Ukraine: Country Assistance Strategy Progress Report

I would like to commend staff for the quality and frankness of this country assistance strategy (CAS) progress report, which provides a fair assessment of the challenging working environment in Ukraine given the present economic and political situation in the country.

I also commend the Bank for circulating the Country Assessment Review (CAR) for Ukraine prior to the discussion of the Country Assessment Strategy Progress Report. The CAR is a useful assessment of the Bank's strategy in Ukraine.

The Ukrainian authorities should be commended on the steps taken to limit the impact of the Russian crisis. Steps must now be taken to strengthen the fiscal position and implement long-delayed structural reforms.

I agree with the proposal to make both the 'low' and 'medium' case scenarios conditional on the government resolving the problem of the Rada blocking approval of Bank project lending. Notwithstanding the point, as noted by Canadian Prime Minister Chrétien after his trip to Ukraine in January 1999, IFI programs must also reflect the need for the West to remain engaged with Ukraine. In this respect, conditions attached to IFI lending may have to be interpreted flexibly to continue the policy dialogue. More important, a strong non-lending program of technical assistance and policy advice, as well as broader contact with civil society, would maintain an engagement with the Ukrainian government and contribute to informing the public about the reform process. In addition, such non-lending activities may promote the resolution of the political impasse that currently impairs economic development.

I would like to make the following three specific points.

First, we would like to see reference made to the Financial Recovery Program (FRP) for the energy sector in the CAS.
Secondly, the EBRD has been very active in promoting small- and medium-sized enterprises development in Ukraine. The CAS makes no mention of the scope for co-ordinating World Bank and EBRD activities to improve the climate for private sector development.

Finally, health, education and pension reform are appropriate targets for Bank work in the social sector. We would urge the Bank to continue to concentrate non-lending activities in these areas, including the soon to be concluded household surveys. This will position the Bank for a more aggressive intervention as soon as conditions in Ukraine permit an expanded lending programme. The Bank's groundwork in these areas will be of great interest and use to Canada in orienting its social sector programming.