World Bank Projects in Private Sector Development

Ukraine’s European course, declared by the supreme state power and supported by society, determines the nature of market reforms carried out by the Ukrainian Government. One of the components of this course includes support for the development of the private economy sector, and stabilization of the environment favorable for entrepreneurial activity.

This line of reforms is actively supported by the World Bank, with its most important projects aimed at building up the private sector in Ukraine.

In 1996 and 1998, the Enterprise Development Adjustment Loans (EDAL) I and II were implemented in two stages ($US 310 million and $US 300 million). These loans were intended for the speeded-up fulfillment of the mass privatization program in Ukraine, capital market regulation, financing of critical import, and carrying out of deregulation programs. Implementation of these projects facilitated the carrying out of reforms in the areas of accounting and bankruptcy procedures. Part of Loan I was used for technical assistance in restructuring privatized enterprises and for professional training of specialists, and providing of consultants’ services.

In 2002, the World Bank approved granting a loan to Ukraine for the Private Sector Development Project ($US 30 million). This project is a systemic (adjustment) type, being oriented not only to the extensive development of private enterprises, but also to increasing the efficiency and profitability of production, and the manufacture of competitive products. The project also envisages intensive training of Ukrainian managers and consultants who will work in the private sector of the economy.

The project is based on the arrangements for supporting “bottom-up” reforming. In some regions of Ukraine, small- and medium-business enterprises receive, at the initial stage, consultants’ services regarding ways of increasing labor productivity, improving financial activity and production management. At the same time work is carried out to create a regulatory environment in the interests of private business, and to provide wide support for reforms by both private entrepreneurs and managers, local scientific and academic circles and other interested groups at a regional level. Such actions are aimed at sharing the experience of efficient work of privatized enterprises, as well as the initiatives regarding acquiring managerial knowledge and using local potentials for market transformations.

The project objective is also to ensure that privatized enterprises themselves, after acquiring know-how and work experience under the conditions of new economic realities, become experts and leaders of enterprise restructuring, supporters and implementers of market ideas in the regions.

For an experiment involving project implementation, 4 oblasts (Chernivetska, Khmelnytska, Volynska and Zhytomyrska) were identified which have positive tendencies towards the speedy development of entrepreneurship and contribute to the strengthening of its positions. Already at the first stage of project implementation, necessary institutions were established whose activity is aimed at providing information, consultancy and other services which entrepreneurs need so much. The oblast state administrations have carried out a number of deregulation measures.

Introduction of the latest models of information and communication technologies (ICT) can considerably increase the efficiency and expeditiousness of decisions approval, stimulate the development of the private sector and strengthen civil society in Ukraine. In order to attain these goals, a credit agreement on financing the Project “Ukraine: E-Development” was signed in 2003 between the World Bank and the Ukrainian Government (the total cost of the project is $US 6 million, the World Bank loan is $US 5 million). The project is at the pre-effectiveness stage.

The project is oriented to a large-scale and long-term perspective. It will consist of three main parts: “Electronic government,” “electronic business” and “electronic dialogue” between the state and private sectors.

The “electronic government” component envisages introducing models of electronic procurement of goods and services, as well as electronic circulation of documents. It is expected that such approach will considerably increase the efficiency of public administration in Ukraine both at the central and regional levels, and also contribute to transparency of government decisions.

The purpose of introducing “electronic business” is to establish a modern normative and legal basis that is oriented to the European Union standards and which will impart legal force to interactive operations.

An “electronic dialog” between the state and private sectors will facilitate involvement of the public at large in the shaping and implementation of social and economic policies at the state level. This is one of the ways of influencing the power structures which, when making decisions, should take into consideration the priorities of the most vulnerable strata of the population.

The activities envisaged by the project have positive prospects for consolidating administrative reform. These activities
influence the formation of a developed civil society in Ukraine.

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