

**UKRAINE**

**RESULTS REVIEW**

**AND**

**RESOURCE REQUEST**

**USAID/West NIS**

**April 19, 1999**

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## **FY 2001 UKRAINE R4**

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

Ukraine continues to lose ground in its transition to a market economy and democratic society. For the eighth consecutive year GDP declined – in 1998 by 1.7 percent. (Projections for 1999 have GDP falling as much as 8 percent.) The Asian financial crisis damaged emerging markets throughout the world as investors fled the market. The financial contagion of the east spread westward to Russia's largely unstructured economy. Ukraine's economy is inextricably linked to Russia's and the crisis in Russia had more than just a spillover effect in Ukraine. Whereas other economies in the region were better insulated and felt relatively little from Russia's financial crisis, Ukraine's economy, which started out the first six months of 1998 with real growth (albeit, very minimal), quickly stagnated and contracted.

Ukraine's precarious financial situation makes it dependent on IMF and World Bank loan money over the coming year to pay off foreign debt. It escaped defaults in 1998 through 'voluntary' restructuring of its treasury bills. The value of the national currency, the Hryvnia, plummeted by 78 percent in the final five months of the year. The National Bank of Ukraine placed restrictions on foreign exchange accounts, but most have been removed as the currency is beginning to stabilize.

In early 1998, independent media took hits from the Government in the run-up to the parliamentary elections in March 1998, as newspapers and television stations were closed for legal infractions or pressured into broadcasting newscasts more favorable to the current administration. With presidential elections at stake in 1999 (scheduled to be held October 31), the situation will likely worsen. There is evidence of this taking place now, though the official election campaign season kicks off officially on May 4, 1999. Since the fall, the GOU has interfered more and more with press freedoms. Nearly every week there is an incident or two of an opposition newspaper or regional television station being shut down.

Some, perhaps many, would argue Ukraine is moving neither forward nor backward, that its transition has stopped. A group of oligarchs benefits from this stagnancy. The demographic characteristics of the country, in which nearly 50 percent of the population depends on income from the government, also inhibit great leaps forward.

In spite of the gray big picture and the rather bleak prognosis for the coming year, there were very positive developments in 1998 and the beginning of 1999. Ukraine distinguished itself by dealing with the financial crisis in a responsible manner, for example, no foreign debt defaults. The crisis in fact has built up the credibility of the government.

Ukraine, despite having seated a new parliament in March that couldn't elect a speaker until July, managed to conclude a \$2.2 billion deal with the IMF in August, meeting most of the strenuous 32 prior conditions. It fell off the IMF track in October, a seeming trend, but recently met the conditions for continued IMF disbursements. The Government cut its expenditures in 1998 by 30 percent from the previous year, a first in Ukraine, and kept the budget deficit to 2.3 percent in 1998, thus meeting the IMF target.

The 1999 Appropriations Bill for Foreign Operations contained a clause that required the Secretary of State to certify, or not, that Ukraine was making substantial progress to reform its economy and resolve commercial disputes with U.S. firms. The Secretary certified both conditions were being met.

Parliamentary elections went off well. International observers declared the process largely free and open, though there were a few egregious violations.

For the coming year we see few tangible signs of serious reform. The relationship between the parliament and the government, a contentious relationship currently, will worsen as election-year politics come into play. Under the 1996 Constitution, the presidency loses its power this summer to enact law by decree giving even greater power to a communist-majority parliament. President Kuchma, who is increasingly consumed with his reelection campaign, is expected to cater to populist measures and concentrate less on reforms.

We expect the government will have a difficult time balancing competing demands. On the one hand, those who have a stake in the present quagmire will oppose change that threatens their interests. On the other hand, Ukraine needs the external financing of the IMF and the World Bank to remain solvent, but attached to donor financing is a price -reforms. In which favor the scales will tip is difficult to predict. However, we expect the Government will do just enough to qualify it for continued donor financing without enacting serious reform.

USAID will continue to support implementation of the IMF and World Bank policy reform measures and where prospects for change appear to be good, for example, regulatory reform to improve the business climate. The new assistance strategy will pursue supporting the reform efforts of the more progressive local governments where impact could be more immediate and an approach that builds demand for national reforms.

**PART II:**  
**RESULTS REVIEW**

**Strategic Objective 1.1**

**Increased Transfer of State-Owned Assets to the Private Sector**

**1. Summary**

After four years of consistent USAID support for privatization, the vast majority of state-owned enterprises in Ukraine have been privatized. The importance of this accomplishment cannot be overemphasized: significant private ownership of enterprises and land is an absolutely essential prerequisite for a successful transition to a market economy. Private ownership of resources is the primary means of empowering the Ukrainian people to make decisions, become stakeholders and participate in the economic arena—actions that will make a difference in the lives of all those who become property owners. On a national scale, private ownership and control of enterprises will lead to increased efficiency and competitiveness, and will ultimately serve as the engine for Ukraine’s economic recovery. As the private sector continues to grow, incomes will increase, and small and medium private enterprises will absorb workers displaced from old state enterprises.

Ukraine has made great progress in the area of privatization, with constant assistance and pressure from the international donor agencies and financial institutions, but a significant amount of work remains to be done. Although USAID is closing down assistance under the rubric of Strategic Objective 1.1, selected ongoing and future activities in the area of privatization will be transferred to SOs in other sectors, as explained below.

**2. Performance Analysis**

Performance for SO 1.1 in 1998 was on track. U.S. assistance to transfer state-owned assets to the private sector has taken the form of programs in (1) small-scale privatization, (2) mass privatization, and (3) land privatization.

*Small-Scale Privatization.* Over 45 thousand small enterprises have been privatized—15.5 thousand of these with direct USAID assistance—in over 70 cities in 23 oblasts throughout Ukraine. As a result, over 90 percent of all small and medium enterprises in Ukraine are privately owned, providing employment to more than 660,000 people. Activities have also focused on the privatization of unfinished construction sites (UCS), which have provided a fresh start (location, land, and building) for new start up enterprises. By the end of 1998, over 5,000 unfinished construction sites were privatized—resulting in the creation of over 3,000 new jobs.

*Mass Privatization.* The 1998 target indicator of number of companies at least 70% privatized and was 10,000. There were 8,723 companies privatized as of the project closeout in December 1998. Of the largest enterprises being privatized, 83 out of the targeted 200 were privatized by the end of the project. Considerable donor community pressure and USAID assistance was needed to reach this number. The level of participation by the population exceeded expectations in that the number of privatization certificates picked up or accounts opened represented nearly

94 percent of the population (9 percentage points over target). Of those certificates picked up, 70 percent were invested as opposed to a very ambitious target of 100 percent. Work on policies, laws and regulations has been successful with necessary laws and decrees filled and providing regular reports of enterprise preparation, pipeline status and share sales results.

*Land Privatization.* There has been considerable success working at the level of oblast and municipal government to privatize agricultural and enterprise land. Neither effort is self-sustaining yet and neither has yet reached the stage of nationwide impact. But initial results are promising. Ownership of agricultural land has been transferred from the state to collective agricultural enterprises and some 6.5 million land shares issued to individual collective members. Physical titles have been issued to 155,300 people including 10,300 since July 1997 through USAID-supported programs. Privatization of land under enterprises started only in October 1997 but enterprise land sales offices are now operating in 24 cities and more than 1,500 privatizations will be complete by the end of FY1999. The agricultural and enterprise land programs are discussed in more detail under SOs 1.3a and 1.3b respectively.

## Strategic Objective 1.2

### Increased Soundness of Fiscal Policies and Fiscal Management Practices

#### 1. Summary

In a market economy, an efficient fiscal system plays the vital role of providing sufficient revenues to support necessary public expenditures without hampering the growth of the private sector. Reforming the fiscal system will help the Government of Ukraine (GOU) to better define the size and scope of the public sector and the essential needs for public provision of goods and services. It will also encourage private sector economic growth by limiting the resources consumed by government and establishing a fair and stable tax environment. USAID will consider its objective of increased soundness of fiscal policies and fiscal management practices achieved when Ukraine meets the following criteria:

- (1) the process of budget preparation, adoption and execution ensures realistic and transparent budgets--at the national and increasingly at the sub-national level -- comply with IMF targets and World Bank loan conditions.
- (2) the tax system is restructured to encourage economic activity and taxpayer compliance and to ensure fair and consistent application of the laws. This involves (a) modernizing the tax laws and incorporating them in a single, consistent tax code; (b) formalizing the shadow economy to improve equity and broaden the tax base; and (c) introducing more sophisticated and less coercive tax administration techniques.
- (3) Parliamentary deliberations on fiscal legislation are responsible and well-informed. This involves (a) training for Rada members and staff, particularly the Budget and the Banking and Finance (Tax) Committee, to increase their understanding of fiscal issues; and (b) analyses of fiscal legislation, mainly from the Fiscal Analysis Office established in the Verkhovna Rada.

#### 2. Performance Analysis

Results for SO 1.2 in 1998 were mixed. The expected turnaround from GDP decline to positive economic growth seemed promising in the first half of the year but was dashed by the impact of the Russia crisis in the second half. A bright spot was the agreement with the IMF on a three-year \$2.2 billion extended funding facility (EFF) in August, after lengthy negotiations. Over half of the conditions for the EFF were in the fiscal area; these were met by a combination of legislation, decrees and other actions. Approval of the EFF facilitated the restructuring of Ukraine's debt obligations and helped to mitigate the severity of the exchange rate depreciation.

The overall indicator for SO 1.2 is **GOU meets IMF deficit target**. The 1998 target of 2.3 percent of GDP was met, but not without substantial revision of the 1998 budget to qualify for the EFF and continued accumulation of wage and other arrears in the budget sector. Ukraine has had difficulties in qualifying for subsequent tranches, especially since some measures adopted for the EFF, particularly in the tax area, were subsequently overturned. IMF lending under the EFF was suspended at year-end and resumed only with difficulty in March 1999. Further progress on fiscal reform will be crucial to Ukraine's meeting the conditions for continued IMF lending.

So long as Ukraine continues to prepare and adopt unrealistic budgets, IMF deficit targets must be met by constraining budget execution, thus compromising transparency and accountability. This underscores the importance of on-going efforts to strengthen the budget preparation process.

Despite improvements in budget classification, instructions and computerization, major weakness remains on the revenue forecasting side, with actual collections consistently falling far short of budget estimates and requiring consequent changes on the expenditure side. The indicator **revenues equal or exceed forecast** was expected to be met in 1998, but this did not occur, and the forecast approved by the Rada in the 1999 budget has already been revised downward.

Measures to restructure the intergovernmental finance system, to allocate funds more equally among local governments while controlling spending, would also aid in strengthening the budget process. The indicator is **central to local government funds transfers done on a formula basis**. Efforts were made to introduce formula based transfers in the 1999 Budget, but without success. The target revenues equal or exceed forecast was expected to be met in 1998, but this did not occur, due in part to the impact of amendments to the value-added tax law and in part to other factors, notably the financial crisis that erupt in the latter half of the year as the result of the Russian default. Moreover, the target will also not be met in 1999, because the forecast approved by the Rada in the 1999 budget, based on estimates of additional revenues from off-budget funds that had little justification, has already been revised downward.

Crucial to sound fiscal policies is a tax system that supports economic growth, and the indicator for this is **Major tax laws are revised using international standards, harmonized for incorporation into a single tax code, and submitted to Parliament**. The value-added tax and enterprise profits tax were passed in 1997, but none of the other components--personal income tax, excise taxes, and administrative provisions--has been enacted. An IMF/EFF condition requiring submission of a single tax code to the Rada by October 1999 is likely to be met early. A draft code developed by the STA was sent to the Cabinet of Ministers in December 1998 and is now being reviewed by Ukrainian experts and USG/IMF advisors for Rada submission in April or May.

### **3. Expected Performance**

A major effort is underway to institute major reforms for the year 2000 budget, under a decree now in draft that addresses in detail the steps that need to be taken to improve the State budget and begin the process of reforming intergovernmental finance and local budgets. Efforts to strengthen the Budget Department, including program analysis, are covered in the planned reorganization of the Ministry of Finance in 1999 under a World Bank loan and also in a special program with a local think tank.

Supporting budget reforms will be the creation of a tax policy office in the MOF in mid-1999, with USG assistance, to work on formulating tax legislation and analyzing the impact of tax laws and revisions on the economy and revenues.

Assuming the tax code is enacted, tax administration will become still more important. Continued support will be provided for a broad range of activities contained in a workplan drawn up with the STA that includes organizational and procedural reforms in both central and local offices in conjunction with a proposed World Bank computerization loan.

Efforts are being initiated to make the Fiscal Analysis Office a permanent arm of the Rada, with the expatriate advisors phased out over time and all activities shifted to Ukrainian professionals hired by the Rada. Advisors will do further work on intergovernmental finance with the FAO and the MOF in 1999. As feasible, efforts will be directed toward development of local government revenue sources, especially the property tax, which requires major efforts to develop the necessary infrastructure and techniques for proper administration.

## **Strategic Sub-Objective 1.3a:**

### **A More Market Responsive Agricultural Sector**

#### **1. Summary**

This sub-objective contributes to the emergence of a competitive market economy in which the majority of economic resources are privately owned and managed by promoting a more private sector-oriented agricultural sector. Privately-owned farms produce and sell their output, they are privately organized and purchase their inputs and obtain credit from private sector suppliers.

USAID will consider this objective met when: (1) Sustainable nation-wide agricultural policy reforms are implemented; and (2) Private farmers in selected regions enjoy opportunities to increase their production and marketing of agricultural commodities. Ultimate customers: Private sector associations, private farmers, private agro-industries, various government agencies working toward reform (Presidential Commission on Agrarian Reform, Ministry of Agroindustrial Complex, others), agricultural institutes.

#### **2. Performance Analysis**

The overall pace of reform has been slow and uncertain, and the GOU has continued policy measures that perpetuated the adverse environment for private sector-led agricultural development. These measures included restrictions on private marketing of grain, and continued GOU programs to supply agricultural inputs and machinery, for which grain deliveries to the government are required as payment. Opposition to private land ownership and private farming has remained strong in Parliament and in many parts of the government. **SO 1.3a is far from being achieved at the national level.**

As a result of nearly three year's stalemate with the GOU, and a recognition that it is not likely to be able to resolve major policy reform issues in the near future, USAID is drastically changing its strategy toward agriculture. During FY 99, USAID will be closing all of its major projects in the agricultural sector in Ukraine. Two exceptions are a continued policy analysis project working toward reform through factual analysis of key policy problems and support for reform efforts of responsive government agencies and individuals; and a private farmer training and support project just commencing in Vinnitsa oblast. In addition, a consolidated Farmer to Farmer program will continue with one implementor.

With these exceptions, the main thrust of USAID's agricultural assistance will shift from the national level to targeted areas where the environment for reform seems more promising. During the year from March 1999 to March 2000, existing major projects in large farm restructuring and land privatization, agro-industrial enterprise (joint-venture) development, support for commodity exchanges, cooperative development, etc. will gradually shift their activities to three target oblasts – Lviv, Odesa, and Poltava, prior to their being closed out at some point between August 1999 and March 2000. Meanwhile, a new project is under preparation, which will incorporate many of these activities and add others, but will focus exclusively on the three target oblasts.

Though the main policy impediments remain, existing programs have achieved some measure of success as outlined below:

***IR. Improved capacity for agricultural policy formulation and analysis.*** USAID, working with other donors, has supported an improved Ukrainian policy analysis capacity through supporting: 1) the secretariat of the Inter-Ministerial Commission on Agrarian Reform (IMCAR), 2) an Agricultural Policy Unit in the Ministry of the Agro-Industrial Complex (APAU) and 3) Center for Privatization and Economic Reform in Agriculture under the Institute of Agrarian Economy. Through these three mechanisms clarity has been brought to the consideration of policy issues in Ukraine, and a number of policy errors have been forestalled (particularly in the export area). These groups have also added significantly to the capacity of reforms to fend off negative policy developments. Unfortunately, they have not been able to advance agricultural policy reform as much as had been hoped. But this work is of such significance that it is being continued.

***IR. Increased access to land for private farming.*** In 1998 the Agricultural Land Share Project continued the issuance of land titles and the restructuring of large farms into more commercial farming entities. In 17 oblasts, 357 farms have been restructured resulting in 496 legal entities registered, and 991 subsidiary farms set up; 550 regional and government officials were trained in the purpose and objectives of farm restructuring and issuance of land titles; 100 professional staff were trained in farm restructuring and tile issuance; and a post privatization program was initiated in 2 target oblasts. Land titles have been issued to over 34,000 people, with some 50,000 additional titles to be issued by June 1999. Most of the objectives of this project will have been achieved by March 31, 2000, when it closes -- key ones being over 600 farms restructured and 190,000 land titles issued -- although real private land ownership and a land market in agriculture remain a distant goal. The core activities of this project -- restructuring farms and issuance of land titles -- will be central to the new regional strategy project that will commence in March, 2000.

***IR. Increased access to agricultural inputs by private agricultural producers.*** The private sector in Ukraine, both private farmers and private agro-industries, remains severely constrained in Ukraine, despite major efforts by all donors. Despite these constraints, 22 private joint venture partnerships -- private farm-service centers, processing facilities, and other agri-businesses -- have been established with USAID support. Continued GOU interference in private agricultural market activities and non-payment of farm debts, has discouraged more US investment and joint-venture partnership activities however. This project too will concentrate its activities in the three target oblast until it is closed in March, 2000. But its core activity -- supporting joint, private sector agricultural support industries - will also be an important feature of the new regional project.

***IR. Improved marketing infrastructure.*** The USAID-supported process of mass privatization resulted in over 4,000 agroindustrial enterprises being privatized, with the long-delayed privatization of grain elevators now underway. As of March 4, 1999 the privatization process had begun for 434 grain elevators. Consequently, the 1999 target of 443 grain elevators privatized to 70% should be reached. The project is scheduled to conclude on June 30, 1999.

***Contribution of other donors*** The WB, EU/TACIS, the BKH Fund and USAID cooperate closely in their policy reform and project activities, and are jointly funding internal Ukrainian policy analysis through IMCAR. The World Bank is planning to begin a number of new projects

that are based on earlier USAID initiatives (Land Title Registration, Rural Credit, Agri-Business), enhancing the impact and sustainability of USAID programs.

### **3. Expected Performance**

The lack of progress in agricultural policy reform at the national level has caused USAID to shift its emphasis to local areas where there is greater support for open markets and private agriculture and agro-industries. USAID will continue support for policy change nationwide through selective assistance to institutions and groups that support reform, but will concentrate its agrarian reform efforts at the regional level. Most agricultural projects will terminate over the coming year and a new agricultural project is under design. Any projection of future progress will depend of the elections in October, 1999 and who comes to dominate agricultural policy thinking in Ukraine as a result of the election. The proposed agricultural strategy now rests on minimalist assumptions about future national policy change, but more hopeful expectations for policy changes in selected regions. Should the environment improve for agricultural policy reform over the next year, project efforts could be expanded beyond the three targeted oblasts, but realistically these are expected to be the main agricultural activities of USAID.

## **Strategic Objective 1.3b**

### **Privatized Enterprises are More Competitive and Efficient**

#### **1. Summary**

This sub-SO is responsive to the needs of enterprises during the post-privatization period. The objective focuses on skill transfer, privatization of certain assets, including unfinished buildings and land under enterprises, legal and regulatory reform, elements of financial sector development (accounting reform) and to a lesser extent, investment. Particularly in the transfer of skills and deregulation/policy reform areas, SO 1.3b is integrated into the broader business development program.

This sub-SO will be achieved when the business environment in Ukraine meets the demand for restructuring by offering the necessary business skills and services, and the numerous legal/regulatory constraints to enterprise growth are reduced or eliminated. An environment that encourages restructuring will involve (1) greater outside ownership and control over these privatized enterprises, as well as (2) an improved financial sector to allow for additional investment for restructured firms.

#### **2. Performance Analysis**

Performance for SO 1.3b in 1998 was not on track. However, this is due to deteriorating macroeconomic conditions outside of the scope of the SO, and is not a reflection of implementation problems. The economic crisis in Russia had an immediate negative impact on Ukrainian enterprises, for which Russia continues to be the largest trading partner. Output continued to decline and direct foreign investment was minimal in comparison to other countries in the region. Insiders continue to control many privatized enterprises, often slowing the pace of restructuring. Divestiture of social assets, particularly housing, proceeds slower than expected. However, enabling environment successes have been noted, particularly with regards to enterprise land privatization and accounting reform. Financial discipline is increasing in enterprises through conversion to International Accounting Standards (IAS). The recently established Center for Restructuring and Private Sector Development will pursue reform issues relevant to larger enterprises. Negotiations on accession to the WTO continue.

The SO indicator is change in industrial production. While official estimates of industrial production showed positive growth in the first half of 1998, the rest of the year showed continuing declines, ending at -1.5% over 1997 production levels. Due in large part to shrinking demand from Russia, industrial production is expected to contract a further 5% in 1999, stabilizing only in 2000 (Economist Intelligence Unit, Ukraine Country Report, 4<sup>th</sup> Quarter 1998). The Mission has revised its targets for this indicator for the period through 2002, to more accurately reflect anticipated macroeconomic and regional trends.

#### **IR 1.3.b.1: Improved access to market-driven business skills**

*Indicator: Enterprises Using International Accounting Standards* - Conversion to IAS is an essential step for Ukrainian enterprises to attract investment and accurately measure performance. In 1998, legislative progress was achieved through the drafting of the Accounting Law and through the SEC resolution requiring reporting based on IAS for all open joint stock

companies beginning in 1999. The USAID-funded Accounting Reform Project has trained over 1,000 Ukrainian accountants and auditors in IAS and assisted in the formation of the Ukrainian Federation of Professional Accountants and Auditors (UFPAA). TACIS has also been involved with accounting reform and advances in enterprise accounting are included in the World Bank EDAL II conditionalities.

IR 1.3b.2: Enterprises have the ability to own land and premises

*Indicator: Unfinished Construction Sites* - To date, over 5,000 unfinished construction sites have been privatized - over 1,000 with direct assistance from a USAID funded activity. Each privatized site represents a business opportunity, unhampered by old technologies and redundant labor. No other donors are directly involved, but unfinished construction site privatization is a World Bank EDAL II conditionality.

*Indicator: Increased Private Ownership of Enterprise Land* - While private ownership of land continues to be a hotly debated political issue, privatization of enterprise land is legal in Ukraine and regulations/procedures exist for enterprise to purchase the land underneath them. During 1998, the number of enterprises that purchased their land was 265, generating over 7.7 million Hryvnia (USD 2.6 mill) in revenues for local budgets. This far exceeded expectations. However, the number of secondary sales has been limited, due to the underdevelopment of the real estate industry and lack of demand for commercial property. USAID is the only donor working in this specific area, but coordination with the World Bank on a national title registration system is possible if the loan is approved.

### **3. Expected Performance**

It is unlikely that the overall situation for privatized enterprises will improve significantly during 1999. This is primarily a macroeconomic issue, however, with opportunities for positive change more realistic at the individual enterprise level. Therefore, assistance to privatized enterprises in key areas such as accounting, asset privatization and restructuring skills transfer will continue through the period. Due to a delayed start up of the enterprise restructuring project, measurable impact is first anticipated in 1999. The World Bank Private Sector Development loan, currently being designed, will increase the depth and number of restructuring activities in late 1999. A cut in funding for enterprise restructuring could jeopardize the momentum now building.

Priorities through FY 2000 for accounting reform in Ukraine include the passage of the Accounting Law in 1999, expansion of IAS certification and training programs, and establishment of IAS as the basis for tax accounting, auditing and government statistical reporting.

The pace of unfinished construction site privatization is expected to increase significantly in 1999, and assistance will continue through July 2000. Enterprise land privatization will also expand significantly, and fuel a growing secondary market for urban commercial real estate. Land lending supported by a new Law on Mortgages will open more credit options for businesses.

## **Strategic Objective 1.3c**

### **Expanded Role of Small and Medium Enterprises in National Economy**

#### **1. Summary**

This Sub-SO recognizes that small and medium enterprise (SME) development is an essential element of Ukraine's transition to a market economy. SME development can make a positive difference in peoples' lives through its impact on the labor market; over the long term SMEs are likely to become the largest source of employment for the people of Ukraine. In Western Europe, for example, approximately 50 to 70 percent of the workforce are employed by small and medium enterprises. According to official figures, only about 10 percent of the labor force in Ukraine are employed by SMEs.

In the near future, SMEs will play the critical role of absorbing the large numbers of unemployed workers who were dislocated by the restructuring of larger, privatized state enterprises. By creating jobs at nearly no cost to the government, supporting the development of small business can serve as a means to create an efficient and very cost-effective social safety net. USAID will consider this objective achieved when the high tax and regulatory burden on private enterprise is reduced, the weak financial system is improved to permit greater access for SMEs to credit and investment, and the level of business skills is improved.

#### **2. Performance Analysis**

The Government of Ukraine (GOU) demonstrated its support for SMEs through a number of measures and actions. An international conference on SME development in Ukraine with over 1000 participants was sponsored by the State Committee for Entrepreneurship Development (SCED) and held in Kiev in November as an outcome of the Gore-Kuchma Talks and with financing from USAID. Continued progress was made on extending business technical services throughout Ukraine during 1998. Some progress was also made in the finance area, with the launching of the EBRD Microcredit Program in December. USAID is financing technical assistance to banks participating in this program. This Sub-SO is on track.

#### **IR1.3c.1 - Improved access to market-driven business skills and information**

This IR is achieved through the expansion of sustainable services to businesses and the increase in businesses served by the various implementation mechanisms employed to provide those services. Starting with the base year of 1997 with a client level of 6,500 clients, the number of clients served in 1998 reached over 10,000. The NewBizNet Project did increase the number of USAID financed business centers in Ukraine in 1998 from seven to twelve. The potential for greater outreach by larger regional business centers was enhanced by a new program initiated by the Eurasia Foundation in late 1998 to provide funds expressly for this purpose. Five new business centers were opened in various regions of Ukraine and business incubators in Kiev, Kharkiv and Lviv were operational. Seven Ukrainian firms signed franchise agreements with twelve franchisees. A new Business Management Education Project was begun at the end of the year.

#### **IR 1.3c.2 - Legal, regulatory and political environment more conducive to business development**

In February, the President authorized the State Committee for Entrepreneurship Development to challenge regulations unfavorable to business development. Decrees to institute a flat tax, initially for market traders, and subsequently, to extend it to microenterprises were issued. A survey undertaken by the Regulatory Reform Project revealed a decrease in the time required for the registration of a new business from 35 days to slightly over 3 days. In addition, a presidential decree reduced the number of activities requiring licenses for businesses from over 100 to 41.

#### IR 1.3c.3 - Improved access to finance

Although the numbers of loans to SMEs did, in fact, increase in 1998, largely due to lending by banks participating in the German-Ukrainian Microcredit Fund, and the EBRD Ukrainian Microcredit Program finally was launched in December 1998, lending for SMEs has not achieved the volume envisioned in 1997. This was largely due to the spillover into Ukraine of the Russian financial crisis. General business lending by banks in the second half of 1998 decreased significantly as a result. It is unclear when this climate will change in 1999. Furthermore, USAID is currently working with SCED, the National Bank of Ukraine, and Parliament representatives to overcome legal obstacles to permit an NGO-MFA to be established.

### **3. Expected Performance**

Assistance to SMEs will expand throughout this period. An extensive survey of formal and informal SMEs in Ukraine is being undertaken in early 1999 and will provide the first substantive data on both formal and informal SME activity in Ukraine. The results of this survey and annual updates by local institutions participating in the first survey will permit the GOU and donors to measure the impact of various governmental policies and SME support programs on SME growth in Ukraine. USAID's support to business skills development will change in 1999 with the end of the creation of new business centers and the development of the business consulting industry as a whole, with a focus on SME services. USAID is currently working with Ukrainian political leaders to make changes in the law to permit an NGO-MFA to succeed. USAID will also broaden its support of improved policies for SME development through a series of activities that will strengthen the capacity of Ukrainian policy making bodies, including the GOU, Parliament, oblasts and municipalities to analyze and formulate policies favorable to SME growth. Past programs have concentrated on improving central government capacity, but the new focus will be on broadening support to progressive Parliamentarians and regional/municipal officials.

## **Strategic Objective 1.4**

### **A More Competitive and Market-Responsive Private Financial Sector**

#### **1. Summary**

In the financial sector the challenge has been to transform the financial sector from a mechanistic system to a service-oriented sector based on market principles – capable of providing financial support to consumers and businesses. The government’s role in the transformation is to develop an infrastructure that promotes safe, sound and responsive financial services and to provide the legal and regulatory framework that will allow the sector to operate effectively and responsibly. USAID will consider its objective of a more competitive and market responsive private financial system met when:

- (1) The fundamental financial infrastructure is developed that will increase public confidence.
- (2) Institutions and practices are established for an open, transparent and safe equity market.
- (3) A market-oriented legal and regulatory infrastructure is in place.

#### **2. Performance Analysis**

Irrespective of the financial crisis of the last half of 1998, progress in achieving this SO was "on track".

**IR1.4.1: Market-Oriented Private Banking Sector Developed .** The first part of 1998 was characterized by improving growth, exchange rate stability, and favorable expectations about future economic developments. In this environment interest rates declined and business lending increased -- particularly as yields on government securities dropped. After the August financial crisis, the National Bank took actions to defend the exchange rate (capital controls, higher reserve requirements). Banks thus had to reorient their portfolios to highly liquid assets, cutting back business lending. Despite the inauspicious economic environment, private banks continued to increase their market share relative to the former and current State banks and even exceeded the R4 target. This trend is expected to continue as some of the largest banks begin to make realistic provisioning for bad loan performance.

The USAID program was designed to develop the fundamentals (bank supervision, accounting and training) of a functional financial system, which are critical irrespective of the volatility of the economic environment. Thus, even in a difficult economic environment, most elements of the program were on track or even exceeding expectations.

The accounting and training programs are aimed at strengthening the commercial banks themselves. The accounting program, a joint project with EU-TACIS, has moved into the second stage and is on track. All banks have converted to international accounting standards.

**IR1.4.2: Transparent and Open Securities System Established.** Ukrainian capital markets development has been adversely affected by the global emerging market, regional and domestic financial crises. The leading stock market index (PFTS) began losing value in early 1998 with the advent of the Asian crisis, dropped further with the Russian economic crisis, and ended the year 33.3% lower than at the beginning of the year.

The regulatory part of the capital market program, however, progressed with enhancement of the legal framework and the development of the enforcement program. The Securities Commission continued its long-term program of building the regulatory framework by passing a regulation requiring IAS reporting standards for open joint stock companies as well as passing investor protection regulations: 1) restricting share dilutions; 2) limiting asset stripping; and, 3) suspending trading privileges for non-compliant enterprises. The target of adopting nine principal legal norms was exceeded. In addition, three laws, which have already been drafted with USAID assistance, are progressing through the legislative process: On Joint Stock Companies, On Collective Investment Institutions, and On Securities and the Stock Market.

The number of self-regulating organizations (SROs) licensed by the State Securities and Stock Market Commission (SSMSC) doubled its expected target in 1998. Each of the market associations exerts discipline over the actions of its members. During 1998 PFTS enacted the most disciplinary actions with 20 disciplinary cases and 8 arbitration cases. In addition, the others have exercised disciplinary actions against non-compliant members. Although, market performance has not met expectations because of external factors, the capital markets infrastructure and legislative development is on track.

**IR1.4.3: Market Supportive Legal System Created.** Clearly impeding the development of a market-oriented financial sector is the legal and regulatory framework that promotes sound financial practices and serves both the financial institutions and their customers. USAID supports the broadening and strengthening of the foundations of a market-oriented legal system. In addition to the legal and regulatory work done under the banking and capital markets projects, targeted areas of assistance have been in the areas of Collateral Law, Bankruptcy, and Regulatory Reform. All activities are on track and have contributed to the likelihood that we will exceed the 1999 R4 target for the number of supporting laws and regulations in place.

A major advance in the promotion of secured lending occurred on March 1, 1999, when the Central Registry for Movable Property was introduced in Ukraine. This Registry, recording pledges on movable property and tax liens, is the first nationwide electronic pledge registry in the Former Soviet Union. Further improvements in the legal framework will occur with the adoption of a new modern Bankruptcy Law. The draft of the new law passed its second reading in the Rada in December; final passage is expected before June. This new law will pave the way for financial restructuring of troubled enterprises. An additional challenge impeding growth is the overwhelming regulatory burden faced by Ukrainian enterprises. The government has adopted a coordinated deregulation strategy and since September has begun to implement its deregulation program with the aim of reducing the invasiveness of economic regulation and increasing the transparency, consistency and effectiveness of regulatory actions. Further deregulation has taken place at the regional level.

### **3. Expected Performance**

Activities in the banking sector are scheduled to wind down in the year 2000, with expectation that they will have achieved their basic objectives. Only intermittent, short-term assistance past that date will be continued.

The strategy for the upcoming year will aim to more firmly establish the institutions and practices for open, transparent and safe equity investment. Development of a central depository will represent the only "hard" activity during the period and should be completed during the year 2000. Other activities will combine partnerships between USAID and private institutions in the market (self-regulatory organizations) with continued support to the Corporate Governance Task Force and Ukraine's Securities Commission as long as they continue to move effectively in the direction of openness, transparency, and impartiality. The emphasis in working with the Commission will be to establish the missing key laws and implementing procedures, strengthen the delegation of self-regulatory authority to private parties, and improve enforcement particularly of shareholder rights and corporate governance.

USAID will continue to work in specific areas of legislative development that are most critically needed by the financial sector and the entities they serve. Within the year the Collateral project should be successfully completed, with the Registry expanded to include leases. Upon passage of the Bankruptcy law, regional financial restructuring pilot programs will be implemented to test the efficacy of the law; the enterprises restructured under these pilots will serve as a basis for a nationwide rollout. Regulatory Reform will continue to be vitally important. By the end of FY2000, SCED should be fully trained and capable of carrying out the regulatory analysis with minimal assistance. As the work with the central government scales down, work at the regional level will intensify. The current program will be expanded in FY99 to include assistance in the areas of Enforcement of Contracts/ Judgments and further development and passage of the Civil Code.

## **Strategic Objective 1.5**

### **A More Economically Sustainable and Environmentally Sound Energy Sector**

#### **1. Summary**

This objective contributes to increasing efficiency in energy production and use, restructuring energy companies, improving the environmental performance of the energy system, and conserving the energy resource base. USAID will consider this objective met when: 1) an improved legal and regulatory framework for energy is developed, providing an enabling environment for strategic private investment; 2) energy production and delivery has become competitive and financially sustainable; 3) Ukraine reverses the decline in domestic fuel production and reduces dependency on natural gas and coal imports from Russia; and 4) energy utilization becomes more efficient.

#### **2. Performance Analysis**

Overall, performance in achieving the strategic objective is not on track. This is due, primarily, to the poor rate of cash collections and the lack of incentives for energy efficiency. The role of the National Electricity Regulatory Commission (NERC), however, has been significantly strengthened.

NERC now takes a proactive role in issuing licenses to the market participants. It has also liberalized electricity retail pricing and eliminated the bid cap that was hampering the participation of generating companies in the wholesale market. Major achievements were implementation of the new market-based tariff structure, and establishment of cost-recovery tariffs for electricity generators and suppliers. In July 1998, NERC increased tariffs for the household consumers, thus creating a necessary 20% differential over industrial end-users (this was a World Bank condition). On March 10, 1999 the Constitutional Court of Ukraine declared the Parliament's freeze on tariffs for communal services to be unconstitutional; shortly after, NERC declared new price adjustments. The court decision helped to make NERC more independent of the central government and Parliament. NERC started regulating oil and gas distribution and supply businesses for the first time. A 25% retail tariff increase for gas for household consumers on April 1, 1999 was NERC's first major use of this new authority.

True market reform requires that customers pay for the energy consumed. But, this still is not universal, especially cash payments, because of interference by central and local governments. Privatization of energy companies with significant involvement of international strategic investors is essential to improve collections and achieve financial viability. Seven electricity distribution companies became private last year, but with ownership by portfolio investors who do not have management experience or the long-term investment plans to put the energy sector on a sound commercial footing. Financial Recovery Plan (FRP) implementation slowed significantly last year, due in part to the regional financial crisis. Cash collections dropped from 30% in June to 7% in December 1998. Non-cash transactions were widely utilized to conceal energy sector losses and procure fuel for the winter period. The wholesale market, however, continued to distribute all available cash in accordance with market rules, which is a significant achievement.

Another significant achievement last year was the creation of the Alternative Fuels Center (AFC), founded by the Ministry of Coal and Ukraine's Academy of Sciences, with USAID assistance. The AFC is the key agency in Ukraine coordinating all coalbed methane (CBM) related activities. The AFC took an active part in formulating the legislation to reduce taxes on CBM development. The World Bank recognized the AFC as the executing agency for a CBM pilot project. The AFC also took the lead in the implementation of a major Ukraine Government funded CBM pilot test program.

The USAID program to improve energy efficiency was active on both the national and local levels. In cooperation with the Energy Conservation and Energy Efficiency Working Group, and under the USAID-funded Program to Promote Sustainable Development, eight new private energy services companies (ESCOs) were launched in 1998. Two USAID programs of energy audits were completed: one of the steel and chemical industries and the other of medium sized, private industries. Thirteen plants in the chemicals and iron and steel sectors have implemented waste minimization programs, generating cost savings of \$2,595,000 per year.

The Housing Department of the Lviv City Administration inaugurated a new administrative unit with specific responsibility for implementing energy efficiency projects as a result of a USAID project. A demonstration program at the Lviv Boarding School for Children with Cardiovascular Disease was completed with the installation of state-of-the-art heat control systems that are expected to save 50% of heat requirements in 1998-99.

## **Strategic Objective 1.6**

### **Increased Environmental Management Capacity to Promote Sustainable Economic Growth**

#### **1. Summary**

This revised SO retains major elements of the previous SO for environment, but was reconfigured to correspond to the Mission's realignment of its overall strategy. Four energy efficiency projects no longer will be reported under SO1.6. The Lviv Vodokanal Energy Efficiency project was moved to SO2.3. Three other energy efficiency projects were moved to SO1.5: (1) City of Lviv Municipal Energy Efficiency; (2) Energy Efficiency Work Group; and (3) Industrial Energy Efficiency, Energy Auditing, and ESCO Development.

SO1.6 recognizes the dynamic interrelationship between environment and economic development and that many of Ukraine's constraints to sustainable development are rooted in environmentally related causes: ineffective environmental policies and regulations; inefficient environmental management at industrial and municipal facilities; and lack of financing for investment in efficient environmental technologies. These constraints are exacerbated by a low level of public awareness and limited access to environmental information that keep many citizens and local communities from engaging in the public policy process.

Achievement of SO1.6 will require continued coordination with several other SOs: SO1.5 (environmentally sound energy restructuring); SO2.3 (more effective, responsive, and accountable local government); and SO2.1 (citizen participation).

#### **2. Performance Analysis**

- A. IR1.6.1 Strengthened policy, legal and regulatory framework for environmentally sustainable economic development.

The Council and Work Group Program to Promote Sustainable Development in Ukraine was the principal Mission activity devoted to strengthening the environmental policy, legal and regulatory framework. The project was interrupted at the end of the reporting period due to the conclusion of the mission contract responsible for administering the Council. The work of the Council is expected to resume in the third quarter of FY1999 under the management of the UNDP with increased participation by other donors. The measure for this IR is the number of policy reforms submitted or adopted, however the Mission did not set a target for FY1998. The actual number of reforms submitted by the Council was 6. This compares with 10 in FY1997. The Council's achievement of building an inter-Ministerial, inter-sectoral policy development process was as important as the actual number of reforms proposed. The net result was an increased integration of environmental concern into the policy making processes of the sectoral Ministries.

- B. IR1.6.1.2 More internationally consistent, cost effective, and locally effective environmental regulations.

The demonstration of internationally recognized environmental assessment (EA) procedures in Ivano-Frankivsk Oblast measures alternative analyses conducted and public participation opportunities above and beyond those currently required by Ukrainian law. The EA demonstration has conducted one public scoping meeting, one town meeting and has established a public advisory committee and a technical steering committee, in addition to working with local NGOs to establish repositories for public comments. The technical analysis has examined three alternative development plans. The project began with a baseline of zero for public involvement and one for alternatives. The national environmental authorities began the project with serious doubts that the decision-making process could be managed with public scrutiny and involvement and have realized that public participation can result in an improved project design. The acid test for this demonstration will come in January 2000 when the decision is announced and the authorities will learn whether the public accepts or rejects the outcome of the EA process. The project has involved implementers in SO2.3 (Eco-Pravo/Lviv) as it aims to formally modify existing Ukrainian law on EA.

C. IR1.6.3 Improved environmental management practices and adoption of environmentally sound technologies by private and public sector entities

The continuation of the Energy Conservation/Waste Minimization Demonstration Project, managed by the World Environment Center (WEC), met FY1998 targets when \$96,800 worth of investments in 12 projects at 5 enterprises were made to monitor energy consumption and waste discharge. The demonstration projects achieved an estimated annual operating savings of \$1,379,000 and an equivalent pay-back period that averaged less than six months. Environmental benefits were estimated at 15.2 million cubic meters less consumption of natural gas and corresponding amount of reduced carbon emissions. In FY1999, the project turns to the question of sustainability without further USAID-funded assistance from WEC.

D. IR1.6.4 Increased Empowerment of NGOs and citizens to affect environmental decision-making

The FY1998 reporting period marked the end of this four-year activity managed by ISAR in which the number of environmental NGOs grew from 154 to over 620. The measure for FY1998 is whether ISAR was successful in transforming its local office into a Ukrainian organization capable of continuing assistance to NGOs without additional USAID assistance. Due to delays in obligating FY1998 funds to ISAR, this transition is expected to be completed in the last quarter of FY1999.

### **3. Expected Performance**

#### **A. Global Climate Change**

Beginning in FY1999, SO1.6 will report on the Mission's activities that support Agency's Climate Change Initiative (CCI) under Result #1: Increased participation in the Framework Convention on Climate Change.

In response to Ukraine's commitment to the Framework Convention on Climate Change by signing the Kyoto Protocol, the Mission intends to provide technical assistance in developing

programs for Joint Implementation (JI) and Emissions Trading. It is recognized that a number of features are critical to a successful emissions trading or joint implementation system, including: a national emissions inventory; national mitigation analysis; a national strategy or action plan; procedures for monitoring and verifying greenhouse gas emissions; procedures for receiving, evaluating and approving JI proposals; and legally binding emission reduction targets.

## B. Local Environmental Action

With increased public awareness, communities (authorities, citizens, and enterprises) may be able to take modest steps at the local level to reduce harmful emissions and increase efficiency, even in the most pessimistic budget scenarios. USAID will seek to transfer the lessons learned from the US-funded Local Environmental Action Program (LEAP) in Poland. LEAP methodologies will be demonstrated in at least 2 Ukrainian communities. Working with existing networks LEAP methodologies will be made available to an additional 10 communities by 2001.

The USAID Partnership Program now has six partnerships operating in Ukraine: one with a generating company, three with electricity distribution companies, one with an integrated power company, and one with the regulatory commission. These programs are promoting the exchange of information and transferring best available practices on commercial procedures to Ukraine, using an approach that is changing the culture of these companies. For example, customer service, annual reports and business plans are completely new ideas for operating power companies.

Another aspect of culture change is the USAID training program. The graduates of the first two classes of the energy-centered MBA program are already having an influence in their companies and agencies out of all proportion to their numbers. The short-term training programs also are having a narrowly focused impact on business practices. The overall condition of the economy, the still heavy hand of the Ministry of Energy, and the interference in the sector by national, regional and local authorities are resulting in the slow deterioration of the energy sector, however.

### **3. Expected Performance**

USAID will continue to assist NERC to regulate electricity, oil and gas markets, and to put market-based tariff mechanisms in place. USAID will help reinforce the FRP implementation by the GOU to enable the power sector to achieve commercial profitability. USAID will offer assistance with strategic privatization, which is essential if all consumers are to pay their electricity costs in cash. USAID will continue to support the Alternative Fuels Center which is promoting the legislative and regulatory changes needed to attract foreign investment into the CBM industry in Ukraine.

Based on previous and current development work in the field of energy efficiency, USAID will focus on demonstration projects in the municipal sector aimed at stimulating low-cost energy savings measures, improving local district heating systems, collecting and disseminating information on improved thermal performance, and stimulating the domestic energy efficiency products industry. If funds are available, USAID will follow up its work in the industrial and commercial areas, attempting to create incentives and mechanisms for implementing well-known

techniques. The impact of major conservation efforts on Global Climate Change objectives is a major consideration in this effort.

## Strategic Objective 2.1

### **Increased Better-Informed Citizens' Participation in Political and Economic Decision-Making.**

#### **1. Summary**

This Strategic Objective encompasses key aspects of a functioning civil society, in which well-informed citizens engage and participate in a transparent, accountable, and equitable political system. USAID implements this strategy through programs that support citizen advocacy, free and fair elections, issue-based political parties, independent media, and a broad sphere for public policy debate.

#### **2. Performance Analysis**

Civil society programs in Ukraine are on track: they have achieved significant positive results. With some exceptions, results as measured by key indicators are at or above expectations, and grounds for optimism persist. Thus it was encouraging that the parliamentary elections of March 1998 were generally free and fair, although opponents of reform won many seats.

Unfortunately, the larger political future for democracy looks bleak. Ukrainians still have very little confidence in their ability to assert their rights against the government, despite occasional victories when citizens assert themselves. Citizens have seen entrenched powers act sharply to tame or discipline the media, and watched politicians position themselves to control electoral contests. Members of the new elite aggressively line their pockets, while neither government nor parliament has moved ahead with needed reforms. Many forces combine to inhibit citizen activism, yet economic distress and frustration with poor government performance also generate interest in democratic change. Great numbers of people are genuinely committed to the idea of a democratic civil society, and are working hard in that direction. USAID programs that support citizen empowerment have been finding these individuals and groups, and helping them to make a difference. Such programs are building for the future and helping to create the kind of human and institutional capacity that will be needed to build a civil society from below.

**Increased, better-informed citizen participation.** Increases were tracked by two indicators: (1) polling data on those who report that they understand the political process, and (2) the level of participation in NGOs. Data collected about the public's perceived information levels was above the target for 1998. This is a very encouraging statistic, given the setbacks in the situation of the media. The level of participation in NGOs has increased, but remains well below projected targets. Both of these results are positive.

**Information:** The **quality** of information available to citizens is important. **More unbiased public information available to citizens.** Exposure to non-government and politically unaffiliated news sources has increased dramatically. This result is especially impressive because of the economic difficulties which hit advertising-dependent independent media so hard in 1998. This confirms that even in hard times, locally produced news is good business.

**NGO participation** is actually thriving in the groups we assist directly. This demonstrates that with encouragement and training, citizen groups are able to survive, to meet their members needs, and to attract new members. In 1998 a corporate challenge program helped many NGOs locate local sponsors and build partnerships for the future. These groups are also learning from each other, and from successful NGO activity in other formerly socialist societies. An outstanding example of this process is the formation in March 1999, of "Freedom of Choice," a coalition of more than one hundred non-partisan NGOs from all over Ukraine that have united to support fuller citizen participation in free and fair elections.

While all NGO activity is inhibited by burdensome or inconsistent regulation, some citizen groups have more difficulty than others. Polling data shows that despite the serious obstacles they face, members of independent trade unions are fiercely committed to reforms, and to citizen advocacy. Organizational training for independent union members has also assisted these important advocacy groups to grow by 26% compared with 1997.

**Elections are free, fair, and transparent.** The parliamentary elections of 1998 were judged free and fair, despite some illegalities. There is a great deal of evidence that the USAID contribution to the fairness of the 1998 parliamentary elections was quite significant. USAID-supported groups held candidate debates and constituency meetings, and conducted regular polls that kept public interest high. Public service announcements and civic education campaigns informed voters about the process.

### **3. Expected performance**

Progress toward achievement of this SO will continue to be uneven. Citizen understanding, participation, and advocacy should continue to grow; but target levels of confidence that citizen rights can be successfully upheld are unlikely to be met without a shift toward greater political power for reformers, and adoption of a reform agenda that begins to make a difference in daily life.

Citizen activism, especially among the young and among those who are willing to press for government attention to specific needs, should continue to grow. Nonetheless, it is unrealistic to expect Ukrainian NGOs to become financially self-sufficient at any time soon. While societal resources remain low, such groups are likely to remain dependent on outside funding in many respects for quite a while. Because vehicles and modalities for citizen participation seem so central, and because interest is so keen, we should allocate more to organizational training for those trying to build sustainable NGOs -- and for NGOs that operate across the full spectrum of civic activity. Energy and interest are keen for such training across Ukraine: we should respond.

## Strategic Objective 2.2

### Legal Systems that Better Support Democratic Processes and Market Reforms

#### 1. Summary

The Government of Ukraine's uneven commitment to reform of the country's legal system poses a serious long-term threat to the democratic order as citizens question the integrity and legitimacy of poorly functioning political institutions. Though the obstacles are serious ones, the need is plain. USAID is assisting the relevant institutions and actors to lay the groundwork for a law-based system compatible with the requirements of a market economy and democratic rule through programs that encourage professionalism and assist reformers, as well as advocacy and outreach programs.

#### 2. Performance Analysis

Although progress has been slow, the pace of reform is generally at the level expected. The adoption of the 1996 Constitution remains Ukraine's only major legal reform achievement to date. The courts continue to complain of insufficient budget resources, and many judges do not have access to new laws and normative acts. Lack of qualified legal professionals, little public awareness of legal rights, and widespread corruption continue to contribute to low levels of citizen trust and involvement in the legal system.

Ukraine's ranking as measured by the Freedom House composite rule of law scale did not improve in 1998 -- but remained relatively stable. This is in accord with the mix of results, which shows that while disappointments persist, progress toward achieving the SO in some respects remains "on track."

One of the areas of progress has come at the very top. **IR 2.2.1: Courts carry out their role as an independent branch of government**, is beginning to be realized. The Constitutional, Supreme, and High Arbitration Courts have all issued decisions against the executive branch that by most accounts demonstrate a high degree of independence from the executive or legislative branches. Both the Arbitration and General Court systems had an increase in civil cases last year, the Arbitration Court greatly so. People are using the courts to resolve civil lawsuits and to defend themselves from over-reaching by executive agencies. Both courts reported an increase in the number of cases reviewing administrative decisions and the number of cases ruling against the executive -- a fact which has drawn executive branch criticism. The Supreme Court has clearly articulated in the press that its job is not to serve the government, but to base its rulings on the laws and constitution in force. The Constitutional Court continues to rule in favor of individuals against the government and continues to decide balance of power issues among the branches of government.

**IR 2.2.1.1: Increased capability of judges**, has not met expectations as measured by the indicator "access to current texts of laws." A number of factors conspired to frustrate efforts to provide modern information services to oblast judges in 1998. However, since everything is in place to make this happen, the result should be achieved in 1999. USAID projects did help the Constitutional Court by the installation of a LAN and all three courts were aided by the expansion of their library holdings and acquisition of computer equipment to do legal research.

The judges of all three court systems have continued to attend judicial education programs and the Supreme Court has established an effective judicial education center that has the capacity to produce educational materials.

At the same time, progress continued on drafting efforts, judicial reform, strengthening of legal advocacy NGOs, and other legal reform areas. USAID projects that provided training, support for the new judicial training center, procurement of legal databases and other resources, and technical assistance in improving court management have all contributed to strengthening judicial independence, especially given the limited budgets allocated to the courts by the government and the lingering practice of executive branch and other influence on judicial decisions. Statistics for court referrals to mediators show that training programs in Alternate Dispute Resolution (ADR) techniques are having an effect by offering an alternative approach to certain kinds of conflicts. ADR can appeal to citizens that fear or mistrust the courts, while building confidence in the responsiveness of the emerging legal system and professionalism of its practitioners.

**IR 2.2.2: Constitution, civil and criminal codes, and supporting legislation meeting Western standards are enacted.** Expectations have not been met in this area. Ukraine still lacks a post-Soviet civil code, civil procedure code, and other fundamental legislation essential for economic and democratic reform, as well as certain legislation that is necessary to meet Council of Europe membership requirements. Furthermore, there are significant shortcomings in the institutions and processes for drafting, adopting, and implementing such legislation. Yet while progress has been painfully slow, there have been reasons for optimism because of positive results achieved by targeted support for specific legislative drafting working groups, a program to strengthen parliament's analytical and legislative drafting capabilities, training for parliamentarians, and support to non-governmental public-policy and advocacy organizations that are attempting to influence legislation. This technical assistance has produced positive results in the Verkhovna Rada, where two committees held open hearings in 1998.

### **3. Expected Performance**

An active citizenry pressuring the GOU to fulfill its responsibility in establishing the rule of law is particularly important in the early stages of the formation of the legal system, and USAID will place increasing emphasis on programs that empower citizens and NGOs to have their legal rights enforced and to hold others accountable to the law. Activities to achieve this goal include support to legal advocacy NGOs, business associations, consumer and special interest groups, pro bono legal clinics, legal support centers for non-state media and independent trade unions, and associations of advocates (defense attorneys). Receptivity to programs of training, and technical assistance, as well as a successful program to publicize legal information, the availability of legal services, and successful examples of legal advocacy in the media, encourage optimism about continued success in the area of increased public awareness of laws and competent counsel available to the public. Where the public seems ready to work on corruption problems at the local level, USAID plans to pursue the organization of integrity-building workshops in 1999.

## **Strategic Objective 2.3**

### **More Effective, Responsive and Accountable Local Government**

#### **1. Summary**

Improving the capacity of local governments to manage resources and provide services is crucial to the success and sustainability of Ukraine's overall reform effort. Assistance at the local level has not only visible impact on people's lives, but also improves public perceptions of and experience with democracy and economic reform. There is growing evidence that local governments with the capacity to exercise well-informed choices, in partnership with citizens, can solve problems, identify and maximize opportunities, narrow the gap between resources and responsibilities, and engage and influence the central government on policy issues important to local governments. Strengthening local government management capacity, encouraging citizen participation and access, fostering accountability and transparency at the community level, and ensuring legal sustainability under S.O. 2.3 are the keys to the sustainability of the Mission's community-based efforts.

#### **2. Performance Analysis**

USAID/Kiev considers progress towards the achievement of this strategic objective on track as targeted local governments and citizens work together to solve priority community problems and to identify opportunities for future development. These efforts do ultimately serve the customers, the citizens, by bringing about tangible improvements in service delivery and infrastructure, as well as a more healthy city budget. Sharing positive experiences and lessons learned with other local governments in Ukraine and in the region have also facilitated the duplication of effective approaches in other localities. IRs that were below expectations were mostly those associated with actions at the central government level or dependent on measurable results in the U.S.-Ukraine Foundation's Community Partnerships Program that did not materialize because of delays in effective implementation.

To more accurately reflect improved management, progress towards the achievement of Strategic Objective 2.3 is measured by the "number of cities using financial analysis models." The most popular financial analysis model is the computerized budget Financial Analysis Model (FAM) (developed through USAID's Effective Local Government program) which provides municipalities, for the first time, with a clear picture of the current and projected state of local finances (revenues and operating and capital expenditures). This information enables local authorities to manage their resources and assets more effectively, both in the short and long term. In addition, local decision-makers are able to present the local budget to citizens in an easily understandable format. This facilitates local government transparency and accountability that encourages citizens to participate and enables local authorities to be more responsive.

The budget FAM has also been used successfully by local governments to remedy shortfalls in financial distribution from the national government and as such is being used to ensure more reliable revenue distribution. Data provided through the budget FAM has also considerably strengthened the position of the Association of Ukrainian Cities in its efforts to increase local government financial autonomy and establish a more transparent intergovernmental distribution of financial resources. Though the target of 35% of the cities within the required population

range was not met, the results were quite close and the lack of a few cities did not detract from the effectiveness of these models. Currently, 32 cities (or 30% of the cities within the population range of 50,000 to 1 million) are using the budget FAM in its entirety, or are using elements of the budget FAM, or are using daily cash flow models developed as an addition to the FAM.

The performance indicator for I.R. 2.3.4. - Transparency of Government Operations Increased is "Use of competitive bidding by municipalities." The target was 5 cities, but this target was exceeded by 4, for a total of 9 cities. Under USAID's Urban Public Transportation Improvement project, 5 cities participated in three different tenders to choose spare parts for trolley buses, and these cities continue to use this process. In addition, 4 other cities, which benefitted from USAID training use competitive procurement on a regular basis for all major purchases.

Improved Management of Municipal Services and Assets (I.R. 2.3.1.1) is indicated by cities with improvement in specific services. The target of 12 cities was met in cities that benefitted from technical assistance and training at the trolley bus companies and vodokanals (water utilities). For example, as a result of trolley bus repairs with USAID-purchased spare parts under the Urban Public Transportation Improvement project, 166 augmented buses were added to city fleets.

Four cities supported by USAID programs showed significant improvements in the quality of water (by 7% in one city after the purchase of more effective chemicals), or in the reduction of energy consumption (such as 25% in one city which is equivalent to \$60,000 per month). The reduction in energy consumption was achieved by the closing of booster pumps, or the installation of energy efficient pumps and adjustable speed drives.

### **3. Expected Performance**

In terms of achieving measurable results under SO 2.3 for the local government/municipal development program in Ukraine, it is clear that adequate resources are critical. However, for FY 2000 significant financial resources are devoted to the Community Partnerships Program implemented by U.S.-Ukraine Foundation. Unfortunately, because of U.S.-Ukraine's problems with staffing, management and administrative delays, there has been no progress toward meeting the IRs for SO 2.3 after over one and one-half years of implementation of the Cooperative Agreement.

Consequently, we are planning that all the local government/municipal development resources not be tied up in this activity and instead provide adequate, but not all the planned, funds to U.S.-Ukraine, based on projections of a slightly increased burn rate over the historical expenditure rate. This adjustment would allow the Mission to fund the necessary programs and activities to achieve measurable results in the ambitious and critical municipal development program as stated in the Mission strategy.

## **Strategic Objective 3.2a**

### **Improved Sustainability of Social Benefits and Services**

SO 3.2a aims to reform the social service sector in order to provide a sustainable social safety net for vulnerable groups and increase support for economic transition by working with GOU counterparts, supporting social service NGOs, and by providing humanitarian assistance. On average, the SO is on track, with some indicators exceeding expected targets, others meeting targets, and a few falling short due to the dire economic situation in Ukraine.

#### **Working with GOU Counterparts**

During the past year, USAID has worked closely with the Supreme Rada, the Ministry of Labor and Social Policy (MLSP), and the Pension Fund to review and amend the draft laws on Mandatory State Pension Insurance and on Non-State Pension Funds. This work has led to several fiscally unsustainable proposals being rejected, and to substantial amendments being introduced in the drafts under consideration by the Supreme Rada. An important achievement has been the creation, within the Pension Fund, of a new Office of the Actuary in August.

The Cabinet of Ministers has raised the percentage of income from 15% to 20% families must pay toward the monthly cost of housing and communal services if they receive a subsidy. This has saved the Government 300 million hrn (approximately \$75 million). The percentage of families owing for more than two months for housing and communal services continues to climb, having reached 38% by the end of 1998. As a result of several Cabinet of Ministers' decrees drafted by USAID consultants, the cost of the housing subsidy program is being reduced and the caseload contained. The new family assistance program, created in February 1999, with advice from USAID, is the next important step toward phasing out untargeted social benefits. The enactment of a new program of targeted family assistance provides cash supplements to families with per capita incomes below 41 UAH (\$10) per month and without adults able to work. This will serve 400,000 very poor families in the first year.

Combined spending on eight social assistance programs is projected to decline from 25% to 24% of the State Budget in 1999. This is still above the target but is difficult to reduce due to the continued economic crisis in Ukraine. Indebtedness will continue to climb, probably exceeding 40% by the end of the year -- in the absence of any restructuring of the housing and communal services sector. It is important to note that there are currently no sanctions for those who fail to pay. Effective April 1, 1999 tariffs for electricity and gas (which are nationally determined), were raised to 100% of costs. Oblasts and local governments are already raising tariffs for other communal services and costs should reach 100% for most services by the end of 1999. In 1999, we anticipate possible passage of amended state pension reform law; possible passage of non-state pension reform law; introduction of personified reporting in all oblasts; training of Office of Actuary and the wider use of the PROST.

#### **Social Service NGO/PVO Program**

Significant progress has been made by social service NGOs in improving their organizational infrastructure, management capacity and diversification of financial resources. Through training,

round tables, NGO exchanges and workshops, USAID responded to the needs of organizations to improve management planning and expand service capacity (tenfold over the course of the program); helped build cross-sectoral partnerships with government, business and NGOs; and, increased volunteerism. USAID also provided over 120 seed grants to 84 organizations, and instituted the revolutionary and successful Corporate Challenge Grant program. USAID grantees worked closely with national and local level officials to draft new legislation that would improve the legal and regulatory environment for all NGOs.

Successes to date include: the Victoria drug/alcohol rehabilitation center in Khmelnytsky, which developed a long-term strategy for fund-raising and sustainable service delivery, and approached the national government for assistance, and were granted a former military base to use as their rehabilitation center and lab; Way to Home in Odesa opened a service office providing the homeless with registration assistance, medical services, food and clothing, helping 15-20 new clients a day. In cooperation with other NGO donors such as the British Council, Eurasia Foundation, UNDP, EU/Tacis, Winrock and IRF, a grantee database and a Donors' website were created. However, there is a lack of progress in improving the regulatory environment for NGOs, making it even more difficult for them to function and find ways to finance their activities during the economic crisis in Ukraine: the new NGO law has been waiting over a year to be read in Parliament.

The next phase of the program includes more targeted training and technical assistance. Emphasis will be placed on NGOs dealing with children/youth-at-risk and drug/alcohol prevention/ rehabilitation, and HIV prevention, as well as continuing with the disabled and elderly. In addition to seed grants, the corporate challenge grant program will be expanded to include government challenge grants.

Through the Community Humanitarian Assistance Program (CHAP), USAID supports the acquisition, delivery and distribution of excess military property to social service NGOs and government institutions serving vulnerable populations. CHAP has distributed over \$60 million worth of HA since 1994, and in 1998 provided support to 277 children's, 213 elderly, 282 invalid's, 128 medical and 363 social service organizations. CHAP also provides emergency assistance, as in the current flooding situation in Zakarpattia.

## Strategic Objective 3.2b

### Improved Health Care Service Delivery

#### 1. Summary

As Ukraine continues its struggles with making the transition to a market system, the health care system further declines. There is a strong linkage between the health of the Ukrainian population and the economic conditions of the country and Ukraine's potential for progress in making needed democratic and market reform. Strategic Objective 3.2b seeks to reverse the decline of the health status of Ukrainian citizens by assisting in the transition of the Ukrainian health care system to a sustainable sector capable of meeting the overall needs of the population through: (1) increasing the capacity of the primary care system to provide services and; (2) supporting legislative and policy reforms supportive of primary health care at all levels of government.

#### 2. Performance Analysis

In 1998, after a thorough assessment of the health needs of the Ukrainian population, a new strategy and health indicators were drafted by the Health Team reflecting the need for a more efficient and effective health care system. Primary care was chosen for its prevention focus and less costly generalist delivery system. Since this is a new strategic objective, **there is no performance rating.**

General progress in health care has been steadily increasing due to growing western influence. USAID health programs offering access to the Internet, study tours and training have increased the level of technical skill and knowledge. Unfortunately, the GOU continues to disregard the health of its nation, decreasing the GDP spent on health yet again in 1999 to less than 3%, down from 3.7% in 1996. (WHO recommends 7-15%.) The government continues to provide all health care free of charge. Tertiary care hospitals with long hospital stays and a high referral rate to specialty physicians are still the norm.

This is the first R4 in which the health team has participated. The Results Framework has recently been revised to more accurately reflect projected health activities. Our indicators were chosen to represent the performance of SO 3.2b (formerly known as SO 4.1 under Special Initiatives) for the R4. IR4.1.1.1: Increased capacity of health care system to provide primary health/family medicine services is most representative of the strategy, focusing on primary care (including family medicine).

The Partnerships Program (American International Health Alliance/AIHA) opened two Women's Wellness Centers and two Emergency Resuscitation Centers this year in a shift toward implementation of primary/preventive health clinics and away from expensive long-term tertiary hospital treatment. The Chernobyl Childhood Illness Project, a Congressional directive, focuses on thyroid cancer screening and psychosocial issues in children affected by the Chernobyl Disaster.

Another Congressional directive, reproductive health, is being implemented to reduce reliance on abortion as a fertility control method and improve availability and access to high quality contraceptives. The program has updated health providers in clinical and counseling skills in

family planning and reproductive health through Training of Trainer courses. Ukrainian health professionals who have completed these courses have now trained over 2000 health care workers. The reproductive health program has had a positive impact on abortion rate which dropped from 58.2/1000 in 1995 to 39.0/1000 in 1998.

### **3. Expected Performance**

In the next year, the USAID health division will focus on primary care as the target of aid to Ukraine. Six primary care sites will be supported by American health care systems in a mutual partnership effort to increase knowledge and provide low level technical equipment to primary care sites in Ukraine. A new health care finance activity will address financing the costs of health care, restructuring of the medical curriculum, and the introduction of family medicine. A functional analysis of the Ministry of Health is planned in collaboration with the World Bank. The next step in the health information systems program is to expand to include surveillance systems. The combination of these two tracks will enable Ukraine to monitor and accurately predict disease patterns and outbreaks, an important component of disease prevention activities. The Chernobyl Childhood Illness Project will open three Ukrainian-American health centers providing thyroid cancer and psychosocial screening to children in radioactive contaminated regions.

A National Reproductive Health Survey is planned for 1999 to assist in decision making around program implementation. A Demographic Health Survey (DHS) will examine data needs as noted in the Mission Health Strategy. It is anticipated that the results of these reviews will be utilized to incorporate women's health into the Partnership Program's primary care centers. As part of the women's health initiative, the recent focus on STD/HIV programs will be expanded from a pilot project to a three year long program focusing on prevention of, and education about STD/HIV among high risk groups.

#### **SAA 4: The Eurasia Foundation**

The Eurasia Foundation's grant program in Ukraine is quite extensive. The Foundation targets institutions that hold the promise of becoming models or leading instruments for effective political and economic progress. By targeting such institutions, the Foundation seeks to multiply the effect of its program investments and to have impact beyond the confines of a particular project. In this way, the Foundation uses its resources to promote changes in systems, processes, and behavior.

In accordance with this strategy, in 1998, the Western NIS Regional Office (WNIS-RO) awarded \$1,959,880 in Ukraine for a total of 136 grants as follows: (Grants made by the Washington, DC Office are not included in this report)

Business Development: \$487,764/ 28 grants for agriculture entrepreneurs association, business support centers, business institute, science and technology park;

Business Education and Management Training: \$142,372 / 3 grants for post-privatization support center;

Economics Education and Research: \$34,649 / 3 grants for economic think-tank, university publishing project;

Electronic Communications: \$44,958/ 3 grants for Internet connectivity and training at higher education institutions;

Media: \$109,513 /13 grants for ecological association publication, journalist training center, individual journalists and media outlets;

New and Innovative Projects: \$32,046 / 3 grants for preparation of text and series of seminars on social work;

NGO Development: \$394,269/ 43 grants for NGO resource centers, environmental protection association, publication and related activities of information center;

Public Administration: \$57,138/ 4 grants for media association election project, self-government foundation;

Rule of Law: \$657,171/36 grants for young lawyers association, consumer protection association, public legal education center, legal aid society.

In addition to "regular" grantmaking activities, the WNIS-RO awarded \$409,687 to the Housing and Municipal Reform Support Center, a housing and municipal reform program that promotes condominiums and private maintenance; \$213,083 to the Economics Education and Research Consortium at the University of Kyiv-Mohyla Academy, a program administered by EF. It also runs a Small Business Lending Program through a local Ukrainian bank (Agiobank).

In 1998 the WNIS-RO also implemented a number of targeted initiatives involving grants competitions along thematic lines. These include the Belarus-Ukraine Cooperation Program, in support of information exchange between Belarusian and Ukrainian individuals and organizations; the Ukraine Third Sector Development Program, fortifying the support system of the non-profit sector through expansion and improvement of an NGO resource center network and bolstering sector-wide infrastructure development projects; and a two-fold rule of law Outreach and Advocacy Campaign Grant Competition, building capacity in civic organizations

to provide legal advocacy services and inform their constituencies about citizens' rights enforcement and protection.

In 1999, the WNIS-RO is placing strong emphasis on small business development, having launched a major "Small Business in Small Towns" targeted initiative aimed at extending the depth, breadth and reach of regional business development entities; rule of law, as the Outreach and Advocacy grantees continue implementing their grants; and NGO development, with the *Increasing the Sustainability of Regional Ukrainian NGOs* program.

## **SAA 4: Women in Development**

Under SO 2.1, the Women in Development Program facilitates interaction and collaboration among women's nongovernmental organizations to help build a civil society in Ukraine. Through a grant to Winrock to strengthen the Kiev chapter of the NIS-US Women's Consortium, USAID is helping to increase Ukrainian women's participation and influence in economic and political life, and strengthen the long-term organizational capacity of women's NGOs and enterprises to participate equitably in the transition process. Since 1996, more than 3,000 women have been trained in leadership, entrepreneurship, women's human rights, advocacy, conflict resolution and fundraising. \$250,000 awarded in seed grants to 68 Ukrainian Women's NGOs, average amount size \$4,500. All 68 have been audited and successfully completed.

The number of active women's NGOs has doubled since 1997. The NIS-US Women's Consortium membership stands at 121 Ukrainian NGOs, three Belarusian, and four Moldovan. 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. The Committee on Family and Youth and its local offices in each oblast, together with six women's NGOs have successfully implemented goals from the Ukrainian National Plan for Action to Improve the Status of Women.

In addition to SO 2.1, WID programs actively support SO 1.3c through such activities as the increasing access to credit and business skills training. The new Women's Economic Empowerment Initiative (WEE) is a three year/\$2.1 million project, obligated in February 1999 to address challenges presented in strengthening women's business associations, advocacy, and entrepreneurship and promoting marketable skills for Ukrainian women. The goal of the program is to engage Ukrainian women in policy-level discourse on economic reform and deregulation. Businesswomen, employed and unemployed women, and women's business associations will be assisted in advocacy efforts.

- Three credit unions were created in 1998, which primarily benefit women, including those in rural areas
- Nearly 60% of women trained in entrepreneurial skills development created or reorganized their businesses. For every new business created by women entrepreneurs, 5 new jobs were created. About 10% obtained micro-credit after participating in training. In Kharkiv 90% of graduates of a women's entrepreneurship course opened their own small businesses, and kept them open for at least one year. Some 200 Kharkiv businesswomen and female politicians are advocating for economic reform.

Under SO 4.1, WID programs contribute to improved health care. FY 1998 funding for the Health Partnerships Program is being utilized to address domestic violence against women, and to tailor health and psychological services for trafficked young women victims returning from abroad.

Under SO 4.2, USAID initiated a cross-cutting integrated strategy to address trafficking of Ukrainian Women in February 1998. USAID oversees the activities in preventing the problem

of trafficking in women through providing economic opportunities and information/education campaigns, and assisting victims of trafficking through a variety of services. Funds are supporting media campaigns, a made-for-television docu-drama, and three women's crisis centers, in Donetsk, Dniepropetrovsk and Lviv. Anti-trafficking competitive seed grants were disbursed to 48 organizations across 56 towns and villages, totaling \$146,635. Most significantly, the anti-trafficking initiative has brought together the government and the third sector to address this concern. In February 1999, the GOU adopted an Action Plan to combat trafficking in women and publically acknowledged that its efforts could not have been successful without the active involvement of the NGO sector.

**SAA4: Participant Training**  
**USAID-funded Global Training for Development (AED)**

The Global Training for Development (GTD) project is funded by USAID and administered by the Academy for Educational Development (AED). The GTD project in Western NIS (Ukraine, Moldova, Belarus) continues to provide professionals and leaders with the practical knowledge and technical skills needed to create policies, programs and institutions which will support the transition to democratic governance and free market economies. Approximately half of the courses take place and/or include stopovers in Poland, in support of the Poland-Ukraine-American Cooperation Initiative.

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

- Since 1993, over 2,700 Ukrainian professionals have received training in the U.S. through tailor made courses under the NET and GTD Projects. As a result, the participants obtained professional skills needed to accomplish USAID strategic objectives.
- In FY 98 the total number of Ukrainians which GTD has assisted through the FFS (Fee-for-Service) mechanism was approximately 620, the number of Moldovan trainees is 11, the number of trainees from Belarus which GTD has assisted through this mechanism is 56.
- The percentage of women training participants has remained at nearly fifty percent in 1998 (53.3%).

#### **SAA4: Poland-America-Ukraine Cooperation Initiative**

The U.S., Ukrainian, and Polish governments signed a joint statement in October 1998 to launch a trilateral effort to facilitate the transfer of Polish experience in economic and democratic reform to Ukraine, and to support Ukraine's integration into Europe. The three sides elected to focus efforts under the Poland-America-Ukraine Cooperation Initiative (PAUCI) on macroeconomic policy, small and medium enterprise development, and municipal government. On March 17, 1999, the governments signed a memorandum approving a USAID plan to enter into a cooperative agreement with the Eurasia Foundation to create a Secretariat to manage grant making, project development, coordination, and information activities under PAUCI. A bridge grant to Eurasia is expected to be signed by the first week of April 1999 to facilitate a quick start-up. USAID has budgeted \$2,000,000 in FY 1999 funds for this activity, and expects to make available approximately \$2,000,000 annually for the next four to five years. USAID will be the primary source of support for PAUCI in its initial phase. The Polish Know-How Fund is expected to contribute substantial resources in the future. In addition, the Secretariat will seek support from additional, primarily non-governmental sources. The Canadian government and the European Union have also expressed interest in participating in the longer term.

The Mission has been promoting Poland-Ukraine cooperation actively for over two years, and will continue to emphasize cross-border activities in its broader program, in addition to funding official PAUCI activities as described above. There are more than 15 current USAID activities in Ukraine that build upon linkages with Poland, spanning multiple sectors, that will serve as the basis for or complement activities to be funded through the Secretariat. Cooperation with Poland through these programs has included study tours, short-term consultancies, partnerships with Polish institutions, and translation of texts and other information. Cross-border activities have included:

- support for Polish advisors from the Center for Social and Economic Research (CASE) to strengthen macroeconomic policy making capacity in the National Bank of Ukraine and the Ministry of Economy;
- leveraging Polish experts' experience in strengthening bank supervision, combating money laundering, resolving problem loans, and other areas;
- promoting public administration reform in Ukraine's Ministries of Finance and Economy through study tours to Poland, a series of seminars and visits by Polish experts including Poland's former Minister of Finance Jerzy Osiatynski;
- a newly-established partnership between the University of Minnesota, the St. Thomas Graduate School of Business, the Warsaw School of Economics and the Olsztyn University of Agriculture and Technology, to strengthen undergraduate-level business management education and continuing education for entrepreneurs in Ukraine;
- Polish study tours and consultancies to strengthen the State Entrepreneurship Development Committee (SEDC):

- incorporating Polish expertise and linkages in the design of planned micro finance and management consulting support activities;
- promoting trade linkages in the agriculture and food processing sectors through the ongoing Western Ukraine agribusiness support project and through a series of seminars held in 1998 by the Alliance for Enterprise Development;
- broad distribution of a translated best practices guide on Polish innovations in local government reform;
- linking the four USAID-funded regional training centers under the Community Partnerships Program with Polish experts specializing in areas identified as priorities by partnership communities (e.g. economic development);
- continuing support for cross-border activity through other municipal development activities. Linkages with Poland have been established to support USAID/Ukraine municipal reform under USAID's strategic planning, municipal finance, urban transportation, and water projects have made good use of cross-border experience; and
- third-country training in Poland in connection with multiple democracy, economic, and social sector reform activities. An example includes a recent, highly successful study tour to Poland for Ukrainian women parliamentarians. In 1999, training courses to be held in Poland will focus on press freedoms, pension reform, strategic planning and budgeting for municipal managers, and initiatives to combat trafficking in women and increase women's economic opportunities.

## **SAA4: Kharkiv Initiative**

Our objective is to assist the Kharkiv community in accelerating regional economic growth by helping to create a favorable business climate that will result in (1) an overall increase in private investments (both foreign and domestic) and (2) a development of trade links with the US private sector. The ultimate goal is to strengthen the private sector, in order to empower the people of Kharkiv to take control of their own resources and to improve their lives.

Kharkiv was the third largest industrial, scientific/research, and educational center in the former Soviet Union, after Moscow and St. Petersburg. With decreased demand for the output of these large, predominantly military-industrial enterprises, the economy of Kharkiv threatens to fall into stagnation if the small and medium private enterprise sector does not grow rapidly. Small and medium enterprises (SMEs) currently employ only approximately 8 percent of the workforce, and unemployment is high (nearly 35% of workforce), so there is great opportunity to make an improvement in the lives of the people of Kharkiv through promotion of SME development that will lead to increased employment and higher income levels for many people in the region.

Many obstacles are slowing private sector growth in the Kharkiv region. The local government does not sufficiently understand the role of the private sector in a market economy, the need for access to modern business skills before investment can be attracted to enterprises, and how to create an enabling environment for investors and businesses. Many of the problems with the environment for private enterprise development originate at the national level--including an excessive tax and regulatory burden for businesses; underdeveloped legislation on corporate governance, shareholders' rights, and bankruptcy; a lack of coherent vision regarding private ownership of land; and a financial sector that is unable to handle the needs of a market economy. Nevertheless, many constraints affecting enterprises within the region can be addressed by the Kharkiv government; these are discussed below.

*Large Enterprise Restructuring.* The large privatized enterprises in Kharkiv have not yet moved from state-ownership to the private ownership, and most of these enterprises have not yet undergone financial or even operational restructuring. One of the reasons for this resistance is the expected impact from reorganization--increased unemployment, as redundant workers are fired as enterprises strive to become more efficient and competitive. Other factors preventing restructuring include lack of business skills and information about how to restructure and compete successfully in a market economy.

*Growth of Small and Medium Enterprises.* Small and medium enterprises are a critical element in regional economic recovery. The expansion of the SME sector will provide labor with employment opportunities. Constraints to SME development that could be addressed at the local level--either by the Kharkiv government or by the donor community--include the excessively burdensome regulatory environment, the lack of business skills, access to finance, and the inability for enterprises to own land.

The Kharkiv Initiative is a US Government effort, with USAID playing a part in its success. The Initiative is to be a participatory development process in which the US Government supports the reforms that the oblast and municipal governments undertake. The first USAID activity in

support of the Kharkiv Initiative is collaborative strategic planning, as requested by the oblast. This exercise, a three-phase effort, is composed of an overall assessment of the region to identify those sectoral areas in Kharkiv oblast in which the greatest economic growth can be realized; second, further study of those areas identified in the first phase; and, third, specific action plans for each of those areas. Many of the action plans will rely upon Kharkiv Oblast Government to make reforms in order to realize economic growth.

While strategic planning is the first activity designed under the rubric of the Kharkiv Initiative, USAID, and other US Government agencies will continue to implement on-going activities in the region. These activities will support the overall directions identified by Kharkiv Oblast in the Joint Statement dated December 1, 1998, and include those which (1) stimulate entrepreneurial development by accelerating the creation of private businesses and generating new employment opportunities in the oblast; and (2) build a model of regional economic development and multifaceted cooperation with the United States.

USAID shall continue to work in the area of enterprise development, focussing on increasing employment in SMEs and increasing production by all sizes of privatized enterprises. Each of these represent positive change in people's lives: the former represents more people earning a salary by working in the SME sector, and improvements in the latter demonstrate a recovery in the large enterprise sector, which will imply increasing jobs and incomes for workers in privatized enterprises.

At the intermediate results level, success can be measured by looking at total time spent to register new business (e.g., local business climate more conducive to private enterprise development); number of consulting firms and business centers, and total number of clients served (a measure of market infrastructure); and number of firms that adhere to IAS accounting or have undergone financial restructuring (access to finance).

*Assist in the Creation of a Positive Business Climate.* In supporting the overall directions of the Initiative, and within the strategic planning process, USAID will work with the city and oblast governments to identify specific measures to be taken by local governments and the donor community for addressing key constraints to a positive business climate. Possible outcomes will include promotion of public-private partnerships and encouragement and assistance in open dialogue between government officials and private sector on issues of economic and investment policy.

*Develop Market Infrastructure Institutions and Services.* USAID's current programs focus on the local consulting sector capacity to develop and share a package of services (i.e., how to start up & register a new firm, how to do accounting and taxes, how to attract investment and access other sources of financing) needed by new and existing businesses, including both small/medium and large privatized firms.

*Helping Kharkiv Enterprises Gain Access to Sources of Financing.* Again, depending on the outcome of the collaborative strategic planning exercise, the US Government may also help introduce IAS accounting to make firms more attractive to investors; assist enterprises in undergoing restructuring; help to develop business skills among management of large privatized

enterprises; and provide assistance on establishing business contacts with potential investors from US.

## **ANNEXES**

## **PERFORMANCE DATA TABLES**

## SO 1.1: Increased Transfer of State-Owned Assets to the Private Sector

<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/Kiev			
<b>RESULT NAME:</b> SO 1.1: 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> percentage	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> World Bank	1995	—	40.0
<b>INDICATOR/DESCRIPTION:</b> Private sector component of GDP	1997	65	51.0
<b>COMMENTS:</b> World Bank estimated the statistics presented.	1998	70	63.3

<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/Kiev			
<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 over baseline	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> State Property Fund	1995	--	-0-
<b>INDICATOR/DESCRIPTION:</b> 70% private ownership of company	1997	8,000	7,012
<b>COMMENTS:</b>	1998	10,000	8,723

<b>OBJECTIVE: SO 1.1: Increased Transfer of State-Owned Assets to the Private Sector</b>			
<b>APPROVED:</b> June 1996 <b>COUNTRY/ORGANIZATION:</b> USAID/Kiev			
<b>RESULT NAME:</b> IR 1.1.1.1: People participate in auctions			
<b>INDICATOR:</b> Number of privatization and compensation certificates being picked up and invested			
<b>UNIT OF MEASURE:</b> percentage of total number of certificates issued	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> State Property Fund	1995	--	-0-
<b>INDICATOR/DESCRIPTION:</b> Ukrainian citizens claiming the privatization and compensation certificates issued in their name	1997	85	88
	1998	85	94
<b>COMMENTS:</b>			

## SO 1.2: Increased Soundness of Fiscal Policies and Fiscal Practices Management

<b>OBJECTIVE: SO 1.2: Increased Soundness of Fiscal Policies and Fiscal Practices Management</b>			
<b>APPROVED:</b> June 1996 <b>COUNTRY/ORGANIZATION:</b> USAID/Kyiv			
<b>RESULT NAME:</b> SO 1.2: Increased Soundness of Fiscal Policies and Fiscal Practices Management			
<b>INDICATOR:</b> GOU meets IMF deficit target			
<b>UNIT OF MEASURE:</b> Yes/No <hr/> <b>SOURCE:</b> Ministry of Finance, IMF <hr/> <b>INDICATOR DESCRIPTION:</b> budget deficit as percentage of GDP does not exceed limit in IMF program <hr/> <b>COMMENTS:</b> If deficit target changes during the year, then year-end target is reference. The 1998 target of 2.3 percent of GDP was met, though not without substantial revision of the 1998 budget and continued accumulation of wage and other arrears in the budget sector.	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1995(B)	--	No
	1997	Yes	No
	1998	Yes	Yes
	1999	Yes	
	2000	Yes	
	2001	Yes	

<b>OBJECTIVE: SO 1.2 Increased Soundness of Fiscal Policies and Fiscal Practices Management</b>			
<b>APPROVED:</b> June 1996 <b>COUNTRY/ORGANIZATION:</b> USAID/Kyiv			
<b>RESULT NAME:</b> IR 1.2.1.1: Budget preparation process is strengthened			
<b>INDICATOR:</b> Revenues equal or exceed forecast.			
<b>UNIT OF MEASURE:</b> Yes/No <hr/> <b>SOURCE:</b> Ministry of Finance <hr/> <b>INDICATOR DESCRIPTION:</b> as per adopted budget <hr/> <b>COMMENTS:</b> Budgets have tended to be unrealistic, with expenditures based on overly optimistic revenue estimates; revenues within 5% of estimates in adopted budget would indicate stronger budget preparation and avoid large expenditure cuts.	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1995(B)	--	No
	1997	No	No
	1998	Yes	No
	1999	Yes	
	2000	Yes	
	2001	Yes	

<b>OBJECTIVE: SO 1.2 Increased Soundness of Fiscal Policies and Fiscal Practices Management</b>			
<b>APPROVED:</b> June 1996		<b>COUNTRY/ORGANIZATION:</b> USAID/Kyiv	
<b>RESULT NAME:</b> IR 1.2.1.1: Budget preparation process is strengthened.			
<b>INDICATOR:</b> Expenditures at or below planned levels.			
<b>UNIT OF MEASURE:</b> Yes/No	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> Ministry of Finance	1995(B)	--	Yes
<b>INDICATOR DESCRIPTION:</b> as per adopted budget	1997	Yes	Yes
<b>COMMENTS:</b>	1998	Yes	Yes
	1999	Yes	
	2000	Yes	
	2001	Yes	

<b>OBJECTIVE: SO 1.2 Increased Soundness of Fiscal Policies and Fiscal Practices Management</b>			
<b>APPROVED:</b> June 1996		<b>COUNTRY/ORGANIZATION:</b> USAID/Kyiv	
<b>RESULT NAME:</b> IR 1.2.1.3: Intergovernmental finance system is restructured.			
<b>INDICATOR:</b> Central to local government funds transfers done on formula basis			
<b>UNIT OF MEASURE:</b> Yes/No	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> MOF Budget Department	1995(B)	--	No
<b>INDICATOR DESCRIPTION:</b> Budget for next fiscal year as proposed and adopted allocates funds to local governments based on specific weighted criteria rather than just on local deficit estimates.	1997	No	No
	1998	No	No
	1999	Yes	
	2000	Yes	
	2001	Yes	
<b>COMMENTS:</b>			

<b>OBJECTIVE: SO 1.2 Increased Soundness of Fiscal Policies and Fiscal Practices Management</b>	
<b>APPROVED:</b> June 1996	<b>COUNTRY/ORGANIZATION:</b> USAID/Kyiv
<b>RESULT NAME:</b> IR 1.2.2.1: Tax system supports economic growth	

<b>INDICATOR:</b> Major tax laws are revised using international standards, harmonized for incorporation into a single tax code, and submitted to Parliament			
<b>UNIT OF MEASURE:</b> number submitted to/approved by Parliament			
<b>SOURCE:</b> STI, Rada			
<b>INDICATOR DESCRIPTION:</b> VAT, enterprise profits (corp.income) tax (EPT), personal income tax (PIT), excise taxes, administrative provisions.			
<b>COMMENTS:</b> *Of the 4 submitted to Rada, 2 were approved: VAT and EPT. Target for 1998 was approval of the other two: PIT and excise taxes; latter was done by decree.			
	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1995(B)	--	-0-
	1997	3	4*
	1998	4 approved	3 approved
	1999	single code enacted	
	2000	N/A	
	2001	N/A	

## SO 1.3: Accelerated Development and Growth of Private Enterprises

### SO 1.3a. A More Market Responsive Agricultural Sector

<b>OBJECTIVE: 1.3a. A More Market Responsive Agricultural Sector</b>			
<b>APPROVED:</b> June 1996		<b>COUNTRY/ORGANIZATION:</b> USAID/ Ukraine ,Kyiv	
<b>RESULT NAME:</b> IR 1.3a.1.1. Improved capacity for agricultural policy formulation and analysis			
<b>INDICATOR:</b> More effective IMCAR, APAU and CPER			
<b>UNIT OF MEASURE:</b> number  <b>SOURCE:</b> IMCAR, APAU and CPER quarterly reports  <b>INDICATOR DESCRIPTION:</b> legislation, regulations and decrees prepared by IMCAR, APAU and CPER and approved by Cabinet of Ministers, President and/ or VR  <b>COMMENTS:</b> IMCAR-Interministerial Commission on Agrarian Reform under the Cabinet of Ministers; APAU-Agricultural Policy Analysis Unit under the Ministry of AIC; CPER- Center for Privatization and Economic Reform in Agriculture	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1998(B)	5	12 (2 have led to the CabMin Resolutions)
	1999	5	
	2000	15	
	2001	25	

<b>OBJECTIVE: 1.3a. A More Market Responsive Agricultural sector</b>			
<b>APPROVED:</b> June 1996		<b>COUNTRY/ORGANIZATION:</b> USAID/Ukraine, Kyiv	
<b>RESULT NAME:</b> IR 1.3a.2.1. Increased access to land for private farming			
<b>INDICATOR:</b> Government issued land titles			
<b>UNIT OF MEASURE:</b> number ( thousands)  <b>SOURCE:</b> Land Resource Committee and RONCO  <b>INDICATOR DESCRIPTION:</b> Legally valid titles issued in Ukraine, including those by Ronco  <b>COMMENTS:</b> *Actual as of October 1'1998	<b>YEAR</b>	<b>PLANNE D</b>	<b>ACTUAL</b>
	1997	25	25
	1998	125	121 (nationally)*
	1999	325	
	2000	625	
	2001	1,000	

<b>OBJECTIVE: 1.3a. A More Market Responsive Agricultural Sector</b>			
<b>APPROVED:</b> June 1996		<b>COUNTRY/ORGANIZATION:</b> USAID/Ukraine, Kyiv	
<b>RESULT NAME:</b> IR 1.3a.2.5. Improved marketing infrastructure			
<b>INDICATOR:</b> State-owned grain elevators privatized			
<b>UNIT OF MEASURE:</b> cumulative number of elevators	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> State Property Fund and PriceWaterhouseCoopers	1998 (70%)	161	198
	1998 (100%)	15	14
<b>INDICATOR DESCRIPTION:</b> privatized to 70%	1999 (70%)	443	
	1999 (100%)	200	
<b>COMMENTS:</b> 198 out of 443 non-Khlib Ukrainy enterprises privatized to at least 70% ( as of 12/31/1998)	2000 (70%)	-	
	2000 (100%)	237	
	2001 (70%)	-	
	2001 (100%)	-	

<b>OBJECTIVE: 1.3a. A More Market Responsive Agricultural Sector</b>			
<b>APPROVED:</b> June 1996		<b>COUNTRY/ORGANIZATION:</b> USAID/ Ukraine,Kyiv	
<b>RESULT NAME:</b> IR 1.3a.2.2. Increased access to agricultural inputs by private agricultural producers			
<b>INDICATOR:</b> Private joint-venture partnerships, establishing private farm-service centers, processing facilities and other agribusinesses			
<b>UNIT OF MEASURE:</b> cumulative number of partnerships	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> Agricultural Partnership Program (CNFA)	1998	24	22
	1999	32	
<b>INDICATOR DESCRIPTION:</b> Number created under USAID-supported Agricultural Partnership program	2000	0	
	2001	0	
<b>COMMENTS:</b> 22 agribusiness partnership projects, including private farm commercialization projects, have been approved to date			

### SO1.3b: Privatized Enterprises Are More Competitive and Efficient

<b>OBJECTIVE: SO1.3b: Privatized enterprises are more competitive and efficient</b>			
<b>APPROVED:</b> June 1996 <b>COUNTRY/ORGANIZATION:</b> USAID/Kyiv			
<b>RESULT NAME:</b> SO1.3b: Privatized enterprises are more competitive and efficient			
<b>INDICATOR:</b> Industrial Production			
<b>UNIT OF MEASURE:</b> % change over prior year	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> World Bank, Ukrainian Economic Trends, Economist	1997	-4.5%	-1.8%
<b>INDICATOR/DESCRIPTION:</b> Change in the level of output by industry	1998	-1.0%	-1.5%
<b>COMMENTS:</b> Note that the planned targets have been revised to more accurately reflect the impact of regional economic crisis and slow recovery of industrial sector.	1999	-5.0%	
	2000	0	
	2001	+1.0%	

<b>OBJECTIVE: SO1.3b: Privatized enterprises are more competitive and efficient</b>			
<b>APPROVED:</b> June 1996 <b>COUNTRY/ORGANIZATION:</b> USAID/Kyiv			
<b>RESULT NAME:</b> IR 1.3b.1: Increased access to market-driven business skills			
<b>INDICATOR:</b> Enterprises using International Accounting Standards (IAS)			
<b>UNIT OF MEASURE:</b> Number of enterprises	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> IAS Project, SSMSC	1998	30	30
<b>INDICATOR/DESCRIPTION:</b> Number of firms complying with SSMSC standards for IAS	1999	300	
<b>COMMENTS:</b> Note that the planned targets have been revised. Because the SSMSC's inability to enforce the regulation requiring IAS reporting by enterprises except on a voluntary basis through 1999. The revised numbers more accurately reflect the anticipated growth of IAS reporting by enterprises not publicly traded.	2000	600	
	2001	900	

<b>OBJECTIVE: SO1.3b: Privatized enterprises are more competitive and efficient</b>			
<b>APPROVED:</b> June 1996		<b>COUNTRY/ORGANIZATION:</b> USAID/Kyiv	
<b>RESULT NAME:</b> IR 1.3b.2: Enterprises have the ability to own land and premises			
<b>INDICATOR:</b> Unfinished Construction Sites			
<b>UNIT OF MEASURE:</b> Cumulative number of sites	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> State Property Fund	1998		5,000 +
<b>INDICATOR/DESCRIPTION:</b> Unfinished construction sites sold to private companies or individuals in order to complete the facilities and create new jobs.	1999	10,000	
	2000	15,000	
	2001	N/A	
<b>COMMENTS:</b>			

<b>OBJECTIVE: SO1.3b: Privatized enterprises are more competitive and efficient</b>			
<b>APPROVED:</b> June 1996		<b>COUNTRY/ORGANIZATION:</b> USAID/Kyiv	
<b>RESULT NAME:</b> IR 1.3b.2: Enterprises Have the Ability to Own Land & Premises			
<b>INDICATOR:</b> Increased Private Ownership of Enterprise Land			
<b>UNIT OF MEASURE:</b> Number of enterprises	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> ELS Project, State Committee on Land Resources	1998	30	265
<b>INDICATOR/DESCRIPTION:</b> Enterprises purchasing land in Ukraine	1999	1,500	
	2000	2,000	
	2001	2,000	
<b>COMMENTS:</b>			

### SO 1.3c: Expanded Role of Small and Medium Enterprises in National Economy

<b>OBJECTIVE: 1.3c: Expanded Role of Small and Medium Enterprises in National Economy</b>			
<b>APPROVED:</b> June 1996 <b>COUNTRY/ORGANIZATION:</b> USAID/Kiev			
<b>RESULT NAME:</b> IR 1.3c.1: Improved access to market business skills and information			
<b>INDICATOR:</b> Clients at business service centers and business incubators			
<b>UNIT OF MEASURE:</b> number of clients served	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> NewBizNet, IFC, Loyola, Counterpart, Eurasia	1997(B)		6,500
<b>INDICATOR/DESCRIPTION:</b> USAID-funded centers and incubators USAID-funded centers and incubators	1998	10,000	10,000
<b>COMMENTS:</b> Although the current projects creating or developing business centers will end in 2000, support to business service providers in Ukraine will continue. The indicator is likely to continue, but targets will be established after the new activity is designed.	1999	12,000	
	2000	TBD by new activity	
	2001	TBD	

<b>OBJECTIVE: 1.3c: Expanded Role of Small and Medium Enterprises in National Economy</b>			
<b>APPROVED:</b> June 1996 <b>COUNTRY/ORGANIZATION:</b> USAID/Kiev			
<b>RESULT NAME:</b> IR 1.3c.2.2: Legal, regulatory and political environment more conducive to business development			
<b>INDICATOR:</b> Licensing and registration system is simplified			
<b>UNIT OF MEASURE:</b> number of days spent on completing (a) licensing and (b) registration processes	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> ICPS/IFC/NewBizNet Survey	1997(B)		30 35
	1998	20 30	3.5 N/A
<b>INDICATOR/DESCRIPTION:</b> survey of owners who launched SMEs in prior year: how long it took to fully register	1999	10 20	
	2000	5 15	
	2001	5 10	
<b>COMMENTS:</b>			

<b>OBJECTIVE: 1.3c: Expanded Role of Small and Medium Enterprises in National Economy</b>			
<b>APPROVED:</b> June 1996 <b>COUNTRY/ORGANIZATION:</b> USAID/Kiev			
<b>RESULT NAME:</b> IR 1.3c.3: Improved access to finance			
<b>INDICATOR:</b> Increased number of loans to SMEs			
<b>UNIT OF MEASURE:</b> (a) number of loans (b) \$ amount loaned <hr/> <b>SOURCE:</b> EBRD, Banks and NGOs <hr/> <b>INDICATOR/DESCRIPTION:</b> loans to SMEs from institutions participating in programs <hr/> <b>COMMENTS:</b> : EBRD Microcredit Program began in December 1998, NGO-MFA still under design	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1998	TBD (with EBRD)	2 \$14,000
	1999	TBD	
	2000	TBD (with NGO-MFA implementer)	
	2001	TBD	

## SO 1.4: A More Competitive And Market Responsive Private Financial Sector

<b>OBJECTIVE:</b> A more competitive and market responsive private financial sector.			
<b>APPROVED:</b> December 1998 <b>COUNTRY/ORGANIZATION:</b> USAID/Kiev			
<b>RESULT NAME:</b> Market supportive legal system created			
<b>INDICATOR:</b> Supporting laws and regulations in place			
<b>UNIT OF MEASURE:</b> Number, cumulative	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> Various USAID contractors	1997		1
<b>INDICATOR/DESCRIPTION:</b> the number of principal laws, decrees, and regulations enacted	1998	4	4
	1999	6	
<b>COMMENTS:</b>	2000	8	
	2001	10	

<b>OBJECTIVE:</b> SO 1.4: A more competitive and market responsive private financial sector			
<b>APPROVED:</b> December 1998 <b>COUNTRY/ORGANIZATION:</b> USAID/Kiev			
<b>RESULT NAME:</b> IR 1.4.2: transparent and open securities system established			
<b>INDICATOR:</b> Market capitalization of corporate securities traded			
<b>UNIT OF MEASURE:</b> \$ billion	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> Various USAID contractors	1995(B)	--	0
	1997	2.0	2.1
<b>INDICATOR/DESCRIPTION:</b> The number of principal laws, decrees, and regulations enacted	1998	4	1.3
	1999	10	
<b>COMMENTS:</b>	2000	15	
	2001	20	

<b>OBJECTIVE: SO 1.4: A more competitive and market responsive private financial sector</b>			
<b>APPROVED:</b> December 1998 <b>COUNTRY/ORGANIZATION:</b> USAID/Kiev			
<b>RESULT NAME:</b> IR 1.4.3: Market supportive legal system created			
<b>INDICATOR:</b> Excessive regulation is decreased allowing for more effective functioning of market systems			
<b>UNIT OF MEASURE:</b> Number, cumulative	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> State Committee for Entrepreneurship Development	1998(b)	--	4
	1999	50	
<b>INDICATOR/DESCRIPTION:</b> The number of regulations eliminated	2000	100	
	2001	TBD	
<b>COMMENTS:</b> The formal process of deregulation began in September 1998. The methodology being used has been improved and the process for analysis and ultimate deregulation is more solidly established. Progress made in the first half of 1999 indicates that the activity is on track for meeting its targets.			

<b>OBJECTIVE: SO 1.4: A more competitive and market responsive private financial sector</b>			
<b>APPROVED:</b> December 1998 <b>COUNTRY/ORGANIZATION:</b> USAID/Kiev			
<b>RESULT NAME:</b> IR 1.4.1: Market-oriented private banking sector developed			
<b>INDICATOR:</b> Total assets of ten largest private sector banks as percentage of assets of 5 former and current state-owned banks			
<b>UNIT OF MEASURE:</b> percentage	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> Various USAID contractors	1995(B)		35
	1998	58	66
<b>INDICATOR/DESCRIPTION:</b> Denominator Oschadny, Exim (Ukraine), Prominvest. Ukraina, Ukrosots Numerator: Privat, AVAL, Brokbusbank, FUIB, Slavianski, Ukrainian Credit, Finance and Credit, Ukrosyby, Nadra, Ukribank	1999	70	
	2000	74	
	2001	78	
<b>COMMENTS:</b>			

## SO 1.5: A More Economically Sustainable And Environmentally Sound Energy Sector

<b>OBJECTIVE:</b> SO 1.5: A more economically sustainable and environmentally sound energy sector			
<b>APPROVED:</b> March 1999		<b>COUNTRY/ORGANIZATION:</b> USAID/Kiev	
<b>RESULT NAME:</b> 1.5.1.5 Legal and regulatory framework to promote coal bed methane			
<b>INDICATOR:</b> Legislation/decrees/regulations issued and implemented			
<p><b>UNIT OF MEASURE:</b> framework adequate for commercial development, YES/NO</p> <hr/> <p><b>SOURCE:</b> Alternative Fuels Center</p> <hr/> <p><b>INDICATOR DESCRIPTION:</b> In 1998, the Ministry of Coal and National Academy of Sciences founded the Alternative Fuels Center to be the focal point for all CBM activities in Ukraine. One of the tasks of the AFC is the promotion of the legislative and regulatory changes needed to attract foreign investment in CBM commercial development.</p> <hr/> <p><b>COMMENTS:</b> The Presidential decree of November 1998 stated an urgent necessity to develop the Priority Measures Plan and the Package of Legislative Initiatives for the CBM commercial development. AFC took part in the development of the package of tax initiatives, which includes amendments to the Enterprise Profit Tax law, the VAT law and the Geological Deduction Law. This package was approved by the authorized ministries and was sent to a law firm to be put into the correct legal language, to be followed by submission to the Parliament. At the same time the draft resolution on CBM, including adoption of the Priority Measures Plan, creation of the interagency coordinating group, obtaining governmental funding for the Coal Ministry Pilot project, was prepared and sent to the Ministry of Economy.</p>	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1995(B)	--	N/A
	1998	N/A	N/A
	1999	Yes	
	2000	Yes	
	2001	Yes	

<b>OBJECTIVE: SO 1.5: A more economically sustainable and environmentally sound energy sector</b>			
<b>APPROVED:</b> 3/31/99		<b>COUNTRY/ORGANIZATION:</b> USAID/Kiev	
<b>RESULT NAME:</b> 1.5.1: Improved regulatory environment for the energy sector			
<b>INDICATOR:</b> Regulatory environment in comparison with previous year			
<b>UNIT OF MEASURE:</b> Yes/No	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<p><b>SOURCE:</b> World Bank analysis for compliance with the Electricity Market Development Project loan (\$241 million) reinstatement.</p> <p>USAID principal contractor (Hagler Bailly Consulting) expert's opinion.</p> <p><b>INDICATOR/DESCRIPTION:</b> The National Electricity Regulatory Commission of Ukraine (NERC) was limited in its ability to formulate market-oriented electricity tariffs especially for household consumers due to macro-economic and political constraints</p> <p><b>COMMENTS:</b> In July 1998 NERC increased tariffs for households by 22.5%. Effective April 1, 1999 household tariffs will be further increased by 20%, and a new increase is expected in July '99. The target is to raise tariffs to cover production costs and ensure at least a 20% household tariff difference with industrial customers. In previous years (1996-1997), NERC's authority in establishing a market-driven tariff mechanism was limited due to state budget arrears to households and macro-economic problems in Ukraine (production decline).</p> <p>Beginning mid-1998, NERC has begun serving as a proactive regulator effectively monitoring price changes to revise tariffs and ensure electric industry commercial profitability.</p>	1996(B)	--	No
	1998	No	No
	1999	Yes	
	2000	Yes	
	2001	Yes	

<b>OBJECTIVE: SO 1.5: A more economically sustainable and environmentally sound energy sector</b>			
<b>APPROVED:</b> 3/31/99 <b>COUNTRY/ORGANIZATION:</b> USAID/Kiev			
<b>RESULT NAME:</b> 1.5.1.4: An independent wholesale electricity market operation			
<b>INDICATOR:</b> Electricity market funds distributed according to algorithm			
<b>UNIT OF MEASURE:</b> distribution of cash revenues, percent	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> National Electricity Regulatory Commission (NERC) data on System Settlement and Market Funds Procedure  USAID principal contractor (Hagler Bailly Consulting) experts' analysis	1996(B)		N/A
	1998	50	over 50
	1999	50	
	2000	100	
	2001	100	
<b>INDICATOR/DESCRIPTION:</b> In 1997 the Ministry of Energy was solely directing all cash distribution from Energomarket thus violating the established rules for funds distribution. In 1998 the National Electricity Regulatory Commission imposed a control over available cash distribution through Energomarket to all market members in accordance with the rules.			
<b>COMMENTS:</b> The Market Funds Administrator was allocating the cash received according to the Market Funds Procedure, adjusted by an incentive mechanism designed to improve cash collections by the distribution companies. Over a half of the cash collected (8-30%) is distributed in accordance with the market rules. Existing problems with cash distribution stem from the overall sector problems that require additional cash transfer to Energoatom (for nuclear wastes utilization, or wage payments due to personnel strikes) and Fossil-fuel generating companies' fuel oil procurement. The decision on cash re-allocation is being made at the Energomarket Board Meetings and pursuant to approval by the National Electricity Regulatory Commission.			

**SO 1.6: Increased environmental management capacity to promote sustainable economic growth**

<b>OBJECTIVE: SO 1.6: Increased environmental management capacity to promote sustainable economic growth</b>			
<b>APPROVED:</b> December 1998 <b>COUNTRY/ORGANIZATION:</b> USAID/Kyiv			
<b>RESULT NAME:</b> 1.6.1 Strengthened policy, legal and regulatory framework for environmentally sustainable economic development			
<b>INDICATOR:</b> Environmental policies/laws integrated into national implementation plans and contracts			
<b>UNIT OF MEASURE:</b> cumulative number	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> project reports	1997	3	10
<b>INDICATOR DESCRIPTION:</b> policy reforms submitted/adopted	1998	NA	NA
<b>COMMENTS:</b> An Indicator Assistance Team has been requested and is expected in the Mission in late May/early June to assist SO Team 1.6 in reviewing its indicators, documenting baseline information, and setting targets for the coming years. This was discussed in the Mission Strategy reviewed and approved in February 1999 wherein the SO 1.6 indicators were identified as PRELIMINARY and subject to revision by the team. This reflects the substantial work that has gone into refining SO 1.6 since the last R4 submission and the limited amount of time in which to accomplish this extensive revision and the limited "on the ground" environment Mission staff during that time period.	1999		
	2000		
	2001		

<b>OBJECTIVE: SO 1.6: Increased environmental management capacity to promote sustainable economic growth</b>			
<b>APPROVED:</b> December 1998 <b>COUNTRY/ORGANIZATION:</b> USAID/Kyiv			
<b>RESULT NAME:</b> 1.6.1.2 More internationally consistent, cost effective, and locally effective environmental regulations			
<b>INDICATOR:</b> demonstration and use of internationally recognized standards for environmental assessment, including alternatives analysis and public participation			
<b>UNIT OF MEASURE:</b> number	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b>	1997	--	--
<b>INDICATOR DESCRIPTION:</b> alternative analyses conducted and public participation opportunities above and beyond those currently required by Ukrainian law	1998	5	5
<b>COMMENTS:</b>	1999		
	2000		
	2001		

<b>OBJECTIVE: SO 1.6: Increased environmental management capacity to promote sustainable economic growth</b>			
<b>APPROVED:</b> December 1998 <b>COUNTRY/ORGANIZATION:</b> USAID/Kyiv			
<b>RESULT NAME:</b> 1.6.3 Improved environmental management practices and adoption of environmentally sound technologies by private and public sector entities			
<b>INDICATOR:</b> demonstration of low-cost technologies and equipment at industrial enterprises that result in reductions in pollution or energy consumption and that recover an equivalent of the investment cost in reduced operational expenses			
<b>UNIT OF MEASURE:</b> number	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> WEC	1997	20	19
<b>INDICATOR DESCRIPTION:</b> facilities using USAID-identified environmentally sound technologies	1998	50	31
	1999	53	
	2000		
<b>COMMENTS:</b>	2001		

<b>OBJECTIVE: SO 1.6: Increased environmental management capacity to promote sustainable economic growth</b>			
<b>APPROVED:</b> December 1998 <b>COUNTRY/ORGANIZATION:</b> USAID/Kyiv			
<b>RESULT NAME:</b> 1.6.4 Increased empowerment of NGOs and citizens to affect environmental decision-making			
<b>INDICATOR:</b> NGOs and citizens have accurate environmental information, are affiliated in networks, and have the capacity to engage local and national authorities concerning environmental decisions and policies			
<b>UNIT OF MEASURE:</b> Yes or No	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b>	1997	--	--
<b>INDICATOR DESCRIPTION:</b> ISAR's local office is registered as a Ukrainian NGO capable of continuing assistance to environmental groups without USAID funding	1998	Yes	Yes
	1999	Closed	
	2000		
<b>COMMENTS:</b>	2001		

**SO 2.1: Increased Better-Informed Citizens' Participation in Political and Economic Decision-Making**

<b>OBJECTIVE: SO 2.1 Increased better-informed citizens' participation in political and economic decision-making</b>			
<b>APPROVED:</b> June 1996 <b>COUNTRY/ORGANIZATION:</b> USAID/Kiev			
<b>RESULT NAME: SO 2.1: Increased better-informed citizens' participation in political and economic decision-making.</b>			
<b>INDICATOR:</b> Citizens understand the political process			
<b>UNIT OF MEASURE:</b> Percent “great deal/a fair amount”	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> IFES	1996(B)	--	17
<b>INDICATOR/DESCRIPTION:</b> Random sample question about information respondent has about political developments in Ukraine	1997	40	24
	1998	24	30
	1999	28	
	2001	30	
	2001	35	
<b>COMMENTS:</b> Actual for 1998 exceeded expectations			

<b>OBJECTIVE: SO 2.1: Increased better-informed citizens' participation in political and economic decision-making.</b>			
<b>APPROVED:</b> June 1996 <b>COUNTRY/ORGANIZATION:</b> USAID/Kiev			
<b>RESULT NAME: SO 2.1 Increased better-informed citizens' participation in political and economic decision-making.</b>			
<b>INDICATOR:</b> Citizens participate in NGOs			
<b>UNIT OF MEASURE:</b> Percent	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> USAID polling (Democratic Initiatives)	1996(B)	--	16
<b>INDICATOR/DESCRIPTION:</b> Random sample question about participation in non-governmental organizations	1997	19	12
	1998	22	14
	1999	25	
	2000	28	
	2001	30	
<b>COMMENTS:</b> see narrative			

<b>OBJECTIVE: SO 2.1: Increased better-informed citizens' participation in political and economic decision-making</b>			
<b>APPROVED:</b> June 1996 <b>COUNTRY/ORGANIZATION:</b> USAID/Kiev			
<b>RESULT NAME:</b> IR 2.1.1.3: Elections are free and fair			
<b>INDICATOR:</b> Rating of elections as free and fair by local and international monitors			
<b>UNIT OF MEASURE:</b> Yes / No	YEAR	PLANNED	ACTUAL
<b>SOURCE:</b> International monitors and watchers	1996(B)	--	Yes
<b>INDICATOR/DESCRIPTION:</b> Congruency check of poll count vs. official results, international monitor criteria	1997	N/A	No elections
	1998	Yes	Yes
	1999	Yes	
	2000	N/A	
	2001	N/A	
<b>COMMENTS:</b>			

<b>OBJECTIVE: SO 2.1 Increased better-informed citizens' participation in political and economic decision-making</b>			
<b>APPROVED:</b> June 1996 <b>COUNTRY/ORGANIZATION:</b> USAID/Kiev			
<b>RESULT NAME:</b> IR 2.1.2.: More unbiased public information available to citizens			
<b>INDICATOR:</b> Exposure to non-government and politically unaffiliated news sources			
<b>UNIT OF MEASURE:</b> Total hours per week	YEAR	PLANNED	ACTUAL
<b>SOURCE:</b> Internews	1997(B)	--	179
<b>INDICATOR/DESCRIPTION:</b> Increase in hours of independent TV programming; selected cities (of the 30 largest cities)	1998	TBD	394
	1999	450	
	2000	550	
	2001	TBD	
	<b>COMMENTS:</b> The number of cities was reduced from 58 to 30 upon further clarification that Ukraine has only 30 LARGE cities. "Large city" is defined as a city with greater than 300,000 people		

## SO 2.2: Legal Systems that Better Support Democratic Processes and Market Reforms

<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/Kiev			
<b>RESULT NAME:</b> SO 2.2. : Legal systems that better support democratic processes and market reforms			
<b>INDICATOR:</b> Improved Rule of Law Index			
<b>UNIT OF MEASURE:</b> number on a seven point scale	YEAR	PLANNED	ACTUAL
<b>SOURCE:</b> "Nations in Transit"	1997 (B)	--	3.75
<b>INDICATOR/DESCRIPTION:</b> Composite Rule of Law Scale by Freedom House	1998	3.50	4
	1999	3.50	
	2000	3.25	
	2001	3.00	
<b>COMMENTS:</b> the lower the number, the better the situation			

<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/Kiev			
<b>RESULT NAME:</b> IR 2.2. 1: Courts carry out their role as ascribed to them by law			
<b>INDICATOR:</b> Constitutional Court functioning independent of other branches of government			
<b>UNIT OF MEASURE:</b> Yes/No	YEAR	PLANNED	ACTUAL
<b>SOURCE:</b> ARC/Checchi	1995(B)	--	No
<b>INDICATOR/DESCRIPTION:</b> Constitutional Court rules in favor of the Ombudsman and against the Executive in at least one case per year	1997	Yes	Yes
	1998	Yes	N/A
	1999	Yes	
	2000	Yes	
	2001	Yes	
<b>COMMENTS:</b> Indicator was revised in 1998 to account for the establishment of the Ombudsman. Prior to that the indicator was "ruling against the Executive". In 1998 the Ombudsman made no request of the Constitution court.			

<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/Kiev			
<b>RESULT NAME:</b> SO 2.2. 1.1: Increased capability 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> USAID project reports	1995(B)	--	0
<b>INDICATOR/DESCRIPTION:</b> Oblast courts of general jurisdiction and arbitration courts with access to current text of laws	1997	54	27
	1998	54	0
	1999	54	
	2000	54	
	2001	54	
<b>COMMENTS:</b> For 1998, the 27 Arbitration oblast courts had email connections with the Higher Arbitration Court. ARD/Checchi purchased computers with modems for each of the 27 oblast level courts of the General Court system in preparation of creating an email network for the General Court. But as of the end of the year the network had not yet been created. The email subscription of the Arbitration Court expired at the end of 1998. There are no funds in the Arbitration Court system to continue the e-mail subscription . It appears unlikely that any oblast courts will have email connections in 1999.			

<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/Kiev			
<b>RESULT NAME:</b> IR 2.2.2: Constitution, Civil and Criminal Codes and supporting legislation meeting International standards are enacted			
<b>INDICATOR:</b> number of target laws drafted, introduced and enacted			
<b>UNIT OF MEASURE:</b> Number reported on for each category of 9 target pieces of legislation  <b>SOURCE:</b> USAID project reports (ARD/Checchi and ABA/CEELI)  <b>INDICATOR/DESCRIPTION:</b> Drafted means that the laws have been drafted including the proposed language advised by the USAID support technical assistance, introduced means formally introduced into Parliament, and enacted means enacted by the Parliament.  <b>COMMENTS:</b> Numbers are cumulative in each category.	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1998 (B)	--	
	Drafted		6
	Introduced		3
	Enacted		1
	1999		
	Drafted	8	
	Introduced	7	
	Enacted	5	
	2000		
	Drafted	9	
	Introduced	9	
	Enacted	9	
2001			
Drafted	9		
Introduced	9		
Enacted	9		

### SO 2.3: More Effective, Responsive and Accountable Local Government

<b>OBJECTIVE: SO 2.3: More Effective, Responsive and Accountable Local Government</b>			
<b>APPROVED:</b> June 1996		<b>COUNTRY/ORGANIZATION:</b> USAID/Kyiv	
<b>RESULT NAME:</b> SO 2.3: More effective, responsive and accountable local government			
<b>INDICATOR:</b> Cities using financial analysis models			
<b>UNIT OF MEASURE:</b> percentage of cities in population range (50k - 1,000,000) <hr/> <b>SOURCE:</b> Project reports <hr/> <b>INDICATOR DESCRIPTION:</b> Cities using USAID - recognized financial analysis models <hr/> <b>COMMENTS:</b>	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1995(B)		0
	1998	35	32
	1999	40	
	2000	45	
	2001	50	

<b>OBJECTIVE: SO 2.3: More Effective, Responsive and Accountable Local Government</b>			
<b>APPROVED:</b> June 1996		<b>COUNTRY/ORGANIZATION:</b> USAID/Kyiv	
<b>RESULT NAME:</b> IR 2.3.1: Improved management			
<b>INDICATOR:</b> Cities with a municipal business plan			
<b>UNIT OF MEASURE:</b> percentage of cities <hr/> <b>SOURCE:</b> Project reports <hr/> <b>INDICATOR DESCRIPTION:</b> a strategic document about the future development of the local government and the actions that need to be taken, including an investment program and financial plan. <hr/> <b>COMMENTS:</b>	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1998 (B)		0
	1999	2	
	2000	4	
	2001	6	

<b>OBJECTIVE: SO 2.3: More Effective, Responsive and Accountable Local Government</b>			
<b>APPROVED:</b> December 1998 <b>COUNTRY/ORGANIZATION:</b> USAID/Kyiv			
<b>RESULT NAME:</b> IR 2.3.1.1: Management of municipal services and assets improved			
<b>INDICATOR:</b> Cities with improvements in specific services			
<b>UNIT OF MEASURE:</b> number of cities	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> Project reports	1998	12	12
<b>INDICATOR DESCRIPTION:</b> target municipalities with improvements in specific services (e.g. water, heat, transportation, public housing).	1999	14	
	2000	16	
	2001	18	
<b>COMMENTS:</b> New indicator from previous R 4			

<b>OBJECTIVE: SO 2.3: More Effective, Responsive and Accountable Local Government</b>			
<b>APPROVED:</b> June 1996 <b>COUNTRY/ORGANIZATION:</b> USAID/Kyiv			
<b>RESULT NAME:</b> IR 2.3.4: Transparency of government operations increased.			
<b>INDICATOR:</b> Use of competitive bidding by municipalities			
<b>UNIT OF MEASURE:</b> cumulative # of municipalities	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> Project reports	1998	5	9
<b>INDICATOR DESCRIPTION:</b> selected municipalities.	1999	11	
	2000	13	
	2001	15	
<b>COMMENTS:</b> New indicator from previous R 4.			

### SO 3.2a: Improved Sustainability of Social Benefits and Services

<b>OBJECTIVE: SO 3.2a: Improved Sustainability of Social Benefits and Services</b>			
<b>APPROVED:</b> December 1998 <b>COUNTRY/ORGANIZATION:</b> USAID/Ukraine			
<b>RESULT NAME:</b> IR 3.2.2.1: Improved infrastructure and management capacity			
<b>INDICATOR:</b> NGOs have a strategic management plan			
<b>UNIT OF MEASURE:</b> percent of selected NGOs	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> CAP	1996(B)	--	15
<b>INDICATOR DESCRIPTION:</b> grantee NGOs monitored before and after grant.	1997	30	50
<b>COMMENTS:</b>	1998	60	73
	1999	80	
	2000	90	
	2001	100	

<b>OBJECTIVE: SO 3.2a: Improved Sustainability of Social Benefits and Services.</b>			
<b>APPROVED:</b> December 1998 <b>COUNTRY/ORGANIZATION:</b> USAID/Ukraine			
<b>RESULT NAME:</b> IR 3.2.3: Reduced human suffering and negative consequences of crises			
<b>INDICATOR:</b> Humanitarian assistance is delivered to needy populations			
<b>UNIT OF MEASURE:</b> number of oblasts	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> CHAP	1995(B)	--	6
<b>INDICATOR DESCRIPTION:</b> oblasts in which indigenous NGOs receive major humanitarian assistance deliveries	1997	14	15
<b>COMMENTS:</b>	1998	18	18
	1999	22	
	2000	25	
	2001	25	

<b>OBJECTIVE: SO 3.2a: Improved Sustainability of Social Benefits and Services</b>			
<b>APPROVED:</b> December 1998 <b>COUNTRY/ORGANIZATION:</b> USAID/Ukraine			
<b>RESULT NAME:</b> IR 3.2.1.1: Financial obligations to government are met (taxes)			
<b>INDICATOR:</b> Cost recovery for housing and communal services			
<b>UNIT OF MEASURE:</b> % of total cost	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> Cabinet of Ministers of Ukraine	1994(B)	--	4
<b>INDICATOR DESCRIPTION:</b> amount of cost for housing and utilities recovered by population	1998	100	80
<b>COMMENTS:</b>	1999	100	
	2000	100	
	2001	100	

<b>OBJECTIVE: SO 3.2a: Improved Sustainability of Social Benefits and Services</b>			
<b>APPROVED:</b> December 1998 <b>COUNTRY/ORGANIZATION:</b> USAID/Ukraine			
<b>RESULT NAME:</b> SO 3.2a: Improved Sustainability of Social Benefits and Services			
<b>INDICATOR:</b> Arrears and benefits payments reduced			
<b>UNIT OF MEASURE:</b> month	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> Consolidated State Budget; State Committee for Statistics	1997(B)	--	3
<b>INDICATOR DESCRIPTION:</b> pensions and social benefits arrears as a percent of monthly payments	1998	3	3
<b>COMMENTS:</b>	1999	3	
	2000	2,5	
	2001	2,0	

### SO 3.2b: Improved Health Care Service Delivery

<b>OBJECTIVE: SO 3.2b: Improved health care service delivery</b>			
<b>APPROVED:</b> December 1998		<b>COUNTRY/ORGANIZATION:</b> USAID/Kiev	
<b>RESULT NAME:</b> Increased capacity of health care system to provide health /family medicine services			
<b>INDICATOR:</b> Clinics focused on primary health /family medicine			
<b>UNIT OF MEASURE:</b> Cumulative number of primary care/family medicine clinics  <b>SOURCE:</b> Oblast health Administration/MOH/AIHA quarterly monitoring reports  <b>INDICATOR/DESCRIPTION:</b> Increase in number of clinics opened which provides family medicine services  <b>COMMENTS:</b> 1998 is start up year for primary care partnership project	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1998 (B)		0
	1999	6	
	2000	12	
	2001	24	

<b>OBJECTIVE: SO 3.2b: Improved health care service delivery</b>			
<b>APPROVED:</b> 12/98		<b>COUNTRY/ORGANIZATION:</b> USAID/Kiev	
<b>RESULT NAME:</b> Provision and utilization of primary health care services improved			
<b>INDICATOR:</b> Cancer screening programs operate on a regular basis			
<b>UNIT OF MEASURE:</b> Cumulative number of districts (raions) where cancer screening programs operate on a regular basis  <b>SOURCE:</b> MOH/PATH/CCHIP quarterly monitoring reports  <b>INDICATOR/DESCRIPTION:</b> Thyroid and breast cancer screening programs are among essential primary health care services in radioactive contaminated areas  <b>COMMENTS:</b> 1999 actual data reflects first six months of baseline year	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1998(B)		1
	1999	6	3
	2000	12	
	2001	18	

<b>OBJECTIVE: SO 3.2b: Improved health care service delivery</b>			
<b>APPROVED:</b> 12/98 <b>COUNTRY/ORGANIZATION:</b> USAID/Kiev			
<b>RESULT NAME:</b> Strengthened health management information systems providing data for decision making			
<b>INDICATOR:</b> Oblast Health Information & Surveillance System implemented at the national level			
<b>UNIT OF MEASURE:</b> Number of oblasts making regular procurement plans for EPI vaccines adequate to epidemiological situation  <b>SOURCE:</b> MOH/PATH/Policy Reports  <b>INDICATOR/DESCRIPTION:</b> Number of oblasts making regular procurement plans for EPI vaccines adequate to epidemiological situation  <b>COMMENTS:</b> Depending on funding, national level roll-out could occur in 2000	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1998(B)		0
	1999	3	2
	2000	12	
	2001	27	

<b>OBJECTIVE: SO 3.2b: Improved health care service delivery</b>			
<b>APPROVED:</b> 12/98 <b>COUNTRY/ORGANIZATION:</b> USAID/Kiev			
<b>RESULT NAME:</b> Primary health care personnel better trained			
<b>INDICATOR:</b> Health care providers increased knowledge and skills in reproductive health and family planning			
<b>UNIT OF MEASURE:</b> Cumulative number of health professionals who are trained to provide reproductive health/family planning services in pilot communities.  <b>SOURCE:</b> MOH/City Health Administration/ JHPIEGO/PCS  <b>INDICATOR/DESCRIPTION:</b> Number of health professionals providing reproductive health/family planning services  <b>COMMENTS:</b> Ukrainian health professionals have trained well over 2000 health care workers after Training of Trainers courses. Evaluation team will determine future plan of action. The Partnership program will incorporate women's health activities into its primary care center activities.	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1998(B)		100
	1999	140	120
	2000	200	
	2001	240	

## CLIMATE CHANGE ANNEX

The Mission has supported energy and environment programs since 1993 that have had a direct or indirect impact on greenhouse gas emissions in Ukraine from energy savings in the power, industrial and municipal sectors. FY1998 marks the first year that the Mission's existing energy and environment programs have been characterized as global climate change (GCC) activities and the first year for new programs specifically aimed at global climate change. Therefore, the Mission's baseline for climate change activity is zero. Furthermore, the Mission's energy and environment programs were not designed with indicators and measures for climate change. Consequently, the Mission's implementers and contractors are not able to provide much of the specific data requested for this annex. The Mission's energy and environment programs will be working with G/ENV over the coming months to develop appropriate indicators for its climate change programs. *[Ten indicator tables required as part of this annex are not available in electronic form, nor have they been completed. As of 4/5/99, data is being collected by Mission energy specialists and will be attached to this GCC annex before 4/19/99]*

The Mission submits this Results Review less than two months after presenting its Strategic Plan for 1999-2002. The timing is noteworthy because the Mission decided to incorporate climate change into its strategic objectives for energy (SO1.5) and environment (SO1.6). Furthermore, the Mission has dedicated FY1998 and FY1999 funds for a multi-year, comprehensive climate change program that is currently under design, with assistance from ENI and G/ENV (see Expected Performance under SO1.6).

As directed, this annex does not report on result #4, nor does it report on result #2 because the Mission does not support any activities at this time to reduce greenhouse gas emissions from the land use/forest management sector. However, the mission is working with one of its grantees, ERIM, to focus part of their \$5 million remote sensing project on forest and agricultural monitoring to assist Ukraine in increasing CO<sub>2</sub> uptake through carbon sinks.

### **Key Accomplishments**

#### Increased participation in the Framework Convention on Climate Change

On March 15, 1999, the Government of the Ukraine signed the Kyoto Protocol. This decision was influenced, in part, by US assistance to Ukraine and should be considered a major policy achievement. US assistance enabled Ukraine to participate in international meetings of the Umbrella Group and in meetings of expert groups working on procedures necessary for the implementation of the Kyoto Protocol. Integration of climate change into Ukraine's national development strategies was greatly advanced when Vice President Gore and President Kuchma placed climate change at the top of their environmental agenda in July 1998.

The most visible USAID assistance to GCC policy development came immediately after the end of the FY1998 reporting period when USAID sponsored a government to government workshop on "Emissions Trading and Joint Implementation". This workshop was developed and funded through a collaboration among the Mission, ENI/EEEST (then ENI/EEUD) and G/ENV. US government participants included DOS, USEPA, and DOE.

Other policy development support came from work groups under the USAID-funded A Council to Promote Sustainable Development in Ukraine. The International Environmental Treaties (IET) Work Group members assisted the GOU in evaluating environmental, economic, and legal justifications for participation in the Kyoto Protocol. The "Energy Efficiency and Energy Saving Work Group" identified barriers and recommended policies to highest levels of the Ukrainian government and to the Gore-Kuchma Bi-national commission. These proposals included a recommendation for Voluntary Demand Curtailment (VDC) as part of the Financial Recovery Plan for the Ukrainian Energy sector. The final law, adopted in April 1998, included the VDC recommendation.

#### Reduced emissions from the energy sector, industry and urban areas

Industrial energy efficiency was addressed by two USAID programs. The first assisted in establishing nine new private energy services companies (ESCOs) that were registered as Ukrainian corporations and certified by the Ukrainian chapter of the US Association of Energy Engineers. Three industries that benefited from USAID-funded energy audits are in negotiation with these ESCOs for follow-on work on a commercial basis. The second industrial energy efficiency program focused on waste minimization and energy conservation at twelve large enterprises and invested \$210,000 in 21 specific projects that resulted in an estimated reduction in annual natural gas consumption by 19 million cubic meters.

Municipal energy was the target of energy efficiency projects in several cities, including Lviv and Kiev, where municipalities installed heat meters and controls at major points in their heating networks. The water company in Lviv, whose electricity bills account for 70% of its operating costs, was the beneficiary of more than \$1 million in equipment (such as variable speed motors and pumps, and water management systems) that improved service and reduced energy costs between 15-40%. To date, the pilot also has increased water service by 75% in the Lviv district of Pasichna.

In the public building sector, the Mission supported a successful demonstration project that installed state-of-the-art technology for a heating control system at a Lviv boarding school for children with cardiovascular disease. The project reduced the school's energy consumption while maintaining comfortable temperature levels. In addition to this demonstration, the project is assisting the Lviv Municipal Housing Department in establishing a unit that is dedicated specifically to energy efficiency.

Methane emissions from the coal sector have been addressed by two Mission programs. The Mission supported the July 1998 creation of the Alternative Fuels Center by the Ministry of Coal Industries together with the Ukraine National Academy of Sciences. USAID technical assistance is paving the way for investments in Coal Bed Methane recovery. These investments are expected to lead to significant decreases in the release of methane from coal mining operations while providing new sources of natural gas for power generation. In August, the first licenses ever issued in Ukraine for concessions to develop coal bed methane were granted by the State Committee on Geology to two Ukrainian companies

### Increased capacity to address global climate change

In addition to the capacity building programs noted above that established new institutions such as ESCOs and the Alternative Fuels Center, the mission has three other programs aimed at strengthening public institutions and NGOs.

In the residential sector, USAID assistance is helping housing associations in the promotion and installation of energy efficiency equipment and in adopting more efficient management practices. Through training seminars, the Mission provides assistance to private maintenance and management companies in developing the capacity to include energy efficiency projects in the scope of services they offer.

The first class of a USAID-supported MBA program graduated 45 individuals in April 1998. MBA alumni now sit on the Board of Directors of recently privatized electric distribution companies in Ukraine. A second MBA program started in September 1998. The MBA program is one of the training programs run by the Management Training Unit of Minenergo, established with USAID assistance, whose primary objective is to develop an adequate human resource base to manage the utility industry in the recently deregulated and decentralized power sector.

In the terms of strengthening NGOs' and the public's capacity to address GCC issues, USAID/Kiev is working with the Environmental Law Institute, EcoPravo-Lviv (an environmental and legal NGO), and USEPA to increase citizen participation in governmental decision-making and to catalyze effective and enforceable environmental protection laws and policies, including those which have a direct relationship to global climate change.

## Resource Request

USAID's portion of the assistance budget is projected to continue its downward trend, having reached its peak in FY 98. Levels are projected to fall from about \$130 mn in FY 98 to just under \$83 mn in FY 2002. Despite a projected decrease of nearly \$50 mn, the Mission intends to preserve the integrity of core programs.

The development of a business environment that allows enterprises (and individuals) to prosper will continue to receive high priority. Such programs include tax reform (both policy development and administration), deregulation and legal reform, small business development (including lending programs), and enterprise restructuring. By 2002, these programs combined will receive approximately 37 percent of USAID's resources. However, funding for economic reform programs in general will decline with funding reaching its nadir in FY 2002 as the percentage of budget for economic programs dips below 50 percent for the first time.

As USAID's programs continue to place greater emphasis on working at the municipal level and with non-governmental organizations, the budget for these programs will continue to rise in relative proportion to overall levels. Programs to strengthen indigenous NGOs are expected to constitute between 9 and 12 percent during the period of the strategy. Other democracy programs, including rule of law, anti-corruption, and independent media, will remain priorities as funding increases in relative terms during the next four years.

Health programs will receive between 8 and 10 percent of budgetary resources through 2002. Congress, the Administration, and USAID have strong interests in the health sector. The Mission's new health strategy will help to keep focus on improving and sustaining primary health care.

Three new initiatives starting late in FY 98 will remain high priority items for both developmental and foreign policy reasons. As the Kharkiv Initiative gets underway in earnest in early FY 2000 we will have a better sense of funding requirements. Existing and new nationwide programs could potentially fill any gaps in funding. Using the Polish experience in reform (and that of other progressive CEE countries) will continue to be built into many of our programs (including small business development, public information, local governance, and macro-economic reform). In addition, a separate, \$10 million funding facility for Poland-American-Ukrainian cooperation will be set up to respond to new ideas from both the government and non-government sectors. Programs to address the short-term needs in combating trafficking in women will receive great attention, as other programs continue to address the fundamental issue of why women are trafficked: lack of employment opportunities.

Unlocking the key problems in the energy sector could help resolve one of the major economic problems in Ukraine. However, entrenched interests and lack of political will impede progress. Though USAID and other donors have helped to break up a vertical monopoly and strengthen the institutional capacity of an independent regulatory agency, the problems appear at this time to be overwhelming. It is doubtful whether the problems could be overcome in the short to medium term. A loss of resources will force USAID to narrow its focus. One of the casualties will be the energy program, as resources decline steeply through 2002.

USAID's work in the financial sector will phase out as well. By 2002, we expect the NBU will have a much improved and strengthened bank supervision unit. Bankers' training will have become a nearly self-sustaining program and conversion to international accounting standards at the larger banks will have reached its conclusion. In capital markets most of the infrastructure necessary for a modern market will have been put into place. USAID's approach to support regulation of the market will have moved from contracted advisors to partnership arrangements with U.S. organizations.

We expect to increase our including environmental considerations into our programs, but resources for environment-specific programs will drop considerably.

By 2002, we will have completed most of our work in helping the government restructure its allowance programs. However, an issue that the Mission hasn't resolved completely is the level of engagement in pension reform. The Government has taken some positive steps lately in setting up an infrastructure that allows for individual accounts. But whether it takes the more difficult steps (including increasing the retirement age) remain to be seen. If over the next few years there are signs of that commitment USAID will revisit the pension issue.

## Operating Expense Budget Narrative

Ukraine has one of the more expensive economies in the NIS region. Costs of obtaining services is substantively higher in Ukraine than similar type services available throughout Western Europe. As an example, the Mission has a substantial workload related to document translation to and from the Ukrainian language. The volume and technical complexity of the work exceeds our in-house translation abilities. In order to meet the substantial translation burden, the Mission solicited bids for document translation services. The lowest qualified bidder who won the contract is charging USAID \$ 25.00 per page for translation services - a rate that is four to five times the cost of similar services available in the U.S. This is not an unusual costly operational event. As another recent example, the Mission wishes to rapidly move forward and convert to the new Agency mandated Microsoft application software. This move will require substantial training to all Mission staff before the change in applications can be made. The most inexpensive instructors the Mission has been able to locate require \$ 600 per day per trainer to conduct the classes. These typical excessive operational costs by Western standards are the norm in this Region and result in a need for substantial resources and high Operating Expense Budgets to carry out Mission Operations.

Over the past years, the Mission has made substantial efforts to control costs in both housing and NXP. The cost containment efforts have had a negative impact upon morale and could further degrade as personnel rotations are completed this year. In the past, personnel assigned to Ukraine were typically single. The Mission's personnel compliment is now changing to family units. As an example, the current Mission Director who rotates this summer resides in a one bedroom apartment. His replacement has three children and will require a substantial larger and more expensive flat. We have done our best with the limited resources to upgrade our housing pool from small inadequately conditioned apartments to units that meet minimum Western standards. Over a three year period housing rents have increased from an average of \$ 18,000 per unit up to current levels of \$ 50,000. As we seek to find larger dwellings to meet family needs and provide Western equivalent living standards, we can expect substantial increases in this area. We also are making a consciousness effort to upgrade our residential NXP. Much of the initial furnishings originated as used NXP transferred from Zaire when that Mission closed out. We have made some progress in obtaining additional furnishings, but on average most of the NXP is a mis-matched selection per household and a great deal is in a deteriorated condition.

We are finally reaching a personnel compliment which will enable the Mission to meet our program implementation oversight. One of the major costs associated with this increase, the building expansion, will be finalized in FY 1999. There are several security upgrades to the building complex and surrounding perimeter that IG/SEC has recommended and verbally indicated they would provide some assistance in funding. Certain building and perimeter improvements that meet the definition of security related must be completed even in the absence of specially allocated security funds. One is a generator and equipment which will enable the Mission to operate during prolonged power outages. Ukraine is one of three countries in the world that is projected to have the most difficult infrastructure problems in dealing with Y2K problems. A worse case scenario being considered by the Embassy is a forced evacuation of all dependents and a substantial number of USG employees due predominately to a lack of electrical

power. At a minimum we expect daily intermittent power outages during the next winter and the Y2K problems could exacerbate the outages for up to weeks at a time.

Additionally in the personnel area we anticipate some cost increases. An FSN salary review is currently pending in State/W and a possible 10-20 % increase will result when it is approved. The Mission had budgeted conservatively at a 5-10 % increase. The Embassy is also close to finalizing an FSN medical insurance plan where none has existed in the past. The plan will be voluntary, but the unbudgeted costs could be in the hundred thousand dollar range if and when the plan is approved and depending on the range of participation by the staff. On the plus side, the GOU has placed a salary cap on the maximum salary level on which employers must pay payroll related taxes. To date, the USG has decided not to contribute payroll tax liabilities to the GOU taxing authorities, but has budgeted and funded these costs ( 38 % of basic salary) and held the contributions in suspense pending negotiations with the GOU. The Embassy post compensation plan has not finalized a decision related to application of the 38 % social benefit program and if the USG will cap the contribution to the suspense accounts during FY 99.

We believe we have made substantial reductions in needed services and costs across the entire operating expense spectrum whenever possible while maintaining personnel and equipment at standards enabling the Mission to carry out its fiduciary responsibilities in regards to our program implementation. We have been proactive this year in looking at alternatives. By analyzing service capabilities and combining like functions, we have reduced the overall ICASS bill by 35 % savings in FY 99. We have reviewed management use of discretionary funds such as our travel and training categories. As a result we have made important and cost conscious trade-offs such as moving to in-country and in-house training using our own staff resources whenever possible. All of these management alternatives and trade-offs have provided savings when in most cases increases were anticipated.

Finally, we have taken a positive approach across the board in charging our programs for their fair share of operating costs. This has been what we believe to be fair, transparent and equitable support to our project operations. This allocation system has been full range including the transfer of fifteen support FSN functions from OE to program operations to fully allocating other basic services along traditional cost usage systems. The overall result is that we have reduced our reliance on Operating Expenses enabling the Mission to conduct expanded, growing, and costly inflation increased operations within the reduced OE resource levels provided by the Bureau.

Workforce Tables

Org USAID Kiev, Ukraine End of year On-Board									Total	Org.	Fin.	Admin.	Con-	All		Total	Total
<b>FY 1999 Estimate</b>	SO 1	SO 2	SO 3	SO 4	SO 5	SpO1	SpO2	SO/SpO	Mgmt.	Mgmt	Mgmt	tract	Legal	Other	Mgmt.	Staff	
<b>OE Funded: 1/</b>																	
U.S. Direct Hire	1	1	1					3	2	2	1	1		7	13	16	
Other U.S. Citizens	2		1					3			1	1		2	4	7	
FSN/TCN Direct Hire								0							0	0	
Other FSN/TCN	1		1	1				3		15	36	3		9	63	66	
Subtotal	4	1	3	1	0	0	0	9	2	17	38	5	0	18	80	89	
<b>Program Funded 1/</b>																	
U.S. Citizens	14	5	1					20							0	20	
FSNs/TCNs	21	5	5					31			22				22	53	
Subtotal	35	10	6	0	0	0	0	51	0	0	22	0	0	0	22	73	
Total Direct Workforce	39	11	9	1	0	0	0	60	2	17	60	5	0	18	102	162	
TAACS									0							0	0
Fellows	1			1					2							0	2
IDIs									0							0	0
Subtotal	1	0	1	0	0	0	0	2	0	0	0	0	0	0	0	2	
<b>TOTAL WORKFORCE</b>	40	11	10	1	0	0	0	62	2	17	60	5	0	18	102	164	

1/ Excludes TAACS, Fellows, and IDIs

Workforce Tables

	SO 1	SO 2	SO 3	SO 4	SO 5	SpO1	SpO2	Total SO/SpO	Org. Mgmt.	Fin. Mgmt	Admin. Mgmt	Con- tract	Legal	All Other	Total Mgmt.	Total Staff
<b>FY 2000 Target</b>																
<b>OE Funded: 1/</b>																
U.S. Direct Hire	1	1	1					3	2	2	1	1		7	13	16
Other U.S. Citizens	2		1					3			1	1		2	4	7
FSN/TCN Direct Hire								0							0	0
Other FSN/TCN	1		1	1				3		15	36	3		9	63	66
Subtotal	4	1	3	1	0	0	0	9	2	17	38	5	0	18	80	89
<b>Program Funded 1/</b>																
U.S. Citizens	14	5	1					20							0	20
FSNs/TCNs	21	5	5					31			22				22	53
Subtotal	35	10	6	0	0	0	0	51	0	0	22	0	0	0	22	73
Total Direct Workforce	39	11	9	1	0	0	0	60	2	17	60	5	0	18	102	162
TAACS								0							0	0
Fellows	1		1					2							0	2
IDIs								0							0	0
Subtotal	1	0	1	0	0	0	0	2	0	0	0	0	0	0	0	2
<b>TOTAL WORKFORCE</b>	40	11	10	1	0	0	0	62	2	17	60	5	0	18	102	164

<b>FY 2000 Request</b>																
<b>OE Funded: 1/</b>																
U.S. Direct Hire	1	1	1					3	2	2	1	1		7	13	16
Other U.S. Citizens	2		1					3			1	1		2	4	7
FSN/TCN Direct Hire								0							0	0
Other FSN/TCN	1		1	1				3		15	36	3		9	63	66
Subtotal	4	1	3	1	0	0	0	9	2	17	38	5	0	18	80	89
<b>Program Funded 1/</b>																
U.S. Citizens	14	5	1					20							0	20
FSNs/TCNs	21	5	5					31			22				22	53
Subtotal	35	10	6	0	0	0	0	51	0	0	22	0	0	0	22	73
Total Direct Workforce	39	11	9	1	0	0	0	60	2	17	60	5	0	18	102	162
TAACS								0							0	0
Fellows	1		1					2							0	2
IDIs								0							0	0
Subtotal	1	0	1	0	0	0	0	2	0	0	0	0	0	0	0	2
<b>TOTAL WORKFORCE</b>	40	11	10	1	0	0	0	62	2	17	60	5	0	18	102	164

1/ Excludes TAACS, Fellows, and IDIs

Workforce Tables

Org End of year On-Board								Total SO/SpO Staff	Org. Mgmt.	Fin. Mgmt	Admin. Mgmt	Con- tract	Legal	All Other	Total Mgmt.	Total Staff
<b>FY 2001 Target</b>	SO 1	SO 2	SO 3	SO 4	SO 5	SpO1	SpO2									
<b>OE Funded: 1/</b>																
U.S. Direct Hire	1	1	1					3	2	2	1	1		7	13	16
Other U.S. Citizens	2		1					3			1	1		2	4	7
FSN/TCN Direct Hire								0							0	0
Other FSN/TCN	1		1	1				3		15	36	3		9	63	66
Subtotal	4	1	3	1	0	0	0	9	2	17	38	5	0	18	80	89
<b>Program Funded 1/</b>																
U.S. Citizens	14	5	1					20							0	20
FSNs/TCNs	21	5	5					31			22				22	53
Subtotal	35	10	6	0	0	0	0	51	0	0	22	0	0	0	22	73
Total Direct Workforce	39	11	9	1	0	0	0	60	2	17	60	5	0	18	102	162
TAACS								0							0	0
Fellows	1		1					2							0	2
IDIs								0							0	0
Subtotal	1	0	1	0	0	0	0	2	0	0	0	0	0	0	0	2
<b>TOTAL WORKFORCE</b>	40	11	10	1	0	0	0	62	2	17	60	5	0	18	102	164

<b>FY 2001 Request</b>																
<b>OE Funded: 1/</b>																
U.S. Direct Hire	1	1	1					3	2	2	1	1		7	13	16
Other U.S. Citizens	2		1					3			1	1		2	4	7
FSN/TCN Direct Hire								0							0	0
Other FSN/TCN	1		1	1				3		15	36	3		9	63	66
Subtotal	4	1	3	1	0	0	0	9	2	17	38	5	0	18	80	89
<b>Program Funded 1/</b>																
U.S. Citizens	14	5	1					20							0	20
FSNs/TCNs	21	5	5					31			22				22	53
Subtotal	35	10	6	0	0	0	0	51	0	0	22	0	0	0	22	73
Total Direct Workforce	39	11	9	1	0	0	0	60	2	17	60	5	0	18	102	162
TAACS								0							0	0
Fellows	1		1					2							0	2
IDIs								0							0	0
Subtotal	1	0	1	0	0	0	0	2	0	0	0	0	0	0	0	2
<b>TOTAL WORKFORCE</b>	40	11	10	1	0	0	0	62	2	17	60	5	0	18	102	164

1/ Excludes TAACS, Fellows, and IDIs



Operating Expenses

Org. Title: USAID Kiev Ukraine Org. No: 22121 OC		Overseas Mission Budgets															
		FY 1999 Estimate			FY 2000 Target			FY 2000 Request			FY 2001 Target			FY 2001 Request			
		Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	
21.0	Mandatory/Statutory Travel	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			Do not enter data on this line			
21.0	Post Assignment Travel - to field	42.5		42.5	42.5		42.5		60		60	42.5		42.5	60		60
21.0	Assignment to Washington Travel	24		24	24		24		0		0	24		24	0		0
21.0	Home Leave Travel	25		25	25		25		30		30	25		25	30		30
21.0	R & R Travel	16.7		16.7	16.7		16.7		20		20	16.7		16.7	20		20
21.0	Education Travel	2.5		2.5	2.5		2.5		2.5		2.5	2.5		2.5	2.5		2.5
21.0	Evacuation Travel	18.1		18.1	18.1		18.1		18.1		18.1	18.1		18.1	18.1		18.1
21.0	Retirement Travel			0			0				0			0			0
21.0	Pre-Employment Invitational Travel			0			0				0			0			0
21.0	Other Mandatory/Statutory Travel			0			0				0			0			0
21.0	Operational Travel	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			Do not enter data on this line			
21.0	Site Visits - Headquarters Personnel			0			0				0			0			0
21.0	Site Visits - Mission Personnel	100		100	100		100		100		100	100		100	100		100
21.0	Conferences/Seminars/Meetings/Retreats	57.5		57.5	57.5		57.5		57.5		57.5	57.5		57.5	57.5		57.5
21.0	Assessment Travel			0			0				0			0			0
21.0	Impact Evaluation Travel			0			0				0			0			0
21.0	Disaster Travel (to respond to specific disasters)			0			0				0			0			0
21.0	Recruitment Travel			0			0				0			0			0
21.0	Other Operational Travel	150		150	150		150		150		150	150		150	150		150
	Subtotal OC 21.0	499.1	0	499.1	499.1	0	499.1	500.9	0	500.9	499.1	0	499.1	500.9	0	500.9	
22.0	Transportation of things	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			Do not enter data on this line			
22.0	Post assignment freight	180		180	180		180		200		200	180		180	200		200
22.0	Home Leave Freight	23		23	23		23		25		25	23		23	25		25
22.0	Retirement Freight			0			0				0			0			0
22.0	Transportation/Freight for Office Furniture/Equip.	26.2		26.2	26.2		26.2		20		20	26.2		26.2	20		20
22.0	Transportation/Freight for Res. Furniture/Equip.	5		5	5		5		10		10	5		5	17		17
	Subtotal OC 22.0	234.2	0	234.2	234.2	0	234.2	255	0	255	234.2	0	234.2	262	0	262	
23.2	Rental payments to others	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			Do not enter data on this line			
23.2	Rental Payments to Others - Office Space	412.3		412.3	412.3		412.3		439.2		439.2	412.3		412.3	439.2		439.2
23.2	Rental Payments to Others - Warehouse Space	38.9		38.9	38.9		38.9		41.5		41.5	38.9		38.9	41.5		41.5
23.2	Rental Payments to Others - Residences	910.7		910.7	910.7		910.7		950		950	910.7		910.7	1000		1000
	Subtotal OC 23.2	1361.9	0	1361.9	1361.9	0	1361.9	1430.7	0	1430.7	1361.9	0	1361.9	1480.7	0	1480.7	
23.3	Communications, utilities, and miscellaneous charges	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			Do not enter data on this line			
23.3	Office Utilities	34.4		34.4	34.4		34.4		36.7		36.7	34.4		34.4	36.7		36.7
23.3	Residential Utilities	25.8		25.8	25.8		25.8		25.8		25.8	25.8		25.8	25.8		25.8
23.3	Telephone Costs	80.5		80.5	80.5		80.5		85.8		85.8	80.5		80.5	85.8		85.8
23.3	ADP Software Leases			0			0				0			0			0
23.3	ADP Hardware Lease			0			0				0			0			0
23.3	Commercial Time Sharing			0			0				0			0			0
23.3	Postal Fees (Other than APO Mail)			0			0				0			0			0
23.3	Other Mail Service Costs	3.8		3.8	3.8		3.8		4		4	3.8		3.8	4		4
23.3	Courier Services			0			0				0			0			0
	Subtotal OC 23.3	144.5	0	144.5	144.5	0	144.5	152.3	0	152.3	144.5	0	144.5	152.3	0	152.3	
24.0	Printing and Reproduction	6.8		6.8	6.8		6.8		7.5		7.5	6.8		6.8	7.5		7.5





Organization: USAID Kiev, Ukraine

Foreign National Voluntary Separation Account									
Action	FY 1999			FY 2000			FY 2001		
	OE	Program	Total	OE	Program	Total	OE	Program	Total
Deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Withdrawals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Local Currency Trust Funds - Regular			
	FY 1999	FY 2000	FY 2001
Balance Start of Year	0.0	0.0	0.0
Obligations	0.0	0.0	0.0
Deposits	0.0	0.0	0.0
Balance End of Year	0.0	0.0	0.0

**Exchange Rate** \_\_\_\_\_

Local Currency Trust Funds - Real Property			
	FY 1999	FY 2000	FY 2001
Balance Start of Year	0.0	0.0	0.0
Obligations	0.0	0.0	0.0
Deposits	0.0	0.0	0.0
Balance End of Year	0.0	0.0	0.0

**Exchange Rate** \_\_\_\_\_

Controller Operations

Org. Title: USAID Kiev Ukraine Controller Operations Org. No: CO-22121 OC		Overseas Mission Budgets														
		FY 1999 Estimate			FY 2000 Target			FY 2000 Request			FY 2001 Target			FY 2001 Request		
		Dollars	TF	Total	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			Do not enter data on this line		
11.1	Base Pay & pymt. for annual leave balances - FNDH			0			0		0			0			0	
	Subtotal OC 11.1	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			Do not enter data on this line		
11.3	Base Pay & pymt. for annual leave balances - FNDH			0			0		0			0			0	
	Subtotal OC 11.3	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			Do not enter data on this line		
11.5	USDH			0			0		0			0			0	
11.5	FNDH			0			0		0			0			0	
	Subtotal OC 11.5	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			Do not enter data on this line		
11.8	USPSC Salaries	12		12	12		12		12	12		12	12		12	
11.8	FN PSC Salaries	180		180	200		200		200	200		200	200		200	
11.8	IPA/Details-In/PASAs/RSSAs Salaries			0			0		0			0			0	
	Subtotal OC 11.8	192	0	192	212	0	212	212	0	212	212	0	212	212	0	212
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			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			Do not enter data on this line		
12.1	Educational Allowances			0			0		0			0			0	
12.1	Cost of Living Allowances	6		6	6		6		6	6		6	6		6	
12.1	Home Service Transfer Allowances			0			0		0			0			0	
12.1	Quarters Allowances			0			0		0			0			0	
12.1	Other Misc. USDH Benefits	1		1	0		0	0		0	1		1	1		1
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			Do not enter data on this line		
12.1	** Payments to FSN Voluntary Separation Fund - FNDH			0			0		0			0			0	
12.1	Other FNDH Benefits			0			0		0			0			0	
12.1	US PSC Benefits			0			0		0			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			Do not enter data on this line		
12.1	** Payments to the FSN Voluntary Separation Fund - FN PSC			0			0		0			0			0	
12.1	Other FN PSC Benefits	60		60	68		68	68		68	68		68	68		68
12.1	IPA/Detail-In/PASA/RSSA Benefits			0			0		0			0			0	
	Subtotal OC 12.1	67	0	67	74	0	74	74	0	74	75	0	75	75	0	75
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			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			Do not enter data on this line		
13.0	Severance Payments for FNDH			0			0		0			0			0	
13.0	Other Benefits for Former Personnel - FNDH			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			Do not enter data on this line		
13.0	Severance Payments for FN PSCs			0			0		0			0			0	
13.0	Other Benefits for Former Personnel - FN PSCs			0			0		0			0			0	
	Subtotal OC 13.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
21.0	Travel and transportation of persons	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			Do not enter data on this line		
21.0	Training Travel	5		5	5		5	5		5	5		5	5		5

Controller Operations

Org. Title: USAID Kiev Ukraine Controller Operations Org. No: CO-22121 OC		Overseas Mission Budgets														
		FY 1999 Estimate			FY 2000 Target			FY 2000 Request			FY 2001 Target			FY 2001 Request		
		Dollars	TF	Total												
21.0	Mandatory/Statutory Travel	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			Do not enter data on this line		
21.0	Post Assignment Travel - to field	0		0	6		6	6		6	0		0	0		0
21.0	Assignment to Washington Travel			0			0			0			0			0
21.0	Home Leave Travel	5		5	5		5	5		5	5		5	5		5
21.0	R & R Travel	4		4	4		4	4		4	4		4	4		4
21.0	Education Travel	2		2	2		2	2		2	2		2	2		2
21.0	Evacuation Travel			0			0			0			0			0
21.0	Retirement Travel			0			0			0			0			0
21.0	Pre-Employment Invitational Travel			0			0			0			0			0
21.0	Other Mandatory/Statutory Travel	10		10	10		10	10		10	10		10	10		10
21.0	Operational Travel	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			Do not enter data on this line		
21.0	Site Visits - Headquarters Personnel			0			0			0			0			0
21.0	Site Visits - Mission Personnel	15		15	15		15	15		15	15		15	15		15
21.0	Conferences/Seminars/Meetings/Retreats	5		5	5		5	5		5	5		5	5		5
21.0	Assessment Travel			0			0			0			0			0
21.0	Impact Evaluation Travel			0			0			0			0			0
21.0	Disaster Travel (to respond to specific disasters)			0			0			0			0			0
21.0	Recruitment Travel			0			0			0			0			0
21.0	Other Operational Travel	5		5	5		5	5		5	5		5	5		5
	Subtotal OC 21.0	51	0	51	57	0	57	57	0	57	51	0	51	51	0	51
22.0	Transportation of things	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			Do not enter data on this line		
22.0	Post assignment freight	0		0	35		35	35		35	0		0	0		0
22.0	Home Leave Freight	1		1	1		1	1		1	1		1	1		1
22.0	Retirement Freight			0			0			0			0			0
22.0	Transportation/Freight for Office Furniture/Equip.	4		4	4		4	4		4	4		4	4		4
22.0	Transportation/Freight for Res. Furniture/Equip.			0			0			0			0			0
	Subtotal OC 22.0	5	0	5	40	0	40	40	0	40	5	0	5	5	0	5
23.2	Rental payments to others	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			Do not enter data on this line		
23.2	Rental Payments to Others - Office Space	55		55	55		55	55		55	55		55	55		55
23.2	Rental Payments to Others - Warehouse Space	5		5	5		5	5		5	5		5	5		5
23.2	Rental Payments to Others - Residences	95		95	95		95	95		95	95		95	95		95
	Subtotal OC 23.2	155	0	155	155	0	155	155	0	155	155	0	155	155	0	155
23.3	Communications, utilities, and miscellaneous charges	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			Do not enter data on this line		
23.3	Office Utilities	5		5	5		5	5		5	5		5	5		5
23.3	Residential Utilities	3		3	3		3	3		3	3		3	3		3
23.3	Telephone Costs	5		5	5		5	5		5	5		5	5		5
23.3	ADP Software Leases			0			0			0			0			0
23.3	ADP Hardware Lease			0			0			0			0			0
23.3	Commercial Time Sharing			0			0			0			0			0
23.3	Postal Fees (Other than APO Mail)			0			0			0			0			0
23.3	Other Mail Service Costs			0			0			0			0			0
23.3	Courier Services	1		1	1		1	1		1	1		1	1		1
	Subtotal OC 23.3	14	0	14	14	0	14	14	0	14	14	0	14	14	0	14
24.0	Printing and Reproduction			0			0			0			0			0



