

**1. CAS Data**
**Country:** Ukraine

**CAS Year:** FY 03

**CAS Period:** FY04 – FY07

**CASCR Review Period:** FY04 – FY07

**Date of this review:** November 28, 2007

**2. Executive Summary**

i. As the CAS was a joint strategy between the Bank and IFC, this review of the CASCR covers the Bank-related aspects and is evaluated by IEG-WB; IFC-related aspects of the CASCR are reviewed by IEG-IFC, whose review is included as Attachment 1.

ii. This Review examines the implementation of the FY04-07 Ukraine CAS and 2005 CAS Progress Report, and evaluates the 2007 Ukraine CASCR. IEG has also prepared a Country Assistance Evaluation (CAE). The CAE reviews the outcomes of the Bank's assistance to Ukraine over the FY99-FY06 period and rates the overall outcome as moderately satisfactory. The report was discussed at a CODE Subcommittee meeting on October 29, 2007.

iii. The FY04-07 CAS, based on Ukraine's performance under the Bank Group's FY00-03 and an ambitious program advanced by the Government in 2003, envisaged a period of fairly comprehensive, rapid policy reform and institutional development, supported by a substantial program of Bank Group lending and non-lending assistance. The Bank Group strategy was developed in the context of the Government's broader development objectives, and provided for at least some Bank Group support in furtherance of all the Government's major objectives. However, a few themes—consolidation of progress in imposing hard budget constraints and financial discipline and strengthening the institutional underpinnings of public financial management, improving the business environment and aligning incentives with efficient, sustainable growth, and improving public sector performance—permeated the Bank Group's program.

iv. Implementation of the CAS program was mixed. Those parts of the program linked via policy based lending to fiscal and financial discipline (including in the energy sector), economic integration, and public sector financial management were implemented roughly as envisaged, albeit at a slower pace than expected. Other parts of the Bank program linked via investment lending to structural reform and institutional development related to corporate governance and in the social sectors met political consensus and/or institutional capacity constraints. As a result, the Bank program delivered fell below the low end of the planned Base Case Program. IFC's investment activity, in contrast, expanded quite significantly.

v. Results with respect to intended outcomes of Bank assistance were similarly mixed with the strongest performance recorded with regard to fiscal and financial discipline, energy sector finances, economic integration, and public sector financial management. In each area, Bank support (both lending and non-lending), in the context of a very favorable macroeconomic environment, was an important contributor to favorable outcomes. Outcomes of Bank support and Bank Performance are both rated *Moderately Satisfactory*.

vi. IEG concurs with the lessons drawn in the CASCR, which are consistent with those drawn in the recent CAE and resonate with those in the recent IEG evaluation of Bank support to MICs. IEG would underscore for close attention in implementing the new strategy the importance of flexibility across areas of engagement and instruments deployed, monitoring progress in implementation closely and adjusting the overall program focus and instruments as required in response to emerging constraints and opportunities in Ukraine.

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### 3. CASCR Summary

#### **Overview of CAS Relevance:**

1. *Context.* After nearly a decade of deep recession, the FY04-07 CAS was prepared in the wake of three years of solid economic performance, underpinned by sound macroeconomic management and broad progress on structural reform. This CAS built on the previous CAS, and positioned Bank Group to contribute to achievement of the seven objectives of the Government's *European Choice* development strategy.

2. *Bank Group Program.* The CAS was grounded in the specific development objectives of the Government's program. It explicitly linked—in a pilot results framework—planned Bank Group interventions with expected intermediate outcomes of Bank assistance on one side with the broader Government objectives for Ukraine. On the IBRD side, it envisaged a program comprised of Base Case lending ranging between \$1.8 and \$2.4 billion (of which up to \$1.1 billion was to be policy-based programmatic lending). This was complemented by a planned AAA program of 49 product (formal and informal) deliveries. Notwithstanding its comprehensive coverage, most of the Bank's planned program focused on the first pillar (Macroeconomic and Financial Stability) of the Government's program.

3. *Realism and Risk.* Notwithstanding its emphasis on the first pillar, the program envisaged that some Bank Group support would be provided for all seven pillars of the Government's program. As a pilot for a results-based country strategy, while the CAS distinguished conceptually between country level objectives and CAS outcomes, the CAS outcomes it specified were quite ambitious—particularly in relation to the proposed instruments under a number of pillars. For example, the CAS undertook to decrease the number of depressed territories although it had no specific instrument for supporting this objective. The lending program was also ambitious in relation to the size of the Bank Groups program and previous operational experience. The assumptions underpinning the CAS concerning growth and fiscal and financial outcomes were realistic in light of Ukraine's previous history and position at the time of the CAS; the assumptions concerning the political consensus and institutional capacity to deliver reform and institutional development proved, however, to be overly optimistic, particularly in view of the political uncertainty surrounding the country during much of the CAS period. The CAS for the most part correctly identified and provided for risks (it may have missed the risk that the political consensus for the Government's strategy and institutional capacity to implement it could turn out to be less robust than surmised by the Bank); it underestimated the intensity and duration of political turmoil that materialized.

#### **Overview of CAS Implementation:**

4. *Lending.* The CASCR states that the Bank operated in the Base Case during the CAS period. However, actual lending commitments (\$1.140 billion) were well below the low end (\$1.8 billion) of the Base Case lending range. Only two of the potential four programmatic policy-based loans were delivered, totaling \$550 million, as completion of the associated policy-agendas took longer than contemplated in the original program design. Nonetheless, policy-based lending was the dominant instrument in the Bank's program, with PAL II and DPL I cutting across wide swaths of the development agenda. Policy-based lending accounted for about half of actual commitments, but two-thirds of total disbursements. PAL II supported measures being undertaken by the Government intended to strengthen fiscal and financial discipline, improve the regulatory framework for the financial sector, facilitate WTO accession, agricultural land ownership, transparency of privatization, accelerate financial reorganization of public sector enterprises, implement action plans to improve public sector financial management and procurement, reforms of pensions and social assistance, and improve environmental regulations. DPL-I, the first of a planned three-operation program, supported measures

to improve the investment climate, public administration and public financial management, and social services provision and inclusion. Investment lending was also less than envisaged. In some instances, government commitment to and/or capacity to deliver with respect to some areas (e.g., strengthening of environmental institutions, health reform, improving targeting of social assistance, pension reform) planned to be supported via investment lending were inadequate. In others, use of domestic resources or other donor funding was deemed preferable. Portfolio implementation was problematic with projects at risk and commitments at risk averaging respectively 30.7 and 30.1 percent of the respective totals over the period FY2004-2007, with no tendency to decline. This compares to 11.2 and 10.9 percent for the ECA Region (and both were declining) and 11.2 and 12.6 percent for Russia (and both were declining). Investment project disbursement ratios averaged only 8.2 percent over the CAS period.

5. *Non-lending.* Bank non-lending deliveries were roughly in line with CAS expectations, albeit with some slippage in some products, and were adequate in scope and quality to underpin the Bank's lending operations and as a vehicle for dialogue and advice to the Government. The CASCR notes that the effectiveness of AAA interventions as an instrument for building consensus on reform might have been improved by efforts to broaden the dissemination of AAA products outside of Government. IFC, according to the CASCR, also expanded its advisory services as envisaged in the CAS, committing about \$20 million, emphasizing corporate governance, business climate, and agribusiness development issues.

6. *Quality and Effectiveness of Operations.* Seven Bank operations closed during the period and were evaluated by IEG. Seventy-one (71) percent, by number were rated Satisfactory (2-Highly Satisfactory; 4-Satisfactory; 1-Unsatisfactory) as compared to ECA Region and Bankwide averages of 85.2 and 80.6 percent respectively. On a commitments basis, 99.4 percent of the evaluated operations were rated Satisfactory compared to 89.3 and 81.6 percent for the ECA Region and Bankwide respectively. Institutional Development Impact was rated as Substantial for 57.1 percent (99.3 percent on a commitments basis) of the operations, versus 61.9 percent for the ECA Region and 56.2 percent Bankwide. Sustainability was rated Likely or better for 66.7 percent (99.4 percent on a commitments basis) of the evaluated operations, versus 89.7 percent for the ECA Region and 81.6 percent Bankwide.

7. *Management of Implementation Risk.* During the implementation of the CAS, less favorable political conditions—including less consensus supporting some elements of the Government's program—and weaker institutional capacity than surmised in the CAS impeded the implementation of the strategy. Intensive efforts were made to improve the performance of the portfolio and improve lending preparation, but these remained problematic. The mid-course corrections made in conjunction with the 2005 CAS Progress Report recalibrated the strategy appropriately, but implementation problems continued through the period on the more difficult structural reforms supported by the Bank due to continuing political uncertainty.

**Overview of Achievement by Objective:**

8. In light of the results-based framework underlying the Ukraine 2003 CAS, the review of Bank program outcome by objective uses the three-column framework that is typical of results-based CASs. This has the effect of making the tracing through of effect of Bank intervention on the results chain more transparent, but otherwise involves no fundamental change of the evaluation approach.

9. The Government's strategy, supported by the Bank Group, articulated objectives and targets in seven areas. The Bank Group's results framework—an early pilot of the results based CAS concept—mapped these back into expected outcomes of Bank assistance and intermediate indicators/actions contributing thereto. Overall, achievement was mixed, with the strongest record of achievement on fiscal and financial discipline, and a more mixed picture with regard to structural reform and institutional development objectives and intermediate outcomes. Achievements in each area are summarized below and compared with 2003 CAS expectations as set forth in Table 3 (Framework For Results) of that document.

0. **Macroeconomic and financial sustainability.** Bank support emphasized meeting performance criteria and implementing structural reforms in five areas to underpin growth: (i) fiscal and financial discipline, and financial sector development, (ii) corporate governance and business environment, (iii) property rights, (iv) energy sector, and (v) the knowledge economy. Significant progress was made in improving fiscal and financial discipline, and some dimensions of financial sector (deepening, as reflected in growth of the banking sector in relation to the economy) and energy sector (particularly payments discipline in the sector) development. Energy sector service (power outages declined from about 7 days per year in 2002 to about 3 days per year in 2005) and financial performance (the non-payments problem was virtually eliminated) were generally met. The improvement in fiscal and financial discipline was similar to that observed in the Russian Federation. Bank policy-based lending (PAL II, DPL I), which contained a number of conditions/measures related to fiscal and financial discipline and financial sector development, non-policy based lending (e.g., the State Tax Administration Project) and AAA supported these developments, although similar improvements in other transition economies suggest that strong growth was also a major contributing factor in these outcomes. Less progress was made with regard to corporate governance and business environment (which was to be supported by the Bank's ongoing Private Sector Development Project), property rights, energy sector efficiency, and knowledge economy outcomes targeted by Bank assistance. Planned Bank outputs supporting some of these intended outcomes either were delayed (e.g., Business Environment TA), did not materialize (e.g., Knowledge Economy Assessment, Rural Economic Development) or were cancelled/suspended (e.g., E-Development Project, Private Sector Development).

**Summary of Results re Original CAS Objectives: Macro and Financial Sustainability**

Key Country Development Goals and Related Indicators	Key CAS Outcomes that the Bank Expects to Influence through its Interventions	Bank Group Interventions to Facilitate Attainment of Key CAS Outcomes
(i) Annual growth rate at 5-6% - <i>Achieved</i> (outcome 7.8% 2003-06); (ii) Public debt < 40% of GDP - <i>Achieved</i> (outcome 17%); (iii) Increased financial depth of the economy - <i>Achieved</i> .	(i) Fiscal deficit consistent with public debt reduction - <i>Achieved</i> ; (ii) Continued improvement in the business environment - <i>Partially achieved</i> (progress made in improving legal and regulatory framework for business, although not yet reflected in perceptions); (iii) NBF1 regulator independent, financially viable, and fully functional - <i>Partially achieved</i> (some legislation has been drafted but not yet approved or implemented); (iv) Reporting and supervision of banks is risk-based and consolidated - <i>Partially achieved</i> (progress made in compliance with Basel II standards).	(i) PAL series supporting improved financial discipline in public and private sectors, property rights, and regulatory environment for business - <i>Two of four planned operations delivered; implementation satisfactory</i> . (ii) Energy Reform APL supporting improved efficiency and solvency of the energy sector - <i>Efficiency and solvency of sector improved with support of policy-based lending. Energy Reform APL not delivered; Replaced by Hydropower Rehabilitation; Implementation of the latter is satisfactory</i> . (iii) Financial Sector Modernization and Rural Finance supporting development of secured lending and improved regulation - <i>Operation delivered; Implementation unsatisfactory</i> .

1. **Poverty reduction, mitigation of social risks, and strengthening of the middle class.** Country level poverty reduction and real-wage growth objectives were over-achieved. In the case of poverty, the poverty headcount declined in both urban and rural poverty and pensioner poverty. This was similar to the pattern of dramatic poverty reduction achieved over the same period in the Russian Federation. Poverty reduction in Ukraine was due both to strong GDP and real wage growth (77 percent by the end of the CAS period) and to increased social assistance expenditure—particularly pensions. Outcomes targeted by Bank assistance to support the sustainable poverty reduction objective—reduction of burden of taxes on labor, reduced pension arrears, improved management of social assistance, targeting of social assistance and pension reform—were partially achieved. While

Bank support responded to reductions in pension arrears (PAL II) and improvements in some dimensions of the management of social assistance toward the end of the CAS period (e.g., via the Social Assistance Systems Modernization project) and social assistance analysis (e.g., via a Poverty Update) little progress was made in improving targeting or reforming pensions (as was expected to be supported under the delayed DPL II and III operations).

**Summary of Results re Original CAS Objectives: Poverty Reduction**

Key Country Development Goals and Related Indicators	Key CAS Outcomes that the Bank Expects to Influence through its Interventions	Bank Group Interventions to Facilitate Attainment of Key CAS Outcomes
(i) Poverty headcount reduced from 27.8 to 23.8% - <i>Achieved (outcome 8%);</i> (ii) Living standards of working population improved - <i>Achieved (outcome 77% increase in real wage rates).</i>	(i) 60% of social program benefits reach poorest 30% of the population - <i>Not achieved; Outcome indicator not reported;</i> (ii) Administrative costs of social protection programs reduced by 50% - <i>Outcome not reported;</i> (iii) Revised system of unemployment insurance in place - <i>Outcome not reported.</i>	(i) PAL series will assist streamlining and targeting of social assistance - <i>Two of four planned operations delivered.</i> (ii) Social Protection Administration Efficiency Reform will help build modern social protection institutions - <i>Operation delivered; Implementation has been problematic but is currently moderately satisfactory.</i> (iii) Pension Reform Implementation Project will help implement recently approved legislation - <i>Operation not delivered; dropped at CAS Progress Report.</i> (iv) Development of Rural Economy will help create rural income opportunities - <i>Operation merged with Financial Services Access Project and scaled down; implementation unsatisfactory.</i>

12. Comprehensive and harmonized human development. In health, indicators of child and maternal mortality showed progress in line with objectives, but progress on life expectancy and TB and AIDs fell considerably short of CAS targets. Mortality from AIDS stands at 5.1 per 100,000, while the CAS had targeted .7 per 100,000. HIV cases stand at 15.2 out of 100,000, while the CAS expected 14.1. TB incidence stands at 84.1 per 100,000 above the CAS target of 56.4. Bank assistance in health was geared primarily toward improved outcomes with respect to TB and HIV/AIDs. Bank support has included both lending (TB/HIV/AIDs Control) and non-lending assistance (e.g., through non-lending TA and donor coordination activities to establish a national program, and an impact study). Implementation of its lending operation has been problematic, in part complicated by the availability of more attractive financing. AAA on the impact of HIV/AIDs has improved the prospects for eventual successful implementation. Planned broader involvement in the health sector did not materialize due to the problems in the TB/HIV/AIDs operation. In education, progress in line with CAS expectations was made with regard to access, with major increases registered in pre-school and secondary enrollment. Bank support was provided through the Equal Access To Education Project, the first in a planned series of APLs. Evidence on likely correlates of quality suggests some possible improvement during the CAS period.

**Summary of Results re Original CAS Objectives:  
Comprehensive and Harmonized Human Development**

Key Country Development Goals and Related Indicators	Key CAS Outcomes that the Bank Expects to Influence through its Interventions	Bank Group Interventions to Facilitate Attainment of Key CAS Outcomes
(i) Under 5 child mortality reduced from 13.5 to 12.8 per 1,000 - <i>Probably achieved-indicator stood at 12.9/1,000 in 2005;</i> (ii) Enrollment and completion rates in secondary education increased - <i>Partially achieved; enrollment increased; completion rates indicator not reported.</i>	(i) Streamlined delivery and improved performance of health and education facilities - <i>Outcome not reported;</i> (ii) Health and Education Strategies implemented - <i>Not achieved;</i>	(i) PAL will support implementation of the health and education strategies; (ii) Equal Access to Quality Education will focus on implementing curricula to meet EU standards - <i>Operation delivered;</i>

(iii) Share of population using drinking water that satisfies national standards to exceed 88% in urban and 54% in rural areas – <i>DO indicator not reported.</i>	(iii) Reach a cure completion rate of 80 percent for TB intervention, excluding MDR TB cases – <i>Not achieved; Outcome indicator not reported.</i> (iv) System to certify quality of water in municipalities in place – <i>Outcome not reported.</i>	(iii) Health Reform will support equal access to high quality services – <i>Operation not delivered;</i> (iv) Municipal Development will provide resources for local investment and TA for investment grants from central government – <i>Not delivered as a stand-alone; merged with Financial Services Access and scaled down; implementation unsatisfactory.</i>
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13. Protection of the natural environment. Targeted country outcomes, which focused on improving energy efficiency, reducing carbon intensity, and adoption of environmental regulation consistent with international standards were only partially achieved. Energy and carbon intensity measured on a per unit of GDP were reduced, however. It is highly probable that Bank support, which emphasized improvements in the pricing of energy, contributed to lowering intensity as against a no-price-adjustment/no-financial-discipline counter-factual. Bank CAS support targeted strengthening Ukraine's institutional capacity to implement Ukraine's National Environmental Strategy (NES) (via, PAL II which supported revision of Ukraine's environmental fees, a proposed Environmental Institutional Strengthening project and energy sector operations), the preparation of which was supported by the Bank in a previous CAS period, and to participate more fully in global environmental initiatives (via GEF, Montreal Protocol, and Prototype Carbon Fund operations). The institutional strengthening project did not materialize and the Avoz Black Sea Project were cancelled due to lack of Government commitment. However, an Emissions Reduction Purchases Agreement (ERPA) under the Kyoto Protocol was negotiated and signed with the Bank as Trustee—a significant positive development in view of Ukraine's potential for further participation in such agreements.

**Summary of Results re Original CAS Objectives: Protection of the Natural Environment**

Key Country Development Goals and Related Indicators	Key CAS Outcomes that the Bank Expects to Influence through its Interventions	Bank Group Interventions to Facilitate Attainment of Key CAS Outcomes
(i) CO2 emissions per capita reduced – <i>Not achieved. However, emissions and carbon intensity in PPP GDP terms declined.</i>	(i) Index of compliance with environmental regulations improved – <i>Outcome and outcome indicator not reported.</i>	(i) Environmental Institutional Strengthening will help implement the NES – <i>Operation not delivered.</i>

14. Integration into the world economic and financial system. The trade regime has been liberalized significantly since 2005, with tariffs reduced to an average of 5.1 percent and customs administration reformed. Trade also expanded relative to GDP over the CAS period, The share of trade with EU did not increase however. Progress was made on meeting EU and WTO requirements, although WTO membership was not achieved by the end of the period under review. Bank support contributed to EU/WTO objectives through measures undertaken with the PAL II/DPL I, and AAA. Bank support, particularly AAA work on trade (Trade Study) is widely credited in Ukraine with making a substantial contribution to progress on the trade agenda.

**Summary of Results re Original CAS Objectives: Economic and Financial Integration**

Key Country Development Goals and Related Indicators	Key CAS Outcomes that the Bank Expects to Influence through its Interventions	Bank Group Interventions to Facilitate Attainment of Key CAS Outcomes
(i) Progress with adoption of EU requirements – <i>Achieved;</i>	(i) Implementation of harmonization of legal framework with EU standards increased from 10 percent up [sic] - <i>Partially achieved (progress made in aligning legal framework; outcome indicator not reported.</i>	(i) PAL series will assist develop [sic] regulatory institutions and certification standards - <i>Achieved; Bank non-lending assistance also contributed significantly.</i>

(ii) Share of EU trade in total trade increased – <i>Not Achieved.</i>	(ii) Certification system compliant with EU standards – <i>Partially achieved (progress made in adoption of EU compliant standards).</i>	(ii) Pilot EU Integration seeks to test the concept of EU convergence at the local level – <i>Operation not delivered.</i>
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15. Dynamic regional development and reduction of regional imbalances. Lacking a clear national strategy to promote these objectives, Bank support for this objective was largely derivative from operations designed to support other related government objectives. Bank efforts targeted improved outcomes with regard to the system of inter-governmental fiscal transfers (through measures supported by the Bank’s programmatic policy based lending), improved local government accountability and civil society organization (through the People’s Voice II project), improved municipal financial management (via a proposed Municipal Development Finance project that subsequently was merged into the Access To Financial Services project), and improved local business environments (via the Private Sector Development project). Progress against these specific objectives of Bank support was mixed. Improvements were made in the system of inter-governmental transfers, but these were not grounded in an overall strategic framework for regional development. Support for improvement of regulation/business did not materialize as the PSD project was cancelled and planned support of investment at the municipal was only beginning implementation at the close of the CAS period. A planned project to support regional development in the framework of EU integration did not materialize.

**Summary of Results re Original CAS Objectives: Regional Development**

Key Country Development Goals and Related Indicators	Key CAS Outcomes That the Bank Expects to Influence Through Its Interventions	Bank Group Interventions To Facilitate Attainment of Key CAS Outcomes
(i) Per capita income variation across regions reduced – <i>Not Achieved.</i>	(i) Share of public resources allocated to depressed territories rationalized - <i>Outcome not reported;</i> (ii) Number of depressed territories decreased from 50 – <i>Outcome not reported.</i>	(i) PAL series will support further fine tuning of fiscal transfer system - <i>PAL series partially delivered and contributed to fine-tuning of the fiscal transfer system;</i> (ii) Municipal Development will provide incentives for increased fiscal capacity and local investment – <i>Support delivered under Access to Financial Services; Implementation unsatisfactory.</i>

16. Integrity of public governance. Outcomes envisaged for Bank support included strengthening Ukraine’s civil service (via measures supported by policy-based programmatic lending), accountability and transparency (via the People’s Voice project), and via institutional development and budget process reform to strengthen budget formulation, execution, and audit. Bank operations supported a combination of supply and demand side measures, continuing many initiatives of the preceding CAS. Most progress was achieved in the area of budget formulation reform. Under a budget code developed with support from the Bank and others during the previous CAS period, budgets have become more comprehensive and transparent. Progress, although to a lesser degree, has also been made in execution (supported in part by the Treasury Management Project) and audit (supported in part by DPL I and Bank support to facilitate closer integration with the EU). There have also been some shortcomings in each of these areas. In formulation, less progress was made than envisaged in strengthening capital budgeting. In execution, reforms of public procurement implemented in the previous CAS period were reversed. Little progress was made in strengthening Ukraine’s civil service institutions or the performance of most line ministries. The core economic management public institutions (e.g., MoF, Central Bank), however, have become stronger and perform well across a range of functions. Bank support has contributed to this outcome.

**Summary of Results re Original CAS Objectives: Integrity of Governance**

Key Country Development Goals and Related Indicators	Key CAS Outcomes That the Bank Expects to Influence Through Its Interventions	Bank Group Interventions To Facilitate Attainment of Key CAS Outcomes
<p>(i) Public policy development and coordination process approaches EU standards – <i>Partially achieved</i>;</p> <p>(ii) Enhance role of civil society in monitoring and assuring public sector accountability - <i>Achieved</i>.</p>	<p>(i) Annual baseline assessment of civil service and policy management in place – <i>Not achieved</i>;</p> <p>(ii) Share of civil servants of 3-7 categories appointed on the basis of open competition increased from 73.8 to 76 percent – <i>Outcome and outcome indicator not reported</i>;</p> <p>(iii) System of financial accountability and public procurement compliant with fiduciary requirements – <i>Partially achieved (piecemeal improvements made in public financial management; previously-implemented procurement reforms reversed)</i>.</p>	<p>(i) PAL series will support modernization of internal and external control over public expenditures; policy design and consultations, and civil service reform – <i>Partially achieved</i>;</p> <p>(ii) People’s Voice II scales up experience with civil society participation in public life - <i>Delivered; Operation financed by another donor</i>.</p>

**Achievement of CAS Objectives**

Objectives	CASCR Rating	IEG Rating	Explanation / Comments
I. Macroeconomic and financial sustainability	NR	S	The outcome of Bank support in this area is rated Satisfactory in view of impressive achievements with regard to achieving and sustaining fiscal and financial discipline, economy wide and in the energy sector, supported primarily by PAL II and DPL I, which were critical to Ukraine in this period.
II. Poverty reduction, mitigation of social risks, and strengthening of the middle class	NR	MS	The outcome of Bank support in this area is rated Moderately Satisfactory on the basis of strong poverty reduction and recent developments that suggest that the structural agenda supported by the Bank is gaining traction.
III. Comprehensive and harmonized human development	NR	MU	Country level targets for access to education appear to have been met; quality correlates also show some improvement. Progress was made in reducing child mortality and maternal mortality. Bank support in this area focused primarily on secondary education access and quality and TB and HIV/AIDs, supported by AAA in both health and education. Progress with regard to TB/HIV/AIDs has been disappointing, where the Bank’s lending operation was suspended for a considerable period. Overall, the outcome of Bank assistance in this area is rated Moderately Unsatisfactory.
IV. Protection of natural environment	NR	MU	CO2 emissions intensity and energy intensity increased in per-capita terms, but were arguably lower than they would have been as a result of Bank contributions to increasing financial discipline and decreasing price distortions in the energy sector. On a PPP GDP basis, emission intensity and carbon intensity were reduced. Bank objectives in supporting implementation of Ukraine’s National Environmental Strategy through strengthening environmental institutional capacity were not achieved. However, negotiation of an ERPA under the Kyoto Protocol was achieved with Bank support. Outcomes of Bank support in this area are rated Moderately Unsatisfactory.

<i>Achievement of CAS Objectives (Cont'd.)</i>			
<b>Objectives</b>	<b>CASCR Rating</b>	<b>IEG Rating</b>	<b>Explanation / Comments</b>
V. Integration into the world economic and financial system	NR	S	Bank Group lending and non-lending support, particularly a trade study, contributed to good progress toward meeting EU and WTO trade requirements. Outcomes in this area are rated as <b>Satisfactory</b> .
VI. Dynamic regional development and reduction of regional imbalances	NR	U	Regional disparities increased and the Bank's program included few instruments that were directly relevant to this objective. The outcome of Bank support in this area is rated <b>Unsatisfactory</b> .
VII. Integrity of public governance	NR	MS	Progress was made on country and Bank objectives in improving budget formulation, execution and audit, and in improving some dimensions of governance; less progress was made with regard to civil service reform objectives, institutional structure of public administration, and judicial independence. An outcome rating of <b>Moderately Satisfactory</b> is warranted.

**Comments on Bank Performance:**

17. The Bank's strategy was derived from and linked in a pilot results framework to the Government's development objectives. The overall strategy and proposed operational program was grounded in a solid body of knowledge produced in previous AAA. The broader objectives of the Government's program and specific outcomes of Bank assistance were relevant in view of the diagnostic work undertaken by the Bank and others, but not all realistic in view of the underlying Ukrainian political environment and Ukraine's institutional capability. The Bank appropriately focused on consolidating gains made in fiscal and financial discipline (both performance and institutions), but at the same time to some extent dissipated its efforts by also working—albeit with different levels of intensity—across pretty much the full range of the development agenda. In the event, achievement of the full range of objectives was more than the Government or the Bank could accomplish. Products delivered under the strategy were of high internal quality although, in the case of a number of investment lending products, not well-matched to Ukraine's alternative financing options, wishes and capabilities. As these mismatches emerged, the Bank responded appropriately. Continuing problems with the investment lending program raise the question, as is discussed in the CASCR, as to whether the Bank's approach to deployment of this instrument is as effective and efficient as it might be. The CASCR does not explicitly evaluate the Bank's role as an aid coordinator, but does observe that there are areas in which coordination within the Bank group—between IBRD and IFC in particular, and coordination with external partners, could be improved.

**4. Overall IEG Assessment**

<b>Outcome:</b>	<i>Moderately Satisfactory</i>
<b>Bank Performance:</b>	<i>Moderately Satisfactory</i>

18. An overall rating of **Moderately Satisfactory** is assigned to the outcome of Bank assistance despite less than fully satisfactory outcomes with regard to several dimensions of Bank support. This is because IEG views the achievements in successful areas as critical for the FY2004-07 CAS period. AAA was also generally effective in helping the Government sort through reform options and set policy directions (e.g., in trade, energy sector reform, and public expenditure management). However, other factors—predominantly the very vigorous growth in the economy notwithstanding prolonged political turmoil, spurred by strong global growth and growth in Russia during most of the period—were the major factors in successful outcomes in these key areas.

19. Bank performance is also rated as Moderately Satisfactory. The strategy was a sensible if expansive response to the opportunities reflected in the Government's recent pre-2003 performance and strategy, and the Bank appears to have adjusted its program appropriately during implementation and at the time of the CAS Progress Report to emerging Ukrainian political and institutional constraints bearing on several CAS objectives. These constraints were the predominant factor accounting for less than fully satisfactory performance in a number of CAS areas.

#### **5. Assessment of CAS Completion Report**

20. The CASCR presents a full accounting of implementation of the CAS, developments relevant thereto, and a candid assessment of outcomes with regard to the objectives of Bank assistance. While explicit coverage of the relevance of objectives the Bank's strategy could have been strengthened, coverage of implementation was excellent during this period. Particularly commendable also is the effort made to determine what went wrong and why in areas where performance fell short of expectations. The CASCR treatment of country and CAS level outcomes was, in general, very good although country level indicators could have been clarified in some instances (e.g., differentiation between targets in CAS and outcomes, educational access, water and sanitation) and the connection between the coverage of CAS outcomes in the CASCR and the specific outcomes specified in the 2003 CAS (Table 3 and Annex B 9) particularly given the degree of generality of some of the latter, could perhaps be clarified. Many of these issues are attributable at least in part to the pilot nature of this results-based CAS. The results chain linking the Bank's interventions to CAS outcomes in the original CAS are not very clear in some areas and/or the envisaged outcomes are too broad or too ambitious to be influenced by the Bank supported interventions outlined in the CAS. These problems are recognized in the CASCR. Inclusion of all operations envisaged in the 2003 CAS in the CASCR's table on lending, and inclusion of a table indicating operations in implementation (in addition to the data presented on portfolio entrants and exits) would also have helped to clarify the discussion of implementation.

#### **6. Findings and Lessons**

21. IEG concurs with the lessons drawn in the CASCR from the Bank Group's operating experience in Ukraine, which are consistent with the recent CAE and resonate with the lessons and recommendations drawn in IEG's recent evaluation of Bank support to middle income countries: (i) institutionally capable and committed national agencies increase the likelihood of implementation effectiveness (in Ukraine, these are generally the economic management agencies); (ii) linkages across themes reinforce the effectiveness of interventions; (iii) effectiveness requires not only a clear vision, including expected results, but an understanding of the remedies to remove the barriers to achieve them; (iv) a broad agenda risks wide variability of results; and (v) achieving results demands sustained efforts that combine the use of various instruments.

22. The CASCR embeds another lesson in its discussion of lessons and implications that IEG would like to underscore for attention in implementation of the forthcoming Bank Group program: flexibility in design and implementation—at both the program and individual operational levels—is likely to lead to better outcomes. While endorsing the CASCR's recommendations concerning upstream efforts to appraise the political economy environment and incentive framework and to foresee implementation prospects and problems, this type of analysis is frequently subject to a considerable degree of uncertainty linked to underlying uncertainties in the internal and external environment. Flexibility to adjust appropriately as events unfold is an essential complement to any such upstream analysis, with the appropriate mix between ex ante analysis and scope for ex post adjustment governed by the predictive power of the former. The results framework should be clearly and explicitly adjusted in tandem with program adjustments that involve material revisions of expected CAS outcomes of Bank support. Flexibility in deploying new Bank approaches and products (e.g., use of country systems in project finance) intended to increase the effectiveness of Bank support in MIC's also merits attention during the forthcoming CAS period. In implementing the program, calibrating Bank operations more systematically to Ukraine's own national capacity to implement and scale up should help to improve the fit and the impact of Bank support.

**Annexes:**

**Annex Table 1: Ukraine: Planned vs. Actual Commitments (in US\$ millions) FY04-07**

**Annex Table 2: Ukraine: Planned and Actual Analytical and Advisory Work, FY04-07**

**Annex Table 3: IEG Project Ratings for Ukraine, Exit FY04-07**

**Annex Table 4: Ukraine: Status Indicators by Year, FY04-07 (in US\$ millions)**

**Annex Table 5: Ukraine: IBRD / IDA Net Disbursements and Charges, FY04-07**

**Annex Table 6: External Assistance to Ukraine, Total Net Disbursements 2003-2006 (in US\$ millions)**

**Annex Table 7: Ukraine: Key Economic and Social Indicators, 2003-2006**

**Annex Table 8: Ukraine: Millennium Development Goals**

**Attachment:**

**Attachment 1: IEG-IFC CASCR Review**



Annex Table 1. Ukraine: Planned vs. Actual Commitments (US\$ millions) FY04-07

FY	Project	Planned *	Actual
2004	PAL 2	250	250
	Development of Stats System	30	32
	Rural Fin (APL #1)	250	Merged with FSP
	Integrated Coastal Management	5	
	<b>Subtotal FY04</b>	<b>535</b>	<b>282</b>
2005	PAL 3 (became DPL1)	300	Delayed to FY06
	Municipal Development (APL #1)	75	Dropped
	Equal Access to Education (Qual Educ Equal Access, APL #1)	80	86.6
	Social Assistance Administration Reform	60	
	Energy Reform (APL)	250	
	<i>Additional / Delayed Projects</i>		
	Hydropower Rehabilitation (SIL)		106
	<b>Subtotal FY05</b>	<b>765</b>	<b>192.6</b>
2006	DPL 2	300	Delayed to FY08
	Financial Services Access (FSP) (APL #1)	125	150
	Energy Transmission (SIL 2)	150	Delayed to FY08
	Water Sanitation 1 (Urban Infrastructure)	80	Delayed to FY08
	Social Assistance System Modernization	50	99.4
	PFM/Treasury 2	50	Delayed to FY08
	Forestry	70	Dropped
	Export Development Project 2	100	Delayed to FY07
	<i>Additional / Delayed Projects</i>		
	PAL 3 (became DPL1) (FY05)		251.3
	<b>Subtotal FY06</b>	<b>925</b>	<b>500.7</b>
2007	DPL 3	300	
	Health Ref (CRL)	75	Dropped
	Rural Econ Development	75	
	Pollution Reduction & Improved Compliance in Industry (Greening Industrial Modernization)	50	Dropped
	Social Institution/Employment	75	
	Infrastructure (More than one project)	425	
	<i>Additional / Delayed Projects</i>		
	Export Development Project 2 (FY06)		154.5
<b>Subtotal FY07</b>	<b>1,000</b>	<b>154.5</b>	
<b>Grand Total</b>		<b>3,225</b>	<b>1,129.8</b>

Source: BW 2a1, 2a7, 2a8 as of 10/12/07. CAS 2003, CASPR 2005.

\* Planned Lending for FY04-05 is from CAS 2003 and for FY06-07 is from CASPR 2005



Annex Table 2. Ukraine: Planned and Actual Analytical and Advisory Work, FY04-FY07

	Planned Product	Delivery Status
FY 2004	Country Economic Memorandum (CEM)	Actual
	Civil Society TA	
	Poverty Assessment	Forwarded to FY05
	Telecom ICT	Actual
	Trade Policy/WTO	Forwarded to FY05
	Business Environment TA	Forwarded to FY06
	Energy Sector Work	Actual
		<b>Additional Actual Deliveries</b>
		Risk and Vulnerability Assessment
		Agriculture Policy Note
	Ukraine Insolvency ROSC	
	FSAP Follow-Up TA	
FY 2005	Labor Study	Forwarded to FY06
	Regional Development Strategy/Intergovt Fin TA	Delivered FY03
	People's Voice TA	Actual
	Public Administration Incentive TA 2	Forwarded to FY06
	Forestry TA	Dropped
	Pensions	Actual
	Telecom Sector Policy Update*	Forwarded to FY06
		<b>Additional Actual Deliveries</b>
	Trade Policy/WTO (FY04)	
	Poverty Assessment (FY04)	
	Coal Policy Note Update	
FY 2006	Carbon Financing (GIS Options Study)	Forwarded to FY07
	Policy Notes	Actual
	CPAR	Forwarded to FY07
	Governance TA	
	PULSE	Forwarded to FY07
	Transport Study	Forwarded to FY07
	Public Finance Review (PER)	Actual
	Governance, Use of Country Systems	Forwarded to FY07
	Integrated Social Analysis	Dropped
		<b>Additional Actual Deliveries</b>
		Labor Study (FY05)
		Health and Education
		Forestry Policy Note
		Corporate Governance ROSC (CCGPP)
	TA for Privatization	
	Business Environment TA	
	Savings Bank Restructuring	
	Public Administration Incentive TA 2 (FY05)	
FY 2007	Poverty Update	Actual
	Civil Service Governance TA	Actual
	CFAA	Dropped
	HD Policy Notes*	Actual
	ROSC Accounting and Audit	Actual
	Environmental Protection	
	Financial Sector Dialogue TA	
	Jobs Agenda TA	
	PSD/ FSD Advisory Services TA	Actual
	PVP 2 (People's Voice TA Phase 2) TA	Ongoing
		<b>Additional Actual Deliveries</b>
		CPAR
		PULSE
	Transport Study	
	Governance, Use of Country Systems	
	Carbon Financing (GIS Options Study)	

Sources: Ukraine CASPR 2005; BW Tables 1.4 for ESW and TA as of 10/12/07

\*: According to CASCR. There is no record in Business Warehouse.



Annex Table 3a. IEG Project Ratings for Ukraine, Exit FY04-07

Exit FY	Project Name	Total Evaluated Net Commitments (\$M)	Evaluation Type	IEG Outcome	IEG Sustainability	IEG ID Impact
2004	Export Devt	67.4	ES	Satisfactory	Non-Evaluable	Substantial
2005	ODS Phase-out (GEF)	0.0	ES	Satisfactory	Likely	Modest
2005	Treasury Systems	16.4	ES	Highly Satisfactory	Likely	High
2006	Kiev PB Energy Effic	15.2	ES	Satisfactory	Highly Likely	Substantial
2006	PAL 2	250.0	ES	Satisfactory	Highly Likely	Substantial
2006	Azov-Blk Sea Corr Biodiv Conserv (GEF)	0.0	ES	Unsatisfactory	Unlikely	Negligible
2007	Priv Sec Dev (APL #1)	2.1	ES	Highly Unsatisfactory	Highly Unlikely	Negligible
2007	E-Devt TA	0.1	ES	Not Rated	#	#

Source: BW 4.a.6 as of 09/13/2007

Annex Table 3b. Overall Ratings for Exit FY04-07

	Total Evaluated (\$M)	Total Evaluated (No)	Outcome % Sat (No)	Inst Dev Impact % Subst (No)	Sustainability % Likely (No)	Outcome % Sat (\$)	Inst Dev Impact % Subst (\$)	Sustainability % Likely (\$)
Ukraine	351.1	8	71.4	57.1	66.7	99.4	99.4	99.3
ECA	8,783.6	194	85.2	61.9	89.7	89.3	70.3	94.1
BankWide	54,316.3	887	80.6	56.2	81.6	87.7	64.8	89.2

Source: BW 4.a.5 as of 09/13/2007



Annex Table 4. Ukraine: Status Indicators by Year, FY04-FY07 (In US\$ millions)					
Country		FY04	FY05	FY06	FY07
<b>Ukraine</b>	# Proj	12	11	12	11
	Net Comm Amt	921.3	789.2	1,008.6	924.1
	# Proj At Risk	3	4	3	4
	% At Risk	25.0	36.4	25.0	36.4
	Comm At Risk	95.0	297.1	260.1	430.5
	% Commit at Risk	10.3	37.7	25.8	46.6
<b>Belarus</b>	# Proj	1	1	2	2
	Net Comm Amt	22.6	22.6	72.6	72.6
	# Proj At Risk	0	0	0	0
	% At Risk	0.0	0.0	0.0	0.0
	Comm At Risk	0.0	0.0	0.0	0.0
	% Commit at Risk	0.0	0.0	0.0	0.0
<b>Poland</b>	# Proj	10	10	9	7
	Net Comm Amt	1,160.2	1,232.5	1,172.8	756.0
	# Proj At Risk	2	0	0	1
	% At Risk	20.0	0.0	0.0	14.3
	Comm At Risk	76.7	0.0	0.0	88.8
	% Commit at Risk	6.6	0.0	0.0	11.7
<b>Romania</b>	# Proj	18	19	19	20
	Net Comm Amt	1,242.0	1,395.9	1,457.9	1,742.8
	# Proj At Risk	2	0	1	3
	% At Risk	11.1	0.0	5.3	15.0
	Comm At Risk	120.0	0.0	80.0	455.0
	% Commit at Risk	9.7	0.0	5.5	26.1
<b>Russian Federation</b>	# Proj	23	22	22	20
	Net Comm Amt	1,984.9	1,977.0	1,950.7	1,770.5
	# Proj At Risk	4	4	2	0
	% At Risk	17.4	18.2	9.1	0.0
	Comm At Risk	364.5	379.5	250.0	0.0
	% Commit at Risk	18.4	19.2	12.8	0.0
<b>Turkey</b>	# Proj	14	19	22	22
	Net Comm Amt	4,278.2	5,929.9	6,021.9	5,639.5
	# Proj At Risk	3	1	1	2
	% At Risk	21.4	5.3	4.5	9.1
	Comm At Risk	934.8	300.0	60.3	429.0
	% Commit at Risk	21.9	5.1	1.0	7.6
<b>ECA</b>	# Proj	285	276	294	286
	Net Comm Amt	14,383.0	15,675.5	16,295.5	16,472.9
	# Proj At Risk	50	24	28	26
	% At Risk	17.5	8.7	9.5	9.1
	Comm At Risk	2,507.9	1,413.0	1,177.8	1,647.9
	% Commit at Risk	17.4	9.0	7.2	10.0
<b>Bankwide</b>	# Proj	1,346	1,332	1,345	1,347
	Net Comm Amt	92,554.3	93,211.7	92,888.8	97,790.5
	# Proj At Risk	228	224	188	224
	% At Risk	16.9	16.8	14.0	16.6
	Comm At Risk	14,742.1	12,552.7	10,849.8	15,175.6
	% Commit at Risk	15.9	13.5	11.7	15.5

Source: BW 3.a.4 as of 9/13/07



Annex Table 5. Ukraine: IBRD/IDA Net Disbursements and Charges, FY04-FY07

FY	Disb. Amt.	Repay Amt.	Net Amt.	Charges	Fees	Net Transfer
FY04	96,840,122.35	150,772,630.07	-53,932,507.72	54,408,989.24	4,660,027.49	-113,001,524.45
FY05	223,518,119.11	167,776,073.75	55,742,045.36	56,024,274.14	4,241,015.44	-4,523,244.22
FY06	311,575,960.64	167,247,527.82	144,328,432.82	97,540,727.12	3,282,700.40	43,505,005.30
FY07	97,248,284.11	179,770,329.42	-82,522,045.31	128,035,853.35	2,256,304.72	-212,814,203.38
<b>TOTAL</b>	<b>1,224,530,060.16</b>	<b>227,550,377.93</b>	<b>996,979,682.23</b>	<b>122,075,751.40</b>	<b>6,652,048.79</b>	<b>868,251,882.04</b>

Source: Client Connection as of 9/13/07



Annex Table 6. External Assistance to Ukraine, Total Net Disbursements 2003-2006 (in US\$ million)

	1999	2000	2001	2002	2003	2004	2005	Total
Austria	0.4	0.6	1.4	1.9	2.8	3.9	7.3	18.2
Belgium	0.0	0.0			0.0	0.4	1.5	2.0
Canada	14.1	19.2	13.8	14.0	15.0	19.3	18.6	114.0
Czech Republic							4.6	4.6
Denmark	4.5	5.6	6.2	5.1	7.9	2.2	1.6	33.0
Finland	1.2	1.8	1.1	1.6	1.8	0.0	0.1	7.6
France	5.3	5.1	4.3	6.8	8.1	11.3	15.5	56.5
Germany	29.5	38.3	33.5	44.6	41.5	50.8	53.2	291.2
Greece	1.9	1.0	0.5	1.3	4.0	5.3	2.1	16.0
Hungary							6.9	6.9
Ireland						0.0	0.2	0.2
Italy	0.4	0.1	0.1		0.7	0.3	0.0	1.5
Japan	0.9	2.7	7.1	1.6	1.8	2.1	2.5	18.7
Korea							3.3	3.3
Luxembourg	0.7	0.4	0.5	0.1	0.1	0.1	0.2	2.1
Netherlands	0.6	3.1	3.6	2.8	4.0	5.8	0.6	20.5
Norway	0.1	2.4	0.2	0.2	0.2	0.2	0.2	3.5
Poland							6.2	6.2
Slovak Republic							0.3	0.3
Spain	0.3	0.7	1.1	1.0	0.8	0.2	0.5	4.5
Sweden	3.5	4.0	5.9	5.0	7.3	9.6	10.6	45.9
Switzerland	5.4	8.8	2.8	4.2	5.5	5.8	13.5	45.9
Turkey							9.9	9.9
United Kingdom	13.4	13.9	13.7	12.5	11.7	11.1	10.8	87.0
United States	319.7	244.8	247.0	255.5	104.9	102.8	113.4	1,387.9
<b>All Bilateral Donors</b>	<b>401.7</b>	<b>352.3</b>	<b>342.5</b>	<b>358.2</b>	<b>218.1</b>	<b>231.3</b>	<b>283.4</b>	<b>2,187.4</b>
Arab Countries	0.4							0.4
DAC Countries, Total	401.7	352.3	342.5	358.2	218.1	231.3	252.1	2,156.1
DAC EU Members, Total	61.6	74.6	71.7	82.7	90.7	101.1	103.9	586.2
EBRD							5.7	5.7
EC	70.8	71.7	97.4	58.5	48.6	75.4	102.1	524.5
G7, Total	383.2	323.9	319.4	335.0	183.6	197.8	214.0	1,956.8
GEF	0.5	2.5	8.7	7.0	3.2	1.5	0.6	23.9
Non-DAC Bilateral Donors, Total	89.1	109.5	60.3	46.4	40.0	35.0	40.6	421.0
Other Bilateral Donors	82.8	104.2	57.0	36.7	27.0	17.3	9.4	334.4
UNDP	0.9	1.7	1.2	1.4	1.7	2.2	2.8	11.8
UNFPA	0.2	0.1	0.3	0.6	0.5	0.5	0.7	2.8
UNHCR	2.2	2.3	2.8	2.1	1.7	2.6	2.2	15.8
UNICEF					1.2	1.1	1.4	3.7
UNTA	0.9	0.9	0.8	1.1	1.1	1.0	1.4	7.2
Other UN			0.4	1.3	0.6			2.3
<b>Multilateral, Total</b>	<b>78.3</b>	<b>79.4</b>	<b>116.4</b>	<b>79.2</b>	<b>65.9</b>	<b>91.7</b>	<b>116.8</b>	<b>627.8</b>
<b>All Donors, Total</b>	<b>569.1</b>	<b>541.2</b>	<b>519.2</b>	<b>483.8</b>	<b>324.0</b>	<b>358.0</b>	<b>409.6</b>	<b>3,204.9</b>

Source: OECD DAC as of 4/12/07



Annex Table 7. Ukraine: Key Economic and Social Indicators, 2003-2006

Series Name	Ukraine				Average 2003-2006						
	2003	2004	2005	2006	Ukraine	ECA	Belarus	Poland	Romania	Russia	Turkey
<b>Growth</b>											
GDP growth (annual %)	9.4	12.1	2.7	7.1	7.8	6.6	9.5	4.6	6.3	6.9	7.1
GDP per capita growth (annual %)	10.3	13.0	3.5	8.3	8.8	6.5	10.1	4.7	6.7	7.4	5.8
GNI per capita, PPP (current international \$)	5,480.0	6,370.0	6,780.0	7,520.0	6,538	8,470	7,455	13,303	8,518	10,118	7,998
GNI per capita, Atlas method (current US\$)	980.0	1,270.0	1,540.0	1,950.0	1,435	3,606	2,475	6,733	3,480	4,065	4,183
Agriculture, value added (% of GDP)	12.1	12.1	10.9	10.1	11.3	8.6	9.8	4.7	12.0	5.3	12.8
Industry, value added (% of GDP)	34.6	36.5	33.8	33.3	34.6	30.5	41.0	30.7	35.7	35.7	22.6
Services, etc., value added (% of GDP)	53.3	51.3	55.3	56.7	54.2	60.9	49.1	64.6	52.3	58.9	64.6
<b>Macroeconomic Indicators</b>											
Gross capital formation (% of GDP)	22.0	19.1	18.4	17.4	19.2	22.9	29.3	19.6	22.7	20.8	25.1
Gross domestic savings (% of GDP)	24.5	26.7	19.3	14.6	21.3	23.5	26.9	18.2	13.3	33.4	20.3
Inflation, consumer prices (annual %)	5.2	9.0	13.5	9.1	9.2	..	16.0	1.9	10.7	11.7	12.9
Real effective exchange rate index (2000 = 100)	98.3	96.2	106.0	110.9	102.9	..	..	102.4	112.4	144.4	..
Official exchange rate (LCU per US\$, period average)	5.3	5.3	5.1	5.0	5.2	..	2127.5	3.5	3.1	28.7	1,424,615
<b>External Balance</b>											
Exports of goods and services (% of GDP)	57.8	61.3	51.5	48.2	54.7	39.0	63.6	37.2	34.4	34.5	27.9
Imports of goods and services (% of GDP)	55.2	53.7	50.6	50.9	52.6	38.5	66.0	38.6	43.8	21.9	33.4
Current account balance (% of GDP)	5.8	10.7	2.9	..	6.5	..	-2.6	-2.6	-7.5	9.7	-5.0
Total debt service (% of GNI)	7.9	7.2	6.9	..	7.3	9.1	2.1	11.7	6.6	4.6	11.5
External debt (% of GNI)	48.4	47.0	40.7	..	45.4	45.9	17.2	39.4	39.7	35.6	54.0
Total reserves in months of imports	2.9	3.1	5.1	..	3.7	7.6	0.7	4.1	5.0	10.4	4.7
IBRD Loans and IDA credits (PPG DOD, mn current US\$)	2,271.0	2,168.2	..	..	2,219.6	31,594.4	78.4	2,182.8	2,409.1	6,016.3	5,809.1
<b>Public Finances</b>											
Grants and other Revenue (% of revenue)	19.5	19.7	16.3	..	18.5	13.8	3.8	12.2	..	24.6	..
Cash surplus/deficit (% of GDP)	-0.2	-3.2	-1.4	..	-1.6	0.6	-0.3	-3.3	..	5.8	..
Cash Balance (% of GDP)	-0.9	-4.4	..	..	-2.7	..	..	..	..	..	..
Revenue	35.9	35	..	..	35.5	..	..	..	..	..	..
Expenditure (cash basis)	36.8	39.4	..	..	38.1	..	..	..	..	..	..
<b>Social Indicators</b>											
Immunization, DPT (% of children ages 12-23 months)	97.0	99.0	96.0	..	97.3	92.5	82.7	99.0	97.0	97.7	81.0
Improved water source (% of population with access)	..	96.0	..	..	96.0	91.7	100.0	..	57.0	97.0	96.0
Improved sanitation facilities (% of population with access)	..	96.0	..	..	96.0	85.0	84.0	..	..	87.0	88.0
Life expectancy at birth, total (years)	68.2	68.2	68.0	..	68.1	69.0	68.4	74.7	71.5	65.3	71.1
Mortality rate, infant (per 1,000 live births)	..	..	13.0	..	13.0	27.5	10.3	6.7	16.7	14.3	26.0
Population, total (in million)	47.8	47.4	47.1	46.6	47.2	459.9	9.8	38.2	21.7	143.5	71.7
Urban population (% of total)	67.5	67.7	67.8	68.0	67.8	63.7	72.0	62.1	53.9	73.0	67.0
Population growth (annual %)	-0.8	-0.8	-0.8	-1.1	-0.9	0.0	-0.5	-0.1	-0.3	-0.5	1.2
Literacy rate, adult total (% of people ages 15 and above)	..	..	..	..	..	97.4	..	..	..	..	87.4
School enrollment, preprimary (% gross)	56.8	81.6	85.7	..	74.7	49.5	102.5	52.6	75.5	83.9	8.5
School enrollment, primary (% gross)	120.0	94.8	106.9	..	107.2	102.3	101.5	98.8	104.6	123.0	93.8
School enrollment, secondary (% gross)	96.7	92.9	88.7	..	92.7	90.5	93.3	100.2	85.2	92.6	79.9

Source: World Bank DDP except where indicated, as of October 16, 2007

1. Cash Balance, Revenue and Expenditure from *Ukraine—Ex Post Assessment of Longer Term Program Engagement*, IMF Report, Oct 18, 2005.



Annex Table 8. Ukraine: Millennium Development Goals

	1990	1995	2000	2005
<b>Goal 1: Eradicate extreme poverty and hunger</b>				
Income share held by lowest 20%	9.4	7.2	8.8	9.2
Malnutrition prevalence, weight for age (% of children under 5)	..	..	3.2	..
Poverty gap at \$1 a day (PPP) (%)	0.5	0.7	0.6	0.5
Poverty headcount ratio at \$1 a day (PPP) (% of population)	2	2	2.9	2
Poverty headcount ratio at national poverty line (% of population)	..	..	31.5	19.5
Prevalence of undernourishment (% of population)	..	3	..	3
<b>Goal 2: Achieve universal primary education</b>				
Literacy rate, youth total (% of people ages 15-24)	100	..	..	100
Persistence to grade 5, total (% of cohort)	..	..	..	..
Primary completion rate, total (% of relevant age group)	94	94	89	114
School enrollment, primary (% net)	80	..	81	83
<b>Goal 3: Promote gender equality and empower women</b>				
Proportion of seats held by women in national parliament (%)	..	4	8	5
Ratio of girls to boys in primary and secondary education (%)	..	..	102	102
Ratio of young literate females to males (% ages 15-24)	100	..	..	100
Share of women employed in the nonagricultural sector (% of total nonagricultural employment)	49.8	50.7	52.9	55.1
<b>Goal 4: Reduce child mortality</b>				
Immunization, measles (% of children ages 12-23 months)	90	97	99	96
Mortality rate, infant (per 1,000 live births)	19	22	18	13
Mortality rate, under-5 (per 1,000)	26	30	24	17
<b>Goal 5: Improve maternal health</b>				
Births attended by skilled health staff (% of total)	..	100	100	..
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	35	..
<b>Goal 6: Combat HIV/AIDS, malaria, and other diseases</b>				
Contraceptive prevalence (% of women ages 15-49)	..	..	89	..
Incidence of tuberculosis (per 100,000 people)	41	51	84	99
Prevalence of HIV, female (% ages 15-24)	..	..	..	..
Prevalence of HIV, total (% of population ages 15-49)	..	..	..	1.4
Tuberculosis cases detected under DOTS (%)	..	..	..	..
<b>Goal 7: Ensure environmental sustainability</b>				
CO2 emissions (metric tons per capita)	13.2	8.3	6.2	6.6
Forest area (% of land area)	16	..	16	17
GDP per unit of energy use (constant 2000 PPP \$ per kg of oil equivalent)	1.8	1.4	1.6	2
Improved sanitation facilities (% of population with access)	96	..	..	96
Improved water source (% of population with access)	96	..	..	96
Nationally protected areas (% of total land area)	..	..	..	3.3
<b>Goal 8: Develop a global partnership for development</b>				
Aid per capita (current US\$)	6	6	11	9
Debt service (PPG and IMF only, % of exports of G&S, excl. workers' remittances)	..	6.2	13.9	4.7
Fixed line and mobile phone subscribers (per 1,000 people)	135	162	228	545
Internet users (per 1,000 people)	0	0	7	97
Personal computers (per 1,000 people)	2	8	18	38
Total debt service (% of exports of goods, services and income)	..	6.6	18.6	13
Unemployment, youth female (% of female labor force ages 15-24)	..	12.7	24.7	16.9
Unemployment, youth male (% of male labor force ages 15-24)	..	16	22.6	16.2
Unemployment, youth total (% of total labor force ages 15-24)	..	14.3	23.6	16.6
<b>Other</b>				
Fertility rate, total (births per woman)	1.8	1.4	1.1	1.2
GNI per capita, Atlas method (current US\$)	1610	920	700	1520
GNI, Atlas method (current US\$) (billions)	83.3	47.4	34.4	71.7
Gross capital formation (% of GDP)	27.5	26.7	20.2	19.2
Life expectancy at birth, total (years)	70	67	68	68
Literacy rate, adult total (% of people ages 15 and above)	99	..	..	99
Population, total (millions)	51.9	51.5	49.2	47.1
Trade (% of GDP)	56.4	97.2	120.4	106.1

Source: World Development Indicators database, April 2007



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<b>1. CAS Data</b>		
Country: Ukraine		
CAS Year: 2003	CAS Period: FY04-FY07	
CASCR Review Period: FY04-FY07	Date of This Review: November 15, 2007	
<b>2. Quality of the CASCR</b>		
<p>The CASCR presents a fair picture of IFC's expected and realized contributions to the CAS objectives. The CASCR also provides lessons and recommendations that are relevant and coherent with the findings of IEG-IFC's Ukraine Country Impact Review (July 21, 2007). The CASCR would have benefited from a more direct discussion of IFC's experience with some objectives and activities identified in the CAS, such as IFC's contribution to Ukraine's gradual integration into world economic and financial systems or its efforts to invest in infrastructure and utility sectors other than power.</p>		
<b>3. IFC Objectives over the CASCR Period</b>		
The CAS pillars and objectives that IFC intended to address were:		
<ul style="list-style-type: none"> <li>❖ Pillar 1, Supporting macroeconomic and financial sustainability. IFC indicated that it would contribute to four objectives under Pillar I:           <ul style="list-style-type: none"> <li>▪ Stronger financial sector measured as a share of commercial banks' equity to GDP (7.3 percent) and share of domestic deposits to GDP (33.8 percent).</li> <li>▪ Stronger SME sector measured as share of employment in labor force.</li> <li>▪ Share of investment to GDP to increase to 22.7 percent of GDP.</li> <li>▪ Improved system of corporate governance.</li> </ul> </li>   <li>❖ Pillar 5. Gradual Integration into the World Economic and Financial Systems. IFC also planned to contribute to two objectives under this Pillar:           <ul style="list-style-type: none"> <li>▪ Progress with adoption of EU requirements</li> <li>▪ Increased share of EU trade in total trade.</li> </ul> </li> </ul>		
CASCR Reviewer: Miguel Rebolledo	Peer Reviewer: Asita De Silva	Head Macro Evaluation: Linda Morra Manager: Amitava Banerjee

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#### 4. Relevance of IFC Objectives

The CASCR does not provide a direct assessment of whether, in retrospect, IFC pursued relevant objectives during the CAS period. IEG-IFC's view is that IFC's fairly broad focus for both investment lending and advisory services was appropriate for the initial CAS period, although an increasingly focused approach as the CAS period evolved was warranted. The relative lack of IFC activity and other investors in Ukraine prior to the CAS period along with the still difficult but improving business environment indicated that a broad approach to establish IFC's presence and explore potential areas of engagement was appropriate. However, as indicated in IEG's Country Impact Review, more recent investment climate improvements called for a more targeted and long-term strategy, especially for investment operations.

#### 5. IFC Activities During Period under Review

##### Investment Operations

IFC significantly increased its investments in Ukraine during the CAS period. It invested US\$680 million in 20 companies, representing a substantial increase from just US\$40 million during the decade FY93-03. The main sectors of investment were agribusiness (35%), finance (18%), and metals (17%). Investments were also made in the chemicals, construction, infrastructure (power), tourism, and retail trade sectors. The investments realized were consistent with the priorities established in the FY04 CAS and the FY05 PR. Other than the tourism sector, each sector was identified as an area of focus for IFC. As noted in the CASCR, IFC's efforts were also predominantly with local companies as intended in the FY04 CAS. In infrastructure, two loans were made to power distribution companies. Although identified as priorities in the FY04 CAS, no investments were made in mining, transport, or other infrastructure and utilities sectors, such as telecommunications, logistics, ports and water and sewage systems. The CASCR draws on early operating results to indicate that the portfolio is strong and that there are no non-performing loans. IEG's CIR also conducted a risk intensity assessment of projects that were approved during FY05-06 and found that they show considerably better risk management than in the past, indicating positive prospects for their future performance.

##### Advisory Services

IFC approved 26 Advisory Services operations for a total amount of over US\$20 million. Advisory services were provided for SME policy development; direct assistance to SME firms; both general and industry-specific business enabling environment; and corporate governance. The main sectors of concentration were finance (43%) and agribusiness (24%). The focus of IFC's technical assistance activities conforms to the priorities established in the CAS. Although identified as an objective in the CAS, there is no indication in the CASCR that IFC undertook any activities to support protection of property rights. The CASCR indicates that Project Completion Reports show relatively strong overall results of completed advisory service operations. IEG's CIR also found ratings for IFC advisory operations to be better than aggregate evaluated advisory operation ratings in other ECA countries. The main success factors were found to be a comprehensive multidirectional project framework coupled with large funding volumes and longer duration, and the adherence to a multigenerational project approach. On the other hand, lack of strategic fit, poor donor cohesion and coordination, and difficulties in staff recruitment and retention were among the main performance short-comings.

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## 6. IFC Contribution to CAS objectives

IFC's main contributions to furthering the CAS objectives are as follows:

- ❖ Pillar 1. Supporting macroeconomic and financial sustainability:
  - IFC's sharp increase in investment activity during the CAS period is a clear indication of the improved business environment in Ukraine. As discussed in IEG's CIR for Ukraine, IFC made important contributions in helping growth of the private sector in Ukraine, particularly through its activities in agribusiness and the financial sector. In its real sector projects, IFC played a role not only as a provider of long-term finance but also as a "stamp of approval" giving greater visibility and international exposure to emerging strong players who were able to have a broad demonstration effects.
  
- ❖ Pillar 5. Gradual Integration into the World Economic and Financial Systems:
  - Although identified as a specific objective in the FY04 CAS, the CASCR does not discuss IFC's activities toward this goal. While Ukraine has made significant progress toward WTO membership and compliance with EU standards, the extent to which IFC contributed to this progress is therefore unclear.

## 7. Lessons and Challenges from Experience

The CASCR draws lessons from IFC's experience in the country over the CAS period. The lessons refer to the effect of complicated and non-transparent political economy on reform and that the expanding role of IFC calls for further harmonization with the Bank. Those lessons are coherent with the IEG-IFC's Ukraine CIR<sup>1</sup> lessons and recommendations:

- IFC should develop and follow a more systematic medium-term (3-5 year horizon) country approach to identifying investment opportunities in areas of high impact, country competitive advantage, and unmet demand in order to channel IFC investments into projects with the greatest potential development impact and demonstration effect.
- IFC should seek to work in sequence and/or in parallel with IBRD to address remaining privatization priorities, especially large enterprises and infrastructure, with IBRD policy work and IFC post-privatization funding, and use existing joint mechanisms such as the Sub-National Finance department to promote public-private partnerships and provide funding to municipal utilities projects.
- IFC should focus on strategic relevance of its advisory operations and replicate the demand-driven, multi-generational and multi-dimensional design of its successful larger operations, using the latter to refine benchmarks for measuring performance of ongoing projects.
- IFC needs to proactively develop and maintain regular contact with donors in its areas of engagement to help establish information exchange mechanisms, align priorities, improve distribution of labor, and avoid inconsistencies, as well as initiate tactical interaction at the outset of its multi-donor operations to minimize discrepancies in approach and maximize cohesion and alignment of tactics between donors.

<sup>1</sup> See IEG-IFC's Ukraine Country Impact Review (09/24/2007) CODE2007-0040.

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- IFC should expand the proven model of creating partnerships between linkages projects seeking to develop agricultural suppliers and agribusiness investments, as well as aim to undertake financial markets projects that would provide local currency financing and/or guarantees to banks extending credit to such agricultural suppliers, in order to exploit synergies between investment and programmatic advisory operations.