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<tr>
<td><strong>Pillar 1: Improving Public Services and Public Finances: A New Compact with Citizens</strong></td>
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<td><strong>Result Area 1. Improved governance of public finances</strong></td>
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<td>Optimize management of public finance by improving efficiency of capital expenditures, increasing transparency of public finance, introducing medium-term planning and improving financial management of state owned enterprises</td>
<td>Governance concerns about the state budget are focused on the public procurement (PP) and capital expenditures. PP system is viewed as a main source of leakages and corrupt practices. 2010-2011 legislative improvements brought PP closer to the international standards, but their effective implementation will be a challenge. Capital budgeting is identified by PEFA as one of the weak PFM areas in Ukraine. It suffers from a number of drawbacks resulting in high public investment under-execution rates. The multi-tier pricing system in the gas sector creates significant quasi-fiscal deficits. The gas sector flows are not fully transparent due to poor reporting and metering. Pension expenditures and contribution rates are among highest in the world, yet, the pension fund runs large deficits and pensions of most pensioners are low. Worsening demographic profile threatens system stability: in 10 years there will be 1 pensioner for every contributor.</td>
<td><strong>Strengthened operational efficiency and transparency of PFM</strong>&lt;br&gt;• Reduction of 20% in time required to get necessary information for managerial decisions. <strong>Increased transparency in public procurement</strong>&lt;br&gt;• Civil society is able to monitor public procurement system performance on a regular basis. <strong>Improved efficiency of capital expenditures</strong>&lt;br&gt;• More than 25% of new capital expenditures approved under the new capital budget/public investments selection framework. <strong>Improved governance in energy sector</strong>&lt;br&gt;• Financial transparency of Naftogaz is improved as measured by implementation of Naftogaz financial restructuring and corporatization disclosure standards <strong>Adequate implementation of the Pension reform law in line with the WB advice contributed to increased sustainability of the Pension Fund</strong>&lt;br&gt;• Public Financial Management System established and functioning. The Budget Code is amended to introduce MTEF. • Public procurement monitoring tool is functional (designed, populated with data and available to public). • A framework for assessing efficiency capital budgeting practices developed. • A Law enacted establishing project selection framework for all capital expenditures. • Financial restructuring and corporatization strategy for NAK Naftogaz adopted and ongoing implementation. • WB advice provided on implementation of the pension law and additional measures to ensure long-term sustainability of the pension system</td>
<td><strong>Ongoing Lending:</strong>&lt;br&gt;PFM <strong>Indicative Lending:</strong>&lt;br&gt;Gas Sector Efficiency and Modernization project <strong>AAA:</strong>&lt;br&gt;PEFA Update <strong>Capital Budget Effectiveness Assessment</strong> <strong>Governance and PFM:</strong>&lt;br&gt;Improving Efficiency and Accountability in Public Investment Management, PP and Healthcare Services <strong>Fiscal, Structural, and Governance Reforms TA</strong> <strong>Partnership</strong>&lt;br&gt;EU, IMF <strong>AAA:</strong>&lt;br&gt;Gas Sector TA <strong>Partnership</strong>&lt;br&gt;EU, EBRD, EIB, IMF</td>
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<td>Improve transparency and governance in the use of public resources outside the budget.</td>
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<td>Stabilize and improve administration of the pension system.</td>
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| Improve health of the population, ensure equal and fair access to medical services of proper quality and improve public spending efficiency | Ukraine has the largest population decline in Europe. Non-communicable diseases and chronic conditions drive high mortality. HIV/AIDS prevalence is one of the highest in the ECA region. Health spending is inefficient. Rigid budgeting of resources hampers the ability of local governments to base expenditures on local needs. Targeting accuracy of the social assistance is low. Spending on poorly targeted privileges is taking the lion share of the overall spending on social assistance. Poor quality of education despite high expenditures. One of the lowest student/teacher ratios in the world, extremely small class sizes, and an oversized network of facilities. | **Improved efficiency of spending in health sector**  
- Average length of stay in hospital reduced in pilot oblasts by 20 percent.  
- Visits to PHCs in pilot oblasts increased by 10 percent.  
**Greater government’s capacity to analyze public spending contributed to improved efficiency in education spending**  
- Targeting accuracy of the overall Social Safety net in Ukraine increased from 37.4% in 2011 to 60% in 2016  
- By 2016 spending on categorical benefits reduced by 50% of their level in 2011 state budget | **Financially sustainable and technically sound health reform plans designed on a pilot basis in three oblasts.**  
**New design of the monitoring system for Ministry of Health developed**  
**BOOST created in the education sector and used to analyze sub-national entities spending on education vs. test score results.**  
**Reduction in application processing time for social assistance payments stays at less than 1.5 hours throughout CPS**  
**Number of benefits processed per month per staff in social assistance offices increased from 370 in 2007 to 530 in 2013**  
**The losses from fraud and errors in means tested benefits are reduced by 30%** | **Ongoing Lending:**  
Social Assistance Systems Modernization Project  
**Indicative Lending:**  
Second Social Assistance Project  
AAA: Measuring Governance in Health  
Health Sector Dialogue  
IDF Grant in support of health reform pilots  
Education Sector Dialogue |
| Expand social assistance coverage of the needy with efficient budget spending, increase social assistance targeting, improve efficiency of administrative decisions in the social assistance system | **Improved efficiency and equity of social safety net due to better targeting of benefits and enhanced administrative efficiency**  
- Targeting accuracy of the overall Social Safety net in Ukraine increased from 37.4% in 2011 to 60% in 2016  
- By 2016 spending on categorical benefits reduced by 50% of their level in 2011 state budget | **Better targeting of benefits reduced by 30%**  
**Greater government’s capacity to analyze public spending contributed to improved efficiency in education spending**  
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Social Assistance Systems Modernization Project  
**Indicative Lending:**  
Second Social Assistance Project  
AAA: Measuring Governance in Health  
Health Sector Dialogue  
IDF Grant in support of health reform pilots  
Education Sector Dialogue |
| Improve competitiveness of Ukrainian education by improving quality and access of education and efficiency of education funding | Poor quality of municipal services due to aging, obsolete assets and lack of maintenance in water and sanitation infrastructure. Inefficient operation of water and sanitation systems (including high energy consumption and over designed systems) and substantial losses leading to high service delivery cost and lack of financial resources needed for investment | **Reduced water losses in Chernihiv:**  
- 3 water losses куб.кв.м from 28 to 25%  
**Improved energy efficiency of targeted municipal water utilities:**  
- Increased energy efficiency in at least 12 participating water and sanitation utilities (total kWh/m³ reduced by 15% in each utility)  
**Mechanisms for improving transparency and accountability in municipal sector embedded in UIP-2 design, including:**  
- Introduction of sector information | **Investments in rehabilitation and replacement of deteriorated water systems completed (per targets in UIP)**  
**Energy efficiency investments in municipal utilities completed (per baseline and targets in UIP)**  
**Municipal side governance study contributed to strengthened government’s knowledge base on improving transparency and accountability of municipal service provision** | **Ongoing Lending:**  
Urban Infrastructure project  
**Indicative Lending:**  
Urban Infrastructure Project 2 (UIP-2)  
AAA: Improvement of creditworthiness of Ukrainian DH companies  
Supporting Kyiv in City Vision and Development Strategy  
Modernization of the DH Systems: Heat Metering |

**Result Area 3. Improved efficiency, quality and governance of municipal infrastructure services**

| Improve the quality of housing and utility services by providing for the profitable performance of the housing and utilities service providers, reducing arrears in the sector, creating competitive environment in the market for HUS services and fostering technical modernization and increasing resource efficiency of the sector | Poor quality of municipal services due to aging, obsolete assets and lack of maintenance in water and sanitation infrastructure. Inefficient operation of water and sanitation systems (including high energy consumption and over designed systems) and substantial losses leading to high service delivery cost and lack of financial resources needed for investment | **Improved energy efficiency of targeted municipal water utilities:**  
- Increased energy efficiency in at least 12 participating water and sanitation utilities (total kWh/m³ reduced by 15% in each utility)  
**Mechanisms for improving transparency and accountability in municipal sector embedded in UIP-2 design, including:**  
- Introduction of sector information | **Investments in rehabilitation and replacement of deteriorated water systems completed (per targets in UIP)**  
**Energy efficiency investments in municipal utilities completed (per baseline and targets in UIP)**  
**Municipal side governance study contributed to strengthened government’s knowledge base on improving transparency and accountability of municipal service provision** | **Ongoing Lending:**  
Urban Infrastructure project  
**Indicative Lending:**  
Urban Infrastructure Project 2 (UIP-2)  
AAA: Improvement of creditworthiness of Ukrainian DH companies  
Supporting Kyiv in City Vision and Development Strategy  
Modernization of the DH Systems: Heat Metering |
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| | | system by 2013;  
- Introduction of performance benchmarking in 2014. | | Municipal Demand Side Governance AAA  
CTF Grant for Municipal Energy efficiency |

**Pillar 2: Improving Policy Effectiveness and Competitiveness: A New Compact with Businesses**

**Result Area 4: Improving business regulatory environment for a more competitive and diversified economy**

| Improve business climate and create favorable environment for investments and accelerated economic development by reducing cost of business entry, operation and exit | Despite some progress, regulatory barriers to business entry and exit, and costs of operation remain high. Regulatory barriers affect mainly SMEs and foreign entry. They hinder market contestability and competition, create corruption opportunities and generate losses to the economy. | **Reduced regulatory burden on enterprises:**  
- Functions of standardization, conformity assessment, metrology and market surveillance are separated and respective institutions strengthened in staffing and equipment. | **Legislation developed on certification and standardization:**  
- (i) cancelling compulsory certification of low-risk goods; and (ii) introducing compulsory status of standards  
- WBG TA informed design of institutional reform in the technical regulations, including separation of the functions of issuing of standards, conformity assessment, metrology and market surveillance. | IFC  
Investment Climate Advisory |

| Reduce share of taxes in business expenditures and reduce taxpayers’ time to calculate and pay taxes | Delays and weak management of VAT refunds arrears are highlighted by businesses as a major investment climate and governance issue. | **Reduced tax compliance costs:**  
- Share of taxpayers that undergone planned and unplanned audits in total registered taxpayers reduced  
- Reduced ratio of VAT refunds outstanding for more than 60 days to the quarterly flow of VAT refund claims. | **Tax Block and Document Management systems implemented.**  
**Tax code amendments enacted to improve criteria for automatic VAT refunds and grounds for ad-hoc audits.**  
30 sub-loans approved under EDP-2 | Ongoing Lending:  
State Tax Service Modernization Project  
Second Export Development Project (EDP-2)  
AAA:  
Fiscal, Structural and Governance TA  
Financial Sector TA  
IFC:  
Financial Markets Crisis Management Project  
Direct investments in the financial sector  
Partnerships  
IMF, EU, USAID |

| Increase effectiveness of tax administration | High tax rates and high compliance costs lead to tax evasion and underinvestment in formal economy. | **Increased access to medium and long-term finance for export**  
All borrowers under the EDP-2 expanded their exports volumes (per targets in the EDP-2) | **WBG advice contributed to greater stability of the financial system by helping:**  
- develop the DGF as the bank resolution agency;  
- providing advice on strengthening banking regulation and supervision;  
- develop and implement a resolution  
Improved legal and regulatory framework through:  
- Adoption of the new law on Deposit Guarantee Fund in line with WB recommendations;  
- New legislation on banks’ ultimate controllers and consolidated supervision fully implemented;  
- Restructuring of the recapitalized banks | |
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| Efficiency of energy sector is improved to support to support the real sector competitiveness | Lack of investments in energy efficiency equipment has kept Ukraine’s energy intensity at a very high level (approximately 3 times higher than that of the EU’s). | **Improved energy efficiency in the public and private sector**  
Energy intensity of selected industrial enterprises decreased by 15% by 2014.  
**Improved operational performance of power sector as evidenced by:**  
New WEM model operational | • Energy Efficiency Action Plan approved and implemented  
• Loans granted through the credit line for energy efficiency investments generated 750,000 toe in energy savings  
**Improved operational performance of power sector**  
WEM Law adopted.  
**Greater power system reliability**  
• Increased hydropower capacity by 80 MW and hydropower production by 160 GWh between 2011 and 2014.  
• Energy not served reduced by at least 35 GWh/year and transmission losses reduced to less than 2.5%.  
**Greater uptake of investment in resource efficiency in agribusiness**  
• Facilitated investments in cleaner production projects of US$150m (including by IFC of US$100m)  
• Cost savings of US$30 million per year through the implementation of resource efficiency initiatives  
• Energy savings of 100,000 MWh/year and water savings of 100m liters/year achieved by the financed projects | **Ongoing Lending:**  
Hydropower Rehabilitation Project  
Power Transmission Project  
Energy Efficiency Project  
**AAA:**  
Gas Sector TA  
**IFC:**  
Cleaner Production Advisory Project  
Sustainable Energy Finance Project |
| Result Area 5: Improving infrastructure for business activities | and state exit strategy for banks recapitalized by the state:  
• establish an operating distressed asset market.  
IFC’s Financial Markets Crisis Management Program helped improve risk management in the financial sector | Internationally recognized Risk Certification in place nationwide | | |
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| Exports are fostered, including through through improved transport and logistics infrastructure and facilitation. | Poor transport infrastructure increases export and transit costs. Parts of the current infrastructure are old and need rehabilitation and upgrading and cannot support private sector growth. Ukraine has very high traffic fatality and injury rates. Traffic accidents are among the main reasons of premature deaths. | **Improved connectivity to key markets:**  
- Riding quality along the rehabilitated road sections of the M03 road improved: International Roughness Index reduced from over 5 in 2012 to less than 2 m/km in 2015.  
- Road capacity increased on 2-lane sections of the M03 between Lubny and Poltava (by widening to four lanes). | 210 km of main network roads rehabilitated and upgraded by end of 2015 | **Ongoing Lending:** Roads and Safety Improvement (RSIP) |
| | | **Road safety along the rehabilitated sections of the M03 and high risk corridors treated is improved as evidenced by:** At least 40% reduction in traffic fatalities and injuries on rehabilitated road sections on the M03 and on treated blackspots and corridors. | | **Indicative Lending:** RSIP - 2 |
| | | **Private participation promoted in transport sector**  
- At least one pilot PPP project in transport brought to a financial closure applying best international practices. | | **AAA:**  
- TA on PPP framework administration and fiscal risks (TF SAFE)  
- IDF Grant for Auditing Road Infrastructure Projects  
- IFC PPP Transaction Advisory Services  
- Direct investments in infrastructure and in exporting enterprises  
- Trade facilitation through Global Trade Finance Facility (GTFP)  
- Partnerships  
- EU, EBRD, EIB |
| | | | | |

**Result Area 6: Improving productivity and competitiveness in agriculture**

| Ensure efficient operation of land market  
Increase agricultural sector competitiveness and ensure efficient control over products safety by bringing technical regulations and standards in line with EU and WTO requirements | Ukraine’s agricultural potential is constrained by lack of transparent land market. Some progress has been made in putting in place enabling legislative framework for land cadastre. Technical standards and sanitary and phyto-sanitary (SPS) and food safety regulations are outdated, and not aligned with the EU, which hampers market access. | **Efficiency of cadastral registration improved**  
- Time for cadastral registration is reduced from 3-24 months in 2011 to 14 days by 2014  
**Standards and regulations are aligned with good international practice to gain market access:**  
- GOST technical standards become voluntary in line with EU and |  | **Ongoing Lending:**  
- Rural Land Titling Project  
**AAA:**  
- Fiscal, Structural and Governance TA  
- Land Governance Assessment Framework (LGAF) |
| | | **Electronic land cadastre system in place and functioning**  
- Ownership certificates issued for all agricultural land in Ukraine.  
- Transparent and pro-market Land Markets Law adopted  
- A road map strategy and legislation is approved to reform technical regulations and standards geared to effectively gain market access for exporters | | |

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<td>WTO guidelines.</td>
<td>• Companies that voluntarily adopt EU compliant SPS norms/regulations and HACCP certified controls do not need to comply with domestic sanitary norms and regulations</td>
<td>• Amendments to Law on Food Safety to harmonize with EU legislation adopted</td>
<td>IFC Investment Climate Advisory Project</td>
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<td>• Functions and regulations related to food safety are unified under a single agency OR at least under a unified legal framework</td>
<td>• Food Safety Advisory Services provided to 50 companies, including in-depth engagement with 10 pilot companies</td>
<td>• US$100m in investment to client companies facilitated by IFC’s Food Safety Project</td>
<td>Food Safety Improvement Project</td>
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<td>• Control functions of the standards committee and any overlapping between the remaining agencies are eliminated</td>
<td>• US$60m in increased sales for client companies of IFC’s Food Safety Project</td>
<td>• Agribusiness Risk Assessment Toolkit developed and used by IFC bank clients</td>
<td>Agri-Finance Project</td>
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<td>Development of agri-insurance and access to agri-finance is advanced</td>
<td>• Farmers adopt agri-insurance as a risk management tool</td>
<td>• Training for bank loan officers initiated and on-going</td>
<td>Agri-Insurance Development Project</td>
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<td>• Increased value of agri-insurance as a means to access finance</td>
<td>• Agri-lending portfolio increases by US$4m for two project’s partner banks</td>
<td>• 12 insurance companies selling new standardized products</td>
<td>Direct investments in agribusiness sector</td>
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<td>• Access to finance for farmers through financial institutions increased</td>
<td>• 12 banks accepting insured crops as collateral</td>
<td>• 1.5 million hectares of land insured</td>
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