997 there are 20,847 registered enterprises in Kharkiv oblast and 16,574 in Lviv oblast and 15,790 in Odesa oblast. It is anticipated that these oblasts will continue to see increases in the number of businesses operating there.

#### **IR 2.3.1.2: Improved financial management**

<b>OBJECTIVE:</b> SO 2.3: More Effective, Responsible and Accountable Local Government. <b>APPROVED:</b> June 1996 <b>COUNTRY/ORGANIZATION:</b> USAID/Ukraine
<b>RESULT NAME:</b> IR 2.3.1.2: Improved financial management
<b>INDICATOR:</b> Number of cities using financial analysis methods.

<b>UNIT OF MEASURE:</b> Number of cumulative cities.	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> Project report	1996	N/A	4 (B)
<b>INDICATOR DESCRIPTION:</b> Selected municipalities.	1997	8 (T)	
<b>COMMENTS:</b> New indicator from last year (see SO 2.3 narrative for explanation)	1998	16	
	1999	25	

Both the title and the indicator for this IR have been changed because **financial management** is a higher result than **financial planning**. This was revised to better reflect the Mission's objective under this IR. The new indicator, **number of cities using financial analysis methods** increased from zero in 1995 to four in 1996. The financial analysis methods adopted by cities in Ukraine will have even greater impact once the local self-governing legislation is passed allowing local governments to collect their own revenue.

In terms of finance, cities want operational budgets financed by state transfers based on a per capita formula which will eliminate the current horse trading between cities and oblast administrations. The cities propose investment (capital) budgets funded from local taxes and fees and from savings they can make in operations through improved management. When and if adopted, these changes will have profound impact as cities will be able to predict revenues and plan expenditures over a reasonable time period, and there will be a financial incentive to improve efficiency and reduce costs. A planned expansion of our effort could involve more than twenty additional Ukrainian cities through the year 1999.

### IR 2.3.2.1: Legal reform

<b>OBJECTIVE:</b> SO 2.3: More Effective, Responsible and Accountable Local Government.			
<b>APPROVED:</b> June 1996 <b>COUNTRY/ORGANIZATION:</b> USAID/Ukraine			
<b>RESULT NAME:</b> IR 2.3.2.1: Legal reform.			
<b>INDICATOR:</b> Law on local self government.			
<b>UNIT OF MEASURE:</b> Drafted/submitted/passed/implemented/enforced	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> Rada Gazette	1995		None (B)
<b>INDICATOR DESCRIPTION:</b> Law on Local Self Government	1996	drafted (T)	submitted
<b>COMMENTS:</b> exceeded expectations	1997	passed	passed
	1998	implemented	
	1999	enforced	

The indicator, **law on local self government**, exceeded expectations. It was anticipated that

a local self government bill would be drafted in 1996. Instead, the bill passed its first reading in the national parliament during December, 1996 and passed on third reading on April 24, 1997. However, President Kuchma is expected to veto major articles in this law as well as those in the Law on Local State Administration. The issue is dilution of Presidential powers.

The earlier draft bills required revision in order to reinforce independent decision-making and fiscal control along the lines of the European Charter. Under the Charter local governments are expected to have their own locally generated taxes that are allocated by their own administrations. Many political leaders view implementation of the Charter as a key step in Ukraine's quest to achieve legitimacy in the eyes of Western Europe and help it become a full member of the EU. The Mission will be collaborating with these leaders and various interested organizations including the Ukraine Association of Cities to address the issues raised by President Kuchma.

### IR 2.3.3.2: Improved NGO organizational skills

<b>Objective: SO 2.3: More Effective, Responsible and Accountable Local Government.</b>			
<b>APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Ukraine</b>			
<b>RESULT NAME: IR 2.3.3.2: Improved NGO organization skills</b>			
<b>INDICATOR: Increased paid membership</b>			
<b>UNIT OF MEASURE: Number of cities</b>	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE: Ukraine Association of Cities</b>	1995		N/A
<b>INDICATOR DESCRIPTION: Ukraine Association of Cities</b>	1996	N/A	79 (B)
<b>COMMENTS: New indicator from last year (see SO 2.3 narrative for explanation)</b>	1997	200 (T)	
	1998	300	
	1999	444	

The performance indicator listed under this IR has been changed from the **number of NGOs with local government lobby success and influence using organizational skills** to an **increase in the number of paid memberships in the Ukraine Association of Cities (UAC)** for the following reasons: (a) difficulty in polling the NGOs to obtain the data; and (b) the lack of precise terminology to define what a successful action would be.

The UAC has been representing local government at the national level for nearly five years and is modeled after the U.S. League of Cities. It has paid membership dues, a monthly newsletter and recently started publishing regular pieces in the Parliament's newspaper, under the title, "Ukraine Cities, Yesterday, Today and Tomorrow". The newspaper is widely read by opinion-makers and those who advocate in favor of local government issues. It has become a way to educate government officials and the public about local government issues.

USAID's support of the Ukraine Association of Cities has helped the Association become the strongest organization advocating for local autonomy at the national level. The assistance provided has helped the Association establish a permanent office in Kiev and enabled mayors from member cities to go on a study tour of the U.S.

The UAC's membership is approaching 200 cities; it is expanding its offices, services and staff. It is an ideal forum for facilitating communication among the officials of the various cities as well as their staffs about issues, priorities, opportunities and problems. In 1995, the UAC had a membership of 44 cities. As of January 21, 1996 there were 79 cities registered as members. As of January 9, 1997 the UAC had a membership of 120 cities and as of April 10, 1997 the membership increased to 165 cities. The expected membership of the UAC in 1998 is 300 cities and in 1999 -- 444 cities. Note: the total number of Ukrainian cities with a population of more than twenty thousand is 444.

#### IR 2.3.4: Greater transparency of government operations

<b>OBJECTIVE: SO 2.3: More Effective, Responsible and Accountable Local Government.</b>			
<b>APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Ukraine</b>			
<b>RESULT NAME: IR 2.3.4: Greater transparency of government operations</b>			
<b>INDICATOR: Number of cities with annual financial reports made available to the public</b>			
<b>UNIT OF MEASURE:</b> number of public archives in selected cities	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> project reports	1995		N/A
	1996	N/A	3 (B)
<b>INDICATOR DESCRIPTION:</b> public contracts, and audits	1997	8 (T)	
	1998	16	
<b>COMMENTS:</b>	1999	25	

The wording of this performance indicator listed for this IR has been clarified in the past year and now reads: **the number of cities with annual financial reports made available to the public.** USAID-sponsored activities have assisted local governments to become more open and responsive by advocating transparency in city government operations, public accountability on the part of local officials, and increased citizen participation. For example, in all three MFM pilot cities the process of open, competitive procurement has been introduced successfully and mayors have gone out of their way to open up the budget process. In 1995, Kharkiv's mayor held televised public hearings on the city budget, convened focus groups, and published detailed budget information in newspapers. The result is intended to inform the public and encourage citizen input into the decision-making process.

In Ternopil and Kharkiv, the city governments are publishing annual reports for public review for the first time. Ternopil's initial version (June 1995) was modeled after those its mayor had seen on an MFM-sponsored study tour in the U.S. and included a directory of city personnel, details on the local economic situation, and an organizational chart with "the citizens of Ternopil" at the head. In Lviv the city government has developed an integrated information handling system that will enable staff to track the performance of municipal services. The mayor emphasized that its design incorporated input from public hearings, at which citizens expressed concerns about procedures for handling emergency calls and complaints.

It is anticipated that greater transparency will be achieved as MFM II continues through 1999.

## **2. Expected Progress Through FY 1999 and Management Actions**

U.S. assistance for Ukraine's transition to democracy and a market-oriented economy on the local level began less than five years ago. Much of USAID's work in democratization, housing, finance, privatization and private enterprise, environment, health and training has taken place in or directly benefited cities and towns. Currently, USAID/Kyiv is reinforcing many of those programs so they will continue to contribute toward the Local Government SO.

To meet targets and results under SO 2.3, USAID/Kyiv will work primarily with Ukrainian cities and towns. The municipal level in Ukraine is at the heart of democratization and economic reform. Cities, towns, and villages are where people are the closest to government and where interaction between citizens and government is most vigorous. Mayors and other city officials face first hand the consequences of failures in national policy and legislation. They are highly aware of the deteriorating state of local infrastructure, decline of public services and the desperate economic circumstances of many citizens. Much work on SO 2.3 is relatively recent; but results are encouraging and suggest that with intensive USAID inputs in FY 1997-1999, assistance in municipal development (properly focused and directed) will benefit the lives of citizens and positively affect public perception of democracy and economic reforms.

Illustrative areas of long term technical expertise required to achieve Ukraine's SO include: strategic management, budgeting and finance (operating and capital investments); economic development; performance monitoring and management (including operations research); information dissemination/public relations; municipal service delivery and financing; housing and land management and development; organizational development including customer service and citizen participation, and administration and training of Ukrainian associations.

The U.S.-Ukraine Community Partnership for Training and Education program will link 20 communities in Ukraine with 20 American communities in order to establish long-term technical assistance, education and training programs in public administration for Ukrainian local government representatives and employees. USAID's program will operate through four regional training centers in Ukraine and a central coordinating/training facility/center.

These centers will deliver local government training for partnered and non-partnered Ukrainian communities.

In order to promote a cumulative impact, the assistance provided to each Ukrainian community will be focused on five targeted substantive areas. They are: Local Budgeting; Housing and Communal Services; Transportation; Local Economic Development; and Citizen Participation.

In addition, in 1997 and beyond, USAID will provide technical assistance for the delivery of public transportation. This assistance will:

1. improve enterprise management;
2. improve the effectiveness of city officials; and
3. make both short-term and long-term improvements in public transportation.

Finally, MFM II will focus on the diagnostic tools that assess the economic, financial, and organizational potential of Ukrainian cities; strategic plans and management that sets priorities across sectors; information management systems; financial management including task and program based budgeting components, debt carrying capacity; and demand analysis for municipal services and activities.

#### **Strategic Objective 2.3 Resource Request**

FY 97	FY 98	FY 99
2,350	5,500	5,500

### SO 3.1 Reduced human suffering and negative consequences of crises

During Ukraine's transition to a market economy, the government, faced with difficult choices about the use of its very limited resources, has markedly reduced funding for its social services. As a result, an emergency situation has ensued and many vulnerable members of society are suffering.

The widespread suffering seriously threatens popular support for economic reform in Ukraine. It increases the cynicism of citizens, and decreases politicians' willingness to take strong measures essential for further economic progress. USAID's support for reducing human suffering thus closely complements our programs to support the economic transition, and to assist the government to restructure the social services it provides with public means. Activities conducted under SO 3.1 both alleviate immediate suffering and help build a sustainable network of indigenous private non-profit organizations that provides social services to vulnerable populations which the government no longer has the means to reach.

#### 1. Performance Analysis

<b>OBJECTIVE: SO 3.1 Reduced Human Suffering and Negative Consequences of Crises</b>			
<b>APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv</b>			
<b>RESULT NAME: Reduced human suffering and negative consequences of crises</b>			
<b>INDICATOR: Tuberculosis Incidence: rate of newly diagnosed tuberculosis cases</b>			
<b>UNIT OF MEASURE: cases per 100,000 population</b>	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE: Ministry of Health (MOH) data</b>	1991		27 (B)
<b>INDICATOR DESCRIPTION: The stabilization of tuberculosis cases will be used as a proxy for the ameliorating the impact of a disintegrating social safety net.</b>	1996	31	41
<b>COMMENTS: Tuberculosis incidence is a complex indicator because it responds to changes in the health system's ability to detect and accurately diagnose new cases as well as real changes in the incidence of disease. However, over the last six-years, it is likely that any changes in the health system's ability to detect and diagnose new cases would be modest and therefore would not affect the trend of the overall indicator.</b>	1997	27	
	1998	24	
	1999	21	

The most widely cited indicator of a population's health and suffering, the infant mortality rate, increased over 10% between 1989 and 1995, from 12.9 to 14.7 deaths per 1000 births. Equally ominous, overall life expectancy in the country decreased during the same period from 71 years to 67 years. An additional sobering indicator of population suffering is found in the steady increase in tuberculosis incidence, a consistent and sensitive correlate of social

disintegration, poverty and suffering. The indicator measuring performance at the strategic objective level is the rate of newly diagnosed tuberculosis cases. Between 1991 and 1996, the rate of new cases increased by more than 50%, from 27 cases per 100,000 population, to 41 cases per 100,000. Since there is no international standard for acceptable tuberculosis incidence, USAID has set the target for this indicator as a 10% reduction in incidence from the previous year. Therefore, given that the tuberculosis incidence rate in 1995 was 34 cases per 100,000 population, USAID's 1996 target is 31, or a 10% decrease from 1995's incidence rate. However, rather than observing a 10% decrease in tuberculosis incidence from 1995 to 1996, incidence actually increased by more than 20% from 1995 to 1996, suggesting that the population suffering is not improving, but may be becoming more severe.

USAID's program aims to alleviate to the extent possible the privations imposed on the most vulnerable members of Ukrainian society during this difficult economic and political reform process. USAID has taken a four pronged approach to address the needs of the most vulnerable in Ukraine: strengthening indigenous NGOs that provide social services to the most needy; providing needed humanitarian aid to government social service institutions; protecting the population against emergency epidemics and health problems; and, responding to natural disasters, as needed.

### IR 3.1.1: Selected NGOs strengthened to provide services to vulnerable groups

<b>OBJECTIVE: SO 3.1 Reduced Human Suffering and Negative Consequences of Crises.</b>			
<b>APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Ukraine</b>			
<b>RESULT NAME: IR 3.1.1: Selected NGOs strengthened to provide services to vulnerable groups.</b>			
<b>INDICATOR: Number of vulnerable persons in target populations served (i.e., elderly, disabled)</b>			
<b>UNIT OF MEASURE: Number</b>	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE: USAID NGO grantee</b>	1991		0
<b>INDICATOR DESCRIPTION: Number of elderly served by an NGO in a selected oblast (Kyiv-based NGO: Help the Elderly)</b>	1996	6,000	6,200
<b>COMMENTS: This indicator is limited by the fact that it only measures services provided by one indigenous NGO in Kyiv. Similar NGOs are providing social services throughout the country. This indicator will be refined in 1997 to measure more broadly the number of vulnerable persons served by NGOs.</b>	1997	10,000	
	1998	15,000	
	1999	20,000	

Over the last year, USAID continued to support the development and growth of indigenous NGOs providing social services to the most needy members of Ukrainian society. Anecdotal evidence suggests that these budding NGOs are already playing an important role in providing services to the most needy during Ukraine's difficult economic transition. The indicator for this IR is number of vulnerable persons in target populations served. The target

of 6,000 persons was exceeded as an indigenous NGO provided social services to over 6,200 needy single elderly persons in Kyiv; these services are an outgrowth of a USAID-supported partnership between a USPVO and an indigenous NGO. While this evidence is limited by the fact that it measures services provided by only one NGO, there are similar NGOs providing social services throughout the country. The IR indicator will be refined over the next year to measure more broadly the number of vulnerable persons being served by local NGOs under the *Democratic NGO Social Service Activity* which USAID recently launched in March 1997. This new activity will continue supporting social service and advocacy-oriented NGOs to provide needed social services and advocate on behalf of the most disadvantaged populations, such as the elderly, disabled, and children.

Over the last year, USAID has worked closely with 25 indigenous social service NGOs -- providing training and small grants -- to help them become sustainable organizations able to serve the most vulnerable Ukrainians. USAID has trained over 2300 NGOs, representing all sectors, in basic NGO project design, and has sent 45 NGO leaders working in the social services to the United States for NGO development training. In addition, USAID provides local NGOs humanitarian aid for them to distribute to the most needy members of their communities. Over the last year, USAID provided humanitarian assistance to over 200 Ukrainian NGOs to distribute to approximately 1,800 of the most needy Ukrainians.

**IR 3.1.2: Selected governmental social service institutions strengthened with equipment and supplies**

<b>OBJECTIVE: SO 3.1 Reduced Human Suffering and Negative Consequences of Crises.</b>			
<b>APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Ukraine</b>			
<b>RESULT NAME: IR 3.1.2 Selected governmental social service institutions strengthened with equipment and supplies.</b>			
<b>INDICATOR: Number 1: Number of government social service institutions receiving support.</b>			
<b>UNIT OF MEASURE: Number</b>	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE: USAID humanitarian assistance grantee</b>	1995		454 (B)
	1996	775	802
<b>INDICATOR DESCRIPTION: Number of hospitals, orphanages and homes for the elderly.</b>	1997	1,000	
	1998	1,300	
<b>COMMENTS:</b>	1999		

Over the last year, the number of government social service organizations, such as hospitals, boarding homes and orphanages, receiving USAID humanitarian assistance (the indicator for this IR) almost doubled, from 454 to 802, slightly exceeding this year's target. The total value of humanitarian assistance provided soared from \$3 million in 1995 to over \$20 million in 1996. Notably, in 1996 support included over \$11 million worth of high quality pharmaceuticals and medical supplies for hospitals working in the Chernobyl-affected regions

and over \$5 million worth of clothing and furniture supplies to the 280 orphanages and boarding homes for the elderly administered by the Ministry of Social Protection throughout Ukraine. USAID will continue this support through 1997 providing a total of 1,000 social service institutions with over \$25 million worth of equipment and supplies.

In early 1997, implementation of this program was halted due to Ukrainian legislation which required that taxes be paid on all incoming humanitarian assistance. This issue was resolved for humanitarian assistance coming from the United States government, but costly delays in getting humanitarian deliveries cleared through Ukrainian customs remain a concern.

### IR 3.1.3: Population protected against emergency health problems & epidemics

<b>OBJECTIVE: SO 3.1 Reduced Human Suffering and Negative Consequences of Crises.</b>			
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Ukraine			
<b>RESULT NAME:</b> IR 3.1.3 Population protected against emergency health problems and epidemics.			
<b>INDICATOR:</b> Number 1: Percentage of adults (16-59 years) immunized with 3-shot diphtheria toxoid (Td vaccine) as recommended by WHO's diphtheria control strategy.			
<b>UNIT OF MEASURE:</b> Percent	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> MOH data	1995		44
	1996	90	98
<b>INDICATOR DESCRIPTION:</b> Percentage of adults receiving 3-shots of Td vaccine.	1997	90	
	1998	90	
<b>COMMENTS:</b>	1999	90	

The most vivid example of the population's vulnerability to emergency epidemics is the diphtheria epidemic in Ukraine and throughout the NIS. USAID was the main provider of adult diphtheria vaccine to the MOH to combat their diphtheria epidemic. The MOH estimates the percentage of adults fully vaccinated against diphtheria (IR indicator) increased from 44% in 1995 to 98% in 1996, which exceeds both the World Health Organization's (WHO's) and USAID's target of 90%. This latter estimate may be high (USAID advisors suggest a more reasonable estimate to be approximately 85%), but the overall achievement nonetheless reflects a remarkable success. As expected, the number of diphtheria cases dropped significantly, by over 40%, from 1995 to 1996.

<b>OBJECTIVE: SO 3.1 Reduced Human Suffering and Negative Consequences of Crises.</b>			
<b>APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Ukraine</b>			
<b>RESULT NAME: IR 3.1.3.1 Adequate supply of medical commodities/vaccines assured.</b>			
<b>INDICATOR: Number 1: Percent of WHO-estimated need for childhood primary vaccines assured.</b>			
<b>UNIT OF MEASURE: Percent</b>	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE: World Health Organization/Interagency Immunization Coordinating Committee (WHO/IICC)</b>	1995		100
	1996	100	100
	1997	100	
	1998		
	1999		
<b>INDICATOR DESCRIPTION: Percentage of childhood primary immunizations assured.</b>			
<b>COMMENTS: Childhood primary immunizations include: BCG (against tuberculosis); DPT (against diphtheria, pertussis and tetanus); and OPV (against polio) and measles vaccines.</b>			

Since Ukraine's independence, donors - notably the Canadian government - have provided Ukraine with needed childhood vaccines. It is important to note, however, that there is significant donor fatigue in providing vaccine donations to Ukraine. This underscores the urgency for Ukraine to move away from donor dependence for vaccines and toward greater self-reliance as soon as possible. To date, no donor has been identified to provide Ukraine's needed childhood vaccines in 1997 and MOH officials report that the government has very limited resources to purchase their own vaccine. USAID is assisting the government to become more vaccine self-reliant by training the MOH in procurement methods to purchase vaccines at substantial savings, using their own resources, through competitive international tender and bid. Currently, the MOH does purchase very limited quantities of vaccines (mostly at the oblast level), but at a high cost mainly through Russian joint ventures.

Childhood vaccination coverage rates and the number of cases of vaccine preventable diseases among children are widely accepted measures of the population's protection against preventable diseases and epidemics. In 1996, the MOH reported high vaccine coverage rates with 97% of children under two-years of age vaccinated against polio and measles; this exceeds USAID's target of 90% for children under two-years of age<sup>2</sup>. Despite high vaccine coverage rates, however, the number of reported polio and measles cases remained high in 1996 (2 polio cases and 3,568 measles cases reported among children under 15-years) indicating that actual vaccine coverage is not as high as reported by the MOH. This suggests systematic problems in the MOH's immunization delivery and reporting systems. Measles is a highly communicable and cyclic disease. MOH annual statistics for measles cases in 1992

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USAID chose the target of measles vaccination coverage for children under two-years of age at 90% because this is how the MOH reports this information. This is a modest target because measles immunization should be given at 9-months of age and vaccinating children after one-year of age puts them at risk of getting the disease. In comparison, the WHO's Universal Childhood Immunization Goal is for 90% of all children to be fully immunized at one-year of age against all six major childhood diseases (which include measles).

through 1995 are 8,777, 13,733, 15,326 and 1,075 cases, respectively. The wide fluctuations in the number of measles cases indicate outbreaks which are common among highly communicable diseases when the population is not adequately vaccinated. The polio situation is of particular concern because in 1996, the only countries that reported new polio cases from the NIS region were Ukraine and Russia (mainly from Chechnya). While the MOH did an outstanding job implementing national immunization days against polio in the fall of 1996, the report of two polio cases in 1996 represent over 300 infections of wild poliovirus among the population. It is critical that Ukraine develop the surveillance and laboratory capability needed to detect and ultimately eradicate polio in Ukraine and to contribute to the eradication of polio throughout the region and worldwide.

Effective local health management information systems and immunization delivery systems are essential to protect the population from future emergency health problems and epidemics. Over the next year, USAID will be providing assistance to the government to improve their local health management information systems for infectious diseases. The current system is largely ineffective and is very costly. Reform will create cost savings and improve capacity for program planning and policy development and ultimately the health of Ukrainian citizens.

## **2. Expected Progress through FY 1999 and Management Actions**

Through FY 1999, USAID will support efforts by the government and build a sustainable network of private Ukrainian non-profit organizations to alleviate to the extent possible the privations imposed on the most vulnerable members of Ukrainian society as a result of the difficult economic and political reform process.

USAID will continue supporting the growth and development of Ukrainian NGOs providing services to the most vulnerable Ukrainian citizens, particularly the elderly, disabled and children. Developing a sustainable cohort of social service NGOs actively providing services to vulnerable members of society requires technical assistance and support to help the NGOs gain specific skills (e.g., management, finance, advocacy) and sufficient experience with effective solutions to the particular social problems they are dealing with. While this program provides an immediate solution to improve the quality of life of the most needy, it is also a long-term investment in developing the capacity of the indigenous private non-profit sector to provide these services to the population. This program will require USAID support through FY99.

USAID will continue providing humanitarian assistance to alleviate to the extent possible the privations imposed on the most vulnerable as a result of the economic reform process through FY98. The challenge of this program in FY97 and FY98 will be to most effectively target humanitarian aid to the most vulnerable Ukrainians through local social service NGOs and governmental social service institutions. USAID anticipates that over the next few years, the number of Ukrainians who are suffering during this crisis will decrease as the benefits of Ukraine's economic and political reforms become more widespread and quality of life improves. Nevertheless, USAID will monitor this situation closely in order to determine needed future support in this area.

USAID will continue to assist the government prevent future preventable epidemics by providing assistance to improve local health management information systems for infectious diseases which will improve their capacity for planning and response. This activity will begin in selected pilot oblasts in early FY98. Reforms that are shown to be successful are anticipated to be adopted nationwide by FY99. In addition, USAID will continue to assist the government become self-reliant in vaccine supply which is critical to prevent and control emergency health problems and epidemics in the long-term. By the end of FY98, USAID anticipates that the government will have purchased vaccines using an international tender and bid process, providing the government high quality vaccine at a competitive cost. Providing the government the tools to purchase vaccines competitively on the international market is an important step for Ukraine to become vaccine self-sufficient. Expected progress by the end of FY98 will be the continued control of the diphtheria epidemic, reduction in disease incidence, and marked progress toward the elimination of polio.

**Strategic Objective 3.1 Resource Request**

FY 97	FY 98	FY 99
7,600	4,200	4,000

### **SO 3.2 Improved sustainability of social benefits and services**

Ukraine retains a large number of social sector benefit and service programs. It is estimated that up to 60 different programs exist, including pensions, health services, housing subsidies, family and child allowances, transportation subsidies, etc. Given the decline in Ukraine's economy, it has become impossible for the government to meaningfully maintain all of these programs. Also in light of the IMF's restrictions on Ukraine's budget spending, budget allocations for social sector programs continue to decline. As a fiscal matter, Ukraine's social sector spending is not a significant problem as it only comprises 23% of the budget, which is a reasonable amount for all social sector programs, including education. But as an economic transition matter, the Government's continuation of programs which it is inadequately funding serves to increase citizen cynicism and suffering, and undermines support for economic reform. It is better for the government to target its limited resources on those who need them most than to promise everything to everyone and deliver very little.

The good news is that for the past several years a significant group of Ukrainian government officials has been developing proposals to restructure and make more feasible Ukraine's social programs. This group includes representatives of the President, Cabinet of Ministers, Ministries of Economy, Finance, Labor, and Social Protection, and of Parliament. With assistance from USAID and other international donors, draft laws have been proposed to establish a restructured legal framework for social insurance, and to reform the pension, health, disability, and unemployment systems. A significant part of USAID's technical assistance is devoted to providing legislative drafting assistance to develop a reformed legal structure for the delivery of social benefits and services. Draft laws have been introduced and are in the process of being debated in the Cabinet and Parliament. The draft law on legal foundations of social insurance is likely to be enacted this year, and the draft law on pensions will then be considered.

In addition, the major reformed social sector program - the housing subsidy program - continued to improve and gain support this year. The housing subsidy program, which USAID played a major role in developing and implementing, has provided subsidies to over 5 million of Ukraine's families. Housing and communal service prices have been raised to 80% of actual costs. It is estimated that the combination of price increases and targeted subsidies brought an additional \$1 billion in revenues to the government in 1996. Though not without problems, the program has successfully demonstrated the benefits of reforming programs and is serving as a base upon which to build and integrate other social sector reforms.

Toward the end of 1996, the GOU introduced an economic reform package, which included some social sector reforms. Though it is unclear at this time which of these reforms will pass the Parliament, the legislation has served to escalate and speed up the debate on reform. In President Kuchma's state of the nation speech he called for pension reform legislation to be presented to Parliament by July 1, 1997. This change in the debate has left some of the other

social sector legislative reforms in a state of uncertainty as to what will be done, how and when.

In the area of health care financing reform, government budget funding continued to decline in 1996 despite the new Constitution's promise of free health care to all citizens. USAID worked at the national level on development of initiatives on family medicine, health insurance, and licensing and accreditation, and intensively in two oblasts, Lviv and Odessa, working with health administrations and key hospitals on implementing specific reforms in the areas of financial management, user fees, hospital restructuring, and family medicine.

## 1. Performance Analysis

<b>Objective: SO 3.2: Improved Sustainability of Social Benefits and Services.</b> <b>APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Ukraine</b>			
<b>RESULT NAME:</b> SO 3.2: Improved sustainability of social benefits and services			
<b>INDICATOR:</b> Number 1: GOU spending on social sector reduced.			
<b>UNIT OF MEASURE:</b> Percent of GDP.  <b>SOURCE:</b> IMF  <b>INDICATOR DESCRIPTION:</b> Consolidated GOU outlays for eight social service categories.  <b>COMMENTS:</b>	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1995		26.7
	1996	22.8	23.3
	1997	22.0	
	1998	21.0	
	1999	20.0	

The major indicator chosen for this objective is the **GOU's level of spending** on social sector programs. In 1995, the GOU spent 26.7% of its budget on all social sector programs, including pensions, health and education. In 1996, the amount dropped to 23.3%, close to USAID and IMF expectations. The IMF believes that this level is close to the minimum that can or should be expected. Only minor reductions in the future are expected. In general, the SO is meeting expectations. The real challenge now is to restructure the spending that is allocated to provide greater assistance to those who need it and in a more efficient, sustainable way. To date, the major restructured social program is the housing and communal services program in which USAID plays a major role. But, substantial work is well underway to restructure a large number of other social programs. The remaining element is to build political and public support for additional social reforms.

### IR 3.2.1: Redefined public sector role

<b>Objective: SO 3.2: Improved Sustainability of Social Benefits and Services.</b> <b>APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Ukraine</b>	
<b>RESULT NAME:</b> IR 3.2.1: Redefined public sector role.	
<b>INDICATOR:</b> Legislative reform.	

<b>UNIT OF MEASURE:</b> Yes/No	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> Golos Ukrainy	1995		No
<b>INDICATOR DESCRIPTION:</b> fundamental law on social insurance enacted	1996	Yes	passed 1st reading
<b>COMMENTS:</b>	1997	draft law passed	
	1998	draft law on pensions passed	
	1999	draft law on health & unemployment insurance passed	

This IR involves the GOU's efforts to restructure itself to provide fewer services more efficiently. The key Ministry in this area is the Ministry of Social Protection, though other Ministries play a role as well. The Ministry of Social Protection has undergone numerous changes for the better. The new minister is well respected and has selected the most qualified aides as his deputies. The Ministry continues to improve its operation of the housing subsidy program and is interested in reforming many of its other programs along similar lines.

The indicator used to track progress under this IR is the enactment of the draft law on legal foundations of social insurance. This draft law would restructure the four major programs for social insurance: pensions, health, disability benefits, and unemployment assistance. If passed, it would significantly change the role of the key ministries and create a social partner structure, primarily employers and employees, to provide social benefits. The bill has been passed with recommendations by the Parliament Committee on Social Policy and Labor and is awaiting passage by the full Parliament. The draft law stands a good chance of passage this year. This is a year later than USAID had hoped, but it will be a crucial and important step in completely structuring the social sector role of the GOU.

### **IR 3.2.1.1: Public advocacy/demand**

<b>OBJECTIVE:</b> SO 3.2: Improved Sustainability of Social Benefits and Services. <b>APPROVED:</b> June 1996 <b>COUNTRY/ORGANIZATION:</b> USAID/Ukraine
<b>RESULT NAME:</b> IR 3.2.1.2: Public advocacy/demand.
<b>INDICATOR:</b> Number 1: Public support for targeting subsidies for the poor vs. supporting all citizens.

<b>UNIT OF MEASURE:</b> Percentage of people who agree. <hr/> <b>SOURCE:</b> USAID poll <hr/> <b>INDICATOR DESCRIPTION:</b> Forced choice "all citizens" vs. "The poorest." <hr/> <b>COMMENTS:</b> Through February, 1997.	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1995		45
	1996	65	59.6
	1997	65	
	1998	70	
	1999	75	

A key element of a successful and sustainable social sector system is the level of public support for it. Under the old system, benefits were promised to everyone and often were not well delivered. In a time of economic crisis, it is difficult to provide an adequate level of social benefits. The challenge is to provide the most effective assistance that is possible in a time of limited resources and for the public to understand and support the difficult choices made. Until Ukraine's economy recovers, the country must target its social programs to the neediest citizens. USAID is working with the GOU to provide public education on these changes. A key measure of the success of this work is public support for the targeting of benefits. USAID, through its contractors, conducts biannual surveys of public opinion. From 1995 to February 1997, the level of support for targeting rose from 45 percent to 59.6 percent, less than USAID expected, but a very significant increase despite a period of sometimes intensifying economic hardship for most people. In general, the survey results show a steady gradual increase in the public's understanding and support for reformed social sector programs.

### IR 3.2.1.2: Improved targeting of public sector and social benefits processing

<b>OBJECTIVE: SO 3.2: Improved Sustainability of Social Benefits and Services.</b> <b>APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Ukraine</b>			
<b>RESULT NAME: IR 3.2.1.3: Improved targeting of public sector and social benefits processing.</b>			
<b>INDICATOR: Cost recovery for facilities and housing.</b>			
<b>UNIT OF MEASURE:</b> Percent of total cost. <hr/> <b>SOURCE:</b> IMF <hr/> <b>INDICATOR DESCRIPTION:</b> Amount of cost recovered. <hr/> <b>COMMENTS:</b>	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1995		4 (B)
	1996	60	80
	1997	100	
	1998	100	
	1999	100	

Targeting is a two-prong process, greater benefits for those who need them, but increased costs for those who can afford it. Under the Soviet system, all housing and communal service costs were subsidized and the average cost paid by citizens was 4 percent of actual costs. As part of economic and social reform, housing and communal service prices have

risen from 4 percent to 40 percent to 60 percent to 80 percent in mid-1996. These cost increases are ahead of schedule. The GOU has scheduled to increase costs to 100 percent in 1997. The relative speed with which this process has been able to occur has shown that some people can pay the full costs of their housing and that targeting can work successfully. Also there is greater support in the GOU for targeting and other programs are being considered for targeting.

A subtle part of a sustainable social sector is how well benefits are processed. Good data processing also has other important benefits, particularly for the ability to monitor program success, population needs and use of benefits. In general, Ukraine has an antiquated processing system. Most benefits are processed manually and data is retained at the local level. With respect to the housing subsidy program, USAID provided 455 computers to the Ministry of Social Protection to improve processing. The GOU has promised to seek a World Bank loan for additional computers. Other Ministries, such as Statistics and the Tax Administration, also are in the process of purchasing large numbers of computers. USAID and other international donors would very much like to see a national benefits processing system. This idea is gaining support with the Ministry of Social Protection and USAID is preparing design instructions for the Ministry. The Ministry is working with the Europeans on a demonstration site to test such a system in Zhitomir oblast. USAID is coordinating with and assisting the Ministry and EU on this effort. If successful, USAID expects a national system by 1999.

### **IR 3.2.1/2.2: Financial obligations to the government met**

A key measure of this IR is what percent of families pay their housing bills in full and on time. Both the Ministry of Statistics and USAID's surveys track this information. In 1995, 70 percent of families were able to pay their housing bills within 2 months. USAID expected this percent to improve to 75 percent, but it instead dropped 63.1-64.6 percent depending on which database is used. Though this result is troubling, given the massive and growing wage and pension arrears of payment problem it is understandable. USAID expects and will monitor closely whether payment rates go up significantly shortly after wage and pension arrears are paid. USAID also is working to improve data collection, implement auditing, and encourage transparent budgeting to ensure financial obligations are met.

### **IR 3.2.13: Policy, legal, regulatory framework for private and public sector roles defined**

A key indicator here, in addition to the draft law on legal foundations of social insurance described above, is creation of a private pension regulatory framework. Pensions are the largest social sector program benefiting one quarter of the population. Pensions are extremely low - on average approximately 40 percent below the recommended standard to determine poverty. Individuals also need to save for their retirement. Some private pension funds exist, but in the absence of a regulatory framework, they frequently have been financially risky and unstable. Only proper regulation can foster a stable supplemental private pension system. A draft law has been prepared, but it has made little progress. This issue had not been receiving attention until former Vice Prime Minister Pynzenyk and President Kuchma called for the establishment of a pension reform committee to propose

legislation by July 1, 1997. This will be a major incentive to pension reform. USAID expects a law to be proposed this year and implemented by 1999.

#### IR 3.2.1.4: Improved human capacity

<b>OBJECTIVE: SO 3.2: Improved Sustainability of Social Benefits and Services.</b>			
<b>APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Ukraine</b>			
<b>RESULT NAME: IR 3.2.1.4 Improved human capacity.</b>			
<b>INDICATOR: Training programs in reproductive health.</b>			
<b>UNIT OF MEASURE:</b> number of women using hormonal contraceptives  <b>SOURCE:</b> Project site  <b>INDICATOR DESCRIPTION:</b> Hormonal contraceptive increase at Donetsk project site  <b>COMMENTS:</b>	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1994		184 (B)
	1996	1000	1254
	1997	1700	
	1998	2300	
	1999	2800	

An essential component of reform is a sufficient number of qualified individuals to provide government and non-government social sector assistance. This is a major area of concern and a major obstacle to reform. At present, there simply is not enough qualified staff to implement reforms. There is enormous political uncertainty which makes staff cautious in their positions. Combined with staff reductions and low and late paid salaries, adequate capacity is a major problem. USAID and other donors require most of our contractors to train Ukrainian staff to improve capacity. The measure used here, reproductive health training programs and increased hormonal contraceptive use is a typical example. As a result of USAID train the trainer activities in the area of family planning an increased number of health care providers are knowledgeable about contraceptives and able to provide family planning services to women. The result has been a sharp increase in hormonal contraceptive use among women. The Donetsk project site experienced a six fold increase in hormonal contraceptive use from 1994 to 1996.

## 2. Expected Progress through FY 1999 and Management Actions

Housing and communal service prices are scheduled to be fully increased to 100 percent of actual costs in 1997. Also subsidies will only be provided when the costs exceed 20 percent of family's income, increased from 15 percent, which will reduce the number of families eligible for subsidies. Significant USAID technical and public education efforts will be needed during this period.

Also the Ministry of Social Protection and other relevant ministries are preparing to implement two additional housing subsidy reforms: national use of a social norm to simplify

the application process, and start of an auditing program. USAID will provide assistance in both of these efforts.

USAID will work with the Ministry of Social Protection to create a national social protection database, and to reform other social programs, such as family and child allowances. USAID will provide technical assistance to all key parties in the GOU for developing pension reform legislation and implementing adopted reforms.

In mid-year 1997, the health care financing program will expand the reach of the program. The program will focus on training a cadre of Ukrainian specialists who are able to implement key financing reforms (financial management, system restructuring, and primary care) and will continue to provide day to day assistance to the Ministry of Health.

Overall, this SO - improved sustainability of social benefits and services - will be well underway by 1999. Full implementation of all reforms is unlikely by 1999. The key obstacles are political uncertainty/instability and needed public support. The former is not within USAID's purview, the latter is. USAID will focus increased efforts on public education. There is growing support in the government for sustainable social programs. The challenge is development of communication channels for political and public support.

#### **Strategic Objective 3.2 Resource Request**

FY 97	FY 98	FY 99
5,700	5,150	5,900

### SO 3.3 Increased capacity to deal with pollution as a threat to public health

This strategic objective covers a package of reform activities that are designed to demonstrate tangible benefits to human health and the environment at the local level, and at the same time effect policy and legal reforms at the national level. The core of this program is the Ukraine Council and Work Group Program to Promote Sustainable Development. The Work Group Program is directly connected to field demonstration projects in urban water, agriculture, industry, energy efficiency, environmentally sound business development, and bio-diversity. As barriers are encountered in implementing projects designed to improve human health and the environment -- barriers that cannot be addressed at the local level -- issue papers are developed by the work groups with proposed solutions that can be enacted at the national level. These issue papers are brought to the Council and if the Council members agree, they are sent forward to the Cabinet of Ministers and to the Gore/Kuchma Commission for consideration.

#### 1. Performance Analysis

This program has been in operation for just over one year. It is too early in implementation to measure the effects on public health at the SO level and thus too early to assess SO performance. However, there are some tangible results that are emerging as a result of program activities.

<b>OBJECTIVE: SO 3.3 Increased Capacity to Deal with Pollution as a Threat to Public Health</b>			
<b>APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv</b>			
<b>RESULT NAME: SO 3.3: Increased capacity to deal with pollution as a threat to public health</b>			
<b>INDICATOR: Number 2: Increased access to water services.</b>			
<b>UNIT OF MEASURE: Percent increase over preceding year.</b>	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE: Project reports</b>	1995 (B)		0-3 hrs. Day
<b>INDICATOR DESCRIPTION: Water available to customers in pilot projects.</b>	1996	50%	50%
	1997	50%	
	1998	50%	
	1999	50%	
<b>COMMENTS: Through March, 1997.</b>			

As a result of demonstration activities to improve access to water in urban areas, improvements being made to Ukraine's physical water infrastructure are increasing water availability significantly, and thereby decreasing the threat to human health posed by inadequate water supply. For example, in the demonstration area, the supply of water has increased from between zero and three hours per day to between ten and twelve hours per

day, well in excess of the target.

<b>OBJECTIVE: SO 3.3 Increased Capacity to Deal with Pollution as a Threat to Public Health</b>			
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
<b>RESULT NAME: SO 3.3: Increased capacity to deal with pollution as a threat to public health</b>			
<b>INDICATOR: Number 3: Safer, more efficient production practices adopted by industry.</b>			
<b>UNIT OF MEASURE: Number</b>	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE: Project reports</b>	1995		0
	1996	10	10
<b>INDICATOR DESCRIPTION: Plants using clean technologies.</b>	1997	20	20
<b>COMMENTS: Through March, 1997.</b>	1998	500	
	1999	1,000	

The number of industries adopting safer, more energy efficient production practices has increased from ten in 1996 to twenty in 1997 as a result of demonstration activities undertaken by the industrial environmental management and energy efficiency project.

### IR 3.3.1: National policies and plans integrate environmental, economic and social goals

<b>OBJECTIVE: SO 3.3 Increased Capacity to Deal with Pollution as a Threat to Public Health</b>			
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
<b>RESULT NAME: IR 3.3.1: National policies and plans integrate environmental, economic and social goals.</b>			
<b>INDICATOR: Number 1: Economic tools provide incentives to adopt efficient use of natural resources and environmentally sound technologies.</b>			
<b>UNIT OF MEASURE: Number of laws, regulations passed or adopted.</b>	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE: GOU, project reports</b>	1995		0
	1996	1	1
<b>INDICATOR DESCRIPTION: Communication Network established and operating effectively.</b>	1997	5	
<b>COMMENTS:</b>	1998	6	
	1999	7	

To sustain projects designed to reduce risks to human health, legal reforms are underway to enable the management of water utilities to transit from State management to, ultimately, private sector management. In the City of Lviv, interim steps are underway: the utility is

reorganizing for performance based management, and for corporatization, and is initiating consumption-based billing for households. Legal reform, regulations and proposals have met expectations. One law/incentive was planned in 1996 and one was achieved.

**IR 3.3.2: A safer and more sustainable - economically and environmentally - infrastructure**

<b>OBJECTIVE: SO 3.3 Increased Capacity to Deal with Pollution as a Threat to Public Health</b>			
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
<b>RESULT NAME: IR 3.3.2: A safer and sustainable-economically and environmentally-water infrastructure.</b>			
INDICATOR: Number 1. Number of people with potable water from national water projects.			
<b>UNIT OF MEASURE: Number (Cumulative)</b>	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE: Project reports</b>	1995		0
<b>INDICATOR DESCRIPTION: People with access to potable water through projects.</b>	1996	80,000	80,000
	1997	115,000	115,000
<b>COMMENTS: Through March, 1997.</b>	1998	200,000	
	1999	500,000	

The improvement in Ukraine's physical water infrastructure has shown significant progress and has met expectations. The number of persons having potable water available from national water projects has increased from 80,000 in 1996 to 115,000 in 1997.

**IR 3.3.3: A more environmentally sustainable and safer agriculture sector**

It is difficult to determine whether farmers are adopting safer more efficient technologies as the program has not yet entered the growing season. The indicator is agricultural subsectors (grain, fruit, animal husbandry and vegetables) that have changed practices to include pilot technologies or in response to environmental policies. The target of one geographical pilot area out of a total of three that changed practices was met for 1996.

**IR 3.3.4: Safer, more environmentally sound & efficient industrial sector**

<b>OBJECTIVE: SO 3.3 Increased Capacity to Deal with Pollution as a Threat to Public Health</b>	
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv	
<b>RESULT NAME: IR 3.3.4: A safer, more environmentally sound and efficient industrial sector.</b>	
INDICATOR: Number 1. Target industries in pilot area adopt safer, more efficient and competitive technologies..	

UNIT OF MEASURE: Percent	YEAR	PLANNE D	ACTUAL
SOURCE: Project reports and GOU	1995 (B)		0
INDICATOR DESCRIPTION: Percent of target enterprises that adopt a minimal level of pilot technologies.	1996	2	4
COMMENTS:	1997	20	
	1998	45	
	1999	60	

The program is assisting private enterprises to reduce the amount of pollution and waste, energy consumption, and operating costs. Practical waste minimization and management will increase economic competitiveness of industrial enterprises and improve the health of oblast workers and residents. As a first step in this direction, the program listed the quantity and classifications of industrial wastes. This information is being used to identify both high health risk areas and potential investor liability.

The target of two industries adopting technologies in 1996 was exceeded. Four industries adopted the technologies in 1996. In the town of Donetsk, USAID's waste minimization program assisted four enterprises. The assistance resulted in a yearly savings of \$526,000 among the four enterprises following an initial investment of \$65,500 by the enterprises.

### IR 3.3.5: Compliance with international environmental standards

Ukraine adopted a number of international environmental compliance standards. During the period of 1996 to 1997, Ukraine's compliance with international standards increased from zero to five (Indicator 1: Adoption of international standards.), exceeding expected targets. Of particular importance was Ukraine's ratification of an amendment to the Montreal Protocol to phase out the use of ozone depleting chemicals.

## 2. Expected Progress Through FY 1999 and Management Actions

The program expects to make progress in each of its sub-sectors (water, industry, agriculture), and progress in reforming national policy and legislation, using principles of integrated environmental management. The program also expects to initiate a new project to monitor the effect of environmental hazards on human health, which will help USAID assess the impact of its environmental programs at the SO level.

**Water sector:** The program expects to roll-out the successful model that has been developed in Lviv to other cities across Ukraine, thus reducing the risk to human health caused by inadequate and poor quality water supply. This will be achieved by the development of a roll-out "kit" to include: essential low-cost equipment for pin-pointing system weaknesses, computer software for projecting system capacity and low pressure points, workshops to transfer lessons learned from Lviv, training in technical and utility performance-based management practices, training in consumption-based billing and pricing, practical

demonstrations. The roll-out will be coordinated with The World Bank, the State Committee for Housing and Communal Services, and MEPNS. The World Bank has indicated strong interest in partnering on roll-out to leverage USAID's technical assistance to support Bank project appraisals. In addition, the Kaniv reservoir water quality assessment and monitoring model will be expanded and applied at other water sources throughout Ukraine. Finally, production of the water purification units will expand on a commercial basis.

**Industry:** The program expects to continue to roll-out the successful low-cost approach to waste minimization and energy efficiency, thus reducing the risk to human health and the environment caused by hazardous waste, energy blackouts and brownouts, and excessive energy use. In addition, the program expects to expand to include partnerships with the U.S. private sector, Ukraine enterprises, and the EBRD. Discussions have been initiated with interested parties in the U.S. private sector and the EBRD has requested technical assistance in both areas to facilitate its participation in these proposals.

**Agriculture:** To reduce risks to human health and the environment in the agriculture sector, the program expects to continue to expand its training in risk assessment and alternative approaches to pest control; pesticide inventory; and safe use, storage and transportation of pesticides, through the three training centers that have now been established with USAID's support.

**National Policy/Legal Reform:** To ensure, as far as possible, the sustainability of sector reforms and to enable the replicability of local projects designed to reduce risks to human health and the environment, national policy and legal reforms are also required. Thus the program expects to continue the successful efforts of the Ukraine Council and Work Group Program to Promote Sustainable Development in identifying barriers to program implementation that cannot be addressed at the local level; developing proposed solutions to address those barriers; and communicating those proposed solutions to the Ukraine Cabinet of Ministers and to the Gore/Kuchma Commission.

**Environmental Health:** The program expects to begin monitoring the effects of environmental degradation on human health -- specifically in areas where causal linkages between degradation (such as heavy metals, pesticides, water) and human health problems have been shown. The objective is that over time, changes in human health can be monitored in parallel with monitoring of improvements in Ukraine's environmental health.

### **Strategic Objective 3.3 Resource Request**

FY 97	FY 98	FY 99
4,700	4,800	4,500

## Special Initiatives

### SAA 4: Eurasia Foundation

The Eurasia Foundation is supporting a number of initiatives to strengthen civil society in Ukraine. For example, it is leading a multi-donor NGO Public Awareness Program. The program promotes civil society in Ukraine by emphasizing the role of NGO's in democratic reform process. In cooperation with the International Renaissance Foundation, the Eurasia Foundation's Municipal Development Program is also supporting civil society development by facilitating cooperation between municipal governments and NGOs.

The Foundation has also developed a national network of NGO resource centers. Presently all resource centers in Ukraine have the staff and equipment needed to support NGO capacity building in Ukraine. For example, the centers are now equipped with computers and modern communications systems. As a result of USAID and other donor support, the centers have the capability to solve complex problems and the experience to implement projects efficiently.

#### Resource Request

FY 97	FY 98	FY 99
5,350	5,300	3,000

## **SAA 4: Medical Partnerships**

The Medical Partnership program increases the capacity of Ukrainian health care providers by creating institutional and professional linkages between U.S. and Ukrainian clinicians. Health care providers include managers, health care professionals and policy analysts. The program addresses health care issues by improving the effectiveness of health care delivery and by strengthening existing health management development programs.

Some of USAID accomplishments to date are indicated below.

- As a result of the program's success with infection control, emergency medical services, and neonatal resuscitation, the Ministry of Health adopted national initiatives to expand the program activities throughout Ukraine.
- The first Neonatal Resuscitation Training Center in the former USSR opened in Lviv. The Center trains and certifies practitioners from eight western oblasts in neonatal resuscitation.
- Two Nursing Learning Resource Centers located in Odessa, and Kiev have opened. The Centers aim to enhance the level of nursing education and practice in order to expand their clinical and administrative roles. By doing so, significant improvements in the quality of patient care and in the health sector productivity will be achieved.
- Medical partnership special initiatives including Breast Care and Comprehensive Women's Health were initiated in three partnerships to address improved women health.
- Kyiv EMS Center trained and licensed 367 health care professionals and emergency workers in 1996.

## **SAA 4: Women's Reproductive Health & Breast Cancer**

### **Women's Reproductive Health Initiative**

WRHI is designed to respond to the high maternal/infant mortality and morbidity in Ukraine. Better reproductive health care and greater access to contraceptive alternatives to abortion will reduce the human and financial cost associated with abortion complications. Established in 1995, the WRHI develops model family planning and maternity care services at three medical centers, creates sustainable training in up-to-date reproductive health care technologies and maternity practices, develops public awareness materials, and increases availability of contraceptives to women. In FY 1997, the WRHI will expand to a fourth model medical center and initiate strategic project roll-out through in-country partnerships between model project sites paired with other reform oriented medical centers through out Ukraine.

Some of USAID accomplishments to date:

- Second generation training in family planning and maternity care have exceeded expectations by training over 1,500 health care providers throughout project oblasts and in neighboring oblasts in 1996.
- The first family-centered birth center opened at the Odessa model site to provide alternatives to traditional birth practices. The new practices are expected to lead to improved health of mothers and newborns.
- Hormonal contraceptive use has increased six-fold at the Donetsk project site, from 187 women in 1994, to 1,254 women using hormonal contraceptives in 1996.
- Rooming-in is established in the three model sites and is spreading rapidly though out the oblasts' maternity wards and into surrounding oblasts.
- Contraceptive counseling is in place at the three model sites for pre-natal, post-partum, pre-abortion, and post-abortion women as well as women in the general population.

### **Breast Cancer Assistance Program**

The BCAP was developed to improve the screening, diagnosis, and treatment of breast cancer in Ukraine with a particular emphasis on women exposed to radiation during the 1986 Chernobyl accident. The initial assessment was completed in the spring 1997, therefore there are no accomplishments to report.

## **SAA 4: Women In Development**

USAID/Kiev's Women in Development (WID) initiative encompasses NGO strengthening, entrepreneurship, reproductive health, and stateside training. The number of active women's NGOs has doubled. Unbiased public information on human rights, legal defense, health, access to western scholarships and grants, and advocacy issues is being utilized by an increasingly wider network of Ukrainian women.

With more than 70 percent of Ukraine's unemployed being women, entrepreneurship training is transforming unemployed women into small business owners, contributing to the development of private enterprise in Ukraine. Looking to the future, this program can have more impact if it is linked with a microcredit mechanism and if an association is developed to provide on-going support to new women entrepreneurs.

Maternity hospital stays, and post-partum maternal and infant infections have decreased. Reproductive health training has been instituted as a part of standard medical residency curriculum at the Donetsk model site, reaching thousands of health care providers in at least two major urban centers.

Women now make up some 50 percent of USAID stateside professional programs under the NIS Exchanges & Training Project, and are playing more active roles in Ukraine's economic and political life. For example, one woman NET agribusiness returnee is was promoted to Deputy Minister of Agriculture. Another returnee is a member of the parliamentary budget commission, and is now playing a more responsible role in national tax legislation debates.

USAID's WID efforts have leveraged considerable other funds for women's initiatives from USIA, Democracy Commission, and private sources. For example, a USIA Women in Politics exchange will take place later in 1997.

## SAA 4: Participant Training

### USAID-funded International Research and Exchanges Board (IREX)

The IREX Institutional Partnership Program has established linkages with American and Ukrainian universities. Specifically, two of the Ukrainian educational institutions specialize in privatization and business: the Kiev and Lviv Institutes of Management. Their U.S. partners are the Carnegie Mellon University and the University City Science Center in Philadelphia.

### Participant Training Overall Accomplishments

Some of USAID's accomplishments to date are indicated below.

- Since 1993, 1,500 Ukrainian professionals have received training in the U.S. through tailor made courses under the NET Project. As a result, the participants obtained professional skills needed to accomplish USAID strategic objectives.
- In FY 1996 funds, 520 Ukrainians, 32 Moldovans and 10 Belarusians attended 30 stateside tailor-made courses.
- The percentage of women training participants has increased from thirty percent in 1995 to fifty percent in 1996.
- Curriculum development and administration has been strengthened at nine Ukrainian educational institutions as a result of the IREX program.

### Resource Request

FY 97	FY 98	FY 99
1,500	1,450	1,450

## **Environmental Compliance**

The USAID assistance programs to Ukraine, Moldova, and Belarus largely consist of technical assistance, training, and commodities (usually automation equipment). A categorical exclusion is allowed under AID Regulation 16 (22 CFR), Section 216.2(c)(i) when activities are deemed to have no significant impact on the physical environment.

## **PART III: STATUS OF THE MANAGEMENT CONTRACT**

There are no changes requested to the management contract, but there are three issues that should be addressed during the program review.

### **1. Staffing**

A shortage of U.S. direct hire staff threatens to slow down implementation of programs and hinder our ability to meet targets. The USAID Mission manages an OYB of some \$260 million annually for all three country programs. With fifteen direct hires (projected to increase only modestly next year), the Mission has one of the highest resource-to-USDH ratios in the Agency.

Having no contracts officer at post, for instance, has already impaired the program. As the attention of the U.S. Congress becomes increasingly fixed on Ukraine, AID is being asked to do dramatic things in an unreasonable time. This requires great flexibility to respond to the newest set of demands, yet our ability to do so is hampered without a larger staff. Our FY 96 carryover budget of \$61 million -- funds the Agency was not able to obligate in FY 96 -- demonstrates the great difficulty of meeting demands with present staffing levels. Our best guess is that the carryover levels for 1997 will be about the same or perhaps larger.

### **2. Partnership For Freedom**

The PFF allows the Mission to explore creative ways of introducing capital in West/NIS countries. In general, we agree with the approaches. However, it is important that budget allocations be in synch with the developmental stage of each country. In Moldova, a country on the verge of becoming a "Phase II" country, we believe our Partnership total will exceed what was allocated. In Ukraine, a country not as far along in reform as Moldova, we will have to scale back our expectations for using certain Partnership mechanisms.

A specific concern is the \$12 million figure that was suggested in FY 98 for endowments and exchanges. If the Mission is expected to implement its programs especially in Democracy, using endowments the situation will cause a vast reduction in the services we receive. Endowments require large sums of money and with \$12 million we could expect only to be able to endow two or three organizations. With \$12 million, we will get perhaps no more than \$2 million in services for the year. This will cripple our democracy program. Therefore, we request the decision for going forward on endowments be delayed for at least a year so that more thought can be given to how to coordinate the provision of needed services with the new endowment initiative.

### **3. Funding Constraints**

The overall levels of AID assistance proposed for FY 98 and FY 99 would not support certain ongoing and important activities. The program described in this document therefore calls for stopping or drastically curtailing these activities. In the energy sector the implications of a dwindling TA budget are reduced effort in fuel distribution (possibly

causing us to stop efforts in the coal sector) and the development of the oil and gas sectors. In agriculture, we will reduce funding for agribusiness partnerships, a program that directly leverages U.S. private investment. We will likely be unable to support demonopolization and privatization of the fertilizer industry. Small business will also suffer as funds for incubators and other support begin to dry up. (A more detailed discussion is included in Part II of this document.) Once the PFF comes on line, the Mission will have time to assess the impact on its programs and adjust its strategy accordingly for next spring's development of the Ukraine strategic plan.

**UKRAINE R4**

**PART IV**

**RESOURCE REQUEST**

# RESOURCE REQUEST UKRAINE

Budget Breakdown By Project -- FY 1997-1999  
(Thousands of Dollars)

Project No.	Strategic Objective	PROJECT COMPONENTS	FY 97 Budget	FY 98 Request	FY 99 Request
<b>110-0001</b>		<b>Special Initiatives</b>			
	3.1	1.1.0 EMERGENCY HUMANITARIAN ASSISTANCE	1,000	1,000	1,000
		1.4 Pharmaceuticals, Vaccines Supply			
		1.8 Humanitarian Transport (632a)			
	4.2	1.2.0 TECH SUPPORT / PROG DEV. SUPPORT	276	500	500
		Management Fund			
		<b>Sub-Total</b>	<b>1,276</b>	<b>1,500</b>	<b>1,500</b>
<b>110-0002</b>		<b>Energy</b>			
	1.5	2.1 Pricing and National Policy			
	1.5	2.2 District Heating & Energy Efficiency		1,000	1,000
		2.2 Energy Efficiency (OER)			
		2.2 Energy Efficiency (ODST)			
	1.5	2.3 Energy Subsector Restructuring	11,100	11,000	10,550
		3.2 Privatization and Restructuring			
	4.1	2.4 Nuclear Safety (EBRD Part)			
	1.5	2.6 Program Design and Management	400	500	500
		<b>Sub-Total</b>	<b>11,500</b>	<b>12,500</b>	<b>12,050</b>
<b>110-0003</b>		<b>Environment</b>			
	3.3	3.1 Environmental Policy & Institution Building	715	600	600
		1.3 Credit Facility Environmental Activity			
		1.4 Tech Coop for Environmental Improvement	800		
	3.3	3.2 Health Risks	2,293	3,800	3,300
	3.3	3.3 Public Awareness & Environmental Accountability	500		
	3.3	3.5 Natural Resource Management & Biodiversity			200
	3.3	3.6 Program Design and Management	392	400	400
		Nuclear Contamination			
		<b>Sub-Total</b>	<b>4,700</b>	<b>4,800</b>	<b>4,500</b>
<b>110-0004</b>		<b>Health Care</b>			
	4.1	4.1 Medical Partnerships	1,800		
	3.1	4.2 Vaccines & Pharmaceutical Security	750		
	3.1	4.3 Health Monitoring	4,850	1,200	1,000
	3.2	4.4 Finance and Service Delivery Alternatives	1,950	1,200	1,500
	4.1	4.5 Women's Health/Family Planning	3,600	3,700	3,700
	3.2	4.6 Program Design and Management:	500	500	500
		<b>Sub-Total</b>	<b>13,450</b>	<b>6,600</b>	<b>6,700</b>
<b>110-0005</b>		<b>Private Sector</b>			
	1.1	5.1. Privatization	10,400	1,850	1,000
	1.1	5.2. Land Markets	5,000	3,700	7,000
	1.4	5.3 Capital Markets	7,900	7,520	8,000
	1.1	5.4 Public Education for Free Market			
	1.3	5.5 Post-Privatization Assistance to Enterprises	1,995	3,300	3,000
	1.3	5.6 Policy, Legal and Regulatory Reform	700	7,000	1,000
	1.3	5.7 Small and New Business	9,750	23,705	3,000
	1.3	5.9 Program Design and Management	1,225	1,225	1,750
		<b>Sub-Total</b>	<b>36,970</b>	<b>48,300</b>	<b>24,750</b>

53,550      3,050

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Project No.	Strategic Objective	PROJECT COMPONENTS	FY 97 Budget	FY 98 Request	FY 99 Request
<b>110-0006</b>		<b>Food Systems</b>			
	1.3	6.1 Storage System	1,500		
	1.3	6.2 Marketing Efficiency	1,100	900	1,250
	1.3	6.3 Agribusiness Partnerships	16,350	16,600	6,700
	1.3	6.5 Program Design and Management	600	500	600
		<b>Sub-Total</b>	<b>19,550</b>	<b>18,000</b>	<b>8,550</b>
<b>110-0007</b>		<b>Democratic Reform</b>			
	2.1	7.1 Political Process	3,400	2,000	2,000
	2.2	7.2 Rule of Law			
		2.1 Rule of Law	6,920	2,000	2,000
	2.3	7.3 Public Administration / Local Government	2,350	5,500	5,500
	2.1	7.4.1 Civil Society	955	1,000	1,000
	3.1	7.4.2 NGO/PVO Network	1,000	2,000	2,000
	2.1	7.5 Independent Media	1,600	2,000	2,000
	2.2	7.6 Program Design and Management	625	500	500
		<b>Sub-Total</b>	<b>16,850</b>	<b>15,000</b>	<b>15,000</b>
<b>110-0008</b>		<b>Housing</b>			
	1.1	8.1 Market-based Housing Sector	0	0	0
	1.1	8.3 Program Design and Management			
		<b>Sub-Total</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>110-0009</b>		<b>Economic Restructuring</b>			
	1.2	9.1 Fiscal Reform:			
		1.1 Fiscal Activities	5,300	6,500	5,000
		1.2 Treasury			
	1.4	9.2 Financial Sector Reform:	4,050	4,500	4,000
		2.1 Financial Sector TA/Monetary	2,300		
		2.2 Financial Sector Training	1,750		
		2.3 Financial/Monetary System (FSVC)			
		2.4 Ukraine Trade Credit (Ex-Im)			
		9.3 Market Environment	9,394		
	1.3	3.1 Market Environment (SO 1.3)			
	1.4	3.1 Market Environment (SO 1.4)	6,294	4,000	3,500
	3.2	3.1 Market Environment - Social Sector Restr.	3,100	3,200	3,700
		9.4 Program Design and Management	650	1,350	1,300
	1.2	9.4 Program Design and Management (SO 1.2)	500	1,100	1,100
	1.4	9.4 Program Design and Management (SO 1.4)			
	1.3	9.4 Program Design and Management (SO 1.3)			
		9.4 Program Design and Management (SO 3.2)	150	250	200
		<b>Sub-Total</b>	<b>19,394</b>	<b>19,550</b>	<b>17,500</b>
<b>110-0010</b>		<b>Eurasia Foundation</b>			
	4.2	10.0 Eurasia Foundation	4,500	5,000	3,000
	1.1	10 Eurasia- Housing Support	850	300	
		<b>Sub-Total</b>	<b>5,350</b>	<b>5,300</b>	<b>3,000</b>
<b>110-0011</b>		<b>W/NIS Enterprise Fund</b>			
	1.3	11.1 W/NIS Enterprise Fund	9,000	10,000	12,000
		<b>Sub-Total</b>	<b>9,000</b>	<b>10,000</b>	<b>12,000</b>
<b>110-0012</b>		<b>Exchanges &amp; Training</b>			
	4.2	12.1 Participant Training			
		<b>Sub-Total</b>	<b>1,500</b>	<b>1,450</b>	<b>1,450</b>
		<b>All Project Total</b>	<b>139,540</b>	<b>143,000</b>	<b>107,000</b>
Project No.	Strategic Objective	PROJECT COMPONENTS	FY 97 Budget	FY 98 Request	FY 99 Request
		<b>Performance Fund</b>	<b>790</b>	<b>5,000</b>	<b>5,000</b>
		<b>632(A) Transfers</b>			
	4.1	Nuclear Safety(NRC & studies)	1,500		
	4.1	Nuclear Safety (EBRD Part)			
	3.1	Humanitarian Transport	2,000		
	4.1	Law Enforcement	4,000	7,000	7,000
	4.1	Direct Trade and Investment - Commerce	630	9,000	40,000
	4.1	Training and Exchanges - USIA	10,740	7,500	8,000
	4.1	Volunteers - Peace Corps	2,400	3,000	3,000
	4.1	Nuclear Safety - DOE	30,000	10,000	10,000
		Science Centers	3,000	7,000	8,000
	4.1	GATT - Commerce		500	500
	4.1	Warsaw Initiative : State			
		Parking Fine Withholding	29		
		SABIT	530		
		Justice	300		
		USDA Cochran Fellow	430		
		Envir. Activities - US EPA			

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	Treasury	1,188	1,500	1,500
	Defense Enterprise Fund	3,000		
	Chernobyl - DOE			
4.1	Rule of Law - CRS			
	Joint Activities Support		2,000	6,000
	<b>Sub-Total</b>	<b>59,747</b>	<b>47,500</b>	<b>84,000</b>
<b>Transfers to Other USAID Bureaus</b>				
	Health Surveillance - CDC			
	Vaccine Monitoring TA			
	Farmer to Farmer - BHR			
4.1	WID - Winrock			
	Winter Wheat Research			
	Chornobyl- Industrial Efficiency, Lviv			
3.3	Pesticides - Global Bureau			
	Training (TESS)- Global Bureau			
	<b>Sub-Total</b>			
	<b>Chernobyl Initiative</b>	<b>25,000</b>	<b>30,000</b>	<b>30,000</b>
	<b>DOE Appropriation</b>			
	<b>COUNTRY TOTAL</b>	<b>225,077</b>	<b>225,500</b>	<b>226,000</b>

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**UKRAINE - FY 1997 - FY 1999 Budget Summary Sheet**  
**STRATEGIC ASSISTANCE AREAS**  
(Thousands of Dollars)

	<b>FY 97 Budget</b>	<b>FY98 Request</b>	<b>FY99 Request</b>
<b>STRATEGIC ASSISTANCE AREA 1:</b>			
Economic Restructuring	94,014	105,200	70,950
<b>STRATEGIC ASSISTANCE AREA 2:</b>			
Democratic Transition	15,850	13,000	13,000
<b>STRATEGIC ASSISTANCE AREA 3:</b>			
Social Stabilization	18,000	14,150	14,400
<b>ASSISTANCE AREA 4:</b>			
USAID Special Init./Crosscutting Prog.	11,676	10,650	8,650
<b>Performance/Management Fund</b>	790	5,000	5,000
<b>SAA, GRAND TOTAL</b>	<b>140,330</b>	<b>148,000</b>	<b>112,000</b>
Transfers/Allocations	84,747	77,500	114,000
<b>Grand Total</b>	<b>225,077</b>	<b>225,500</b>	<b>226,000</b>

**UKRAINE - FY 1997 - FY 1999 Budget Summary Sheet**  
**STRATEGIC ASSISTANCE AREAS**  
(SAA in Percent)

	<b>FY 97 Budget</b>	<b>FY98 Request</b>	<b>FY99 Request</b>
<b>STRATEGIC ASSISTANCE AREA 1:</b>			
Economic Restructuring	67.0%	71.1%	63.3%
<b>STRATEGIC ASSISTANCE AREA 2:</b>			
Democratic Transition	11.3%	8.8%	11.6%
<b>STRATEGIC ASSISTANCE AREA 3:</b>			
Social Stabilization	12.8%	9.6%	12.9%
<b>ASSISTANCE AREA 4:</b>			
Special Initiatives/Crosscutting Programs	8.3%	7.2%	7.7%
<b>Performance Fund</b>	0.6%	3.4%	4.5%
<b>SAA, GRAND TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

**STRATEGIC ASSISTANCE AREA 1: ECONOMIC RESTRUCTURING**

Foster the emergence of a competitive market oriented economy in which the majority of economic resources is privately owned and managed.

STRATEGIC OBJECTIVE	FY 97 Budget	FY98 Request	FY99 Request
<b>1.1 Increased Transfer of State-owned Assets to the Private Sector</b>			
5.1 Privatization	10,400	1,850	1,000
5.2 Land Markets	5,000	3,700	7,000
5.4 Public Education for Free Market			
8.1 Market-based Housing Sector		0	
8.3 Program Design and Management			
10 Eurasia - Housing Support	850	300	0
<b>Sub-total, 1.1</b>	<b>16,250</b>	<b>5,850</b>	<b>8,000</b>
<b>SO 1.1 in Percent</b>	<b>12%</b>	<b>4%</b>	<b>7%</b>

<b>1.2 Increased Soundness of Fiscal Policies/Fiscal Management Practices</b>			
9.1 Fiscal Reform	5,300	6,500	5,000
9.4 Program Design and Management	500	1,100	1,100
<b>Sub-total, 1.2</b>	<b>5,800</b>	<b>7,600</b>	<b>6,100</b>
<b>SO 1.2 in Percent</b>	<b>4%</b>	<b>5%</b>	<b>5%</b>

<b>1.3 Accelerated Development and Growth of Private Enterprises</b>			
2.1 Pricing & National Policy			
5.5 Post-Privatization Assistance to Enterprises	1,995	3,300	3,000
5.6 Policy, Legal and Regulatory Reform	700	7,000	1,000
5.7 Small & New Business	9,750	23,705	3,000
5.9 Program Design and Management	1,225	1,225	1,750
6.1 Storage System	1,500	0	0
6.2 Marketing Efficiency	1,100	900	1,250
6.3 Agribusiness Partnerships	16,350	16,600	6,700
6.5 Program Design & Management	600	500	600
9.3.1 Market Environment	0	0	0
9.4 Program Design and Management	0	0	0
11.1 Enterprise Funds	9,000	10,000	12,000
<b>Sub-total, 1.3</b>	<b>42,220</b>	<b>63,230</b>	<b>29,300</b>
<b>SO 1.3 in Percent</b>	<b>30%</b>	<b>43%</b>	<b>26%</b>

<b>1.4 A More Competitive and Market-responsive Private Financial Sector</b>			
5.3 Capital Markets	7,900	7,520	8,000
9.2 Financial Sector Reform	4,050	4,500	4,000
9.3.1 Market Environment	6,294	4,000	3,500

9.4 Program Design and Management	0	0	0
<b>Sub-total, 1.4</b>	<b>18,244</b>	<b>16,020</b>	<b>15,500</b>
<b>SO 1.4 in Percent</b>	<b>13%</b>	<b>11%</b>	<b>14%</b>

<b>1.5 Economically Sound/Environmentally Sustainable Energy System</b>			
2.2 District Heating & Energy Efficiency		1,000	1,000
2.3 Energy Subsector Restructuring	11,100	11,000	10,550
2.6 Program Design and Management	400	500	500
<b>Sub-total, 1.5</b>	<b>11,500</b>	<b>12,500</b>	<b>12,050</b>
<b>SO 1.5 in Percent</b>	<b>8%</b>	<b>8%</b>	<b>11%</b>

<b>STRATEGIC AREA 1 TOTAL</b>	<b>94,014</b>	<b>105,200</b>	<b>70,950</b>
<b>SAA 1 in Percent</b>	<b>67%</b>	<b>71%</b>	<b>63%</b>

**STRATEGIC ASSISTANCE AREA 2: DEMOCRATIC TRANSITION**  
 Support the transition to transparent and accountable governance  
 and the empowerment of citizens through democratic political processes.

STRATEGIC OBJECTIVE	FY 97 Budget	FY98 Request	FY99 Request
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<b>2.1 Increased Citizens' Participation in Political/Economic Decision-making</b>			
7.1 Political Process	3,400	2,000	2,000
7.4.1 Civil Society	955	1,000	1,000
7.5 Independent Media	1,600	2,000	2,000
<b>Sub-total, 2.1</b>	<b>5,955</b>	<b>5,000</b>	<b>5,000</b>
<b>SO 2.1 in Percent</b>	<b>4.2%</b>	<b>3.4%</b>	<b>4.5%</b>

<b>2.2. Legal Systems that Support Democratic Processes and Market Reforms</b>			
7.2 Rule of Law	6,920	2,000	2,000
7.6 Program Design & Management	625	500	500
<b>Sub-total, 2.2</b>	<b>7,545</b>	<b>2,500</b>	<b>2,500</b>
<b>SO 2.2 in Percent</b>	<b>5.4%</b>	<b>1.7%</b>	<b>2.2%</b>

<b>2.3 More Effective, Responsible and Accountable Local Government</b>			
7.3 Public Administration/ Local Government	2,350	5,500	5,500
<b>Sub-total, 2.3</b>	<b>2,350</b>	<b>5,500</b>	<b>5,500</b>
<b>SO 2.3 in Percent</b>	<b>1.7%</b>	<b>3.7%</b>	<b>4.9%</b>

<b>STRATEGIC AREA 2 TOTAL</b>	<b>15,850</b>	<b>13,000</b>	<b>13,000</b>
<b>SAA 2 in Percent</b>	<b>11.3%</b>	<b>8.8%</b>	<b>11.6%</b>

**STRATEGIC ASSISTANCE AREA - 3: SOCIAL STABILIZATION**

Respond to humanitarian crises and strengthen the capacity to manage the human dimension of the transition to democracy.

STRATEGIC OBJECTIVE	FY 97 Budget	FY98 Request	FY99 Request
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<b>3.1 Reduced Human Suffering and Crisis Impact</b>			
1.1 Emergency Humanitarian Assistance	1,000	1,000	1,000
7.4.2 PVO/NGO Network	1,000	2,000	2,000
4.2 Vaccine & Pharmaceutical Security	750	0	0
Global Transfer Health Surveillance - CDC			
4.3 Health Monitoring	4,850	1,200	1,000
<b>Sub-total, 3.1</b>	<b>7,600</b>	<b>4,200</b>	<b>4,000</b>
<b>SO 3.1 in Percent</b>	<b>5.4%</b>	<b>2.8%</b>	<b>3.6%</b>

<b>3.2 Improved Sustainability of Social Benefits and Services</b>			
4.4 Finance and Service Delivery Alternatives	1,950	1,200	1,500
4.6 Project Design and Management	500	500	500
9.3.1 Market Environment - Social Sector Restr.	3,100	3,200	3,700
9.4 PD&M (ODST)	150	250	200
<b>Sub-total, 3.2</b>	<b>5,700</b>	<b>5,150</b>	<b>5,900</b>
<b>SO 3.2 in Percent</b>	<b>4.1%</b>	<b>3.5%</b>	<b>5.3%</b>

<b>3.3 Reduced Environmental Risks to Public Health</b>			
3.1 Environment Policy & Institution Building	1,515	600	600
3.2 Health Risks	2,293	3,800	3,300
3.3 Public Awareness & Environmental Accountability	500	0	0
3.5 Natural Resource Mgt. & Biodiversity	0	0	200
3.6 Program Design & Management	392	400	400
Pesticides -Global Bureau			
<b>Sub-total, 3.3</b>	<b>4,700</b>	<b>4,800</b>	<b>4,500</b>
<b>SO 3.3 in Percent</b>	<b>3.3%</b>	<b>3.2%</b>	<b>4.0%</b>

<b>STRATEGIC AREA - 3: TOTAL</b>	<b>18,000</b>	<b>14,150</b>	<b>14,400</b>
<b>SAA 3 in Percent</b>	<b>12.8%</b>	<b>9.6%</b>	<b>12.9%</b>

**STRATEGIC ASSISTANCE AREA 4: CROSS-CUTTING PROGRAMS/SPECIAL INITIATIVES**

<b>STRATEGIC OBJECTIVE</b>	<b>FY 97 Budget</b>	<b>FY98 Request</b>	<b>FY99 Request</b>
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<b>4.1 Special Initiatives</b>			
2.4 Nuclear Power Safety (EBRD)			
4.1 Medical Partnerships	1,800	0	0
4.5 Women's Health / Family Planning	3,600	3,700	3,700
<b>Sub-Total USAID</b>	<b>5,400</b>	<b>3,700</b>	<b>3,700</b>
SABIT	530		
632 Transfer: Peace Corps	2,400	3,000	3,000
632: Transfer: Humanitarian Transport	2,000	0	0
632 Transfer: Commerce	630	9,000	40,000
632 Transfer: USIA Training & Exchanges	10,740	7,500	8,000
632 Transfer: Law Enforcement	4,000	7,000	7,000
Defense Enterprise Fund	3,000	0	0
632 Transfer: Nuclear Safety (DOE)	30,000	10,000	10,000
Science Centers	3,000	7,000	8,000
GATT - Commerce	0	500	500
632 Transfer: Nuclear Safety (NRC & studies)	1,500	0	0
Justice	300	0	0
USDA - Cochran Fellow	430	0	0
Treasury	1,188	1,500	1,500
Joint Activities Support	0	2,000	6,000
Chornobyl Initiative	25,000	30,000	30,000
Parking Fines	29	0	0
<b>Sub-Total Transfers</b>	<b>84,747</b>	<b>77,500</b>	<b>114,000</b>
<b>Sub-total, 4.1</b>	<b>90,147</b>	<b>81,200</b>	<b>117,700</b>
SO 4.1 in Percent	64.2%	54.9%	105.1%

<b>4.2 Crosscutting Programs</b>			
12.1 Participant Training	1,500	1,450	1,450
10.0 Eurasia Foundation	4,500	5,000	3,000
1.2.2 Tech. Support & PD&S	276	500	500
<b>Sub-total, 4.2</b>	<b>6,276</b>	<b>6,950</b>	<b>4,950</b>
SO 4.2 in Percent	4.5%	4.7%	4.4%

<b>ASSISTANCE AREA - 4: AID TOTAL</b>	<b>11,676</b>	<b>10,650</b>	<b>8,650</b>
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SAA 4 in Percent

8.3%

7.2%

7.7%

Country/Program: Ukraine

S.O. #	Title	Approp Acct	Bilateral/ Field Spt	Est. SO Pipeline at end of FY 96+96 c/o	FY 1997 Request								Est Expend. FY 97	Est Total cost life of SO	Mortgage at end of 1997	
					FY 1997 Total Request	Basic Education for Chldrn	Other Economic Growth	Population	Child Survival	HIV/AIDS	Other Health	Environ				D/G
SO 1.1	Increased Transfer of State-owned Assets to the Private Sector	NI	Bilateral	13,659	16,250	0	0	0	0	0	0	0	0	18,534		
			Field Spt	0	0	0	0	0	0	0	0	0	0	0		
			<b>Total</b>	<b>13,659</b>	<b>16,250</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18,534</b>	<b>79,000</b>	<b>45,148</b>
SO 1.	Increased Soundness of Fiscal Policies/ Fiscal Management Practices	NI	Bilateral	5,511	5,300	0	0	0	0	0	0	0	0	7,101		
			Field Spt	0	0	0	0	0	0	0	0	0	0	0		
			<b>Total</b>	<b>5,511</b>	<b>5,300</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,101</b>	<b>47,000</b>	<b>39,490</b>
SO 1.	Accelerated Development and Growth of Private Enterprises	NI	Bilateral	41,303	42,220	0	0	0	0	0	0	0	0	34,875		
			Field Spt	0	0	0	0	0	0	0	0	0	0	0		
			<b>Total</b>	<b>41,303</b>	<b>42,220</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>34,875</b>	<b>220,000</b>	<b>147,780</b>
SO 1.	A More Competitive and Market- responsive Private Financial Sector	NI	Bilateral	13,779	18,744	0	0	0	0	0	0	0	0	19,402		
			Field Spt	0	0	0	0	0	0	0	0	0	0	0		
			<b>Total</b>	<b>13,779</b>	<b>18,744</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>19,402</b>	<b>70,000</b>	<b>37,051</b>
SO 1.	Economically Sound/ Environmentally Sustainable Energy System	NI	Bilateral	15,903	11,500	0	0	0	0	0	0	0	0	19,353		
			Field Spt	0	0	0	0	0	0	0	0	0	0	0		
			<b>Total</b>	<b>15,903</b>	<b>11,500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>19,353</b>	<b>70,000</b>	<b>42,300</b>
SO 2.	Increased Citizens' Participation in Political/ Economic Decision- making	NI	Bilateral	4,420	5,955	0	0	0	0	0	0	0	0	6,207		
			Field Spt	0	0	0	0	0	0	0	0	0	0	0		
			<b>Total</b>	<b>4,420</b>	<b>5,955</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,207</b>	<b>31,000</b>	<b>19,910</b>
SO 2.	Legal Systems that Support Democratic Processes and Market Reforms	NI	Bilateral	5,399	7,545	0	0	0	0	0	0	0	0	7,663		
			Field Spt	0	0	0	0	0	0	0	0	0	0	0		
			<b>Total</b>	<b>5,399</b>	<b>7,545</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,663</b>	<b>33,000</b>	<b>18,540</b>
SO 2.	More Effective, Responsible and Accountable Local Government	NI	Bilateral	2,453	2,350	0	0	0	0	0	0	0	0	3,158		
			Field Spt	0	0	0	0	0	0	0	0	0	0	0		
			<b>Total</b>	<b>2,453</b>	<b>2,350</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,158</b>	<b>25,000</b>	<b>19,450</b>
SO 3.1	Reduced Human Suffering and Crisis Impact	NI	Bilateral	6,678	7,600	0	0	0	0	0	0	0	0	8,958		
			Field Spt	0	0	0	0	0	0	0	0	0	0	0		
			<b>Total</b>	<b>6,678</b>	<b>7,600</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,958</b>	<b>25,000</b>	<b>15,450</b>
SO 3.2	Improved Sustainability of Social Benefits and Services	NI	Bilateral	3,701	5,700	0	0	0	0	0	0	0	0	5,411		
			Field Spt	0	0	0	0	0	0	0	0	0	0	0		
			<b>Total</b>	<b>3,701</b>	<b>5,700</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,411</b>	<b>35,000</b>	<b>22,817</b>
SO 3.3	Reduced Environmental Risks to Public Health	NI	Bilateral	7,004	4,700	0	0	0	0	0	0	0	0	8,414		
			Field Spt	0	0	0	0	0	0	0	0	0	0	0		
			<b>Total</b>	<b>7,004</b>	<b>4,700</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,414</b>	<b>29,000</b>	<b>17,900</b>
SO 4.1	Special Initiatives / Cross-cutting Programs	NI	Bilateral	21,864	11,676	0	0	0	0	0	0	0	0	25,367		
			Field Spt	0	0	0	0	0	0	0	0	0	0	0		
			<b>Total</b>	<b>21,864</b>	<b>11,676</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>25,367</b>	<b>67,000</b>	<b>51,924</b>
Total Bilateral					139,540	0	0	0	0	0	0	0	0	164,442	0	0
Total Field Support					0	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL PROGRAM</b>				<b>141,674</b>	<b>139,540</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>164,442</b>	<b>731,000</b>	<b>477,760</b>

USAID FY 1998 Budget Request by Program/Country  
(\$000)

21-May-97  
03 15 PM

Country/Program: Ukraine

S.O. #, Title	Approp Acct	Bilateral/ Field Spt	Est. SO Pipeline at end of FY 97	FY 1998 Request								Est Expend. FY 98	Est Total cost life of SO	Mortgage at end of 1998	
				FY 1998 Total Request	Basic Education for Childrn	Other Economic Growth	Population	Child Survival	HIV/AIDS	Other Health	Environ				D/G
SO 1.1 Increased Transfer of State-owned Assets to the Private Sector															
	NI	Bilateral	11,375	5,850	0	0	0	0	0	0	0	0	13,423		
		Field Spt		0	0	0	0	0	0	0	0	0			
		Total	11,375	5,850	0	0	0	0	0	0	0	0	13,423	79,000	30,298
SO 1.2 Increased Soundness of Fiscal Policies/ Fiscal Management Practices															
	NI	Bilateral	3,710	7,600	0	0	0	0	0	0	0	0	6,370		
		Field Spt		0	0	0	0	0	0	0	0	0			
		Total	3,710	7,600	0	0	0	0	0	0	0	0	6,370	47,000	31,880
SO 1.3 Accelerated Development and Growth of Private Enterprises															
	NI	Bilateral	48,648	63,230	0	0	0	0	0	0	0	0	53,142		
		Field Spt		0	0	0	0	0	0	0	0	0			
		Total	48,648	63,230	0	0	0	0	0	0	0	0	53,142	220,000	84,550
SO 1.4 A More Competitive and Market-responsive Private Financial Sector															
	NI	Bilateral	13,121	16,020	0	0	0	0	0	0	0	0	18,728		
		Field Spt		0	0	0	0	0	0	0	0	0			
		Total	13,121	16,020	0	0	0	0	0	0	0	0	18,728	70,000	21,031
SO 1.5 Economically Sound/ Environmentally Sustainable Energy System															
	NI	Bilateral	8,050	12,500	0	0	0	0	0	0	0	0	12,425		
		Field Spt		0	0	0	0	0	0	0	0	0			
		Total	8,050	12,500	0	0	0	0	0	0	0	0	12,425	70,000	29,800
SO 2.1 Increased Citizens' Participation in Political/ Economic Decision-making															
	NI	Bilateral	4,169	5,000	0	0	0	0	0	0	0	0	5,919		
		Field Spt		0	0	0	0	0	0	0	0	0			
		Total	4,169	5,000	0	0	0	0	0	0	0	0	5,919	31,000	14,910
SO 2.2 Legal Systems that Support Democratic Processes and Market Reforms															
	NI	Bilateral	5,282	2,500	0	0	0	0	0	0	0	0	6,157		
		Field Spt		0	0	0	0	0	0	0	0	0			
		Total	5,282	2,500	0	0	0	0	0	0	0	0	6,157	33,000	16,040
SO 2.3 More Effective, Responsible and Accountable Local Government															
	NI	Bilateral	1,645	5,500	0	0	0	0	0	0	0	0	3,570		
		Field Spt		0	0	0	0	0	0	0	0	0			
		Total	1,645	5,500	0	0	0	0	0	0	0	0	3,570	25,000	13,950
SO 3.1 Reduced Human Suffering and Crisis Impact															
	NI	Bilateral	5,320	4,200	0	0	0	0	0	0	0	0	6,790		
		Field Spt		0	0	0	0	0	0	0	0	0			
		Total	5,320	4,200	0	0	0	0	0	0	0	0	6,790	25,000	11,250
SO 3.2 Improved Sustainability of Social Benefits and Services															
	NI	Bilateral	3,990	5,150	0	0	0	0	0	0	0	0	5,793		
		Field Spt		0	0	0	0	0	0	0	0	0			
		Total	3,990	5,150	0	0	0	0	0	0	0	0	5,793	35,000	17,667
SO 3.3 Reduced Environmental Risks to Public Health															
	NI	Bilateral	3,290	4,800	0	0	0	0	0	0	0	0	4,970		
		Field Spt		0	0	0	0	0	0	0	0	0			
		Total	3,290	4,800	0	0	0	0	0	0	0	0	4,970	29,000	13,100
SO 4.1 Special Initiatives / Cross-cutting Programs															
	NI	Bilateral	8,173	10,650	0	0	0	0	0	0	0	0	11,901		
		Field Spt		0	0	0	0	0	0	0	0	0			
		Total	8,173	10,650	0	0	0	0	0	0	0	0	11,901	67,000	44,974
Total Bilateral				143,000	0	0	0	0	0	0	0	0	149,185	0	0
Total Field Support				0	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL PROGRAM</b>				<b>143,000</b>	<b>143,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>149,185</b>	<b>731,000</b>	<b>338,460</b>

USAID FY 1999 Budget Request by Program/Country  
(\$000)

21-May-97  
03:15 PM

Country/Program: Ukraine

S.O. #, Title	Approp Acct	Bilateral/ Field Spt	Est. SO Pipeline at end of FY 98	FY 1999 Request									Est Expend. FY 99	Est Total cost life of SO	Mortgage at end of 1999
				FY 1999 Total Request	Basic Education for Childrn	Other Economic Growth	Population	Child Survival	HIV/AIDS	Other Health	Environ	D/G			
SO 1.1 Increased Transfer of State-owned Assets to the Private Sector															
	NI	Bilateral	3,803	6,500	0	0	0	0	0	0	0	0	6,403		32,798
		Field Spt			0	0	0	0	0	0	0	0			
		Total	3,803	6,500	0	0	0	0	0	0	0	0	6,403	79,000	32,798
SO 1.2 Increased Soundness of Fiscal Policies/ Fiscal Management Practices															
	NI	Bilateral	4,940	6,100	0	0	0	0	0	0	0	0	7,380		25,790
		Field Spt			0	0	0	0	0	0	0	0			
		Total	4,940	6,100	0	0	0	0	0	0	0	0	7,380	47,000	25,790
SO 1.3 Accelerated Development and Growth of Private Enterprises															
	NI	Bilateral	58,736	30,450	0	0	0	0	0	0	0	0	53,648		54,100
		Field Spt			0	0	0	0	0	0	0	0			
		Total	58,736	30,450	0	0	0	0	0	0	0	0	53,648	220,000	54,100
SO 1.4 A More Competitive and Market- responsive Private Financial Sector															
	NI	Bilateral	10,413	15,850	0	0	0	0	0	0	0	0	16,753		5,181
		Field Spt			0	0	0	0	0	0	0	0			
		Total	10,413	15,850	0	0	0	0	0	0	0	0	16,753	70,000	5,181
SO 1.5 Economically Sound/ Environmentally Sustainable Energy System															
	NI	Bilateral	8,125	12,050	0	0	0	0	0	0	0	0	12,945		17,750
		Field Spt			0	0	0	0	0	0	0	0			
		Total	8,125	12,050	0	0	0	0	0	0	0	0	12,945	70,000	17,750
SO 2.1 Increased Citizens' Participation in Political/ Economic Decision- making															
	NI	Bilateral	3,250	5,000	0	0	0	0	0	0	0	0	5,250		9,910
		Field Spt			0	0	0	0	0	0	0	0			
		Total	3,250	5,000	0	0	0	0	0	0	0	0	5,250	31,000	9,910
SO 2.2 Legal Systems that Support Democratic Processes and Market Reforms															
	NI	Bilateral	1,625	2,500	0	0	0	0	0	0	0	0	2,625		13,540
		Field Spt			0	0	0	0	0	0	0	0			
		Total	1,625	2,500	0	0	0	0	0	0	0	0	2,625	33,000	13,540
SO 2.3 More Effective, Responsible and Accountable Local Government															
	NI	Bilateral	3,575	5,500	0	0	0	0	0	0	0	0	5,775		8,450
		Field Spt			0	0	0	0	0	0	0	0			
		Total	3,575	5,500	0	0	0	0	0	0	0	0	5,775	25,000	8,450
SO 3.1 Reduced Human Suffering and Crisis Impact															
	NI	Bilateral	2,730	4,000									4,330		7,250
		Field Spt													
		Total	2,730	4,000	0	0	0	0	0	0	0	0	4,330	25,000	7,250
SO 3.2 Improved Sustainability of Social Benefits and Services															
	NI	Bilateral	3,348	5,900									5,708		11,767
		Field Spt													
		Total	3,348	5,900	0	0	0	0	0	0	0	0	5,708	35,000	11,767
SO 3.3 Reduced Environmental Risks to Public Health															
	NI	Bilateral	3,120	4,500									4,920		8,600
		Field Spt													
		Total	3,120	4,500	0	0	0	0	0	0	0	0	4,920	29,000	8,600
SO 4.1 Special Initiatives / Cross-cutting Programs															
	NI	Bilateral	6,923	8,650									10,383		40,024
		Field Spt													
		Total	6,923	8,650	0	0	0	0	0	0	0	0	10,383	67,000	40,024
Total Bilateral															
Total Field Support															
<b>TOTAL PROGRAM</b>															
			110,586	107,000	0	0	0	0	0	0	0	0	136,118	731,000	235,160

**USAID Budget  
FY 98 - Ukraine  
Partnerships for Freedom**

Project	Total	S/NIS Directives	USAID Discretionary	Project Training	Trade Impediments	IFI Support	Foundation/ Endowment	Exchanges/ Partnerships	Joint Activities Support	Direct Trade & Investment
1	1,500		1,500							
2	12,500		8,500	1,000		1,000		1,000		1,000
3	4,800	1,500	2,300					1,000		
4	6,600	4,900	1,700							
5	48,300		18,750	550	2,000	2,000				25,000
6	18,000		6,000					4,000	3,000	5,000
7	15,000		3,000				12,000			
8	0		0							
9	19,550		14,550	1,000	2,000	2,000				
10	5,300	5,000	300							
11	10,000	10,000								
12	1,450			1,450						
<b>Total</b>	<b>143,000</b>	<b>21,400</b>	<b>56,600</b>	<b>4,000</b>	<b>4,000</b>	<b>5,000</b>	<b>12,000</b>	<b>6,000</b>	<b>3,000</b>	<b>31,000</b>
S.O. 1.1	5,850		4,850			1,000				
S.O. 1.2	7,600		6,600	1,000						
S.O. 1.3	63,230	10,000	12,230		2,000	2,000		4,000	3,000	30,000
S.O. 1.4	16,020		12,470	550	2,000	1,000				
S.O. 1.5	12,500		8,500	1,000		1,000		1,000		1,000
S.O. 2.1	5,000		0				5,000			
S.O. 2.2	2,500		0				2,500			
S.O. 2.3	5,500		3,000				2,500			
S.O. 3.1	4,200	1,200	1,000				2,000			
S.O. 3.2	5,150		5,150							
S.O. 3.3	4,800	1,500	2,300					1,000		
S.O. 4.1	3,700	3,700	0							
S.O. 4.2	6,950	5,000	500	1,450						
	143,000	21,400	56,600	4,000	4,000	5,000	12,000	6,000	3,000	31,000

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**USAID Budget  
FY 99 - Ukraine  
Partnerships for Freedom**

Project	Total	S/NIS Directives	USAID Discretionary	Project Training	Trade Impediments	IFI Support	Foundation/Endowment	Exchanges/Partnerships	Joint Activities Support	Direct Trade & Investment
1	1,500		1,500							
2	12,050		7,550	1,000		1,500		2,000		
3	4,500	1,750	1,750					1,000		
4	6,700	4,700	2,000							
5	24,750		19,200	550	2,000	2,000		1,000		
6	8,550		5,550					3,000		
7	15,000		4,000				11,000			
8	0									
9	17,500		12,000	1,000	2,000	2,500				
10	3,000	3,000								
11	12,000	12,000								
12	1,450			1,450						
<b>Total</b>	<b>107,000</b>	<b>21,450</b>	<b>53,550</b>	<b>4,000</b>	<b>4,000</b>	<b>6,000</b>	<b>11,000</b>	<b>7,000</b>		
S.O. 1.1	8,000		7,000			1,000				
S.O. 1.2	6,100		5,100	1,000						
S.O. 1.3	29,300	12,000	9,300		2,000	2,000		4,000		
S.O. 1.4	15,500		11,450	550	2,000	1,500				
S.O. 1.5	12,050		7,550	1,000		1,500		2,000		
S.O. 2.1	5,000		0				5,000			
S.O. 2.2	2,500		0				2,500			
S.O. 2.3	5,500		4,000				1,500			
S.O. 3.1	4,000	1,000	1,000				2,000			
S.O. 3.2	5,900		5,900							
S.O. 3.3	4,500	1,750	1,750					1,000		
S.O. 4.1	3,700	3,700	0							
S.O. 4.2	4,950	3,000	500	1,450						
	<b>107,000</b>	<b>21,450</b>	<b>53,550</b>	<b>4,000</b>	<b>4,000</b>	<b>6,000</b>	<b>11,000</b>	<b>7,000</b>		

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# GLOBAL FIELD SUPPORT

Objective Name	Field Support: Activity Title & Number	Priority *	Duration	Estimated Funding (\$000)						
				FY 1997		FY 1998		FY 1999		
				Obligated by:		Obligated by:		Obligated by:		
				Operating Unit	Global Bureau	Operating Unit	Global Bureau	Operating Unit	Global Bureau	
SO 2.1	WID Winrock	High	3 years (1996-98)		350		450			
S.O. 3.1	Health Surveillance - CDC	Medium- high	3 years (1996-98)		250		450			500
S.O. 3.1	Health Information Systems - BASICS	Medium-high	3 years (1996-98)		850		750			500
S.O. 4.1	Population Fellow	High	3 years (1997-99)		150		150			150
S.O. 4.1	Commodities	Medium	3 years (1997-99)		350		200			200
S.O. 4.1	Service Delivery - AVSC	High	2 years (1997-98)		500		300			
S.O. 4.1	Information, Education, Communications - JHU/PCS	Medium	2 years (1997-98)		700		200			
S.O. 4.1	Training of Trainers - JHPIEGO	Medium	2 years (1997-98)		800		200			
S.O. 4.1	Policy	High	1 year (1997)		200					
S.O. 4.1	SOMARC ( Contraceptive Marketing)	High	3 years (1997-99)		300		300			300
S.O. 4.1	Mothercare	High	3 years (1997-99)		100		500			500
S.O. 4.1	Contraceptives Logistics/ Survey	Medium	2 years (1997, 1999)		350					300
S.O. 4.1	POPTECH Project Evaluation	High	2 years (1997, 1999)		200					100
S.O. 4.1	HIV/ AIDS	High	2 years (1998, 1999)				200			200
<b>GRAND TOTAL.....</b>					<b>5,100</b>		<b>3,700</b>			<b>2,750</b>

\*For Priorities use high, medium-high, medium, medium-low, low

OVERSEAS MISSION BUDGET REQUEST

OE-2XXXX.wk4

Org. Title: USAID KIEV  
 Org. No: 121  
 OC

	FY 97			FY 98			Requested FY 99			Targeted FY 99		
	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total
11.1 Personnel compensation, full-time permanent	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.1 Base Pay & pymt. for annual leave balances - FNDH			0.0			0.0			0.0			0.0
<b>Subtotal OC 11.1</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11.3 Personnel comp. - other than full-time permanent	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.3 Base Pay & pymt. for annual leave balances - FNDH			0.0			0.0			0.0			0.0
<b>Subtotal OC 11.3</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11.5 Other personnel compensation	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.5 USDH			0.0			0.0			0.0			0.0
11.5 FNDH			0.0			0.0			0.0			0.0
<b>Subtotal OC 11.5</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11.8 Special personal services payments	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.8 USPSC Salaries	663.2		663.2	877.5		877.5	731.5		731.5			0.0
11.8 FN PSC Salaries	499.7		499.7	578.6		578.6	616.4		616.4			0.0
11.8 IPA/Details-In/PASAs/RSSAs Salaries			0.0			0.0			0.0			0.0
<b>Subtotal OC 11.8</b>	1,162.9	0.0	1,162.9	1,456.1	0.0	1,456.1	1,347.9	0.0	1,347.9	0.0	0.0	0.0
12.1 Personnel benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1 USDH benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1 Educational Allowances	200.5		200.5	200.5		200.5	200.5		200.5			0.0
12.1 Cost of Living Allowances	18.4		18.4	22.9		22.9	22.9		22.9			0.0
12.1 Home Service Transfer Allowances			0.0			0.0			0.0			0.0
12.1 Quarters Allowances			0.0			0.0			0.0			0.0
12.1 Other Misc. USDH Benefits	16.5		16.5	25.5		25.5	20.9		20.9			0.0
12.1 FNDH Benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1 Payments to the FSN Separation Fund - FNDH			0.0			0.0			0.0			0.0
12.1 Other FNDH Benefits			0.0			0.0			0.0			0.0
12.1 US PSC Benefits	776.6		776.6	503.4		503.4	413.5		413.5			0.0
12.1 FN PSC Benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1 Payments to the FSN Separation Fund - FN PSC			0.0			0.0			0.0			0.0
12.1 Other FN PSC Benefits	173.0		173.0	185.0		185.0	193.0		193.0			0.0
12.1 IPA/Detail-In/PASA/RSSA Benefits			0.0			0.0			0.0			0.0
<b>Subtotal OC 12.1</b>	1,185.0	0.0	1,185.0	937.3	0.0	937.3	850.8	0.0	850.8	0.0	0.0	0.0
13.0 Benefits for former personnel	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
13.0 FNDH	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
13.0 Severance Payments for FNDH			0.0			0.0			0.0			0.0
13.0 Other Benefits for Former Personnel - FNDH			0.0			0.0			0.0			0.0
13.0 FN PSCs	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
13.0 Severance Payments for FN PSCs			0.0			0.0			0.0			0.0
13.0 Other Benefits for Former Personnel - FN PSCs			0.0			0.0			0.0			0.0
<b>Subtotal OC 13.0</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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OVERSEAS MISSION BUDGET REQUEST

OE-2XXXX.wk4

Org. Title: USAID KIEV  
 Org. No: 121  
 OC

	FY 97			FY 98			Requested FY 99			Targeted FY 99		
	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total
21.0 <b>Travel and transportation of persons</b>	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
21.0 <b>Training Travel</b>	225.0		225.0	225.0		225.0	225.0		225.0			0.0
21.0 <b>Mandatory/Statutory Travel</b>	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
21.0 Post Assignment Travel - to field	15.0		15.0	30.0		30.0	25.0		25.0			0.0
21.0 Assignment to Washington Travel	0.0		0.0	5.0		5.0	0.0		0.0			0.0
21.0 Home Leave Travel	17.5		17.5	10.0		10.0	25.0		25.0			0.0
21.0 R & R Travel	5.0		5.0	17.5		17.5	20.0		20.0			0.0
21.0 Education Travel	0.0		0.0	0.0		0.0	0.0		0.0			0.0
21.0 Evacuation Travel	30.0		30.0	30.0		30.0	30.0		30.0			0.0
21.0 Retirement Travel			0.0			0.0			0.0			0.0
21.0 Pre-Employment Invitational Travel			0.0			0.0			0.0			0.0
21.0 Other Mandatory/Statutory Travel			0.0			0.0			0.0			0.0
21.0 <b>Operational Travel</b>	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
21.0 Site Visits - Headquarters Personnel	27.0		27.0	30.0		30.0	30.0		30.0			0.0
21.0 Site Visits - Mission Personnel	100.0		100.0	100.0		100.0	100.0		100.0			0.0
21.0 Conferences/Seminars/Meetings/Retreats	95.0		95.0	95.0		95.0	95.0		95.0			0.0
21.0 Assessment Travel			0.0			0.0			0.0			0.0
21.0 Impact Evaluation Travel			0.0			0.0			0.0			0.0
21.0 Disaster Travel (to respond to specific disasters)			0.0			0.0			0.0			0.0
21.0 Recruitment Travel			0.0			0.0			0.0			0.0
21.0 Other Operational Travel	135.0		135.0	135.0		135.0	135.0		135.0			0.0
<b>Subtotal OC 21.0</b>	649.5	0.0	649.5	677.5	0.0	677.5	685.0	0.0	685.0	0.0	0.0	0.0
22.0 <b>Transportation of things</b>	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
22.0 Post assignment freight	135.0		135.0	270.0		270.0	225.0		225.0			0.0
22.0 Home Leave Freight	31.0		31.0	62.0		62.0	30.0		30.0			0.0
22.0 Retirement Freight			0.0			0.0			0.0			0.0
22.0 Transportation/Freight for Office Furniture/Equip.	45.0		45.0	10.0		10.0	30.0		30.0			0.0
22.0 Transportation/Freight for Res. Furniture/Equip.	20.0		20.0	5.0		5.0	5.0		5.0			0.0
<b>Subtotal OC 22.0</b>	231.0	0.0	231.0	347.0	0.0	347.0	290.0	0.0	290.0	0.0	0.0	0.0
23.2 <b>Rental payments to others</b>	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
23.2 Rental Payments to Others - Office Space	694.1		694.1	739.2		739.2	639.2		639.2			0.0
23.2 Rental Payments to Others - Warehouse Space	40.8		40.8	40.0		40.0	40.0		40.0			0.0
23.2 Rental Payments to Others - Residences	724.4		724.4	659.9		659.9	659.9		659.9			0.0
<b>Subtotal OC 23.2</b>	1,459.3	0.0	1,459.3	1,439.1	0.0	1,439.1	1,339.1	0.0	1,339.1	0.0	0.0	0.0
23.3 <b>Communications, utilities, and miscellaneous charges</b>	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
23.3 Office Utilities	60.0		60.0	60.0		60.0	60.0		60.0			0.0
23.3 Residential Utilities	42.0		42.0	42.0		42.0	42.0		42.0			0.0
23.3 Telephone Costs	110.0		110.0	110.0		110.0	110.0		110.0			0.0
23.3 ADP Software Leases			0.0			0.0			0.0			0.0
23.3 ADP Hardware Lease			0.0			0.0			0.0			0.0
23.3 Commercial Time Sharing			0.0			0.0			0.0			0.0
23.3 Postal Fees (Other than APO Mail)	0.6		0.6	0.6		0.6	0.6		0.6			0.0
23.3 Other Mail Service Costs			0.0			0.0			0.0			0.0
23.3 Courier Services	8.4		8.4	8.4		8.4	8.4		8.4			0.0
<b>Subtotal OC 23.3</b>	221.0	0.0	221.0	221.0	0.0	221.0	221.0	0.0	221.0	0.0	0.0	0.0

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OVERSEAS MISSION BUDGET REQUEST

OE-2XXXX.wk4

Org. Title: USAID KIEV

Org. No: 121

OC

	FY 97			FY 98			Requested FY 99			Targeted FY 99		
	Dollars	TF	Total									
<b>24.0 Printing and Reproduction</b>			0.0			0.0			0.0			0.0
<b>Subtotal OC 24.0</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>25.1 Advisory and assistance services</b>	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.1 Studies, Analyses, & Evaluations			0.0			0.0			0.0			0.0
25.1 Management & Professional Support Services			0.0			0.0			0.0			0.0
25.1 Engineering & Technical Services			0.0			0.0			0.0			0.0
<b>Subtotal OC 25.1</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>25.2 Other services</b>	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.2 Office Security Guards	64.0		64.0	64.0		64.0	64.0		64.0			0.0
25.2 Residential Security Guard Services			0.0			0.0			0.0			0.0
25.2 Official Residential Expenses			0.0			0.0			0.0			0.0
25.2 Representation Allowances	1.0		1.0	1.0		1.0	1.0		1.0			0.0
25.2 Non-Federal Audits			0.0			0.0			0.0			0.0
25.2 Grievances/Investigations			0.0			0.0			0.0			0.0
25.2 Insurance and Vehicle Registration Fees	3.0		3.0	3.0		3.0	3.0		3.0			0.0
25.2 Vehicle Rental			0.0			0.0			0.0			0.0
25.2 Manpower Contracts	55.0		55.0	55.0		55.0	55.0		55.0			0.0
25.2 Records Declassification & Other Records Services			0.0			0.0			0.0			0.0
25.2 Recruiting activities			0.0			0.0			0.0			0.0
25.2 Penalty Interest Payments			0.0			0.0			0.0			0.0
25.2 Other Miscellaneous Services	125.0		125.0	150.0		150.0	175.0		175.0			0.0
25.2 Staff training contracts	65.2		65.2	65.2		65.2	65.2		65.2			0.0
25.2 ADP related contracts			0.0			0.0			0.0			0.0
<b>Subtotal OC 25.2</b>	313.2	0.0	313.2	338.2	0.0	338.2	363.2	0.0	363.2	0.0	0.0	0.0
<b>25.3 Purchase of goods and services from Government accounts</b>	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.3 ICASS	0.0		0.0	210.0		210.0	225.0		225.0			0.0
25.3 All Other Services from Other Gov't. accounts			0.0			0.0			0.0			0.0
<b>Subtotal OC 25.3</b>	0.0	0.0	0.0	210.0	0.0	210.0	225.0	0.0	225.0	0.0	0.0	0.0
<b>25.4 Operation and maintenance of facilities</b>	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.4 Office building Maintenance	41.0		41.0	100.0		100.0	110.0		110.0			0.0
25.4 Residential Building Maintenance	6.0		6.0	8.0		8.0	10.0		10.0			0.0
<b>Subtotal OC 25.4</b>	47.0	0.0	47.0	108.0	0.0	108.0	120.0	0.0	120.0	0.0	0.0	0.0
<b>25.6 Medical Care</b>			0.0			0.0			0.0			0.0
<b>Subtotal OC 25.6</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>25.7 Operation/maintenance of equipment &amp; storage of goods</b>	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.7 ADP and telephone operation and maintenance costs	55.0		55.0	5.0		5.0	5.0		5.0			0.0
25.7 Storage Services			0.0			0.0			0.0			0.0
25.7 Office Furniture/Equip. Repair and Maintenance	5.0		5.0	5.0		5.0	5.0		5.0			0.0
25.7 Vehicle Repair and Maintenance	35.0		35.0	35.0		35.0	35.0		35.0			0.0
25.7 Residential Furniture/Equip. Repair and Maintenance	1.0		1.0	1.0		1.0	1.0		1.0			0.0
<b>Subtotal OC 25.7</b>	96.0	0.0	96.0	46.0	0.0	46.0	46.0	0.0	46.0	0.0	0.0	0.0

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OVERSEAS MISSION BUDGET REQUEST

OF-2XXXX.wk4

Org. Title: USAID KIEV

Org. No: 121

OC

	FY 97			FY 98			Requested FY 99			Targeted FY 99		
	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total
25.8 Subsistence and support of persons (by contract or Gov't.)			0.0			0.0			0.0			0.0
<b>Subtotal OC 25.8</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
26.0 Supplies and materials	50.0		50.0	55.0		55.0	62.0		62.0			0.0
<b>Subtotal OC 26.0</b>	50.0	0.0	50.0	55.0	0.0	55.0	62.0	0.0	62.0	0.0	0.0	0.0
31.0 <b>Equipment</b>	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
31.0 Purchase of Residential Furniture/Equip.	161.0		161.0	40.0		40.0	120.0		120.0			0.0
31.0 Purchase of Office Furniture/Equip.	9.0		9.0	20.0		20.0	20.0		20.0			0.0
31.0 Purchase of Vehicles	0.0		0.0	60.0		60.0	60.0		60.0			0.0
31.0 Purchase of Printing/Graphics Equipment			0.0			0.0			0.0			0.0
31.0 ADP Hardware purchases	95.4		95.4	190.0		190.0	200.0		200.0			0.0
31.0 ADP Software purchases	25.0		25.0	40.0		40.0	50.0		50.0			0.0
<b>Subtotal OC 31.0</b>	290.4	0.0	290.4	350.0	0.0	350.0	450.0	0.0	450.0	0.0	0.0	0.0
32.0 <b>Lands and structures</b>	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
32.0 Purchase of Land & Buildings (& construction of bldgs.)			0.0			0.0			0.0			0.0
32.0 Purchase of fixed equipment for buildings			0.0			0.0			0.0			0.0
32.0 Building Renovations/Alterations - Office	315.0		315.0	0.0		0.0	0.0		0.0			0.0
32.0 Building Renovations/Alterations - Residential			0.0			0.0			0.0			0.0
<b>Subtotal OC 32.0</b>	315.0	0.0	315.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
42.0 <b>Claims and indemnities</b>			0.0			0.0			0.0			0.0
<b>Subtotal OC 42.0</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL BUDGET</b>	6,020.3	0.0	6,020.3	6,185.2	0.0	6,185.2	6,000.0	0.0	6,000.0	0.0	0.0	0.0

The following line is to be used to show your estimate of FY 98 and FY 99 Program Funded ICASS costs.

Enter dollars in thousands - same format as above.

	FY 98 Est.	FY 99 Est.
ICASS - Program Funded	60.0	60.0

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**Workforce Resources  
FY 1997 Position Allocation of Staff Ceilings**

**Organization: USAID KIEV**

Staff	Strategic Objective 1: (title)	Strategic Objective 2: (title)	Strategic Objective 3: (title)	Strategic Objective 4: (title)	Special Objective 2: (title)	Special Objective 3: (title)	Subtotal S.O. Staff	Support Offices							Subtotal Support Staff	Grand Total Staff
								Mission Mgt.	Con- troller	EXO	Con- tracts	Legal	Program	Other		
USDH				1			1	7	2	1			4		14	15
USPSC (OE/TF) Internationally Recruited							0			1			1	1	3	3
USPSC (OE/TF) Locally Recruited							0			1			3		4	4
USPSC (Program Funded)	12	3	2	1			18								0	18
FSN/TCN Direct Hire (OE/TF) Internationally Recruited							0								0	0
FSN/TCN Direct Hire (OE/TF) Locally Recruited							0								0	0
FSN/TCN Non-Direct Hire (OE/TF) Internationally Recruited							0								0	0
FSN/TCN Non-Direct Hire (OE/TF) Locally Recruited			1	1			2	6	9	35			3		53	55
FSN/TCN Non-Direct Hire (Program Funded)	16	2	3	2			23			5					5	28
Other (RSSA, PASA, IPA) (OE/TF Funded)							0								0	0
Other (RSSA, PASA, IPA) (Program Funded)			1				1								0	1
<b>Total Staff by Objective</b>	<b>28</b>	<b>5</b>	<b>7</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>45</b>	<b>13</b>	<b>11</b>	<b>43</b>	<b>0</b>	<b>0</b>	<b>11</b>	<b>1</b>	<b>79</b>	<b>124</b>
TAACs*																
Fellows*			1	1												

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## Totals by Staffing Category - FY 1997 Ceiling

Staff	Strategic Objective 1: (title)	Strategic Objective 2: (title)	Strategic Objective 3: (title)	Special Objective 1: (title)	Special Objective 2: (title)	Special Objective 3: (title)	Subtotal S.O. Staff	Support Offices							Subtotal Support Staff	Grand Total Staff
								Mission Mgt.	Con- troller	EXO	Con- tracts	Legal	Program	Other		
USDH	0	0	0	1	0	0	1	7	2	1	0	0	4	0	14	15
USPSC (OE/TF)	0	0	0	0	0	0	0	0	0	2	0	0	4	1	7	7
USPSC (Program Funded)	12	3	2	1	0	0	18	0	0	0	0	0	0	0	0	18
<b>Total USPSCs</b>	12	3	2	1	0	0	18	0	0	2	0	0	4	1	7	25
FSN/TCN Direct Hire (OE/TF)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FSN/TCN Non Direct Hire (OE/TF)	0	0	1	1	0	0	2	6	9	35	0	0	3	0	53	55
FSN/TCN Non Direct Hire (Program Funded)	16	2	3	2	0	0	23	0	0	5	0	0	0	0	5	28
<b>Total FSN/TCN Non Direct Hire</b>	16	2	4	3	0	0	25	6	9	40	0	0	3	0	58	83
<b>Total FSN/TCN (OE/TF)</b>	0	0	1	1	0	0	2	6	9	35	0	0	3	0	53	55
<b>Total FSN/TCN (Program Funded)</b>	16	2	3	2	0	0	23	0	0	5	0	0	0	0	5	28
<b>Total FSN/TCN Staff</b>	16	2	4	3	0	0	25	6	9	40	0	0	3	0	58	83
<b>Total Other (RSSA, PASA, IPA) (OE/TF)</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Other (RSSA, PASA, IPA) (Program Funded)</b>	0	0	1	0	0	0	1	0	0	0	0	0	0	0	0	1
<b>Total FSN/TCN Staff</b>	0	0	1	0	0	0	1	0	0	0	0	0	0	0	0	1
<b>Total OE/TF Staff (includes USDH)</b>	0	0	1	2	0	0	3	13	11	38	0	0	11	1	74	77
<b>Total Program Funded Staff</b>	28	5	6	3	0	0		0	0	5	0	0	0	0	5	5
<b>Grand Total All Staff</b>	28	5	7	5	0	0	45	13	11	43	0	0	11	1	79	124

**Notes:**

- TAACs and Fellows count against G ceilings only and thus are "below the line" for field operating units. Service in the capacity of TAACs should be reported as TAACs regardless of the hiring mechanism. They should not be reported under PSCs, PASAs, RSSAs, etc.

The data in the table reflects positions, NOT, on-board strength or FTEs. You can divide the positions of people working on more than one SO, but do not subdivide in units of less than a half (0.5).

Provide separate tables for FY 97, 98, and 99.

**Workforce Resources  
FY 1998 Position Allocation of Staff Ceilings**

**Organization: USAID KIEV**

Staff	Strategic Objective 1: (title)	Strategic Objective 2: (title)	Strategic Objective 3: (title)	Strategic Objective 4: (title)	Special Objective 2: (title)	Special Objective 3: (title)	Subtotal S.O. Staff	Support Offices							Subtotal Support Staff	Grand Total Staff
								Mission Mgt.	Controller	EXO	Contracts	Legal	Program	Other		
USDH				1			1	7	2	1			4	1	15	16
USPSC (OE/TF) Internationally Recruited							0			1			1	1	3	3
USPSC (OE/TF) Locally Recruited							0			1			3		4	4
USPSC (Program Funded)	12	3	2	1			18								0	18
FSN/TCN Direct Hire (OE/TF) Internationally Recruited							0								0	0
FSN/TCN Direct Hire (OE/TF) Locally Recruited							0								0	0
FSN/TCN Non-Direct Hire (OE/TF) Internationally Recruited							0								0	0
FSN/TCN Non-Direct Hire (OE/TF) Locally Recruited			1	1			2	6	9	35			3		53	55
FSN/TCN Non-Direct Hire (Program Funded)	16	2	3	2			23			5				2	7	30
Other (RSSA, PASA, IPA) (OE/TF Funded)							0								0	0
Other (RSSA, PASA, IPA) (Program Funded)			1				1								0	1
<b>Total Staff by Objective</b>	<b>28</b>	<b>5</b>	<b>7</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>45</b>	<b>13</b>	<b>11</b>	<b>43</b>	<b>0</b>	<b>0</b>	<b>11</b>	<b>4</b>	<b>82</b>	<b>127</b>
TAACs*																
Fellows*			1	1												

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## Totals by Staffing Category - FY 1998 Ceiling

Staff	Strategic Objective 1: (title)	Strategic Objective 2: (title)	Strategic Objective 3: (title)	Special Objective 1: (title)	Special Objective 2: (title)	Special Objective 3: (title)	Subtotal S.O. Staff	Support Offices							Subtotal Support Staff	Grand Total Staff
								Mission Mgt.	Controller	EXO	Contracts	Legal	Program	Other		
USDH	0	0	0	1	0	0	1	7	2	1	0	0	4	1	15	16
USPSC (OE/TF)	0	0	0	0	0	0	0	0	0	2	0	0	4	1	7	7
USPSC (Program Funded)	12	3	2	1	0	0	18	0	0	0	0	0	0	0	0	18
<b>Total USPSCs</b>	12	3	2	1	0	0	18	0	0	2	0	0	4	1	7	25
FSN/TCN Direct Hire (OE/TF)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FSN/TCN Non Direct Hire (OE/TF)	0	0	1	1	0	0	2	6	9	35	0	0	3	0	53	55
FSN/TCN Non Direct Hire (Program Funded)	16	2	3	2	0	0	23	0	0	5	0	0	0	2	7	30
<b>Total FSN/TCN Non Direct Hire</b>	16	2	4	3	0	0	25	6	9	40	0	0	3	2	60	85
<b>Total FSN/TCN (OE/TF)</b>	0	0	1	1	0	0	2	6	9	35	0	0	3	0	53	55
<b>Total FSN/TCN (Program Funded)</b>	16	2	3	2	0	0	23	0	0	5	0	0	0	2	7	30
<b>Total FSN/TCN Staff</b>	16	2	4	3	0	0	25	6	9	40	0	0	3	2	60	85
<b>Total Other (RSSA, PASA, IPA) (OE/TF)</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Other (RSSA, PASA, IPA) (Program Funded)</b>	0	0	1	0	0	0	1	0	0	0	0	0	0	0	0	1
<b>Total FSN/TCN Staff</b>	0	0	1	0	0	0	1	0	0	0	0	0	0	0	0	1
<b>Total OE/TF Staff (includes USDH)</b>	0	0	1	2	0	0	3	13	11	38	0	0	11	2	75	78
<b>Total Program Funded Staff</b>	28	5	6	3	0	0		0	0	5	0	0	0	2	7	7
<b>Grand Total All Staff</b>	28	5	7	5	0	0	45	13	11	43	0	0	11	4	82	127

**Notes:**

- TAACs and Fellows count against G ceilings only and thus are "below the line" for field operating units. Service in the capacity of TAACs should be reported as TAACs regardless of the hiring mechanism. They should not be reported under PSCs, PASAs, RSSAs, etc.

The data in the table reflects positions, NOT, on-board strength or FTEs. You can divide the positions of people working on more than one SO, but do not subdivide in units of less than a half (0.5).

Provide separate tables for FY 97, 98, and 99.

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**Workforce Resources**  
**FY 1999 Position Allocation of Staff Target Levels**

**Organization: USAID KIEV**

Staff	Strategic Objective 1: (title)	Strategic Objective 2: (title)	Strategic Objective 3: (title)	Strategic Objective 4: (title)	Special Objective 2: (title)	Special Objective 3: (title)	Subtotal S.O. Staff	Support Offices							Subtotal Support Staff	Grand Total Staff
								Mission Mgt.	Controller	EXO	Contracts	Legal	Program	Other		
USDH				1			1	7	2	1			4	1	15	16
USPSC (OE/TF)							0			1			1	1	3	3
Internationally Recruited							0			1			1	1	3	3
USPSC (OE/TF)							0			1			3		4	4
Locally Recruited							0			1			3		4	4
USPSC (Program Funded)	12	3	2	1			18								0	18
FSN/TCN Direct Hire (OE/TF)							0								0	0
Internationally Recruited							0								0	0
FSN/TCN Direct Hire (OE/TF)							0								0	0
Locally Recruited							0								0	0
FSN/TCN Non-Direct Hire (OE/TF)							0								0	0
Internationally Recruited							0								0	0
FSN/TCN Non-Direct Hire (OE/TF)			1	1			2	6	9	35			3	2	55	57
Locally Recruited			1	1			2	6	9	35			3	2	55	57
FSN/TCN Non-Direct Hire (Program Funded)	16	2	3	2			23			5					5	28
Other (RSSA, PASA, IPA) (OE/TF Funded)							0								0	0
Other (RSSA, PASA, IPA) (Program Funded)			1				1								0	1
<b>Total Staff by Objective</b>	<b>28</b>	<b>5</b>	<b>7</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>45</b>	<b>13</b>	<b>11</b>	<b>43</b>	<b>0</b>	<b>0</b>	<b>11</b>	<b>4</b>	<b>82</b>	<b>127</b>
TAACs*																
Fellows*			1	1												

## Totals by Staffing Category - FY 1999 Target

Staff	Strategic Objective 1: (title)	Strategic Objective 2: (title)	Strategic Objective 3: (title)	Special Objective 1: (title)	Special Objective 2: (title)	Special Objective 3: (title)	Subtotal S.O. Staff	Support Offices							Subtotal Support Staff	Grand Total Staff
								Mission Mgt.	Con- troller	EXO	Con- tracts	Legal	Program	Other		
USDH	0	0	0	1	0	0	1	7	2	1	0	0	4	1	15	16
USPSC (OE/TF)	0	0	0	0	0	0	0	0	0	2	0	0	4	1	7	7
USPSC (Program Funded)	12	3	2	1	0	0	18	0	0	0	0	0	0	0	0	18
<b>Total USPSCs</b>	12	3	2	1	0	0	18	0	0	2	0	0	4	1	7	25
FSN/TCN Direct Hire (OE/TF)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FSN/TCN Non Direct Hire (OE/TF)	0	0	1	1	0	0	2	6	9	35	0	0	3	2	55	57
FSN/TCN Non Direct Hire (Program Funded)	16	2	3	2	0	0	23	0	0	5	0	0	0	0	5	28
<b>Total FSN/TCN Non Direct Hire</b>	16	2	4	3	0	0	25	6	9	40	0	0	3	2	60	85
<b>Total FSN/TCN (OE/TF)</b>	0	0	1	1	0	0	2	6	9	35	0	0	3	2	55	57
<b>Total FSN/TCN (Program Funded)</b>	16	2	3	2	0	0	23	0	0	5	0	0	0	0	5	28
<b>Total FSN/TCN Staff</b>	16	2	4	3	0	0	25	6	9	40	0	0	3	2	60	85
Total Other (RSSA, PASA, IPA) (OE/TF)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Other (RSSA, PASA, IPA) (Program Funded)	0	0	1	0	0	0	1	0	0	0	0	0	0	0	0	1
<b>Total FSN/TCN Staff</b>	0	0	1	0	0	0	1	0	0	0	0	0	0	0	0	1
<b>Total OE/TF Staff (includes USDH)</b>	0	0	1	2	0	0	3	13	11	38	0	0	11	4	77	80
<b>Total Program Funded Staff</b>	28	5	6	3	0	0		0	0	5	0	0	0	0	5	5
<b>Grand Total All Staff</b>	28	5	7	5	0	0	45	13	11	43	0	0	11	4	82	127

**Notes:**

- TAACs and Fellows count against G ceilings only and thus are "below the line" for field operating units. Service in the capacity of TAACs should be reported as TAACs regardless of the hiring mechanism. They should not be reported under PSCs, PASAs, RSSAs, etc.

The data in the table reflects positions, NOT, on-board strength or FTEs. You can divide the positions of people working on more than one SO, but do not subdivide in units of less than a half (0.5).

Provide separate tables for FY 97, 98, and 99.

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## Totals by Staffing Category - FY 1999 Request

Staff	Strategic Objective 1: (title)	Strategic Objective 2: (title)	Strategic Objective 3: (title)	Special Objective 1: (title)	Special Objective 2: (title)	Special Objective 3: (title)	Subtotal S.O. Staff	Support Offices							Subtotal Support Staff	Grand Total Staff
								Mission Mgt.	Con-troller	EXO	Con-tracts	Legal	Program	Other		
USDH	0	0	0		0	0	0				0	0		0	0	
USPSC (OE/TF)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
USPSC (Program Funded)					0	0	0	0	0	0	0	0	0	0	0	
Total USPSCs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
FSN/TCN Direct Hire (OE/TF)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
FSN/TCN Non Direct Hire (OE/TF)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
FSN/TCN Non Direct Hire (Program Funded)					0	0	0	0	0		0	0	0	0	0	
Total FSN/TCN Non Direct Hire	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total FSN/TCN (OE/TF)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total FSN/TCN (Program Funded)					0	0	0	0	0		0	0	0	0	0	
Total FSN/TCN Staff	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total Other (RSSA, PASA, IPA) (OE/TF)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total Other (RSSA, PASA, IPA) (Program Funded)	0	0		0	0	0	0	0	0	0	0	0	0	0	0	
Total FSN/TCN Staff	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total OE/TF Staff (includes USDH)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total Program Funded Staff	0	0	0	0	0	0		0	0	0	0	0	0	0	0	
Grand Total All Staff	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	

Notes:  
 \* TAACs and Fellows count against G ceilings only and thus are "below the line" for field operating units. Service in the capacity of TAACs should be reported as TAACs regardless of the hiring mechanism. They should not be reported under PSCs, PASAs, RSSAs, etc.

The data in the table reflects positions, NOT, on-board strength or FTEs. You can divide the positions of people working on more than one SO, but do not subdivide in units of less than a half (0.5).

Provide separate tables for FY 97, 98, and 99.