

## Ukraine

**The Development Challenge:** After prolonged economic stagnation during the 1990s, Ukraine has made some strides in developing and implementing sound macroeconomic policies and in strengthening its financial institutions. Ukraine has also started to lay the foundation of a legal environment conducive to private sector growth. However, despite recent, strong economic growth rates, delays in structural reforms still stymie more profound longer-term progress. The Government of Ukraine (GOU) has made considerably less progress in establishing the spread of sound democratic institutions and practices. While there are promising signs of political reform for elected local government, weak political accountability, particularly at the national level, unequal enforcement of law, and tightly controlled media hinder democratic development. In the education, basic services, and health sectors, weak government policies, corruption, and outdated management practices continue to hinder the state's ability to provide adequate services and protect the most vulnerable population groups.

Cautious macroeconomic policies, increased consumer spending, and external demand were major factors behind strong economic growth in 2003. In January-September 2003, the GOU maintained a budget surplus and a stable foreign exchange rate. Real GDP growth exceeded 6% while inflation was only 4%. The Government also made improvements to state procurement processes, state auditing procedures, and the administration of social transfers. Significant problems still remain, however, such as the accumulation of tax arrears (now equal to 29% of the national budget) and the use of non-cash transactions to settle public sector liabilities.

The GOU pursued the development of a sounder financial system by making progress in accounting reform and through the establishment of an independent regulator for non-bank financial institutions. These institutional developments, together with strong economic growth, have stimulated the financial sector not only to grow, but also to develop new and more sophisticated products. Important legal reforms included the passage of a Civil Code, a Personal Income Tax Law and a Legal Entity Registration Law. However, poor structural policies (particularly, in the energy and foreign trade sectors), high transaction costs and the extensive network of direct government subsidies and implicit taxes, continue to distort the efficient allocation of resources. Overall, businesses still face extensive barriers, such as long delays in registration procedures, a myriad of non-tax penalties, and high real interest rates. Because of these distortions, the informal economy remained sizeable by most estimates.

Due to conflicting legislation, a weak judiciary, and an ambivalent attitude towards international corporate governance practices, foreign direct investors continue to be wary of Ukraine. As a result, Ukraine still has one of the lowest per capita levels of direct investment in the region (about \$130 per capita). Furthermore, the GOU's reticence to take further hard steps on the reform path has put a damper on cooperation with the International Monetary Fund (IMF) which decided to defer approval of a precautionary stand-by arrangement until the GOU made more tangible advances in reducing value added tax exemptions and refund arrears. However, at the end of the year the Government appeared to be closer to reaching agreement with the IMF.

Limited progress was made during FY 2003 towards developing an increasingly transparent, democratic government. Although political parties and other civil society organizations have become more visible, so far these groups have not been able to mobilize their constituencies and offer easily distinguishable services to the public. Moreover, increased media censorship and extensive pressure on the opposition to support the current Government has tempered progress in the democracy arena. With the approaching presidential elections, the situation is unlikely to improve. Therefore, a growing majority of Ukrainians feel that democratic change is not occurring.

Frequent changes of key personnel within the coalition Government over the past year did not fundamentally alter the political landscape. However, the shuffling of positions has impaired the GOU's institutional capacity to develop and implement sustainable national development policies, as well as serious policy debate and efforts to increase transparency within the government. In the absence of effective political opposition, strong civil society organizations and an institutionalized system of checks and balances, these factors have particularly hindered advances in the social sector.

The Government has made little progress towards advancing modern social practices in health, education and social security. The official data show that about 30% of the Ukrainian population still live in poverty. The growth of HIV/AIDS and other infectious diseases has been increasing at an alarming rate. The level of domestic violence, alcoholism, prostitution, and abandoned children are also of concern. Perhaps the only important positive legislative development in this area was the adoption of pension legislation, which opens tremendous possibilities for private sector expansion. Otherwise, social systems continue to be characterized by low staff morale, obsolete equipment, and ineffective practices.

**The USAID Program:** The overall strategic goal of the USAID Mission, increased social and economic well-being of all Ukrainians within a framework of democratic governance, has several facets. First, to improve the investment climate and accelerate the growth of small and medium enterprises (SMEs) and agriculture, USAID supported Ukraine's aspired accession to World Trade Organization and continued partnering more with local governments, private sector, and non-governmental organizations. For example, USAID reprogrammed its assistance in the fiscal area to local governments, expanded support to SMEs, and started new programs to improve agricultural marketing and access to bank finance in the rural areas. USAID, however, also had to withdraw its support to the energy sector because of the GOU's inability to pursue key sectoral policy reforms.

Second, to improve democratic governance by strengthening government institutions and civil society, USAID started a new project that consolidates and institutionalizes democratic practices in the Parliament. Also, given the increasing pressure on the media, USAID continued providing support to independent media, focusing on financial viability and improving the legal and regulatory framework, and developed a program aimed at increasing citizens' participation and transparency during elections.

Finally, in response to Ukraine's emerging HIV/AIDS epidemic, USAID has designed a new HIV/AIDS strategy that will focus on reducing the HIV/AIDS transmission rate and the disease's associated stigma and discrimination. USAID also began a new project to develop modern prenatal services and will begin a new five year program to reduce trafficking of women and children.

**Other Program Elements:** USAID/Ukraine receives support for mother-to-child transmission of HIV/AIDS and will receive Washington matching funds for the new HIV/AIDS strategic objective. USAID is also providing support to Ukraine's \$92 million Global HIV/AIDS Fund to develop a national surveillance and evaluation system, support procurement of anti-retroviral drugs, and provide key technical assistance to principal HIV/AIDS-stricken regions. Other health program-related support is provided through a World Health Organization grant for tuberculosis control and a policy project for reproductive health. With USAID funding, the Eurasia Foundation manages an economics education program and small research grants.

**Other Donors:** The largest donor is the European Bank for Reconstruction and Development (EBRD) with a portfolio in food production, financial sector development, energy, and transport development. The World Bank (WB) supports programs in public utilities, agriculture, health, social protection, and public finance. The U.S. is Ukraine's largest bilateral donor, followed by the European Union (EU) which funds programs for institutional, legal, and administrative reform, private sector support, and economic development. The United Kingdom (UK) provides assistance in social protection, governance, civil society, and private sector development. Canada and Germany assist in public policy development and capacity building, private sector development, and education. USAID cooperates with the EBRD for SME development, the WB and the EU for policy reform, agriculture, and social transformation, with the UK for social protection and governance, and with Canada and Germany for private sector development and agriculture.

## Data Sheet

<b>USAID Mission:</b>	Ukraine
<b>Program Title:</b>	Small and Medium Enterprise and Agriculture
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	121-0132
<b>Proposed FY 2004 Obligation:</b>	\$17,249,000 FSA
<b>Prior Year Unobligated:</b>	\$10,101,000 FSA
<b>Proposed FY 2005 Obligation:</b>	\$14,301,000 FSA
<b>Year of Initial Obligation:</b>	FY 2003
<b>Year of Final Obligation:</b>	FY 2007

**Summary:** USAID's program aims to increase the growth of small and medium enterprises (SMEs) and agriculture.

### Inputs, Outputs, Activities:

#### FY 2004 Program:

Encourage growth of Small and Medium Enterprises (SMEs) (\$12,706,991 FSA, \$3,860,922 FSA carryover, \$1,977,975 FSA prior year recoveries). USAID will provide assistance to improve the ability of SMEs to compete in local and international markets as well as strengthen the legal and regulatory environment. USAID's BIZPRO project will help formulate and implement regulations that would improve the business environment and reduce corruption. USAID will assist Ukraine to establish 30 one-stop-shops for business registration and the issuing of permits and business licenses. More than 5,000 SMEs will access best business practices and legal/regulatory information on a monthly basis. USAID's Women's Economic Empowerment project will provide technical assistance to help more than 3,000 women to obtain jobs, get access to credit and start businesses. More than 11,000 women from rural and urban areas are expected to participate in USAID-funded entrepreneurship and job-skills training. USAID will improve undergraduate business management education at 26 Ukrainian universities and business schools. The program will foster university and business community partnerships; and develop the national accreditation system and processes to guide Ukrainian business management education programs. USAID will continue developing Business Internet Centers in four rural towns with populations between 35,000 and 100,000, to serve as hubs for rural business development. USAID will improve access to credit for business and agriculture using development credit authority (DCA) loan guarantees with commercial banks and the West NIS Enterprise Fund (WEST NIS). DCA programs will develop a micro lending institution, provide a portable guarantee to the WEST NIS to improve their capital position, support additional commercial banks to provide agricultural credit, develop a DCA municipal bond program, and establish a primary and secondary mortgage market with DCA-backed credit guarantees. USAID will establish a local government, USAID-sponsored DCA to help provide financing of needed utility system infrastructure improvements. The program will work with commercial banks to lend to cities for capital improvements in water, waste water and district heating systems. Carryover funds will be used for the DCA obligation.

Principal contractors/grantees: Development Alternatives Inc., Winrock, University of Minnesota, National Telecommunications Association (all prime).

Encourage growth of agriculture (\$4,542,009 FSA, \$4,261,825 FSA carryover). USAID's Ukraine Land Titling Initiative will provide direct support to: 1) issue land titles; 2) streamline the regulatory environment for land transactions; 3) provide public education to new landowners about their rights; and, 4) provide legal assistance enabling new landowners to exercise their rights and benefit from ownership. Carry-over funds will be used to issue an additional 700,000 land titles; the goal is 1.8 million land titles by the end of the project. USAID provides technical assistance to develop and exploit agricultural markets for small and medium farmers. USAID's Agricultural Marketing program will enable farmers and processors to

increase the production and processing of high-value commodities and products. USAID is supporting the development of a U.S. land-grant university agricultural extension model in selected oblasts. The extension program provides farm management advice to farmers, demonstrates different production technologies, and supports producers' associations and farmers' stores. USAID is improving farmers' access to grain markets and credit by supporting the development of a grain warehouse receipts' system (GWR). Ultimately, this may be the first step in the development of a unified, agricultural commodity futures market in Ukraine. The GWR program will provide assistance to develop a grain inspection service, a receipt register, training for warehouse operators, development of an indemnity fund and a licensing system. USAID will provide training to Ukrainian social scientists to formulate and defend market-oriented policies. USAID's agricultural policy project plays an important role in enabling the GOU to meet the agricultural regulatory requirements of WTO accession. USAID will also continue supporting USAID global programs to improve food safety and to encourage U.S. farm and agribusiness volunteers to share their knowledge with Ukraine to improve the quality of farm production and increase farm income.

Principal contractors/grantees: Louisiana State University, European Bank for Reconstruction and Development, Citizens Network for Foreign Affairs, United Nations Development Program.

**FY 2005 Program:**

Improve the business climate, business skills and SME access to credit (\$14,301,330 FSA). USAID will broaden its program of regulatory reform to remove key barriers to business development. USAID will strengthen its efforts to support women-based businesses through training and greater access to credit. Support will continue for business education and training to prepare Ukraine's next generation of entrepreneurs. Access to credit, leasing, grain warehouse receipts, and mortgage finance will catalyze business growth and spread equity. USAID will develop or expand agricultural programs to support policy reforms and to further accelerate agricultural growth. By the end of 2005, 1.8 million land titles should be issued to rural Ukrainians. The focus in 2005 will be on land market development and regional agricultural trade and investment.

**Performance and Results:** In 2003, SMEs benefited from the implementation of 210 regulatory acts, the operation of 20 one-stop-shops for business registration that reduced business registration time and from the enactment of a national law on Regulatory Policy. Local budgeting improved. USAID's agriculture program provided more than 450,000 land titles, and new landowners doubled their rental income as a result. The urban land program generates \$126,000 a day of income for municipalities to use for improvement in public services. In 2003, the agricultural extension program doubled its clients to almost 5,000 small farmers. USAID's agricultural policy project pushed through legislation to enable the GWR program to begin. The EBRD Micro Lending program (UMLP), with USAID as a major contributor, disbursed 2,500 loans on average per month during 2003. Lending reached over 3,304 loans in September 2003, with an average loan amount of \$4,800. The UMLP portfolio increased 15% during the fourth quarter of 2003 to \$86.1 million in outstanding loans to micro and small businesses.

## Data Sheet

<b>USAID Mission:</b>	Ukraine
<b>Program Title:</b>	Improved Investment Climate
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	121-0141
<b>Proposed FY 2004 Obligation:</b>	\$4,991,000 FSA
<b>Prior Year Unobligated:</b>	\$259,000 FSA
<b>Proposed FY 2005 Obligation:</b>	\$4,075,000 FSA
<b>Year of Initial Obligation:</b>	FY 2003
<b>Year of Final Obligation:</b>	FY 2007

**Summary:** Although in 2003, Ukraine experienced a fourth consecutive year of economic growth (5.6%) and low inflation (4.1%), foreign investment was only equivalent to \$130 per person, representing one of the lowest foreign direct investment levels in Eastern Europe and the Commonwealth of Independent States. USAID is committed to improving the investment climate as a crucial component of a sound market economy. USAID activities to improve Ukraine's investment climate include: commercial law, accounting, corporate governance, banking supervision, World Trade Organization (WTO) accession, and local budget reform.

USAID will continue to provide funding to activities that are achieving substantial results in establishing institutions, laws and policies that foster private sector-led growth, macroeconomic stability, poverty reduction, and budget and tax decentralization. Increased trade and investment, further integration into the global trading system, and a secure and stable financial market are among other areas of assistance. Specifically, achievement of this strategic objective depends on: 1) Ukraine gaining full compliance with WTO membership requirements; 2) establishment of a legal foundation that clearly delineates the commercial law regime, secures property rights, and provides predictable and enforceable means of redress; 3) budget and tax policies that provide a transparent, efficient system of expenditures and taxes; and, 4) a transparent financial sector that mobilizes resources for investment and gives financial intermediaries and capital markets a key role in guiding investment to the economy. The major issues and problems constraining investment in Ukraine are the lack of an independent court system, weak shareholders' rights, an inadequate legal framework, weak budget and tax systems, lack of regulatory and enforcement capacity within the financial sector's regulatory bodies, and the inefficient allocation of resources in the financial sector.

### Inputs, Outputs, Activities:

#### FY 2004 Program:

Commercial law (\$1,477,091 FSA). USAID will assist the appropriate Parliamentary Committees to mitigate differences between the new, progressive Civil Code and the regressive, anti-market Economic Code. The Civil Code will have a dramatic impact on transactions throughout society because it provides the basis for personal freedom, private ownership of land and property, intellectual property rights, debtor-creditor relations, and market-oriented principles of corporate governance and entrepreneurship. USAID will continue to support the adoption of commercial legislation that conforms to the Civil Code. The USAID-funded Commercial Law Center (CLC) will provide training to commercial law professionals in arbitration, mediation, bankruptcy, enforcement of judgments, legislative drafting, as well as public outreach and advocacy on commercial law reform. In addition, the CLC will draft and promote the passage of laws and regulations that increase access to credit for small and medium enterprises, prospective home owners, farmers, and municipalities. This includes legislation on secured transactions, mortgage lending, leasing, and credit bureaus. Principal contractor: Deloitte Touché Tohmatsu Emerging Markets Ltd.

WTO Accession (\$150,000 FSA carryover). In August 2003, USAID began a one-year project to assist the Government of Ukraine (GOU) in meeting the requirements for accession to the WTO. The major task is to improve Ukraine's sanitary and phyto-sanitary (SPS) regulations, which guarantee food safety and quality. The project assists the Ministry of Economy to prepare for the WTO Working Party meetings in 2003-2004. To meet its objective of joining the WTO by 2005, Ukraine will need to increase the pace of its legal reform. USAID is adding carry-over funds to broaden the scope of work of the WTO project to assist in other non-SPS legal and regulatory areas.

Financial Sector (\$1,115,282 FSA, \$108,740 FSA carryover). USAID programs support: 1) the adoption of legislation that promotes transparent corporate governance practices and supervision; 2) training, examination and certification of accountants that will enable listed Ukrainian companies to use International Financial Reporting Standards, starting in 2005; and 3) legal, regulatory and institutional reforms to develop long-term financial markets in Ukraine. Also, the banking supervision activity is establishing stronger risk-based supervision at the National Bank (NBU) and risk-based management within commercial banks. Principal contractors: Financial Markets International (FMI), Chemonics and Bearing Point (prime).

Budget reform (\$2,398,627 FSA). In FY 2004, local government budget reform continues. USAID will provide assistance to 26 local governments in three oblasts: Khmelnytsky, Lviv and Poltava. USAID is strengthening local budgets, budget decentralization and program budgeting in key regions and cities. USAID plans to work with the Parliament's Budget Committee on aspects of national and local budget policy issues and will provide increased assistance on tax policy issues to the Rada's Sub-Committee on Tax Policy. Principal contractor: Development Alternatives, Inc.

**FY 2005 Program:**

The FY 2005 program will allocate \$2,075,000 FSA to improve the investment environment in the following ways: 1) to assist the GOU to meet its commitment after joining the WTO; 2) to develop a more vibrant, transparent financial sector; 3) to strengthen the ability of cities and towns to develop and manage their own budgets.

USAID will also allocate \$2,000,000 to the Local Budget Reform Project to expand technical assistance to 75 cities in 10 oblasts.

**Performance and Results:** USAID accomplishments created important conditions for improving Ukraine's investment environment in 2003. USAID assisted in the adoption of a progressive Civil Code, which will become the framework for Ukraine's body of commercial law. USAID's promotion and co-sponsorship of the new mortgage law, signed in July, has also stimulated a large demand for mortgage loans, currently estimated at \$300 million in Kyiv alone. Following recommendations by USAID's Banking Supervision project, the NBU formally adopted "risk-based supervision," which is improving the asset management capabilities and anticipated performance of Ukraine's commercial banks. The Cabinet of Ministers issued a decree to give greater protection to shareholders of joint stock companies. The Securities and Exchange Commission and the NBU have endorsed and are promoting the USAID-sponsored Certified International Professional Accountant (CIPA) program. CIPA certified accountants are bringing transparency into Ukraine's private sector and moving private enterprise towards compliance with global business practice. Municipalities are taking greater control of their budgeting process. The Ministry of Economy is implementing the USAID's legislative road map for accession to the WTO.

## Data Sheet

<b>USAID Mission:</b>	Ukraine
<b>Program Title:</b>	Strengthening Citizen Participation
<b>Pillar:</b>	Democracy, Conflict and Humanitarian Assistance
<b>Strategic Objective:</b>	121-0213
<b>Proposed FY 2004 Obligation:</b>	\$13,361,000 FSA
<b>Prior Year Unobligated:</b>	\$7,173,000 FSA
<b>Proposed FY 2005 Obligation:</b>	\$12,403,000 FSA
<b>Year of Initial Obligation:</b>	FY 2003
<b>Year of Final Obligation:</b>	FY 2007

**Summary:** USAID's program fosters increased participation of citizens in promoting their interests and rights by: strengthening the effectiveness of civil society organizations (CSOs); making political parties more representative of citizens' concerns; improving the credibility and competitiveness of the electoral process; and increasing the availability of quality information.

### Inputs, Outputs, Activities:

#### FY 2004 Program:

Civil Society (\$7,774,043 FSA, \$1,956,333 FSA carryover). USAID will work to assure more credible and fair presidential elections in 2004. The civil society project (UCAN) will provide advocacy training to CSOs promoting a fair electoral process and will award small grants to think tanks interested in conducting and disseminating analyses of the most salient political and economic issues of the election year. The project will focus on building the capacity of CSOs to stimulate civic initiatives, to increase public awareness of civic actions, and to improve organizational management and financial viability. The Eurasia small grants program has allocated grants for Ukrainian NGOs in three areas: public administration reform; civil society (including election related activities); and private enterprise development. USAID will work on designing a new anti-corruption project to further advance policy measures to decrease corruption. Principal contractor/grantee: Institute for Sustainable Communities and the Eurasia Foundation (prime). The implementing partner for the anti-corruption project will be determined.

Elections (\$1,000,000 FSA, \$4,750,000 FSA carryover). Two activities to support elections will be initiated. The first activity will strengthen the competitiveness and the credibility of the electoral process through improving the legal and regulatory framework as well as the adherence to this legal framework by the Government of Ukraine (GOU), political parties, and candidates. The goal of the second activity is to ensure that the election process is more participatory, transparent, and accountable through improved voter education, participation and oversight. Principal contractor/grantee: to be determined.

Media programs (\$2,158,000 FSA, \$466,854 FSA carryover). USAID's media programs will offer training to journalists on election-related issues and media law and will support voter education nation-wide. The Strengthening of Independent Media Program will continue providing institutional support to Ukrainian media associations and increased access to legal aid to journalists and media outlets. Under the Ukraine Reform Education Program (UREP), USAID will support the production of news and information products to ensure the availability of quality information within Ukraine's constrained media environment. To increase citizen understanding of key reform issues, USAID will fund the broadcast of over 90 hours of TV news, 100 hours of radio news, the production of 10 different brochures, as well as a bi-monthly publication with a total circulation of 14,000. Principal contractor/grantees: Internews Network and the Center for Ukrainian Reform Education), a Ukrainian NGO.

Political parties (\$2,429,173 FSA). Training for political parties on sound platform development and party poll watching will continue. Technical assistance will be provided to the Committee of Voters of Ukraine

(CVU) to improve its election monitoring. A series of coalition building trainings will be conducted for party leaders from three different political blocs to promote cooperation across party lines. Grantees are the International Republican Institute (IRI) and the National Democratic Institute (NDI), (both prime).

**FY 2005 Program:**

Plans include launching of a newly designed anti-corruption project with activities, which could include the analysis and further advancement of anti-corruption policy reform measures and associated NGO initiatives. Principal contractor/grantee: to be determined.

Civil society project (UCAN) (\$8,322,581 FSA). UCAN will support efforts for networking and outreach activities throughout Ukraine, complementing on-going support to CSOs through grants and training. It will focus on refining the systems and mechanisms that have been put in place to assure responsive, client-driven provision of training, consulting, information, networking and grants for CSOs. Attention will be given to developing initiatives to strengthen the information technology capacity of CSOs. The Eurasia Foundation will provide grants in the areas of civil society, private enterprise development, and public administration policy and reform. Principal grantees: The Institute for Sustainable Communities and the Eurasia Foundation (primes)..

The Strengthening of Independent Media Program (\$3,080,146 FSA). The program will continue to support an improved legal and regulatory environment, and to facilitate legal aid and legal defense for journalists. The USAID-supported Ukraine Reform Education Program (UREP) will continue to reach Ukrainians through an array of dissemination tools (TV, radio, publications, press club network, website, trainings, information line, etc.). UREP will remain active in ensuring that accurate and unbiased information on various reform topics is disseminated throughout Ukraine. Prime contractor/grantees: Internews Network and the Center for Ukrainian Reform Education (CURE), a Ukrainian NGO.

Strengthening the legal framework and the voter participation and oversight for elections (\$1,000,000 FSA). Activities in this area will target the parliamentary elections, currently scheduled for 2006. The specific activities will largely depend on the quality and the outcome of the preceding presidential elections in October 2004. Under political party training, IRI plans to target women, youth, and political parties, focusing on get-out-the-vote efforts, preventing election fraud, and citizen participation. NDI will promote the emergence of strong political parties at the national and regional level and help the Committee of Voters of Ukraine (CVU) attract new members and diversify its funding and design. Grantees are IRI and NDI (prime).

**Performance and Results:** USAID's activities achieved the following results in 2003: enhancement of civic participation by strengthening the capacity of CSOs to foster civic initiative and government responsiveness and accountability; improvements in media and CSO legislation; increase in cooperation among political factions; formation of political blocs; and improvements in political parties organizational and public outreach efforts.

By program completion, USAID expects that some parties will improve the extent to which they seek to promote their platforms. Public policy will receive broad public hearing, and pressure to reduce corruption and improve accountability of public organizations will be intensified. Professionalism of an independent media will be strengthened. Citizens will have better understanding of the reform issues. Free speech activists will diversify their advocacy campaigns tactics.

## Data Sheet

<b>USAID Mission:</b>	Ukraine
<b>Program Title:</b>	Good Governance
<b>Pillar:</b>	Democracy, Conflict and Humanitarian Assistance
<b>Strategic Objective:</b>	121-0224
<b>Proposed FY 2004 Obligation:</b>	\$7,717,000 FSA
<b>Prior Year Unobligated:</b>	\$3,633,000 FSA
<b>Proposed FY 2005 Obligation:</b>	\$8,117,000 FSA
<b>Year of Initial Obligation:</b>	FY 2003
<b>Year of Final Obligation:</b>	FY 2007

**Summary:** USAID's good governance program in Ukraine promotes assistance aimed at increasing autonomous and responsive local self-governance; more effective, independent, and representative legislature; and adherence to the rule of law.

### Inputs, Outputs, Activities:

#### FY 2004 Program:

Autonomous and responsive local government (\$6,717,000 FSA, \$2,832,754 FSA carryover). USAID will complete the successful project with the Association of Ukrainian Cities (AUC) that provides training and technical assistance for member services, communication and advocacy. The expected impact includes legislative advocacy and information dissemination to member-cities. The Community Partnerships Program (CPP) will provide expert assistance from 14 American cities to Ukrainian municipal partners. CPP operates five Regional Training Centers that provide training to local governments, businesses and NGOs. A newsletter and a journal with ideas and relevant news for local governments are distributed to more than 4,000 subscribers. Carryover funds will be used for continuing operations. USAID will assist local governments to improve their management of water, wastewater and district heating systems through the Tariff Reform and Communal Services Enterprises Restructuring project (TRCSER). Twenty communal service enterprises will receive assistance for service improvements. Carryover funds will be used to fund TRCSER. USAID will launch a project for Local Economic Development (LED) to increase profits and employment for businesses in 50 cities. The project will train up to 20 Ukrainian local government organizations to provide consulting for community economic development. Principal contractors and grantees: Research Triangle Institute (RTI) (prime); The U.S.-Ukraine Foundation (prime); PADCO; and for LED, a contractor/grantee to be determined.

Parliamentary strengthening efforts (\$1,000,000 FSA). The program will support three outcomes: establishment of an effective and democratic management system in Parliament, improving legislative-executive relations, and increasing access and feedback of citizens to the legislative process. The Parliamentary Development Project (PDP) will provide comparative information on various aspects of the legislative process through research and analysis of legislative and parliamentary issues, and consultations with international experts. PDP will facilitate the planning of committee hearings. USAID's technical and financial support will provide parliamentarians and staff analytical guidance and advice on draft laws and legislative processes to increase the efficiency of the legislative process. USAID will support policy analysis workshops for parliamentary staff and interns; organize events on parliamentary oversight, and disseminate at least six information bulletins on legislative issues. PDP will administer the Parliamentary Internship Program for more than 50 university students from all regions of Ukraine to help committees prepare draft legislation; conduct research, and compile comparative information. Contractor/grantee: Indiana University (prime).

Adherence to rule of law (\$800,000 FSA carryover). USAID will continue its advocacy and judicial programs to address the legal aspects arising from the upcoming presidential elections. Building on the FY 2003 success of the Expert Consultation Center in human rights, resources will be expanded to

include academic experts in criminal law, civil and family law, commercial law, and human rights. USAID will train advocates in preparation for the October 2004 presidential election. As a result, judges will obtain tools and knowledge necessary to adjudicate election-related cases. Further implementation of the Case Flow Management System (CFMS) in Ukraine's courts will be the main focus of USAID's judicial reform activities which will introduce CFMS to 12 courts. USAID will work with judicial associations to further their abilities to protect the rights of judges, demand proper compensation and appropriate workloads, and arrange for judicial trainings and networking. Contractor/grantee: American Bar Association's Central and Eastern European Law Initiative (prime).

**FY 2005 Program:**

Local self-governance (\$6,921,000 FSA). The CPP and LED projects will continue. USAID is considering new local government programs: Communal Services Reform Rollout and Training Capacity Building for the AUC. Prior USAID projects developed two groups of Ukrainian local government expertise: a group of 30 technical experts in communal service enterprises included in the TRCSER project, and the AUC. USAID is considering providing funding for further consulting with municipal utilities and training of local government professionals and elected officials.

Transparency and openness of the legislative process (\$1,196,000 FSA). USAID will facilitate greater transparency and openness of the legislative process, an efficient internal management system in the Parliament, and improved legislative-executive relations. PDP will prepare manuals and training sessions that will cover important areas of the legislative process, including staff preparation and training, training on policy analysis, and legislative drafting techniques.

**Performance and Results:** The 2001 Budget Code that introduced formula-based intergovernmental fiscal transfers now includes funding for capital expenditures. USAID developed the guidelines for setting water, wastewater, and heating tariffs. As a result, city operating deficits decreased. USAID assists 20 cities to improve management, technical and energy savings systems to reduce operating costs. The AUC has completed building its network of 25 offices that serve every oblast in Ukraine by providing technical expertise to improve municipal services. The AUC membership has grown to 80 percent of all cities in Ukraine. It successfully advocated for the law "On Municipal Property Rights," contributed to an important amendment to the "Law on Local Self-Governance," and assisted 130 small cities to improve their budgeting and financial management. USAID supports five Regional Training Centers for local government officials, civil society NGOs and business associations teaching more than 50 training modules in approximately 7,000 communities. The purpose of the Communal Services activity is to improve the efficiency of communal service delivery, specifically to increase the quality of water and improve district heating systems. Twenty cities assisted by USAID adopted management reforms, resulting in cost savings and municipal services improvement.

USAID expects that, by the end of FY 2004, several parliamentary committees will draft reform legislation. Training seminars, policy analysis, hearings, and distribution of analytical papers will contribute to more transparent and effective legislative processes. By the end of the program, USAID's assistance in improving regional court systems' case management capacities will enable regional partners to pursue their professional duties without USAID funding. The advocacy network will also have representation in each oblast. Court efficiency, measured by decreasing case backlog in courts that use the full CFMS, will rise, as each additional court becomes integrated into the system.

## Data Sheet

<b>USAID Mission:</b>	Ukraine
<b>Program Title:</b>	Social Protection and Health
<b>Pillar:</b>	Global Health
<b>Strategic Objective:</b>	121-0325
<b>Proposed FY 2004 Obligation:</b>	\$1,750,000 CSH; \$9,475,000 FSA
<b>Prior Year Unobligated:</b>	\$1,750,000 CSH; \$2,866,000 FSA
<b>Proposed FY 2005 Obligation:</b>	\$1,750,000 CSH; \$9,475,000 FSA
<b>Year of Initial Obligation:</b>	FY 2003
<b>Year of Final Obligation:</b>	FY 2007

**Summary:** This program is aimed at ensuring wide availability, adequate funding, and effective administration of a range of health and social programs. Reflecting Ukraine's pressing needs as well as the Agency's and USG's concerns, two of USAID's current priorities are the prevention and control of HIV/AIDS, and the prevention of trafficking in persons and the provision of assistance to victims. Other activities include the prevention and control of TB; an increase in access to quality primary health care services by promoting family medicine clinics and women's wellness centers; improvement in the quality of maternal and infant health services; reform of reproductive health policy, prevention and surveillance of birth defects (BD); pension reform; and delivery of social services and humanitarian assistance by NGOs.

### Inputs, Outputs, Activities:

#### FY 2004 Program:

To prevent the spread of HIV/AIDS (\$1,750,000 CHS, \$1,750,000 CHS carryover, \$2,000,000 FSA, \$950,000 FSA carryover). USAID assistance for HIV/AIDS has previously focused on building the capacity of Ukrainian NGOs to prevent further transmission of the virus, along with meeting the needs of those affected. However, with Ukraine's recent designation as an "intensive focus" country, USAID will develop a more comprehensive approach to keep HIV prevalence under 5%. Under its new five-year HIV strategy, USAID will provide information and services to at least 60% of high-risk groups in select high-prevalence oblasts. International best practice dictates that 60% coverage of high-risk populations must be met in order to keep a concentrated epidemic from becoming a generalized epidemic. Principal contractors/grantees: the International HIV/AIDS Alliance (prime) and the Centre for Ukrainian Reform Education (CURE, a Ukrainian NGO) (sub).

Anti-trafficking (\$937,337 FSA, \$127,663 FSA carryover). Seven non-governmental Women for Women Centers will continue to target victims of domestic violence and trafficking in persons. Implementation of a new five-year project that aims to raise awareness, assist victims, and strengthen national and regional program coordination will begin in the latter half of the year. Principal contractor: Winrock (prime) and others to be determined..

Improve health status (\$4,737,663 FSA, \$637,786 FSA carryover). Technical assistance will be given to raise the standards of maternal and neonatal care in maternity hospitals and rural health facilities and to reform reproductive health protocols at the national level, as well as to introduce the Directly Observed Treatment Strategy (DOTS) for the control of tuberculosis. Prime contractors/grantees: the American International Health Alliance (AIHA), the Futures Group International, John Snow International, the University of South Alabama, World Health Organization (WHO), and the World Council of Hellenes.

Pension reform (\$1,800,000 FSA, \$440,981 FSA carryover). USAID will continue to work on the improvement of social conditions in Ukraine by supporting the Government of Ukraine (GOU) in efforts to implement the legal framework and develop institutional capacity for a financially sustainable, reformed public pension system that will take effect on January 1, 2004. Support will also be given to introduce

private pension insurance and to develop its regulation. Prime contractors/grantees: Planning and Development Collaborative International Inc. (PADCO), and the Centre for Ukrainian Reform Education (CURE, a Ukrainian NGO).

Community Humanitarian Assistance Program (\$710,000 FSA carryover). In addition to providing humanitarian assistance, USAID will support indigenous social services NGOs to strengthen their organizational and management capacity. Prime contractor/grantee: Counterpart International.

**FY 2005 Program:**

Prevent the spread of HIV/AIDS (\$1,750,000 CSH, \$2,000,000 FSA). Because Ukraine is an Intensive Focus country in USAID's war on AIDS, USAID will support the provision of information and services in high prevalence regions to at least 60% of high-risk groups to prevent the spread of HIV and to extend care to those affected. Efforts will also focus on reducing stigma and discrimination, preventing mother to child transmission, and assisting children affected by HIV/AIDS.

Anti-trafficking (\$1,050,000 FSA). Trafficking in persons from, through, and in Ukraine will be reduced, primarily among women and children 12-25 years of age. A new five-year project aims to: 1) increase awareness, understanding and preventative actions taken among 'at-risk' groups, 2) provide victims assistance and rehabilitation, and 3) strengthen the coordination and execution of national and regional programs. Principal contractor/grantee to be determined.

Improve health status (\$5,425,000 FSA). USAID will extend the implementation of the WHO-recommended anti-tuberculosis DOTS strategies and expand efforts to address multi-drug resistant tuberculosis in the pilot Donetsk region. USAID also plans to establish a high level TB Policy Group and improve nationwide TB surveillance for furthering the program's expansion. USAID will continue its pilot interventions for improving maternal and neonatal health services in four regions to reduce morbidity and mortality. USAID also plans to develop and introduce a new child health program for particularly vulnerable groups. By developing evidence-based protocols and supporting advocacy efforts, USAID and its partners will improve reproductive health at the national level. Principal contractors/grantee: same as above.

Pension reform (\$1,000,000 FSA). USAID plans to continue providing legal and regulatory support to policy makers to implement the new three-tier transparent, reliable, fiscally sound, and sustainable pension system. USAID will help the GOU reduce the administrative burden on employers through the introduction of unified social insurance contributions for all public social insurance programs and the development of institutional capacity for a private pension industry. Principal contractor/grantee: same as above.

**Performance and Results:** USAID's support enabled the HIV/AIDS Information Clearinghouse to provide information and educational materials to policy makers, health providers, and vulnerable groups. Each quarter, 26 indigenous NGOs provided the needed information and services to 33,000 clients with high risk behaviors for HIV infection in 20 oblasts. USAID's health partners opened twelve demonstration family medicine clinics which served as a catalyst for the establishment of 483 family medicine clinics by local health administrations, in pilot areas by the end of FY 2003. As a result of policy reforms in the provision of services through the Women's Wellness Centers and family planning clinics, the abortion rate among these clinics' clients declined nearly 50% in the last few years. USAID's WHO-recommended pilot tuberculosis program in Donetsk had expanded its reach from 61.5% of the population to 80% by the end of July 2003. A USAID funded birth defects surveillance system is now active in five pilot regions. USAID has helped the GOU stabilize the current public pension system and lay the foundation for a voluntary private pension industry. The new three-tier pension system will take effect on January 1, 2004. Humanitarian assistance was provided through 251 local NGOs, directly meeting the immediate needs of some 462,000 vulnerable citizens.

## Data Sheet

<b>USAID Mission:</b>	Ukraine
<b>Program Title:</b>	Environment
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	121-0416
<b>Proposed FY 2004 Obligation:</b>	\$474,000 FSA
<b>Prior Year Unobligated:</b>	\$182,000 FSA
<b>Proposed FY 2005 Obligation:</b>	\$0
<b>Year of Initial Obligation:</b>	FY 2003
<b>Year of Final Obligation:</b>	FY 2005

**Summary:** This Special Objective introduces progressive practices that promote sound environmental management for increased environmental protection and sustainable development. The objective includes providing technical assistance and training to the government, industry, and NGOs: to strengthen Ukraine's environmental policy, legal, and regulatory framework; to increase environmental investments and promote environmentally sound technologies; to improve environmental management at public and private facilities; and to involve citizens and NGOs in improved environmental decision-making.

### Inputs, Outputs, Activities:

#### FY 2004 Program:

Land and Resource Management (\$374,406 FSA). USAID will continue support to the Ukrainian Land and Resource Management Center (ULRMC) with an emphasis on increasing public understanding of environmental problems and sustainable management of natural resources. The goal of USAID assistance is to strengthen Ukrainian capacity to use remote sensing, geographic information systems (GIS), and internet technologies for effective public policy development and decision-making. The ULRMC applies remote sensing and GIS technologies to prevent, prepare for, and respond to natural or man-made disasters; develop policies for the sustainable use of natural resources; preserve biological diversity and protect natural areas; and communicate and manage environmental health risks. The prime implementing partners are the Altarum Institute and the U.S. Geological Survey.

Project Design and Management (\$99,594 FSA, \$181,689 FSA carryover). These resources provide USAID/Ukraine with essential staff and technical support for monitoring and management of respective activities under this special objective.

#### FY 2005 Program:

**Performance and Results:** In FY 2003, USAID-funded environmental activities in Ukraine continued to emphasize addressing environmental problems at the local level. USAID activities promoted increased investment in environmental technologies and improvements in environmental management, facilitated environmental policy development, and increased citizen participation in environmental decision-making. FY 2003 results indicate that combining environmental training and study tours in order to develop individual action plans is a cost-effective approach for improving the capabilities of regional and local authorities, NGOs and facility managers while addressing specific local environmental problems.

Local environmental action plans are under public discussion in each of the project's communities. As a direct result of a particularly receptive response to an on-going Local Environmental Action Program (LEAP), local community leaders chartered the formation of 22 new environmentally-associated NGOs, which exceeded the expectations of the initial work plan. Three LEAP centers of excellence and four information repositories were also established.

The USAID-supported ULRMC applied remote sensing and GIS technologies to assist Ukraine in managing such problems as flooding and fires near the Chornobyl exclusion zone, flooding in the Tysa River basin, forests in the Carpathian Mountains, biodiversity in the Azov Sea - Black Sea corridor, and protected areas in Crimea and Transcarpathia.

Other Developments: USAID continued to help Ukraine meet its commitments under the United Nations Framework Convention on Climate Change (UNFCCC), stimulated investment in projects for the mitigation of green house gas (GHG) emissions, improved Ukraine's GHG emissions inventory by completion of the inventory for the power sector, and raised public awareness about the problem of global climate change. USAID's EcoLinks program, completed in July 2003, resulted in improved environmental management and efficiency at public and private enterprises.

## Data Sheet

<b>USAID Mission:</b>	Ukraine
<b>Program Title:</b>	Program Support Initiatives
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	121-0427
<b>Proposed FY 2004 Obligation:</b>	\$3,302,000 FSA
<b>Prior Year Unobligated:</b>	\$2,771,000 FSA
<b>Proposed FY 2005 Obligation:</b>	\$3,590,000 FSA
<b>Year of Initial Obligation:</b>	FY 2003
<b>Year of Final Obligation:</b>	FY 2007

**Summary:** USAID/Ukraine will continue to implement selected activities that support multiple objectives.

### Inputs, Outputs, Activities:

#### FY 2004 Program:

Participant Training Program (PTP) (\$0 FSA). The PTP is a key vehicle for advancing activities in all of the strategic objectives. During FY 2004, approximately 1,800 Ukrainians will be given opportunities to improve their knowledge, skills, and understandings in order for them to play more effective roles as leaders at work, at home, and in their communities. This will involve participating in workshops, national conferences, professional roundtables, and observational study tours, principally in Ukraine. Approximately 50% of the trainees will be women. The training activities for this FY will include support of business development, sustainable development and the environment, and democratic initiatives, along with a wide range of activities in support of health, anti-trafficking, and NGO development. Distribution of resources and number of participants for activities will be determined based upon the evolving assistance needs for Ukraine. Several workshops and study tours will take place in third countries, primarily in Central and Western Europe. Major events may include high profile national conferences that will focus on priority concerns for Ukraine relating to democracy, economic development, and social issues. The prospective conferences will provide opportunities to review policies and programs in entire sectors, develop action plans as vehicles for defining joint steps to be taken by governmental and non-governmental organizations, and identify areas for donor coordination. Prime contractor: the Academy for Educational Development (AED).

Poland-America-Ukraine-Cooperation Initiative (PAUCI) (\$1,103,049 FSA). FY 2004 activities will continue to support all strategic objectives and focus on the following areas of collaboration between Polish and Ukrainian NGOs: key economic reforms, small and medium enterprise development, local governance, integration into European structures, and countering the widening HIV/AIDS pandemic in Ukraine. Assistance with grass-roots initiatives in the two countries will increase the percentage of successful Ukrainian NGOs by helping them to apply the lessons learned by Polish NGOs during their development process. Prime grantee: Freedom House.

Program development and support (\$2,198,735 FSA, \$2,771,429 FSA carryover). This account is used for the payment of program-related technical staff, overhead and administrative services for the Mission. Funds are also provided for the design and monitoring of the program across strategic objectives.

#### FY 2005 Program:

Program development and support (\$3,590,431 FSA). Funds will be provided for the continuing program-related overhead and administrative needs of the Mission and the design and monitoring of the program across strategic objectives.

**Performance and Results:** During FY 2003, the PTP contributed to all of the strategic objectives in the Ukraine portfolio. Training has benefited the following USAID initiatives: business development (34% of

participants), environment (23%), democracy (17%), and a wide range of activities in support of health, anti-trafficking, and NGO development. Several workshops and study tours took place in third countries, primarily in Central and Western Europe. Major events included high-profile national conferences for sustainable development, anti-trafficking, local and regional economic development, and think tanks and analytical centers. These conferences provided opportunities to review policies and programs in all sectors; develop action plans for defining joint steps to be taken by governmental and non-governmental organizations; and identify opportunities for donor coordination. The PTP provided a rapid and flexible mechanism to address issues requiring collaboration between USAID partners in the same sector. For example, assistance in the agribusiness portfolio was enhanced by coordinating agribusiness development programs (legal defense of land titles, agricultural credit loan officer training, and agricultural extension services), and by addressing policy issues in sustainable economic development.