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RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
DEVELOPMENT OF THE STATE STATISTICS SYSTEM FOR MONITORING THE
SOCIAL AND ECONOMIC TRANSFORMATION PROJECT
LOAN NUMBER 4729-UA

Board Approval Date: March 25, 2004

TO
UKRAINE
NOVEMBER 24, 2010

ABBREVIATIONS AND ACRONYMS

MoF	Ministry of Finance of Ukraine
MoE	Ministry of Economy of Ukraine
SSCU	State Statistics Committee of Ukraine
NBU	National Bank of Ukraine
DEVSTAT	Development of the State Statistics System for Monitoring the Social and Economic Transformation Project
PDO	Project Development Objective
ICT	Information and Communication System
PAD	Project Appraisal Document
PARIS21	Partnership in Statistics for Development in the 21st Century
TBAP	Time-bound Action Plan
GFS	Government Finance Statistics
BOP	Balance of Payment

Regional Vice President:	Philippe H. Le Houerou
Country Director:	Martin Raiser
Sector Manager:	Benu Bidani
Task Team Leader:	Svetlana Budagovskaya

Development of the State Statistics System for Monitoring the Social and Economic Transformation Project (DEVSTAT)

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DEVELOPMENT OF THE STATE STATISTICS SYSTEM FOR MONITORING THE SOCIAL AND ECONOMIC TRANSFORMATION PROJECT (DEVSTAT)

RESTRUCTURING PAPER

SUMMARY

1. The Ministry of Finance of Ukraine submitted a letter dated July 8, 2010 requesting a two year extension of the DEVSTAT Project. The proposed extension is necessary to finalize the development of the integrated data processing system development (ICT system). The ICT system will greatly facilitate the collection of consistent sets of statistics, access to and exchange of statistical data, as well as efficient data storage and management. The data processing system is therefore an integral part of achieving the project's development objective, namely: "To build a sustainable state statistical system, which efficiently provides timely and accurate data for policy decision making and evaluation".

2. The proposed restructuring and project extension are due primarily to delays in the signing of the contract for the development of the integrated data processing system. The \$4 million contract ultimately became effective in July 2010 and is estimated to take 25 months to complete. The project closing date was previously extended by one year to December 31, 2010. Other project activities are on track for completion by the end of 2010 and it has been agreed with the Client that this second extension will only include activities relating to the development of the data processing system.

3. The Project has four beneficiaries: State Statistical Committee (SSCU), Ministry of Finance (MoF), Ministry of Economy (MoE) and National Bank of Ukraine (NBU) that implement six components as follows:

- A. Organizational Development and Management (SSCU);
- B. Statistical Infrastructure (SSCU);
- C. Data Development (NBU, MoF, NBU);
- D. Strengthening of Informational Basis for Decision-Making and Forecasting in the Ministry of Economy (MoE);
- E. Introduction of Modern Information and Communication Technology (SSCU);
- F. Project Management (SSCU).

4. The Project Development Objective remains unchanged. Extension of the closing date will allow for the completion of the set of activities related to the development of a modern integrated system for statistical data processing (component E), allowing for full achievement of the project's development objective. This ICT system will serve as the backbone for further quality improvements in data collection, dissemination and exchange as well as data storage and management.

5. In parallel, the proposed restructuring uses the opportunity to modify the existing results framework and monitoring indicators to better measure progress towards achieving project objectives, based on new tools available for measuring statistical capacity. The new tools (PARIS21) allow the results framework to capture in a coherent cross-country comparable way the institutional capacity of the State Statistical

Committee. The ICT system which will be implemented during final stage of the project will have a direct bearing on Ukraine's statistical capacity as reflected in the updated result framework.

6. There are no safeguard policy issues associated with this Project.

PROJECT STATUS

7. As of November 24, 2010, the amount of loan proceeds disbursed totaled \$23.6 million. The total disbursed and committed amounts constitute over 90% of the \$32 million loan amount.

8. Since the signing of the ICT system development contract, implementation of the project has been satisfactory. Activities related to the development and improvement of methodologies on sector statistics, Government financial statistics (GFS), balance of payments, as well as monetary and banking statistics (components A, B and C, respectively) have either been completed or are on track to be completed by the end of 2010. Implementation of the related training programs is underway and will be completed by the end of the year although time constraints might result in less study visits than originally planned. A new forecasting model has been elaborated and is being used by the Ministry of Economy, and implementation of all activities under component D is expected to be completed by December 31, 2010. In summary, all activities under the Project, except for the development of the ICT system development for the SSCU (component E), are expected to be completed before the current closing date of the Project (December 31, 2010). The beneficiaries (SSCU, MoF, MoE and NBU) have been informed that all activities not related to ICT system development that have not been completed by December 31, 2010 will not be eligible for financing under the loan and will have to be financed by the Government of Ukraine with its own resources.

9. As noted above, the design and development of ICT system (Component E) has suffered significant delays. The system design contract was completed in 2008, and architecture of the system as well as technical requirements finalized. However, finalization of the ICT system development contract experienced lengthy delays due to a complex contract review and clearance process. The process of finalizing the ICT system development contract was time consuming requiring several rounds of clarifications. The new contract eventually became effective in July 2010. An extension through December 31, 2012 is being sought to allow for full completion of this contract.

10. Implementation of the ICT contract will require the completion of a number of related activities. The Bank and the Borrower have agreed on a time-bound action plan (TBAP) for the Project implementation/completion by the new closing date, December 2012.

11. The Borrower has prepared a list of activities that will be completed by the end of 2010. For these activities, the Bank will provide payments during the 4 months period after December 31, 2010 to finance eligible expenditures incurred before this date. It was agreed with the Borrower that this process should be controlled and monitored by both the Bank and the Borrower.

12. Project audit requirements have been met, and there are no outstanding audit reports or reports that are not satisfactory to the Bank. The FY2009 audit report was provided to the Bank in June 2010; auditors issued an unqualified opinion on the Project financial statements. The audit report and management letter were accepted by the Bank (the Bank's letter dated September 27, 2010).

PROPOSED CHANGES

13. Results/indicators as written in the Annex were elaborated based on those that were included in the PAD and Supplemental Letter to the Loan Agreement, as well as on PARIS21 methodology that was chosen later (in 2006) to measure capacity development of the State Statistics Committee of Ukraine. PARIS21 provides the Bank and beneficiaries with a useful tool to track the results of capacity building efforts over time. This was not included in the original results framework because it was not available at the time of project design but was used later on for assessment of implementation progress as a supplement. Annex 3 presents a comprehensive set of indicators that were developed to allow assessment of implementation progress of the Project towards the PDO and specific interim results of the project components

14. Closing date. The proposed extension would constitute the second extension of the closing date. The extension has been discussed with the MoF, and it was agreed that the extension will solely include activities related to the development of the ICT system, i.e. the remaining activities under Part E (Introduction of Modern Information and Communication Technology) and Part F (Project Management) of the Project. The time bound action plan for the Project has been elaborated and agreed with the SSCU. The TBAP describes actions required to develop ICT and to monitor the implementation process.

15. In the letter of the MoF dated July 8, 2010, the Borrower requested extending the Loan closing date by two years. The team proposes that the Bank approve an extension of the closing date from December 31, 2010 to December 31, 2012 for components E and F to finalize the development of ICT system for the SSCU. Other beneficiaries of the Project will complete all activities by the current closing date (i.e. December 31, 2010).

**ANNEX 1:
Results Framework and Monitoring
UKRAINE: Development of the State Statistics System for Monitoring the Social and Economic Transformation Project
(DEVSTAT)**

Project Outcome Indicators	Core	D=Droppe d C=Continu ed N= New R=Revised	Baseline (2005/2006) ¹		Cumulative Target Values*									
			Unit of measurement	Value	2005	2006	2007	2008	2009	2010	2011	2012 Target value		
Sustainable state statistical system established providing steady supply of timely and accurate social and economic data readily available to users as reflected in improved statistical capacity score	<input type="checkbox"/>	N	Average score of statistical capacity based on PARIS21 methodology	2.9	n/a	2.9	3.0	3.0	3.2				3.1-4	
Intermediate Results														
Intermediate Result (Component A): 1. Workload due to centralized reporting and its processing is shrunk: the number of statistical forms is decreased by at least 12% at Project completion; 2. Annual increase of the number of interviewers undergone training by 15%; 3. Decrease of respondent's reporting burden on filling in of the structural business survey form to 9 hours at Project completion.														
Revised Intermediate Result (Component A): 1. Improved efficiency of statistical system by re-allocation of function between central and local statistical offices through piloting of two tier organizational model across the country; 2. Reporting and processing burden diminished: number of statistical forms decreased by 12%; 3. Time need to fill in the structural business survey form decreased from 9.6 hours to 8.4 hours														
1. Improved efficiency of statistical system by re-allocation of function between central and local statistical offices through piloting of two tier organizational model across the country	<input type="checkbox"/>	N	Yes/No	No	No	No	No	prototype of two tier organizational model developed and piloted in 7 oblasts	Yes prototype of two tier organizational model is implemented across the country					Achieved in 2008

Project Outcome Indicators	Core	D=Droppe d C=Continu ed N= New R=Revised	Baseline (2005/2006) ¹		Cumulative Target Values*								
			Unit of measurement	Value	2005	2006	2007	2008	2009	2010	2011	2012 Target value	
2..Reporting and processing burden diminished: number of statistical forms decreased by 12%	<input type="checkbox"/>	C	Decrease in number of statistical forms, (%)	4.61	4.61	9.22	16.59	18.89	21.66				Achieved in 2007
3. Time need to fill in the structural business survey form decreased from 9.6 hours to 8.4 hours	<input type="checkbox"/>	C	Hours to complete the form	9.1	9.1	9.0	8.9	8.7	8.6				8.4
Intermediate Result (Component B): no indicators													
Revised Intermediate Result (Component B): 1. Statistical business register established, fully operative and regularly updated; 2. Automated statistical classification system compliant with EU standards introduced													
1. Statistical business register established, fully operative and regularly updated	<input type="checkbox"/>	N	Average score of statistical capacity under category “Statistical registers” based on PARIS21 methodology	2.7	n/a	2.7	2.8	2.8	2.9				3.1-4
2. Automated statistical classification system compliant with EU standards introduced	<input type="checkbox"/>	N	Average score of statistical capacity under category “Classifications” based on PARIS21 methodology	2.8	n/a	2.8	3.0	3.0	3.0				3.1-4
Intermediate Result (Component C): 1. Increase the reliability of regional estimates of main poverty indicators (measured through decrease of coefficient of variation to 10%) at Project completion; 2. Increase share of responses for the basic enterprise statistics surveys by 10 percent points at Project completion; 3. The number of processed reports given other characteristics remain unchanged (i.e. timeliness and quality of statistical products) due to introduction of sample surveys of small enterprises was reduced by 70% at Project completion; 4. Reduced processing and publication terms for labor force surveys to 80 days at Project completion													
Revised Intermediate Result (Component C): 1. Achieved full compliance with the international statistical standards; 2. Increase of rate of response in basic enterprise surveys from 70% to 80%; 3. Reduce the number of processed reports by 70% as a result of small enterprises sample survey													

Project Outcome Indicators	Core	D=Droppe d C=Continu ed N= New R=Revised	Baseline (2005/2006) ¹		Cumulative Target Values*							
			Unit of measurement	Value	2005	2006	2007	2008	2009	2010	2011	2012 Target value
1. Achieved full compliance with the international statistical standards	<input type="checkbox"/>	N	Average score of statistical capacity under category "Methodologic al basis" based on PARIS21 methodology	2.8	n/a	2.8	3.1	3.1	3.2			3.1-4
2. Increase of rate of response in basic enterprise surveys from 70% to 80%	<input type="checkbox"/>	C	Response rate, %	72	72	73	77	84	83			Achieved in 2009
3. Reduce the number of processed reports by 70% as a result of small enterprises sample survey	<input type="checkbox"/>	C	Number of reports reduced, %	0	0	0	0	78	80			80
Intermediate Result (Component D): no indicators												
Revised Intermediate Result (Component D): 1. Upgraded short- and medium- forecasting models are introduced and used for analysis												
1. Upgraded short- and medium-forecasting models are introduced and used for analysis	<input type="checkbox"/>	C	Yes/No	No	No	No	No	No	Yes			Achieved in 2010
Intermediate Result (Component E): 1. Growth of average monthly numbers of SSCU WEB-site access by 5% annually; 2. The share of regional statistics departments, represented by WEB-pages has reached 1005 at Project completion; 3. The number of surveys undertaken with electronic data collection methods (including distance one) has reached at least 10												
Revised Intermediate Result (Component E): 1. Websites created and available for users in all regional offices; 2. Increased implementation of surveys using electronic data collection methods; 3. Number of staff at the central and local level that received certified training and re-training in core statistical software products (SPSS&SYBASE); 4. Integrated system for statistical data processing managed by meta data is developed												
1. Websites created and available for users in all regional offices	<input type="checkbox"/>	C	Number of offices	26	26	27	27	27	27			Achieved in 2006
2. Increased implementation of surveys using electronic data collection methods by 10%	<input type="checkbox"/>	C	% of surveys	0	0	0	0	0	35			Achieved in 2010

Project Outcome Indicators	Core	D=Droppe d C=Continu ed N= New R=Revised	Baseline (2005/2006) ¹		Cumulative Target Values*							
			Unit of measurement	Value	2005	2006	2007	2008	2009	2010	2011	2012 Target value
3. Number of staff at the central and local level that received certified training in core statistical software products (SPSS&SYBASE)	<input type="checkbox"/>	C	Number of trained staff	0	0	0	0	210	231			292
4. Integrated system for statistical data processing managed by meta data is developed	<input type="checkbox"/>	C	Yes/No	No	No	No	No	No	No			Yes

Note: 1/Baseline is 2005, except for indicators based on the PARIS21 methodology, for which the baseline is 2006.