



Canadian International
Development Agency

Agence canadienne de
développement international

UKRAINE

COUNTRY STRATEGY

(Effective as of 2009)

CIDA reviews all country strategies periodically and may revise them to reflect changing priorities or circumstances in countries.

Canadian International Development Agency
200 Promenade du Portage
Gatineau, Quebec
K1A 0G4

Tel: (819) 997-5006

Toll free: 1-800-230-6349

Fax: (819) 953-6088

(For the hearing and speech impaired only (TDD/TTY): (819) 953-5023

Toll free for the hearing and speech impaired only: 1-800-331-5018)

E-mail: info@acdi-cida.gc.ca

Canada 

UKRAINE COUNTRY STRATEGY 2009

1. Country Development Context

Current Context:

- Once the breadbasket of the former Soviet Union, situated between Russia and the West, Ukraine is the second largest country in Europe with a population of over 46 million. Its Human Development Index (HDI) is 82 out of 179. The absolute poverty line in Ukraine is determined at US\$4.30 a day rather than the usual measure of US\$1.25 a day. This takes into consideration the severity of winters, the high cost of energy and considerable spending on accommodation, heating, clothing and food. According to this methodology, the absolute poverty rate is 11 per cent rather than less than 1 per cent. Ukraine also measures the relative poverty, combining a set of 12 criteria and comparing a person's total income to that of the general population. Using that methodology, 28 per cent of the population lives under the poverty line, increasing to 40 per cent in rural areas. Gender equality and the environment are the only two areas where Ukraine has not achieved the global MDGs. Ukraine is not aid dependent with donor assistance representing only two percent of its GDP.
- In 2008, Canadian exports to Ukraine totalled over \$229 million and Canadian imports from Ukraine were just over \$201 million.
- As a young democracy with a multiparty system, Ukraine is in the process of transforming its highly centralized and bureaucratic political system, while seeking deeper integration into the global market economy. The country has seen a significant increase in political freedom, a reduction of state control over the media, and the emergence of a vigorous national debate. It is internally stable and striving to be a model for democratic transformation and stability in Central and Eastern Europe.
- Transparency International's Corruption Perception Index ranked Ukraine 134 out of 180 countries in 2008 placing it among the most corrupt countries in Europe.
- The Ukrainian economy has been one of the worst hit in Eastern Europe by the global financial crisis, experiencing severe shortages in liquidity and depreciating currency. This is the result of credit growth with limited credit analysis by banks and extensive foreign borrowing, compounded by falling world prices for metals and increased cost of Russian gas imports.
- In October 2008, an agreement was reached with the International Monetary Fund for a US\$16.5 billion loan to help stabilize the financial system. The arrangement requires that the government keep its budget balanced, limiting the ability to offset the effects of a slowing economy. With the real GDP estimated to contract by more than 10 per cent in the final quarter of 2009, the government is seeking financial assistance from a wide range of sources to help cover its proposed budget deficit and to avoid further cuts to social programs.

Aid-Effectiveness Context:

- Ukraine is a signatory to the Paris Declaration on Aid Effectiveness. Since 2006, under the joint leadership of various donors and Ukrainian government ministries, several high-level Donor-Government Working Groups (DGWGs) and more than twenty sectoral sub-groups have been established. A 2007 UNDP report on aid effectiveness, co-financed by CIDA, has revealed several gaps in this donor coordination system related to limited staff capacity in the Ministry responsible for donor coordination, weak public financial management and the complexity of national legislation dealing with the coordination of external assistance.
- CIDA will continue to build Ukraine's capacity to engage in donor coordination by encouraging joint monitoring of projects and exploring budgetary support with other donors. We are leading the DGWG on Civil Service Reform and playing an active role in the DGWGs for Agriculture, Private Sector Development (PSD), Rule of Law and Anti-Corruption.
- The European Commission is the largest multilateral donor to Ukraine, focusing on governance and private sector development. Canada is the fourth largest bilateral donor, after the United States, Germany and Sweden. The other three bilateral donors are involved in governance, private sector development, health, education and energy. Canada has developed a reputation as a trusted partner in governance and private sector development and has become a leader in building capacity and transferring best practices, which are now being emulated by other donors.¹ Working together with the

¹ As an example, Canada was first to develop model courts, furthering the idea of separating court administration from judicial duties, and modernizing the administration of courts. Our groundbreaking work is being pursued by other donors,

UKRAINE COUNTRY STRATEGY 2009

Main Department for Civil Service to reform human resource management in the public service of Ukraine, CIDA has demonstrated effective leadership by helping the Ukrainian government develop a human resource management framework, now being used as a blue print for donor assistance in this area. Together with the Public Service Commission of Canada, CIDA created global networking opportunities for the Ukrainian government.

2. Priority Needs and Canada's Value Added

- The EU-Ukraine Action Plan and Ukraine's own MDG agenda represent the country's national development plan. These documents outline the main reform goals of the country, which address the importance of effective job creation and poverty reduction measures, consistent with international human rights standards. As reaffirmed in the 2008 Joint Statement issued during President Yushchenko's visit to Canada, the two countries enjoy a special partnership and Canada will continue to support Ukraine's efforts to integrate into the global economy and improve its governance.
- **Economic Growth and Sustainability:** Ukraine sustained a negative impact of the financial crisis, which included rising unemployment and poverty.
- **Democratic Governance:** CIDA has developed a reputation as a respected partner in the areas of judicial independence, court management, civil service administration and the accountability of government.
- **Human Development:** Further progress is required to increase women's representation in decision-making and eliminate discrimination in the labour market. The financial crisis will have a significant impact on women, especially in rural areas where women are responsible for the bulk of agricultural production and where the living standards are up to ten times lower than in urban areas. Canada will play a proactive role to promote gender equality in Ukraine and will continue to ensure that gender equality is effectively integrated in every initiative.
- Ukraine's energy use per unit of GDP is several times higher than Western European countries. While Ukraine has made progress in developing a comprehensive legal framework for environmental protection, significant effort is required to improve drinking water, stabilize air pollution and expand protected areas. The Program has prepared a detailed Strategic Environmental Assessment (SEA), the recommendations of which will be implemented and progress monitored.

3. Strategic Direction

- The ultimate objective of CIDA's Ukraine Program is to improve economic opportunities for Ukrainians in a strengthened democracy. In order to have a well functioning market economy, there is a need to have a sound institutional base built on the rule of law, protection of property rights, environmental sustainability, binding contracts and a transparent and effective public administration. In return, a thriving private sector ensures predictable revenue streams to finance public institutions and services.
- In consultation with key stakeholders and taking into account the perspectives of the poor, the proposed 2008–2013 Country Development Programming Framework (CDPF) will focus on private sector development (PSD) and democratic governance as a means to address gaps in productivity and economic performance. This is consistent with the strategy presented in 2008.
- **Canadian Government Priority Themes:** The 2008-2013 Country Development Programming Framework (CDPF) is in line with the EU-Ukraine Action and is fully aligned with the Government's three priority themes.
- **Economic growth:** CIDA is supporting economic growth through private sector development to improve the business enabling environment and entrepreneurship. Ukraine's negotiations over a free trade agreement with the EU underscore the need to improve the business climate and the competitiveness of small and medium-sized enterprises (SMEs). Due to the impact of the economic and financial crisis, CIDA will deepen its focus in enabling environment (monetary policy, financial sector oversight, bank restructuring), to restore confidence in financial institutions; and entrepreneurship, through diversification of skills and increased access to credit for SMEs, to address rising unemployment and shortages in liquidity.

such as the USAID and the European Commission, which are using the model court approach and the Judicial Code of Ethics developed in Canadian projects.

UKRAINE COUNTRY STRATEGY 2009

- The Program is also supporting economic growth through interventions that are strengthening the rule of law and accountable public institutions. Building on past investments, increased attention will be given to judicial and civil service reforms, local governance, electoral practices and processes. To protect the rights and interests of businesses, programming in rule of law will focus on commercial as well as other courts involved in resolving commercial and business-related matters.
- **Food security:** Since Ukraine is in a strong position to contribute to addressing the global food security crisis, the Program is supporting food security through private sector development as well, by placing more emphasis on sustainable agriculture programming. CIDA's involvement in agriculture is strongly encouraged by the Ukrainian government as a means to address rural poverty, particularly since there are few donors working in this area. Attention will be given to increasing net exports of grains and select commodities while promoting the use of environmentally friendly practices and norms.
- **Children and youth:** Recognizing the importance of protecting children's rights, CIDA will provide training to legal and government workers on issues regarding the services, rehabilitation and support provided to youth at risk in Ukraine.
- **Consultations:** Over the course of the past two years, the CIDA field office in Kyiv and the Headquarters-based program staff have held wide-ranging meetings regarding the renewed country development programming strategy and its continued focus on private sector development and democratic governance. Discussions have been held in Ukraine with national government partners, regional governments, international donors, as well as with civil society organizations representing farmers, entrepreneurs, parents and teachers, just to name a few. In Canada, the Program has regular meetings with the Ukrainian Canadian Congress (UCC), as well as with the Canada Ukraine Advisory Council (CUAC). This ongoing dialogue has reassured CIDA that the intended focus is indeed appropriate given Ukraine's current context.
- **Highlights of Recent Achievements:** The Canada-Ukraine Judicial Cooperation project has achieved several considerable results to date, including reducing judicial decision-making time by 30-50 per cent in one model court; automating case management and streamlining court processes; introducing a new skills-based education methodology to the Academy of Judges of Ukraine; and publishing a Gender Reference Booklet, the first publication for court personnel that explains Ukraine's legislative provisions for equal rights and opportunities for men and women.
- In the Regional Governance and Development project, 2,000 public servants and civil society members improved their strategic planning skills; 2 regional governments are working on their first participatory regional development plans and are consulting with 250 civil society groups and 25,000 residents.
- The GRAIN II project is working towards the certification of eleven regional laboratories responsible for the testing of wheat quality. Four regional labs have completed the first phase of ISO/IEC 17025 Certification, while the remaining seven are expected to complete this stage by May 2009. Once fully certified, testing by the regional labs will greatly increase the transparency of the grain grading system, enabling Ukraine to play a more proactive role in addressing the world food crisis.

4. CIDA's Programming Plan

- The Program's future programming will focus on 5 of Ukraine's 25 regions (Lviv, Ivano-Frankivsk, Zaporizhzhya, Dnipropetrovsk and the Autonomous Republic of Crimea) and will support primarily directive programming in private sector development and responsive programming in democratic governance, given the partnership-based approach followed in the latter sector. Gender equality and environmental sustainability will receive special attention as cross-cutting themes.
- The Ukraine Program has an integrated approach in regards to the various channels of delivery, given the history of the Europe Division. The Ukraine Program has strong partnership links with such regional organizations as the Organization for Security and Cooperation in Europe (OSCE), the European Bank for Reconstruction and Development (EBRD), as well as Canadian partner organizations, such as the Canadian Executive Services Organization (CESO) and others.
- The **Europe Regional Program**, which will remain operational until 2012 (as proposed in the draft Regional Strategy), will continue to complement bilateral programming and pursue activities on trans-boundary issues, such as environment and human trafficking.
- **Canadian Partnership Branch (CPB):** In 2007-2008, CPB disbursed \$0.6 million in Ukraine, mainly in the private sector development, health, and education sectors. Partners included Canada World Youth, Intelcan Technosystems Inc. and Marid Industries Ltd. To ensure aid effectiveness, both the Ukraine Program and the CPB will seek complementarity.

UKRAINE COUNTRY STRATEGY 2009

- **Multilateral and Global Partnerships Branch:** In 2007-08, CIDA contributed approximately \$2 million to Ukraine in core funding, primarily through UNFPA, GFATM, and UNICEF, complementing bilateral programming.
- The Ukraine Program is also engaged with other international partners bilaterally, such as the International Monetary Fund, International Finance Corporation and UNDP.

5. Results and Risk Identification

Results:

Economic Growth: Rule of Law

EXPECTED Intermediate Outcomes:

- Improved business environment

Expected Immediate Outcomes and Examples of Targets:

More fair and effective judicial system in targeted areas.

Target: Judicial decision-making time is reduced by 30 per cent in targeted commercial and other courts dealing with business matters.

Improved policy legislation and comprehensive judicial and social services to protect children's rights.

Target: 600-700 youths will benefit from a new set of integrated criminal justice services (theme: children and youth).

Economic Growth: Accountable Public Institutions

EXPECTED Intermediate Outcomes:

- Improved business environment

Expected Immediate Outcomes and Examples of Targets:

Public institutions are more responsive to local economic needs (LED).

Target: 8 municipalities (large – over 1 million people, small – over 75,000 people) will have improved LED service delivery practices in the areas of economic development, energy efficiency and waste management.

Economic Growth: Enabling Environment

EXPECTED Intermediate Outcomes:

- Improved business environment

Expected Immediate Outcomes and Examples of Targets:

More streamlined administrative procedures, legal and regulatory frameworks benefiting businesses.

Target: 4 key inspectorates (Tax, Fire, Sanitary, and Veterinary) will conduct effective inspections using a risk-management approach.

Economic Growth: Entrepreneurship (SME Development)

EXPECTED Intermediate Outcomes:

- Increased competitiveness of Ukrainian small and medium size enterprises (SMEs)

Expected Immediate Outcomes and Examples of Targets:

Enhanced performance of targeted SMEs primarily in rural areas.

(Targets focusing on off-farm SMEs are currently being developed)

Food Security: Entrepreneurship (Agriculture)

EXPECTED Intermediate Outcomes:

- Increased competitiveness of Ukrainian farmers

UKRAINE COUNTRY STRATEGY 2009

Expected Immediate Outcomes and Examples of Targets:

Strengthened value chains in selected agricultural sectors.

Target: 2,500 dairy farmers and managers of cooperative-style enterprise in Lviv and Dnipropetrovsk will work in strengthened value chains.

Target: 5,000 smallholder farmers in Crimea and Zaporizhzhya will have increased incomes through the development of selected crops and value chains.

Mainstreaming equality between women and men, environmental sustainability and civil society.

- At the ultimate outcome level, the main beneficiaries are agricultural producers and other SMEs, youth at risk and their families, citizens in five target oblasts, women and children. The main intermediaries are the business service providers, associations and cooperatives, as well as government officials, judges, civil servants and civil society organizations.
- The expected benefits for these groups include improved access to, and quality of, local government services; increased access to quality business services; more streamlined and transparent government and court regulations, administrative processes and procedures; more inclusive and fair participation in democratic processes; a more independent, fair and effective legal-judicial system; and increased gender equality in accessing and benefiting from public and private services and the courts.

Risks:

- The **financial crisis** will have ongoing implications. The Program will support specific measures to strengthen financial institutions; allow greater flexibility for Ukrainian partner contributions to projects where necessary; and consider additional options as the situation evolves.