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Ukraine Country Program Evaluation

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Acronyms, Abbreviations and Glossary

CIDA	Canadian International Development Agency
CIDP	<i>Crimea Integration and Development Program</i> (project)
CED	<i>Community Economic Development</i> (project)
CEEB	Central and Eastern Europe Branch
CNPP	Chornobyl Nuclear Power Plant
CDPF	Country Development Programming Framework
CSF	Chornobyl Shelter Fund
DFAIT	Department of Foreign Affairs and International Trade (Canada)
EBRD	European Bank for Reconstruction and Development
EU	European Union
FAC	Foreign Affairs Canada
G-7	Group of 7 (Canada, France, Germany, Italy, Japan, UK and USA)
GoU	Government of Ukraine
ICPS	International Center for Policy Studies
ICS	Institute for Continuing Studies
IDRC	International Development Research Centre
IFC	International Finance Corporation
IFI	International financial institutions
ISTC	International Science and Technology Center
IPAC	Institute of Public Administration of Canada
IRSS	Interim radioactive waste storage site
ITC	International Trade Canada
KAR	Key Agency Results
LFA	Logic Framework Analysis
MPA	Masters in Public Administration
NAPA	National Academy for Public Administration
NATO	North Atlantic Treaty Organization
NBU	National Bank of Ukraine
NERC	National Electricity Regulatory Commission
NGO	Non-governmental organization
NPP	Nuclear power plant
NSA	Nuclear Safety Account
OSCE	Organization for Security and Co-operation in Europe
PAR	<i>Policy Advice for Reform</i> (project)
PCA	Partnership and Cooperation Agreement
PIP	Plan improvement projects
PKMB	Performance and Knowledge Management Branch – CIDA

PPCB	<i>Public Policy Capacity Building</i> (project)
PPMF	Program Performance Measurement Framework
RAMG	Regulatory Assistance Management Group
RAO YeS	Russian joint stock company “Unified Energy System of Russia”
RBM	Results-based management
RBMK	Graphite-moderated boiling light-water-cooled nuclear reactor
RDS	Radioactive waste disposal site
SIP	Shelter implementation plan
SME	Small and medium enterprises
SNRC	State Nuclear Regulatory Committee of Ukraine
SP	Nuclear Safety Strategy Paper
STA	State Tax Administration
STCU	Science and Technology Center in Ukraine
STEP	Saskatchewan Trade and Export Partnership
TACIS	Technical Assistance Program for the Commonwealth of Independent States (EU)
TSO	Technical safety organization
UCC	Ukrainian Canadian Congress
UNASCU	Ukrainian National Association of Savings and Credit Unions
UNDP	United Nations Development Program
U.S.	United States of America
USAID	United States Agency for International Development
VVER	Pressurized light-water moderated reactor of the Soviet design
WP	Work Plan

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Executive Summary

1. Introduction

This report summarizes the findings and recommendations from an evaluation of CIDA's Ukraine country program conducted by the Evaluation Division of the Performance and Knowledge Management Branch (PKMB), as part of its 2004 work-plan.

The Ukraine Program is a non-typical program in the sense that it has investments in the traditional CIDA areas of Governance, Private Sector and Economic Development, henceforth referred to "regular Program" and the non-traditional areas of Nuclear Safety and Non Proliferation.

Ukraine is the second largest country in Europe (604,000 km²), and occupies a central position between Eastern and Western Europe. The country is divided into 24 oblasts (provinces), one autonomous republic (Crimea), and the city of Kyiv, which has the status of an oblast. Ukraine's territory includes large areas of rich, black soil that is exceptionally well suited to grain farming as well as extensive mineral deposits that support heavy industry and manufacturing.

In 1991, when Ukraine gained its independence after nearly 70 years under the direct rule of the Soviet Union, the country lacked the most basic instruments of statehood. Ukraine had no central bank, no professional public service, no market-economy institutions, no independent foreign policy, no legal and judicial systems based on the rule of law, and no civil-society institutions.

2. Evaluation Objectives, Approach And Methodology

2.1 Evaluation objectives

The aim of the Ukraine Country Program Evaluation was to provide the CEE and CIDA's senior management with an independent retrospective and assessment of Canadian technical cooperation with Ukraine for the period 1991-2004, and to identify lessons for the development of the next Country Development Programming Framework (CDPF). The specific objectives were to:

- **Assess:**
 - ♦ Whether the Ukraine Regular Program and Nuclear Safety and Non-Proliferation initiatives were **effective in achieving the intended results**.
 - ♦ The extent to which identified results are judged to be **sustainable**.
 - ♦ The **relevance** of CIDA investments, in terms of Canada's foreign policy and technical cooperation objectives, and Ukraine's development priorities and objectives.
 - ♦ Program **coherence and complementarity**, focusing on the choice of delivery channels, consistency with positions of other Canadian departments regarding Ukraine, and level of harmonization with other donors' Ukraine programs.
 - ♦ Key success factors, focusing on the role of partnerships, and approaches and practices that worked or did not work.

- ◆ Identify areas for improvement, and offer recommendations for preparation of the new strategy beyond 2006.

2.2 General Approach and Methodology

The evaluation comprised two thematic sub-studies: a regular program study that examined governance, capacity building and social development, and private sector and economic development; and, a study of nuclear safety and non-proliferation initiatives. While environmental protection, responses to the impacts of Chernobyl and energy sector programming were examined in this second study, the analysis of findings suggests that they are better viewed as an extension of the regular program with links to the nuclear safety and non-proliferation initiatives.

The two sub-studies used multiple lines of enquiry to generate information:

- Review of relevant program documentation and data to generate a program profile and select areas for further investigation.
- More in-depth analysis of a representative sample of projects for each of the thematic areas, involving 50 regular program projects (with a value of \$120 million), and 19 nuclear safety and non-proliferation projects (value of \$75 million). The sample reviewed for the two studies accounted for **73% of investments** in Ukraine for the period 1991-2004.
- Primary research utilizing a mix of key informant interviews, an internet-based survey of executing agencies, a field mission to Ukraine that included site visits, and a visit to European Bank for Reconstruction and Development (EBRD) in London. Participants in this research spanned CIDA program managers, Canadian executing agencies, and Ukrainian partners and beneficiaries.
- Research for the Nuclear Safety, non-proliferation, environment and energy sector benefited from two studies conducted by knowledgeable local consultants referred by the mission, further complemented by review of sectoral and strategic documentation provided by other Donors and Multilateral Organizations and validation interviews as indicated below:
 - ◆ A multi-sector study conducted by a multidisciplinary team composed of 4 local specialists from the *International Centre for Policy Studies*, looked at issues in relation to energy sector and linkages with Ukraine governance, private sector and economic development
 - ◆ A complementary study conducted by a local specialist from *Ukrainian Land and Resource Management Center*, looked at nuclear safety and inter-related issues with energy generation and supply, non-proliferation, environment and socio-economic Impacts of chornobyl.
 - ◆ Interviews with USAID, European Union-Energy and Environment specialists, World-bank and UNDP representatives and specialists, complemented by review of their strategic documentation as a means to validating prospective hypothesis and opportunities for further programming.

2.3 Limitations of the evaluation methodology

The following limitations of the evaluation methodology should be noted:

- A country program evaluation is necessarily an exercise in synthesis. Within the constraints of time and resources, the evaluation assessed the performance of a portfolio of projects, some of which were launched over more than a decade ago. Many of these projects ended only recently and others, linked to current strategic directions, are still in process, thus affecting firm conclusions.
- The Program Performance and Management Framework (PPMF) is still evolving, in response to the evolution of the Program's performance orientation and expectations.
- The multifactor nature of international cooperation investments makes attribution of results difficult. The team chose to report on overall results and Canada's role and involvement.

3. Program Context

3.1 Ukraine macro-economic environment

According to the Economist Intelligence Unit, the overall economic situation in Ukraine is positive.¹ The real GDP growth rate for 2003 was 8.5% and is projected to reach 12.0% by 2004 year end. Annual inflation will remain above the low rates recorded in 2002, yet will be contained by the currency's general stability and a reasonable monetary position. GDP per capita was US \$851 in 2002, approximately 25% of that in Russia and about 17% of that in Poland, but is stronger, relative to Russia and Poland, when measured on a Purchasing Power Parity basis.² However, this estimate does not take the contribution of the unofficial economy into account, which according to some estimates, could be up to 50% of the size of the official economy.

3.2 State of governance in Ukraine

Ukraine compares unfavourably with its neighbouring states on composite governance measures prepared by the World Bank Governance Indicators Program. Ukrainians do experience relatively good opportunities to participate in governance processes for selecting and replacing those in authority and the relative independence of the media ("Voice and Accountability" indicator) and a growing sense of political stability, in terms of the perceived likelihood that the government in power will be destabilized or overthrown by unconstitutional means ("Political Stability and Absence of Violence"). This is offset by poorer ratings relating to perceptions of corruption and integrity ("Control of Corruption") and the ability of the government to formulate and implement sound policies ("Government Effectiveness").³ The Transparency International Corruption Perception Index ranking suggests that Ukraine has far higher levels of corruption than in almost every other country in the region, with Ukraine ranked 111 out of 133 countries world-wide.⁴ The ability of the increasing number of civil society organizations (CSOs) to develop relationships with, and influence the policies and programs of, the authorities is also very limited.⁵

¹ Economist Intelligence Unit, *Country Monitor*, October 18, 2004.

² UNDP, *Human Development Report: 2004*, UNDP, NY, 2004.

³ Kaufmann D, Krayy A and Zoido-Lobaton P, *Aggregating Governance Indicators* (Policy Research Working Paper # 2195) and *Governance Matters* (Policy Research Working Paper #2196), World Bank, Washington, 1999. Referred to in: UNDP, *Ukraine Human Development Report: 2001*, UNDP, Kyiv, Ukraine. Research papers and more recent indicators data can be accessed at www.worldbank.org/governance/pubs.html

⁴ Transparency International Corruption Perception Index, 2003.

⁵ UNDP, *Ukraine Human Development Report, 2001: The Power of Participation*, 2001.

3.3 State of transition to a market economy

The Ukrainian economy remains mixed with direct regulation of the market still exercised by the Government of Ukraine (GoU) in many cases, combined with a slow rate of “demonopolization”, a lack of market orientation in many state institutions, and the use of price controls. The private sector’s share of GDP increased from 55% in 1998 to more than 70% in 2003. Notwithstanding this strong economic performance, government policies on privatization of government assets, taxation, and property rights, have produced an asymmetric sector structure dominated by a small number of enterprises (the “oligarchs”) and a high degree of monopoly power in many industries.

Continuing financial stability has supported the strength of Ukraine’s economic growth. Development of the financial sector over the last 5 years benefited from good quality policy (introduced after a financial crisis in 1998) and expansion of the monetary base. Fiscal policy has been marked by changes in budget and taxation legislation, but there is almost no financial or economic analysis prior to the promulgation of new laws and the rate of state sector reform is slow.

In 2002, the GOU launched its *European Choice* strategy for economic and social development of Ukraine from 2002 to 2011. This strategy, which provided context for the formulation of CIDA’s 2002-2006 programming strategy, has seven long-term objectives:

- Sustainable economic growth.
- Poverty reduction and the strengthening of the middle class.
- Comprehensive and harmonized human development.
- Environmental sustainability.
- Gradual integration into the world economic and financial systems.
- Reduction of regional imbalances.
- Improvement of state administration.

3.4 Canada’s response

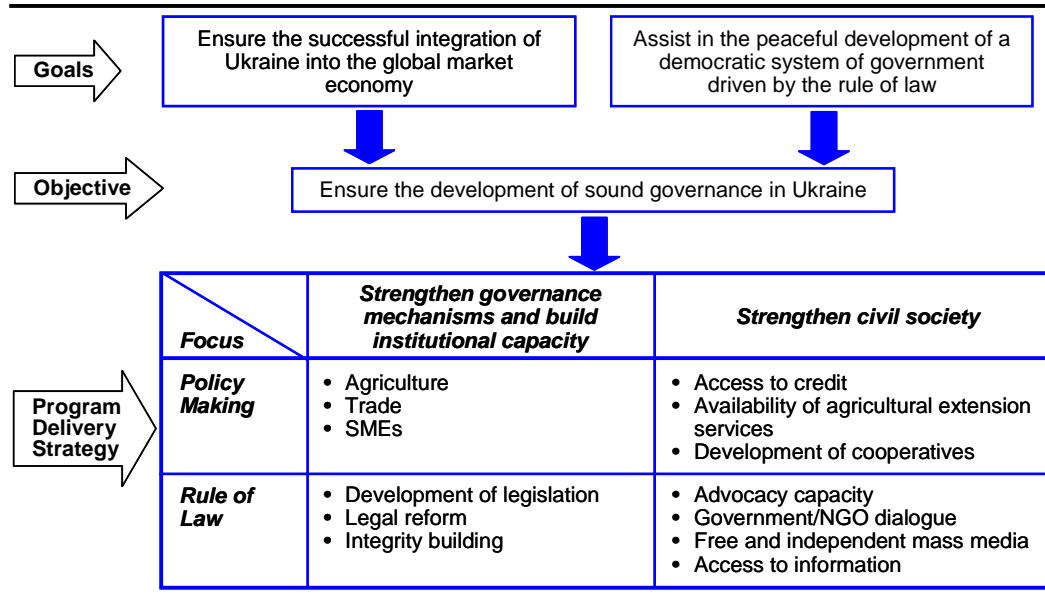
At the time of its inception in 1991, the forerunner of Canada’s current Program in Ukraine had to face the challenge of providing technical cooperation in a country lacking a comprehensive national development strategy and supporting sectoral strategies, the capacity to formulate such strategies, and a stable political will for reform. The Ukraine Program has consistently pursued the same themes and issues from its origins with DFAIT through nearly a decade under CIDA management. The program was implemented through a total of 429 projects from its inception in 1991.

Canada is sixth among Ukraine’s donor partners, with total disbursements of CDN\$244 million (US\$163 million) over the 1991-2002 period, accounting for 2.7% of the total. These expenditures were relatively evenly distributed between the three major sectors: Governance, Capacity Building and Social Development (39%); Private Sector and Economic Development (32%); and Nuclear Safety, Non-Proliferation and Environment (29%). After adjusting for expenditures funded by the Bilateral Branch but delivered by multilateral organizations, the Bilateral channel accounted for 59% of historic disbursements and the Multilateral channel for 40%.

3.4.1 Ukraine Regular Program

The Central and Eastern Europe Branch’s country development programming framework (CDPF) for Ukraine for the period 2002-2006, has the following structure. The principal Key Agency

Result focus for the program is Governance, and achievements in this area are expected to contribute to the Economic Well Being, Social Development and Environmental Sustainability and Regeneration. Canada invested \$186.4 million in Regular Program projects between 1992 and 2004, with 54% directed to Governance, Capacity Building and Social Development projects, and 46% to Private Sector and Economic Development projects.



3.4.2 Ukraine Nuclear Safety and Non-Proliferation investments

The Nuclear Safety and Non-Proliferation element in the program (\$75,9 million), is a product of Canada's foreign policy objectives relating to health and environmental safety risks posed by nuclear installations in the former Soviet Union, and nuclear non-proliferation efforts focusing on the creation of non-weapons related employment opportunities for former weapons scientists. Canada channelled 70% of its support for nuclear safety (\$53,2 million) to two major multilateral initiatives: the Nuclear Safety Account and the Chernobyl Shelter Fund. In the non-proliferation area, Canada engaged former weapons scientists in civilian work through support for the (STCU). **Science and Technology Center** in Ukraine totalled (\$9,3 million) or 12%; The remaining (\$13,4 million) or 18 % supported reform of the energy sector and nuclear regulation, and strengthened environmental management.

3.5 Parameters for future CIDA programming strategy development

In January 2004, the Ministry of Economy and European Integration articulated the Ukraine government's priorities and expectations regarding international technical assistance, in its Strategy for Encouragement of International Technical Assistance in 2004-2007. The Strategy identified eight areas where international technical assistance is expected to be most beneficial:

1. Increasing the competitiveness of the national economy and ensuring stable economic growth.
2. Accelerating Ukraine's entry into the World Trade Organization (WTO) and European and Euro-Atlantic integration.
3. Creating a favourable business environment, that helps develop small and medium business.
4. Intensifying democratic changes and forming establishments of a developed civil society.

5. Achieving Millennium Development Goals, in particular improvement of social and health conditions of Ukrainian citizens and humanitarian development.
6. Increasing ecological safety and minimizing the effects of the Chernobyl catastrophe.
7. Guaranteeing the security and protection of the state and citizens.
8. Developing a state regional policy.

4. Findings and Conclusions

4.1 Ukraine Regular Program

4.1.1 Results achieved

Canada was among the first international donors to mobilize a response to Ukraine's needs for technical assistance with macroeconomic reform and the reform of policy making and capacity building in its public administration. Canada also made early contributions to the reform of legal processes for land titles and transfers, and the development of credit unions as a vehicle to finance grassroots commercial activities.

While significant progress was achieved during this initial period (1991–1995), when the program was managed by DFAIT, it was apparent, in retrospect, that many of the expected results were overly optimistic. In other words, the time, investment and sustained level of effort required to reform Soviet-era practices was substantially greater than initially anticipated.

After 1995, when the responsibility for program management was transferred to CIDA, the programming focus was narrowed—to focus on good governance and private sector development—and technical assistance was concentrated on fewer, larger projects concerned with bringing about more fundamental changes. Notable results included:

- An extensive amount of foundational work in building the generic capacity for policy analysis and formulation, primarily within the central government.
- Expanded capacity of civil society organizations to participate in decision-making processes.
- Establishment of approximately 500 credit unions with almost 500,000 customers involved in the provision of finance for agricultural production in rural communities.
- Demonstration of the feasibility of policy-level and grassroots support models for the development of entrepreneurship and small enterprise.
- Fostering of stakeholder networks and the formation of multi-stakeholder working groups bringing together interest groups, decision makers and technical experts.
- A systematic and pervasive effort to increase access to information through demonstration of best practices, technologies and methodologies.

Areas where results fell short of expectations included:

- Limited stimulation of trade growth between Canada and Ukraine trade.
- Limited transformation of collective farms to owner-operation, linked to slow progress in reforming land transfer systems and weaknesses in training and extension services.
- Ongoing reform challenges in moving from policy enactment to policy implementation.

4.1.2 Sustainability

Despite the significant accomplishments of the Ukraine Program, the goal of institutionalizing public policy as the standard of sound governance is yet to be achieved. While the Program has contributed to the establishment of a strong foundation for change, and produced a cadre of civil servants convinced of the importance of public policy and competent in its development, the much longer task of “embedding” this professional approach to public administration is just beginning.

Ukraine Program’s investments in projects to strengthen civil society organizations have succeeded in providing numerous, but too often isolated, examples of the effective roles civil society can play in a democratic society. Efforts to strengthen partner organizations and establish organizational sustainability can rarely be built in only a few years. Those which have, to some extent, “gone to scale” have shown consistently solid results at a broader reach.

4.1.3 Relevance

Ukraine Regular Program activities are targeted on two of CIDA’s Key Agency Results: Good Governance, and private sector development (as an element in Economic Well Being). This thematic orientation was established in the early days of the program and has since been consistently pursued. Over time, greater focus, greater financial resources and accumulated programming experience with Canadian and Ukrainian partners has translated into fewer and larger projects concentrated in five areas that link to the above two Keys Agency Results: strengthening civil society, policy reform, judicial reform, agricultural reform and development, and private sector development.

Ukraine Program has produced results that contribute most directly to four of the eight directions set in Ukraine’s recent (January 2004) *Strategy for Encouragement of International Technical Assistance in 2004-2007*: intensifying democratic changes and forming establishments of a developed society; increasing competitiveness of national economy and ensuring stable economic growth; creating a favorable business environment for SME development; and, development of state regional policy. The Program also contributed, to a lesser extent, to Ukraine’s efforts to achieve Millennium Development Goals (refined for the Ukraine situation), and accelerate Ukraine’s entry into the WTO and its integration into European and Euro-Atlantic markets. CIDA is highly respected by its Ukrainian partners for the relevance and quality of its programming, its responsiveness to Ukrainian expressions of priorities, and the timeliness of its responses, for both “responsive” and “directive” modes of programming.

4.1.4 Coherence and complementarity

Ukraine Program has maintained, and continues to maintain, active dialogue with a broad range of intra- and inter-governmental agencies, with varying frequency depending on the issues at hand. Foreign Affairs Canada is most frequently consulted, closely followed by Agriculture Canada for its perspective on directions for CIDA technical cooperation. At the provincial level, the governments of Alberta, Manitoba and Saskatchewan have designated councils for the management of their relations with Ukraine, which frequently interact with the Ukraine Program on perspectives for development activities, and occasionally support project proposals made to CIDA.

Programming overlaps with multilateral and other bilateral donors are limited. However, there appears to be little coordination, beyond cooperation on specific issues or bilateral cooperation on specific initiatives.

The GoU has historically provided little leadership in donor coordination. The evaluation team did, however, find indications of a desire for improved coordination and a more proactive role in project identification and monitoring.

4.1.5 Partnerships

An unexpected and durable result of the Ukraine Program is the number and quality of on-going relationships established between Ukrainian and Canadian project implementation organizations. The oft repeated theme is that Canadians share their experience but do not impose it, convincingly convey their professional expertise but are willing to listen, accept the fact that Canadian models can't simply be transposed, and then get on with helping Ukrainians figure it out for themselves.

Ukrainian partners are demonstrating an increased capacity to identify their own priorities, needs and the qualities required in the technical assistance provided by donors. This opens the door to a new era of technical cooperation and challenges Canadian partners not only to provide the specific expertise required, but also to allow ever greater space for Ukrainian partners to influence—and even determine—implementation modalities.

4.1.6 Potential areas for improvement

The evaluation team supports the direction announced in the Ukraine Program CDPF 2002-2006 to take a more directive, pro-active approach to program development, and to focus the program more strategically to provide transversal support to selected sectors. At the same time, a continuing level of responsive programming will be beneficial. In doing so, CIDA will need to increase its level of stakeholder consultation, especially with its partners in the Ukrainian Diaspora in Canada, to build understanding of the 2002-2006 programming strategy and the role of responsive programming initiatives within the strategy.

Major gaps remain in what could be a coordinated Canadian response to Ukrainian agricultural development needs. These gaps include the absence of: financing mechanisms for agricultural production, farm business management skills, a legal framework for land sales, and a poorly developed and integrated production, processing and marketing supply chain. Further work, in the form of a detailed sectoral analysis and development of a strategy for sector programming, should be undertaken prior to any expansion of programming for the agricultural sector to ensure consistency with the overall Ukraine programming strategy and avoid a piecemeal approach.

4.2 Support for Environment and Energy Sector Reform

4.2.1 Environmental protection and management

In developing its 2002-2006 programming strategy, CIDA chose to make environmental sustainability a cross-cutting theme. In its analysis, the evaluation team found evidence that initiatives to strengthen environmental protection and management have contributed to the development of policies on the environment, increased awareness of environmental issues and the need for higher standards of environmental care, and capacity development in the Ministry of Ecology and Environment. Information gathered by the evaluation team suggests that CIDA's environmental initiatives were highly relevant, but a further 10-15 years of sustained support from donors would be necessary to achieve sustainability in environmental protection.

In the view of the evaluation team, potential opportunities exist for improvements to CIDA's environmental efforts in Ukraine, to strengthen environmental management capacity at the local government level. Local champions with solid reputations could be identified and supported as a

means of achieving sustainability beyond the period of donor support. A regional focus could be particularly pertinent in the east of Ukraine where environmental problems are significant.

4.2.2 Reform of the energy sector and nuclear regulation

The energy sector is very central to Ukraine's transition to a market economy and lessened dependence on Russia. The results achieved by CIDA's investments cannot be discerned at the program level. CIDA has helped to enhance governance of power generation and other energy institutions, contributed to the rehabilitation of existing thermal and hydro power generating capacity, and generated benefits for Canadian firms with solid expertise in power generation. In 1998, international donors, including Canada, significantly reduced or ceased their programming activities in the Ukrainian energy sector in response to the failure of Ukraine to implement an IMF-approved Financial Recovery Plan for the energy sector.

Ukraine has now made progress toward the establishment of an efficient, financially sound, sustainable, market-oriented power sector, and to achieve Ukraine's transition to a market economy, but the rate of progress is slow. This progress suggests that possible opportunities for programming in the energy sector could be re-visited by CIDA. The centrality of Ukraine's energy sector in international technical assistance programs and the importance of market and regulatory reforms suggest that, should CIDA decide to reconsider its involvement in the energy sector, activities should be concentrated on strengthening governance and building institutional capacity and closely coordinated, and integrated, with those of other donors that are most active in this sector.

4.3 Nuclear Safety and Non-Proliferation investments

4.3.1 Enhanced safety of Chernobyl

Ukraine, Russia and other former Soviet Union republics must deal with the decommissioning of older-generation nuclear power plants while maintaining or expanding power capacity if they are to meet their goals of making the transition to market economies. The challenge ahead will be to pursue policy dialogue with these countries and to move the reform agenda forward, while helping with plant upgrades, decommissioning of older, less safe plants, and dealing with the huge social and environmental impacts of the Chernobyl nuclear accident.

This justifies the coordinated approach that the international community has adopted to support these countries through the Nuclear Safety Account and the Shelter Implementation Plan. This multilateral approach has resulted in the closure of the last operating reactor at Chernobyl, and the development and initiation of an integrated plan to provide a new safe containment structure at Chernobyl plus decommissioning and waste containment measures. Canada's contribution, of \$53.2 million, to these initiatives has been much higher relative to the size of Canada's GDP than contributions by other donors. However, EBRD will need additional funding for the Chernobyl Shelter Fund to address a gap - of more than €245 million - between donors' funding commitments and the estimated cost to complete the shelter structure.

4.3.2 Non-Proliferation—STCU

On balance, STCU continues to be relevant to the needs of former Ukraine weapons scientists and engineers by providing employment opportunities for former weapons scientists (regular projects), and promoting the development of joint R&D projects with international (mostly Canadian) partners (partnership projects). Noteworthy results include the provision of \$110 million in project funding by participants in STCU's projects over the last nine years, which provided employment and skills development training for more than 7,000 scientists in Ukraine

and ~4,700 scientists in neighbouring countries. Participation by Canadian business partners in a number of these projects enabled the development of commercial linkages between participating Canadian organizations and Ukrainian scientists.

Looking to the future, STCU will need to re-align its objectives and increase the significance of partnership projects directed towards R&D with commercial potential in its operations if it is to become self-sufficient. A continuing high level of regular projects to employ former weapons scientists on work requiring the peaceful application of their skills will also need to be maintained. Further development of commercial R&D skills in Ukraine will also require the facilities and equipment at many institutions to be upgraded and a higher level of GoU involvement in funding R&D, including funding for STCU. Work also needs to continue to resolve on-going problems with respect to patent rights.

4.3.3 Program management

CIDA's nuclear safety program is not a typical CIDA program but is designed to primarily respond to geopolitical concerns relating to nuclear safety (civil and military) and non-proliferation concerns identified by the G8. Strategic policy issues and challenges concerning nuclear safety and non-proliferation across the former Soviet Union are expected to be of continuing primary concern in the future. These are not areas of recognized CIDA strength, whose mandate is the planning and implementation of Canada's development cooperation program. Given this, it would make sense to transfer responsibility for the nuclear safety initiatives currently managed by CIDA to Foreign Affairs Canada (FAC), which has the responsibility for managing Canada's position across the entire spectrum of civil and military nuclear safety and non-proliferation issues and maintaining Canada's links with the G8.

A similar situation exists with regard to Canada's support for non-proliferation, where FAC has the lead role on international nuclear safety and non-proliferation policy in the federal government. Canada supports the STCU through CIDA (average spending 1.5 million/year) while FAC provides similar support (average spending 18 million/year starting early 2004) to an analogous organization in Russia, the International Science and Technology Center (ISTC). These close similarities in mandate and relative spending suggest that Canada's support for both centres could be managed, and funded, through a single program management office.

5. Recommendations

Ukraine's needs are still great, Canada's reputation is solid and the potential for good matches with Canadian's capabilities exist in a variety of sectors. Going forward, the challenge for the program in the context of limited resources, would be to selectively focus on strategic interventions of significance to both Ukraine and Canada.

1. **CIDA should establish the future direction for the Ukraine Program beyond 2006 through measured adjustments, not dramatic change, building on its success in strengthening governance and civil society structures in Ukraine in supporting its Key Agency Results in Governance and Economic Well-Being.** In doing so, future CIDA programming in Ukraine could focus on thematic issues where a reformed policy and legislative framework is in place, and accelerate the transition from technical cooperation in policy development to technical cooperation in policy implementation. Future programming could be balanced between support at central, regional and local levels, as well as a better geographic balance between East and West Ukraine.

Possible niche areas of programming strength and/or opportunities for inclusion in the analytical work leading to the forthcoming strategy are described in the main synthesis report.

2. With regard to implementing the goal of shifting toward more directive programming in the program's future strategy, **CIDA should consider the level of resources and expertise required to support this shift, and develop a business plan and risk management strategy** to guide the Ukraine Program's transition to a balanced and flexible mix of directive and responsive programming that benefits from the extensive experience of its Canadian partners.
3. In the context of better focusing on results and accountability, **CIDA should explore the possibility of assisting the Ministry of Economy and European Integration to establish a system to monitor and evaluate the quality of technical assistance programs** linked to the Ministry's *Strategy for Encouragement of International Technical Assistance*. This was proposed by the Ministry to the evaluation team and is consistent with the governance thrust of the program.
4. It is appropriate for the Government of Canada to maintain its geopolitical commitment to nuclear safety initiatives for Ukraine and the former Soviet Union but the capacity and comparative advantage to best deal with this effectively may reside at FAC instead of CIDA. In this context, **CIDA should request Foreign Affairs Canada (FAC) to effectively manage the Nuclear Safety program and Non-Proliferation Investments (principally, participation in the STCU), and work with FAC as part of the next programming strategy**, to ensure a smooth transition from 2006-2007.⁶

⁶ The transfer of the Non-Proliferation Investments to FAC and its insertion under the Global Partnership Program would allow CIDA to recuperate approximately \$1.5 million per year.

5. Regardless of where the Nuclear Safety and Non-Proliferation Investments are located, **program management may want to encourage STCU's management to:**
- ◆ Implement a strong marketing unit in the STCU.
 - ◆ Re-align the Centre's objectives to give greater priority to partnership projects.
 - ◆ Initiate, or strengthen, activities to expose the younger generation of PhDs to international standards and approaches to the management and conduct of R&D.

1. Background

1.1 Introduction

This report summarizes the findings and recommendations from an evaluation of CIDA's Ukraine country program conducted by the Evaluation Division on behalf of the Performance and Knowledge Management Branch (PKMB), as part of its 2004 work-plan.

Ukraine Program is a non-typical program in the sense that it has investments in the traditional CIDA areas of Governance, Private Sector and Economic Development, henceforth referred to "regular Program" and the non-traditional areas of Nuclear Safety and Non Proliferation.

The evaluation comprised two separate studies: a "regular program study" and a study of nuclear safety and non-proliferation initiatives. While environmental protection, responses to the impacts of Chernobyl and related energy sectors initiatives were examined in this second study, the analysis of findings suggests that they are better viewed as an extension of the regular program

1.2 Context

Ukraine is the second largest country in Europe (604,000 km²). It is bordered on the south by the Black Sea, on the east by Russia, on the north by Belarus, and on the west by Poland, Slovakia and Hungary. The country is divided into 24 oblasts (provinces), one autonomous republic (Crimea), and the city of Kyiv, which has the status of an oblast. Ukraine's territory includes large areas of rich, black soil that is exceptionally well suited to grain farming as well as extensive mineral deposits that support heavy industry and manufacturing.

In 1991, when Ukraine gained its independence after nearly 70 years under the direct rule of the Soviet Union, the country found itself without the most basic instruments of statehood. Among other things, Ukraine had no central bank, no professional public service, no market-economy institutions, no independent foreign policy, no legal and judicial systems based on the rule of law, and no civil-society institutions.

The Ukraine is strategically important to Canada in a number of areas:

- Ukraine serves as a bridge between Eastern and Western Europe and is a key to the stability of Europe as a whole.
- Ukraine seeks to create a strong partnership with NATO and the European Union. This effort needs to be supported.
- Over 1 million Canadians are of Ukrainian heritage.
- Canada has an interest in seeing the economic growth and development of Ukraine's economy, which benefits a population of more than 50 million and offers tremendous potential for growth driven by agriculture, development of natural resources and industrial production.

2. Evaluation Objectives, Approach and Methodology

2.1 Evaluation objectives

The aim of the Ukraine Country Program Evaluation was to provide the CEE and CIDA's senior management with an independent retrospective and assessment of Canadian technical cooperation with Ukraine for the period 1991-2004, and to identify lessons for the development of the next Country Development Programming Framework (CDPF).

The specific objectives set for the evaluation were to:

- **Assess:**
 - ♦ Whether the Ukraine Regular Program and Nuclear Safety and Non-proliferation initiatives were **effective in achieving the intended results**, differentiating between three periods of operation: DFAIT management (1991-1995), first CIDA CDPF (1995-2001), and second CDPF (2002-2006).
 - ♦ The extent to which identified results are judged to be **sustainable**.
 - ♦ The **relevance** of CIDA investments, in terms of responding to:
 - a. CIDA priorities and Canada's foreign policy and technical cooperation objectives.
 - b. Ukraine's development priorities and objectives.
 - c. Further strategic issues for Canadian technical cooperation with Ukraine.
 - ♦ Program **coherence** and **complementarity**, in terms of the:
 - a. Internal coherence of the mix of delivery channels (Multilateral, Bilateral, and Partnership).
 - b. External coherence with other Canadian departments involved in Ukraine (Foreign Affairs, Defense, Industry).
 - c. Consistency and harmonization of CIDA investments with those of other donors.
 - ♦ Key success factors, focusing on the role of **partnerships** in the programming strategy, and technical cooperation **approaches and practices that worked or did not work**.
- **Identify areas for improvement, and offer recommendations for preparation of the new strategy beyond 2006.**

2.2 General Approach and Methodology

CIDA's Ukraine Country Program is lead by a Director General in the CEE Branch, responsible for the Ukraine Regular Program and nuclear safety initiatives in Ukraine and Russia. The program was implemented through a total of 429 projects from its inception in 1991.

The evaluation used the following approach and methodology:

- a. **Review of relevant program documents and files**—such as, program strategies, performance management frameworks, performance and monitoring reports, and a quantitative analysis of expenditures—to create a program profile and define the two thematic areas for study:

- **Ukraine Regular Program Evaluation:**

- ◆ Governance, capacity building, and social development (208 projects with a total expenditure value of \$101.4 million).
- ◆ Private sector and economic development (166 projects, \$85.0 million).

- **Nuclear Safety and Non-Proliferation:**

- ◆ Nuclear safety and non-proliferation investments, as well as the environmental, social and economic impacts of Chernobyl and related energy sector issues (45 projects, \$75.9 million).

- b. **Selection of a sample of projects** for each of the two thematic sub-studies (73% of investments in Ukraine for the period 1991-2004), using the following criteria:

- **Ukraine Regular Program** sample selection criteria:

- i. Thematic focus, to provide a balance between governance and private sector interests.
- ii. Level of investment, to assure a critical mass relative to the total CIDA investment.
- iii. Type of executing agency, to assure representation of: multilateral agencies, Canadian non-governmental organizations, Government of Canada Agencies.
- iv. Types of initiatives, including “funds”, projects, “programs” and financial transfers.
- v. Dates of implementation, to assure an adequate historic perspective.

The initial sample of projects was also enlarged—to 50—to accommodate conceptual and organizational linkages between the sample projects and other projects in the portfolio.

- **Nuclear Safety and Non-proliferation** sample:

- i. Main themes of the program.
- ii. Delivery channels utilized: bilateral, multilateral and partnership.
- iii. Level of investment.
- iv. Strategic nature.
- v. Potential for lessons learned.

Figures 1 and 2 illustrate the relative significance of the two samples.

Figure 1: Sample characteristics—Ukraine Regular Program

Sector	Program Portfolio		Sample Projects	
	Budget	# of Projects	Budget	# of Projects
Governance, Capacity Building, and Social Development (Gov)	\$101,449,671	208	\$57,627,680 (57%)	24 (12%)
Private Sector and Economic Development (PSD)	\$84,968,114	166	\$62,382,221 (73%)	26 (16%)
Total	\$186,417,785	374	\$120,009,901 (64%)	50 (13%)

Figure 2: Sample characteristics—Ukraine Nuclear Safety and Non-Proliferation

Sector	Program Portfolio		Sample Projects	
	Budget	# of Projects	Budget	# of Projects
Enhanced Nuclear Safety-Shelter	\$41,219,951	3	\$41,219,951 (100%)	3 (100%)
Nuclear Safety Account	\$12,000,000	1	\$12,000,000 (100%)	1 (100%)
STCU – Prevention of WMD ¹	\$9,309,063	3	\$9,309,063 (100%)	3 (100%)
International Initiatives to support closure of Chernobyl & NS	\$62,529,014	7	\$62,529,014 (100%)	7 (100%)
Energy Generation and Supply	\$10,503,510	25	\$9,617,101 (92%)	10 (40%)
Environment	\$2,901,789	13	\$2,677,996 (92%)	2 (15%)
Energy Supply and Environment⁷	\$13,405,299	38	\$12,295,097 (92%)	12 (32%)
Total	\$75,934,313	45	\$74,824,111 (99%)	19 (42%)

c. *Multiple lines of enquiry* were used to address the overall evaluation objectives:

- Generation of a program profile and selected areas for further investigation.
- Primary research utilizing a mix of key informant interviews, an internet-based survey of executing agencies, a field mission to Ukraine that included site visits, and a visit to European Bank for Reconstruction and Development (EBRD) in London. Participants in this research spanned CIDA program managers, Canadian Executing Agencies, and Ukrainian partners and beneficiaries.
- Research for the Nuclear Safety, non-proliferation, environment and energy sector benefited from two studies conducted by knowledgeable local consultants referred by the mission, further complemented by review of sectoral and strategic documentation provided by other Donors and Multilateral Organizations and validation interviews as indicated below:
 - ♦ A multi-sector study conducted by a multidisciplinary team composed of 4 local specialists from the *International Centre for Policy Studies*, looked at issues in relation to energy sector and linkages with Ukraine governance, private sector and economic development.

⁷ During the course of the study the evaluation team determined that the coding of projects, and thus allocation of funding, should have been \$11,656,403 for the STCU and \$10,188,145 for Environment. Subsequently, the evaluation team chose to review only 5 projects in the Energy Generation & Supply area, with a total value of \$7,784,073.

- ♦ A complementary study conducted by a local specialist from *Ukrainian Land and Resource Management Center*, looked at nuclear safety and inter-related issues with energy generation and supply, non-proliferation, environment and socio-economic Impacts of chornobyl.
- ♦ Interviews with USAID, European Union -Energy and Environment specialists, World-bank and UNDP representatives and specialists, complemented by review of their strategic documentation as a means of validating prospective hypothesis and opportunities for further programming.

2.3 Limitations of the evaluation methodology

The following limitations of the evaluation methodology should be noted:

- A country program evaluation is necessarily an exercise in synthesis. Within the constraints of time and resources, the evaluation assessed the performance of a portfolio of projects, some of which were launched over more than a decade ago. Many of these projects ended only recently and others, linked to current strategic directions, are still in progress, thus affecting firm conclusions.
- The Program Performance and Management Framework (PPMF) is still evolving, in response to the evolution of the Program's performance orientation and expectations.
- The multifactor nature of international cooperation investments makes attribution of results difficult. The team chose to report on overall results and Canada's role and involvement.

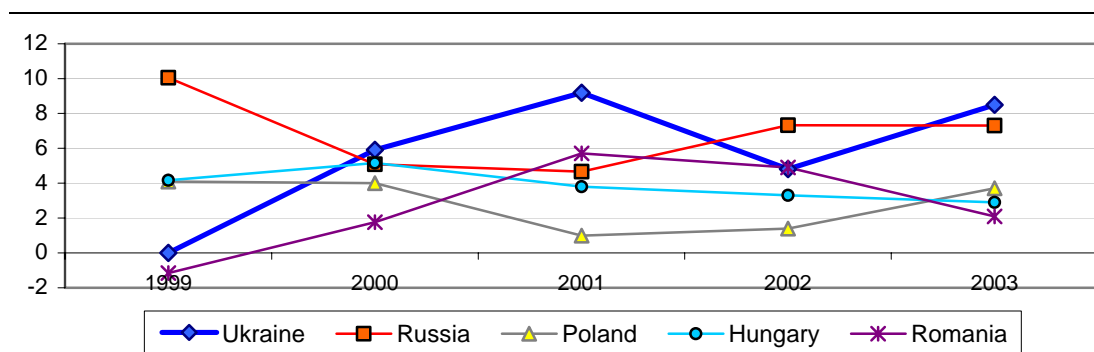
3. Program Context

3.1 Ukraine's macro-economic environment

3.1.1 GDP, trade and investment

According to the Economist Intelligence Unit, the overall economic situation in Ukraine is positive.⁸ The real GDP growth rate for 2003 was 8.5% and is projected to reach 12.0% by 2004 year end. Annual inflation will remain above the low rates recorded in 2002, yet will be contained by the currency's general stability and a reasonable monetary position. GDP per capita was US \$851 in 2002, approximately 25% of that in Russia and about 17% of that in Poland. GDP per capita on a Purchasing Power Parity (PPP) basis suggests a stronger relative position for Ukraine, with the estimated PPP GDP per capita, of US \$4,870 in 2002, 59% of the estimate for Russia and 46% of the estimate for Poland.⁹ However, this estimate does not take the contribution of the unofficial economy into account, which according to some estimates, could be up to 50% of the size of the official economy.

Figure 3: Real GDP growth rates



Source: World Bank country indicators

The country is expected to maintain a current-account surplus, supported by solid private domestic demand and only moderate budget deficits. Both imports and exports have nearly doubled between 1990 and 2001, with Russia the largest buyer of Ukrainian exports (17.9% of total exports) and largest supplier of imports (38.5%). Other major export destinations are Italy (5.9%), Germany (5.7%), China (4.6%), Poland (3.8%), Turkey (3.6%), and Hungary (3.3%). Canada and the USA account for only 0.25% and 2.4% of exports, respectively. Ukraine imports from Canada increased over the last years from 9.5 millions in 1995 to 66 millions in 2003, however remain marginal (equivalent of 0.02% of total Canada exports).

3.1.2 Country risk ratings

Overall country risk is rated as stable, and 7% above the regional average, with stable scores for economic policy, economic structure and economic/political liquidity risk but a failing score for

⁸ Economist Intelligence Unit, *Country Monitor*, October 18, 2004.

⁹ UNDP, *Human Development Report: 2004*, UNDP, NY, 2004.

political risk.¹⁰ This rating is a function of an environment of over-regulation and state interference compared to more advanced countries in the region.

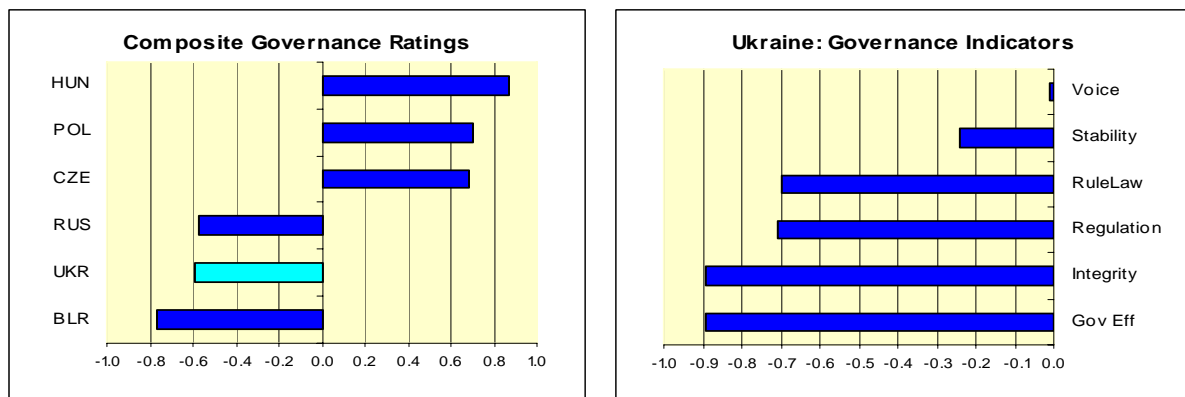
3.1.3 Future outlook

Looking ahead, the current account surplus is expected to be reduced in the medium term, due to real currency appreciation, an un-diversified export base and rising import demand as economic growth increases in response to increased levels of private consumption. Favourable world economic conditions and economic growth among Ukraine’s trade partners are expected to fuel further growth in exports, primarily in Ukraine’s traditional areas of strength, such as ferrous metals, chemicals, machinery and transport equipment.

3.2 Progress and prospects in reforms of governance institutions

Ukraine compares unfavourably with its neighbouring states on composite governance measures prepared by the World Bank Governance Indicators program, especially compared to Hungary, Poland and the Czech Republic, as can be seen on the left side of Figure 4. Within this overall rating, citizens in Ukraine do experience relatively good opportunities to participate in governance processes for selecting and replacing those in authority and the relative independence of the media, as can be seen on the right side of Figure 4, (“Voice and Accountability” indicator) and a growing sense of political stability, in terms of the perceived likelihood that the government in power will be destabilized or overthrown by unconstitutional means (“Political Stability and Absence of Violence”). This is offset by poorer ratings relating to perceptions of corruption and integrity (“Control of Corruption”) and the ability of the government to formulate and implement sound policies (“Government Effectiveness”).¹¹ IMF and World Bank studies indicate far higher levels of corruption in Ukraine than in almost any other country in the region, with the Transparency International Corruption Perception Index ranking Ukraine 111 out of 133 countries, behind Sudan (110) and Serbia/Montenegro (109), and ahead of Zimbabwe (112).¹²

Figure 4: Ratings of the quality of governance



Source: Kaufmann et al. (2000), as reported in UNDP (2001).

¹⁰ Economist Intelligence Unit, Ukraine Country Risk Service, *Risk Ratings Review*, July 2004.

¹¹ Kaufmann D, Krayy A and Zoido-Lobaton P, *Aggregating Governance Indicators* (Policy Research Working Paper # 2195) and *Governance Matters* (Policy Research Working Paper #2196), World Bank, Washington, 1999. Referred to in: UNDP, Ukraine Human Development Report: 2001, UNDP, Kyiv, Ukraine. Research papers and more recent indicators data can be accessed at www.worldbank.org/governance/pubs.html

¹² Transparency International Corruption Perception Index, 2003.

3.2.1 Structural reform of public administration

Independence confronted Ukraine with several challenges related to the country's transition from a central planned to market economy, and from a totalitarian system to democracy. At stake were both the establishment of the stable foundation of political democracy, and the construction of a modern, efficient and accountable public administration. Key milestones in the transition to date include:

- Adoption of the 1996 Constitution.
- Establishment of the State Commission on public administrative reform (Kravchuk Commission), which proposed directions for the reconstruction of central government:
 - ◆ Strengthening of the strategic functions of the Cabinet of Ministers and ministries.
 - ◆ Establishing modern policymaking processes.
 - ◆ Demarcation of executive powers between strategic and executive agencies.
 - ◆ Establishing a modern civil service.

(Note, however, that the implementation of public administration reforms has been hampered by the lack of a coherent strategy to implement the directions set by the Commission.)

- Presidential Decree of December 15, 1999, reorganized the central bodies of executive power and clarified the position and role of Ministers, ministries and executive agencies.
- Adoption of the Regulation on Operation of Cabinet and the creation of Cabinet Committees which established clear procedures and an institutional framework for decision-making processes within the Government.
- Establishment of a general framework for strategic planning processes and program/performance budgeting at the level of the Cabinet and ministries.

The evolving political dynamic could facilitate continuation of a moderate modernization program within the government, likely targeting *improvements in the technical efficiency* of public administration. If the 2004 Presidential elections bring some profound political changes, one can reasonably expect *structural changes in the governance system* to occur, including: implementation of a parliamentary-cabinet form of the government, strengthening of the demarcation between political and administrative functions within the government, and structural changes in the civil service system.

3.2.2 Rise of civil society organizations

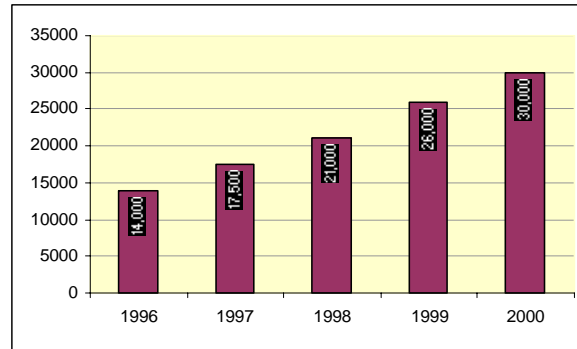
The notion of “civil society” as it is understood in democratic societies around the world did not exist in Ukraine at the end of the Soviet era. Since independence, however, the number of civil society organizations (CSOs) has grown dramatically, including community-based organizations and non-governmental organizations (NGOs), as shown in Figure 5.

The principal constraints faced by civil society organizations include:

- An inadequate legal framework for their operations.
- Specific legal barriers to financial autonomy.
- Lack of clients for potential services.
- Shortages of qualified staff.
- Fragmentation and lack of cooperation.
- Adverse political pressures.

- Lack of high professional standards of good governance *within* the sector.
- The overall economic situation.

Figure 5: Number of NGOs in Ukraine



Source: Kaufmann et al. (2000), as reported in UNDP (2001)

Obstacles to better relationships between CSOs and the authorities include the absence of legal mechanisms for public oversight, an absence of public information on which they can act, low desire on the part of the authorities to cooperate with CSOs, and passivity on the part of the general public regarding CSO activity.¹³

3.3 Reform of market economy institutions

The Ukrainian economy remains mixed. Direct regulation of the market is still exercised by the Government of Ukraine (GoU) in many cases. A slow rate of “de-monopolization”, the lack of a market orientation in many state institutions, and price controls contribute to the maintenance of high inflationary expectations.

Fiscal policy has been marked by changes in budget and taxation legislation. In particular, responsibility for tax policy and tax administration has been split, between the Ministry of Finance and the State Tax Administration, respectively. Weaknesses in state budget policy persist due to there being almost no financial or economic analysis prior to the promulgation of new laws, and the slow rate of reform of the state sector.

Continuing financial stability has supported the strength of Ukraine’s economic growth. Development of the financial sector over the last 5 years has benefited from good quality policy (introduced after a financial crisis in 1998) and expansion of the monetary base. Ukraine also benefited by being removed from the blacklist of the international anti-money laundering organization, FATF, in 2001.

3.4 Portrait of the private sector

Development of the private sector has underpinned the high rate of economic growth over the last four years. The private sector’s share of GDP (and significance in the “official economy”) increased from 55% in 1998 to more than 70% in 2003.

Notwithstanding this strong economic performance, government policies on privatization, taxation, government assets and property rights, have resulted in an asymmetric sector structure

¹³ UNDP, *Ukraine Human Development Report, 2001: The Power of Participation*, 2001.

dominated by a small number of enterprises (the “oligarchs”) and a high degree of monopoly power in many industries. In particular:

- The tax scheme for small businesses has been simplified but has been accompanied by a failure to reform all tax legislation, chaotic changes to laws and regulations, and a high tax burden for private businesses. The development of medium and large business has suffered while changes to the tax scheme for SMEs encouraged the splitting of many larger businesses without any real gain in output.
- The current approach to privatization artificially narrows the field of bidders, hinders competition and is subject to a high degree of political influence.
- Major industrial-financial groups have used political influence to achieve, and maintain, privileged positions based on government tax and economic policies that protect privileged positions and minimize competition.
- A lack of legislation relating to corporate governance requirements prevents private enterprises from realizing advantages from corporate forms of business ownership and governance. The rate of business formation is also limited by onerous regulatory and administrative requirements for business registration and operation.
- Property rights are not protected and are often violated, although some progress has been made with the approval of Civic and Commercial Codes for the regulation of ownership rights in 2003. In the agricultural sector, land reform has enabled the establishment of over 43,000 farm entities transferred from former collective farms, which account for 8.2% of all agricultural land in the Ukraine. However, the Verkhovna Rada imposed a moratorium on the buying and selling of agricultural land until 2007. During this period it is expected that administrative arrangements for land transfers (for example, a title registration system) will be improved and potential buyers and sellers will increase their awareness of property rights. At the same time, the moratorium has created major impediments to investment in production efficiency and soil conservation.

3.5 Progress toward integration into international institutions

Ukraine’s foreign policy is characterized by a high degree of uncertainty, in an environment where it is trying to establish a balance between its dependence on Russia and its wish to benefit from access to (and accession to) the European Union. In turn, closer involvement with the EU and other European and international institutions - such as North Atlantic Treaty Organisation (NATO), the Council of Europe, Organization for Security and Co-operation in Europe, the United Nations, and WTO - depends on significant economic and social reforms within the country. Examples of steps taken include:

- Ukraine and the EU signed a Partnership and Cooperation Agreement (PCA) in 1994 (but only ratified in 1998), which established the principles for economic relationships between the two parties. This framework is now outdated, and does not reflect changes in expectations by both the EU and Ukraine regarding the scope and depth of integration with the EU, and the greater degree of integration within the EU since 1994.
- Integration of Ukraine into NATO is a goal of both NATO and Ukraine but depends upon reforms in the Ukraine military plus wider democratic and economic development. In parallel, Russian and Ukrainian defence institutions signed a bilateral cooperation agreement in 2003 that would appear to be counter to the goal of NATO accession.
- Ukraine is expected to become a WTO member by the end of 2005. Achievement of this goal may be impeded by delays in the passage and introduction of laws on intellectual property

protection, which is a requirement to gain access to U.S. markets, and broader expectations regarding the transparency of election processes.

3.6 Ukraine national development priorities

In 2002, the GoU launched its *European Choice* strategy for economic and social development strategy to build the foundation (and public support) for accession to the EU, based on seven long-term objectives:

1. Sustainable economic growth
2. Poverty reduction and the strengthening of the middle class
3. Comprehensive and harmonized human development
4. Environmental sustainability
5. Gradual integration into the world economic and financial systems
6. Reduction of regional imbalances
7. Improvement of state administration.

In January 2004, the Ministry of Economy and European Integration adopted a *Strategy for Encouragement of International Technical Assistance in 2004-2007*. This strategy calls for the use of technical assistance to strengthen the institutional capacity of State organs, formation of a democratic society and a socially oriented market economy, and an accelerated rate of international integration. The Strategy sets out eight directions where the GoU sees international technical assistance to be particularly pertinent to its development aspirations:

1. Increasing the competitiveness of the national economy and ensuring stable economic growth.
2. Accelerating Ukraine's entry into the WTO and European and Euro-Atlantic integration.
3. Creating a favourable business environment, that helps develop small and medium business.
4. Intensifying democratic changes and forming establishments of a developed civil society.
5. Achieving Millennium Development Goals, in particular improvement of social and health conditions of Ukrainian citizens and humanitarian development.
6. Increasing ecological safety and minimizing the effects of the Chernobyl catastrophe.
7. Guaranteeing the security and protection of the state and citizens.
8. Developing a state regional policy.

The Strategy also proposes “...close coordination with donors in respect to both developing projects and discussing their goals and tasks, while carrying out monitoring, using evaluation criteria for intermediate and final results, and informing the public”.

3.7 Canada's response

Canada's technical cooperation program with Ukraine began in 1991, under the auspices of the Task Force on Central and Eastern Europe at the then Department of Foreign Affairs and International Trade (DFAIT), focusing on three initiatives in the former Soviet satellites:

- Supporting the transition to a market-based economy;
- Promoting democratic development and good governance;
- Increasing Canadian trade and investment links.

Canada reinforced its commitment to these objectives by launching the Canada-Ukraine Special Partnership in December 1993, including an expanded program of nuclear, humanitarian and technical assistance, and championing the cause of Ukraine among the G7 and international financial institutions (IFI).

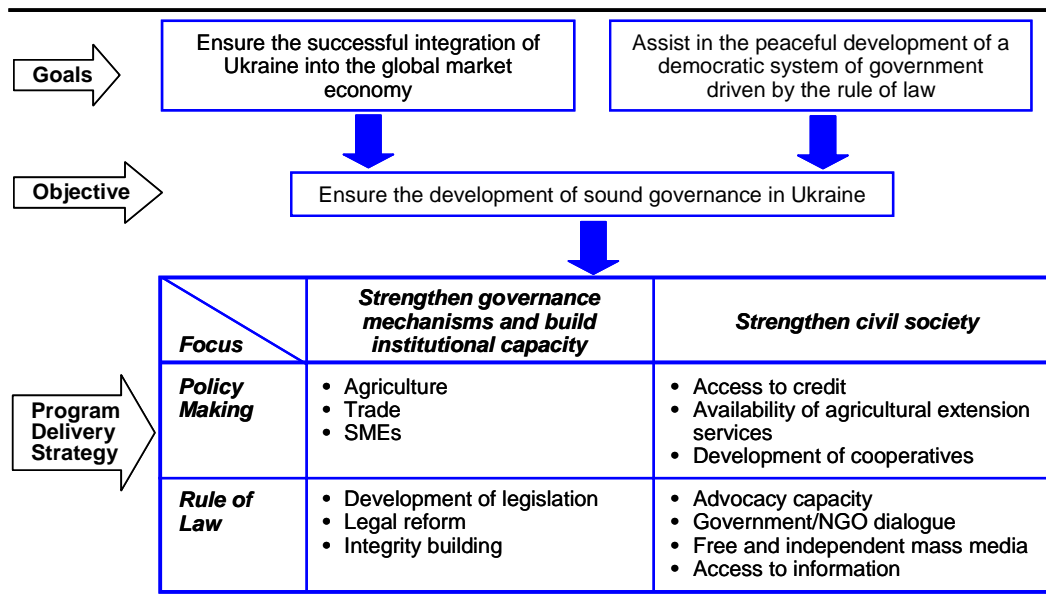
In 1995, the program moved to CIDA’s newly created Central and Eastern Europe Branch (CEE), while maintaining continuity with the objectives inherited from DFAIT. The principal form of programming to be undertaken was identified as institutional development with the bulk of programming coded either “Good Governance” or “Private Sector Development”.

Ukraine Program funded projects wherever there was reasonable hope of “...a significant positive impact on the process of reform in Ukraine”, targeting institutions, organizations and interest groups supportive of reform. Recognizing the weak political will and capacity of the GoU, CIDA maintained significant openness to working with Ukrainian civil society organizations. Recognizing their significant contribution to previous programming, CIDA saw Canadian civil society organizations - particularly those in the Canadian-Ukrainian community - as an important part of Canada’s comparative advantage in Ukraine. Ukraine Program is the second largest portfolio (after Russia) in CEE.

3.7.1 Ukraine Regular Program

In 2001, CEE developed a new country development programming framework (CDPF) for the period 2002-2006, which is summarized in the Figure 6. Prime targets for programming in the framework include agriculture, trade, small and medium enterprises, banking/financial services, and the legal system. Provision is also made for the areas of focus within the two axes to be modified to concentrate on sectors or specific interventions *as reform priorities dictate* (emphasis added). The principal Key Agency Result focus for the program is Governance, and achievements in this area are expected to contribute to the Economic Well Being, Social Development and Environmental Sustainability and Regeneration. As with all Canadian technical cooperation programming, three cross-cutting themes - environmental sustainability, youth and gender equality - have also been factored into the programming strategy.

Figure 6: 2002 – 2006 programming strategy — Ukraine Regular Program



3.7.2 Ukraine Nuclear Safety and Non-Proliferation initiatives

Canada contributes to international efforts in the nuclear safety and security area aimed at ensuring:

- *Nuclear safety.* Canada channelled 70% of its support for nuclear safety and non-proliferation since 1992 (which totalled \$53,2 million) to two major multilateral initiatives: the Nuclear Safety Account (NSA) and the Chornobyl Shelter Fund.
- *Non-proliferation.* 12% of Canada’s support for nuclear safety and non-proliferation funded the operations and activities of the Science and Technology Center in Ukraine (STCU), an intergovernmental, non-profit organization that finances projects to convert the know-how of former weapons scientists into peaceful civilian applications. Canada, Ukraine, the U.S. and the European Union jointly fund the STCU.

This aid is complemented by CIDA support for bilateral and multilateral projects to reform the Ukraine energy sector and environmental management capabilities (18%). Program documentation reviewed by the evaluation team suggests that the nuclear safety and non-proliferation initiative had the objectives and expected results shown in Figure 7. In reviewing the findings from this sub-study, the evaluation team determined that CIDA’s initiatives supporting Ukraine’s response to the Chornobyl accident and assistance for energy sector reform are better viewed as an extension of the Ukraine Regular Program with links to the Nuclear Safety and Non-Proliferation initiatives.

Figure 7: Nuclear safety technical assistance program profile, 1992 – 1997

Program Objectives	Expected Results	Principal Initiatives	Budget ¹⁴ (CDN \$ mil.)
A. <i>Enhance the safety of the Chornobyl nuclear power plant, while providing assistance to Ukraine for its closure</i>	<ul style="list-style-type: none"> Enhanced safety of the CHNPP after completion of repairs, radioactive-waste treatment and storage facilities. Increased access to developed and diversified high-technology sources of energy supply. Strengthened environmental protection in line with EBRD's environment standards. Increased social assistance to Chornobyl workers, in line with the social plan for Chornobyl workers. Enhanced nuclear safety of the CHNPP site by building a new, safe shelter over Reactor No. 4. 	<ul style="list-style-type: none"> Contribution to Nuclear Safety Account (EBRD) Chornobyl Shelter Fund (EBRD) Regulatory cooperation 	\$53.2
B. <i>Support Canada's non-proliferation of weapons by funding research by former weapons scientists for peaceful purposes</i>	<ul style="list-style-type: none"> Former weapons scientists (including women) provided with job opportunities in civilian work. R&D funded to produce marketable new technologies and processes that contribute to Ukraine's sustainable development strategies. 	<ul style="list-style-type: none"> Establishment and support for Science and Technology Centre in Ukraine (STCU) 	\$11.7
C. <i>Support:</i> <ul style="list-style-type: none"> <i>Creation of an independent and efficient nuclear regulatory body.</i> <i>Reform of the energy sector</i> 	<ul style="list-style-type: none"> Independent and efficient nuclear regulatory bodies created, and able to inspect and license the CHNPP, in line with international safety standards. Practices enhanced. Energy sector reformed. 	<ul style="list-style-type: none"> Rehabilitation of hydro and thermal power generation and system controls Chornobyl stack stabilization Nuclear waste storage Radiation surveying and monitoring 	\$9.6

¹⁴ The breakdown of expenditures in this column differs from that shown earlier, in Figure 2, and reflects the actual breakdown identified during the evaluation team’s analysis. The initial coding suggested that the allocation to STCU was \$9.3 million, and allocation to strengthening environmental management was \$2.9 million.

Program Objectives	Expected Results	Principal Initiatives	Budget ¹⁴ (CDN \$ mil.)
D. <i>Strengthen environment management</i>	<ul style="list-style-type: none"> ■ Environment managed in line with international standards. 	<ul style="list-style-type: none"> ◆ Environmental management development ◆ Canada-Ukraine environmental cooperation 	\$10.2

3.8 CIDA's partners in programming

Program planning and selection of projects has been carried out in consultation and/or partnership with a variety of other stakeholders and partners. Principal among these have been:

- Canadian organizations, including NGOs, universities, professional associations, Government of Canada institutions and ministries, private sector entities, as well as consortia formed from varying combinations of these entities.
- The Ukrainian Diaspora in Canada, which played an important role in defining Canada's diplomatic position and the directions of early programming.
- Ukrainian partners, including central Ministries, national institutions (particularly universities and educational institutions), a wide variety of NGOs. Oblast and local governments, and private sector players.
- Multilateral agencies, such as, the World Bank, European Bank for Reconstruction and Development (EBRD), International Finance Corporation (IFC), and the United Nations Development Program (UNDP). Linkages with the programs of these agencies have provided opportunities for greater leverage on limited Canadian financial support.

3.9 Retrospective analysis of Canadian assistance

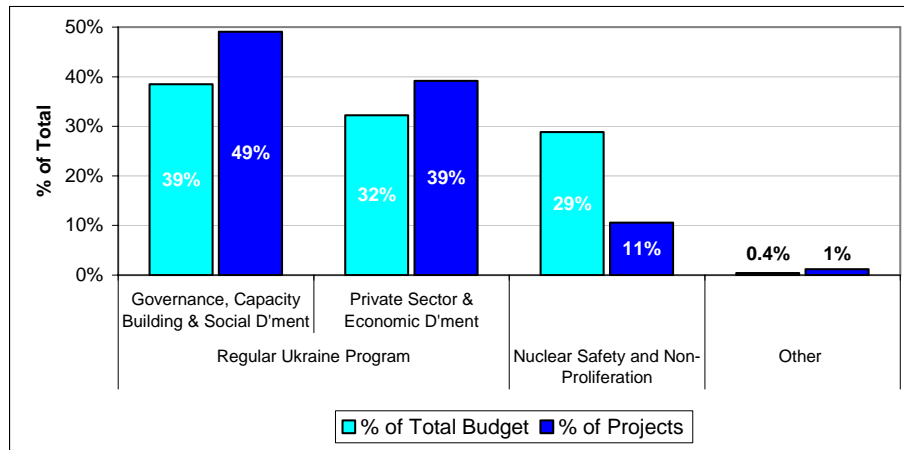
From Ukraine's independence in 1991 through 2002, donor nations have contributed a total of more than US\$6.1 billion to Ukraine's development efforts. With CDN \$244 million (US\$163 million) in disbursements (2.7% of total donor disbursements), Canada is sixth among Ukraine's donor partners in total contributions, behind Germany, the U.S., Italy, Netherlands and France. Over the period 1991-2002, disbursements through multilateral channels provided another US\$3.5 billion with the World Bank accounting for more than US\$2.3 billion (~66%) of the total. Other major multilateral donors were the EC (~US\$592 million), EBRD (~US\$500 million), and UN agencies (US\$42 million).¹⁵

3.9.1 Ukraine Country Program contributions by sector

Figure 8 provides a breakdown of Canada's spending and projects by program sector since 1991. Spending is relatively evenly distributed between the three major sectors: Governance, Capacity Building and Social Development; Private Sector and Economic Development; and Nuclear Safety and Non-Proliferation. Average project sizes tended to be larger for Nuclear Safety and Non-Proliferation initiatives, with one project - Canada's contribution to the Chernobyl Shelter - accounting for 53% of total spending on nuclear safety.

¹⁵ Data extracted from OECD – Geographical Distribution of Financial Flows.

Figure 8: Breakdown of Canadian bilateral assistance



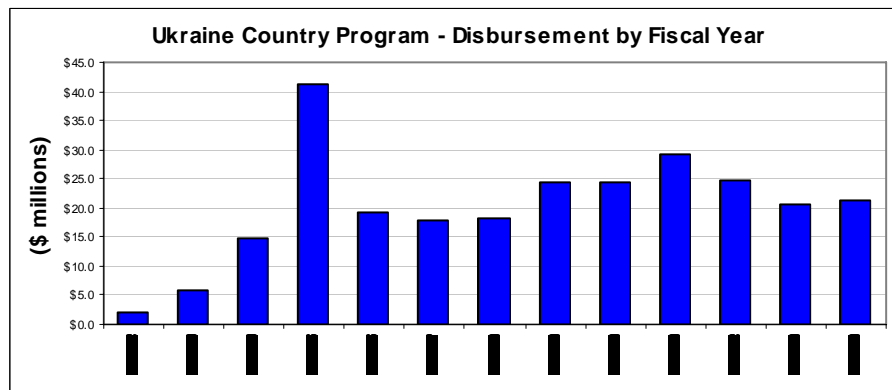
3.9.2 Disbursements by delivery channel

According to CIDA statistics, program disbursements through the Bilateral channel accounted for 94% of total disbursements, with Multilateral and Partnership channels accounting for 5% and 1% respectively. However, the evaluation team also found a significant number of initiatives with a value of \$92.7 million that were funded by the Bilateral Branch, but delivered by a multilateral organization. Adjusting for this reallocation, the Bilateral channel accounts for 59% of historic disbursements and the Multilateral channel for 40%. Partnership Branch disbursements are marginal, the program having begun only in 1997.

3.9.3 Disbursements by fiscal year

Ukraine Country Program disbursements began almost immediately upon Ukraine's independence, as shown in Figure 9. Apart from the initial ramp-up, and a series of major investments in FY 1994-95, the annual disbursements have been relatively stable, typically ranging between \$15 and \$25 million per year. The major investments in FY 1994-1995 consisted of \$14 million in budgetary support in preparation for major economic reform, a \$12 million financial transfer to the Nuclear Safety Account, and \$3.7 million to the STCU.

Figure 9: Disbursements by fiscal year



3.9.4 Breakdowns of allocations by ODA priorities

Within each of the three sectors targeted under the Ukraine Program:

- 64% of spending in the Governance, Capacity Building and Social Development sector was allocated to Governance projects, 33% to Social Development, and 3% to Capacity Building.
- In the Private Sector and Economic Development area, 85% was expended on Private Sector Development projects and 15% on Economic Infrastructure.
- In the Nuclear Safety, Non-Proliferation and Environment, CIDA’s activities are primarily directed towards support for Canada’s foreign policy objectives regarding nuclear safety and non-proliferation. 4% was in support of the Environment priority (based on project coding data), and 96% supported nuclear safety and non-proliferation initiatives, equivalent to 28 % of Ukraine Country Program spending.¹⁶

Figure 10: Breakdowns of sector expenditures

Governance, Capacity Building and Social Development			Private Sector and Economic Development			Nuclear Safety and Non-Proliferation		
	\$ mill.	%		\$ mill.	%		\$ mill.	%
Governance	65.3	64%	Private Sector Development:	72.6	85%	Environment	2.9	4%
Social Development:	33.1	33%	Private Sector	46.6	55%	Nuclear Safety & Non-Proliferation Initiatives	73.0	96%
Basic Human Needs	31.0	31%	Business/Other Services	15.1	18%			
Gender Equality	2.1	2%	Industry	9.8	12%			
Capacity Building	3.1	3%	Banking & Financial Services	1.1	1%			
			Economic Infrastructure	12.3	15%			
	101.4	100%		85.0	100%		75.9	100%

¹⁶ As previously noted, the evaluation team determined during the study that the coding of projects, and thus allocation of funding, should have been \$10,188,145 for Environment initiatives.

4. Evaluation Findings And Conclusions— Ukraine Regular Program

The key findings from the evaluation of the Ukraine Regular Program are summarized in the following sections, looking from several perspectives:

- Program results during each of the key stages from its inception to the current programming strategy: program inception by DFAIT (1991-1995), CIDA's 1997-2001 Programming Strategy, and the 2002-2006 Country Development Program Framework.
- In terms of the key evaluation objectives: program relevance, sustainability, and coherence and complementarity.
- In terms of the role of partnerships, and approaches and practices that worked or did not work.

4.1 Results achieved during the DFAIT years (1991 – 1995)

Program initiatives during the period when it was managed by DFAIT produced results consistent with overall program objectives. Key results identified by the evaluation team included:

- Canada played an important role in the success of Ukraine's macroeconomic reform based on the provision of support for genuine economic reform through a combination of bilateral assistance, promotion of Ukraine's needs in the G7, and participation in the drafting of the government's initial program of macroeconomic stabilization and market reform. All observers agreed that Ukraine's macroeconomic reform program has been the most consistently followed and successful of the reforms undertaken since its independence, laying the foundation for impressive economic growth during the past five years.
- Canada was among the first donors to mobilize a response to Ukraine's enormous need for technical assistance to conceive of appropriate policies and implement a comprehensive reform program at a time when public policy capacity was non-existent in the country.
- Canada provided early and consistent contributions to the development of Ukraine's institutional landscape. Notable examples include support for the establishment of the National Academy of Public Administration, the School of Health Administration, the Centre for Legal Studies, and an independent think-tank, the International Centre for Policy Studies.
- Canada established a niche position on key reform issues and sectors, focusing on:
 - ♦ Legal reform, credit union development, civil society strengthening, policy development and public administration.
 - ♦ Development of a title registry and other initiatives directed towards the development of a market framework for land transactions, which is essential for agricultural development in a post-Soviet market environment.
- Canada is recognized for its way of working in Ukraine ("the Canadian way"), based on a partnership approach and harnessing of the capacity of the Ukrainian Diaspora in Canada, to obtain leverage on Canada's resources and enable Canada to gain access to the highest levels of the Ukrainian government and significantly influence the reform process.

- A significant amount of learning about the context, challenges and “how to” of technical cooperation in Ukraine. When this learning was carried forward to a second generation of programming it generally resulted in better designs and more effective implementation.

These achievements were somewhat offset by a number of weaknesses, including:

- Overly optimistic results expectations for the time and resources allocated.
- Inadequate attention to constraints in the larger environment of the targeted action.
- A certain *naïveté* about the multi-faceted heritage of the Soviet era and its effects on project feasibility.
- An inability to increase Canadian trade and investment links, although it should be noted that this was in the context of the uncertain directions of reform in the initial post-Soviet years, the lack of knowledge on the part of Canadians of the Ukrainian business environment, and a high degree of economic and political instability during the mid-1990s.

4.2 Results achieved under the 1997 – 2001 CIDA programming strategy

Projects launched under the 1997-2001 programming strategy occupied a central place in the overall performance of the Ukraine Program and, as such, analysis of their performance constitutes the principal focus for the analysis of results. The following sections summarize the results of that analysis, organized by each of the program objectives and expected results.

In general terms, the introduction of the 1997-2001 programming strategy resulted in a narrowing of focus—to the areas of good governance and private sector development—and a move from smaller projects focusing on immediate issues to fewer, larger projects concerned with more fundamental changes.

4.2.1 Facilitating development of the private sector and supporting economic infrastructure

The program launched twelve major projects to support private sector development during the 1996-2001 period, with a total value of approximately \$32 million:

- Four projects (total value of \$12.3 million) intended to improve the level and quality of financial services and the availability of credit to small and medium enterprises, focusing on the establishment of, and support for, credit unions and micro-finance services. Two of these projects involved financial contributions to two EBRD initiatives.
- Three projects (\$12.0 million) to address constraints to agricultural development.
- Two projects (\$4.5 million) to improve business management and governance practices through provision of management and corporate governance training.
- Two projects (\$6.5 million) to provide direct support to the development of micro and small businesses in two geographic regions: Ivano-Frankvisk and the Crimea.
- One project (\$1.75 million) responding to Ukraine’s interest in developing its capacity to negotiate entrance to the WTO.

There were also a number of projects whose objectives and purpose put them astride both Governance and Private Sector Development that are discussed later in this chapter. Notable outcomes from these projects include:

- ***Credit union development in Ukraine is a notable success story of Canadian niche positioning and sustained support.*** Approximately 500 credit unions have been established, with almost 500,000 owner-members, despite a difficult legal environment, an absence of operational standards and internal governance weaknesses. By their mission, values, operations and physical localization, credit unions serve both governance and private sector development objectives, and are poised to have a transformative impact on the development of agriculture and rural communities. The continuing instability, collateral requirements and a general disinterest in a “low end market” on the part of the formal banking sector means that credit unions have a quasi monopoly in small agricultural production loans. A three-year hiatus in Canadian support, during which time other donors provided limited support, has demonstrated that the credit union system is sustainable, but requires a “final push” to achieve its potential, particularly in rural Ukraine.¹⁷
- ***Available evidence is not convincing that Canada’s contribution to multilateral (EBRD) support for greater SME credit availability yields results commensurate with the investment.*** The evaluation team found little evidence to enable the determination of the marginal contribution of Canadian technical assistance to the constitution of an SME loan portfolio in banks providing Micro and SME Line of Credit, and the operations of a ‘Pro-Credit Bank’ that has had significant growth in small business deposits and loans to SMEs. There appears to be little information available to CIDA about the profile of the clientele presently served although there are indications that loan terms are unfavourable for rural populations, which limits the relevance of the ‘Pro-Credit’ Bank for rural development.
- ***Canada’s investments in support of SME development at the grassroots level (targeting the Ivano-Frankvisk and the Crimea regions) have achieved very positive results within the scope of their intended reach.*** The Ivano-Frankvisk project built entrepreneurial capacity through the transfer of know how, hard technologies and enterprise development support, as well as facilitating the establishment of “one stop shops” for business registration (a first for Ukraine). The business development centre created was 60-70% financially self-sufficient at project end and has demonstrated the viability and effectiveness of this concept as an independent and sustainable promoter of micro, small and medium enterprise development. An external mid-term review of the Crimea project, which supports community-based enterprise development and governance, and the most recent CIDA monitoring report,¹⁸ identified “impressive” results in the establishment of business information and consultation centres and business associations that are already self-financing combined with a strong likelihood of post-project sustainability
- ***Two investments in support of improved business practices and corporate governance have had positive results at the project level, but there is insufficient evidence at this time of their contribution to a general improvement in the two areas targeted.*** These two projects involved support for an IFC-lead corporate governance training initiative, which also depends on progress in reforming the legal environment for corporate governance and accountability, and support for a training program in business management at the National University of Kyiv.
- ***Canada’s major investments in the agriculture sector have not yet produced outcomes on the scale expected, and in some cases have also failed to achieve expected outcomes.*** While constraints in the enabling environment account for some of the shortfall, supplier-

¹⁷ *Credit Union Development, Phase II* ended in 2001; Ukraine Credit Union Strengthening was approved in 2001, but only began in 2004.

¹⁸ The Project Approval Document (PAD) calls for CEE’s enterprise specialist to conduct regular monitoring missions of the enterprise development component.

driven project design and a scattering of effort account for the greater share of unmet (or endangered) expectations. Efforts to facilitate the transformation of collective farms to owner-operator models by Canada and other donors have not managed to trigger massive transfer of land from enterprises to individual farms. Other Canadian initiatives—to strengthen the capacity for training and agricultural extension services at agricultural training institutions, and to provide financial support for agricultural reform projects—appeared to be more supplier-driven rather than being truly responsive to the needs of the Ukraine agricultural sector. The project to strengthen training capacity (Beef & Forage Development) also exhibited a weak project governance structure and weaknesses in the underlying needs analysis and planning.

- ***Canada’s modest investment in support of Ukraine’s accession to the WTO—in the form of support for Trade Policy Capacity Building—has already brought positive results*** in terms of enhancing Ukraine’s capacity to undertake policy analysis, priority formulation and trade negotiations.

4.2.2 Strengthen government capacity to be more accountable and transparent

The most important area of Ukraine Program resource allocation under the 1997-2001 Programming Strategy was support to the development of policies, legislation and regulatory frameworks. Projects in this area were intended to address a lack of capacity to develop public policy based on sound information and expert analysis, which had been diagnosed as a principal reason for the slow pace of reform in Ukraine.

Projects undertaken against the expected result involved expenditures of over \$42.8 million, and focused on such initiatives as:

- Support for policy development across a range of issues and sectors, which included a number of Canada’s flagship initiatives in Ukraine (total value of these projects was \$19.5 million).
- Support for policy development in specific sectors or against specific issues, often with initial activities at grassroots levels followed by the development of policy reform proposals (\$10.1 million).
- Projects intended to build the capacity of Ukrainian institutions to develop policy, legislation and regulatory frameworks (\$7.8 million), focusing on the development of sustainable training programs in partner organizations.
- Projects that addressed issues associated with the implementation of policies already passed or pending passage (\$5.4 million). As experience has demonstrated, these initiatives were high risk ventures in the uncertain environment of Ukraine in transition.

The evaluation team identified the following key results from the Ukraine Program’s efforts against the objective to strengthen public governance:

- ***The Ukraine Program has made a significant contribution to the foundational work of building the generic capacity for policy analysis and formulation, both within government and in the larger society.*** For example:
 - ♦ The final evaluation of the *Policy Advice for Reform* project, which supported 66 sub-projects, concluded that: “...the policies developed and legislation passed as a result of PAR initiatives are on the verge of being implemented”.
 - ♦ Policy units established within key ministries and agencies under the *Public Policy Capacity Building* project made significant contributions to policy development in the

areas of pension reform, civil service reform, regulatory reform, the deliberations of the Cabinet of Ministers, and new approaches to fiscal planning.

- ◆ The *Canada-Ukraine Legislation and Intergovernmental Cooperation* project supported the work of 12 Working Groups in the development of policies or draft legislation in an array of specific priority areas.
- ◆ The *Foreign Policy and Trade Analysts Professional Development* project introduced the concept of “asymmetric relations”, as practiced by Canada in its relations with the United States, which revolutionized Ukraine’s approach to relations with Russia.
- ***CIDA-funded projects have contributed to building the capacity of Ukrainian institutions, organizations and individuals to analyze issues and formulate policy appropriate to the reform agenda.*** More importantly from the perspective of sustainability, CIDA-funded projects have contributed to building the capacity of Ukrainian institutions to continue to educate Ukrainians in policy analysis and formulation, and thus to equip Ukrainians to develop their own policies. Key initiatives in this area included support for the training capacity development at the National Academy of Public Administration and the provision of in-service training programs for civil servants through the Academy’s Institute for Continuing Studies.
- ***CIDA-funded projects have introduced new ways of working and relationship building among key stakeholders in a variety of sectors and issues that provide for greater transparency, accountability and equity in dealing with citizens.*** Examples include inter-ministerial cooperation, cooperation among different levels of government, joint efforts between municipal governments and citizen groups, as well as among citizens, academics, practitioners and decision-makers.
- ***Not all CIDA-funded initiatives have been successful in advancing the cause of reform policies.*** Although Health Sector Reform began under DFAIT management, it was extended three years past its expected end-date in order to allow the GoU to come to agreement on priorities and implementation modalities for the intended reform. In fact, an often recurring refrain in projects supporting policy reform is the difficulty of *passing from policy enactment to policy implementation*.
- It is too early to determine the results and/or impacts of some projects due to either:
 - ◆ Delays or inaction by decision makers in approving policy and implementation legislation.
 - ◆ The long time frames over which results are expected to be achieved, primarily in building public demand for greater transparency, accountability, and equity in government dealings with citizens.

In overall terms, the evaluation team concluded that, despite the significant accumulated accomplishments of the Ukraine Program in both developing public policies and building the institutional capacity to develop public policy, the goal of *institutionalizing public policy as the standard of sound governance* is not yet achieved. While the Program has succeeded in producing an important cadre of civil servants in key ministries and agencies who are convinced of the importance of public policy and competent in its development, and numerous examples of public policies approved by designated authorities, the development and use of policy tools has not been institutionalized and the challenge of implementing policies is really just beginning.

4.2.3 Increase capacity of civil society institutions to manage, initiate new reform, and be self-sustaining

Investments in projects dedicated to the strengthening of civil society capacity totaled \$10.1 million while another \$5.5 million was expended in projects that addressed civil society capacity issues as subsidiary goals. The key areas of activity against this objective were:

- Three projects designed to strengthen civil society organizations (total value of \$7.7 million).
- A number of projects (accounted for elsewhere) were designed to strengthen the capacity of community organizations to perform roles frequently undertaken by civil society organizations in democratic societies.
- Support from the *Canada Fund* for community organizations to identify and respond to local priorities.
- Support from the *Gender Fund* for community organizations concerned with gender equality issues.

Notable results achieved against this objective include:

- *The Ukraine Program's investments in projects to strengthen civil society organizations have together succeeded in providing numerous, but too often isolated examples of the effective roles civil society can, and should play in a democratic society.* Projects often discovered that efforts to strengthen partner organizations and establish organizational sustainability can rarely be built in only a few years. Those which have, to some extent, “gone to scale” have shown consistently solid results at a broader reach.
- *The Canada Fund has demonstrated in scores of villages that local organization and collective problem solving can produce important “social goods”* by working with community groups to help them articulate their needs, organize themselves and mobilize their (limited) resources. *The Gender Fund made similar contributions to autonomous community organizations concerned with gender equality issues.* This Fund is particularly good at fostering the development of networks that bring together authorities, academics, professional groups and grass roots organizations.
- *CIDA's policy development initiatives have contributed to strengthening community organizations and their role in shaping decisions that affect them.*

4.2.4 Strengthen the role of women in decision-making and their access to resources

With few notable exceptions, the bulk of Ukraine Program initiatives have approached the issue of gender equality largely in terms of the level of female participation in project activities. Many project reports dutifully report on the number of women and men involved in diverse activities, the number of female and male beneficiaries, as well as the relative representation of women on project teams. While this is a necessary first step in raising awareness about gender equality, it does not necessarily advance far down the road of strengthening the role of women in decision-making.

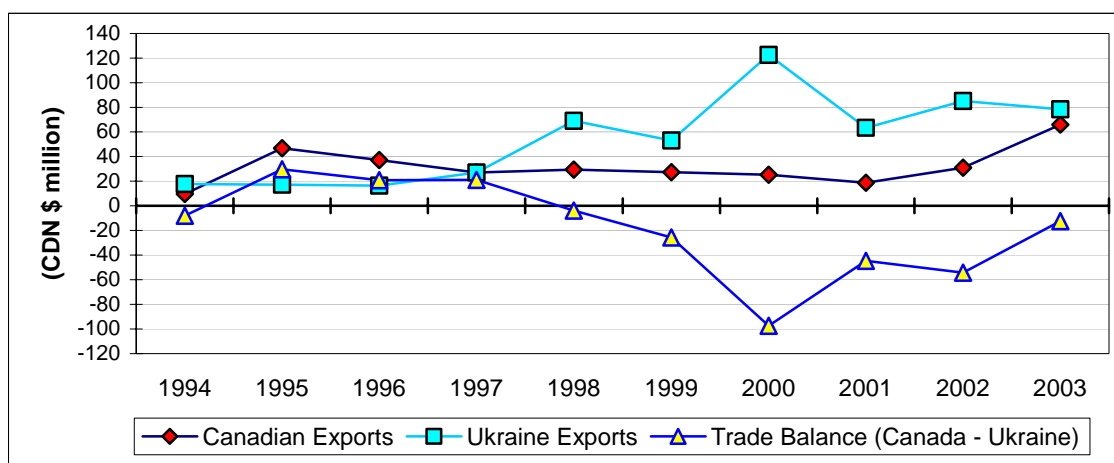
A limited number of projects sought to “empower”, rather than simply “have participate”, with an attention to opportunities to affect structural change in gender relations. Projects supported from the *Gender Fund* are particularly notable in this regard and include the production of the bulk of extensive Ukrainian language texts on gender equality.

In cases where the same Canadian partner was involved in successive initiatives of similar nature, there is evidence of progressive improvement in the scope and depth of action to address gender equality issues.

4.2.5 Foster Ukraine-Canada trade development

The Program’s contribution to stimulating greater trade between Canada and Ukraine does not appear to be significant, constrained in part by a difficult commercial environment. Looking more broadly, Canada-Ukraine trade has demonstrated a generally increasing trend since 1994, with Canadian exports to Ukraine going from \$9.5 million in 1994 to almost \$66 million in 2003, and Ukraine exports to Canada going from almost \$18 million to over \$78 million. (See Figure 11.) The resulting balance of trade has consistently stayed in Ukraine’s favor since 1997 but has narrowed significantly over the last three years.

Figure 11: Canada-Ukraine trade patterns



4.3 Results achieved under the 2002 – 2006 CDPF

Ten major projects have been launched since the adoption of the 2002-2006 Ukraine CDPF, in addition to two funds administered by the Embassy, a program consultation “facility” and a very small emergency contribution. The nature of these projects is as follows:

- Four projects (total value of \$10.3 million) are classified as Governance programming.
- Three projects (\$8.7 million) contribute to Economic Well Being.
- Three projects (\$7.9 million) contribute to both Key Agency Results.

Projects initiated under the 2002-2006 CDPF build on the activities and outcomes of prior projects to a significant degree, with two being second phase projects, four are “second generation” initiatives pursuing opportunities and partnerships opened in a previous project, and one represents the replication of a successful on-going initiative.

Field visits conducted by the evaluators and previous positive performance provide preliminary and partial evidence that six of the seven extensions/replication projects will perform beyond expectations and leave sustainable results. It is too early to judge of the effectiveness of the seventh project.

4.4 Program relevance, sustainability, coherence and complementarity

4.4.1 Program relevance

Program relevance can be considered from two perspectives: relevance to CIDA's Key Agency Results, and relevance to GoU's priorities for assistance.

With regard to the first of these, the Ukraine Program's move to CIDA marked a narrowing of focus to the areas of good governance and private sector development (as an element of economic well being). Greater focus, greater financial resources and accumulated programming experience with Canadian and Ukrainian partners translated into fewer and larger projects. Moreover, the thematic orientation of the Ukraine Program portfolio to the present day was largely established from mid-1995 through 1998. All major thematic areas for future programming were identified and embarked on. More than \$139 million have been invested in five major thematic areas:

- Strengthening Civil Society and Democratic Society.
- Policy Reform and Institutional Development.
- Judicial Reform and Rule of Law.
- Agricultural Reform and Development.
- Private Sector Development.

At the same time, the Ukraine Program has produced results that contribute directly in a majority of the areas identified by the Government of Ukraine for input from international technical cooperation. Most notably, the Program has operated in the areas of:

- Intensifying democratic changes and forming establishments of a developed society (strengthening local government, judicial and administrative reforms, mechanisms for citizen participation, informational and communicative technologies, strengthening professional, independent, analytical centers, and gender equality).
- Increasing competitiveness of national economy and ensuring stable economic growth (specifically in the agriculture sector).
- Creating a favourable business environment for SME development.
- Development of state regional policy.

CIDA is highly respected by its Ukrainian partners for the relevance and quality of its programming and enjoys a level of respect among its Ukrainian partners that belies the size of its investment. This respect is a function of:

- The professionalism and quality of Canadian expertise and technology,
- The level of involvement of the Ukrainian Diaspora in Canadian technical cooperation.
- The way Canadians and CIDA work, where Canadians are recognized for sharing, rather than imposing their experience, for their willingness to listen and accept the fact that Canadian models can't simply be transposed, and for their down-to-earth way of helping Ukrainians figure out their own answers.
- A feeling of affinity with Canada among Ukrainians, based on the parallels between Canada's relationship with the U.S., and Ukraine's relationship with Russia.

But CIDA is most respected for its responsiveness to Ukrainian expressions of priorities, and the timeliness of its responses. Responsiveness is demonstrated at one level in the deployment of projects across the range of issues in Ukraine, regardless of it being in "responsive" or "directive"

modes of programming. Responsiveness is also appreciated at the level of Ukrainian input to the crafting of project designs and strategies, as well as in managing the timely adjustments needed during implementation to cope with an uncertain environment. Timeliness refers to the Ukraine Program's capacity to deliver programming within a "horizon of utility".

4.4.2 Results sustainability

The concepts of 'capacity development' and 'institutional strengthening' meet in the affirmation that capacity gains must be 'institutionalized' to be sustained. 'Institutionalization' of capacity gains can take many forms, and most of those forms are evident in the wake of initiatives carried out by the Ukraine Program. Capacity is institutionalized at a number of levels: in policies and programs, in the capacity to formulate policies, in the capacity to educate and train reform-minded professionals, in a critical mass of individuals - in public and private spheres - who have experienced and practice new ways of doing things.

At the highest level, there is evidence of significant contributions in two areas:

- First, the Program has encouraged experimentation with new patterns of relationships among different actors. This may be seen in inter-ministerial working groups, collaborations among different levels of government, networking among CSO, and collaborations among government, academic institutions, private sector actors and CSO. These working relationships have tended to persist once the project ends and in some cases, there is evidence that working relationships have been turned to good advantage in addressing other issues than those addressed in the project.
- Second, the Program has aided the development of numerous policies and much legislation, albeit more than has been actually approved and enacted. Even so, the Program appears to have been careful to support policy development and legislation drafting in areas where there was a reasonable hope of its acceptance. However, the final score, in terms of institutionalization in policy and legislation, will likely be known in 5-10 years.

Ukrainian partners are demonstrating an increased capacity to identify their priorities, needs and the qualities required in the technical assistance provided by donors. This opens the door to a new era of technical cooperation and challenges Canadian partners not only to provide the specific expertise required, but also to allow ever greater space for Ukrainian partners to influence - and even determine - implementation modalities.

4.4.3 Program coherence

The Ukraine Program has maintained, and continues to maintain, active dialogue with a broad range of intra- and inter-governmental agencies, with varying frequency depending on the issues at hand. DFAIT is most frequently consulted, closely followed by Agriculture Canada for its perspective on directions for CIDA technical cooperation. The governments of Alberta and Saskatchewan have designated councils for the management of their relations with Ukraine, which frequently interact with the Ukraine Program on perspectives for development activities, and occasionally support project proposals made to CIDA. Contacts between the Ukraine Program and other Government of Canada ministries and agencies are more limited (e.g., the Privy Council Office, Federal Judicial Affairs, Justice Canada, and National Defence Canada). The support provided by the Partnership Branch to strengthen civil society is aligned with the Ukraine's program strategy. In the case of initiatives delivered by multilateral organization to leverage CIDA's limited resources (40% of Program spending) and other Multilateral Branch's initiatives, the coherence is subsumed to the larger question, and challenges posed by, donor coordination.

4.4.4 Complementarity

Most major bilateral and multilateral donors have adopted mid- to long-term strategies for their work in Ukraine, and while all address the broad economic, political and social reform agenda, each does so from their own perspective and interests. However, there appears to be little overlap in programming and little coordination, beyond cooperation on specific issues (e.g. working groups or task forces on elections, anti-trafficking, local government, HIV/AIDS) or bilateral cooperation on specific initiatives.

The GoU has historically provided little leadership in donor coordination. The evaluation team did, however, find indications of a desire for improved coordination and a more proactive role in project identification and monitoring, as part of the GoU's *Strategy for Encouragement of International Technical Assistance*.

4.5 Effectiveness of approach to program design and management

4.5.1 Partnership performance

Evidence from the evaluation shows that partnership is an important factor in program and project success in the Ukraine Program. Moreover, partnership operates at several levels: between CIDA and Canadian partners, between Canadian organizations and their Ukrainian partners, between CIDA and other development agencies and institutions.

Relations between CIDA and its Canadian partners have been generally good over the life of the Ukraine Program. Canadian partners have provided much in terms of strategic perspectives, project development legwork, and measurable contributions (financial, human and organizational resources) to project implementation. The Ukrainian Diaspora in Canada has been a strong partner working generally to the same objectives as CIDA. Recent efforts by CIDA to sharpen the focus of the Ukraine Program (as called for in the 2002 – 2006 programming strategy) have caused some tension between the Program and these partners, due to proposals to eliminate programming in some sectors of interest to some partner organizations.

Ukraine Program is committed to better communications with its Canadian partners on programming priorities and directions, but this has not yet translated into concrete communication initiatives. Annual consultations with partners and interested parties in the agriculture sector is a valuable innovation that should continue, intensify, and be applied to other sectors.

Strong partnerships between Canadian and Ukrainian partner organizations have been the norm in the Ukraine Program. This has been largely due to the generally high degree of consultation and shared decision-making on priorities, modalities, and activities in the projects they undertake together.

The quality of CIDA's partnerships other donors appears to be a function of the relative weight of Canada on the financial scale. With EBRD, Canada is but one of several donors in different investor pools, and appears to be overlooked in EBRD's regular reporting on the performance of its investments. The World Bank and IFC consider CIDA a good partner in the areas of joint action, perhaps because CIDA is a major financial partner. CIDA's best partnership appears to be with UNDP, where CIDA is the principal donor for (CIDP) and CRDP (Chornobyl Recovery and Development Program – with 46% of 3,319,914 \$ funded by Canada and the rest co-funded by Japan and Switzerland).

4.5.2 Appropriateness of program design and risk management

The quality of project design has evolved dramatically over the life of the Ukraine Program toward a greater appreciation of the value of, and need for, realistic time horizons, the scope of work required, and the systemic nature of comprehensive and sustainable reform. The overall effect of these changes in the Ukraine Program's approach to capacity development is fourfold:

- Investments in capacity development represent an efficient catalyst for achieving policy reforms, and are more likely to be demand-driven.
- The potential effectiveness of capacity development investments is enhanced by careful targeting.
- Capacity gains are more sustainable by virtue of multiple levels of institutionalization: in policies and programs, in the capacity to formulate policies, in the capacity to educate and train reform-minded professionals, and in a critical mass of individuals who have experienced and practice new ways of doing things.
- Canada is highly respected for the success of its approach to capacity development.

Programming has exhibited a general evolution, with design improvements being most evident within "project families" addressing a common issue or sector, or arising from a common pilot initiative, often led by a common CEA and involving a common Ukrainian partner. An associated contributory factor to the improvements in project design has been the high degree of continuity in programming. This continuity is evidenced in the Program's "multi-generation" involvement in key thematic areas and successive interventions with key Ukrainian institutions and organizations. This "multi-generation" programming pursues a theme or issue as opportunities permit, as forces realign, as results accumulate and lessons are learned. Subsequent generations of investment often "branch off" to focus on different aspects of a central issue, and may also involve changes in the participating Canadian and Ukrainian partners.

The involvement of the Ukrainian Diaspora has been and continues to be a positive factor for the Ukrainian Program. However, Ukrainians have consistently indicated that they prefer expertise to language skills in technical assistance, that is, a priority on working together to maintain the highest quality in technical assistance.

4.5.3 Management structures and approaches

The Ukraine Program came to CIDA with a well-established approach to programming, and benefiting from the momentum of three years of operations and a portfolio of active projects. Once at CIDA, the Program tended to approve fewer and larger projects, but remained highly responsive.

The highly responsive nature of the Ukraine Program must be seen as largely responsible for a level of management efficiency in the Ukraine Program that far surpasses the CIDA norm. It is also responsible for the timeliness of Canada's responses to Ukraine's priorities. The financial and in-kind contributions of Canadian and Ukrainian partners (for responsive programming projects) increase the cost-effectiveness of Canadian Official Assistance to Ukraine. The overall quality of the Program has also benefited from long-standing partnerships between Canadian and Ukrainian partners and the rapid incorporation of lessons learned in successive generations of projects.

However, the Ukraine Program has faced other management constraints. Staff numbers have been consistently low relative to other programs within CIDA per level of expenditure¹⁹ but the rate of staff turnover has been consistently high, and there has been no designated Program Director for a number of years, and often no analyst. New staff, generally young professionals, have tended to come from Program partner organizations, the Ukrainian Diaspora, and civil service recruitment, rather than from other CIDA bilateral branches. As a result, and despite the best efforts of Program staff, Canadian partners are not always sufficiently tested in their project design and planning.

This issue of “program focus” for the Program has been a subject of some concern, in that conventional wisdom suggests that a higher degree of focus and directive programming should produce better program performance. In the context of Ukraine, increased directive programming in fewer sectors, by itself, is not likely to result in greater program relevance or impact. The success of these strategic adjustments in Program management strategy will depend on a broader effort to more actively manage the program. This means strengthening front-end processes, such as sectoral analysis and strategy development, and more active promotion of synergies.

4.5.4 Results based management

Effective RBM requires regular monitoring and accurate, timely reporting. Historically, most Canadian partners (i.e. responsive programming) have been responsible for monitoring their own projects, with only designated ‘pilot’ projects, projects with high risk or learning potential, and most projects generated through directed programming having an external monitor reporting directly to the Ukraine Program project officer.

Within this context, the quality of monitoring and reporting varies widely from project to project within the Ukraine Program. ‘Internal monitoring’ is essential to good management, but file analysis of projects in the Ukraine Program indicates that it means different things to different partners, in terms of frequency, rigor and transparency. External monitors tend to play an important role informing CIDA officers on issues for their decision, and in some cases preserve CIDA’s ‘corporate memory’ in the face of program staff turn over.

As RBM has become more firmly entrenched in CIDA, the quality of reporting has tended to improve, particularly with partners and executing agencies which have prior experience with CIDA or other Government of Canada agencies. The greatest variation, however, can be seen in reporting from multilateral agencies. One suspects that the determining factors in the quality of reporting from multilateral agencies are the relative size of Canada’s contribution to the initiative, and the number of intermediaries between CIDA and action on the ground.

Ukraine Program’s performance in the use of lessons learned is mixed. Lessons have been generally applied in those cases where a project was followed by a subsequent phase or follow-up initiative. This was facilitated by the fact that the same Canadian partner was often responsible for the following project, and that project performance was assessed with these follow-on activities in mind. Performance in incorporating lessons learned into CIDA’s corporate memory or of applying lessons resident in corporate memory is less effective. With high staff turnover and a highly responsive program, CIDA officers new to the Ukraine have often had to learn the same lessons over again.

¹⁹ From FY 1999/2000 to 2003/2004, Ukraine Program management costs have averaged approximately 6% of disbursements, roughly equal to the average of DAC member countries, but roughly half of the CIDA average (reported by DAC to be approximately 11%).

4.6 Key conclusions

At the time of its inception, the Ukraine Program had to face the challenge of providing technical cooperation in a country that lacked a comprehensive national development strategy and supporting sectoral strategies, the capacity to formulate such strategies, and a stable political will for reform. The Ukraine Program has consistently pursued the same themes and issues from its origins with DFAIT through nearly a decade under CIDA management. This consistency has weathered an inter-Ministerial transfer of the program within Canada, dramatically different extremes of economic fortune in Ukraine, and the uncertainties of a difficult partnership. This constancy of goal and objectives is a highly positive factor for results achievement. Now twelve years later, CIDA has more experience and a positive track record, but Ukraine is still a difficult partnership.

4.6.1 Key conclusions

The Ukraine Program has largely succeeded in producing results that are consistent with Program objectives. In particular:

- An extensive amount of foundational work in building the generic capacity for policy analysis and formulation, both within government and in the larger society. This has required sustained effort because technical cooperation must not only build skills, but also strive to change attitudes and behaviors.
- Expanded capacity of civil society organizations to act effectively in decision-making processes. Ukraine Program accomplishments are notable for both the range of beneficiary organizations (from think tanks and professional associations, to citizen committees and village councils) and the degree to which these organizations interact with decision-makers.
- Demonstration of the feasibility of policy-level and grassroots support models for the development of entrepreneurship and small enterprise. Initiatives to support the establishment of credit unions have already “gone to scale”, and are poised to have a transformative impact on the development of agriculture and rural communities.
- Stimulation of increased trade between Canada and Ukraine has been limited, albeit constrained in part by a difficult commercial environment.
- Contribution to the majority of priority areas identified by the GoU for international technical cooperation:
 - ◆ Intensifying democratic changes and forming establishments of a developed society.
 - ◆ Increasing the competitiveness of the national economy and ensuring stable economic growth.
 - ◆ Creating a favorable business environment for SME development.
 - ◆ Development of state regional policy.

The Program also contributed, to a lesser extent, to Ukraine’s efforts to achieve Millennium Development Goals (refined for the Ukraine situation), and accelerate Ukraine’s entry into the WTO and its integration into European and Euro-Atlantic markets.

- A systematic and pervasive effort to increase access to information through demonstration of best practices, technologies and methodologies in a Canadian context; to basic texts, original research, and support to the application of that information to the context of Ukraine.

In the area of partnerships, an unexpected and durable result of the Ukraine Program is the number and quality of on-going relationships established between Ukrainian and Canadian organizations within the context of project implementation. These relationships have produced succeeding generations of progressively more successful projects (made possible by the highly responsive nature of the program), as well as extra-program partnering experiences.

Among its Ukrainian partners in technical cooperation, Canada enjoys a level of respect disproportionately favorable when compared to the size of its investment. The oft repeated theme is that Canadians share their experience but do not impose it, convincingly convey their professional expertise but are willing to listen, accept the fact that Canadian models can't simply be transposed, and then get on with helping Ukrainians figure it out for themselves.

Despite the significant accumulated accomplishments of the Ukraine Program the goal of institutionalizing public policy as the standard of sound governance is not yet achieved. While the Program has succeeded in producing an important cadre of senior and mid-career civil servants who are convinced of the importance of public policy and competent in its development, the much longer task of "embedding" this professional approach to policy development and implementation is just beginning.

A sharper focus to the Program is warranted on the basis of the following accomplishments and factors:

- Canada's success in creating a critical mass of professionals in key sectors with the generic skills to conceive of appropriate policies, legislation and regulations.
- Existence of a solid foundation of "success stories" ready for replication.
- Canada's capacity to exert its leadership for coordination among donors in areas or issues where Canada can position itself as a major player.

Finally, Ukrainian partners are demonstrating an increased capacity to identify their own priorities, needs and the qualities required in the technical assistance provided by donors. This opens the door to a new era of technical cooperation and challenges Canadian partners not only to provide the specific expertise required, but also to allow ever greater space for Ukrainian partners to influence - and even determine - implementation modalities.

4.6.2 Potential opportunities for improvement

The evaluation team supports the direction announced in the Ukraine Program CDPF 2002-2006 to take a more directive, pro-active approach to program development and to focus the program in fewer sectors. Actual implementation of management decisions in favor of directive programming and greater sectoral focus will require more human resources within the Program, and greater use of expertise drawn from within CIDA and the open market.

Other key opportunities for improvement in the Program are:

- The likelihood that responsive programming will continue to weight heavily in the Ukraine Program portfolio argues for CIDA to increase its level of involvement in consultations on, and planning and management of, responsive initiatives with partners and stakeholders, consistent with the expectations of the Agency's Accountability Framework.
- Major gaps remain in what would constitute a coordinated Canadian response to Ukrainian agricultural development needs, in such areas as:

- ◆ The virtual absence of financing for primary agricultural production.
- ◆ Lack of understanding of the forces and mechanisms driving agriculture markets, price information, and experience in marketing cooperation among farmers.
- ◆ Lack of the necessary legal underpinning for full-fledged development of a land market.
- ◆ Weak or missing pieces in the production, processing and distribution supply chain, for example, for post-harvest storage, agro processing, export, wholesale/retail linkages, and transportation.

Expanded programming for the agricultural sector should be preceded by a sectoral analysis and strategy to guide decision-making (responsive or directive) on areas for involvement. Without this there is an increased risk that further programming in the sector will continue to produce a collection of piecemeal and partial efforts.

4.6.3 Lessons learned

4.6.3.1 Developmental lessons

- While principles, policies, roadmaps and guidelines are indispensable management tools for the critical work of improving aid effectiveness, their application must be tempered by a full understanding of the opportunities, constraints and risks inherent in a particular partner country. This is all the more true in the case of transition countries, where donors' experiential base is of shorter duration than that with ODA countries.
- Canada's capacity to exert its leadership for coordination among donors is possible only on condition that Canada clearly positions itself as a major player on particular issues.
- One cannot build sustainable governance capacity without building the institutions through which that capacity can act systemically to influence and guide power relationships and decision-making.
- Capacity development requires a multi-dimensional approach, working in a coordinated fashion to change ingrained attitudes and habits, organizational culture, the pattern of institutional relationships and the larger socio-political environment.
- The level of concern for gender equality outcomes demonstrated in project design and activities appears to be a more important factor in determining a project's performance on the issue, than factors associated with the sector of intervention.
- A participatory, recipient-based, demand driven model of technical assistance is more effective than a donor-based, supply driven model.
- Countries in transition represent a wide variety of development contexts and challenges that defies broad generalization but generates valuable lessons for one another.
- The importance of local 'champions' to the cause of reform cannot be over emphasized. Yet progress in reform is hostage to the fate of these champions in an evolving political and institutional environment.

4.6.3.2 Management lessons

- Flexibility to rapidly respond to on-going input from partners and beneficiaries is critical in an environment like Ukraine.

- As developing country partners come to clearly identify technical assistance needs, they are also more and more eager to set the agenda. The challenge for Canadian technical cooperation is to provide the calibre and specificity of the technical assistance requested.
- The more a program of technical cooperation works in politically charged areas, the greater the need for adaptability in strategy and flexibility in resource deployment.
- Program coherence, effectiveness and internal synergy are increased through the use of institutionalized mechanisms for dialogue and consultation between CIDA and its executing agencies going beyond simple sharing of experiences and concerns.
- Responsive programming need not be incompatible with partner country ownership and sustainability; proposals submitted for donor funding should truly represent developing country partner interests and perspectives.
- Multi-generation programming can be a valuable tool for long-term institutional development.

5. Evaluation Findings — Nuclear Safety and Non-Proliferation

This chapter summarizes the evaluation team’s findings relating to each of the key elements of CIDA’s Nuclear Safety and Non-Proliferation initiatives. The first section puts the program initiatives and dimensions into context, by summarizing the impacts of the Chernobyl nuclear disaster, the state of Ukraine’s energy sector and the state of the environment. It is followed by a summary of the evaluation team’s findings relating to CIDA’s technical assistance for nuclear safety and non-proliferation, including a number of program management issues, and environmental protection and energy sector programming. It should be noted that environmental protection and energy sector programming was examined as part of the nuclear safety and non-proliferation sub-study, but is better viewed as being an extension of the Ukraine Regular Program.

5.1 Context for CIDA’s nuclear safety and non-proliferation initiatives

5.1.1 Chernobyl nuclear accident

In 1986, Ukraine suffered the world’s worst nuclear accident at the Chernobyl Nuclear Power Plant (CNPP), 130 km north of the capital Kyiv, which produced an enormous radioactive cloud over northern and Eastern Europe and parts of the former Soviet Union. While only a small number of deaths (35) have been officially attributed to the accident, hundreds of thousands of Ukrainians (along with those living in neighboring countries) experienced an increased risk of cancer from the accident, and 135,000 Ukrainians had to flee their homes, most forever. The only remaining reactor operating at the CNPP was shut down in December 2000, and decommissioning of the plant will take place over the next several years.

The immediate response to this incident included:

- Construction of a shelter around the destroyed reactor to reduce the radiation released into the environment. Now, 18 years later, there are significant concerns about the shelter’s structural integrity and life expectancy.
- Creation of a 30-km exclusion zone around the CNPP and, within this zone, a large-scale decontamination effort around the four Chernobyl NPP units to rapidly isolate the large volume of contaminated soil, debris, wood, structural elements, demolished structures, equipment, and other contaminated materials by burial in mounds and trenches dug within the 30-km exclusion zone.
- Outside the exclusion zone, three additional zones were identified with progressively lower levels of surface contamination and radiation exposure rates, radiation controls, and requirements for relocation of residents.

The Chernobyl accident had, and continues to have, a significant impact on the social, economic and environmental health of Ukraine. Impacts included:

- **Social impacts.** Poor living conditions in the Chernobyl region have had a direct impact on human health. Without any other alternatives, people collect and utilize contaminated local products, such as mushrooms and milk, and use contaminated firewood to heat their homes. Medical consequences of the accident include dramatic increases in the rate of child thyroid

cancer, an increase in the incidence of leukemia, and suspected increases in the rate of fetal abnormality and psychological health disorders.

- **Environmental impacts.** The most obvious environmental impact is that a large area of Ukraine is no longer habitable, and will continue to be uninhabitable, and a larger area has been subject to surface contamination by radioactive products. Water resources have also been contaminated due to the location of plant and exclusion zone within the Prypyat or Dnipro floodplain and the interfluvies between the Prypyat and Dnipro Rivers, and hydrogeological migration of radionuclides into ground water aquifers in the exclusion zone.
- **Economic impacts.** In 1996, about 163,000 people were evacuated from areas of high radiation contamination. This evacuation made it necessary to build a large amount of additional housing for evacuees. In addition, Ukraine has consistently had to spend about 5 to 7 percent of its national budget on accident remediation measures. The estimated economic losses – direct losses of economic assets, direct expenditures on remediation measures, and indirect economic losses - attributable to Chernobyl over the period from 1986 to 1997 is of the order of US \$128 billion.

5.1.2 State of the energy sector

Ukraine has failed to diversify its energy sources and providers in recent years and the sector's dependence on Russia will very likely increase, since there is no policy in place to diversify energy sources. Despite a more pro-EU stance which may result from the 'Orange Revolution' and the outcome of the 2004 Presidential election, Ukraine's energy sector will remain largely dependent upon Russia in the immediate future.

The energy sector is characterized by:

- **Oil and gas.** Ukraine's economy is highly energy intensive and heavily dependent on imported oil and gas. Currently, about 70 to 80 percent of these imports are from Russia, and this dependence is expected to continue because of Russia's control over the movement, refining and marketing of oil and gas in, and through, the region. Ukraine could meet about 40% of its energy demand from domestic sources by 2007 if the regulatory framework is reformed, corruption levels are reduced, domestic production expanded, and demand-side management policies successfully implemented.
- Ukraine transports 70 percent of all Russian exports of oil and 80 percent of gas by virtue of its geographic position as the lowest cost route for transporting oil and gas to Europe. Russia, as a major gas supplier, and possibly Germany, as a major consumer, will likely gain more control over the gas-transporting consortium in the immediate future, with Ukraine having little bargaining power. If so, this would continue the trend of Russian expansion in other gas transport markets and control over of gas supplies originating in the former Commonwealth of Independent States (CIS).
- **Electricity production.** About 45% of Ukraine's power comes from nuclear generation, 45% from thermal generation, and 10% hydro. Output peaked at a level of 298.5 Gigawatt hours in 1990 and has since fallen to an annual level of 170 to 173 Gigawatt hours. Approximately 2-3% of production was exported and a minimal amount (equivalent to about 0.1% of production) imported, from Russia, in recent years.
- **Nuclear power.** Ukraine traditionally imports nuclear fuel from Russia for its NPPs. Russia supplies upgraded quality fuel at preferential prices for Ukraine as well as space to store spent fuel. In 5 to 10 years, large investments in nuclear and thermal generation will be required to

meet Ukraine's demand for electricity, life cycle extensions for the existing NPPs and rehabilitation of existing thermal generating capacity.

- **Coal energy.** Coal is the only primary resource Ukraine has in abundance, although most current quality levels and production costs mean that it is not export-competitive. Ukraine is not expected to be able to significantly increase the share of coal in its energy balance in the near future. Reforms in the sector will be slow, reserves in existing mines are depleted, new mines and new generating capacity require large investments, and nuclear power can be generated more cheaply.

5.1.3 State of the environment

Degradation of Ukraine's environment goes far beyond the impacts of Chernobyl. Soviet industrialization of Ukraine, especially in the Donetsk basin in the east of the country, has left a legacy of air pollution. Industrial runoff into the Dnipro River has contributed to the pollution and decay of the Black Sea. Many of Ukraine's thermal power plants are old, with antiquated equipment and obsolete technology, and lack modern pollution control equipment. Air pollution in cities continues to be a major problem, and recent economic growth has led to increases in energy consumption and carbon emissions. Continued reliance on nuclear power, and a lack of financial resources and economic incentives, has stifled Ukraine's use of renewable energies.

5.2 Enhanced safety of the Chernobyl nuclear site

5.2.1 Features of CIDA's support

CIDA's support for measures to improve the safety of the Chernobyl nuclear plant and surrounding site is primarily channeled through two initiatives:

- The multilateral Nuclear Safety Account (NSA) for which the EBRD is the executing agency, and where CIDA has contributed \$12 million.
- The multilateral Chernobyl Shelter Fund, also with the EBRD as the Executing Agency, for which CIDA provided \$40.3 million for the Chernobyl Shelter Implementation Plan (SIP).

The evaluation team examined the performance of the NSA and SIP in their work. Other multilateral initiatives to improve the safe operation of nuclear facilities, safe waste handling and safe decommissioning of facilities were also implemented in parallel with the NSA and SIP, such as the European Union's TACIS program (Technical Assistance Program for the Commonwealth of Independent States).

5.2.2 NSA results

The NSA was initiated by the G7 at their summit in Munich in 1992, and ultimately ran from 1993 to 2002 and further extended to 2004. The objectives were to:

- Provide grant funding to plan and implement projects designed to address near-term operational and technical safety improvement measures for first-generation Soviet-designed nuclear reactors in Central and Eastern Europe and the former Soviet Union countries, as they cannot be upgraded to internationally acceptable safety standards for long-term operation.
- Enhance nuclear regulatory regimes in recipient countries and seek agreement with the countries concerned on timetables for strengthening and modernizing their power sub-sectors.

Contributions pledged to the NSA reached €280.5 million by May 2004. Canada's contribution, of €1.5 million accounted for 4.1% of the total, behind contributions by France, Germany, the U.S., U.K. and Japan.

The key achievements of the NSA were in the form of agreements with governments in the region regarding safety assessments and improvements. In regards to Ukraine, an agreement (Memorandum of Understanding) was put in place by G-7 Gov, EU and GoU in Ottawa, December 20, 1995). CIDA has contributed to following NSA initiatives - Upgrade the safety of the existing RBMK reactor unit³²⁰ at Chernobyl, construct two decommissioning facilities²¹ (expected to be completed by end of 2005), and subsequently cease electricity generation at Chernobyl by 2000 (which occurred in December, 2000).

Those initiatives experienced numerous delays, technical problems (feasibility studies and costing) and lack of commitment of the GoU to address specific issues that are expected to have been resolved.

5.2.3 SIP results

The Chernobyl Shelter Fund was set up in December 1997 to fund the SIP. As of July 2000, **27** countries had contributed a total of **US\$760 million** to the fund. Most of the money comes from the G-7 countries (US\$394 million) and European Union (US\$195 million).²²

The current shelter implementation plan (SIP) was developed in early 1997 and is estimated to have a duration of eight to nine years. The plan is to make a steel cover over the existing shelter. The steel arches of the new shelter are to be constructed next to the building, then put on a railway and pulled over the existing shelter because radiation is still too high on top of the existing sarcophagus, and workers would be able to work only for a few minutes before they receive permissible radiation doses. The new shelter is supposed to isolate the reactor for 50 years.

The objectives of the SIP are to:

- Reduce potential for collapse of the existing containment shelter.
- Reduce the potential consequences if the shelter were to collapse.
- Improve nuclear safety of the shelter.
- Improve worker safety of the shelter.
- Develop a long-term strategy for conversion into an environmentally safe site.

The SIP also provides a basis for regulatory review and licensing activities, to provide safety standards and regulations suited to the unique nature of the facility and its management. The State Nuclear Regulatory Authority issued a license for the shelter in 1997 requiring the shelter organization to take necessary action to prevent degradation of the shelter, prevent or mitigate uncontrolled releases of radioactive material, and obtain regulatory review and approval for non-routine activities. The license requires approval of work plans, risk assessment and mitigation plans, and collective radiation dose estimates.

²⁰ The RBMK reactor design is unique to the former Soviet Union. It is a design that would never have been licensed for use in countries operating under Western-style requirements for safe operation of nuclear power plants, and also suffers from a number of serious operator and control errors.

²¹ Decommissioning facilities include liquid radio-active waste treatment , and spent fuel storage.

²² The significant financial contribution from European countries is due in part to the fact that a new catastrophe would likely have a major impact in their territory.

5.2.4 Relevance, coherence and sustainability

Canada's participation in initiatives to improve nuclear safety in Ukraine is not a typical CIDA program but is a primary response to geopolitical concerns identified in talks between the members of the G7 and G8 relating to global nuclear security. At the same time, CIDA's support is clearly relevant to the objectives of the Ukraine Program given the significant consequences of the Chernobyl accident for the economic well being, health, social development and environmental sustainability of Ukraine, and will continue to do so well into the future.

Looking to the future, Ukraine, Russia and other former Soviet Union republics share a common dilemma. They must deal with the decommissioning of older-generation nuclear power plants while maintaining or expanding power capacity to meet electricity demand. The challenge ahead will be to pursue policy dialogue with these countries - especially Russia, which has now joined G8 nuclear safety discussions - and to move the agenda forward, while helping with plant upgrades and decommissioning of older, less safe plants.

This justifies the coordinated approach that the international community has adopted to support these countries through the Nuclear Safety Account and the Shelter Implementation Plan. Canada's contribution to these initiatives has been generous, and much higher relative to Canada's GDP compared to the contributions of other participants.

5.3 Support for weapons non-proliferation

5.3.1 Features of CIDA's support

About a third of the former Soviet Union's military-industrial complex was based in Ukraine, where about 15,000 scientists worked on the development and production of weapons of mass destruction. Most of the effort was focused on delivery systems (such as missiles), nuclear weapons and, to a lesser extent, biological and chemical weapons. Ukraine was home to the world's largest nuclear missile factory and one of the Soviet Union's largest nuclear weapons factories. In 1994, after independence, Ukraine agreed to send 1,900 nuclear warheads to Russia and join the Nuclear Non-Proliferation Treaty.

State funding and supply of materials and technologies to the scientific and technological field, remains at an unsatisfactory level in Ukraine. The Government's annual budget allocates less than 0.3 percent of GDP to science, and non-budgetary sources are less than 1 percent of GDP. As a result, Ukraine has difficulties in employing members of its scientific and technical workforce and limiting the brain drain of young scientists to other areas of activity and/or locations.

In 1993, in response to this issue, Canada, Sweden, the U.S., and Ukraine entered into an agreement to establish a Science and Technology Center in Ukraine with a mission to support R&D projects submitted by Ukrainian scientists and engineers formerly involved in development of weapons of mass destruction and their means of delivery, as part of the general process of conversion from a military to a civilian market-oriented environment. Subsequently, the EU replaced Sweden; and Azerbaijan, Georgia and Uzbekistan became signatories to the agreement.

The resulting organization - the Science and Technology Center in Ukraine (STCU) - is an intergovernmental, non-profit organization that operates with the objectives of:

- Giving weapons experts in the former Soviet Union the opportunity to redirect their talents to peaceful scientific activities.
- Supporting basic and applied research and technology development.

- Familiarizing former Soviet weapons scientists with the international science community's standards and procedures.
- Helping solve national and international science and technology problems, such as environmental restoration, and prevent proliferation of weapons of mass destruction or terrorism.

The Centre has three principal programs to achieve its objectives:

- **Regular Projects Program.** The Center funds projects and activities that support STCU objectives involving governments, institutions, intergovernmental and non governmental organizations, individuals, and the private sector in Ukraine as well as Georgia, Uzbekistan, and Azerbaijan. For regular projects, each party to the STCU Agreement has identified governmental/public sources to fund the Center's projects and activities. Regular projects are submitted to the Center, with a request for a financial contribution. Twice a year, the Governing Board reviews projects for approval, and financing parties select them for funding, using proposal evaluation criteria established by the Governing Board. These projects are used to convert the military know-how of scientists in the recipient states to peaceful civilian applications. These projects also provide travel grants for participating scientists to visit Western countries, meet with perspective partners, and develop collaborative projects, and patenting services to protect intellectual property.
- **Partnership Program.** This program was designed to make STCU more flexible and sustainable in the ever-changing and rapidly globalizing world by providing support for:
 - ♦ Promotional missions to raise awareness of STCU's activities and opportunities for R&D involving the four recipient countries among the donor countries.
 - ♦ Matchmaking - bilateral relations with countries on a private basis to foster R&D contract research with commercial and non commercial partners.

For partnership projects, the recipient and the partner typically negotiate intellectual property under a separate two-party attachment to the agreement. For its services, STCU charges a 5% overhead on the total project cost.

Canada is the most pro-active promoter of activities under the Partnership Program. The CIDA-appointed Canadian Executing Agency has been innovative in the *partnership program*. It has applied a model that have proven to be a great success in developing commercial linkages between small and medium-sized Canadian businesses and Ukrainian scientists. Through Partnership Program, Canadian companies could access to excellent R&D services at a low cost (1/10th the cost of similar Canadian services). The model has been appreciated by EU and the US and is being followed by FAC in the ISTC.

- **Training.** STCU provides former weapons scientists and technologists with training in such areas as: protecting intellectual property, writing effective grant proposals, developing international partnerships, marketing technology and R&D services, and commercializing technology.

CIDA has invested \$15.1 million in the STCU initiative since 1994 - 77% allocated to activities that promote Canada's global interests and security (linked to Canada's foreign policy objectives), 20% to developing Canadian and private sector linkages, and 3% to economic integration.

5.3.2.1 STCU results

In the course of its operation, STCU has approved more than 550 regular projects and 137 partnership projects, with a total value of over US\$110 million. Almost 12,000 scientists have been involved in STCU projects, of which 89% were based in Ukraine. The majority of these scientists were former weapons scientists (63% of the total and 62% of the Ukraine-based scientists).

According to the former Canadian STCU executive director and current executive staff, STCU is a proven tool in multilateral cooperation, one that former scientists and the Government of Ukraine could trust. Canadian leadership has been instrumental in building this trust and confidence. It has demonstrated effective, transparent processes. It has also gradually involved Ukrainian stakeholders and authorities in a framework of mutual respect.

Findings from the evaluation team's visits to selected STCU projects and an electronic survey of Canadian stakeholders provided useful insights into the results achieved by the Center:

- **Linkage between Ukrainian scientists and Canada's private sector.** The Patton Institute is an example of the partnership program's effectiveness. A Canadian firm (Cametoid Ltd. Canada) benefited from advanced expertise in developing coating prototype equipments. The participating Ukrainian organization believes that, without STCU's assistance, it could not have overcome the logistic and financial problems it faced, and would not have gained exposure to the North American market.
- **Conversion of military oriented institutions to civilian work.** The Karpenko Institute of Physics and Mechanics in Lviv has undertaken a series of advanced technology projects with Canadian support. The assistance provided by STCU was instrumental in helping to convert former military institutions into civilian work. The scientists interviewed confirmed that STCU assistance enabled them to attend international conferences, increase their visibility, and access funds from various partners. They also valued Canada's technical cooperation program as a catalyst for their current success.
- **Brokerage role to enable Y2K problems in NPPs to be addressed.** STCU initiated a special project in April, 1999, to address possible Y2K readiness problems at Ukrainian nuclear reactors. Contracts were put in place with Ukrainian organizations by July 1999, under an accelerated schedule funded by the USA, Canada, and the European Union. The initial project addressed possible adverse impacts of the Y2K problem on NPP safety and reliability. No Y2K problems were encountered at Ukrainian NPPs at the rollover date, December 31, 2000. Ukraine completed this program on 3 percent of the budget and in one fourth of the time that was typically observed per plant in the West. The program not only prevented potential Y2K-related problems, but also contributed to the overall improvement in nuclear safety at Ukrainian NPPs. More than 300 Ukrainian specialists participated in the program, mostly from NPPs. Funds were provided for hardware, software, equipment and subcontract services, in addition to grant payments, travel expenses, and communication support.

The STCU initiative appears to have been very effective in encouraging the development of partnerships. Nearly 100 organizations from various STCU donor countries have become STCU partners, including 17 government institutions and 75 non governmental/commercial organizations from donor countries. Potential exists for further growth on partnerships, particularly if STCU can further develop links to other nuclear safety and non-proliferation initiatives and participants. For example, STCU could be a broker for nuclear safety and energy sector projects, and other infrastructure development activities. STCU could also further develop

its role as a provider on contract R&D services or a gateway to skilled R&D personnel by building, or strengthening, linkages to such key executing agencies as the EBRD.

5.3.3 Relevance, coherence and sustainability

Overall, the evaluation team found that STCU program has earned the trust of the Government of Ukraine, as well as the scientific community in Ukraine, in addressing the following needs:

- ***Ukrainian former weapons scientists benefited from funding by the partnership and regular program that provided employment on civilian-oriented projects and experience in working to Western standards.*** Former participants in STCU projects indicated that the program was instrumental in enabling them to access the external market, develop project management skills to international standards, and manage complex processes for which they were not prepared.
- ***The Regular Projects Program provided direct support to scientists and produced indirect benefits to research institutes and academic institutions.*** STCU support acted as a catalyst for these institutions to realign their visions and develop international contacts. They expect to develop specific projects with other Canadian institutions and universities with STCU's assistance.
- ***Ties have been established with companies in Canada, USA and EU,*** which are likely to produce additional commercial funding in the future. STCU has performed an effective brokerage role between scientists and institutions in Ukraine and foreign organizations. STCU is able to offer access to highly qualified R&D expertise at about 10-15% of the cost of similar Canadian expertise.

However, it is unlikely that the **STCU will be self-sufficient** in the near future, unless it re-aligns its objectives and the balance between regular and partnership projects. A greater emphasis on partnership projects would improve the Center's chances of becoming self-sufficient by increasing the amount of work directed towards R&D with commercial potential versus the current primary focus (about 80% of effort, via regular projects) on employing scientists in work directed towards the peaceful application of science, and away from weapons oriented work. Any re-alignment will need to consider, and balance, such factors as:

- The significance of the economic benefits provided by creating employment opportunities for former weapons scientists through the Regular Projects Program.
- The level of credibility and trust that STCU has developed among former weapons specialists.
- The benefit of developing a strong brokerage role to act on behalf of the large number of highly skilled scientists in Ukraine.
- The poor state of facilities and equipment in many of the institutions in Ukraine, which must place limits on the amount and type of work that can be performed.
- A need to increase the level of GoU involvement in the funding of STCU, if possible. Government support to date has mostly taken the form of in-kind contributions and tax exemptions. Such a move would be consistent with the first priority of the GoU's 2004-07 strategy for international technical assistance, to increase the competitiveness of the national economy and ensure stable economic growth.
- The STCU has made a step in reconsidering its vision and mission in line with new programming efforts to move scientists toward self-supporting, sustained, non weapons

employment for themselves. (Strategic Plan for STCU in the next 5-7 years, agreed upon in June 2004.)

5.4 Program management issues

A number of program management issues were identified during the course of the evaluation. These issues raise questions as to whether management of the Nuclear Safety and Non-Proliferation initiatives should be housed in the CEE / Ukraine Desk at CIDA or transferred to Foreign Affairs Canada (FAC, formerly the Department of Foreign Affairs and Trade). These program areas affected are: nuclear safety (Canada's support for the NSA and CSF/SIP), and non-proliferation (support for the STCU).

5.4.1 Management of Canada's support for the NSA and CSF/SIP

Management responsibility for the Nuclear Safety Program was transferred from DFAIT to CIDA in 1995, where it has since been part of the Russia, Ukraine and Nuclear Program Division (RZF) in CEE. Direction setting and management of program activities is characterized by:

- In recent years the program has been delivered via two multilateral projects with the EBRD acting as the executing agency: the Nuclear Safety Account and the Chernobyl Shelter Fund. Funding for Canada's participation is allocated from CIDA's budget.
- Program priorities are set by G7/G8 leaders, drawing on advice from an international nuclear safety working group (NSWG).
- Traditionally, Canada's delegation to the NSWG has been lead by the Deputy Director of the Nuclear and Chemical Disarmament Implementation Division (IDN) at FAC with participation in the delegation by CIDA's senior program manager.
- FAC coordinates Canada's preparations and priority setting for NSWG meetings.
- FAC leads the Canadian delegation to the NSA, while CIDA leads the CSF delegation.
- FAC and CIDA are sharing accountability to Parliament and the public for the management, operation and reporting of results for the nuclear safety program.
- FAC leads Canadian participation in G7 / G8.

The critical program management issue is that FAC has the responsibility for managing Canada's position on the whole spectrum of civil and military nuclear safety and non-proliferation issues. In contrast, the focus of CIDA's Ukraine Program is to support the establishment of good governance and private sector development. Assistance for Ukraine's efforts to deal with the consequences of the Chernobyl nuclear accident and make the transition from a Soviet-era economy with a significant military-industrial sector benefits economic restructuring and, indirectly, public sector governance and accountability structures.

CIDA's expertise in project management supports FAC's foreign policy expertise and specific technical knowledge of nuclear safety, disarmament and non-proliferation challenges. The future challenges for the NSA, in particular, and CSF are more likely to be concerned with strategic policy issues and challenges concerning nuclear safety and non-proliferation across Russia and the countries of the former Soviet Union rather than project management. It also appears likely that funding requirements for the Chernobyl shelter implementation fund will become a factor in priority setting and resource allocation commitments by the G7/G8. This could suggest that FAC is the better organization to take full responsibility for Canada's nuclear safety and non-proliferation activities in Ukraine and the former Soviet Union.

5.4.2 Management of Canada's support for the STCU

A somewhat similar situation exists regarding CIDA's involvement (along with other donor countries) in the provision of support for the STCU, which is a successful mechanism to provide employment and skills-development opportunities for former weapons scientists and technologists in Ukraine. A similar such organization, the International Science and Technology Center (ISTC), was established in Russia in 1992 and has also achieved a significant level of success.

In August 2002, following the 2002 G8 summit meeting in Kananaskis (Alberta), the Canadian government took a decision to establish a Threat Reduction Cooperation Program'. In establishing its own funded participation in the G8 Global Partnership, Canada named its contribution the 'Global Partnership Program' and committed to investing up to CDN\$100 million per year in the Program over a 10 year period beginning in 2003-04. This funding will be used, in conjunction with other G8 country commitments, on technical cooperation projects with Russia and other former Soviet Union countries addressing non-proliferation issues, counter-terrorism, disarmament and critical nuclear safety concerns.

One of the four program areas is support for re-employment of former weapons scientists.²³ In March 2004, Canada became a signatory to the ISTC agreement and joined the Governing Board as a full member, along with the E.U., Japan, Russia, the U.S., and Tajikistan, as part of its participation in this area of the Global Partnership Program. Program management is an FAC responsibility, also within the Global and Security Policy Branch. The program bureau is expected to serve as a single point of responsibility for program management as well as coordinating and focusing the range of Canadian interests, drawing on input from an advisory group of senior officials from other government agencies, including CIDA, National Defence, Health Canada, Solicitor General, and the Natural Sciences and Engineering Research Council. FAC's planned annual spending on the ISTC is of the order of \$18 million, compared to an average of about \$1.4 million per year for the STCU since 1994.

The very close similarities between the mandates and operations of the ISTC and STCU suggest that it makes sense that Canada's support for both centres should be managed, and funded, from a single program management office. This office should also be in a position to readily tap into a broader range of policy and program expertise, and funding, for managing nuclear safety and non-proliferation. This would suggest that responsibility for STCU should be transferred to the Global Protection Program in FAC.

5.5 Support for environment and Energy Sector Reform

5.5.1 Strengthening of environmental protection and management

In 2003, the GoU adopted a set of basic principles for its national ecological strategy for the 21st century, as follows. Some of the principles, but not all, have been made government priorities.

1. "Greening" all social activity in the context of Ukraine's national safety.
2. Improve Ukraine's environmental legislation to meet international standards, especially EU norms.
3. Ensure the safety of nuclear objects and places where radioactive waste accumulates.
4. Make people and the environment safer from the accumulation of radioactive waste and radioactive impacts.

²³ The other three program areas are: Safe disposition of biological weapons, safe disposition of fissile material, and decommissioning of nuclear submarines.

5. Protect, stabilize and improve the environmental status of cities and industrial centres.
6. Establish integrative water resource management to preserve and renew water resources.
7. Improve the environmental status of rivers and ground water in Ukraine.
8. Form an environmentally balanced system of nature use.
9. Implement measures to mitigate the negative impact of global environmental problems.
10. Consolidate the national driving forces for vital social activities.²⁴

5.5.1.1 Features of CIDA's support

Over the 1994 to 2001 period, CIDA invested \$10.2 million in four environmental management projects, with the following objectives:

- ***Environmental management capacity building:***
 - ◆ Encourage good governance, democracy, and respect for international norms.
 - ◆ Promote Canada's global interests by increasing institutional capacity to deal with environment issues, thus helping to enhance the Government of Ukraine's capacity to manage environmental issues in line with international standards.
- ***Environmental management and rehabilitation:*** contribute to the environmental rehabilitation of the Dnipro river system through the collaborative efforts of Ukrainian and Canadian institutions and organizations, focusing on the development of a multidisciplinary approach to river management.

5.5.1.2 Results achieved

At the program level, the evaluation team found evidence that both initiatives have contributed to the development of national policies related to the environment and environmental management; increased awareness of environmental issues and the nature of Western standards among civil society organizations, Ukrainian officials and universities; and contributed to capacity development in the Ministry of Ecology and Environment.

Canadian executing agencies also suggested that the major achievements included the introduction of cooperative habits between stove-piped institutions, and the development of confidence and trust, where Soviet practices had planted mistrust and fear. Ukrainian participants felt the Canadian projects were in some respects unique, in that the overall approach respected their views in project planning and implementation.

5.5.1.3 Relevance and sustainability

CIDA's environmental initiatives were highly relevant, given the dual impacts of Chernobyl and the poor environmental management practices of the Soviet Union. However, insufficient progress has been made to enable any new approaches to environmental management and protection to attain sustainability. In the case of increasing institutional capacity, many donors appeared to be funding the same program sub-components, creating a dependency on donor funding with little prospect of future sustainability. Key informants interviewed suggested that a further 10 – 15 years of sustained support from donors would be necessary to achieve sustainability in environmental protection.

²⁴ National Report of Ukraine on Harmonizing Social Life with the Natural Environment, Kyiv 2003.

5.5.2 Reform of the energy sector and nuclear regulation

As noted earlier in this chapter, the energy sector in Ukraine, particularly the electricity generation sector is at a point where a substantial amount of the existing power generation capacity is in need of rehabilitation, and new capacity has to be brought on line to meet expected growth in demand. In 1998, international donors, including Canada, significantly reduced or ceased their programming activities in the Ukrainian energy sector in response to the failure of Ukraine to implement an IMF-approved Financial Recovery Plan for the energy sector.

Progress in the sector will also depend upon market and regulatory reform. Competition has been introduced throughout a market continually characterized by the following tensions:

- The reform agenda is moving forward at a slow pace. The current economic reality has to deal with conflicting interests among oligarchs and a high level of corruption, which undermines, slows down, or changes the rate of progress on competitive pricing, privatization, and other structural reforms.
- Russia controls energy source supply and major investments in the energy sector, and is able to use its political influence to prevent diversification by Ukraine, for example, to use its competitive advantage in coal mining and to broker the leasing of its energy transit corridor.
- It remains to be seen what impact the 2004 Presidential election may have on reform in the energy/power sector and whether it leads to a re-balancing of Ukraine's dependence on Russia and/or the introduction of reforms to meet European Union standards.

A recent World Bank assessment of privatization of the electricity sector noted that Ukraine's efforts have moved in the right direction on a number of key benchmarks, such as reducing commercial losses, improved liquidity, financial performance, and quality of service, but significant structural reforms are to support privatization, in such areas as debt management and pricing.²⁵ In 2004, most state-owned generation and distribution assets were integrated, and the privatization process was postponed. A national corporation was set up, called the Electricity Company of Ukraine. This concentration and increased state control will reduce the role of NERC and the wholesale electricity market, and thus, will reduce competition in generation and mean less transparency in the sector.

5.5.2.1 Features of CIDA's support

The evaluation team reviewed a number of CIDA's energy generation and supply projects with a total value of \$7.8 million, mostly implemented in between 1995 and 1998. These projects were for rehabilitation of existing thermal and hydro power generating facilities and radiation monitoring.

In 1998, international donors, including Canada, significantly reduced or ceased their programming activities in the Ukrainian energy sector in response to the failure of Ukraine to implement an IMF-approved Financial Recovery Plan for the energy sector.

5.5.2.2 Results achieved

Given the level of investments in this sector, and without a prior coordinated results-based approach to planning energy generation and supply projects, it is difficult to discern a programming trend at this level. Interviews with the executing agencies involved indicate that expected outputs were delivered and there was a notable contribution in building institutional

²⁵ World Bank, *Ukraine Power Sector Performance: A Privatization Impact Assessment*, April 2004.

capacity to work to Western project management standards, improve the safety of power plants, and build counterpart capacities.

5.5.2.3 Relevance and sustainability

The amount invested by CIDA in support for of energy sector improvements was less than that committed by other donors. CIDA's contribution met targeted needs of Ukrainian energy-sector companies and can be considered to be:

- Consistent with CIDA's country programming strategy in Ukraine, that is, consistent with the goal of improving governance in power-sector institutions and capacity building.
- Supportive of efforts by other donors, in particular:
 - ♦ The World Bank's Hydropower Rehabilitation and System Control Project (US\$114 million), intended to increased production of environmentally clean energy; the Kyiv District Heating Improvement Project (US\$200 million); and the Kyiv Public Building Energy Efficiency Project (US\$18 million). An additional US\$318 million in the coal sector complements these investments.
 - ♦ USAID funding of US\$184.2 million during the 1992–2004 period for energy sub-sector restructuring, improvements to heating and energy efficiency, and privatization.

The results achieved by CIDA's investments cannot be discerned at the program level. However, the evaluation team found that CIDA has helped to enhance governance of energy/power institutions and benefited Canadian firms with solid expertise in power generation. Reforms are underway to privatize generation and distribution, and competitive pricing has also been introduced. The centrality of Ukraine's energy sector in international technical assistance programs and the importance of market and regulatory reforms suggest that, should CIDA decide to re-enter the energy sector, its activities should be closely coordinated, and integrated, with those of other donors that are most active in this sector, and concentrated on *strengthening governance* and *building institutional capacity* as developmental outcomes.

5.6 Key conclusions

5.6.1 Enhanced safety of Chernobyl

Ukraine has invested considerable effort to assist the population affected by radioactive fallout from Chernobyl, which has imposed a heavy burden on Ukraine's resources, in competition with other priorities.

In the energy sector, Ukraine, Russia and other former Soviet Union Republics share a common dilemma. They must deal with the decommissioning of older-generation nuclear power plants while maintaining or expanding power capacity if they are to meet their goals of making the transition to a market economy. The challenge ahead will be to pursue policy dialogue with these countries - especially Russia, which has now joined the G8 nuclear safety discussions - and to move the agenda forward, while helping with plant upgrades and decommissioning of older, less safe plants.

This justifies the coordinated approach that the international community has adopted to support these countries through the Nuclear Safety Account and the Shelter Implementation Plan. This multilateral approach has resulted in the closure of the last operating reactor at Chernobyl, and the development and initiation of an integrated plan to provide a new safe containment structure at Chernobyl plus decommissioning and waste containment. Canada's contribution, of \$53.2

million, to these initiatives has been much higher relative to the size of Canada's GDP than contributions by other donors. However, EBRD will need additional funding for the Chernobyl Shelter Fund to address a gap - of more than €245 million - between donors' funding commitments and the estimated cost to complete the shelter structure.

5.6.2 Non-proliferation—STCU

On balance, STCU continues to be relevant to the needs of former Ukraine scientists and engineers specializing in WMDs. While the coverage of WMD scientists and engineers is less than optimal – 47% (~11,300) registered or involved with STCU out of 24,000 scientists estimated to be WMD specialists – the STCU was, and continues to be, beneficial to Ukraine. Noteworthy results include the provision of \$110 million in funding for R&D partnership projects over the last nine years, which provided employment and skills development training for more than 7,000 scientists in Ukraine and ~4,700 scientists in neighbouring countries; and, enabled the development of commercial linkages between Canadian SMEs and Ukrainian scientists, able to provide R&D services at 10-15% of the cost of similar work performed in Canada.

5.6.3 Program management

CIDA's nuclear safety program is not a typical CIDA program but is designed to primarily respond to geopolitical concerns relating to nuclear safety (civil and military) and non-proliferation identified by the G8. In this regard:

- A coordinated approach by the international community to support nuclear safety initiatives in the former Soviet Union is warranted.
- Foreign Affairs Canada has the responsibility for managing Canada's position across the entire spectrum of civil and military nuclear safety and non-proliferation issues. In contrast, the focus of CIDA's Ukraine Program is to support the establishment of good governance and private sector development.
- The future challenges for the NSA, in particular, and CSF, are more likely to be concerned with strategic policy issues and challenges concerning nuclear safety and non-proliferation across the former Soviet Union, rather than in CIDA's corporate mandate of planning and implementing Canada's international development assistance program.

Given this, it would make sense to transfer responsibility for the nuclear safety initiatives currently managed by CIDA to Foreign Affairs Canada (FAC), which has the responsibility for managing Canada's position across the entire spectrum of civil and military nuclear safety and non-proliferation issues.

A similar situation exists with regard to CIDA's support for non-proliferation. Canada supports the STCU through CIDA while FAC provides similar support (since early 2004) to an analogous organization in Russia, the International Science and Technology Center (ISTC), through its administration of Canada's Global Partnership Program. These close similarities suggest that Canada's support for both centres could be managed, and funded, through a single program management office.

5.6.4 Environmental protection and management

In its analysis, the evaluation team found evidence that initiatives to strengthen environmental protection and management have contributed to the development of policies on the environment, increased awareness of environmental issues and the need for higher standards of environmental care, and capacity development in the Ministry of Ecology and Environment. Information

gathered by the evaluation team suggests that CIDA's environmental initiatives were highly relevant, but a further 10-15 years of sustained support from donors would be necessary to achieve sustainability in environmental protection. Ukrainian observers felt the Canadian projects also had a certain uniqueness, in that the approaches taken respected Ukrainian views throughout the project planning and implementation.

5.6.5 Reform of the energy sector and nuclear regulation

The energy sector is central to Ukraine's transition to a market economy, and key to its reduced dependency on Russia. The results achieved by CIDA's investments cannot be discerned at the program level. CIDA has helped to enhance governance of power generation and other energy institutions, contributed to the rehabilitation of existing thermal and hydro power generating capacity, and generated benefits for Canadian firms with solid expertise in power generation. In 1998, international donors, including Canada, significantly reduced or ceased their programming activities in the Ukrainian energy sector in response to the failure of Ukraine to implement an IMF-approved Financial Recovery Plan for the energy sector.

Ukraine has now made progress toward the establishment of an efficient, financially sound, sustainable, market-oriented power sector, and to achieve Ukraine's transition to a market economy, but the rate of progress is slow. This progress suggests that possible opportunities for programming in the energy sector could be re-visited by CIDA. The centrality of Ukraine's energy sector in international technical assistance programs and the importance of market and regulatory reforms suggest that, should CIDA decide to re-evaluate the energy sector, activities should be concentrated on strengthening governance and building institutional capacity and closely coordinated, and integrated, with those of other donors that are most active in this sector

5.7 Potential opportunities for improvement

5.7.1 Nuclear safety

After providing post-disaster humanitarian assistance and relocating affected communities, the GoU would like the donor community to be more involved in the addressing the social consequences of the Chernobyl nuclear accident. For example, the GoU has indicated that it would appreciate greater donor involvement in Priority # 6 - "Increasing ecological safety and minimizing the effects of the Chernobyl disaster" - of its strategy for encouraging international technical assistance.

EBRD will need additional funding for the Chernobyl Shelter Fund to address a gap - of more than €245 million - between donors' funding commitments and the estimated cost to complete the shelter structure.

5.7.2 STCU and non-proliferation

Matching and market research is currently conducted on the basis of matching Canadian needs to the existing STCU database. A broader range of participation and benefits may be achieved by marketing the specific areas of Ukrainian knowledge and expertise to the Canadian private sector, that is, to "push" and "pull" possible opportunities.

Foreign language skills, and experience in Western standards of project proposal development, significantly influence success in winning STCU support (sometimes more than scientific experience, results, and interests). Care should be taken in the project selection process to ensure

that scientists with no prior involvement in STCU projects (and are more likely to lack these desired skills) have equal opportunities to win such work.

STCU will need to re-align its objectives and increase the significance of partnership projects directed towards R&D with commercial potential if it is to become self-sufficient while maintaining a high level of regular projects to employ former weapons scientists on work requiring the peaceful application of their skills. Further development of commercial R&D skills in Ukraine will also require the facilities and equipment at many institutions to be upgraded and a higher level of GoU involvement in funding R&D, including funding for STCU.

Results-based reporting and monitoring by the Canadian monitoring agency (University of Manitoba) needs to be strengthened and could benefit from the development and application of a results-based management and accountability framework. Staff of the executing agency may also need training in results-based management and reporting.

5.7.3 Strengthening environmental protection and management

Suggestions by participants in the team's key informant interviews regarding improvements to CIDA's environmental program in Ukraine mostly focused on potential opportunities, or needs, to strengthen environmental management capacity at the local government level and thereby facilitate attainment of the principles set in the GoU's national ecological strategy and *Strategy for Encouragement of International technical Assistance*. Priority #6 in the strategy for technical assistance – to increase ecological safety and minimize the effects of the Chernobyl disaster – is particularly germane in this regard. Specific areas where assistance was needed included mining activities, water management, energy and energy efficiency issues, and implementing the Kyoto Protocol. Stakeholders also suggested that local champions with solid reputations be identified and supported as a means of achieving sustainability beyond the period of donor support.

In the view of the evaluation team, potential opportunities exist for improvements to CIDA's environmental efforts in Ukraine, to strengthen environmental management capacity at the local government level, and taking the suggestions by key informants into account. Local champions with solid reputations could be identified and supported as a means of achieving sustainability beyond the period of donor support.

5.7.4 Reform of the energy sector and nuclear regulation

The significance of nuclear power generation in electricity supply, and its competitiveness compared to other sources of power, suggests that all donors should collectively address the power sector's economic performance, nuclear safety, and regulatory framework needs as well as the level of funding required to assist Ukraine in implementing its reforms.

The evaluation team also found evidence that Canada could better capitalize on the investments and results achieved by its past projects in the energy sector. For instance, Canadian executing agencies reported that they had received requests from Ukraine for CIDA to target the energy sector in its governance programming. Other donors indicated that they would have expected to see CIDA participating in policy dialogue with Ukraine regarding its energy sector.

5.8 Lessons learned

5.8.1 Developmental level

- The environment is a cross-cutting sector. It is linked to all areas of development activity. This includes drinking water, health, agriculture, energy, community development, and so on.

Ukraine is a leading example of the importance of environmental issues. The environment, the creation of wealth, and social equity form a triangle that represents the underlying principles of sustainable development.

- The global economy clearly depends on energy. Ukraine is a prime example. Chernobyl was a determining event in the country's history. Its national sovereignty will depend on its capacity to develop and implement an energy policy that will allow Ukraine to meet its needs without falling back under Russia's control.
- The Ukrainian stakeholders interviewed were highly impressed with the nature of Canada's aid. Canada does not contribute as much financially as other donors, such as the US and the EU. However, Canada is greatly appreciated for its flexibility and its alignment with the needs of recipient communities.

5.8.2 Operational Level

- The uniqueness, complexity and magnitude of investments required to achieve NSA and SIP initiatives imply that a coordinated approach be applied by the international community and also a strong commitment from Ukraine and other Former Soviet Union Republics. The multilateral approach applied through EBRD is well suited to manage such investments.
- CIDA inherited the Central and Eastern Europe program, initially put in place by FAC after the fall of the Berlin Wall and the wide-reaching political reforms in former communist regimes. In the current context, political dialogue will be necessary to lead Russia and other former Soviet republics to implement a plan to dismantle old Soviet energy plants, while maintaining or increasing their production capacity. The overriding importance of foreign policy issues and objectives in the nuclear safety and non-proliferation elements of the Program suggests that the most appropriate location for these elements would be at FAC.

6. Recommendations

Ukraine's needs are still great, Canada's reputation is solid and the potential for good matches with Canadian's capabilities exist in a variety of sectors. Going forward, the challenge for the program in the context of limited resources, would be to selectively focus on strategic interventions of significance to both Ukraine and Canada.

1. **CIDA should establish the future direction for the Ukraine Program beyond 2006 through measured adjustments, not dramatic change, building on its success in strengthening governance and civil society structures in Ukraine in supporting its Key Agency Results in Governance and Economic Well-Being.** In doing so, future CIDA programming in Ukraine could focus on thematic issues where a reformed policy and legislative framework is in place, and accelerate the transition from technical cooperation in policy development to technical cooperation in policy implementation. Future programming should be balanced between support at central, regional and local levels, as well as a better geographic balance between East and West Ukraine.

Possible niche areas of programming strength and/or opportunities for inclusion in the analytical work leading to the forthcoming strategy include:

- Leading donor coordination in a sector-based approach to supporting public service reform.
 - Priority for agriculture and enabling infrastructure - such as agricultural finance and land transfer mechanisms - to facilitate the transformation to, and growth of, a market-based agricultural sector.
 - Continued support and priority for the development of financial institutions and infrastructure geared to the provision of finance for SMEs, grassroots entrepreneurial activity and agricultural production.
 - Replication and extension of support for the development of public policy analysis, development and management capacity to regional and local levels of government.
 - Helping Ukraine to implement environmental legislation and regulations at the local government level and move environmental considerations to the mainstream in economic planning, in areas such as mining, water management, and energy management.
 - Working with other donors to help Ukraine introduce changes in the governance of its energy sector and to move the reform agenda forward.
2. With regard to implementing the goal of shifting toward more directive programming in the program's future strategy **CIDA should consider the level of resources and expertise required to support this shift, and develop a business plan and risk management strategy to guide the Ukraine Program's transition to a balanced and flexible mix of directive and responsive programming that benefits from the extensive experience of its Canadian partners.**
 3. In the context of better focusing on results and accountability, **CIDA should explore the possibility of assisting the Ministry of Economy and European Integration to establish a system to monitor and evaluate the quality of technical assistance**

- programs linked to the Ministry's Strategy for Encouragement of International Technical Assistance.** This was proposed by the Ministry to the evaluation team and is consistent with the governance thrust of the program.
4. It is appropriate for the Government of Canada to maintain its geopolitical commitment to nuclear safety initiatives for Ukraine and the former Soviet Union but, the capacity and comparative advantage to best deal with this effectively may reside at FAC instead of CIDA. In this context, **CIDA should request Foreign Affairs Canada (FAC) to effectively manage the Nuclear Safety program and Non-Proliferation Investments (principally, participation in the STCU), and work with FAC as part of the next programming strategy,** to ensure a smooth transition from 2006-2007.
 5. Regardless of where the Nuclear Safety and Non-Proliferation Investments are located, **program management may want to encourage STCU's management to:**
 - **Implement a strong marketing unit in the STCU, to strengthen networking capabilities and the marketing of Ukrainian R&D capabilities to Canadian firms, including:**
 - ♦ Information dissemination via existing channels, such as National Research Council networks.
 - ♦ Reinforcing the role of STCU as a broker between EBRD, Tacis and Ukraine Government.
 - ♦ Consideration of the potential to strengthen the commercial section of the embassy and facilitate the marketing activities.
 - ♦ **Re-align the Centre's objectives to provide greater support for partnership projects targeting R&D with potential commercial benefits, and thereby move to a greater degree of self-sufficiency.**
 - **Initiate, or strengthen, activities to expose the younger generation of PhDs to International standards and approaches to the management and conduct of R&D,** by such means as: increasing awareness of market opportunities and success factors; developing skills in such areas as project management, technology marketing and intellectual property protection; and, enabling all institutions to develop international partnerships. In parallel, consideration should be given to finding ways for research institutions to upgrade their facilities and equipment.

Appendix A - Management Response

<i>Recommendation</i>	<i>Commitments/Actions</i>	<i>Responsibility Centre</i>	<i>Target Completion Date</i>	<i>Status</i>
<p>1. CIDA should establish the future direction for the Ukraine Program beyond 2006 through measured adjustments, not dramatic change, building on its success in strengthening governance and civil society structures in Ukraine in support of its Key Agency Results in Governance and Economic Well Being.</p>	<p>The Ukraine program agrees that changes to the program should be made through measured adjustments, building on its past successes in governance and civil society and will:</p> <ul style="list-style-type: none"> -engage in the review and renewal of the Ukraine Programming Framework which will entail conducting sectoral reviews of the agriculture/rural development sector, governance and private sectors to guide future investments and public consultation; -undertake more directive programming, capitalizing on the reform agenda of the new government, in areas where Canada can bring expertise and value added; -continue assistance in the area of public policy analysis and increase assistance for policy implementation. 	<p>Ukraine Program</p>	<p>October 2006</p>	<p>Underway</p>
<p>2. With regard to implementing the goal of shifting toward more directive programming in the future, CIDA should consider the level of resources and expertise required to support this shift, and develop a business plan and risk management strategy to guide the Ukraine Program's transition to a balanced and flexible mix of directive and responsive programming.</p>	<p>Ukraine program will work closely with Human Resources and Corporate Services to identify solutions to address resource and staffing challenges. The Ukraine program has been understaffed for some time, and this creates difficulties in staffing and retention.</p> <p>The Ukraine program will develop a business and risk management strategy, and will work with the appropriate HRCS officials to develop them. In</p>	<p>Ukraine Program, Human Resources and Corporate Services Branch</p>	<p>September 2005</p>	<p>Underway</p>

<p>programming.</p>	<p>addition, the program will undertake to raise the consciousness of risk management among Ukraine program staff through learning activities for officers. A risk assessment will be conducted as part of the upcoming review of the Ukraine program Country Development Programming Framework.</p>			
<p>3. In the context of better focusing on results and accountability, CIDA should explore the possibility of assisting the Ministry of Economy and European Integration to establish a system to monitor and evaluate the quality of technical assistance programs linked to the Ministry's <i>Strategy for Encouragement of International Technical Assistance</i>.</p>	<p>The Ukraine Program will work with officials from the Ministry of Economy and European Integration (or others as appropriate) to explore opportunities to provide assistance in developing systems to monitor and evaluate technical assistance programming in Ukraine</p>	<p>Ukraine Program</p>	<p>March 2006</p>	<p>To be actioned</p>
<p>4. It is appropriate for the Government of Canada to maintain its geopolitical commitment to nuclear safety initiatives for Ukraine and the former Soviet Union but, the capacity and comparative advantage to best deal with this effectively may reside at FAC instead of CIDA. In this context, CIDA should request Foreign Affairs Canada (FAC) to effectively manage the Nuclear Safety program and Non-Proliferation Investments (principally, participation in the STCU), and work with FAC as part of the next programming strategy, to ensure a smooth transition from 2006-2007.</p>	<p>CIDA agrees with the recommendation and CIDA and FAC are working together to ensure a smooth transition of responsibility from CIDA to FAC and to ensure coherence between the departments in terms of approach and interests. CIDA has already proposed that the nuclear safety program be closed out after 2005-2006, when current commitments expire, and that responsibility for any further programming be transferred to Foreign Affairs Canada (FAC). Similarly, discussions have been ongoing for several months on the potential for consolidating responsibility for the STCU (currently supported by CIDA) and the International Science and Technology Centre (ISTC) in Moscow (currently supported by Global Partnership Program) under the Global Partnership Program, FAC. CIDA is working closely with</p>	<p>Nuclear Program/FAC</p>	<p>March 2006</p>	<p>Ongoing</p>

	FAC to share information and lessons learned, which are particularly important for the new FAC team supporting the ISTC.			
<p>5. Regardless of where the Nuclear Safety and Non-Proliferation Investments are located, program management may want to encourage STCU’s management to:</p> <ul style="list-style-type: none"> -Implement a strong marketing unit; -Re-align the Centre’s objectives to provide greater support for partnership projects; -Initiate, or strengthen, activities to expose the younger generation of PhDs to International standards and approaches to the management and conduct of R&D. 	<p>CIDA supports the broad thrust of enhancing the capacity of the STCU. In June 2004, through policy dialogue, the three funding Parties (Canada, the United States and the European Union) agreed to a new strategic plan for the STCU for the next 5-7 years. This strategic plan represents a consensus on the strategic objectives for the Centre with a particular emphasis on capacity building for scientific institutes to ensure their sustainability and permanent redirection of research activities towards peaceful and commercial applications. In fall 2004 the STCU implemented a new market analysis and marketing unit that will continue to refine and focus efforts to establish links with the private sector in the EU, US and Canada. The Canadian Deputy Executive has created linkages with the Canadian National Research Council to promote Canadian interests and the potential for links through NRC to Canadian research institutes and companies. With the urging of the Parties, the STCU is attempting to undertake more programming with the Ukrainian government as efforts are intensified to increase the level of local ownership. As part of the new strategic reorganization, there will be an increased focus on commercialization potential. Finally, the capacity building and enhanced sustainability of Ukrainian institutes will benefit younger generation scientists.</p>	Nuclear Program	December 2005	Ongoing