



UKRAINE CAS COMPLETION REPORT REVIEW

This OED review of the FY01-03 CAS program and the CAS Completion Report (CCR) finds that there was progress towards the main objectives of the CAS program—strengthening civil society's demand for government accountability and transparency, and improving government effectiveness (paras. 7-8, 14). Particularly noteworthy are improvements in macroeconomic management, the implementation of a coherent structural reform program, and civil society engagement and involvement in demanding improved services. Nevertheless, significant shortcomings remain: progress in the energy sector and on privatization is less than expected; and, poverty is responding only slowly to growth and inequality may have worsened.

The Government's commitment to reform and external factors played an important role in the progress (para. 16). The Bank's assistance program also played a catalytic role in conceptualizing and helping implementation of the reforms (para. 16). The FY01-03 CAS was, therefore, coherent and relevant. However, implementation was only 40 percent of the proposed lending operations, a hybrid comprising half of the low case operations and two additional operations from the base case (para. 6). The CCR is comprehensive and covers a wide array of issues, but a more specific examination of the problems encountered in implementing the lending program as well as a more systematic use of survey and other data for measuring progress on CAS objectives would have been useful. This OED review recommends that: the Bank's poverty reduction efforts need to be strengthened, both analytically and in its lending operations; an agreed action plan for improving portfolio performance should be developed and lending only slowly ratcheted-up as progress on the action plan is achieved; and consideration should be given to scaling up the civil society initiatives (paras. 18-19).

Background and Context

1. The shape and content of the FY01-03 CAS¹ was influenced by three major factors. For the first time since the post-Soviet transition, the economy's macroeconomic performance improved. Growth was positive; inflation declined; and budget and external balances improved. Also, following his re-election in November 1999, President Kuchma gave clear indications of a political commitment to reform, by appointing a reform minded Cabinet and by producing The Government Program of 2000. Finally, a review of the experience with the previous CASs led the Region to develop a new assistance strategy designed to address past shortfalls in the Bank's assistance program,

¹ The Country Assistance Strategy (CAS) document for FY01-03 is the second stand-alone CAS presented to the Board, but is one of a series of Country Assistance documents reviewed by the Executive Directors, as follows: A *Country Assistance Note* was discussed in conjunction with the Ukraine Rehabilitation Loan (Report No. P-6466-UA, November 30, 1994); the first stand-alone CAS (Report No. 15674-UA) was reviewed by the Executive Directors on June 3, 1996; a *CAS Update* (SEC M98-425) was discussed on May 21, 1998 and a subsequent *CAS Progress Report* (Report No. 19225) was reviewed by the Board on May 20, 1999.

which were due to a “lack of true government ownership and ability to deliver, symptoms of institutional weakness and political paralysis.”²

2. The change in country strategy and the diagnosis of the program’s past shortcomings were supported by a Country Assistance Evaluation (CAE) prepared by OED in 2000.³ The CAE noted that development achievements during the previous CAS period had been very limited, and that the Bank had shown a “consistent weakness in its over-estimation of both the Government’s implementation capacity, even when fully committed, and the speed with which the economy could respond....” The CAE recommended focusing on nurturing policy reform and capacity development, developing a comprehensive anti-corruption strategy, regular monitoring at the firm and farm level, and small pilot or demonstration projects which could be scaled up.

CAS Design and Objectives

3. The over-arching objectives of the FY01–03 CAS were stated as follows: “The Country Assistance Strategy for Ukraine for the period FY01–03 aims to assist Government and civil society in the implementation of a broad-based poverty reduction strategy and in attaining job-creating, sustainable economic growth. To do so, the strategy directly addresses the institution building challenges faced by Ukraine both from the demand side (civil society) and supply side (Government). The strategy seeks to move Ukraine closer to European Union standards, fostering environmentally sustainable development.”⁴ The focus on institution building was an important re-orientation of the Bank’s country assistance strategy. The CAS also changed fundamentally its operational approach by adopting programmatic lending, rather than sectoral adjustment loans, as the principal vehicle to pursue the supply side agenda.

4. The demand side (civil society) component of the Ukraine CAS contained a number of initiatives designed to strengthen civil society’s capacity to demand improved accountability and transparency of Government at all levels. This component comprised the whole of the *low* case scenario, involving lending of US\$450 million. Lending for this component would further rise to US\$600 million in the *base* case scenario (which totaled US\$1.8 billion, see para. 5). The various initiatives contained under this rubric included: a People’s Voice project jointly undertaken with CIDA; activities to promote the growth of private enterprise and strengthen property rights; activities to strengthen community involvement in the provision of social and basic services including addressing the social dimensions of coal sector adjustment; and initiatives to improve environmental management. This component also involved surveys and consultations to enhance the involvement and voice of lower levels of Government, civil society, and the private sector in the process of development. A number of projects and AAA activities

² FY01-03 CAS, Executive Summary, para. vii.

³ *Ukraine Country Assistance Evaluation*, OED, November 2000 (Report No. 21358).

⁴ FY01-03 CAS, Executive Summary, para. ix.

were planned to support the various objectives, a number of which involved participatory approaches to design and implementation.

5. The supply side component—assisting the government in the provision of services—was aimed at achieving institutional progress in five key areas: (a) fiscal and financial discipline; (b) an improved regulatory framework for business; (c) establishing security of property rights; (d) improved public sector efficiency and accountability; and (e) improved social and environmental risk management. These five sub-objectives were given quantitative targets/benchmarks, whose fulfillment would trigger a series of programmatic adjustment loans (PAL). The approval of the first PAL (PAL 1) would trigger a base case lending program of up to US\$1.8 billion. Investment lending activities were also proposed to support private activities and improve public sector management, including structural reform in the social sectors. With the PAL program setting benchmarks for progress in this component, the CAS strategy would “protect the Bank”⁵ from policy or program failures by making the commitment of resources a function of the pace of reform.

CAS Implementation

6. From the CCR, it is apparent that the CAS objectives were consistently pursued, and provided a common framework for a more productive dialogue between the country and the Bank. Progress was made towards the CAS objectives, as discussed below. The implementation of the CAS lending program, however, was far slower than expected and project implementation continued to be slow. Compared with programmed commitments of US\$1.8 billion, only US\$683 million were approved during the CAS period:⁶ US\$388 million towards the objective of increased civil society demand for better government services (the low case objective); US\$290 million towards assisting the Government in the supply of these services (the base case objective); and a new (additional to the CAS) project of US\$5 million was approved for technical assistance for E-Development. Implementation was a hybrid comprising half of the low case operations and an additional two operations from the base case. In terms of numbers of projects, 8 out of 20 projects planned in the CAS were approved during the period, and only 4 within the projected timetable.⁷ The remaining 12 projects were dropped, cancelled or delayed. PAL I was a major factor in the achievements noted below, but it took longer to execute than anticipated, and PAL II and III were delayed. Issues related to the IFC and MIGA program are discussed in Box 1.

⁵FY01-03 CAS, Executive Summary, para. i.

⁶ This total differs slightly from the \$750 million in commitments shown in the CCR: the latter included a project approved before the CAS period, but not made effective until FY01, the full amount programmed for an APL rather than the amount approved, and excluded an approved project which was subsequently cancelled.

⁷ One of the four, the Sevastopol Heat Supply Improvement project, was cancelled after Board approval due to failure of the local authorities to ratify the project: no further explanation was provided in the CCR. A PCN has not yet been completed for this project, although it was cancelled in January 2003.

Box 1: IFC and MIGA

The Operations Evaluation Group (OEG) in the IFC and the Operations Evaluation Unit (OEU) in MIGA reviewed the relevant portions of the CCR (paras. 43-44). While their activities during the period are listed, the CCR would have benefited from a review of these activities against the selected CAS strategic objectives in a manner that indicates progress and results achieved to date, as well as lessons learned for going forward.

For the IFC, one of four mature investment projects, a banking project, had been randomly selected for evaluation and reviewed by OEG. It was found satisfactory on all constituent development outcome indicators and also on all three dimensions of IFC's effectiveness (appraisal, supervision, and IFC's role and contribution). Several lessons emerged from that evaluation: (a) the technical partner's role and commitment to provide technical assistance need to be formalized in project documentation; (b) the rationale and potential relationship issues arising from a consortium structure need to be carefully evaluated at appraisal; and, (c) environmental compliance and reporting requirements need to be incorporated in the legal documentation for an equity investment regardless of whether or not it is combined with a loan.

As MIGA operations have been very limited, a discussion in the CCR of some of the specific constraints MIGA faces would have been useful. In describing MIGA's guarantee activities, the CCR could have mentioned that the projects were expected to improve the country's financial sector through the provision of short to medium term lending, and to finance privatizations and SMEs (in line with CAS objectives).

Source: OEG and OEU staff.

Progress Towards CAS Objectives

7. While there were achievements in strengthening civil society's demand for government accountability and transparency, the overall progress on the civil society component, as reported by Ukraine-wide surveys, is mixed. For example in the indexes constructed by WBI, the index on "Voice and Accountability" declined overall compared to 2000, while the index for "Government Effectiveness" improved.⁸ Regarding Bank support for this objective, little has been disbursed thus far, hence it is too early to judge the impact of project outcomes. On the other hand, civil society has been engaged in the preparation and implementation of some Bank projects, as noted in the CCR. Progress towards the objective has also been supported through a variety of non-lending activities. These have included: (a) the creation of an NGO contact group, as an open forum to review a broad range of issues; (b) the setting up of an Institutional Development Fund to support the dialogue between Government and civil society and thus promote transparency and accountability; (c) the creation of a Small Grants Program to fund civil society organizations to promote dialogue; (d) the creation of Innovation Day/Knowledge Forum to award grants for small projects; (e) the distribution of an NGO bulletin to

⁸ See *Governance Research Indicator Country Snapshot*, WBI 2003, available at www.worldbank.org/wbi/governance/govdata2002; and for the underlying methodology, see D. Kaufmann, A. Kraay, and M. Mastruzzi (2003), *Governance Matters III: Governance Indicators for 1996-2002*, World Bank.

enhance communication between the World Bank and civil society; and (f) the implementation of the People's Voice project to assist selected cities to reform and improve the quality of their municipal services. Evidence presented in the CCR and gathered during a QAG evaluation suggests that the People's Voice project has been effective in the four pilot cities.⁹ However, as noted in the CCR, client surveys indicate that there is little knowledge among civil society of the Bank's programs outside the direct participants.¹⁰

8. There were substantial achievements towards the second objective of assisting the Government in improving services and consequently the overall objective of broad-based sustainable growth, even though progress in a few areas was mixed. Macroeconomic performance has improved substantially: growth has resumed and been sustained; unemployment has declined slightly; inflation has declined and has reached single digits; and fiscal and current

account balances have improved (see Table 1). Surveys suggest that poverty is beginning to decline but with a lag to economic growth, and that it remains high in rural areas. The concentration of the benefits of growth in

Table 1: Ukraine: Macroeconomic Indicators

	1998	1999	2000	2001	2002
GDP Growth (% real)	-1.9	-0.2	5.9	9.2	4.8
Unemployment Rate	11.3	11.9	11.7	11.1	10.1
Inflation (% CPI change, eop)	10.5	22.7	28.2	12.2	0.8
Current Account Balance (% GDP)	-3	5.4	4.7	3.7	7.7
Consolidated Budget Balance (% GDP)	-2.5	-2.3	-1.1	-0.9	0.5
International Reserves (US\$ billion)	0.8	1.1	1.5	3.1	4.4

Source: Ukraine CAS; Ukraine State Statistics Committee.

urban areas may also have led to some increase in income inequality. Regarding the CAS objective of improving services, financial discipline has improved: the barter economy has shrunk, and increases in payments in cash and reductions in arrears contributed to a re-monetization of the economy. Progress was made in improving the regulatory and business environment, although much remains to be done in deregulating energy, telecommunications, education and health. Progress was also made in land reform, and the conversion of land certificates into land titles will be addressed in a land titling project. The SOE privatization process proceeded slowly and progress on improving the transparency of the process needs to be continued. The public sector has become more accountable, but surveys still indicate that corruption problems persist. Finally, apart from consolidation and improvement in the management of social programs, progress has been below expectations in dealing with social risks, while action on the environmental front is in its very early stages.

9. During the CAS period, the Bank supported these achievements through a combination of lending and AAA activities. Of the eight projects planned in the CAS to

⁹ The CCR notes in para. 21 that a "thorough evaluation of the project effectiveness is underway," so it is too early for an overall assessment of the project. The statements in para. 42 about the success of this project also should be accordingly qualified as the evaluation is not yet complete.

¹⁰ A more in-depth coverage of survey results would enhance the largely qualitative description of the results in the CCR.

support the objective of assisting the Government in strengthening the supply side of government services, only two materialized: the US\$250 million Programmatic Adjustment loan (PAL), which is fully disbursed, and a US\$40 million loan for the State Tax Administration Modernization, only recently approved. The PAL was clearly the cornerstone of the Bank's program and was instrumental in achieving institutional progress in the five priority areas, mentioned in para. 5 above. Moreover, the policy dialogue—for both this objective and the PAL program—was supported by a number of ESW activities, in particular the PER, CPAR and CFAA. In sum, while progress has been much slower than expected, it has been substantial. This includes a more active and productive dialogue between the Bank and the Government. Moreover, a number of the achievements—the re-monetization of the economy, the progress in defining property rights in agriculture—undoubtedly contributed to the economic recovery in Ukraine.

Cross-Cutting Issues

10. Outcomes for projects which closed during FY98–03 have been 95 percent satisfactory on a net US\$ commitment basis, above ECA and Bank averages. The institutional development impact ratings also exceed ECA and Bank averages. (See Annex Table 2a.) The CAS stressed institution building as a key subsidiary objective and, as discussed in para. 14, the impact of the program on institutional development strengthened during the CAS period. The PAL I was rated by OED as having had a substantial institutional development impact.

11. During the FY01–03 CAS period, investment lending was plagued by long delays in project effectiveness, slow implementation and low disbursement rates—long-standing issues with the Ukraine country assistance program (see Table 2). According to regional

Table 2: Investment Project Indicators FY01–03

	<i>Ukraine</i>	<i>ECA</i>	<i>Bank</i>
Disbursement Ratio (%)	10	17	19
Effectiveness Delay (Months)	18	9	10

Source: Business Warehouse.

data, the number of dropped projects and costs associated with them were high and well above Bank and regional averages, although to some extent this reflects a cleaning up of the lending program. In designing the lending program, the Region's

assumptions regarding project preparation and implementation continued to display a lack of realism, as noted in the 2000 CAE. During the CAS period, as noted in the CCR, an AAA activity to analyze the underlying political and institutional causes of the problems with the project portfolio was appropriately initiated.¹¹

12. *AAA activities.* The role of AAA activities in supporting the achievement of the CAS objectives was more positive. As noted, a number of technical assistance and other related activities were successful in advancing the civil society component of the CAS. The ESW undertaken during the CAS period extended Bank country knowledge,

¹¹ The CCR would have benefited from a more detailed discussion of the findings of this exercise.

supported the PAL process, and helped to strengthen the policy base for improved sector strategy development. There also was cooperation with other donors, whose support in complementing the Bank was critical in certain areas. The Quality Assurance Group (QAG) has recently completed an extensive review of the Bank's ESW (AAA) program in the Ukraine during this CAS period and the program was judged to be satisfactory overall, with two studies—the Financial Sector Note and the People's Voice project—rated highly satisfactory.

13. *Aid Coordination.* The CCR records the useful role played by donors in leveraging the Bank's program. Again, the successful collaboration with bilateral donors in the People's Voice project illustrates the synergies that can be obtained from more active donor collaboration. Still, there is room for improvement: the QAG study of ESW also makes the comment that the Bank could have given more attention to donor coordination.

Overall OED Assessment

14. *Outcome of the CAS.* The general picture portrayed by the CCR is one of progress towards a market economy in a number of areas, supported by a readjusted Bank program. PAL lending, supported by AAA activities and associated donor activity, played its part in what was the most successful phase of growth and development since Ukraine's transition from the Soviet system. Macroeconomic performance has markedly improved; progress in moving towards secure property rights, easing business regulation, and eliminating basic distortions such as arrears and barter practices has also been significant. Activities to involve civil society also appear to be working, and efforts to further broaden their impact will have high dividends. But the impact on poverty is only starting to be felt and rural poverty remains an issue; corruption is still a major issue; and progress in privatization or the environmental aspects of the program remains less than expected. In summary, while these were significant shortcomings, progress has been made towards the two primary objectives of the FY01–03 CAS, even though it is still too early to judge final outcomes. Sustainability is subject to considerable risks, especially from the external environment and the domestic political situation. Regarding institutional development, the institutional advances that have been made—monetization of the economy, financial accountability, improved budget processes both nationally and at the local levels, business regulation—are likely to be irreversible, as are the establishment of land titles and other property rights. A number of improvements have also been made in the functioning and responsiveness of government, as well as in the policy-making process.

15. *FY01-03 CAS Design and Relevance.* The FY01-03 CAS program was coherent and relevant to achieving its two main and subsidiary objectives, but, as noted in para. 6, implementation was a combination of the low and the base case, both of which were partially implemented. The CAS's focus on institutional issues, building support for reform within civil society, and the establishment of clear targets and objectives was appropriate and reflected past evaluation findings. It, nevertheless, entailed a large

number of lending operations, in addition to the PAL program, which was ambitious in light of past experience. Only 40 percent of the proposed operations were approved during the CAS period.

16. *Attribution.* Clearly, the external environment played an important role in Ukraine's improved macroeconomic performance, especially recent developments in the Russian economy to which Ukraine is closely tied. Government's actions in formulating and implementing a more coherent reform program and a period of relative political stability did improve fiscal discipline and the climate for investment, thereby contributing to the improved macroeconomic performance. The Government also was able to implement a number of institutional reforms—budget management, financial discipline, land rights, business regulation—which contributed positively to outcomes. But, the Government is also responsible for many of the shortfalls in the program, particularly on privatization and regulation in energy and telecommunications. The Bank can claim some credit for the outcomes, as it developed a clear set of benchmarks and supported both the development and the implementation of the reform agenda, especially through the PAL program. Furthermore, the Bank was clearly a driver of the civil society component of the program, in collaboration with other partners. Bank AAA activities supported and helped define the reform agenda, as well as some of the institutional reforms. Nevertheless, the Bank's proposed lending program lacked realism, as it was too ambitious, and a number of long-standing implementation issues persisted. The Government, of course, also bears some responsibility for the latter.

Lessons and Recommendations

17. The changes to the Bank's assistance program introduced by the FY01–03 CAS—the focus on institutions, and on a programmatic approach—have moved the Bank's assistance program in the right direction. The new civil society approach to improving governance also seems to have worked well in those areas where it has been piloted. In a situation where institutional reform and policy formulation are undeveloped, a combination of AAA activities, involving formal reports and more participatory informal activities, seems to be especially effective. Difficulties in project preparation and implementation that are long-standing and involve political, legal and institutional issues, cannot be solved on a project-by-project basis. The resolution of these issues requires an understanding of the cross-cutting nature of the underlying problem and a comprehensive approach.

18. This review has the following recommendations:

- The Bank should avoid overestimating the Government's implementation capacity. Based on the analytical work undertaken on the issues adversely affecting the Bank's project portfolio, a clear understanding with the Government and an action plan to address the issues affecting the project portfolio needs to be completed with some urgency. Even with such an action plan, the planned investment lending program should be modest, based on government ownership (at all relevant levels) and only ratcheted-up after demonstrable progress in

implementation is achieved. The first PAL has been successful, but successive PALs have been delayed. The planned sequencing of PALs should be more realistic, so as not to create unachievable expectations on either side.

- The People's Voice project and other civil society initiatives appear to have been effective, but more needs to be done to broaden their impact. After incorporating the findings of the ongoing evaluation, these approaches should be scaled up, particularly the People's Voice project, as they have proven to be cost-effective in addressing governance issues.
- The Bank's poverty reduction efforts need to be strengthened. Further analytical work is needed to understand the nature and extent of poverty, especially in rural areas, to underpin the Bank's policy advice and to help target the Bank's lending interventions towards the poor.
- On the ESW, in addition to the work on poverty, OED would emphasize the need to undertake work on the sources of growth, allow appropriate budgeting for dissemination, and focus on assisting agencies in implementing policy reform, as noted in the QAG assessment.
- The CCR is comprehensive and covers a wide array of issues; this evaluation largely concurs with the lessons for the future. Since the FY01-03 CAS lacked a full results framework, it was difficult to link progress more closely to the CAS objectives. Nevertheless, it could have been strengthened by a more specific examination of the problems encountered in implementing the lending program as well as a more systematic use of external sources on outcomes and results.

Annex Table 1: Ukraine: Economic and Social Indicators, 1990-2002

Series Name	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Ukraine	Armenia	Azerbaijan	Georgia	Uzbekistan
GDP growth (annual %)	-6.4	-8.4	-9.7	-14.2	-22.9	-12.2	-10.0	-3.0	-1.9	-0.2	5.8	9.2	4.8	-6.2	-1.3	-1.0	-7.0	0.4
GDP per capita growth (annual %)	-6.6	-8.6	-10.0	-14.3	-22.6	-11.5	-9.3	-2.2	-1.2	0.6	6.7	10.0	..	-5.7	-1.9	-2.0	-6.7	-1.4
GNI per capita, Atlas method (current US\$)	1,600	1,570	1,600	1,370	1,100	950	870	890	850	760	690	720	..	1,081	515	405	586	700
GNI per capita, PPP (current international \$)	7,050	6,610	6,170	5,380	4,240	3,880	3,550	3,460	3,400	3,490	3,860	4,270	..	4,613	2,218	2,362	2,531	2,166
GDP per capita (constant 1995 US\$)	1,969	1,800	1,621	1,390	1,076	953	864	845	835	840	896	986	..	1,173	943	400	541	499
Gross domestic savings (% of GDP)	26.4	28.5	36.4	36.0	32.2	23.6	20.1	18.4	18.5	23.0	24.7	22.0	..	25.8	-5.4	12.2	-5.5	17.8
Gross foreign direct investment (% of GDP)	..	..	..	..	0.3	0.6	1.2	1.3	1.8	1.6	1.9	..	..	1.2	3.7	16.4	5.4	..
Gross capital formation (% of GDP)	27.5	26.3	34.5	36.3	35.3	26.7	22.7	21.4	20.8	17.5	20.2	20.4	..	25.8	21.2	21.2	15.4	21.1
Inflation, consumer prices (annual %)	..	..	..	4,734.9	891.2	376.7	80.3	15.9	10.6	22.7	..	12.2	0.8	876.1	647.8	413.5	34.4	..
Agriculture, value added (% of GDP)	25.6	22.8	20.4	21.7	16.2	15.4	13.8	14.4	14.2	14.3	17.1	16.6	..	17.7	33.1	25.2	36.4	33.1
Manufacturing, value added (% of GDP)	..	..	43.5	29.9	39.0	34.6	31.0	28.4	29.8	32.7	19.2	23.3	..	31.2	26.8	13.3	19.5	11.3
Services, etc., value added (% of GDP)	29.9	26.7	28.7	40.6	36.2	41.9	48.0	50.5	49.6	47.2	46.6	44.4	..	40.9	30.6	37.5	39.5	38.0
Exports of goods and services (% of GDP)	27.6	26.1	24.0	25.9	35.4	47.1	45.7	40.6	41.9	53.7	62.4	56.1	..	40.5	29.9	43.1	28.6	27.8
Imports of goods and services (% of GDP)	28.7	23.9	22.0	26.2	38.6	50.2	48.2	43.7	44.2	48.2	57.9	54.5	..	40.5	56.4	52.1	49.5	31.1
Current account balance (% of GDP)	..	..	..	..	-2.2	-2.3	-2.7	-2.7	-3.1	5.3	4.7	3.7	7.7	0.1	-12.7	-16.7	-9.5	-1.5
Total debt service (% of exports of goods and services)	..	..	..	..	2.0	6.6	6.1	6.6	11.4	16.3	18.6	10.6	..	9.8	6.8	4.4	11.8	15.1
Total debt service (% of GNI)	..	..	0.0	0.3	0.6	2.4	2.9	2.7	4.9	9.1	12.1	6.1	..	4.1	1.8	1.3	1.9	3.1
Gross international reserves in months of imports	..	..	..	..	0.4	0.7	1.1	1.2	0.5	0.8	0.9	1.7	..	0.9	2.7	2.7	1.3	4.5
Gross international reserves (includes gold, million US\$)	..	..	469	166	665	1,069	1,972	2,359	793	1,094	1,477	3,089	4,417	1,597	190	350	158	1,242
Current revenue, excluding grants (% of GDP)	..	..	..	..	..	..	..	..	..	23.3	26.8	26.9	..	25.7	..	18.0	11.1	..
Current revenue, including current grants (% of GDP)	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Current expenditure, total (% of GDP)	..	..	..	..	..	..	..	..	..	24.4	26.6	27.3	..	26.1	..	20.5	13.3	..
Capital expenditure (% of GDP)	..	..	..	..	..	..	..	..	..	1.6	1.7	1.9	..	1.7	..	2.8	0.8	..
Interest payments (% of total expenditure)	..	..	..	..	..	..	..	..	..	8.9	9.0	6.7	..	8.2	..	2.0	16.4	..
Overall budget balance, excluding capital grants (% of GDP)	..	..	..	..	..	..	..	..	..	-2.1	-0.6	-0.9	0.5	-1.2	..	-3.2	-2.4	..
Overall budget balance, including grants (% of GDP)	..	..	..	..	..	..	..	..	..	-2.1	-0.6	-0.9	..	-1.2	..	-4.6	-2.4	..
Fiscal balance, including grants (% of GDP)	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Domestic financing, total (% of GDP)	..	..	..	..	..	..	..	..	..	2.2	1.0	0.7	..	1.3	..	..	1.9	..
Financing from abroad (% of GDP)	..	..	..	..	..	..	..	..	..	-0.1	-0.3	0.2	..	-0.1	..	..	0.5	..
Cable television subscribers (per 1,000 people)	..	..	..	..	..	..	..	15.7	..	..	52.3	..	..	34.0	0.8	0.2	2.6	2.9
Capital grants from abroad (% of GDP)	..	..	..	..	..	..	..	..	..	0.0	0.0	0.0	..	0.0	..	0.3	0.0	..
Proceeds from privatization (millions US\$)	0.0	..	8.0	23.5	0.0	0.0	..	..	..	..	..	..	..	6.3	36.5	7.9	..	70.7
Wages and salaries (% of total expenditure)	..	..	..	..	..	..	..	..	..	11.2	11.7	13.1	..	12.0	..	10.5	9.7	..
Illiteracy rate, adult total (% of people ages 15 and above)	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.4	..	0.5	2.0	..	..	1.0
Immunization, DPT (% of children under 12 months)	..	..	88.0	93.0	97.0	98.0	99.0	99.0	98.0	99.0	..	99.0	..	96.7	88.3	94.1	76.5	87.3
Improved sanitation facilities (% of population with access)	..	..	..	..	..	..	..	..	..	..	..	..	..	99.0	..	81.0	100.0	89.0
Life expectancy at birth, total (years)	70.1	68.9	68.9	67.9	67.9	67.1	67.3	67.3	68.2	68.2	68.2	68.2	..	68.2	72.7	68.5	72.7	68.7
Mortality rate, infant (per 1,000 live births)	18.0	..	18.8	..	..	20.0	..	18.8	..	..	17.0	17.0	..	18.3	40.7	80.4	24.0	54.2
Improved water source (% of population with access)	..	..	..	..	..	..	..	..	..	..	98.0	..	..	98.0	..	78.0	79.0	85.0
School enrollment, primary (% gross)	88.8	89.1	88.0	86.8	84.5	82.8	82.0	82.0	78.0	..	..	..	..	84.7	89.5	109.2	91.2	78.2
School enrollment, secondary (% gross)	92.8	90.9	90.6	91.2	92.0	92.6	93.0	..	105.2	..	..	..	..	93.5	85.5	83.7	78.9	95.5
Unemployment, total (% of total labor force)*	..	..	..	0.4	0.4	5.6	7.6	8.9	11.3	11.9	11.7	11.1	10.1	7.9	22.9	0.7	..	0.4
Population, total (in million)	51.9	52.0	52.2	52.2	51.9	51.5	51.1	50.7	50.3	49.9	49.5	49.1	..	51.0	3.3	7.7	5.4	22.9
Population growth (annual %)	0.2	0.3	0.1	-0.5	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.5	0.6	1.1	0.0	1.8

*At the end of period. Source: Ukrainian State Statistics Committee, September 2003.

Source: SIMA database as of July 31, 2003 and the Ukraine CAS 2003.

Annex Table 2: OED Project Ratings, Exit FY 1998-2003

Table 2a

Country	Total Evaluated (No)	Outcome % Sat (No)	Sustainability % Likely (No)	Inst Dev Impact % Subst (No)	Total Evaluated (\$M)	Outcome % Sat (\$)	Sustainability % Likely (\$)	Inst Dev Impact % Subst (\$)
Ukraine	14	84.6	69.2	46.2	1,934.0	95.4	79.9	58
ECA	287	83.6	78.8	53.8	18,983.7	75.4	81.3	52
World Bank	1,453	75.4	65.0	45.8	114,036.8	80.5	73.7	50

Notes: Total Evaluated (\$) is Total Net Commitment of evaluated projects which outcome was rated minus total net commitment of evaluated projects which outcome was not rated.
Total Evaluated (No) is Total Number of evaluated projects which outcome was rated minus total number of evaluated projects which outcome was not rated.

Table 2b

Exit FY	Proj ID	Total Evaluated (No)	Outcome % Sat (No)	Sustainability % Likely (No)	Inst Dev Impact % Subst (No)	Total Evaluated (\$M)	Outcome % Sat (\$)	Sustainability % Likely (\$)	Inst Dev Impact % Subst (\$)
FY98	HOUSING*	1				0.0			
FY99	INSTITUTION BUILDING	1	100.0	100.0	0.0	26.9	100.0	100.0	0
	AGRICULTURE SECAL	1	100.0	0.0	0.0	300.0	100.0	0.0	0
FY99	DANUBE DELTA BIODIV (GEF)*	1	100.0	0.0	100.0	0.0			
	EDAL II	1	100.0	100.0	100.0	300.0	100.0	100.0	100
FY00	ELEC MKT DEVT	1	0.0	0.0	0.0	76.4	0.0	0.0	0
	SOC PROTECT SUPPORT	1	100.0	100.0	100.0	2.6	100.0	100.0	100
FY01	AGRIC SEED DEV	1	0.0	0.0	0.0	13.0	0.0	0.0	0
	EDAL	1	100.0	100.0	100.0	309.8	100.0	100.0	100
	FIN SECAL	1	100.0	100.0	100.0	260.0	100.0	100.0	100
	COAL SECAL	1	100.0	100.0	0.0	300.0	100.0	100.0	0
	COAL PILOT	1	100.0	100.0	0.0	12.8	100.0	100.0	0
FY02	HYDROPOWER REHAB & SYST CNTRL	1	100.0	100.0	0.0	82.5	100.0	100.0	0
FY03	PAL	1	100.0	100.0	100.0	250.0	100.0	100.0	100
Result		14	84.6	69.2	46.2	1,934.0	95.4	79.9	58

*The Housing project (Exit FY 1998) was not rated. There was a \$0.00 IBRD/IDA commitment for the Danube Delta project (GEF).

Source: Business Warehouse data as of September 23, 2003.

Annex Table 3: Ukraine: Analytical and Sector Work, 1990-2003

Document Title	Date	Report No	Document Type
Ukraine - Country financial accountability assessment (CFAA) Vol. 1 (English)	10/15/2001	24242	Country Financial Accountability Assessment
Ukraine - Country assistance evaluation Vol. 1 (English)	11/8/2000	21358	Operations Evaluation Study
Ukraine - Country assistance strategy public information notice Vol. 1 (English)	9/12/2000	PIN44	CAS Public Information Note
Ukraine - Country assistance strategy Vol. 1 (English)	8/16/2000	20723	Country Assistance Strategy Document
Ukraine - Country assistance strategy public information notice (CPIN) Vol. 1 (English)	5/20/1999	PIN14	CAS Public Information Note
Ukraine - Country assistance strategy : progress report Vol. 1 (English)	4/29/1999	19225	CAS Progress Report
Ukraine - Country assistance strategy Vol. 1 (English)	6/3/1996	15674	Country Assistance Strategy Document
Ukraine - Review of the budget process : a public expenditure and institutional review Vol. 1 (English)	3/8/2002	23356	Economic Report
Increasing the efficiency of heating systems in Central and Eastern Europe and the former Soviet Union Vol. 1 (English)	8/31/2000	ESM234	ESMAP Paper
Central and Eastern Europe - power sector reform in selected countries Vol. 1 (English)	7/31/1997	ESM196	ESMAP Paper
Ukraine - Public investment review Vol. 1 (English)	5/30/1997	16399	Economic Report
Ukraine - Country economic memorandum Vol. 1 (English)	6/2/1993	10029	Economic Report
Ukraine - Country economic memorandum Vol. 2 (English)	6/2/1993	10029	Economic Report
Ukraine - Employment, social protection, and social spending in the transition to a market economy Vol. 1 (English)	4/14/1993	11176	Economic Report
Ukraine - Social safety nets and poverty Vol. 1 (English)	6/15/2001	22677	Sector Report
Ukraine - Social safety nets and poverty Vol. 2 (English)	6/15/2001	22677	Sector Report
Ukraine - Transport sector review Vol. 1 (English)	11/30/1998	18636	Sector Report
Ukraine - Transport sector review Vol. 2 (English)	11/30/1998	18636	Sector Report
Ukraine - Transport sector review Vol. 3 (English)	11/30/1998	18636	Sector Report
Ukraine - Public expenditure review : restructuring government expenditures Vol. 1 (English)	6/25/1997	16112	Sector Report
Ukraine - Poverty in Ukraine Vol. 1 (English)	6/27/1996	15602	Sector Report
Agricultural trade and trade policy : a multi-country analysis - commodity trends in agriculture: production, gross margins, and trade : the experiences of Belarus, Moldova, and Ukraine - 1991-1994 Vol. 1 (English)	6/11/1996	15960	Sector Report
Ukraine - Coal industry restructuring sector report Vol. 1 (English)	3/4/1996	15056	Sector Report
Agricultural trade and trade policy : a multi-country analysis - Ukraine technical report Vol. 1 (English)	10/12/1995	15963	Sector Report
Ukraine - Food and agriculture sector review Vol. 1 (English)	6/30/1994	11880	Sector Report
Ukraine - Suggested priorities for environmental protection and natural resource management Vol. 1 (English)	6/15/1994	12238	Sector Report
Ukraine - Suggested priorities for environmental protection and natural resource management Vol. 2 (English)	6/15/1994	12238	Sector Report
Ukraine - Energy sector review Vol. 1 (English)	7/1/1993	11646	Sector Report
Ukraine - Power demand and supply options Vol. 1 (English)	5/6/1993	11561	Sector Report

Source: WB Imagebank as of September 9, 2003.

Annex Table 4: Portfolio Status Indicators by Year, 1996-2003

Country	Fiscal year	1996	1997	1998	1999	2000	2001	2002	2003
Ukraine	# Proj	6	11	12	11	10	7	8	11
	Comm Amt	515.8	1,505.4	1,704.8	1,677.8	1,376.5	471.1	437.3	709.3
	Net Comm Amt	515.8	1,505.4	1,704.8	1,666.9	1,364.6	457.0	437.3	709.3
	# Proj At Risk	3	8	7	6	5	1	2	1
	% At Risk	50.0	72.7	58.3	54.5	50.0	14.3	25.0	9.1
	Comm At Risk	173.0	1,098.4	1,359.4	1,247.4	805.1	99.8	52.4	30.0
	% Commit at Risk	33.5	73.0	79.7	74.8	59.0	21.8	12.0	4.2
Armenia	# Proj	8	7	11	14	15	13	17	14
	Comm Amt	188.5	132.3	194.8	301.7	357.9	268.3	307.5	260.7
	Net Comm Amt	188.5	132.3	194.8	301.7	357.9	268.3	307.5	260.7
	# Proj At Risk	1	0	1	0	1	1	1	0
	% At Risk	12.5	0.0	9.1	0.0	6.7	7.7	5.9	0.0
	Comm At Risk	13.7	0.0	15.0	0.0	5.0	30.0	21.0	0.0
	% Commit at Risk	7.3	0.0	7.7	0.0	1.4	11.2	6.8	0.0
Azerbaijan	# Proj	3	5	7	10	11	13	15	14
	Comm Amt	99.8	134.7	224.7	227.2	259.2	288.8	368.3	336.0
	Net Comm Amt	99.8	134.7	224.7	227.2	259.2	288.3	367.8	336.0
	# Proj At Risk	2	0	2	2	2	1	7	0
	% At Risk	66.7	0.0	28.6	20.0	18.2	7.7	46.7	0.0
	Comm At Risk	79.0	0.0	90.8	38.8	38.2	5.0	186.3	0.0
	% Commit at Risk	79.2	0.0	40.4	17.1	14.7	1.7	50.7	0.0
Georgia	# Proj	6	8	12	16	15	18	17	17
	Comm Amt	118.9	127.6	227.9	287.7	310.9	348.5	326.2	301.7
	Net Comm Amt	118.9	127.6	227.9	287.7	310.9	348.5	326.2	301.7
	# Proj At Risk	0	0	0	2	1	0	4	1
	% At Risk	0.0	0.0	0.0	12.5	6.7	0.0	23.5	5.9
	Comm At Risk	0.0	0.0	0.0	34.9	20.0	0.0	106.8	15.0
	% Commit at Risk	0.0	0.0	0.0	12.1	6.4	0.0	32.7	5.0
Uzbekistan	# Proj	2	3	5	7	8	7	8	9
	Comm Amt	87.0	92.0	214.0	269.0	298.0	277.0	287.1	347.1
	Net Comm Amt	87.0	92.0	214.0	269.0	298.0	277.0	287.1	345.5
	# Proj At Risk	2	1	2	3	4	3	4	4
	% At Risk	100.0	33.3	40.0	42.9	50.0	42.9	50.0	44.4
	Comm At Risk	87.0	21.0	87.0	171.0	199.0	132.0	162.0	170.3
	% Commit at Risk	100.0	22.8	40.7	63.6	66.8	47.7	56.4	49.3

Source: WB Business Warehouse as of September 9, 2003.

Annex Table 5: Ukraine: World Bank Net Disbursements and Charges FY 96-04

<i>Fiscal year</i>	<i>Total Disb. (\$m)</i>	<i>Repayment Amt. (\$m)</i>	<i>Net Disb. (\$m)</i>	<i>Cancel. Amt. (\$m)</i>	<i>Interest and Charges (\$m)</i>	<i>Fees (\$m)</i>	<i>Net Transfer (\$m)</i>
1996	136.9	0.0	136.9	0.0	23.7	0.4	113.2
1997	566.7	0.0	566.7	0.0	41.5	1.3	525.1
1998	167.9	0.0	167.9	17.0	63.5	2.1	104.4
1999	670.0	1.1	668.9	10.9	77.7	1.8	591.2
2000	137.9	2.2	135.7	241.7	105.5	2.0	30.2
2001	176.0	52.4	123.5	64.1	119.7	1.4	3.9
2002	301.1	89.2	211.9	15.3	87.2	3.7	124.8
2003	26.6	124.5	-98.0	30.5	67.9	1.2	-165.9
2004	2.1	20.0	-17.9	0.0	10.1	0.1	-28.0
Overall Result	2,185.1	289.4	1,895.6	379.6	596.8	13.9	1,298.9

Source: WB Business Warehouse as of September 9, 2003.

Annex Table 6: Ukraine: Millennium Development Goals

	1990	1995	2001	2002
1 Eradicate extreme poverty and hunger	<i>2015 target = halve 1990 \$1 a day poverty and malnutrition rates</i>			
Population below \$1 a day (%)	..	..	2.9	..
Poverty gap at \$1 a day (%)	..	..	0.6	..
Percentage share of income or consumption held by poorest 20%	..	..	8.8	..
Prevalence of child malnutrition (% of children under 5)	..	..	3	..
Population below minimum level of dietary energy consumption (%)	..	..	..	..
2 Achieve universal primary education	<i>2015 target = net enrollment to 100</i>			
Net primary enrollment ratio (% of relevant age group)	..	..	..	..
Percentage of cohort reaching grade 5 (%)	59.1	..	..	..
Youth literacy rate (% ages 15-24)	99.8	99.9	99.9	99.9
3 Promote gender equality	<i>2005 target = education ratio to 100</i>			
Ratio of girls to boys in primary and secondary education (%)	..	..	..	..
Ratio of young literate females to males (% ages 15-24)	100	100.1	100.1	100.1
Share of women employed in the nonagricultural sector (%)	..	..	..	..
Proportion of seats held by women in national parliament (%)	..	4	8	8
4 Reduce child mortality	<i>2015 target = reduce 1990 under 5 mortality by two-thirds</i>			
Under 5 mortality rate (per 1,000)	22	24	20	19.8
Infant mortality rate (per 1,000 live births)	18	20	17	16.4
Immunization, measles (% of children under 12 months)	90	97	99	..
5 Improve maternal health	<i>2015 target = reduce 1990 maternal mortality by three-fourths</i>			
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	45	..	..
Births attended by skilled health staff (% of total)	..	99.9	99.9	..
6 Combat HIV/AIDS, malaria and other diseases	<i>2015 target = halt, and begin to reverse, AIDS, etc.</i>			
Prevalence of HIV, female (% ages 15-24)	..	..	0.9	..
Contraceptive prevalence rate (% of women ages 15-49)	..	..	71.6	..
Number of children orphaned by HIV/AIDS	..	..	..	..
Incidence of tuberculosis (per 100,000 people)	..	..	78.8	..
Tuberculosis cases detected under DOTS (%)	..	..	..	..
7 Ensure environmental sustainability	<i>2015 target = various (see notes)</i>			
Forest area (% of total land area)	16	..	16.5	..
Nationally protected areas (% of total land area)	..	1.6	1.6	3.9
GDP per unit of energy use (PPP \$ per kg oil equivalent)	1.5	1.3	1.4	..
CO2 emissions (metric tons per capita)	11.5	8.3	7.5	..
Access to an improved water source (% of population)	..	..	98	..
Access to improved sanitation (% of population)	..	..	99	..
Access to secure tenure (% of population)	..	..	..	..
8 Develop a Global Partnership for Development	<i>2015 target = various (see notes)</i>			
Youth unemployment rate (% of total labor force ages 15-24)	..	14.3	..	..
Fixed line and mobile telephones (per 1,000 people)	..	161.2	256.4	..
Personal computers (per 1,000 people)	1.9	8.3	18.3	..
General indicators				
Population (in millions)	51.9	51.5	49.1	48.7
Gross national income (\$ billion)	83	49	35.3	37.7
GNI per capita (\$)	1,600.00	950	720	770
Adult literacy rate (% of people ages 15 and over)	99.4	99.5	99.6	99.6
Total fertility rate (births per woman)	1.9	1.4	1.2	1.2
Life expectancy at birth (years)	70.1	67.1	68.2	68.2
Aid (% of GNI)	0.3	0.7	1.4	..
External debt (% of GNI)	0.6	17.5	34.3	..
Investment (% of GDP)	27.5	26.7	21.3	20.4
Trade (% of GDP)	56.4	97.2	109.3	110.2

Source: *World Development Indicators database, April 2002*

Note: In some cases the data are for earlier or later years than those stated.

Goal 1 targets: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day. Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

Goal 2 target: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

Goal 3 target: Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015.

Goal 4 target: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.

Goal 5 target: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio.

Goal 6 targets: Have halted by 2015, and begun to reverse, the spread of HIV/AIDS. Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases.

Goal 7 targets: Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources. Halve, by 2015, the proportion of people without sustainable access to safe drinking water. By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers.

Goal 8 targets: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system. Address the Special Needs of the Least Developed Countries. Address the Special Needs of landlocked countries and small island developing states. Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term. In cooperation with developing countries, develop and implement strategies for decent and productive work for youth. In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries. In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.