



1. Project Data:		Date Posted : 08/01/2000	
PROJ ID: P035814		Appraisal	Actual
Project Name : Enterprise Development Adjustment	Project Costs (US\$M)	310	310
Country: Ukraine	Loan/Credit (US\$M)	310	310
Sector(s): Privatization	Cofinancing (US\$M)		
L/C Number: L4057			
	Board Approval (FY)		96
Partners involved :	Closing Date	12/31/1999	12/31/2000
Prepared by :	Reviewed by :	Group Manager :	Group:
2. Project Objectives and Components			
a. Objectives			
The main objective was to support the Government's trade and price liberalization, privatization, capital markets development, and post-privatization restructuring programs . Other objectives were to provide foreign exchange for the purchase of critical imports and to support the development of the foreign exchange markets .			
b. Components			
(i) A US\$300 million adjustment component in 3 tranches supporting the elimination of trade barriers and price restrictions on imports and exports, elimination of domestic price controls, mass privatization of 5,000 medium and large enterprises, completion of the small scale privatization program, resolution of methodological obstacles to privatization, commencement of case-by-case privatization of large enterprises, creation of a Securities and Stock Markets Commission, creation of self-regulatory organizations for intermediaries in the capital markets, and legislation governing capital markets . (ii) A US\$10 million technical assistance component to finance : (a) strengthening of the agencies responsible for implementing the post -privatization restructuring programs; (b) support for enterprise restructuring in order to test models for restructuring and cost recovery, develop demonstration cases and case studies, support the development of local consulting services, and identify bottlenecks to bankruptcy and liquidation; and (c) development of critical functions necessary in a market economy, including stimulating professional organizations, establishing a commercially oriented database on private enterprises, and developing a management training program based on the case studies from (b).			
c. Comments on Project Cost, Financing and Dates			
The three tranches of the adjustment component were disbursed in a little over one year, but the TA component was delayed, and the project is now expected to close on Dec . 31, 2000. The ICR was prepared as an Intensive Learning ICR, before project closing.			
3. Achievement of Relevant Objectives:			
The privatization and capital markets conditions were fully met . Mass privatization exceeded the targets, with over 6200 enterprises privatized by September 1997. Most trade and price reforms were carried out, with some exceptions (see below). The technical assistance component, while slow to start, is now satisfactorily under way; \$2.5 million remains to be disbursed.			
4. Significant Outcomes/Impacts:			
Low cost restructuring has taken place for 19 enterprises, with strong participation by Ukrainian consultants; many of the enterprises have increased output and profits and some have begun discussions with potential foreign partners . Training of nearly 700 managers contributed significantly to raising demand for restructuring assistance, and some managers subsequently paid for the continuation of the training program .			
5. Significant Shortcomings (including non-compliance with safeguard policies):			
Conditionality was waived on the elimination of export duties and indicative prices on live animals and skins, because Parliament refused to approve them . Although the Cabinet met the project condition of approving a list of ten large monopoly enterprises for privatization, this process has not proceeded smoothly (three have been sold), due to opposition in Parliament and non-transparent procedures . Insider control has limited the restructuring in enterprises privatized under the mass privatization program .			

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Satisfactory	Satisfactory	
Institutional Dev .:	Substantial	Substantial	
Sustainability :	Likely	Likely	
Bank Performance :	Satisfactory	Satisfactory	
Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR :		Exemplary	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

(i) It is important to build a consensus with all key players before moving ahead with major policy reform, as well as with complicated technical assistance . The government was not initially committed to the TA component, due to changes in personnel; a broader base of support would have reduced the influence of one individual . Parliament has put obstacles in the way of the mass privatization approved by the Cabinet . (ii) The results from policy reforms in transition economies are greatly enhanced by accompanying TA that trains key players in how to operate in the new environment. (iii) Questions about the quality of mass privatization in Ukraine and in other countries would argue in favor of carrying out research on this topic .

8. Assessment Recommended? Yes No

Why? Already audited, in conjunction with Intensive Learning ICR and in cluster with EDAL II .

9. Comments on Quality of ICR:

The ICR gives a comprehensive account of a complicated project . Annexes 8 and 9 report the results of beneficiary surveys and a stakeholder workshop undertaken as part of the Intensive Learning ICR; these results are a very useful addition to the standard ICR .