

USAID/Ukraine
Operational Plan

FY 2006

June 13, 2006

Please Note:

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The Operational Plan is a "pre-decisional" USAID document and does not reflect results stemming from formal USAID review(s) of this document.

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Program Performance Summary FY 2005: I. Democratic Reform

A. Country Situation: The trend of Ukraine's national and democratic development changed dramatically in 2004-05. A new reform-minded government, led by Viktor Yushchenko, was swept into office, in large part due to demonstrations by hundreds of thousands of Ukrainians in a peaceful civic movement against electoral fraud. In the months prior to the election, Ukrainian civil society clearly demonstrated greater activism and a much more vibrant media landscape emerged. The Ukrainian Parliament - the Verkhovna Rada - also played a constructive role, counterbalancing the executive branch, resolving, and ultimately legitimizing the outcome. These events, as well as the new government's commitment to democratic reforms, positively shaped Ukraine's environment for democratic development, and was reflected in Freedom House's Nation's in Transit Democratization Rating, which showed significant improvements in all areas except corruption. These striking developments, however, were later tempered by the government's first eight months in office, which were often characterized by mismanagement and countervailing policy directions, and ultimately slowed progress on priority reforms.

Democratic reforms that continue to confront the government include: reducing corruption, which remains endemic to Ukraine's political and economic environment; ensuring free and fair 2006 Parliamentary elections; assuring effective governance; and, sustaining progress on rule of law.

B. U.S. Assistance Priorities: Key U.S. assistance priorities include supporting continued development of civil society; further strengthening democratic political parties; assisting Ukraine's independent media to become stronger; supporting national governance reform; assisting local governance/decentralization; combating corruption; supporting reform in justice sector/rule of law; and helping the country to achieve credible and competitive 2006 Parliamentary elections.

C. Program Performance

Media Freedom and Freedom of Information: In 2005, USAID assistance brought improvements in all areas of media development (freedom of speech, plurality of news sources, professionalism, business management, supporting institutions) as reported by the draft 2005 IREX Media Sustainability Index. The overall ranking improved from 1.96 (2004) to 2.22 (2005). Also, USAID-supported legal programs succeeded in easing administrative and legal pressures on various print and electronic outlets by providing free legal assistance and representation. Finally, USAID's assistance to media resulted in improving the quantity and quality of information available to the public. This was especially true for the 2004 elections when USAID's media programs increased public awareness nationwide on key election issues. Overall, USAID assistance was able to contribute to a much more vibrant media landscape.

Civil Society: During 2005, USAID funding enabled NGOs to broaden and deepen their influence, create new sources of funding, and share successful strategies with other organizations. Civic groups and coalitions became increasingly active during the 2004 elections, and more NGOs reported productive cooperation and support from government and business. Collectively these achievements contributed to an improved (draft) 2005 NGO Sustainability Index score of 3.55 in 2005 compared to 3.8 in 2004. USAID also contributed to a vital improvement in the legal environment when its key civil society partner successfully supported important tax exemptions for NGOs and deductions for corporate charitable donations were reinstated in the 2005 Budget Law.

Free and Fair Elections: Anticipating that the 2004 Presidential and 2006 Parliamentary elections would be pivotal for Ukraine's democratic development, USAID implemented a comprehensive elections strategy. USAID-funded projects provided consultation to the drafters of new elections legislation passed in 2004, and following enactment of the law, implemented a massive training effort, which included the training of 1,000 local and appeals court judges and over 100,000 election commissioners as well as the production and distribution of 450,000 copies of training and instructional materials to more than 33,000 polling stations, 225 territorial election commissions and the campaign headquarters of the 24 presidential candidates. USAID partners conducted extensive and highly successful voter education activities and supported a number of election observation missions prior to the elections. All of these efforts proved pivotal to identifying massive election fraud during the first two rounds of the 2004 presidential election and ultimately contributed to a freer, fairer, and more democratic final revote. In FY05, following the

election, USAID assistance focused on improving the framework for parliamentary and local elections slated for March 2006. A new parliamentary election law was enacted in August, reflecting lessons learned during the 2004 elections, and is, in substantial measure, a result of USAID assistance efforts.

National Governance: USAID's parliamentary strengthening project helped the Verkhovna Rada in passing several pieces of legislation, including the elections law that introduced a proportional representation system and key legislation that helped Ukraine make significant progress on WTO accession. The Rada's level of transparency is improving as well, with some support from USAID, which facilitated 66 public hearings by parliamentary committees. The Rada continues to improve its use of "Government Days" (during which government officials answer questions from MPs in open sessions with media representatives observing). For FY05, this initiative received a rating of 77.4%, up from 75.2% last year. USAID also assisted the Parliamentary Committee on Combating Organized Crime and Corruption in holding four public regional hearings. As a result the committee drafted a paper on legislative measures needed to combat corruption, which is currently being prepared for legislative consideration. Our indicator in this sector - Freedom House's Governance rating - improved from 5.25 to 5.0.

Justice Sector/Rule of Law: Given the previous presidential administration's lack of commitment to reforms in this sector, for several years USAID programs were limited to a grass-roots approach. With a new administration and a reinvigorated GOU commitment, USAID is set to launch a multi-year Rule of Law/Anti-Corruption project. Also, in FY05, USAID's grass-roots program continued, helping to expand Ukraine's network of public advocacy centers to 13 new centers, resulting in nearly 3,000 legal consultations provided to disadvantage citizens.

Local Democratic Governance: USAID's strategy for local government assistance continued to generate broad-based reform measures, resulting in improved municipal services and increased professional city management. To date, more than half of Ukraine's 450 cities have participated directly in one or more USAID project. Other cities have been served by USAID-supported regional municipal training centers, regional conferences and seminars, and mass dissemination of best practices. Results are exceeding targets: the Local Good Government Index showed that 50% of those polled had confidence in their local mayor and council, and believed both were "effective", versus last year's rating of 47%; the Specific Services Improved in Targeted Cities indicator increased from 74 cities in FY04 to 92 in FY05; and the Targeted Cities that Use Financial Analysis Models indicator increased from 173 in FY04 to 192 in FY05.

II. Economic Reform

A. Country Situation: In economic reform, the first part of 2005 was marked by intra-governmental conflict between the President's free market agenda and the Prime Minister's populist inclinations and price control policies. Early on, the Prime Minister shook investor confidence by signaling that nearly 3,000 firms might be considered for reprivatization. The consequences of these actions were negative. In 2005, GDP growth fell, inflation rose, and investment dropped. Moreover, long overdue economic reforms were barely begun. Looking forward, prospects for reform before the March 2006 Parliamentary elections remain uncertain. The appointment of a new Prime Minister and government, however, offers greater optimism. Economic reforms requiring GOU focus include: corporate governance, strengthening the financial sector (particularly in the area of pension reform), increasing institutional reform (particularly the Securities and Exchange Commission), transparent privatization, further regulatory/tax reform, more anti-corruption measures, movement towards operational land markets, and demonstrable progress toward EU and WTO accession.

B. U.S. Assistance Priorities: Key U.S. assistance areas include additional legal and regulatory reform; financial sector reform, particularly the legal framework which remains weak; strengthening the pension system, WTO accession, improving the business climate to facilitate SME growth, increasing access to capital, and accelerating agricultural growth..

C. Program Performance:

Financial Services and Access to Capital: Through USAID assistance, the National Bank of Ukraine (NBU) implemented the "Risk Based Supervision" approach recommended in the Basel Core Principles of

Bank Supervision. USAID also was successful in submitting a joint stock company law to the Rada that incorporates OECD principles of corporate governance (although the government later removed these principles). Accounting reform also made gains as 494 candidates were certified as Certified International Public Accountants, a 49% increase over last year, and CIPA training programs expanded into 20 cities. USAID assisted with the establishment of the Ukraine Association of Certified Accountants and Auditors - a new professional association with rigorous, certification-based membership requirements - which has grown to 421 members. USAID assistance also increased access to credit in Ukraine with over 90,000 loans valued at more than \$740 million. Despite these accomplishments, establishing a secure and stable financial sector remains one of the most significant economic reform challenges. To meet some of these challenges USAID will launch a new Capital Markets Project in FY06. It is expected that the new project will also help strengthen Ukraine's pension system

Trade and Investment: In 2005, Ukraine made significant progress towards WTO accession. At the recent Working Party Meeting on WTO for Ukraine, the Head of the WTO Accession Division stated that Ukraine's progress towards accession in this recent period had been "phenomenal in terms of both quantity and quality" despite the difficulties experienced. USAID assistance to the Government and Parliament - including legal drafting of WTO-compliant legislation and education of Parliament on the benefits of becoming a member of the WTO - was a major contributor to this successful result. While a number of issues remain to be addressed in order to complete Ukraine's accession process, including the adoption of legislation and the completion of the remaining bilateral trade agreements, it is now realistic for Ukraine to formally join the WTO by the summer of 2006.

Improve Economic Policy and the Business Environment: In 2005, USAID provided assistance in the drafting and passing of the "Law on Credit Bureaus," which established information disclosure standards to financial institutions on the credit worthiness of private entities. USAID, through its Commercial Law Center, played a central role in advising various parliamentary committees on more than 10 key laws. These laws are needed to reduce overall costs to the economy, reduce opportunities for corruption, and enable businesses to operate effectively. USAID's assistance to ensure introduction of the regulatory guillotine method will result in an improved business climate. More than 5,000 national- and regional-level regulations (over 50% of the total) that apply to businesses will be eliminated or amended. A Permit System Law was drafted and adopted by the Verkhovna Rada in FY05. The law establishes a universal mechanism for granting business permits and One-Stop Shops for permit-issuance and will result in significant time and cost improvements for obtaining a permit, and contribute to a reduction in corruption.

Agriculture: USAID assistance to Ukraine's fruit and vegetable (F&V) industry contributed to increasing the value of F&V traded by \$25 million in 2005; nationally, USAID assistance contributed to a 25% increase in processed F&V, and helped create over 1,000 new seasonal and full-time jobs. USAID's agricultural marketing activity significantly increased producers' access to market information - especially for real-time prices - and generated approximately \$5.7 million in new sales in the sector. Although incomplete privatization remains an obstacle in developing an agricultural land market, agricultural land privatization has transferred over 60% of land into private hands. This fundamental change in ownership has effectively dissolved the legal and political basis for collectivized agriculture. This year, USAID's effort to provide legal titles for agricultural land owners - a key requirement for creation of a land market - is nearing its goal of 1.8 million land..

III. Social Reform

A. Country Situation: Almost 30% of Ukraine's population still lives below the poverty line. Social and economic realities and an overburdened, centralized health care system also contribute to rising rates of infectious diseases, especially HIV and tuberculosis (TB), as well as high abortion rates, alcoholism and substance abuse. National infant and maternal mortality rates (IMR and MMR) appear to be flat-lined or worsening. Human trafficking and rising numbers of children in institutions, on the streets, or in dysfunctional families are serious concerns. Unlike the previous administration, under the leadership of President Yushchenko, the new government has indicated increased commitment to addressing the HIV/AIDS epidemic, and adopting evidence-based maternal and infant health care practices - both USG health priorities.

B. U.S. Assistance Priorities: prevention and control of TB; reduction of high abortion rates and maternal mortality; prevention of trafficking in persons and victim protection; providing family-care options for orphans and vulnerable children; and preventing HIV/AIDS transmission.

C. Program Performance:

Prevent and Control Infectious Diseases: In FY05, coverage of the internationally recognized TB treatment, Directly Observed Treatment Short Course Strategy (DOTS), in one of our focus regions increased from 80 to 100 percent. This region has maintained TB cure rates of 68-70%, and improved case detection rates from 52 to 62%. As a result, USAID was able to hand over DOTS-based TB control activities to the regional administration, a significant sustainability achievement. Regional TB case-detection rates also improved from 40 to 52 percent. Treatment success and detection rates, however, are still falling short of global targets due to continued high levels of multi-drug resistant TB (MDR-TB), difficulty in treating HIV/TB co-infected patients, and insufficient follow-up care. Therefore, USAID is implementing a two-fold approach to move closer to global TB control targets. First, the essential DOTS-based TB management is being expanded to cover approximately 40% of Ukraine's population. Second, USAID is conducting MDR-TB and TB/HIV co-infection surveys in the Donetsk region to lay a solid foundation for policy dialog, and effective strategies and treatment protocols.

Maternal Health and Nutrition: With USAID assistance through the Maternal and Infant Health project, maternal mortality was eliminated and normal deliveries increased by about 3-4 times in all USAID project sites in FY05. Furthermore, at all USAID project sites, hypothermia among newborns was virtually eliminated (hypothermia ranged from 23-90% of all newborns prior to the project), and the number of newborn children requiring primary resuscitation decreased 3 times on average. With support from USAID, the Ministry of Health issued a new health directive on inpatient care for mothers and newborns, founded on international, evidence-based principles was adopted. The project was so successful that the GOU requested that it be rolled-out nationally.

Social Sector: This year the network of organizations contributing to anti-trafficking efforts increased by 35 NGOs to about 60 organizations throughout Ukraine, partly as a result of USAID's anti-trafficking project. More than 285 trafficking victims were identified and supported predominately due to NGO intervention. Eighty one percent of assisted victims have entered the workforce and are currently employed. This is a 16% increase in employment rate from the previous years' caseload. Less than three percent of all victims ever assisted during the life of the project returned abroad. Twenty one former victims of trafficking assisted by USAID started their own micro-enterprises, and 35 developed their businesses.

To protect vulnerable children, USAID helped the GOU launch a new Orphans and Vulnerable Children project in line with the Hague Convention, whose aims are to: 1) promote family preservation; 2) facilitate domestic adoption; and 3) establish permanent family type homes and a foster care system. This year 18 regional and local child welfare service providers from five pilot regions were awarded grants to develop a continuum of family-based care in their communities. As a result, local action plans were collaboratively developed by each of the five pilot sites in order to protect vulnerable families, and place homeless children with families in their communities.

HIV Transmission: In FY05, USAID assistance helped to more than doubled the coverage of information and services to high-risk HIV/AIDS population targets from 12% to approximately 25% . USAID continues to support adaptation of the WHO/USG Preventing Mother to Child Transmission (PMTCT) Generic Training Package. By the end of 2005 the number of health facilities offering PMTCT will increase by 14; the number of women who will have attended PMTCT sites for a new pregnancy will be approximately 8,000; and 317 additional doctors and midwives will have been trained in Voluntary Counseling and Testing (VCT) service provision. This year, as a result of USAID training and assistance, four oblasts agreed to one-year project implementation plans to employ the PMTCT strategy and approach. More local authorities and communities are coming to understand the need to integrate services for HIV-affected families and children into the continuum of services provided to other vulnerable groups. Additionally, local social service providers have been trained and are now able to provide psychosocial support, and 11 individuals representing the mass media from the three pilot regions underwent training

on families and children affected by HIV/AIDS. Finally, a more tolerant attitude towards people living with HIV/AIDS is beginning to emerge, partly due to USAID efforts, which have included hundreds of trainings, informational distributions, media events, and television and radio programs.

FY 2006 Program

SO: 121-0132 Growth of SMEs and Agriculture

Improve Economic Policy and the Business Environment

Improve Economic Policy and the Business Environment (\$1,700,000 FSA). In 2006, USAID will focus on rapid deregulation of the business environment by implementing the Regulatory Guillotine (a reform strategy) to remove unnecessary and burdensome regulations; continue consultation to four sectors; and focus on developing a national strategy to improve foreign direct investment. USAID's agricultural policy activity will assist the Government of Ukraine (GOU) in adopting legislative measures to complete agricultural enterprise privatization, reform agricultural taxes and subsidies, and transform the government regulators into business-responsive organizations or replace government regulatory functions with self-regulating organizations. The new agricultural policy project will contribute to: 1) a 20% annual increase in investment in Ukraine's agricultural production and processing sector; 2) 10% annual growth in agricultural exports; 3) 7% annual growth in rural incomes; and 4) privatization of government agricultural enterprises. Both projects will improve the business environment by reducing structural corruption. Implementing partners: Development Associates International and ABT Associates (both prime).

Improve Private Sector Competitiveness

Improve Private Sector Competitiveness (\$819,000 FSA, \$120,900 FSA prior year recoveries). In 2006, small and medium enterprises' share of gross domestic product and employment is expected to increase by approximately 5% due to USAID assistance. USAID will focus on developing wholesale markets, increasing farm access to supermarket chains, and increasing farmer access to profitable technologies. Principal implementers include: Development Alternatives International (DAI) and Land O'Lakes (both prime).

Increase Agricultural Sector Productivity

Increase Agricultural Sector Productivity (\$351,000 FSA). USAID expanded its legal assistance program nationally to protect the rights of new land owners, complete remaining land titles, and work with the GOU and the World Bank to enact a legal and regulatory framework to support a land market. However, with a new state leadership in place, it became apparent that the former government had misled the public about the amount of agricultural land privatized. Therefore, it has become imperative for the activity to work closely with the GOU to restructure the World Bank loan to ensure that agricultural land privatization is completed. USAID will continue to increase agricultural productivity by increasing producer access to wholesale and retail markets. Implementing partners: Chemonics International and Land O'Lakes (both prime).

Program Support

Program Support (\$429,000 FSA, \$85,028 FSA carryover). USAID will provide funds for administrative support, and evaluations and assessments.

Strengthen The Financial Services Sector & Increase Access to Capital

Strengthen the Financial Services Sector & Increase Access to Capital (\$5,205,000 FSA, \$537,500 FSA carryover): Main activities in FY 2006 will include passage of the mortgage securities law, a pilot mortgage-backed bond, signed contracts with an international credit bureau operator and data suppliers and users, and the placement of two pilot municipal bonds. USAID will lead a concerted effort to improve the legal environment for financial leasing. Future program activities will involve pro-active legislative

initiatives to remedy deficiencies that have impeded mortgage bond and municipal bond issues, including passage of the mortgage securities law. USAID will promote the concept of a pooled municipal finance facility or “bond bank” to the Ministry of Finance and Ministry of Construction and Communal Services as a mechanism for increasing access to credit for small and medium municipalities, with the long-term goal of establishing such a facility in Ukraine.

USAID will support the Eurasian Council of Certified Accountants and Auditors (ECCAA) in support of the Certified International Accounting Profession (CIPA) Global Development Alliance (GDA) Project. This is a “regional” GDA. The cooperative agreement will strengthen the capacity of ECCAA as a regional institution. Implementing partners: The Pragma Corporation, Western Newly Independent States Enterprise Fund, and ECCAA (all prime).

FY 2007 Program

SO: 121-0132 Growth of SMEs and Agriculture

Improve Economic Policy and the Business Environment

Improve Economic Policy and the Business Environment (\$1,600,000 FSA). USAID will continue providing agricultural policy advice to the GOU through its new agricultural policy project. The focus in 2007 will be to expand the program from pilot activities into national programs to encompass the entire sector by increasing public and business involvement in policy development. Implementers are the same as above.

Strengthen The Financial Services Sector & Increase Access to Capital

Strengthen the Financial Services Sector & Increase Access to Capital (\$5,130,000 FSA). USAID will establish a pooled finance facility. Two additional mortgage-backed bonds will be issued and placed by USAID’s partner banks; the State Mortgage Institute will issue and place its first mortgage-backed bond; and one utility company bond will be issued and placed. The credit bureau will commence selling credit history reports on a commercial basis. A financial lease tax package will be adopted leading to significant growth in access to credit. Implementers are the same as above.

FY 2006 Program

SO: 121-0141 Improved Investment Climate

Improve Economic Policy and the Business Environment

Improve Economic Policy and the Business Environment (\$1,500,000 FSA). Over the next three years, USAID will continue to strengthen the legal and regulatory environment for doing business in Ukraine through its Commercial Law Resource Center (CLC). USAID programs will continue to work with the Parliament and other key stakeholders to develop and secure the passage of laws, which will enable full transition to a market economy operating on sound, rational principles and international best practice. Work will include the elimination of the Economic Code; further improvement of the Civil Code and laws on financial leasing, bankruptcy, and judicial enforcement; and passage of the new Economic Procedural Code and laws on joint stock companies, mortgage-backed securities, and non-governmental organizations (NGOs). Supplemental funding received in FY 2005 enabled the continuation of work with the High Economic Court to implement a case-management system designed to increase the efficiency, predictability, and reliability of commercial judicial practices, as well as to establish a publicly available registry of judicial decisions, which will lead to greater transparency and discipline, and reduced opportunities for corruption in the commercial court system. Combined with efforts at reforming the body of economic laws, these efforts will contribute greatly to the further transition and progress of Ukraine’s economic performance. Also, USAID will continue to implement comprehensive training plans for judges to ensure implementation of laws in a predictable and rational manner, as well as for bailiffs, to increase the efficiency and reliability of the enforcement of court judgments. USAID will also develop a new project, which will focus on improving the business environment by reducing the constraints to growth of

the formal business sector. Principal contractor is Emerging Markets Group, Ltd. (prime), with a second one to be determined.

Increase Trade and Investment

Increase Trade and Investment (\$770,000 FSA). In conjunction with a new project that addresses the business environment, USAID will continue to work on improving conditions necessary to increase foreign direct investment and assist with technical implementation of World Trade Organization (WTO) agreements, building Ukraine's capacity to effectively and properly implement, administer, and enforce WTO rules and regulations. Implementer is to be determined.

Program Support

Program Support (\$227,000 FSA, \$59,582 FSA carryover; \$77,429 FSA carryover supplemental). USAID will provide funds for administrative support and evaluations and assessments.

Strengthen The Financial Services Sector & Increase Access to Capital

Strengthen the Financial Services Sector & Increase Access to Capital (\$1,730,000 FSA). The primary focus will be building the capacity of key regulatory bodies, strengthening financial sector infrastructure of the depository and clearing/settlement systems, building the capacity of the Persha Fondova Torhivelnna Systema stock exchange (the First Ukrainian Trading System), and resolving critical obstacles in the private/public pension sector.

FY 2005 supplemental funding allowed USAID to expand the accounting reform efforts to include work with the government and private sector on reconciliation of tax and financial accounting, and on amending accounting legislation to adopt International Financial Reporting Standards. In FY 2006, USAID will help the Certified International Accounting (CIPA) program become self-sustainable in Ukraine. Principal contractors are Financial Markets International, Inc. and The Pragma Corporation.

FY 2007 Program

SO: 121-0141 Improved Investment Climate

Improve Economic Policy and the Business Environment

Improve Economic Policy and the Business Environment (\$600,000 FSA). USAID will continue to strengthen the legal and regulatory environment for doing business in Ukraine. Implementer: Commercial Law Center, a Ukrainian NGO (prime) and another one to be determined.

Increase Trade and Investment

Increase Trade and Investment (\$3,383,000 FSA). USAID will continue implementation of a new project designed in FY 2006, to address foreign direct investment and implement WTO agreements. Implementer is the same as above.

Strengthen The Financial Services Sector & Increase Access to Capital

Strengthen the Financial Services Sector & Increase Access to Capital (\$2,300,000 FSA). USAID will support the expanding financial sector and the establishment of a clear and transparent legal/regulatory environment for pension fund investments. These efforts will include support for passage of a new Joint Stock Company Law, as well as the design of enforcement and compliance programs for key regulators

to bring Ukraine further into compliance with the International Organization of Security Commissions standards. In addition, assistance will be given to selected industry groups and nascent Self Regulatory Organizations to improve self-policing and raise confidence in the market. Implementers are: Financial Markets International, Inc., and the Ukrainian NGO Commercial Law Center (both prime).

FY 2006 Program

SO: 121-0213 Citizenry Increasingly Engaged in Promoting Their Interests and Rights

Establish & Ensure Media Freedom & Freedom Of Information

Establish & Ensure Media Freedom & Freedom of Information (\$3,530,000 FSA). USAID will facilitate legal aid for journalists; provide training of regional broadcast and print media; and support sustainability of regional media outlets. To increase citizen understanding of key reform issues, USAID will support the broadcast of more than 50 TV and 700 radio programs, brochures and monthly publications, telephone hotlines, web-based outreach, and press clubs. Special attention will be placed on developing objective reporting by regional media, especially in the South and East of Ukraine, as the 2006 Parliamentary Elections approach; improving the legal/regulatory framework for media; strengthening media NGOs; and increasing public debate on key media reform issues. Implementers: Internews Network and the Center for Ukrainian Reform Education (CURE), a Ukrainian non-governmental organization (NGO) (both prime).

Program Support

Program Support (\$757,000 FSA, \$97,186 FSA carryover). USAID will provide funds for administrative support, USAID information technology support, and evaluations and assessments.

Promote and Support Credible Elections Processes

Promote and Support Credible Elections Processes (\$731,658 FSA). USAID will facilitate even application and consistent enforcement of laws governing parliamentary elections. Partners will provide training for election commissioners, lawyers, and judges; conduct voter education activities on civic rights, voter awareness programs; and carry out civic oversight programs on Election Day. USAID will support training for 105,000 potential mid- and precinct level election commissioners and thousands of serving commissioners; training for local and appeals court judges; the distribution of thousands of guides to elections administration issues, and an Internet-based election law distance learning course. Support for international monitoring efforts will include a 500-member international observation mission, a 5,000-strong domestic monitoring effort, and NGO watchdog capacity- building activities. USAID will provide technical assistance and training focused on the 2006 local elections. Implementers: Freedom House and Development Associates (both prime).

Strengthen Civil Society

Strengthen Civil Society (\$2,688,000 FSA). USAID will promote effective advocacy and legislative change, organizational strengthening, and financial viability. The Ukrainian Civic Action Network (UCAN) will increase the number of advocacy grantees to generate a critical mass, turning the third sector into a viable, integrated, and permanent part of Ukrainian society. Outreach activities will focus on changing the way NGOs are perceived. The Eurasia Foundation (EF) will support civil society in the areas of private enterprise development, civil society, and public administration. Funds will be used to: support increased NGO activity in the South and East of the country; increase understanding of citizens' priorities through polling, analysis, and public debates conducted by think tanks; support the efforts of citizens and NGOs to learn more about candidates and issues prior to the 2006 elections, and develop advocacy and community leadership skills. Implementers: Institute of Sustainable Communities (ISC) and the EF (both prime).

Strengthen Democratic Political Parties

Strengthen Democratic Political Parties (\$2,038,342 FSA). To strengthen parties and increase multiparty competition, USAID will support training for political parties to improve planning and organization; provide grants and training for civic organizations to engage in issue-oriented debates and platform-building, and increase women's political party participation and ability to run for office. Activities will include trainings for regionally-supported political parties to broaden their base and formulate platforms, which should reflect the needs of constituents in these regions. Assistance will also include support for parties within the Verkhovna Rada in developing more effective factions, management training for oblast and local administrations, and the launch of a new executive intern program. Implementing partners: National Democratic Institute (NDI) and International Republican Institute (IRI) (both prime).

Strengthen the Justice Sector

Strengthen the Justice Sector (\$500,000 FSA). USAID will support a network of legal advocacy centers, legal education for lawyers and judges, student legal clinics, and independent judicial associations. Implementer: American Bar Association Central European and Eurasian Law Initiative (ABA/CEELI) (prime).

FY 2007 Program

SO: 121-0213 Citizenry Increasingly Engaged in Promoting Their Interests and Rights

Establish & Ensure Media Freedom & Freedom Of Information

Establish & Ensure Media Freedom & Freedom of Information (\$1,000,000 FSA). The focus will be on improvements in the legal/regulatory environment, legal aid for journalists, training of regional media, and sustainability of regional media outlets. To increase citizen understanding of key reform issues, USAID will support the broadcast of more than 50 TV and 700 radio programs; and the production of brochures and monthly publications, telephone hot lines, web-based outreach, and press clubs. Implementers: Internews Network and CURE (both prime).

Program Support

Program Support (\$721,000 FSA). USAID will provide funds for administrative support, USAID information technology support, and evaluations and assessments.

Strengthen Civil Society

Strengthen Civil Society (\$2,714,000 FSA). USAID through UCAN will work to further strengthen local NGOs to achieve significant results in increasing citizen participation. The EF will continue to provide grants to NGOs in the areas of private enterprise development, civil society, and public administration. Implementers: ISC and EF (both prime).

Strengthen Democratic Political Parties

Strengthen Democratic Political Parties (\$1,000,000 FSA). USAID plans to continue activities to strengthen political parties and increase multiparty competition. USAID will continue providing training to political parties and civic organizations to engage in issues-oriented debates and platform-building, and to increase women's political party participation and ability to run for office. Implementers: IRI, NDI (both prime), and/or TBD.

FY 2006 Program

SO: 121-0224 Effective, Transparent and Accountable Government Institutions

Program Support

Program Support (\$880,000 FSA, \$5,000 FSA carryover). USAID will provide funds for administrative support, evaluations and assessments, and Washington Information Technology support.

Strengthen the Justice Sector

Strengthen the Justice Sector (\$500,000 FSA, \$6,278,146 FSA carryover supplemental). USAID will continue its support to legal clinics and expand its network of advocacy non-governmental organizations (NGOs). USAID will support the professional development of clinical legal educators and build the capacity of clinical law school programs, and will train lawyers working at partner advocacy centers. To reduce corruption, USAID plans to establish a model public complaint office in cooperation with the Secretariat of the President of Ukraine, as well as to develop the public outreach capacity of the newly created complaint center to conduct comprehensive educational and information campaigns, provide staff training, develop a hotline and in-person interviewing system and a processing center for complaints to be reviewed, analyzed, and referred to appropriate authorities. Supplemental funding will be used to address the interlinked challenges of anti-corruption and rule of law. To promote a coordinated Government of Ukraine (GOU) strategy, a new anti-corruption and rule of law program will focus on policy and legislative assistance; implementation and enforcement of new laws and regulations; training on law and procedures governing the judiciary. Possible other areas of engagement include assistance in reforming procedures for selecting, appointing, and promoting judges; improving budget processes; and increasing transparency and accessibility of court management and procedures through the budget process. Implementers: American Bar Association Central European and Eurasian Law Initiative.

Strengthen the Legislative Function/Legal Framework

Strengthen the Legislative Function/Legal Framework (\$1,225,000 FSA). USAID will contribute to: 1) more effective and democratic internal management systems in the Rada; 2) improved legislative-executive relations; 3) increased citizens' access and feedback to the legislative process; and 4) expansion of Rada's role, as mandated under the amended Constitution. USAID will provide assistance to support drafting efforts directed at Ukraine's accession to Euro-Atlantic institutions, combating corruption, and judicial and local government reform. The Parliamentary Development Program (PDP) will prepare comprehensive manuals on citizen access to Parliament, rules of procedure, common approaches to the legislative drafting, and gender equity in the legislative process. USAID will support the Rada in organizing orientation sessions for MPs first elected to the Parliament in the parliamentary election of March 2006. USAID will promote gender equity approaches among MPs, their aides, staff, and interns in the legislative process. Implementer: Indiana University (prime).

Support Democratic Local Government & Decentralization

Support Democratic Local Government & Decentralization (\$4,475,000 FSA, \$1,000,000 FSA no-year recoveries). USAID will support the Association of Ukrainian Cities (AUC) in improving member services and expanding membership. USAID will increase the scope and content of the AUC professional training to municipal officials and the capacity to advocate for legislative change to strengthen local government fiscal and political autonomy. The Local Economic Development project will add a component to support attraction of Direct Foreign Investment to Ukraine. A national promotion agency, supported by regional and local potential investments identified earlier, will be created. A national database of potential projects will be established, and 120 individuals will be trained and certified as direct investment professionals. USAID will continue its assistance to strengthen vital water, waste water, and district heating systems. Over the next two years, 40 communal service enterprises will receive technical assistance in strategic

planning, accounting, rate setting, and citizen participation. A new Municipal Budget Reform project will provide intensive technical assistance to 140 cities in developing and implementing performance-based program annual budgets. Participating cities will receive training on multi-year financial planning and capital budgeting, learn to apply critical analysis in budget preparation, and to involve institutionalized citizen participation. USAID will continue to support five Regional Training Centers that serve the educational needs of local government officials. Implementers: AUC, Chemonics International, Municipal Development Institute (a Ukrainian NGO), Research Triangle Institute, and U.S.-Ukraine Foundation (all prime).

FY 2007 Program

SO: 121-0224 Effective, Transparent and Accountable Government Institutions

Strengthen the Legislative Function/Legal Framework

Strengthen the Legislative Function/Legal Framework (\$6,330,000 FSA). USAID will contribute to more effective and democratic internal management systems in the Rada, improved legislative-executive relations, and increased citizens' access and feedback to the legislative process. USAID will put a greater emphasis on training new Deputies and their staff, and improving the institutional capacity of the Verkhovna Rada. USAID will transfer specific functions of the PDP to the Ukrainian Parliament, such as management of the Parliamentary Internship Program. Preparation and execution of policy analysis training will go to the Verkhovna Rada's Main Organizational Department. Implementers: same as above.

Support Democratic Local Government & Decentralization

Support Democratic Local Government & Decentralization (\$5,943,000 FSA). USAID will continue its technical assistance in two subject areas: municipal association building to unite cities into a powerful national political force that contributes to legislative advocacy, and broad-based city management skills improvement that incorporates citizen participation in transparent municipal decision making. USAID will compete its community partnership program via a Global Development Alliance mechanism establishing public/private partnerships. Implementers: AUC, Research Triangle Institute, and U.S.-Ukraine Foundation (all prime).

FY 2006 Program

SO: 121-0325 Improved Social Conditions and Health Status

Improve Maternal Health & Nutrition

Improve Maternal Health & Nutrition (\$2,800,000 FSA, \$1,230,000 CSH carryover). Health facilities participating in the Maternal and Infant Health Project will continue to be certified as 'family-friendly' in collaboration with the United Nations Children's Fund (UNICEF). The Government of Ukraine (GOU) will continue to adopt international standards and guidelines and implement them in at least nine regions in Ukraine. USAID will initiate collaboration with the Tyumen Oil Company-British Petroleum Ukraine (TNK-BP Ukraine) through a Global Development Alliance mechanism. All projects will continue to maintain low infant and maternal mortality rates. The implementing partners are John Snow Inc. (JSI) (prime), the Academy for Educational Development (AED) (sub), and TNK-BP (private sector).

Prevent & Control Infectious Diseases Of Major Importance

Prevent & Control Infectious Diseases of Major Importance (\$1,000,000 FSA, \$300,698 FSA prior year recoveries). USAID will promote the adoption of the Directly Observed Treatment Short Course (DOTS) strategy at the national level by providing expert and logistical support to the Ministry of Health to facilitate integrated Tuberculosis Policy Development Groups. Local implementation of DOTS will be initiated in additional five regions. USAID will also support implementation of the new treatment approach in all prisons in Ukraine utilizing a combined formula of anti-TB pharmaceuticals. The availability of these

drugs is planned under a grant from the Global Drug Facility pending its final approval. In response to Avian Influenza, USAID will provide assistance to the Ministry of Health and local health authorities as needed. The implementing partners are the World Health Organization (WHO), the U.S. Centers for Disease Control and Prevention, the Program for Appropriate Technologies for Health (PATH), and the Futures Group International (all prime).

Program Support

Program Support (\$640,000 FSA, \$196,716 FSA carryover, \$411,011 FSA prior year recoveries). USAID will provide funds for administrative support, evaluations and assessments, and USAID information technology support.

Reduce Trafficking In Persons

Reduce Trafficking In Persons (\$1,000,000 FSA). USAID will strengthen the role of non-governmental (NGOs), faith-based (FBOs) and community-based organizations in combating trafficking in Ukraine and supporting approximately 700 victims to reintegrate. The implementing organization is the International Organization for Migration (IOM) (prime).

Support Family Planning

Support Family Planning (\$1,235,000 FSA, \$1,235,000 CSH carryover). USAID will implement the new reproductive health/family planning (RH/FP) project to reduce abortion and sexually transmitted infections rates in Ukraine. USAID activities seek to improve health professionals' capacity; improve client knowledge and utilization; as well as increase the accessibility of modern contraceptives in at least two oblasts. USAID will address gender issues by including men in reproductive health service provision. The implementing partner is John Snow Inc. (JSI) (prime), AED (sub), and Harvard School of Public Health (sub).

FY 2007 Program

SO: 121-0325 Improved Social Conditions and Health Status

Improve Maternal Health & Nutrition

Improve Maternal Health & Nutrition (\$1,670,000 FSA). USAID, with the private sector, will support the national roll-out of the successful evidence-based practices to improve mother and newborn health in additional regions in Ukraine. The contractor is JSI (prime), AED (sub), and TNK-BP (sub).

Prevent & Control Infectious Diseases Of Major Importance

Prevent & Control Infectious Diseases of Major Importance (\$1,400,000 FSA). USAID will continue to support national level TB policy development, as well as efforts to improve implementation of essential DOTS in five selected regions. USAID will remain poised to mitigate potential epidemics such as Avian Bird Flu in order to prevent a global pandemic. The implementing partners are the WHO, the U.S. Centers for Disease Control and Prevention, the Program for Appropriate Technologies for Health (PATH), and the Futures Group International (all prime).

Program Support

Program Support (\$416,000 FSA). USAID will provide funds for administrative support, evaluations and assessments, and USAID information technology support.

Reduce Trafficking In Persons

Reduce Trafficking In Persons (\$1,000,000 FSA). USAID will continue to support trafficking prevention activities and victims' assistance through civil society organizations. The implementing partner is the IOM (prime).

Support Family Planning

Support Family Planning (\$1,250,000 FSA). The reproductive health/family planning project will expand to a total of five regions. The private sector will be engaged in improving the accessibility of modern contraceptives in Ukraine. The implementing partner is JSI (prime), AED (sub), and Harvard School of Public Health (sub).

FY 2006 Program

SO: 121-0328 HIV Transmission among High Risk Groups Reduced and Impact on Those Affected Lessened

Program Support

Program Support (\$395,000 FSA, \$28,143 FSA carryover, \$177,142 CSH, \$200,000 CSH carryover). USAID will provide funds for administrative support, evaluations and assessments, and USAID information technology support.

Reduce Transmission & Impact Of HIV/AIDS

Reduce Transmission & Impact of HIV/AIDS (\$1,543,000 FSA, \$1,998,858 CSH). In order to cohesively strengthen the delivery of HIV/AIDS information and services, USAID will provide 60% of high-risk groups with preventive information and services in regions of highest HIV prevalence. At the end of the project's first year, it has reached approximately 25% coverage. A broader range of organizations are engaged including community-based (CBOs), faith-based (FBOs), and non-governmental (NGOs). Likewise, USAID strengthened prevention of mother-to-child transmission (PMTCT), and voluntary counseling and testing (VCT) services. These projects also include strengthening community support for HIV-positive pregnant women and integrating PMTCT interventions in prenatal, delivery, and post-partum health services. In target eight oblasts, USAID seeks to achieve a decrease in the rate of infected infants born to HIV-positive mothers with a target of less than 6% transmission by the end of the project. To provide a continuum of care to HIV-affected children, USAID will work with the Ministry of Family, Children and Youth Affairs and the Ministry of Health (MOH) to develop a framework to promote alternative family based care for abandoned HIV-positive children and will build Ukrainian systems and commitment to keep children born to HIV+ mothers within the biological family environment. The overall goal of these projects is to provide broad coverage of HIV services to the most affected groups.

Building a supportive enabling environment for HIV/AIDS program implementation is essential for combating HIV/AIDS pandemic. USAID will assist the MOH in designing a new PMTCT program and VCT protocols. In addition, technical assistance will be provided to the HIV NGO Coalition, the HIV/AIDS monitoring and evaluation systems, Oblast AIDS Coordination Councils, multi-sectoral working groups, and the National AIDS Coordination Council (NCC). Several knowledge-based studies have been conducted in order to further support the enabling environment. This includes the implementation of National Health Accounts in order to determine available financial resources and their distribution for HIV/AIDS. It is also anticipated that in summer 2006 a mid-strategy review will be conducted for USAID/Ukraine's HIV/AIDS Strategy 2003-2008.

Reducing stigma and discrimination toward those affected remains a key for all HIV/AIDS efforts. To

address this issue, USAID will continue to promote accepting attitudes towards people living with HIV/AIDS (PLWHA) to reach 80% of the general population in two high prevalence regions. The USAID program will include education and communication campaigns; peer education; and assistance to engender a supportive legal environment. Additionally, civil society organizations will advance initiatives on behalf of those with HIV/AIDS, to more effectively advocate for their rights, and to affect positive change in their communities.

Implementers: the International HIV/AIDS Alliance, Program for Appropriate Technology in Health (PATH), the All-Ukrainian Network of People Living with HIV/AIDS, John Snow, Inc. (JSI), American International Health Alliance (AIHA), the Academy for Educational Development (AED), Holt International, Doctors of the World, the Futures Group International, PSP-One, The Synergy Project, Partners in Health Reform Plus, International Relief and Development, and The Institute for Sustainable Communities (ISC) (all prime).

FY 2007 Program

SO: 121-0328 HIV Transmission among High Risk Groups Reduced and Impact on Those Affected Lessened

Reduce Transmission & Impact Of HIV/AIDS

Reduce Transmission & Impact of HIV/AIDS (\$3,068,000 FSA, \$2,176,000 CSH). USAID will increase access to care and support for HIV-positive people, and will expand support groups for HIV-positive pregnant women and mothers by strengthening peer outreach. Another project will extend its activities to additional schools and workplaces. Wide dissemination of new VCT protocols will increase the involvement of NGOs in service delivery. Implementers: the International HIV/AIDS Alliance (prime), PATH (prime and sub), the All-Ukrainian Network of People Living with HIV/AIDS (sub), JSI (prime), AED (sub), International Relief and Development (prime), the Futures Group International (prime), AIHA (prime), Doctors of the World (prime), Holt International (prime), ISC (prime), and Partners for Health Reform Plus (prime).

FY 2006 Program

SO: 121-0427 Program Support Initiatives

Program Support

Program Support (\$2,030,000 FSA, \$839,682 FSA carryover; \$260,000 FSA carryover supplemental). The broad public diplomacy goal of the Community Connections Program (CC) is to contribute to economic and democratic reform, and to promote mutual understanding in Eurasia through exposure to U.S. society, and contacts with U.S. citizens. In FY 2006, approximately 150 men and women entrepreneurs, local government officials, legal professionals, non-governmental organizations' leaders, and other professionals from Ukraine will participate in a three to five week training program in the U.S. tailored to their professional or business interests. Implementer: World Learning for International Development (prime).

Funds will be also provided for the design and monitoring of the program across strategic objectives and for the payment of program-related technical staff, overhead, and administrative services for the Mission.

FY 2007 Program

SO: 121-0427 Program Support Initiatives

Program Support

Program Support (\$2,074,000 FSA). Community Connections Program will serve to develop human capacity, strengthen institutions, and advance USAID strategic objectives. Approximately 150 men and women entrepreneurs, local government officials, legal professionals, non-government organization' leaders, and other professionals from Ukraine will attend a three to five week training program in the

United States tailored to their professional or business interests. Implementer: World Learning for International Development (prime).

Funds will be also provided for the design and monitoring of the program across strategic objectives and for the payment of program-related technical staff, overhead, and administrative services for the Mission.

Results Framework

121-0132 Growth of SMEs and Agriculture

Program Title: Small and Medium Enterprise and Agriculture

- 2.1: Legal and regulatory environment supports growth
- 2.2: Increased access to land and credit
- 2.3: Organized markets stimulate growth

121-0141 Improved Investment Climate

Program Title: Improved Investment Climate

- 1.1: Business legal environment improved
- 1.2: Financial sector mobilization increased

121-0213 Citizenry Increasingly Engaged in Promoting Their Interests and Rights

Program Title: Strengthening Citizen Participation

- 3.1: Availability of quality information produced by targeted outlets increased
- 3.2: Effectiveness of civil society organizations increased
- 3.3: Political parties better represent citizens' concerns
- 3.4: More credible and competitive electoral process

121-0224 Effective, Transparent and Accountable Government Institutions

Program Title: Good Governance

- 4.1: Autonomy and responsiveness of local self-governance increased
- 4.2: More effective, independent and representative legislature

121-0325 Improved Social Conditions and Health Status

Program Title: Social Protection and Health

- 5.1: Changed behaviors and systems to improve health
- 5.2: Conditions for targeted vulnerable groups are improved

121-0328 HIV Transmission among High Risk Groups Reduced and Impact on Those Affected Lessened

Program Title: HIV/AIDS Prevention and Care

121-0416 Increased Environmental Protection

Program Title: Environment

121-0427 Program Support Initiatives

Program Title: Program Support Initiatives