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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE CORPORATION

MULTILATERAL INVESTMENT GUARANTEE AGENCY

COUNTRY PARTNERSHIP FRAMEWORK

FOR

UKRAINE

FOR THE PERIOD FY17-FY21

June 20, 2017

Ukraine, Belarus, Moldova Country Management Unit
Europe and Central Asia

International Bank for Reconstruction and Development
International Finance Corporation
Multilateral Investment Guarantee Agency

CURRENCY EQUIVALENTS
Ukraine Hryvnia (UAH)
US$1 = UAH 27.1
(21 December 2016)

GOVERNMENT FISCAL YEAR
January 1 to December 31

ABBREVIATIONS AND ACRONYMS
[list of all abbreviations and acronyms used in the text of the document]

Advisory services and analytics	ASA
Construction Sector Transparency Initiative	CoST
Civil society organization	CSO
Country Partnership Framework	CPF
Country Partnership Strategy	CPS
Deposit Guarantee Fund	DGF
Department for International Development (UK)	DFID
Development policy financing	DPF
Development policy loan	DPL
European Bank for Reconstruction and Development	EBRD
Europe and Central Asia Region	ECA
European Investment Bank	EIB
Extractive Industries Transparency Initiative	EITI
European Union	EU
Gross domestic product	GDP
Human Resource Management Information System	HRMIS
Household utility subsidy	HUS
International Bank for Reconstruction and Development	IBRD
Information and communications technology	ICT
Internally displaced person	IDP
International Finance Corporation	IFC
International Monetary Fund	IMF
International Monetary Fund Extended Fund Facility	IMF EFF
Investment project financing	IPF
Multilateral Investment Guarantee Agency	MIGA
Ministry for Temporarily Occupied Territories and IDPs	MOT
Nonperforming loan	NPL
Public Expenditure and Financial Accountability Assessment	PEFA
Project implementation unit	PIU
Public financial management	PFM
Public-private partnership	PPP
Small and medium enterprises	SMEs
State-owned enterprise	SOE
Systematic Country Diagnostic	SCD
United Nations	UN
United States Agency for International Development	USAID
World Health Organization	WHO
World Bank Group	WBG

FY2017-21 COUNTRY PARTNERSHIP FRAMEWORK FOR UKRAINE

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	World Bank	IFC	MIGA
Vice President:	Cyril Muller	Dimitris Tsitsiragos	Keiko Honda
Director:	Satu Kähkönen	Tomasz Telma	Merli Baroudi
Task Team Leader:	Denis Boskovski	Kartick Kumar	Paul Barbour

FY17-21 COUNTRY PARTNERSHIP FRAMEWORK FOR UKRAINE

I. INTRODUCTION

1. **The Country Partnership Framework (CPF) for Ukraine covers the 5 years from FY17 to FY21.** The CPF is aligned with the objectives of the country's development strategy as outlined in the Government Program and Action Plan adopted in April 2017 and is based on the findings and recommendations of the World Bank Group (WBG) Systematic Country Diagnostic (SCD) for Ukraine. The CPF supports the country in making further progress in sustainable and inclusive economic recovery through a program that focuses on making markets work, putting in place the conditions for fiscal and financial stability, and improving service delivery. This program is aligned with the WBG twin goals of eliminating extreme poverty and boosting shared prosperity. The Board discussed the last Country Partnership Strategy (CPS) for Ukraine in February 2012 (Report No. 66279-UA).

2. **The CPF objectives and priorities were discussed with various stakeholders and reflect the views and opinions they expressed during consultations.** The CPF benefitted from strategic discussions in Ukraine with the Government to identify priorities and client demand, and from the WBG's engagement with the private sector, think tanks, civil society, and other development partners. The feedback received from various stakeholders contributed to the formulation of strategic focus areas for WBG engagement and specific CPF objectives.

II. COUNTRY CONTEXT AND DEVELOPMENT AGENDA

Social and Political Context

3. **The Euromaidan and subsequent events over the last three years dramatically changed Ukraine's political context.** In November 2013, the Government's unexpected suspension of preparations to sign an Association Agreement with the European Union (EU), added to the population's widespread frustration with high-level corruption, led to the Euromaidan demonstrations, which culminated in the departure of President Yanukovych from Ukraine in February 2014 and Parliament's appointment of an interim President. Following the fall of the Yanukovych government, events in Crimea in March 2014 led to the adoption of UN General Assembly Resolution 68/262 affirming the territorial integrity of Ukraine.

4. **A military conflict with armed groups in the Donbas region** in **eastern Ukraine broke out in April 2014 and remains unresolved.** Armed groups led by paramilitary without insignias occupied government buildings in Donetsk and Luhansk regions in April 2014 and declared independence from Ukraine in May. This led to military confrontation with Ukrainian forces. A cease-fire was agreed in September 2014, but it has never been fully effective. Armed groups are estimated to control about 3 percent of mainland Ukraine, corresponding to roughly 12 percent of the population and 13 percent of GDP. As of February 2017, at least 9,800 people have died as a result of the conflict and over 2.7 million have been displaced—1.7 million inside and 1 million outside Ukraine.

5. **President Petro Poroshenko won presidential elections in May 2014, and pro-European parties won a majority in the October 2014 parliamentary elections.** Following extensive discussions after the parliamentary elections, a new pro-reform technocratic Government was formed in December 2014. The new Government had a mandate to pursue broad-based reforms but faced formidable challenges, including containing the conflict and restoring peace in Donbas; ensuring macroeconomic stability; tackling a major banking crisis involving a large number of insolvent banks; reducing the fiscal deficit in the midst of a recession without triggering social unrest or backlash against reforms; and reducing deep-rooted corruption while contending with powerful vested interests that oppose reforms. The Government initially pursued strong reforms, but the pace of reform slowed after September 2015 because of increasing political uncertainty and the influence of vested interests, which continues to threaten Ukraine's prospects for recovery and development.

6. **An EU Association Agreement and the EU Deep and Comprehensive Free Trade Agreement were signed in June 2014.** These agreements offer substantial medium-term opportunities to expand trade with the EU but in the short run do not fully offset the costs of trade disruption with Russia. What is most important, however, is that the agreements with the EU provide an anchor for Ukraine's reform program, which had been lacking in the past.

7. **The break-up of the governing parliamentary coalition in early 2016 led to the appointment of a new Prime Minister and a new Government in April 2016.** The new Government pledged to continue economic reforms and in May 2016 presented a Government Program and Action Plan, which was updated in April 2017. The fact that the Government has only a slim majority in Parliament could jeopardize the approval of key reforms. Public dissatisfaction with the pace and depth of the anticorruption measures, and concerns about the influence of vested interests on the Parliament and Government, remain strong.

Recent Economic Developments

8. **Unprecedented external shocks, combined with a history of limited progress on structural reforms, led to a major economic crisis in 2014-2015.** The economy was hit by the double shocks of the conflict in eastern Ukraine and a considerably weaker external environment, including lower global commodity prices. The conflict caused significant contraction of industrial production and revenues in the Donetsk and Luhansk regions, widespread disruption in supply and distribution chains, and plummeting confidence in the overall economy. In addition, the sharp drop in global commodity prices resulted in a deterioration of Ukraine's terms of trade. As a result, real GDP contracted sharply by 6.6 percent in 2014, and by a further 9.8 percent in 2015 (see Figure 1 and Table 1).

9. **Structural bottlenecks and imbalances that accumulated before the crisis necessitated a considerable fiscal and external adjustment in response to the shocks, which further compressed domestic demand.** The hryvnia depreciated by 47 percent in 2014 and a further 33 percent in 2015, while the consolidated fiscal deficit (including Naftogaz[1]), reached 10.1 percent of GDP in 2014. In addition, public and guaranteed debt doubled as a share of GDP in 2014-15, and is still rising (81 percent of GDP at end-2016). The deep recession and depreciation caused deposit outflows, rising levels of nonperforming loans (NPLs), and large numbers of bank failures, further reducing confidence in the economy. Total external debt rose from 79 percent of GDP in 2013 to 130 percent in 2016.

[1] Naftogaz is a national, state-owned gas company

Figure 1. Real GDP Index (1999=100)

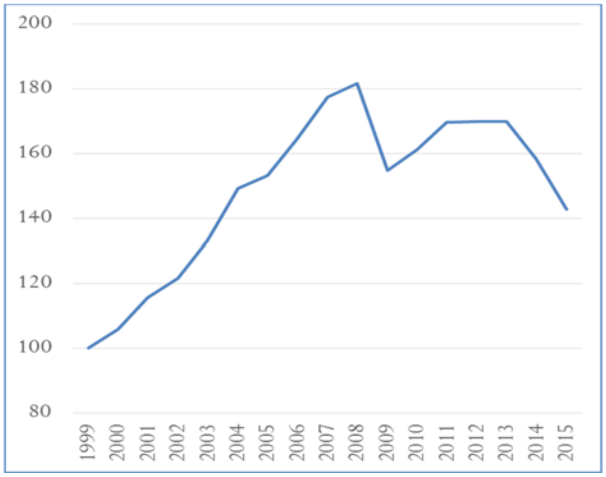
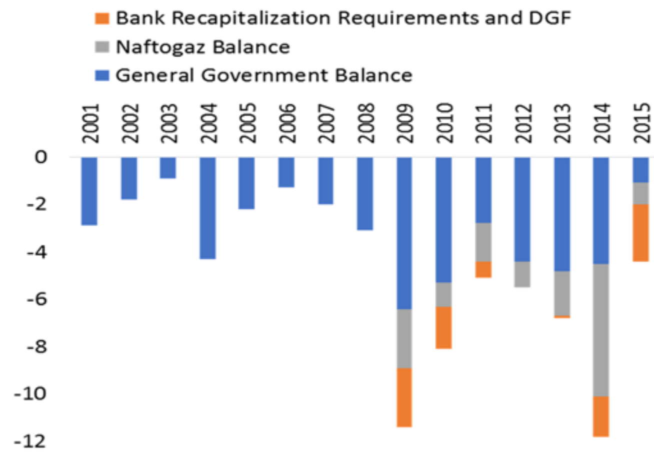


Figure 2. Fiscal and Quasi-Fiscal Balance (% GDP)



10. **Decisive reforms by the authorities, supported by the international community, including the World Bank and the IMF, helped to stabilize the economy and reduce large imbalances.** Key reforms implemented in 2014 and 2015 included moving to a flexible exchange rate; undertaking significant fiscal consolidation; reforming energy tariffs; strengthening social safety nets; stabilizing the banking sector; streamlining the business environment; improving public procurement, external audit, and public investment management; and putting in place key anticorruption instruments. As a result of these reforms, the economy has stabilized, with real GDP growing by 2.3 percent in 2016. The general government deficit (including Naftogaz) was reduced to 2.1 percent of GDP in 2015 and 2.3 percent in 2016 (Figure 2). The banking system is being cleaned up: over 89 weak or nontransparent banks have been transferred to the Deposit Guarantee Fund (DGF) for resolution. The current account deficit narrowed to 0.2 percent of GDP in 2015 from 9.2 percent in 2013, and international reserves reached US$15.5 billion (3.4 months of imports) at end-2016.

11. **Prospects for sustained economic recovery remain modest because of the backlog of reforms and considerable headwinds from the weak global economy and ongoing conflict.** Growth is projected at 2 percent in 2017. Significant challenges remain in accelerating reforms in a complex political environment. In addition, the conflict in eastern Ukraine has escalated since end-January 2017, and a coal and trade blockade with the uncontrolled areas in Donbas is expected to have negative effects on two key sectors, steel production and electricity generation. There are, nonetheless, encouraging signs of progress in several important reform areas. Accelerating key reforms to address long-standing structural bottlenecks would boost investor confidence and private sector competitiveness and raise growth to 4 percent in 2018-2019.

12. **Macroeconomic vulnerabilities are significant.** Medium-term fiscal pressures are considerable, particularly following the recent increase in the minimum wage and cut in the payroll tax rate. The fiscal deficit (including Naftogaz) is projected at 3.1 percent of GDP in 2017, with public and publicly guaranteed debt projected to reach 89 percent of GDP. The authorities have exhausted short-term measures to improve the fiscal situation through controls on nominal spending and ad hoc tax measures. Going forward, fiscal consolidation will require systematic reforms to manage the largest sources of fiscal vulnerability and improve tax administration. The risks associated with quasi-fiscal obligations from state-owned enterprises (SOEs) and the financial sector are also significant. It will be important to effectively restructure the portfolio of the recently nationalized PrivatBank and to accelerate asset recovery from failed banks, and resolve NPLs in the banking sector. Ukraine will

require significant external financing to meet repayments of the external debt of banks and corporates, amounting to about US$7 billion per year during 2017-2019.

Table 1. Key Economic Indicators, 2011-19

	2011	2012	2013	2014	2015	2016	2017P	2018P	2019P
Nominal GDP, *UAH billion*	1,300	1,405	1,465	1,587	1,980	2,383	2,735	3,085	3,450
GDP per capita, *US$*	3,784	4,080	4,216	3,119	2,122	2,174	2,277	2,464	2,736
Unemployment Rate	7.9	7.5	7.3	9.3	9.1	8.8	9.2	8.8	8.5
Real GDP, *% change*	5.5	0.2	0.0	-6.6	-9.8	2.3	2.0	3.5	4.0
Gross Domestic Investment, % GDP	22.4	21.7	17.9	14.1	15.3	18.5	18.6	19.2	18.6
CPI, *% change eop*	4.6	-0.2	0.5	24.9	43.3	12.4	10.2	7.0	6.0
Current Account Balance, *% GDP*	-6.3	-8.2	-9.2	-3.5	-0.2	-3.8	-4.1	-3.0	-3.3
Exports of G&S, *% GDP*	51.3	49.3	45.2	49.1	52.9	49.2	49.5	50.0	48.5
Imports of G&S, *% GDP*	57.5	57.4	53.8	52.5	54.7	55.4	54.7	54.1	52.7
External debt, *% GDP*	77.6	76.6	78.6	97.6	131.5	129.6	131.6	125.4	107.5
International Reserves, *US$ billion*	31.8	24.5	20.4	7.5	13.3	15.5	21.8	29.5	29.8
In months of next year's imports	3.7	2.9	3.3	1.9	3.2	3.4	4.6	5.8	5.4
Budget revenues, *% GDP*	42.9	44.5	43.6	40.3	42.1	38.4	38.8	38.9	39.0
Tax revenues, *% GDP*	38.4	38.9	37.9	35.8	35.5	33.1	34.3	34.8	34.8
Budget expenditures, *% GDP*	45.7	48.9	48.4	44.8	43.2	40.6	41.9	41.5	41.4
Current expenditures, *% GDP*	42.3	45.7	46.2	44.3	41.0	37.4	38.6	37.8	37.5
Capital expenditures, *% GDP*	3.0	2.9	2.0	1.3	2.2	3.1	2.8	2.9	3.1
Fiscal balance, *% GDP*	-2.8	-4.4	-4.8	-4.5	-1.2	-2.2	-3.1	-2.6	-2.4
Consolidated deficit, incl Nagtogaz, *%*	-4.4	-5.5	-6.7	-10.1	-2.1	-2.3	-3.1	-2.6	-2.4
Public and Guaranteed Debt, *% GDP*	36.3	36.6	40.6	70.3	79.4	81.2	88.8	83.5	75.9

Source: Ukrainian Authorities, WB projections

Poverty and Shared Prosperity

13. **Poverty is estimated to have increased significantly in 2015, with access to services and livelihoods particularly affected in conflict areas.** The deep recession, depreciation, and compression of public current expenditures have contributed to the significant contraction of disposable incomes in Ukraine; both labor and non-labor incomes contracted in real terms in 2015. As a result, the poverty rate (under US$5/day in 2005 PPP) increased from 3.3 percent in 2014 to 5.8 percent in 2015, while moderate poverty (using World Bank's national methodology for Ukraine) increased from 15.2 percent in 2014 to 22.2 percent in 2015. Labor market conditions deteriorated, with real wages down by 20 percent in 2015 and unemployment up from 7.8 percent in 2013 to 9.5 percent in 2015. Joblessness, access to services, social tensions, and livelihoods have been particularly affected in the conflict areas and among internally displaced persons (IDPs). Poor households were also affected by the dramatic increase in energy prices in 2015, although the new means-tested household utility subsidy (HUS) program helped mitigate the impact (over 6.5 million households were covered at end-2016).

14. **While poverty had declined in Ukraine before the recent crisis, household incomes relied on pensions and social transfers, raising concerns about the sustainability of poverty gains.** The share of the population living on less than US$5 a day (PPP) declined from 46 percent in 2002 to 3.3 percent in 2014, and moderate poverty declined from 79 percent in 2002 to 15.2 percent in 2014. However, behind this positive story on poverty reduction was a high reliance on pensions and social transfers. Out of income growth of 4.5 percent per year during 2009-2014 for the bottom 40 percent of the income distribution, pensions and social assistance accounted for 2 percent per year and labor

income accounted for another 2 percent per year. The sustainability of the poverty reduction was thus a serious concern even before the crisis, particularly because of the large cost of pensions. Furthermore, the fact that the bottom 40 percent had lower levels of educational attainment affected their employment and earning prospects as well as their quality of life.

Development Challenges

15. **Deep structural bottlenecks in Ukraine have impeded sustainable growth and poverty reduction for an extended period.** The economy grew rapidly during 2000-07, recovering from the collapse of the 1990s and benefitting from commodity price increases and highly liquid capital markets. However, it stagnated during 2008-13 as macroeconomic imbalances grew and structural bottlenecks were not addressed. It then shrank by 16 percent during 2014-15 in the face of the falling commodity prices, the conflict in eastern Ukraine, and political turmoil. As a result, GDP is lower in 2016 than it was a decade ago. Ukraine today is at a crossroads: the economy stabilized in 2016, but economic prospects remain weak, macroeconomic vulnerabilities are significant, and poverty has increased. To advance development prospects and deliver tangible benefits for the population, it will be critical to address long-standing structural bottlenecks on multiple fronts.

16. **The Ukraine Systemic Country Diagnostic (SCD) identifies three key challenges in achieving sustainable recovery and shared prosperity: macroeconomic instability, weak private sector productivity, and ineffective service delivery.** Large macroeconomic imbalances and instability, including large fiscal and current account deficits and an insolvent banking sector, not only stifled investor confidence, but also contributed to an unsustainable growth path in the pre-crisis period. Weak private sector productivity growth and inadequate progress in diversifying exports contributed to economic stagnation after the initial rebound during 2000-07, which was fueled by highly favorable external conditions. Weak labor market outcomes also generated an excessive reliance on unsustainable pensions and social assistance in improving the incomes of the bottom 40 percent of the income distribution. Inadequate and inefficient service delivery has constrained labor market outcomes, particularly for the bottom 40 percent, while contributing to macroeconomic imbalances and squeezing resources for public investment.

17. **The SCD also identifies widespread corruption and state capture as fundamental constraints impeding progress in addressing each of the challenges described above.** Ukraine ranks near the bottom on most corruption indicators: for example, it is in the bottom 15th percentile on the World Governance Indicator on Control of Corruption, far below the average for lower-middle-income countries (37th percentile) or for the Europe and Central Asia (ECA) region (64th percentile). In these circumstances, powerful vested interests seriously impede progress in addressing macroeconomic, productivity, and service delivery challenges (see Box 1). Widespread tax evasion and related-party lending undermine macroeconomic stability, a highly concentrated and anticompetitive production structure inhibits productivity growth and job creation, and weakness in the management of public resources impedes efficient and effective public service delivery despite high levels of expenditure.

Box 1. State Capture in Ukraine

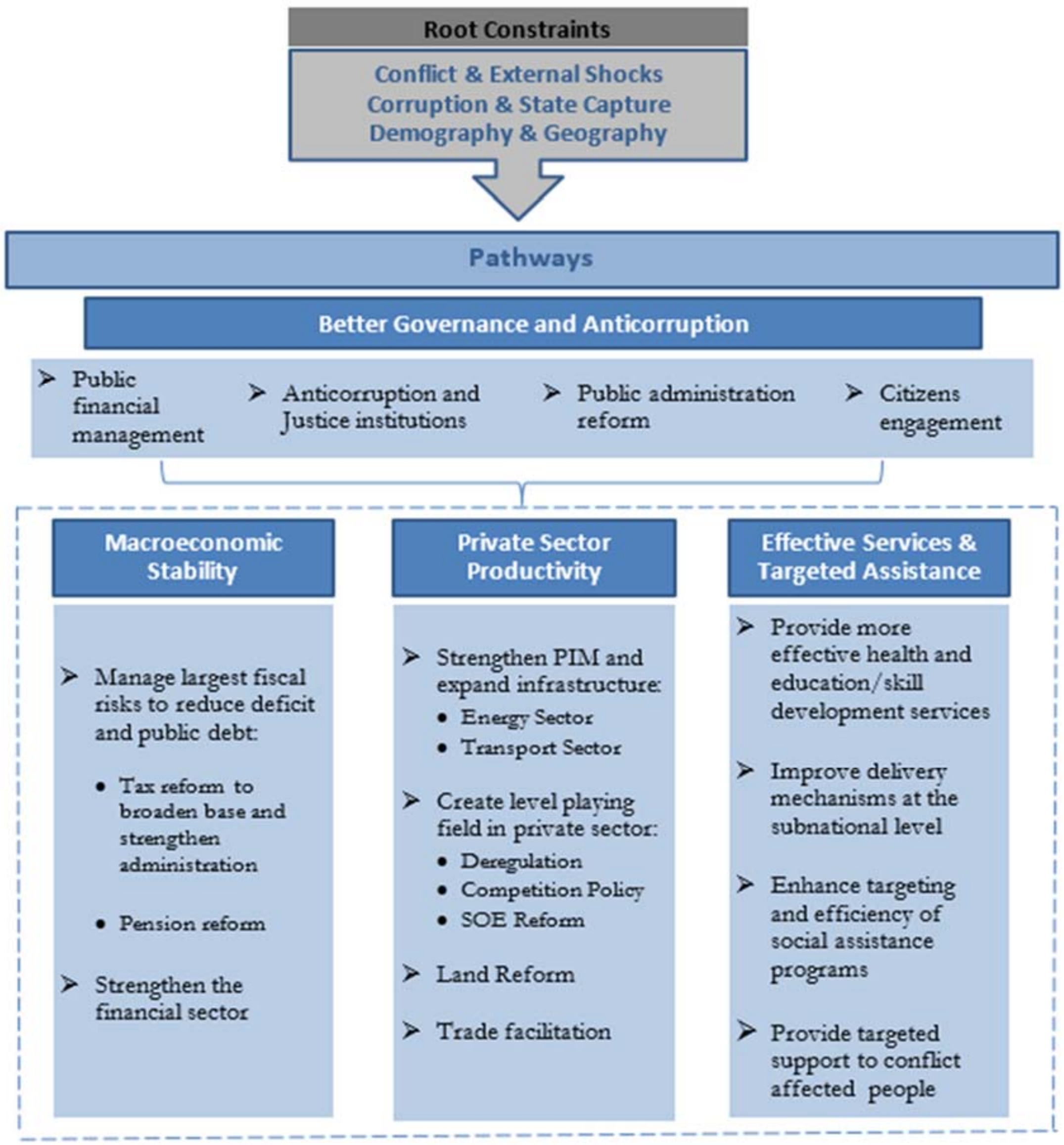
Ukraine has struggled with state capture since its independence in 1991. Privatized state assets were concentrated in the hands of a few in the early transition years. In addition, commodities were often purchased by insiders at state-regulated prices and sold at full market prices. Underpriced leases of large tracts of agricultural land, budget subsidies, and low-interest bank loans were made available to connected individuals. As a result, a number of oligarchs emerged who dominate large sectors of the Ukrainian economy, extracting rents, and directly influencing public institutions, including through direct representation in political parties and Parliament. The links between oligarchs and politicians and state officials stand in the way of reforms that could level the playing field and eliminate rents. Vested interests have supported political parties, financed election campaigns, and influenced the decisions of officials in SOEs, courts, and presidential administrations.

State capture has created an economy characterized by asset concentration and redistribution of rents to the benefit of a few. It has allowed individuals to benefit, at public expense, from privatizations, concessions, energy subsidies, public procurement, subsidized loans, state debt guarantees, price differentials, and tax expenditures. The reported assets of the 100 richest Ukrainians amount to one-third of GDP. Connected firms accounted for 10.9 percent of total turnover and 7 percent of total employment in 2002, shares that increased in 2010 to 20-23 percent and 15 percent, respectively. Firm-level data reveal that connected firms are larger than unconnected firms in terms of employment, but are slower to create new jobs and have lower productivity. The number of corporate-affiliated members of the Government and Parliament increased from fewer than 30 percent in the 1990s to over 70 percent since 2010.

State capture has contributed to Ukraine's poor economic performance despite the country's abundance of natural resources, qualified human capital, and a strategic location in the center of Europe. State capture leads to both the direct costs of lost revenues and wasted public expenditures, and the indirect costs of lower productivity and economic growth. Direct losses to the state have exceeded 10 percent of GDP. However, civil society was strengthened considerably as a result of the Euromaidan events and is now beginning to challenge this situation.

18. **The SCD identifies four interrelated pathways to sustained and inclusive recovery and a number of areas for action to address the development challenges and constraints Ukraine faces (see Figure 3).**

Figure 3. Pathways and Areas for Action from the SCD



III. WORLD BANK GROUP PARTNERSHIP FRAMEWORK

A. Government's Program and Medium-term Strategy

19. The *Medium Term Action Plan Until 2020 and the Priority Action Plan*, adopted in April 2017, includes 5 broad priorities that include the action areas identified in the SCD. The *Medium Term Action Plan Until 2020* sets a goal of "increasing standards of living and quality of life via sustainable

economic development", and represents the basis for medium-term budget planning, the Government's annual detailed actions plans, strategic plans of ministries and other government agencies. It sets out five strategic priorities:

- **Economic growth -** to be achieved by increasing exports and investments, implementing tax and customs reforms, deregulation, land reform, privatization, reforming the energy sector and maintaining macroeconomic stability by continuing fiscal consolidation;

- **Good governance -** to be achieved by reforming public administration, decentralization and reforming public finances;

- **Human capital development -** including reforms of education and healthcare systems, improving government social support, development of culture and sports;

- **Supremacy of law and combating corruption -** to be achieved by supporting effectiveness of anticorruption and cooperation institutes, ensuring equal access to justice and providing efficient protection of ownership rights; and

- **Security and defense -** including protection of the country's sovereignty and territorial integrity and the most important aspects of public security.

The SCD is fully consistent with the announced priorities of the Government, and the four SCD pathways largely parallel the Government's first four strategic priorities.

B. Proposed WBG Country Partnership Framework

Lessons from CPS Completion and Learning Review, and from Stakeholder Consultations

20. **The following key lessons from the FY12-16 CPS Completion and Learning Review have been incorporated in the design of the FY17-21 CPF:**

- Given the uncertainties in Ukraine, it is important for the WBG to build in sufficient flexibility going forward.

- WBG activities had the biggest impact when they addressed policy and institutional issues. Ukraine's investment needs are large, but the expected benefits are unlikely to materialize unless policy and institutional issues are addressed up front. In addition, complementarity between WBG lending and IFC advisory services helps achieve tangible results.

- The WBG's analytical work remains among the most important products for achieving development results. The World Bank's analytic work on the banking sector, energy reforms, targeted social protection, and the business environment had a large impact, informing both the new government and the programs of other partners. "Just-in-time" analytical work to respond to the development impact of the conflict was also critical in allowing the World Bank to realign and adjust to the new country context. However, the WBG's analytical work should be strategic and selective; fragmenting it into many small tasks can lead to an unfocused and less effective analytical work program.

- Disseminating World Bank knowledge and providing a platform for public debate on economic issues can be as important as the analytic work itself. This function is a valuable tool for a reform-oriented government and civil society. Careful stakeholder mapping, strategic communication, and feedback loops are essential to overcome vested interests.

- Continuity in key areas of engagement should be maintained from one country strategy to another to sustain progress in critical areas. For example, politically difficult reforms to support fiscal consolidation and improved public expenditure management remain crucial for Ukraine's development prospects.

- Close coordination with other development partners will continue to be critical to achieve the maximum effectiveness of the multilateral and bilateral cooperation in Ukraine and to maximize the WBG's impact.

- The analysis of implementation risks must include an understanding of the complexity of project design, implementation capacity, and ownership. Stakeholder analysis identifying champions and losers should be done thoroughly. Operations/components for which the Government does not take clear ownership should be avoided.

21. **CPF consultations with government officials, development partners, and private sector and civil society representatives covered the whole of Ukraine.** The team held consultations and discussions on the CPF design in Kyiv, Vinnitsa, Lviv, and Ivano-Frankivsk. A specially created website and the World Bank Ukraine Facebook page were also used to elicit further contributions, suggestions, and comments from a larger number of citizens. Each of the groups consulted supported the choice of proposed focus areas and key objectives of the CPF. The private sector and civil society consultations placed a particularly high priority on rule of law and anticorruption efforts.

22. **The FY17 Country Survey in Ukraine provided a snapshot of views of a sample of opinion leaders.** As in the FY14 Country Survey fielded in Ukraine, governance and corruption remain the most important issues for most survey respondents. These issues were identified both as top development priorities and as areas where the WBG should focus its support to the country. Growth emerges as a top priority as well, and an area that would benefit from WBG emphasis. Other areas that are considered top priorities include judicial reform, health, job creation, and private sector development. The WBG received very positive ratings about the way it operates on the ground from stakeholders who said that they collaborate with the Bank. They see the Bank as a respectful, straightforward, and honest long-term partner.

Overview of World Bank Group Strategy

23. **The objective of the WBG CPF in Ukraine during FY17-FY21 is to promote sustained and inclusive economic recovery after nearly a decade of stagnation and two years of economic crisis.** The proposed focus areas of the CPF broadly parallel the pathways identified in the SCD, but are further prioritized. The engagement will be highly selective and based on the intersection of the Government's development agenda, the development challenges and approaches outlined in the SCD, and the comparative advantage and capacity of WBG to deliver. The resulting CPF focus areas are (see also Figure 4): (i) Better Governance, Anticorruption, and Citizen Engagement; (ii) Making Markets Work; (iii) Fiscal and Financial Sustainability; and (iv) Efficient, Effective, and Inclusive Service Delivery.

24. **The WBG will promote reforms, develop investment platforms, and undertake selected investments, working in coalitions with development partners and paving the way for the private sector to join and invest in Ukraine.** Through advocacy, technical assistance, and selected investments, the WBG will work toward making markets work and an environment that unlocks the potential of the private sector. With this cascading approach, the WBG will be able to take advantage of its convening and leveraging capacity, enabling the private sector and other partners to step in, in particular in agriculture and agribusiness as well as in infrastructure, to support reforms and finance investments. The complexities of the overall political, security, and business environment in Ukraine demand that this approach be oriented toward the long term, and that it includes sustained and consistent engagement in the four focus areas. However, the cascading approach will only work if the initial policy constraints are addressed.

Figure 4. Proposed CPF Areas of Focus

Cross-cutting Focus Area: Better Governance, Anticorruption, and Citizen Engagement

25. **Ukraine's governance challenges are among the most important impediments to improving growth prospects and unlocking the potential of the private sector.** While addressing these challenges requires fundamental institutional change that will take time and yield broad-based improvements only in the long term, progress in specific areas can have important impacts in strengthening transparency and accountability in the short and medium term. Therefore, it is important to continue to push for specific implementation steps in areas where reforms have been initiated, such as effective implementation of anticorruption laws and implementation of the new public financial management (PFM) reform strategy, as well as the competition policy framework. In other areas that are at an incipient stage, such as justice and public administration reform, it is important to launch the process. Such improvements in core structures can help strengthen transparency and accountability across the public sector and thereby have a cross-cutting impact on the three other focus areas: creating markets and making them work, fiscal and financial sustainability, and efficient, effective and inclusive service delivery. In addition, building on the energy of Ukrainian civil society since Euromaidan has systematically enhanced citizen engagement and can help strengthen accountability while core structures are being built.

26. **The CPF addresses Ukraine's governance challenges as a cross-cutting issue through a two-pronged strategy.** The first prong of the strategy involves providing targeted support for building core institutions and systems that strengthen transparency and accountability across the public sector. This prong concentrates on building select institutions where the WBG has a comparative advantage and sees opportunity, including (i) strengthening PFM to improve transparency and reduce rent-seeking opportunities; and (ii) supporting anticorruption and citizen engagement efforts to improve accountability. In these areas, the WBG will work closely with the Government, private sector, and civil society, and collaborate with other development partners. The second prong of the strategy involves advancing reforms in the three focus areas to disempower vested interests. This involves proactively integrating political economy considerations into the design of institutional reforms across the various focus areas. Both prongs of the strategy are important in addressing institutional bottlenecks to improving Ukraine's growth prospects and unlocking private sector investment.

27. **The first objective under the cross-cutting governance focus area is to promote transparency and strengthen PFM.** Weaknesses in transparency and PFM have facilitated state capture by powerful vested interests, undermined private sector investment opportunities, weakened delivery of services to the bottom 40 percent of the population, and broadly undermined citizens' trust in government. The World Bank, in partnership with the EU, supported the preparation of the recently adopted PFM reform strategy addressing challenges in medium-term budgeting, payroll, budget execution, procurement, and transparent reporting. An EU-financed trust fund will support the initial stages of the PFM reform implementation: the design and implementation of an integrated Human Resource Management Information System (HRMIS) that will provide civil service employment and payroll information, and the redesign of the obsolete information and communications systems that are critical to financial planning and management. In addition, the WBG will also continue to provide technical assistance in supporting other key initiatives that promote transparency and promote private investment opportunities, including the Construction Sector Transparency Initiative (CoST) and the Extractive Industries Transparency Initiative (EITI); the development of a transparent budget information system; improvements in transparency in public procurement, including through the ProZorro system; and the quality and transparency of and access to administrative and e-government services. The key results indicators under this objective include (i) the share of central government civil servants covered by the HRMIS system, and (ii) PFM ICT governance.

28. **The second objective under the cross-cutting governance focus area is to strengthen accountability by enhancing anticorruption and citizen engagement initiatives.** The rise of powerful vested interests has for some years undermined the accountability of the government to citizens. To address this challenge, the World Bank will continue to support implementation and monitoring of the corruption prevention law and related initiatives. This would include strengthening the verification and public scrutiny of electronic asset declarations for key elected officials and public servants, strengthening mechanisms for verifying beneficial ownership, strengthening the conflict of interest legislation and regulation, and providing support for the emerging anticorruption enforcement institutions, including through the Stolen Asset Recovery Initiative's advisory services. In this context, it is critical that the highest level of Government takes ownership of the overall anticorruption agenda.

29. **Enhancing citizen engagement will be key to increasing trust, achieving accountability of public officials, and improving performance of service providers.** While civil society has played a central role in pushing for change in Ukraine since Euromaidan, it will be important to harness its energy and enthusiasm to engage more systematically and effectively on institutional improvements, key reforms, and service delivery. Initiatives to enhance citizen engagement are in three areas: (i) enhanced and structured involvement of third-party monitoring by independent organizations,

including in IBRD-financed projects; (ii) raising civil society awareness and creating opportunities for dialogue on key institutional reforms; and (iii) establishing local-level mechanisms for citizen feedback on the delivery of services Specific initiatives, at the sector level and across the board, could include developing information portals; monitoring the performance of public institutions and compliance with service standards; using ICT to share information and gather feedback from service users and citizens; and establishing consultative platforms and events that can inform the policy process and provide feedback on implementation, including on CoST and EITI. The WBG will continue to reach out to civil society organizations (CSOs), using its analytical work to inform policy debate.

30. **The key results indicators under the objective of strengthening accountability are** (i) the share of externally verified electronic asset declarations of high-level public officials, and (ii) the share of citizens reporting increased satisfaction with the quality of public services in health, water supply, and district heating.

31. **In two important priority areas identified by the SCD—the justice sector and public administration reform—the WBG will rely on other development partners to take the lead.** The EU and bilateral partners are better placed to support these institutional reforms, particularly given the substantial resources that they are able to devote to them. However, recognizing the importance of these sectors, the WBG will remain involved in the policy dialogue and will provide technical expertise where it has a comparative advantage. The WBG's engagement in public administration reform will focus on the payroll and human resource management information systems mentioned earlier.

Focus Area 1: Making markets work

32. **Unlocking the potential of the private sector through institutional reform and key investments that make markets work is critical for stronger and sustainable growth in Ukraine.** While the economy grew by 2.3 percent in 2016 after a 16 percent cumulative contraction in the previous two years, the growth outlook remains modest. Achieving stronger and more sustained economic growth will require deeper institutional reforms to address longstanding structural bottlenecks that have contributed to weak private sector competitiveness and poor labor market outcomes in Ukraine. Productivity growth is key to increasing the competitiveness of Ukrainian firms and their ability to expand (create jobs) and raise incomes. Three structural and institutional bottlenecks hold back the competitiveness of the private sector.

- Inadequate and ineffective infrastructure, lack of effective public investment management, and a slow pace of reforms in the infrastructure sectors. Because of budget constraints and weak governance, public capital expenditures have been low (2.4 percent of GDP)—a factor that, coupled with the lack of maintenance, has resulted in deterioration of critical infrastructure. In the transport sector, for example, poor-quality roads and a low focus on multimodal approaches to transit corridor development and logistics impede traffic flows and trade volumes.
- The highly concentrated and oligarchical production structure limits competition. The capture of the state apparatus by powerful vested interests is one of the most striking features of the Ukrainian economy. Private investment in Ukraine (12.5 percent of GDP in 2015) is significantly below that of its neighbors (Poland, Romania, and Turkey) and Asian middle-income countries (Malaysia, Vietnam).
- The lack of a land market, along with weak land administration and management, constrains investment and productivity in agriculture and other sectors, as well as job creation in rural areas.

33. **The first objective under Focus Area 1 is to improve the quality of infrastructure services, particularly in energy and transport.** Increased private investment will require access to reliable and high-quality infrastructure services. The WBG will focus on the energy and transport sectors, both because of their importance and because of its prior engagement in these sectors in Ukraine. In addition to the energy and road investment operations in the current portfolio, the WBG will support reforms in these sectors through technical assistance and analytical work.

- ***Energy.*** The energy sector is characterized by inefficiency, widespread corruption linked to past pricing and management structures, declining reliability, and low investment. Ukraine is a major net importer of oil and gas and an important transit country. At the same time, its economy remains one of the most energy-intensive and inefficient in the region. The energy sector has suffered from years of serving political rather than commercial objectives. Ukraine's accession to the Energy Community with the EU creates conditions for energy sector reform, greater energy efficiency and conservation, and support for Ukraine's ambition to remain an energy transit country. With the support of the WBG and other partners, the authorities have embarked on energy sector restructuring (including unbundling the gas sector and establishing a wholesale electricity market) to increase energy efficiency, sector transparency, and competition, and to promote awareness and engagement of energy users. However, much remains to be done. The WBG will support the energy tariff and household utility subsidy (HUS) reforms to ensure their improved targeting and sustainability; gas and electricity sector reforms to help address key challenges in these markets and support their restructuring; and deepened reforms in district heating and in demand-side energy efficiency, including support to the establishment of energy efficiency financing mechanisms. To date the World Bank portfolio in Ukraine has supported hydropower, transmission, district heating, and energy efficiency interventions, but its focus has increasingly shifted to technical assistance in support of sector policy reforms and of the EITI[2]. IFC will engage with the local financial sector in developing energy efficiency financial products. More broadly, IFC will work towards creating favorable conditions for private sector financing in the energy sector as a whole. IFC will also consider identifying viable municipal investment projects for investment in district heating, renewable energy and energy efficiency sectors. The key results indicators under this objective will be (i) Ukraine's ranking on the Logistics Performance Index, and (ii) the number of gas suppliers to district heating utilities.

- ***Transport.*** The competitiveness of the Ukrainian economy also depends on the performance of the transport sector, particularly on the quality and reliability of its logistics system, built on a well-functioning transport network, a conducive regulatory environment and a thriving group of transport and logistics operators able to provide high quality services. Efficient multimodal transportation (roads, waterways, ports, railways) and logistics are important for reducing costs and unleashing Ukraine's trade potential. Nonetheless, the current transport and logistics system in Ukraine lacks some of these building blocks, constraining the economic development. Insufficient investments in maintenance of road assets have caused deterioration of a substantial part of the road network; a problem that needs to be urgently addressed in parallel with constructing new corridors. Ukraine has an extensive railways system, yet despite a number of advantages that it offers, such as low transportation costs and absence of weight limitation, each year more and more cargo senders prefer road transportation due to non-transparent and unpredictable tariff-

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[2] On October 17, 2013, Ukraine was accepted as an EITI candidate country. It is expected that the second National EITI Report, which will commence in July 2017, will take into account the extensive efforts in oil and gas law enforcement, as well as the publication of payments and revenues that government received from all extractives operators, and will serve as basis for the validation and assessment on Ukraine's compliance with EITI standard.

setting system; high level of capacity deterioration; delays and low speed. This places an even heavier burden on the roads. Corridor prioritization in both roads and rails is needed to enhance resource allocation and sustainability. Inland waterways are underutilized and, together with ports, need further investment to improve their productivity. In addition to implementing ongoing roads projects, the World Bank will focus on technical assistance activities which will lead to the preparation of the sustainable logistics action plan: a strategy for road investment prioritization; a port tariffs study; preparation of pre-feasibility studies for two potential projects to be developed as PPPs, and a major effort on corridor prioritization so that Ukraine can take better advantage of its strategic geographic position and in support of its aspiration to be better connected with the EU. In addition, IFC may consider possibilities for partnering with state-owned enterprises (SOEs) in enhancing transport infrastructure (roads and ports) on basis of public-private partnerships (PPP). The key results indicator under this objective will be (i) Ukraine's ranking on the Logistics Performance Index; (ii) number of transport projects with private sector participation; and (iii) number of infrastructure related transport transactions completed by IFC.

The World Bank will continue to implement the ongoing project to support the improvement of municipal water supply and sanitation services and the preparation of a National Water Supply and Sanitation Sector Strategy. Concurrently, the World Bank will engage in policy dialogue on water resource management reforms, particularly the preparation of an Irrigation and Drainage Sector Strategy. That strategy would help manage water resources in a more efficient and environmentally sustainable manner, while addressing the competing interests of water use in agriculture and hydropower production, as well as in domestic and industrial settings.

34. **The second objective under Focus Area 1 is to create a level playing field in the private sector through institutional reforms that would help unlock private investment.** Actions in three areas will be important to address Ukraine's anticompetitive and highly concentrated production structure. First, complicated regulatory barriers hamper market contestability, create rent-seeking opportunities, and constitute an environment in which only a small number of politically connected firms can prosper, albeit at low levels of productivity. Second, with many sectors exhibiting a high concentration of firms and low rates of firm entry and exit, weak implementation of competition policy aggravates the problem. Third, the large and inefficient SOE sector traps resources in firms that are able to operate at low levels of productivity and transparency because they have preferential access to resources, markets, and influence.

35. **Support for progress under this objective will seek to crowd in private investment, particularly in small and medium enterprises (SMEs).** To create an environment in which competition, entrepreneurship, and innovation can flourish, the WBG will continue to provide technical assistance to streamline the regulatory environment, strengthen implementation of the competition framework, and reform SOEs. Critical reform initiatives can also be supported through a possible multisector development policy operation. These reforms would help reduce risks for SMEs and thus crowd in private investment. In the area of deregulation, initiatives going forward will need to focus on streamlining construction permits and resolving insolvency, improving regulations governing business inspections, addressing "hidden" permits and permitting procedures, and increasing the use of declarations instead of permits or licenses. In the context of the largest SOEs, the WBG can support transparency and de-monopolization in the gas sector, help ensure a transparent process of attracting investors and effective operators, and act as an advisor on divestiture. In addition, the IFC will explore participation in selected pre-privatization investments, and investments in privatized SOEs and banks. IFC will also continue to provide assistance in strengthening corporate governance. The key results indicators under this objective will be (i) private investment as percent of GDP, and (ii) SME sales as a share of total sales in the enterprise sector.

36. **The third objective under Focus Area 1 is land reform to create a land market and increase agricultural productivity.** With one-third of the world's black soil but crop yields that are half of the European average, Ukraine has a large untapped agricultural potential. Realizing this potential is constrained by deficiencies in land registration and a lack of a functioning land market. The sale of private agricultural land has been prohibited for years, with the moratorium on land sales extended until end-2017. Also, one-quarter of agricultural land is state-owned, and more than 80 percent of that land is not registered and hence open to non-transparent practices, leading to the loss of about US$1 billion in state revenues per year. The majority of individual landowners receive low returns as many of them do not engage in agricultural production but lease out their land at very low rates. Because lease contracts cannot be used as collateral, ordinary land users are unable to access finance.

37. **The Government has indicated that it intends to proceed with a land reform.** This reform would entail lifting the moratorium on the sale of private agricultural and state land, preparing the land management and use plans, as well as completing the cadaster of state land. This would, in turn, allow market prices for land to be established and land financing instruments developed. This is an area in which the cascading approach is directly applicable, provided that relevant policy reforms are implemented. The land reform would be a foundation for transparent land consolidation and rural development, as it helps those who wish to move into or out of the farm sector. It would also provide the basis for private sector investment in agriculture. Given Ukraine's vast land resources, improved land management has the potential to mitigate Ukraine's Green House Gas (GHG) emissions while simultaneously reducing economic losses from soil erosion. If transparently implemented, such a reform could lead to rapid growth in agriculture, create jobs, and raise the income of a significant portion of the population, including the bottom 40 percent of the income distribution. If not transparently implemented, however, such a measure could lead to further state capture by vested interests. Therefore, the land reform will be a high-reward, high-risk undertaking in Ukraine. However, given its transformative potential, the WBG, jointly with IMF, USAID, EU and other development partners, is supporting through technical assistance a carefully designed, transparent, and closely monitored land reform program. IFC will work towards developing financing mechanisms to support farmers' acquisition of land.

38. **The WBG will also seek private sector solutions to develop agriculture-related infrastructure.** To date, WBG support in this area has included help in developing agricultural market infrastructure and crop receipt financing, a review of irrigation needs, and capacity building of water user associations. Going forward, the WBG will aim to upgrade agriculture storage facilities and logistical services while continuing to support the development of agribusiness through a combination of investment and advisory services. The ongoing technical assistance also provides an opportunity to deepen WBG engagement and identify future interventions in irrigation and agriculture through a multi-GP approach. Also, IFC will continue working with farmers on improving their operational efficiency, introducing new technologies, standards and thus opening access to new markets. Additionally, IFC may consider possibilities for partnering with the SOEs in enhancing transport infrastructure (roads and ports) that would operate on PPP basis and more broadly finance projects in agri-infrastructure. Key results indicators for this objective will be (i) the share of state-owned agricultural land included in the cadaster, and (ii) the number of agricultural land transactions completed.

Focus Area 2: Fiscal and Financial Stability

39. **Addressing the largest structural sources of fiscal and financial sector vulnerability will be critical for safeguarding the country's future macroeconomic stability and creating the conditions for markets to function properly.** Medium-term fiscal pressures are considerable, with the fiscal deficit projected to rise to 3.1 percent of GDP in 2017, public and guaranteed debt projected at 89 percent of GDP, and large interest and amortization payments due over the next three years. In this context, safeguarding macroeconomic stability will require addressing the structural roots of the largest sources of fiscal risks in the medium term, including the narrow tax base and a weak and politically influenced tax administration, an unsustainable and ineffective pension system, and significant quasi-fiscal risks. Furthermore, while a major breakdown of the financial sector has been averted, vulnerabilities persist, credit growth has not resumed, and the number of NPLs has increased. In light of deep-rooted and politically influenced related-party lending, it will be important to continue to resolve and recapitalize banks and strengthen supervision while putting in place a framework to resolve NPLs and strengthen the governance of state-owned banks.

40. **The first objective under Focus Area 2 is to mitigate the largest medium-term fiscal risks to achieve a sustainable fiscal deficit and public debt path going forward.** The World Bank's multisector development policy loan (DPL) series, in coordination with the IMF, supported considerable fiscal consolidation during 2014-15 through the energy tariff reform, across-the-board expenditure control, reforms to social assistance, and specific revenue initiatives. However, the tax and pensions systems remain major sources of fiscal vulnerability. Despite recent reforms, the tax system is still complex, inequitable, and eroded by exemptions and loopholes, while tax administration is inefficient and widely perceived to be corrupt. The 2016 cut in the payroll tax rate increases the urgency of broader tax reform: broadening the tax base; removing tailor-made exemptions and loopholes, including strengthening international taxation arrangements that enable profit shifting and tax base erosion; and strengthening tax administration. The pension system also represents a major fiscal vulnerability, with pension spending exceeding 13 percent of GDP in 2015 and accounting for almost one-third of total public expenditure. Furthermore, despite its cost, the system provides very low benefits for most of the elderly and contains only weak incentives to contribute. Reform options include restructuring the overall benefit package to improve fiscal and social sustainability and applying parametric measures, including reducing categorical benefits and early retirement.

41. **Reforms under this objective will be supported through advocacy and outreach, technical assistance, and possible DPF.** The reforms under this focus area are difficult, requiring a fundamental change in the power of vested interests who evade taxes and benefit from contingent liabilities, and redefining the social contract on pensions. To make progress, the World Bank interventions will need to combine in-depth analytical work and technical assistance to identify and analyze solutions with effective advocacy and outreach to relevant stakeholders. It will also be important to build coalitions with other development partners, including the IMF and bilaterals, to advance the most important reform initiatives. In addition to technical assistance, the World Bank will prepare programmatic public finance reviews (previously financed through a DFID trust fund, with follow-up work likely through the EU trust fund), engage in analytical work on the sustainability and distributional impact of expenditures and revenues, and support the implementation of key reforms through possible multisector development policy financing. The key results indicators under this objective will be (i) public and guaranteed debt as a share of GDP, and (ii) pension expenditures as a share of GDP and the replacement rate for old-age benefits.

42. **The second objective under Focus Area 2 is to strengthen the financial sector and lay the basis for sound credit growth.** This objective not only helps safeguard financial sector stability, but also supports functioning of markets. Since 2014, bank liquidity and asset quality have been hit hard by the 65 percent depreciation of the hryvnia and the 16 percent contraction in GDP. The stress was magnified by deep-rooted structural problems, including widespread related-party lending, weak supervision, and an underdeveloped financial infrastructure. The World Bank's financial sector DPL series, coordinated with the IMF, supported the authorities in responding proactively to the crisis by putting in place a framework to resolve and recapitalize banks and strengthen banking sector supervision. As a result, recapitalization plans were adopted for several weak banks, while about half of the country's 180 banks have been declared insolvent and sent for resolution. At the same time, vulnerabilities remain considerable. The DGF has made little progress in resolving its assets, state-owned banks have become dominant, related-party lending remains a problem, and the share of NPLs is high. With the share of NPLs above 30 percent, banks find it difficult to effectively resume lending to the private sector. Safeguarding macrofinancial stability will require continued and sound implementation of the new framework, including further enhancing bank resolution, completing the restructuring of the banking system, and further strengthening supervision. A resumption of credit growth will also require action to resolve NPLs while reforming and strengthening the corporate governance of the large state-owned banking sector. It will be important to create a functional market for distressed financial assets to help restore a healthy credit market.

43. **Progress under this objective will be supported through lending to facilitate access to longer-term finance, possible IFC debt and equity financing for banks, financial sector technical assistance, and possible multisector DPF.** One of the key constraints facing the banking sector is access to longer-term financing. Furthermore, the cost of capital has increased since the crisis, and credit to households and SMEs remains highly restricted. Thus, while efforts to strengthen confidence are under way, the WBG will consider providing the banking sector with targeted long-term loan and equity financing to help support sound credit growth. In addition, programmatic financial sector technical assistance will be important to support the implementation of the new framework for bank resolution, restructuring, and supervision, as well as the identification of new reform initiatives to resolve NPLs and strengthen the corporate governance of state-owned banks. Technical assistance to support the resolution of DGF assets and mitigation of associated risks will require special attention by the WBG, though results are expected to materialize beyond the CPF period. Such new reform initiatives could also be supported by multisector DPF. The WBG will support the authorities in establishing a functional market for distressed financial assets by enabling effective resolution, sales, work out, and write-offs of distressed financial assets. The WBG will also continue engagement with state-owned banks to improve corporate governance, strengthen capacity, and possibly provide IFC debt and pre-privatization financing. Developing deep and efficient local capital markets is another priority because it complements the banking system in supporting private sector investments. The WBG can support the Government's efforts to address shortcomings in local capital market infrastructure and standards of information disclosure. Key results indicators under this objective are (i) credit growth to the private sector, and (ii) the share of NPLs.

Focus Area 3: Efficiency and Inclusiveness of Social Service Delivery

44. **Effective social service delivery is important to build the human capital needed for the development of the private sector and to ensure that the benefits of growth are widely and sustainably shared.** Ukraine's social service delivery is characterized by high levels of expenditure and poor outcomes. Health and education expenditure is more than 10 percent of GDP, but outcomes are poor relative to comparators. Life expectancy is low (71 years: 76 for women and 66 for men), and

non-communicable diseases impose a heavy burden. Only 10 percent of the population expresses satisfaction with the health system. Similarly, social protection expenditures exceed 20 percent of GDP, but the majority of benefits accrue to the top 60 percent of the income distribution and many vulnerable groups are not adequately protected. Increasing the efficiency of social expenditure, including better targeting, is key for both the welfare of the bottom 40 percent of the income distribution and for "smart" fiscal consolidation to support macro sustainability.

45. **The WBG is working at both the national and sub-national level to improve service delivery.** While the World Bank work is mainly focused on country-wide policy reforms, several ongoing operations provide direct support at the sub-national level to improve service delivery and build capacity. For example, the health project provides direct support to eight oblasts in modernizing their health service delivery systems and building local capacity. Also, the district heating energy efficiency project provides support for the modernization of the district heating utilities at the municipal level, and the urban infrastructure project supports rehabilitation of the municipal water supply and waste treatment plants, improving quality and availability of services to the local population. Going forward, World Bank will continue to carry out analytical work to better understand the efficiency and effectiveness of local level service delivery. For the time being, the other partners, such as EU, are taking the lead and are heavily engaged on the broad decentralization agenda.

46. **The first objective under Focus Area 3 is to increase the efficiency and quality of health services.** Today, most health resources are spent on in-patient and specialized outpatient care; only 12 percent are spent on primary and preventive care. The Government spends about 12 percent of total public expenditures on health—a share comparable to that of neighboring countries—but the high out-of-pocket payments that are required impede access by the rural population and the poor. A key feature of the reform would be to shift the financing model from input-based norms toward payment systems in which money follows the patient. The decentralized nature of most health expenditures (more than 80 percent is channeled through local governments) presents challenges but also offers prospects for stronger citizen engagement to hold service providers accountable. The World Bank will prioritize support to areas that are essential for the efficiency and quality of health services: the health financing reform, e-health, public health, and primary health care. Following the cascade approach, the WBG will also help identify private sector solutions for health care problems, including private operators as well as public-private partnerships (PPPs). Through the ongoing health project, the World Bank will continue to work with development partners, particularly Swiss Development Cooperation, USAID, and WHO, to support the implementation of the health reform package, which was approved by the Government in November 2016 and jointly endorsed by partners. The key results indicator will be the share of public health spending on primary health care.

47. **The second objective under Focus Area 3 is to increase the targeting of social assistance.** Ukraine spends 4 percent of GDP on social assistance, yet the bulk of the spending does not reach the poor. Remarkably, the top decile of the income distribution has a higher share of beneficiaries than the bottom decile. Spending is dominated by the childbirth benefit, various categorical benefits, and the HUS. The means-tested low-income family benefit accounts for a small portion of expenditure. The majority of the population receives benefits, but fewer than half of the bottom quintile do so, and the absolute amount of individual payments is low. A key results indicator will be the share of cash support (including HUS) targeted to the bottom 20 percent of the income distribution.

48. **This objective will also aim to increase targeted assistance to conflict-affected communities.** Insecurity in eastern Ukraine has interrupted service delivery, destroyed infrastructure, and halted urban and rural development for the local population. Yet the impact of the conflict falls

not only on the population in the directly affected areas but also on IDPs, former combatants, and IDP host communities across Ukraine. Opportunities for employment in mining and heavy industry in the east were largely lost with the conflict. As a result, IDPs from the heavily industrialized areas of eastern Ukraine often face a mismatch between their skill sets and the economic opportunities in communities where they settle. As the conflict is in its fourth year, host communities and social systems are no longer able to cope with the number of IDPs and former combatants. Special targeted programs are needed to protect highly vulnerable people and to lay the basis for peace-building. These programs also need a gender focus, as women predominate among displaced persons and have additional obligations, such as caring for children (sometimes non-related) and for elderly and disabled relatives. Through a multiyear analytical work on Peacebuilding and Recovery and a State- and Peace-building Fund grant, the World Bank will continue to work with the Ministry for Temporarily Occupied Territories and IDPs (MOT) and other development partners to support the Government in addressing the development impacts of conflict and displacement. In partnership with MOT and the UN, the World Bank will also seek to capitalize a multipartner trust fund as the key vehicle for supporting this effort. The key results indicator will be the number of conflict-affected communities benefitting from recovery support.

49. **The World Bank is taking careful steps in reengaging in the education sector, which is important not only for improving service delivery, but also for making markets work.** Although the Government has recently approved "The New Ukrainian School" reform concept, the overall education sector reform vision and implementation have yet to take shape. The sector lacks reliable information to create the evidence base for reform and contribute to creating a labor force that would correspond to the demands of the labor market. With Ukrainian firms complaining about the shortage of skilled labor, the training and education institutions need to become more responsive. The World Bank has not substantively engaged in the education sector since 2010, when the last project was closed with an "unsatisfactory" rating. The main partners active in the sector are the EU and several bilateral partners (Czech Republic, Poland, Sweden, UK, US). For the time being, until the government takes decisive steps to implement the reform, World Bank's involvement in the sector will be limited to technical assistance and analytical work, including on strengthening the statistical and data capacity to close knowledge gaps and on addressing skills mismatches (behavioral and technical/professional skills).

C. Implementing the FY17-21 Country Partnership Framework

50. **The implementation of strategic priorities will be a major challenge, given the risks and uncertainties in Ukraine.** The combination of weak institutions and strong vested interests has stymied announced reform intentions in the past. Therefore, to most effectively help Ukraine move forward, the WBG strategy will require maximum agility, flexibility and responsiveness in terms of interventions and tasks supported, while closely monitoring the reforms.

Current Portfolio

51. **The current IBRD portfolio—eight investment operations worth about US$2.25 billion—faces major implementation challenges.** Procurement bottlenecks, lack of capacity of project implementation units (PIUs), allegations of corruption, and other issues have slowed implementation and disbursements. Implementation issues have been aggravated by a rapid increase in the investment portfolio in the last three years. Seven of the eight ongoing operations, representing some US$1.8 billion of commitments, have been approved since the change of government in 2014. Undisbursed commitments amount to about US$2.05 billion as of March 2017.

52. **Actions have been taken to improve the performance of the IBRD portfolio.** Portfolio deep dive was undertaken in partnership with ECADE in FY16. Based on it an action plan for portfolio cleaning and restructuring has been agreed, and partial cancellations of some operations have been pursued aggressively to fix problems or reallocate resources to higher-priority activities. In FY16, US$65.5 million was cancelled from the District Heating Energy Efficiency project, and an additional cancellation of about US$40 million is being prepared in FY17. Also, in FY17, US$222.2 million was cancelled from the US$560 Road Sector Development project, which had no disbursements since effectiveness. In addition, lending operations that were not responding to the new strategic priorities of the Government have been dropped (Competitiveness Enhancement Project for US$200 million, Community Social Support Project for US$150 million, and Kaniv Pumped Storage Hydro Power Plant for US$400 million). Extended capacity building program for the PIUs on procurement, financial management and safeguards is being implemented since FY16, and Specialists from INT are included in the task teams where relevant or invited to speak at the trainings for the clients.

53. **The implementation of the ongoing operations will have a much larger impact on CPF results than any new investment lending**. The results indicators proposed above and included in the CPF Results Matrix (Annex A) are based primarily on the existing portfolio and ongoing or planned advisory services and analytics (ASA). Some results depend on the implementation of key reforms, as highlighted in the Results Matrix.

54. **Beyond the investment portfolio, commitments between May 2014 and June 2016 also included US$2.25 billion in DPLs.** The DPLs, which have been fully disbursed, supported strong results, including stabilizing the economy, reducing large imbalances, and mitigating the impact of shocks on the population.

55. **The current committed portfolio of IFC is US$695 million** (for own account; undisbursed: approx. US$70.8 million) and additional US$526 million in mobilization from other partners. Projects in manufacturing, agribusiness and services account for 89 percent of IFC's outstanding portfolio, followed by infrastructure with 7 percent, financial markets with 3 percent, and the remainder in telecoms/technology (1 percent). IFC will continue to pursue impactful investments across priority sectors within the CPF period.

56. **MIGA has US$134.34 million of gross political risk guarantee exposure** in a total of 6 operations of which three are in the manufacturing sector (US$43.8 million) and three in the financial sector (US$90.6 million).

Potential New Lending Engagements

57. **IBRD lending to Ukraine during the full CPF period and expected results will be determined by several factors: (i) Ukraine's progress in implementing reforms; (ii) improved performance of the IBRD portfolio in Ukraine; and (iii) IBRD's overall lending capacity in Ukraine.** The CPF recognizes that achievement of some results will depend on reforms that are politically sensitive and require deep engagement by the Government and other stakeholders, especially those related to land reform, creating the level playing field for the private sector, mitigating the fiscal risks and strengthening the financial sector. The new DPF lending will depend on progress in implementing these key structural reforms, as well as maintenance of a sustainable macroeconomic framework. New investment project lending will be dependent on both improvements in the implementation of the existing portfolio and progress on reforms that are necessary for investment projects to produce the intended benefits. Policy reforms will need to precede any investment.

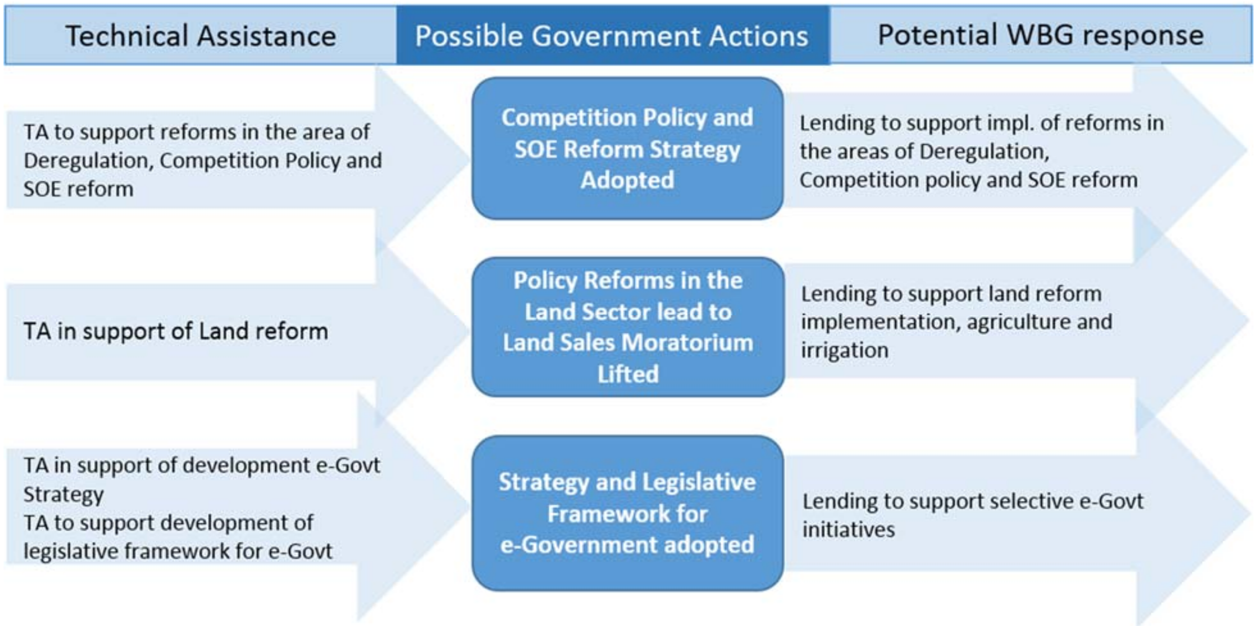
58. **The success of the IFC's operations in Ukraine will to a large extent depend on the systemic reform areas listed in paragraph 34 and specifically on the implementation of reforms in key sectors** including energy, infrastructure and financial and capital markets, as well as on progress of privatization. Improving the business environment and reducing corruption are key reform priorities and slow progress will lead to reduced new investment from IFC.

59. **Four principles will guide the selection of new activities during the CPF period.**

- First, WBG activities will aim to crowd in private sector and contribute to making markets work through:
  - ✓ Implementation of frameworks that enable markets to function, specifically through the use of WBG ASA to advance key policy reforms that enable private investors to enter markets.
  - ✓ Building capacity and skills that help open new market opportunities for Ukrainian producers—for example, through assistance to meet certain quality standards.
- Second, a higher priority than in the past will be accorded to strategic analytical work.
- Third, multisector DPF will be used to advance key policy reforms, in coordination with IMF and other development partners.
- Fourth, investment projects will be used to support the implementation of key complementary reforms, subject to the availability of IBRD resources.

60. The choice of specific new IBRD lending operations under the new CPF period remains open beyond FY17, and will be limited to high-priority areas and conditional on more transformative reforms undertaken in areas that will support market creation (see Figure 6 and Annex C). For example, implementation of the land policy reform, leading to the lifting of the land sales moratorium and creation of an open and transparent land market, could allow lending in support of land reform implementation, agriculture, and irrigation. The adoption of a broad-based competition policy and an SOE reform strategy could allow lending supporting implementation in these areas. Similarly, the adoption of a strategy and legislative framework for e-government could allow lending in support of selected e-government initiatives. Key reforms that could enable greater IFC investment include: unbundling of Naftogaz, advancing on toll roads, improving information disclosure and enforcement capabilities of the financial services regulator and potentially establishing legislative framework for derivative instruments.

Figure 6. Examples of Potential New Engagements



61. **If key policy reforms in some areas are not implemented, the World Bank engagement in those areas and associated results would be significantly limited.** Under such circumstances, the World Bank would primarily focus on advisory services and analytical work, and expected results would be much more modest. The World Bank would, however, remain responsive and ready to support areas where the key policy reforms are moving.

Advisory Services and Analytical Work for Impact

62. **ASA will be a more important component than in the previous CPS and will focus on catalyzing key transformative reforms and investments.** Ukraine's critical social and economic issues, the post-Euromaidan events strengthening civil society, and the demand for change provide the WBG an opportunity to contribute to the discussion of alternative economic policies, foster a more open and inclusive dialogue on such issues, and provide hands-on advisory services on the "how-to" of reform. ASA will focus on priority reform areas such as pension reform, land reform, energy security, and the financial sector. Although the current ASA portfolio consists of a large number of activities that will continue, the new ASA portfolio will (i) be consolidated along the focus areas of the CPF; (ii) include a set of flagship reports that focus on strategic medium- and long-term development challenges facing Ukraine, such as Drivers of Economic Growth, Economic and Social Impacts of Demographic Change, and Impact of Climate Change on Agriculture; and (iii) promote multisector approaches to development challenges and collaboration on ASA. Annex C lists the ongoing ASA in FY17 and indicative ASA plans for FY18 and FY19 by CPF priorities. Some tasks are programmatic. The outer years are tentative; and to ensure relevance, the program for those years may be revised after consultations with the Government.

63. **Climate change and gender will be important dimensions of ASA activities and potential new operations.** In September 2015, Ukraine submitted to the United Nations Framework Convention

on Climate Change (UNFCCC) its Nationally Determined Contributions (NDC), ratified in September 2016. Ukraine pledged that its GHG emissions level in 2030 will not exceed 60 percent of the 1990 level, with mitigation measures covering energy, industries, agriculture, and waste sectors. While the NDC states the climate change targets, it does not formulate how they will be achieved. The World Bank will assess climate change mitigation and adaptation measures as part of the design of new investment operations, as one of the means to unlock investments and change consumer behavior toward low carbon choices. ASA will seek to identify critical challenges related to climate change. The climate change work will be grounded in the recommendations of the recent Ukraine Country Environmental Analysis and will also draw on the findings of the ongoing technical assistance that promotes better management of water resources and introduction of high-efficiency irrigation technologies. If land reform moves forward as expected, a complementary technical assistance engagement on sustainable forestry management will be explored, grounded in the prior sector policy dialogue financed by the Forest Law Enforcement and Governance and Program for Forest grants. Improved forest management would have beneficial climate impact. The World Bank will also continue implementing the Partnership for Market Readiness in Ukraine to promote and monitor the reduction of greenhouse gas emissions. ASA will also seek to mainstream the gender considerations identified in the Country Gender Assessment prepared in 2016 (see Annex G for full description) both in lending and technical assistance activities.

Financial Management and Procurement

64. **The 2015 Public Expenditure and Financial Accountability Assessment (PEFA) observed that progress has been made in some areas**—for example, in the adoption of amendments to the Budget Code, which have improved public investment management, revamped intergovernmental transfers, and increased the accessibility of the budget execution databases. However, further progress is needed in other important areas, such as the alignment of policy and budgeting, internal control and audit; rationalization of public expenditures; fiscal risk management; and budget performance and transparency. Limited information exchange between key fiscal management institutions and a burdensome and compliance-focused control environment remain significant constraints to effective financial management.

65. **The World Bank will continue to regularly discuss financial management and disbursement issues with the government, and develop joint action plans, including during the semiannual Country Portfolio Performance Reviews.** Ukraine's portfolio and project implementation have been negatively affected in recent years by (i) the insufficient allocation of project funds in the state budget; (ii) periodic delays in the execution of payments through the State Treasury; (iii) delays in the appointment of authorized government officials to authorize project-related transactions; and (iv) delays in the implementation of the e-disbursement mechanism. Initiatives during the CPF period will include (i) the introduction of a new eBusiness platform that enables the streamlined processing of disbursements and the automated submission of interim and annual financial statements to the Bank; and (ii) training workshops for project implementation staff.

66. **Ukraine's procurement systems are improving, although close monitoring and evaluation of the newly created e-procurement system is required.** The Ministry of Economic Development and Trade, the authorized agency for public procurement in Ukraine, initiated the reorganization of the public procurement system in 2014 and, as a result, a new Public Procurement Law became effective in February 2016. The Law, which is in line with best international procurement practices, introduces the use of electronic procurement system, electronic auctions, and framework agreements. The government is piloting a centralized purchasing system. The electronic public procurement system

"ProZorro" was developed in accordance with Open Contracting Data Standards and resulted from a constructive cooperation among Ukrainian CSOs, the Government, and the private sector. ProZorro has a Business Intelligence module, which allows quick and comprehensive classification of information about tenders done in the system. Civil society and the general population have easy and unrestricted access to the information. Given the importance of procurement in terms of transparency and anticorruption, the World Bank will continue closely monitoring Ukraine's public procurement system and its development.

Citizen Engagement

67. **Given the governance challenges in Ukraine and the extensive state capture by powerful vested interests, increased citizen engagement will be a key feature of program implementation.** The pivotal role played by CSOs and citizens demanding change has heightened civic activism and fundamentally altered the way Ukrainians engage in the governance of their country. Euromaidan and subsequent events illustrated the real and potential role of a maturing and better-organized civil society on key reform issues. This progression is illustrated by increased parliamentary representation of civil society representatives, the introduction of laws critical for good governance, and the launch of the framework that underpins the anticorruption reform.

68. **Despite this progress, challenges remain within civil society and between civil society and the Government.** Civil society is composed of a myriad of CSOs—formal and informal, active and inactive. Many lack capacities in such areas as planning, management, and communications skills. In addition, fora for dialogue over sector reforms are still developing, and coordination with the Government is far from effective. CSOs play a key role in changing the mindset of citizens from being passive beneficiaries to being active users of services. The demand and the opportunity for developing a platform for citizen engagement exist, and they have been used for consultations—for example, during CPF preparation, including through digital platforms (online consultations, web page, and social media). Moreover, the citizen engagement framework (see Annex H) has been integrated into the CPF, with a special focus on building trust and engaging citizens during the reform process. The World Bank has also been providing training for the media and CSOs on key reforms, further highlighting its role as a knowledge hub. In addition, over half of the ongoing investment operations already contain well-designed citizen engagement activities through which project beneficiaries will be able to provide regular feedback. The interface between citizens and service providers will be further ensured through capacity building for grievance redress and structured citizen monitoring efforts at the local level.

Partnerships and Coordination

69. **Working in coalitions with other partners will be a cornerstone of the CPF.** The World Bank will coordinate its program with the IMF, European Union/Commission, European Investment Bank (EIB), European Bank for Reconstruction and Development (EBRD), United Nations, the United States/USAID, UK/DFID, Switzerland, Canada, Sweden, and other development partners, and will work in coalitions with partners to support reforms (Annex I). To maximize the impact of activities, the World Bank will explore cofinancing for DPFs and investment projects with key partners, as was done with Japan and Germany in DPLs approved for Ukraine in 2014 and 2015. Innovative financing instruments leveraging partnerships (e.g., Gas Supply Security Facility guarantee with EIB) to best fit Ukraine's needs will also be pursued. Joining forces with the EU to mutually reinforce messages supporting reforms and leveraging resources in areas of common interest—such as governance, transport, and energy—has proved to be effective and will continue. On conflict-recovery efforts, the World Bank will continue to work closely with the UN, EU, and other development partners, building

on the joint WB-UN-EU Recovery and Peacebuilding Assessment, World Bank and UN multi-partner trust funds established under shared governance arrangements, and coordination with KfW, EIB, DFID, Canada, and other bilateral partners that are active in recovery and peacebuilding efforts. In addition to coordination with development partners, the World Bank will regularly hold policy discussions and consultations at the national and subnational level with development partners, the private sector, academia, and civil society to ensure knowledge sharing and coordination of efforts.

IV. MANAGING RISKS TO THE CPF PROGRAM

70. **Risks to the implementation of the CPF in Ukraine are assessed as Substantial (Table 4).** Political, governance, and macroeconomic risks predominate. These risks could singly or jointly jeopardize implementation of the CPF by reducing the Government's willingness and ability to implement policy reforms and the World Bank investment portfolio. Under such circumstances, the World Bank engagement would primarily focus on analytical and advisory services. In particular, if the macroeconomic risks materialize, the World Bank would not move ahead with DPFs. These risks also pose challenges to the ability to mobilize the additional financial support Ukraine needs. The proposed CPF aims to mitigate risks on several fronts, but the WBG cannot mitigate risks where it has no influence—for example, the conflict risk.

Table 4. Risk Ratings for CPF Implementation

Political and governance	High
Macroeconomic	High
Sector strategies and policies	Substantial
Technical design of project or program	Moderate
Institutional capacity for implementation and sustainability	Substantial
Fiduciary	Substantial
Environment and social	Moderate
Stakeholders	Moderate
Overall	**Substantial**

71. **Political risks.** Ukraine faces significant political uncertainties. Many observers see a transition from a political system dominated by autocrats and vested interests towards one of greater political accountability to citizens. However, other outcomes are possible, ranging from continued state capture by reconstituted vested interests to the rise of populist nationalistic political formations. Some political instability might be expected during such a transition. Political uncertainty may increase in the run up to the parliamentary and presidential elections scheduled for 2019, which could affect reform implementation. If the Government's reform commitment is weak, realization of the CPF objectives would be compromised. This set of risks is partially mitigated by the broad support for governance and economic reforms following the Euromaidan demonstrations. However, such support could wane if citizens do not perceive progress on governance reforms and benefits from economic reforms. The WBG's ability to mitigate these risks is very limited, but it will attempt to do so by strengthening citizen engagement and by contributing to the public debate on economic and governance reforms.

72. **Conflict risks.** Intensified military tensions between armed groups and government forces in eastern Ukraine would have severe negative economic consequences through increased military spending and weakened investor confidence in the economy. Under such circumstances, realization of the CPF objectives would be seriously compromised. The WBG's ability to mitigate this risk is very

limited. However, the WBG is contributing to the authorities' support for the IDPs, veterans, and others affected by the conflict.

73. **Governance risks.** Given Ukraine's record of corruption, there is a risk that politically powerful vested interests could block governance reforms and thus undermine citizen trust in government. Bank owners who benefitted from related-party lending might, for example, undermine the financial sector stabilization program, and vested interests could sabotage the Naftogaz unbundling process or interfere in other SOE reform efforts. If these governance risks materialized, they would threaten CPF objectives related to competition and fiscal reform. The WBG will partially mitigate these risks by (i) providing hands-on help to the Government in the design and implementation of reforms, including those that reduce the power of vested interests; and (ii) strengthening citizen engagement and contributing to the public debate on governance and economic reforms.

74. **Macroeconomic risks.** Ukraine has dramatically reduced fiscal and external imbalances during 2014-2016, but the improved macroeconomic situation remains vulnerable to many risks. The political, conflict, and governance risks discussed above could lead to a slowdown or reversal in reforms, which would rapidly threaten fiscal and external sustainability. A further weakening of demand from Ukraine's principal trading partners would weaken growth and external balances. Public and guaranteed debt is projected to reach 89 percent of GDP at end-2017, and large interest and amortization payments are due over the next three years. If reforms to manage large fiscal vulnerabilities do not progress, Ukraine will need to rely on more ad hoc revenue measures and expenditure cuts, along with more domestic borrowing, which would undermine macroeconomic stability and development outcomes. If reforms to bolster financial sector stability do not progress, confidence in banks could deteriorate further, threatening CPF objectives related to the financial sector and fiscal sustainability. Finally, there is a risk that Ukraine would be unable to mobilize the funding required to meet its external financing needs. In particular, if the IMF were unable to complete upcoming reviews and make planned disbursements under its four-year, US$17.5 billion EFF covering 2015-18, then Ukraine could face difficulty in meeting repayments of the external debt of banks and corporates amounting to about US$7 billion per year during 2017-2019. If macroeconomic stability was undermined by the materialization of any of these risks, then realization of the CPF objectives would be seriously compromised. Specifically, under such circumstances, the World Bank will not move ahead with DPF. The World Bank will partially mitigate these risks by working closely with the Government and other partners, such as the IMF, on the design and implementation of economic reform measures.

75. **The WBG has carefully considered all these risks and, to the extent possible, is putting in place measures to minimize their impact on the implementation of the CPF.** In addition to the mitigation measures discussed above, focusing WBG activities on priority areas and linking new lending to the adoption and implementation of policy reforms helps manage risks. Finally, the CPF design is intentionally flexible to allow adjusting the WBG engagement if any of the risks materialize.

Annex A: CPF Results Matrix

Cross-cutting Focus Area: Better Governance, Anticorruption, and Citizen Engagement		
Governance, anticorruption, and citizen engagement constitute an overriding element of the CPF that cuts across all other focus areas. The CPF uses a two-pronged strategy for addressing governance challenges—first, building the cross-cutting institutions of better governance and anticorruption to enable progress across the three pathways to sustained recovery and shared prosperity; and second, advancing reforms across the three pathways to disempower vested interests. The first cross-cutting focus area of the CPF concentrates on building institutions of good governance and anticorruption where the WBG has comparative advantage and sees opportunity.		
Objective 1: Transparency: Public financial management (PFM) **Intervention Logic** Weaknesses in transparency and PFM, along with weak and outdated information and communications technologies (ICT) systems, have facilitated state capture by powerful vested interests, weakened service delivery, and undermined citizen trust in the Government. The Bank, in partnership with the EU, supported the Government in preparing the PFM reform strategy, adopted by the Government in February 2017. An EU-financed trust fund will support the initial stages of the PFM reform implementation: the design and implementation of an integrated Human Resource Management Information System (HRMIS) to provide accurate public employment and payroll information, and the replacement of obsolete ICT systems that are critical to financial planning and management. The Bank will also continue to provide technical assistance to support other key initiatives that promote transparency, including the Construction Sector Transparency Initiative (CoST) and the Extractive Industries Transparency Initiative (EITI); development of a transparent budget information system; improved transparency in public procurement; and quality and transparency of, and access to, administrative and e-government services.		
CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
Share of central government civil servants covered by HRMIS. Baseline: 0 (2016) Target: 50 percent (2020)	Number of complaints in public procurement. Enhanced PFM ICT governance Baseline: No ICT Strategy for PFM and limited capacity to ensure data integrity Target: ICT Strategy is approved, including procedures and policies for data integrity in revenue administration.	PFM and Public Administration Trust Fund under preparation.

Objective 2: Accountability: Anticorruption and Citizen Engagement **Intervention Logic** Support to the Government in implementing a structured set of anticorruption interventions, including through citizen engagement initiatives, can help improve accountability. Through DPLs and a DFID trust fund, the Bank supported the adoption of the anticorruption legislation and the launch of electronic asset declarations. Going forward, effective implementation and monitoring of the anticorruption legislation and regulations is critical. Technical assistance on next steps, planned through the DFID Good Governance Trust Fund, would cover strengthening external verification and public scrutiny of electronic asset declarations for key officials, strengthening mechanisms for verifying beneficial ownership, strengthening the conflict of interest legislation and regulation, and supporting the emerging anticorruption enforcement institutions. Initiatives to enhance citizen engagement will cover two general areas: (i) enhanced and structured involvement of third-party monitoring by citizens in service delivery, including in IBRD-financed projects; and (ii) raising civil society awareness of key institutional change and reforms.		
CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
Share of externally verified electronic asset declarations of high-level public officials[3] Baseline: 0 (2016) Target: 100 percent (2020) Share of citizens reporting increased satisfaction with the quality of public services: ***Health*** Baseline: 10 percent (2016) Target: 20 percent (2020) ***Water supply*** Baseline: 0 percent (2016) Target: 20 percent (2020) ***District heating*** Baseline: 0 percent (2016) Target: 80 percent (2020)	Anticorruption chamber/court established Number of investigations based on asset declarations. Baseline: 25 (2016) Target: 250 (2020)	New DFID trust fund under preparation. Multisector Structural Reforms Technical Assistance (and possible multisector DPF) Ongoing health project Ongoing district heating energy efficiency project Ongoing urban infrastructure project

[3] High-level officials are those who were required to file under the first round of declarations in October 2016.

Focus Area 1: Make Markets Work

While the economy grew by 2.3 percent in 2016 after a 16 percent cumulative contraction in the previous two years, the growth outlook remains modest. Achieving stronger and more sustained economic growth will require deeper institutional reforms to address longstanding structural bottlenecks that have contributed to weak private sector competitiveness and poor labor market outcomes in Ukraine. Productivity growth is key to increasing the competitiveness of Ukrainian firms and their ability to expand (create jobs) and raise incomes. Three structural and institutional bottlenecks hold back the competitiveness of the private sector.

- Inadequate and ineffective infrastructure. Because of budget constraints and weak governance, public capital expenditures have been low (2.4 percent of GDP)—a factor that, coupled with the lack of maintenance, resulted in deterioration of critical infrastructure.
- The highly concentrated and oligarchical production structure that limits competition and impedes development of private sector. The capture of the state apparatus by powerful vested interests is one of the most striking features of the Ukrainian economy. Private investment in Ukraine (12.5 percent of GDP in 2015) is significantly below that in its neighbors (Poland, Romania, Turkey) and in Asian middle-income countries (Malaysia, Vietnam).
- The lack of a land market, along with weak land administration and management, constrains investment and productivity in agriculture and other sectors.

Objective 3: Improve infrastructure services, particularly in energy and transport.
Intervention Logic

Access to reliable high-quality infrastructure services is one of the key prerequisites for increased private investment.

- In the energy sector the WBG will continue to focus its support on hydropower, transmission, district heating, and energy efficiency interventions, while engaging in policy dialogue and providing advice for energy sector reforms to strengthen sector governance, competition, and sustainability. The reforms to be supported are gas sector restructuring, establishment of wholesale electricity power market, establishment of a national energy efficiency fund, and optimization and sustainability of HUS subsidies program.
- Higher-quality and competitively priced transport and logistics services are also key for private sector competitiveness. Efficient multimodal transportation (roads, waterways, ports, railway network) is important for reducing costs and unleashing Ukraine's trade potential. In addition to implementing ongoing roads projects, the WBG will focus on a strategy for road investment prioritization and on green logistics.

In both energy and transport, the WBG will continue to implement the ongoing projects to support improvement of (i) roads network, and (ii) district heating utilities services. It will also engage in policy dialogue on water resource management reforms, particularly the preparation of an Irrigation and Drainage Strategy and National Water Supply and Sanitation Strategy, privatization and public-private partnerships (PPPs), and greater involvement of private sector operators in the sectors. Concurrently, the WBG will continue implementation of the project to support the improvement of municipal water supply and sanitation services.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
Ukraine's ranking on the Logistics Performance Index Baseline: 80 out of 160 (2016) Target: 70 (2020) Share of gas supply to district heating utilities not delivered by Naftogaz Baseline: 0 (2016) Target: 25% (2020) Value of financing facilitated by IFC for residential energy efficiency projects Baseline: 3.8 million (2016) Target: 100 million (2020) Completion and adoption of corridor prioritization (roads, railways and inland waterways) Number of infrastructure related transport transactions completed by IFC Baseline: 2 transactions (2016) Target: 5 transactions (2020)	The number of transport projects with private sector participation Baseline: 0 Target: 2 Km of M-roads maintained under performance-based service-level agreements Baseline: 170km (2016) Target: 570km (2020) Consolidation of DAK maintenance units at Oblast level Transmission and storage operations unbundled from Naftogaz Gas sector operating without financial deficit Number of water utilities with improved cost recovery Baseline: 0 Target: 5 Irrigation and Drainage Sector Strategy adopted by the Government National Water Supply and Sanitation strategy adopted by the Government	Ongoing Second Power Transmission project Ongoing District Heating Energy Efficiency project Ongoing Ukraine Gas Supply Security Facility Just approved TA on operationalization of Energy Efficiency Fund Ongoing TA on implementation of gas sector reforms and modernization of gas transportation system Ongoing TA on energy tariffs and subsidy reforms Ongoing Second Road & Safety Improvement project Ongoing Road Sector Development Project Ongoing TA on defining priorities for roads sector investments Ongoing Second Urban Infrastructure Project Ongoing IFC advisory services on residential energy efficiency Ongoing IFC Ukraine SEF Ongoing IFC PPP project Kyiv Energia

Objective 4: Create a level playing field in the private sector.

Intervention Logic

Three types of actions will be important to address Ukraine's anticompetitive and highly concentrated production structure: (i) streamline complicated regulatory barriers that hamper market contestability and create rent-seeking opportunities; (ii) strengthen implementation of competition policy, as many sectors exhibit a high concentration of firms and low rates of firm entry and exit; and (iii) reform the large and inefficient state-owned enterprise (SOE) sector that traps resources in firms that are able to operate at low levels of productivity and transparency because they have preferential access to resources, markets, and influence. The WBG will continue to provide technical assistance in these three areas. IFC advisory services will help ensure a transparent process of attracting investors and effective operators, act as an advisor on divestiture, and participate in pre-privatization investments, equity of privatized state-owned enterprises, and post-privatization projects. IFC will also provide advice to improve the regulatory framework related to business permits and licenses by promoting the application of principles of risk-based regulations, and by reducing the number of duplicative documents. MIGA is providing guarantees to three manufacturing operations, strengthening FDIs in the economy.

NOTE: ACHIEVEMENT OF THE RESULTS UNDER THIS OBJECTIVE WILL DEPEND ON THE IMPLEMENTATION OF DEEPER AND TRANSFORMATIONAL POLICY REFORMS

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
Private investment as percent of GDP Baseline: 12.5 (2016) Target: 18 (2020) SME sales as a share of total sales of the enterprise sector (%) Baseline: 60 (2016) Target: 70 (2020) Value of investment mobilized by IFC post privatization Baseline: 0 (2016) Target: TBD (2020) Number of firms that benefit from reformed licensing requirements Baseline: 0 (2016) Target: 10,000 (2020)	National Competition Policy adopted Number of permitting documents (permits, licenses, certificates not related to NQI, approvals, expert conclusions) Baseline: 343 (2016) Target: 323 (2020)	Private sector technical assistance on deregulation, competition policy, SOE reform (including ongoing SIDA and Swiss trust fund) Potential multisector DPF Ongoing IFC advisory on privatization and improving business regulation Planned IFC debt and equity participation in pre-privatization investment and post-privatization projects. Ongoing IFC Ukraine Investment Climate Reform Project Ongoing MIGA guarantees to Whirlpool Ukraine, Lantmannen AXA and Aluminum Beverage Can factory.

Objective 5: Land reform **Intervention Logic** With one-third of the world's black soil but crop yields that are half those of the European average, Ukraine has a large untapped agricultural potential. Realizing this potential is constrained by the business environment and by the lack of land registration and a land market. One-quarter of agricultural land is state-owned, but only 20 percent of it is registered, which opens it to non-transparent practices. The Government indicated that it intends to proceed with land reform, registering and selling some of the state-owned land as the possible first step and lifting the moratorium on private land sales as the possible second step. If transparently implemented, this approach could lead to rapid growth in the agriculture sector, create jobs, and raise the incomes of a significant portion of the population, including the bottom 40 % of the income distribution. If not transparently implemented, such measures could lead to further state capture by vested interests. Given the potential importance of this reform for poverty reduction and shared prosperity, the WBG is looking to support, through technical assistance, a carefully designed, transparent, closely monitored land reform program. It will also seek private sector solutions to further develop related infrastructure and upgrade agriculture storage facilities and logistical services, as well as continue to support the development of agribusiness through a combination of investment and advisory services. **NOTE: ACHIEVEMENT OF THE RESULTS UNDER THIS OBJECTIVE WILL DEPEND ON THE IMPLEMENTATION OF DEEPER AND TRANSFORMATIONAL POLICY REFORMS**		
CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
Share of state-owned agricultural land included in cadaster Baseline: 20% (2016) Target: 40% (2020) Number of agricultural land transactions completed Baseline: 68 (2016) Target: 50,000 (2020) Number of farmers reached by IFC agribusiness investments Baseline: 47,000 (2016) Target: 59,000 (2020) Purchases of IFC agribusiness clients from Ukrainian suppliers (US$ million) Baseline: 1,364 (2016) Target: 1,685 (2020)	Legislation on land turnover adopted Land governance monitoring system operational and results publicized regularly Regulation on financial instruments (possessory mortgages) established Normative base and transparent procedures for mandatory development and adoption of land management and zoning plans adopted	Ongoing Technical assistance on land reform Planned IFC support for upgrading agriculture storage facilities and logistical services Planned IFC support to development of agribusiness through investment, guarantees, and advisory services

Focus Area 2: Fiscal and Financial Stability		
Addressing Ukraine's largest structural sources of fiscal and financial sector vulnerability is critical for safeguarding the country's future macroeconomic stability. The fiscal deficit is estimated to have increased to 3.9 percent of GDP in 2016, public and guaranteed debt is estimated at 82 percent of GDP, and Ukraine faces considerable interest and amortization payments over the next three years. This is the time to manage the largest medium-term fiscal pressures that are due to a narrow tax base and weak and politically influenced tax administration, an unsustainable and ineffective pension system, and significant quasi-fiscal risks. Further, while a major breakdown of the financial sector has been averted, vulnerabilities persist, credit growth has not resumed, and the number of nonperforming loans (NPLs) has increased. It will be important to continue to resolve and recapitalize banks while putting in place a framework to resolve NPLs and strengthen the supervision of state-owned banks.		
Objective 6: Mitigate the largest medium-term fiscal risks. **Intervention Logic** The Bank's multisector DPL series, coordinated with the IMF, has supported considerable fiscal consolidation during 2014-15 through energy tariff reform, across-the-board expenditure control and reforms to social assistance, and specific revenue initiatives, including reducing exemptions. However, the tax and pension systems remain major sources of fiscal vulnerability. Pension reform options include restructuring the overall benefit package and taking parametric measures to create a sustainable framework for the pension system, and encourage payment of the unified social tax. Reforms in these areas will be supported through a number of instruments: programmatic technical assistance on multi-GP structural reforms, programmatic multi-GP public finance review (currently funded through a DFID trust fund and follow-up work on through an EU trust fund), and ASA on sustainability and the distributional impact of expenditures and revenues. **NOTE: ACHIEVEMENT OF THE RESULTS UNDER THIS OBJECTIVE WILL DEPEND ON THE IMPLEMENTATION OF DEEPER AND TRANSFORMATIONAL POLICY REFORMS**		
CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
Public and guaranteed debt as a share of GDP Baseline: 82% (2016) Target: Gradual decline and sustainable path (2020) Pension expenditures (percent of GDP) Baseline: 11 (2016) Target: Sustainable path (2020) Average pension benefit replacement rate Baseline: 30 (2016) Target: 35 (2020)	Approval of the PFM reform strategy New Pension Law adopted Government fiscal risks quantified	Planned Technical assistance (TA) on multisector structural reforms Potential multisector DPFs Ongoing Programmatic Multisector Public Finance Review TA on international tax arrangements and strengthening revenue forecasting and tax administration (ongoing DFID and EU trust funds) Ongoing TA to support pension reform advocacy and communication

Objective 7: Strengthen financial sector stability **Intervention Logic** In response to the economic crisis, the World Bank's financial sector DPL series, coordinated with the IMF, has supported the authorities in putting in place a framework to resolve and recapitalize banks and strengthen banking sector supervision. Continued and sound implementation of this framework will be important, including further enhancing bank resolution, completing the restructuring of the banking system, and further strengthening supervision. Furthermore, a resumption of credit growth will also require action to resolve NPLs, while reforming and strengthening the corporate governance of the large state-owned banking sector. Providing the banking sector with targeted long-term loan and equity funding together with technical assistance can help support sound credit growth These efforts will be supported through a number of instruments: an IPF on access to longer-term finance for SMEs (under development), possible IFC debt and equity financing for banks, programmatic financial sector TA, and a possible multisector DPF (under the conditions described in the document). IFC will also work toward developing a well-functioning local capital market and encouraging local currency lending. MIGA guarantees strengthen Central Bank liability management, and provides guarantees to private sector leasing operations. **NOTE: ACHIEVEMENT OF THE RESULTS UNDER THIS OBJECTIVE WILL DEPEND ON THE IMPLEMENTATION OF DEEPER AND TRANSFORMATIONAL POLICY REFORMS**		
CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
Growth of credit to the private sector (percent) Baseline: -1.1 (2016) Target: 10 (2020) Share of NPLs (percent) Baseline: 30 (2016) Target: 25 (2020) Number of SMEs reached by IFC clients with financial services (# outstanding loans to SMEs by IFC clients) Baseline: 900 (2016) Target: 1000 (2020)	Number of nonviable banks resolved	Just approved IPF on access to longer-term financing for SMEs Planned Joint IBRD-IFC ASA on financial inclusion Planned IFC debt and equity financing for banks Planned IFC Distressed Assets Recovery Program to support the DGF work Ongoing Programmatic financial sector technical assistance to support design and implementation of reforms, including the SIDA trust fund on Financial Sector and Enterprise Recovery Potential multisector DPFs Planned IFC advisory services to financial intermediaries on risk management, credit

		reporting, and nonfinancial services. Ongoing IFC ECA Crisis Resilience program Ongoing IFC ECA Financial Markets Risk Management project Ongoing MIGA insurance of Mandatory Reserve in the Central Bank of Ukraine Ongoing MIGA guarantee on Porsche Mobility-Porsche Leasing; Ongoing MIGA guarantee to Raiffeisen Leasing AVAL LLC.
Focus Area 3: Efficiency and Inclusiveness of Social Service Delivery Effective social service delivery is important to build human capital and to ensure that the benefits of growth are widely and sustainably shared. Today, Ukraine's social service delivery is characterized by high levels of expenditure and poor outcomes. Health and education expenditure is more than 10 percent of GDP, but outcomes are poor relative to comparators. Life expectancy is low (71 years: 76 for women and 66 for men), and non-communicable diseases impose a heavy burden. Only 10 percent of the population expresses satisfaction with the health care system. Similarly, social protection expenditure exceeds 20 percent of GDP, but the majority of benefits accrue to the top 60 percent of the income distribution and many vulnerable groups are not adequately protected. Increasing the efficiency of social expenditure, including better targeting, is key both for the welfare of the bottom 40 percent of the income distribution and for "smart" fiscal consolidation to support macro sustainability.		

Objective 8: Increase the efficiency of health services. **Intervention Logic** Unlike other countries in Europe, Ukraine has not reformed its inefficient and obsolete health service delivery system. Most health resources are spent on in-patient and specialized outpatient care, and only 10 percent of resources are spent on primary and preventive care. The Government spends about 12 percent of total public expenditure on health—a share that is comparable to that of neighboring countries—but the high out-of-pocket payments that are required impede access by the rural population and by the poor. The Government has recently endorsed a health reform plan that which includes a change from a hospital-centric treatment model to an enhanced primary health care one and shifts the financing model from input-based norms towards payment systems in which money follows the patient. This is a critical time to support the health reform, and the Bank's ongoing health project is well placed to provide such support at both the central and Oblast levels. In addition, a Swiss trust fund is being established to provide technical assistance and help address governance issues in the health sector.		
CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
Share of health spending on primary health care (percent) Baseline: 12 (2016) Target: 24 (2020)	National health purchasing functions established Service-based provider payment methods (capitation for primary health care and Diagnosis Related Group-based financing for hospitals) adopted Critical e-Health standards approved.	Ongoing Serving People, Improving Health Project Ongoing Technical assistance (Swiss trust fund) to support reform and governance in the health sector

Objective 9: Increase the targeting of social assistance.
Intervention Logic
Ukraine spends 4 percent of GDP on social assistance, yet the bulk of the spending does not reach the poor. Remarkably, the top decile of the income distribution has a higher share of beneficiaries than the bottom decile. Spending is dominated by the childbirth benefit, various categorical benefits, and the housing and utilities subsidy (HUS). The means-tested low-income family benefit accounts for a small portion of expenditure. The majority of the population receives benefits, but fewer than half of the bottom quintile do so, and the absolute amount of individual payments is low. The Bank's current social protection project has played a critical role in addressing those issues, particularly in improving targeting, and it will continue to be the main instrument for the Bank's support in this area.
This objective will also aim to increase targeted assistance to conflict-affected communities. Vulnerability is particularly acute for the forcibly displaced (particularly households headed by a single female and pensioners), households living in areas with significant conflict-related damage, and the 800,000 persons living in areas close to the "line of contact". Special targeted programs are needed to support vulnerable populations and address the development impacts of conflict and displacement. The Bank has been working closely with the newly established Ministry for Temporarily Occupied Territories and IDPs (MOT) and other development partners to support the Government's strategy and provide support to eastern populations using both Bank resources (ASA) and trust fund financing. The WB and UN are also working together to launch a multipartner trust fund on peace-building and recovery.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
Share of cash support (including HUS) targeted to the bottom 20 percent of the income distribution (percent) Baseline: 45% (2016) Target: 50% (2020) Share of cash support (including HUS) targeted to the bottom 20 percent of the income distribution (percent) Baseline: 45 (2016) Target: 50 (2020)	Size and fiscal cost of the untargeted social assistance reduced Reduction in the share of utilities expenditure in the household budget among the bottom 30 percent of the income distribution Size and fiscal cost of the birth grant reduced Reduction in the share of utilities expenditure in the household budget among the bottom 20 percent of the income distribution	Ongoing Social Safety Net Modernization Ongoing Technical assistance on household utility tariffs and subsidy reforms Ongoing Social Safety Net Modernization Ongoing Technical Assistance on household utility tariffs and subsidy reforms

Annex B: Ukraine FY2012–2016 CPS Completion and Learning Review

Date of CPS (FY2012–2016): January 20, 2012 (Report No. 66279-UA)
Date of CPS Progress Report: Waived by Management
Period Covered by the Completion and Learning Review: July 1, 2012 to June 30, 2016

I. SUMMARY OF KEY FINDINGS

1. **The Ukraine Country Partnership Strategy (CPS) 2012 – 2016 was prepared at a time when Ukraine was recovering from the 2008–2009 economic and financial crisis caused by the effects of the global financial crisis.** The World Bank's support was organized around two pillars, both emphasizing the importance of improved governance for sustained socioeconomic progress in Ukraine. **Pillar I** supported deepened relations between the Government and citizens, focused on improving public services, sustainability and efficiency of public finances, and a more transparent and accountable use of public resources. **Pillar II** supported more productive cooperation between government and business by focusing on growth, competitiveness and job creation, improvements in the business climate, the promotion of domestic investment and foreign direct investments to achieve productivity improvements, and channeling public investment into critical public infrastructure. The contribution of International Finance Corporation (IFC) to the CPS Outcomes was placed under Pillar II through combined investment and advisory operations for the development of the private sector.

2. **The key focus of the CPS was to improve portfolio quality, including increasing disbursements in the existing investment portfolio and strengthening institutional implementation capacity on the client side.** The CPS did not specify a detailed lending program beyond FY14, applying lessons learned from the past. Flexibility, changing country circumstances, and the need to adapt nimbly to new priorities have been characteristics of every CPS in Ukraine. As such, the results matrix primarily reflected the impact of activities launched until end-FY14, given the considerable lead time needed in Ukraine to see concrete results on the ground.

3. **The investment lending program for the first two years of the CPS envisaged base-level support in the range of US$500 million per year.** The plan was to offer investment loans where governance risks were manageable, where a track record of implementation was established and capacity built, and where there was broad consensus on the general policy framework. In fact, the World Bank targeted support where the Government commitment was the strongest and where there was a positive track record. Analytical and advisory services were offered to help strengthen reform consensus and build capacity. **The CPS also considered providing Development Policy Lending (DPL) as a tool to advance reforms supporting improved economic governance and competitiveness, subject to consistent progress on governance and pace of key reforms.**

Ukraine's Change of Circumstances FY14–16

4. **The Euromaidan demonstrations of November 2013 and subsequent political events dramatically changed Ukraine's context.** In November 2013, the Government's unexpected suspension of preparations to sign an Association Agreement with the EU and widespread frustration of the population with high-level corruption led to the Euromaidan demonstrations. The demonstrations culminated in the departure of President Yanukovych from Ukraine in February 2014 and the appointment of an interim President by Parliament. In March 2014, Crimea declared its independence, held a referendum, and decided to join the Russian Federation. The referendum was

widely criticized internationally and the UN General Assembly resolution 68/262 declared that it "had no validity." Subsequently, a military conflict with armed groups in the Donbas region of eastern Ukraine broke out in April 2014. Armed groups occupied government buildings in the eastern cities of Donetsk and Luhansk in April 2014 and declared independence from Ukraine in May. This led to a military confrontation between Ukrainian forces and the armed groups. A cease-fire was agreed in September 2014 but it has never been fully effective. About 2.8 percent of the mainland Ukraine territory are not controlled by the Government. As of end March 2017, over 9,700 people have died as a result of the conflict in the east and over 2.7 million have been displaced inside and outside Ukraine (1.7 million and 1 million, respectively).

5. **After the Euromaidan events, a transitional pro-reform government took office in late February 2014 and requested urgent support from the World Bank.** Subsequently, President Petro Poroshenko won the presidential elections in May 2014 and pro-European parties won a majority in the October 2014 parliamentary elections, allowing the formation by December 2014 of a new pro-reform technocratic government mandated to pursue broad-based reforms. The government, however, faced formidable challenges, including containing the conflict and restoring peace in the east; ensuring macroeconomic stability; tackling a major banking crisis; reducing the fiscal deficit in the midst of a recession without triggering social unrest or backlash against reforms; and reducing deep-rooted corruption while contending with powerful vested interests that oppose reforms.

6. **The World Bank quickly adjusted its program to reflect the changing environment and promptly prepared two budget support operations, providing US$2.25 billion to help stabilize the economy, reduce large imbalances, and mitigate the impact of the shocks on the population.** Reforms supported include: (a) fiscal consolidation and flexible exchange rate; (b) improvements in procurement, external audit, and public investment management; (c) adoption of key instruments of anticorruption and stabilization of the banking sector; (d) reforms in the energy sector, including increase of tariffs while putting in place the Housing Utility Subsidy; and (e) elimination of some permits and improvement of the business environment. It is worth noting that the number and significance of the reforms adopted since 2014 are higher than other reforms implemented by Ukraine in the last two decades. In parallel, IFC continued to support the export revenue generating sectors of the Ukrainian economy - focusing on agribusiness, accompanied by two cross-cutting themes of improving business environment and promoting energy efficiency.

7. **In addition, the World Bank supported Ukraine during the remainder of the CPS period by providing six investment projects, representing some US$2.2 billion of commitments, approved between May 2014 and November 2015.** However, lack of capacity of Project Implementation Units (PIUs), procurement bottlenecks, allegations of corruption in some cases, and other issues have significantly slowed implementation and disbursements.

8. **Despite adjustments to the new country circumstances, the rapid manner in which developments have taken place, and concerns over Ukraine's IBRD exposure limits, senior management decided to waive the presentation of the midterm CPS Performance and Learning Review (PLR).** Although the team prepared a PLR requesting a one-year CPS extension based on the change of circumstances and the need to adjust the CPS Results Matrix objectives, senior management considered it problematic to approve the extension given the volatility of the situation. As a result, the CPS Results Matrix and its objectives were not formally reviewed and adjusted.

Development Outcome

9. **The overall performance of the CPS program in contributing to the achievement of the selected set of country goals is rated as Moderately Satisfactory,** because of the improvements that

can be verified and measured in public services and public finances (Pillar I) and policy effectiveness and economic competitiveness (Pillar II) achieved as a result of the World Bank Group's interventions, despite the seismic political change the country has gone through. As summarized in Table 1 and in detail in the Results Framework (Annex 1), of the 20 CPS Outcomes, 12 (60 percent) are rated as Achieved or Mostly Achieved, 5 outcomes (20 percent) are Partially Achieved, and 2 outcomes (10 percent) were Not Achieved. There was one outcome that was rated as Not Verified (Table 1).

10. **However, there is a notable progress in many areas even when related CPS Outcomes were not fully achieved during the CPS period or the instruments were not originally foreseen in the CPS.** Moreover, a number of activities (both advisory and investment) identified and approved after FY13 in response to the political changes and the conflict in eastern Ukraine were highly significant and contributed largely to the achievement of the CPS Outcomes. There were 38 IBRD and IFC instruments clearly specified until 2014, while the number of the instruments actually delivered was 68.

Table 1. Summary of Outcomes Ratings

Pillar	Number of outcomes	Achieved	Mostly Achieved	Partially Achieved	Not Achieved	Not Verified/ No Data/ Dropped
Improving Public Services and Public Finances: Support to Building Relations with Citizens	9	4	1	2	1	1
Improving Policy Effectiveness and Economic Competitiveness: Support to Building Relations with Business	11	4	3	3	1	X
Overall CPS: Outcomes as designed at start of CPS FY12–16	**20 (100%)**	**8 (40%)**	**4 (20%)**	**5 (25%)**	**2 (10%)**	**1 (5%)**

11. **During the CPS period, in response to a fundamental shift in the political and economic environment, the World Bank Group delivered a new program of support to Ukraine's development strategy through financing of US$6.2 billion**[4] (financing from IBRD amounting to US$4.8 billion administered by the World Bank and the Clean Technology Fund [CTF] amounting to US$148 million). IFC committed investment projects totaling US$994.7 million in Long Term Finance.[5] In addition to these investment operations, both the World Bank and IFC provided an impressive package of analytical and advisory assistance which contributed to achievement of Ukraine's development goals[6]. The largest shares of the World Bank's US$3.1 billion investment portfolio were in the energy and extractives (40 percent) and transport sectors (33 percent). Urban development and social protection each accounted for 10 percent of the portfolio, followed by the health sector (7 percent).

World Bank Group's Performance

[4] DPLs, Investment Project Financing (IPF), CTF, and IFC investment operations in FY12–16.
[5] IFC original commitment activity in the CPS period (FY12–16).
[6] MIGA provided US$177 million of gross guarantees during the period, primarily in the financial sector.

12. **The CPS was prepared before the adoption of the new World Bank Group twin goals that aim to end extreme poverty and boost shared prosperity.** Nevertheless, the CPS targeted the twin goals through interventions related to sustainable and inclusive growth, including policies addressing efficiency of social expenditures and governance of public finances, quality of municipal infrastructure services, as well as measures to improve business regulatory environment, boosting productivity and agricultural production, and supporting financial sector and protecting deposits.

13. **The overall performance of the World Bank Group in designing and implementing the CPS is assessed as Good**. This assessment is based on (a) alignment with the Economic Reform Program of the President; (b) utilization of CPS' calibrated approach to financial assistance; (c) flexibility and speed of the World Bank's response to client needs in the aftermath of the regional and global crises and conflict in eastern Ukraine; and (d) implementation of the program of activities resulting from client demands covered by the CPS pillars. While the program was well aligned with the Economic Reform Program of the President for 2010–2014, its delivery did not fully take into account the government's absorption capacity. A number of investment operations with a reform component that were conceived in parallel with policy dialogue and approved before the reforms actually took place. While a calibrated approach was thoroughly applied after 2014 and policy lending was provided to the Government in response to the clearly articulated and implemented reform plan, the major adjustments of the pre-2014 investment projects to their new reality took a longer time than anticipated because of, in particular, the political crisis and conflict in the east. The rapid increase in the number of large investment projects induced a downward trend of disbursement ratio from 26, 31 and 32 percent in FY12-14, to 12 and 10 percent in FY15 and 16 respectively.

14. **At the end of the CPS period, Ukraine's portfolio consisted of 10 investment operations with 2 closing the last day of the CPS.** It grew from US$1.1 billion in June 2011, when the 2012–2016 CPS was discussed, to US$3.1 billion in FY16. The average age of the country's portfolio was 3.4 years by June 2016, although 6 (amounting to US$2.2 billion) out of the 10 investment projects were approved during the last two years of the CPS, and 4 were declared effective a year or later after Board approval. The closing of two power sector projects (11 and 8 years respectively),[7] which coincided with the end of the CPS period, brought the average project age down to less than 2 years.

15. **As of FY16 year end, IFC's outstanding portfolio in Ukraine stood at US$665 million in 35 projects, US$621 million of which was in manufacturing, agribusiness and services sectors**. Within this range of sectors, agribusiness remained the priority and accounted for the largest portion of the IFC portfolio.

II. HIGHLIGHTS OF ASSESSMENT

16. **The self-assessment of the performance of the CPS program is based on the Results Framework and the changed circumstances that influenced the implementation of the CPS.** The cutoff date for the assessment period is June 30, 2016, the end date of the CPS under review. Details of the status of outcomes, indicators, and milestones at the end of the CPS period are provided in Annex 1. The following sections discuss key highlights using the outcomes as units of accounting and refer to major World Bank activities which contributed to the results. They assess the World Bank Group's performance and present major lessons. **The CPS development outcome is rated as Moderately Satisfactory**.

[7] Hydropower Rehabilitation Project (P083702) and Power Transmission Project in Support of the Energy Sector Reform & Development Program (P096207).

Pillar I: Improving Public Services and Public Finances: Support to Building Relations with Citizens

17. **World Bank Group activities under this pillar were aimed to pilot open dialogue in policy formulation, accountability and transparency in policy implementation, and thorough impact monitoring for better development results in Ukraine.** The World Bank's activities were targeted at achieving improvements in three main areas: (a) fiscally responsible and sustainable budget revenues and expenditures; (b) service delivery efficiency in health and education and targeted social assistance; and (c) provision of municipal services (water, sanitation, heating). World Bank Group-financed investments in public sector infrastructure worked on setting up improved monitoring mechanisms and strengthened governance of public service providers while supporting intensified dialogue between the Government and civil society in key policy areas such as pension reform, health care reform, district heating, and public procurement. All of them remained relevant and even gained increased importance in the changed country's context after Euromaidan.

Result Area 1. Improved governance of public finances

18. **CPS Outcome: Strengthened operational efficiency and transparency of Public Financing Management (PFM) - Not Verified.** Outcome indicators were based on the results of the PFM Modernization Project aimed at strengthening public financial management in terms of operational efficiency and transparency. The project closed in 2014 and was rated Unsatisfactory. As a result, survey-based indicators were not measured. The Public Expenditure and Financial Accountability (PEFA) assessment carried out in 2015 by a group of development partners (German Agency for International Cooperation, EU, and USAID) led by the World Bank, showed that the Ukraine PFM system hampers efficient service delivery by not focusing on performance, the low predictability of expenditures, and cash rationing practices. It also revealed some improvements in external audit, supported by DPL1, approved in 2014, and public procurement supported through DPL1 and technical assistance. The persistent macroeconomic crisis, the political turmoil of 2013–2014, and the conflict in eastern Ukraine caused substantial fiscal pressures. Fiscal management was dominated by short-term consolidation needs, which crowded out long-term institutional reforms needed to strengthen PFM. In 2015, the Government showed readiness to reengage in the PFM reform agenda and requested support from the World Bank and other development partners. The World Bank, in partnership with the EU, is supporting the Government and preparing diagnostics for a new PFM reform strategy, which will address persisting challenges.

19. **CPS Outcome: Increased transparency in public procurement - Achieved.** The indicator was achieved and the Government exceeded achievements in improving the public procurement system. The Government started a comprehensive reform of the public procurement system in 2014. The World Bank provided TA to update the procurement legislation. The Ministry of Economic Development and Trade (MEDT), which is the authorized agency in public procurement, has taken steps to make Ukraine's public procurement more efficient and effective through implementation of the e-procurement system (ProZorro), based on Open Contracting Data Standards. A new Public Procurement Law (PPL) on the application of the e-procurement module was adopted in December 2015. The ProZorro system has a business intelligence module, which allows quick and comprehensive classification of information of tenders. Complaints can now be filed electronically. Civil society has easy and unrestricted access to this information and to other information published in accordance with the PPL provisions. The ProZorro won the 2016 Public Sector World Procurement Award competition - one of the most prestigious in the sphere of procurement. The Government completed its accession to the Agreement on Government Procurement of the World Trade Organization (WTO GPA) and joined on May 18, 2016.

20. **CPS Outcome: Improved efficiency of capital expenditures - Partially Achieved.** There was some improvement in public investment management (PIM) practices, including introduction of projects' appraisal and transparent selection by the Government Interagency Committee, starting in the 2016 budget year (DPL indicator: 100 percent of the new eligible public investment projects appraised and selected through the PIM system achieved). The FY16 and FY17 decisions of the Committee were published on the website of the Ministry of Economic Development and Trade (MEDT). However, fiscal consolidation following the changes in 2014 and the conflict in the east led to cuts across capital expenditures and gradual reduction of the capital expenditures' execution rate. This lag has made it impossible to fully achieve the desired efficiency of public expenditures as anticipated in the CPS. Public investment management remains one of the weakest PFM areas in Ukraine.

21. **CPS Outcome: Improved governance in the energy sector - Achieved.** The financial restructuring and corporatization strategy for the Naftogaz' was adopted and its implementation is ongoing. Separate financial accounts of Naftogaz subsidiaries are published according to international standards. A study of the Naftogaz unbundling options compliant with the EU's 3rd Energy Package was commissioned under the joint Economic Commission-World Bank Facility. The study helped the Government make an informed decision about the best unbundling option. The Government adopted a plan for unbundling which aims to achieve an efficient and fully competitive gas market in Ukraine. Reform of the gas sector remains a priority to improve governance and reduce structural fiscal imbalances.

22. **CPS Outcome: Implemented Pension Reform Law and sustainability of the Pension Fund improved - Achieved.** Pension expenditures reduced to about 13 percent of GDP in 2015. The World Bank Group provided advice on measures to ensure long-term sustainability of the pension system, but the remaining challenges include the low retirement age, the flat distribution of pensions, lack of benefit indexation, and significant number of early pensioners.

Result Area 2. Improved efficiency of social expenditures

23. **CPS Outcome: Improved efficiency of spending in health and education – Mostly Achieved.** Although the average length of stay (ALOS) in hospitals in the pilot oblasts was not reduced by the anticipated 20 percent against the 2011 level, the rating for this objective is assessed as Achieved, because the combination of the existing reduction of ALOS (5 and 9 percent) and the increased number of visits to Primary Health Clinics (16 percent) have proven and have greatly contributed to the improved efficiency of spending in the health sector.

At the same time, the Government's capacity to analyze public spending efficiency in education was improved through hands-on training of up to 25 key specialists of the MEDT, the Ministry of Finance (MOF), and Treasury on the use of the BOOST tool for public expenditure analysis (with manual and video describing how to use BOOST produced and provided).

CPS Outcome: Improved efficiency and equity of social safety net - Partially Achieved. The efficiency and equity of the social safety net was considerably improved during the CPS period, by achieving the reduction of 29 percent of the level of 2011 state budget. However, the increase of the targeting accuracy from 37.4 percent in 2011 to 50 percent in 2016 was not achieved. The latest Household Budget Survey (HBS) data available to calculate targeting accuracy states that targeting accuracy of the overall SSN in Ukraine decreased from 37.4 percent in 2011 to 22.3 percent in 2014. The targeting accuracy is the percentage of Ukraine's overall spending on social assistance that reaches the poorest 20 percent of the population. (The DPL result indicator Share of means and income tested programs in overall social assistance spending reaches 20 percent was overachieved and reached 68 percent).

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

24. **CPS Outcome: Improved energy efficiency of targeted municipal water utilities - Achieved.** Increased energy efficiency in at least 12 participating water and sanitation utilities (total kWh/m^3 reduced by 15 percent in each utility as of 2011) - Achieved. Targeted energy efficiency values were achieved and exceeded by a significant margin.

25. **CPS Outcome: Increased transparency and accountability of municipal service provision - Not Achieved.** Water services and sanitation (WSS) utility performance benchmarking introduced in 2014 was not achieved, but is in progress. A benchmarking system was created by the former Regulator but is not yet introduced since the former Regulator was liquidated and a new one established instead. The reporting on performance information by targeted WSS utilities to the Central Government through a new sector information system was not Achieved, but is in progress. The World Bank assisted in building the capacity of the newly created communal service Regulator.

Pillar II: Improving Policy Effectiveness and Economic Competitiveness: Support to Building Relations with Business

26. **Improvement in the business climate is the key to unlocking Ukraine's economic potential and achieving greater competitiveness.** This pillar supported implementation of recommendations of analytical and diagnostic work that was undertaken during the previous CPS. The expected outcomes targeted (a) friendliness, sustainability, and predictability of the business environment, for both domestic and foreign investors; (b) improving infrastructure to reduce the cost of doing business; and (c) comprehensive reform of the agricultural sector to allow Ukraine to benefit from high international demand for food and agricultural commodities. The authorities requested assistance in better utilization of Ukraine's innovation and industrial potential, embodied in a strong scientific and machine building tradition and growing potential in the outsourcing of digital services. The World Bank's assistance to this pillar focused on tackling first-order constraints in the business climate and the scope for broadening support to other areas was planned to be reviewed at midterm. (For example, the DPL results indicator Number of Business Permits decreases from 143 to 84 was overachieved and reached 56).

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

27. **CPS Outcome: Reduced regulatory burden on enterprises - Mostly Achieved.** Ukraine continues to make efforts to reduce the regulatory burden on the enterprises. With the TA support from IFC the Laws related to certification and standardization have been passed, in line with the Law of Accession to the WTO. Ukraine is also on the verge of signing the Agreement on Conformity Assessment and Acceptance of industrial products (ACAA) with the EU. However, the third outcome indicator, which aimed to reduce the burden on enterprises by shifting to sample-based data collection approach could not be verified.

28. **CPS Outcome: Reduced tax compliance costs - Partially Achieved.** Share of legal entities that undergo on-site audits is reduced from 16.3 percent in 2010 to below 12 percent throughout the CPS period - No data.

Share of value added tax (VAT) refunds under the 'automatic' refund system increases from 48 percent in July 2011 to above 70 percent - Partially Achieved. According to the data available, about 55 percent of VAT was refunded automatically by the end of the CPS period. (The DPL results indicator Ratio of VAT refund claims older than 74 days/ quarterly flow of VAT refund claims reaches 20 percent was overachieved and reached 0.8 percent in 2015). However, introduction of the VAT accounts makes it difficult to assess the automatic VAT refunds in 2016.

29. **CPS Outcome: Increased access to medium and long-term finance for export - Achieved.** All borrowers under the Second Export Development Project (EDP-2) expanded their exports volumes as per targets in EDP-2 - Achieved. EDP-2 provided working capital and investment sub loans to 50 beneficiary enterprises, significantly increasing the export multiplier. The aggregate annual volume of exports increased substantially.

30. **CPS Outcome: Increased stability of the financial system - Partially Achieved.** Ukraine has increased the stability of its financial system, compared to the situation in 2011. The Deposit Guarantee Fund (DGF) capacity as bank resolution agency has been strengthened, and the distressed asset market has been established and actively operating. Risk management for partner banks with risk-sharing instruments has been implemented for 2 client banks, and 25 banks attended training on bank liquidity risk management and operational risk and financial crime.

The Government and the Central Bank did not, however, manage to exit three banks that were recapitalized in 2009, consolidate the supervision of the financial institution before the end of the CPS period.

Result Area 5. Improving infrastructure for business activities

31. **CPS Outcome: Improved EE in the public and private sectors - Achieved.** The average weighted energy efficiency returns under the World Bank financed project exceeded the CPS target of 15 percent. In addition, IFC developed a Green Finance Program for Ukrgazbank, which will further contribute to the improved energy efficiency in the private sector. The loans granted through the credit line for energy efficiency investments generated 524,700 tons of oil equivalent (toe) in energy savings and are progressing well.

32. **CPS Outcome: Improved performance of power sector – Mostly Achieved.** The most important indicator for both commercial and private users was achieved. The power system in Ukraine has greater reliability compared to the beginning of the CPS period. The hydropower production capacity increased by 190MW, and the annual energy increase since 2011 is 155GWh. In addition: resource efficiency initiatives implemented with IFC support resulted in cost savings of US$19 million, and about 140,000 tons of CO_2 emissions per year are avoided. With IFC support, two state-owned banks financed residential energy efficiency projects for a total value of US$95 million equivalent, resulting in 267,175 tons of CO_2 emission reduction. The indicator of 20 percent of power market transactions concluded in line with the Wholesale Electricity Market (WEM) Law was not achieved, but the WEM Law has been adopted and will become effective from July 1, 2017. The commitment to the EE agenda is evident with both the Government and the private sector.

33. **CPS Outcome: Improved road connectivity and safety - Achieved.** The World Bank has financed the rehabilitation of selected sections of one of the most important transport corridors in Ukraine. As a result, the riding quality along these sections has improved: the International Roughness Index (IRI) was reduced from over 5 m/km in 2011 to less than 1.16 m/km in 2015; the road capacity was enlarged and, most importantly, the safety has notably improved: the number of vehicle crashes between Boryspil and Lubny decreased from 248 per year to 10 per year. The World Health Organization (WHO) statistics show a sharp decrease in the number of fatalities in the country. At project closing, the annual fatalities per 10,000 vehicles had declined to 1 at the national level.

34. **CPS Outcome: Private participation in transport sector - Not Achieved.** Due to the macroeconomic crisis and poor PPP legislation, structuring a PPP transaction was not possible. The

World Bank has provided advisory support to the Government in improving the legislation framework for PPP.

Result Area 6. Improving productivity and competitiveness in agriculture

35. **CPS Outcome: Increased efficiency of cadastral registration - Achieved.** Time for cadastral registration is reduced to 14 days by 2014 - Achieved. Average time for cadastral registrations is reduced from 3–24 months in 2011 less than two weeks. Nowadays, the regular registration takes 21 minutes from application acceptance in the system to issuance of the registration certificate and required only one visit to the cadaster office.

36. **CPS Outcome: Reducing the cost of compliance for agribusinesses - Partially Achieved.** The system of food safety control is partially aligned with the EU practice as confirmed with IFC experts, in cooperation with the EU. Partial compliance is based on the Law on Food Safety #1602. A separate law on inspection is under development.

37. **CPS Outcome: Development of agri-insurance and access to agri-finance for IFC clients - Mostly Achieved.** Agricultural insurance concept similar to the Risk Management Agency in the United States is being developed jointly with the Government. Two pilot index insurance products have been developed in three regions and these provided US$2 million in insurance coverage for 63 producers cultivating 49,000 hectares of land. Two insurance products for corn and wheat have been developed and are to be launched by the end of 2016. In partnership with three banks and three input suppliers, farmer's access to financing improved. A total of 67 farmers were financed a total value of US$1.42 million. Another US$4 million financing is provided to farmers through a risk-sharing facility.

III. WORLD BANK GROUP PERFORMANCE

38. **The overall World Bank Group performance in designing and implementing the CPS was Good.** The summary of performance of the World Bank Group is presented in the following sections.

A. Design

39. **The CPS objectives were designed to be relevant to the country development goals and remained relevant through the implementation period.** The CPS goals of improving public services and finances, policy effectiveness and economic competitiveness, and aligning with the European requirements fit closely with Ukraine's development programs proposing structural reforms to, among others, strengthen PFM; enhance agriculture and phyto-veterinary standards; improve the performance of the energy, transport, and infrastructure sectors; and promote a market economy. After 2014, the country engagement adapted to the country circumstances, in particular, it followed a calibrated approach providing DPL to the country in support of key reforms. A set of sectoral policy notes, outlining priority actions was developed on the basis of the CPS and with the view of the priorities declared by the new government. Policy notes were broadly discussed with the government authorities and parliamentary fractions to build consensus for the key reforms to be supported by the DPL series. The Performance and Learning Review was waived by senior management, as explained in paragraph 10. As a result, the CPS Results Matrix and its objectives were not formally reviewed and adjusted.

40. **The CPS indicators were mostly chosen well: they were directly related to and commensurate with World Bank Group operations, observable, and measurable within the CPS period as defined at the moment when the CPS was approved.** However, due to the changes the country experienced after November 2013 and the fact that the PLR was not finalized, it was impossible to adjust the program and align the objectives to the new country reality and context. The calibrated approach was envisioned to match the scope and use of instruments to fully support the strength of the authorities' commitment, their capacity, and track record in key reform areas of potential engagement. The indicators chosen in 2011 interpreted the CPS Outcomes but since there was no opportunity to fine-tune them through the PLR process, there was a disconnect from the narrative after 2014. While all six result areas of the CPS remained valid, those addressing medium-term priorities (improved efficiency, quality, and governance of municipal infrastructure services; improved infrastructure for business activities; improved productivity and competitiveness in agriculture) were crowded out by the others, which were urgently needed for fiscal consolidation (improved governance of public finances, improved efficiency of social spending, improved business regulatory environment).

41. **The CPS adapted in practice to the changes in the country circumstances.** Unforeseen drastic changes in the country circumstances required the World Bank's flexibility and prompt reaction to ensure relevance of the program and to align it to the priorities of the new government. In response to the crisis, the World Bank prepared and provided a series of DPLs, which were a substantial part of an international package of support to Ukraine, coordinated closely with the IMF, EC, European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), and other development partners. DPLs supported improved governance, helped restore confidence and economic competitiveness, and prevented a run on the banks. Yet, imprecise defined results for the second half of the CPS period, which were not adjusted through a PLR, did not allow to capture some of the results achieved through DPLs while not allowing to revise some overly optimistic results formulated in a different political and economic setting.

42. **Citizen engagement proved to be valuable for enhancing project design and implementation.** The preparation of the Ukraine CPS FY12–16 greatly benefited from consultations with national and local government officials and representatives of development partners, civil society, the business community, and academia. The consultations were carried out in February and November 2011, in Kyiv, Kharkiv, Ivano-Frankivsk, and Donetsk to give an opportunity to Ukrainian stakeholders living outside the capital city to contribute to the discussion and offer their perspective on Ukraine's development challenges and how the World Bank Group could contribute to tackle them. Overall, the consultations confirmed that the proposed CPS for FY12–16 was strategic and realistic and made proper use of the lessons learned under the previous CPS. During the CPS implementation, most projects such as the Urban Infrastructure Project (UIP), Second Urban Infrastructure Project (UIP2), District Heating Energy Efficiency Project (DHEEP), and others actively sought beneficiary feedback that was used during their preparation. Beneficiary feedback components were included in all projects approved in FY13 and subsequently, and these are currently under implementation.

43. **The CPS was designed to complement other development partners' programs.** The World Bank Group coordinated its program with the IMF, the EU/EC, the United States/USAID, UN, EIB, EBRD, Kreditanstalt für Wiederaufbau (KfW), CTF. The coordination has become particularly strong after 2014 when concerted efforts had to be undertaken by the DPs to support key reforms. The close coordination with partners allowed the DPLs to leverage co-financing of US$300 million from Japan, approximately US$24 million from Norway, and Euro 200 million from Germany. While the IMF SBA - and subsequent EFF program - focused on stabilization of the macroeconomic framework, the World Bank DPLs and the EU put a relatively stronger emphasis on structural reforms and technical assistance, including the restructuring of Naftogaz and the reform of the social protection programs.

On the other hand, the institutions also coordinated and agreed on joint positions on key issues, including residential gas and heating tariffs reform. The DPLs have also provided an effective leverage for adopting reforms proposed by IFC in Agribusiness and Cleaner Production. IFC jointly with WB developed the agriculture sector and investment climate related prior actions. As a result, DPLs helped advance the permit reform (broadly and specifically for agribusiness) and the food safety reform. Coordination with the UN was important in providing response to the conflict in the east. Trust fund activities supported a number of priorities under both CPS pillars, including PFM (capital budgeting, PPPs, quasi-fiscal activities and their reporting, public procurement, and service delivery); municipal services; health sector reforms; energy and road infrastructure; and recovery and peacebuilding. Trust fund activities also responded to the changed circumstances by addressing corruption and transparency issues. A trust fund funded by the U.K. Department for International Development (DFID) helped augment World Bank resources when they were 'constrained' or committed and allowed the World Bank to provide its global knowledge in key areas that were highlighted by the Euromaidan protests: anti-corruption and justice.

B. Implementation

44. **Portfolio performance improved as a result of active management of projects under implementation in FY13 and FY14 but was seriously affected in FY15 and FY16 by complications and bottlenecks due to lack of implementation capacity and conflict in the east.** Closing dates of three projects[8] had to be extended, further delaying achievement of project objectives. In FY13 and FY14, Ukraine had one of the highest disbursement ratios in the Europe and Central Asia Region - 30 percent and 31.8 percent, respectively. In FY15 and FY16, due to the significantly increased new investment portfolio (approximately US$2.2 billion from FY14 to FY16) and the systemic problems mentioned in previous paragraphs, the good disbursement performance experienced could not be sustained. In FY15, disbursements went down to 11.4 percent, and in FY16, disbursements only reached 10.6 percent.

45. **Existing correlation between project performance and lack of implementation readiness, which needs to be avoided in future operations, resulted in implementation delays and seriously affected CPS performance.** Several projects experienced effectiveness and implementation delays due to incomplete design at entry, lack of adequate key staff in Project Implementation Units (particularly procurement experts), delayed recruitment and/or insufficient capacity of new implementing agencies, administrative inefficiency and bottlenecks in line ministries, and/or lack of necessary regulatory environment.

46. **Despite a well-crafted strategy in the energy sector, initial expectations were too high.** Complex projects such as Power Transmission and Hydropower Rehabilitation required advanced work on detailed specifications, planning, and contract management.

47. **Some key factors for successful outcomes were demonstrated in the Ukraine EDP-2.** The project had a simple design and the borrower (Ukreximbank) had built up systems, processes, and human resource capabilities, which translated into good performance. Moreover, frequent interactions and dialogue with World Bank staff were important to support a rapid response to the effects of the

[8] Power Transmission Project in Support of the Energy Sector Reform & Development Program (P096207) due to cash rationing and conflict in the east, Roads and Safety Improvement Project (P100580) due to insufficient contract management, and Urban Infrastructure Project (P095337) due to conflict in the east.

crisis. The World Bank was also flexible: in addition to wholesale lending through participating banks, Ukreximbank was also allowed to undertake retail lending.

48. **In some cases, the baseline work done was not sufficient.** This was the case in complex projects with multiple participants across the country, such as municipal service projects. Projects had ambitious objectives in different urban services, and they were defined by the demand of the participating municipalities. For instance, the Urban Infrastructure Project, which supported urban water and sanitation in several cities throughout Ukraine, started slow. The World Bank embarked on the lending operation without a final list of participating utilities, thus lacking a clear definition of investments to be financed and the underlying baseline work done. Moreover, there was neither clarity on the nature and depth of the reforms that would ultimately be needed, nor were these reforms reinforced by policy dialogue. Two new projects supporting municipal services (District Heating Energy Efficiency and Second Urban Infrastructure projects) were also prepared and approved during the CPS period. Although some of the lessons learned such as readiness for implementation and simplicity of design were applied, due to the low capacity at municipal level and the multiplicity of municipalities, implementation of both projects has also been a major challenge.

49. **GAC filter was used for every lending operation to examine both GAC related implementation risks and the potential to positively influence country GAC outcomes.** The filter was applied to all lending operations at two stages: (i) pre-concept, and (ii) design to ensure GAC issues are given appropriate attention, risks are identified and mitigation measures discussed early on. While there we few cases brought to the INT during the CPS period, they were all detected at early stage and mitigated for. Where the risks were identified as high (such as, the health project) the INT Specialist was included in the project team to provide training and guidance. The bank has also ensured strengthened fiduciary oversight of the projects involving multiple municipalities to avoid fiduciary issues.

50. **Safeguards.** The Bank portfolio was compliant with the safeguards policies. Only two of completed during the CPS operations have triggered OP4.12 policy (Power Transmission and Roads and Safety Improvement) and were able successfully comply with the Bank requirements on disclosure, consultations and grievance redress. Out of eight operations approved during the CPS period two transport operations are explicitly requiring with minor resettlement and two municipal operations have triggered OP4.12 precautionary. Environmental safeguards were complied with and overall capacity and readiness of the client is stronger on environmental side than on the social. The Bank has provided ongoing oversight and capacity building on safeguards throughout the CPS period.

51. **Citizens' engagement.** To respond to the lack of public participation and widespread mistrust that constrained key reforms, the CPS placed citizens' engagement at the center of the strategy, establishing two main axes for building relations with citizens by improving the quality of public services, strengthening accountability to service users, cost recovery and financial transparency, and building relations with business. The opportunity for developing a genuine platform for citizens' engagement increased substantially after the events of Euromaidan as a new platform for voice and accountability emerged. A number of operations prepared at that time included and fully integrated substantive demand-side processes. However, the lack of progress in the implementation of the portfolio fundamentally limited progress on citizens' engagement, and a promising window of opportunity still needs to be seized in the forthcoming CPF. The level of compliance with the citizens' engagement corporate requirements and a description of the quality of a number of targeted initiatives are described in Annex 2.

52. **The World Bank Group's response to the economic crisis was swift, effective, and done in multiple partnerships with other International Financial Institutions (IFIs).** It focused on

banking sector vulnerability early and used all the tools available to respond and avoid a full-blown banking crisis.

53. **In response to conflict in eastern Ukraine, the World Bank also provided just-in-time financing for Advisory Services and Analytics (ASA) and utilized trust fund resources to support a development response to the conflict.** This included financing to assess the socioeconomic impact of the crisis and to provide TA and capacity-building support to new Government institutions charged with recovery efforts. At the request of the Government, the Recovery and Peacebuilding Assessment for Eastern Ukraine was jointly led by the World Bank, the UN, and the EU in 2014–15. The World Bank was also a key international partner to the newly established Ministry for Temporarily Occupied Territories and Internally Displaced Persons, which was charged with leading recovery efforts and addressing the internal displacement crisis.

54. **Good coordination within the World Bank Group is essential for an effective engagement in a country with systematic problems on the Government side.** The performance of the CPS benefited from complementarities between the World Bank and IFC, especially in the business regulatory environment. In addition, monthly deep-dive portfolio reviews and twice-a-month reporting and monitoring helped identify obstacles and bottlenecks and reduce implementation delays. Biannual Country Portfolio Performance Reviews (CPPRs) were also a useful tool to monitor portfolio implementation. Through the CPPR process, inter-ministerial coordination was established, which helped identify and resolve some of the implementation bottlenecks. Global Practice project teams increased supervision and reporting, and the Country Management Unit systematically and continuously informed the Government through regular updates about implementation problems in the World Bank portfolio, including lack of counterpart funding and VAT refunds, disbursement issues, lack of achievement of project results, and corruption cases.

IV. ALIGNMENT WITH THE WORLD BANK GROUP CORPORATE STRATEGY

55. **Although the CPS was prepared before the adoption of the World Bank Group's twin goals, the program was aligned with the goals of ending extreme poverty and boosting shared prosperity.** Poverty significantly increased after the 2008 financial crisis but started to decline after 2012. The CPS objectives of supporting the reforms, strengthening institutions with a view toward EU integration, and improving business environment targeted the need for sustainable, inclusive growth. The CPS program envisioned using both lending and ASA instruments to ensure a dynamic and sustainable rate of growth. Four policy-based loans supported key reforms, a sound financial sector, and protected deposits. The program also supported interventions in agriculture and the health system, boosting agricultural productivity efficiency and improved access to health services. Poverty is estimated to have increased significantly in 2015 due to high inflation and declining real wages, although inflation has moderated in the first half of 2016. The poverty rate (under US$5 per day in 2005 purchasing power parity) is estimated to have increased from 3.3 percent in 2014 to 5.8 percent in 2015, while moderate poverty (World Bank national methodology for Ukraine) is estimated to have increased from 15.2 percent in 2014 to 22.2 percent in 2015.

56. **The World Bank Group was able to play a leading role in making progress in improving social expenditures, energy efficiency in public and private sectors, road safety, and export opportunities and supporting stability of the financial sector and implementation of Ukraine's EU integration agenda.** The authorities adopted decisive reforms to stabilize the economy, reduce large imbalances, and cushion the impact of the shocks on the population. Key reforms adopted, supported by the World Bank Group through two series of DPLs and by the IMF program, include

- Undertaking significant fiscal consolidation;
- Putting in place key instruments of anticorruption, including external verification of financial disclosures and accountability for noncompliance or misrepresentation;
- Improving efficiency and accountability in the use of public resources by making public procurement more transparent, strengthening external audit, and improving public investment management;
- Stabilizing the banking sector by putting in place the framework to resolve and recapitalize banks, strengthen supervision, and address the long-standing problem of related party lending;
- Streamlining the business environment by easing registration, licensing, and permit requirements and establishing a deregulation framework; and
- Reforming energy tariffs to reduce a key source of rents and quasi-fiscal deficit and strengthen the SSN system to cushion the impact on the poor. As a result of the reforms, the economy has begun to stabilize and large imbalances have been reduced.

V. LESSONS LEARNED

57. This self-evaluation of the World Bank Group's activities over the FY12–16 period generates lessons that are relevant for the next CPF, as highlighted below.

- **World Bank Group activities had the biggest impact when they addressed policy and institutional issues.** Ukraine's investment needs are large but the expected benefits are unlikely to materialize unless policy and institutional issues are addressed up front. In addition, complementarity of World Bank Group lending and IFC advisory services helps achieve tangible results. Multiple regulations and some 'big ticket' reforms can be adopted in one go when there is a policy lending at stake. For instance, it was possible to adopt a comprehensive permit reform in agribusiness and fundamental food safety reform and to improve regulations governing investor protection due to inclusion of the above regulations as prior actions/triggers in the DPL.
- **The World Bank Group's ASA remains among the most important products for achieving development results.** The World Bank's long-standing analytic work on the banking sector, energy reforms, targeted social protection, and the business environment had a large impact both with the new government and to inform the programs of other partners. 'Just-in-time' ASA to respond to the development impact of the conflict was also critical in allowing the World Bank to realign and adjust to the new country context. It is important to highlight, however, that ASA should be strategic and selective. A fragmentation of ASA activities into a large number of small tasks can lead to an unfocussed and less-effective ASA program. In addition, it is essential that IFC ASA projects support and complement the World Bank Group lending. IFC ASA with ongoing or future investments in specific sectors, for example, food industry or port logistics, can further support sector-specific regulatory reforms to open new markets and reduce compliance costs at the border. Development Policy Financing (DPF) was important vehicle for putting the conclusions of knowledge work into practice garnering a 'seat at the table' to affect the overall design of the reform program.
- **Disseminating World Bank knowledge and providing a venue for public debate on economic issues can be as important as the analytic work itself.** This function is a valuable tool for a reform-oriented government and an active civil society. Dissemination activities have to be

mindful of the specificity of each sector and inclusive of a wide range of stakeholders (both in the public and private sectors) who can influence the reform process. Careful stakeholder mapping, strategic communication, and feedback loops are essential elements to overcome vested interests.

- **Continuity in key areas of engagement should be maintained from one country strategy to another to sustain progress in critical areas.** Such areas as fiscal consolidation and improved public expenditure management were predicated on politically difficult reforms and remain a crucial goal for Ukraine's fiscal sustainability and economic development. These issues are even more important today and should be addressed in the new CPF.

- **Strict application of the implementation readiness filter can dramatically improve investment projects' implementation even in unfavorable economic conditions.** The improvement in portfolio performance in FY13–14 (both pre- and post-Euromaidan) confirmed the ability to implement selected investment projects under difficult conditions if increased attention is given to implementation readiness, monitoring, and follow-up. Project readiness should not be sacrificed for fast delivery. Investment projects achieved their objectives more frequently if undertaken by entities with strong project implementation experience. Investment projects' implementation agencies require closer supervision and monitoring, and their staff require additional training when they do not have sufficient capacity and experience. The CMU should continue implementing a comprehensive action plan to improve implementation and disbursements, which includes applying stricter implementation readiness, supervision, and implementation capacity support. When persistent project problems arise, project restructuring should be initiated quickly and completed expeditiously.

- **Close coordination with other development partners is critical to avoid duplication and create synergies, and given limited World Bank Group resources, it is essential to maximize World Bank Group impact**. Ukraine's Governance Reform Trust Fund financed by DFID was one of the good examples of coordination, allowing the World Bank to provide its knowledge in support of multiple reforms in some areas such as PFM, including some aspects of Public Investment Management, to increase fiscal transparency and accountability; tax administration improvement on transfer-pricing cases; launch of the e-declaration system under the anticorruption reform; strengthening of court management and functioning; established mechanisms and systems for more transparent disclosure of information by contracting authorities (Construction Sector Transparency [COST] initiative); and improved governance in the energy sector and supported efficiency in the health sector.

- **The risk management system should be applied more strictly without being risk averse.** The analysis of implementation risks in some cases did not go deep enough, thereby underestimating the complexity of project design, implementation capacity, and ownership. Stakeholder analysis identifying champions and losers should be done thoroughly. Operations/components not having clear ownership on the Government side should be avoided. Smaller operations, if they are successful, should be considered for additional financing.

- **A less restrictive approach should be considered by the World Bank when a PLR is not possible as this could be useful and help adapt the World Bank Group program.** Waived CPS PLR and lack of opportunity to update the Results Framework represented a challenge in sustaining quality of the CPS performance verification and measurement. CPS division in two strategic pillars and portfolio planning until FY14 has been appropriate in the portfolio, with a calibrated lending program approach for the country with stalled reforms. However, after the Euromaidan events, the Government received a broad mandate for reforms and since 2014, has implemented more structural reforms than in the past two decades. The World Bank was flexible in responding to the client's needs and approved two DPL series which provided an important leverage in support of reforms. Revising and adjusting the lending program as a result of the CPS PLR and updating the results matrix with further adjustment of the number of strategic goals should have been done even if not covered in a formal PLR.

Annex 1
Ukraine FY2012–2016 CPS Results Framework

No.	CPS Outcomes	Progress to Date	CPS Instruments and Partners	Lessons Learned
Pillar 1: Improving Public Services and Public Finances: Support to Building Relations with Citizens				
Result Area 1. Improved governance of public finances				
1.1	**Strengthened operational efficiency and transparency of PFM:** • Reduction of at least 20% in time required to get necessary information for managerial decisions as compared with 2011.	**Not Verified.** No baseline survey was conducted at the start of the Public Finance Modernization Project (P090389). A time study was carried out in 2012 and 2013, which did not reveal any reduction in the time taken for accessing information. There was no survey at the end of the project to measure progress after 2013. In 2015–16, the Government became ready to reengage in the PFM reform agenda and requested support from the World Bank and other development partners in 2015. The PEFA assessment was carried out in 2015 by a group of development partners (GIZ, EU, USAID) led by the World Bank, showing improvements in external audit supported by DPL1 in 2014 and procurement supported through DPL1 and TA. It has also revealed that the Ukraine PFM system hampers efficient service delivery	**Closed operations:** Public Finance Modernization Project (P090389) was closed in December 2014. **Indicative lending:** Gas Sector Efficiency Modernization Project - dropped.[9] **Additional closed operations:** Second Development Policy Loan (DPL-2) (P151479) was closed in June 2016. **Analytical and Advisory Assistance (AAA):** Public Finance Management Performance Report (PEFA) Update was carried out and finalized in 2016. Governance and PFM: Improving Efficiency and Accountability in Public Investment Management, PP and Healthcare Services (P147303) in April 2016.	Projects implemented in the context of institutional restructuring should address change of the management requirements of such reforms. Projects supporting the implementation of complex integrated financial management information systems can mitigate the risk of IT failure by keeping the IT options open during project implementation. The procurement method for complex IT systems should be designed to minimize the risk of procurement failure. PDO indicators for PFM reform projects should focus on the PFM outcomes that the project seeks to deliver rather than the IT solution. The sequencing of project activities should be agreed during preparation and made explicit in project documentation.

[9] Gas Sector Efficiency and Modernization Project with indicative IBRD lending of US$200–300 million to be delivered in FY14 was subject to Ukraine's progress against a road map of sector reforms agreed between the Government, the EC, and the IFIs and the World Bank's lending capacity.

No.	CPS Outcomes	Progress to Date	CPS Instruments and Partners	Lessons Learned
		by not focusing on performance, low predictability of expenditures, and cash rationing practices. The Government, with the support of the World Bank, prepared the new PFM reform strategy addressing these issues.	Fiscal, Structural, and Governance Reforms TA (P130146) was completed in June 2014. Gas Sector TA (TF018284): Strengthening the Capacity of Ukrtransgaz PIU under the Joint EC-World Bank Facility to Support the Ministry of Energy and Coal Industry of Ukraine and NJSC 'Naftogaz of Ukraine' for Modernization of Ukraine's Gas Transit System (P151927) is under implementation. The first TF closed in October 2016 but a new TF is now in place. Capital Budget Effectiveness Assessment: Public Investment System Project (P147303) was completed in April 2016. **Additional AAA:** Ukraine: EITI Implementation Support (P128405) was closed in December 2015. Increasing Fiscal Transparency and Accountability (P153935) is under implementation, with closing date in December 2016. **Partnership:** EU, EBRD, EIB, IMF	
1.2	**Increased transparency in public procurement:** • Civil society has easy and unrestricted access to public procurement information on procurement process and system performance on a regular basis.	**Achieved.** Monitoring tool developed by the World Bank and shared with civil society. The information is made available and the Government achieved much more in improving the public procurement system.		The Government started a comprehensive reform of the public procurement system only in 2014. The new Public Procurement Law was adopted in December 2015 and came into force on February 18, 2016, providing for application of the e-procurement module. New implemented electronic public e- procurement system 'ProZorro' which is based on Open Contracting Data Standards won the 2016 Public Sector World Procurement Award in the Public Sector competition in London, United Kingdom. This award is one of the most recognized in the sphere of procurement.
1.3	**Improved efficiency of capital expenditures:** • Capital expenditures execution rate improved as a result of better project planning and implementation, from 70% in 2010 to over 80% by the end of the CPS period.	**Partially Achieved.** The political turbulence of 2014, the conflict and decreasing the country economy resulted in significant budget constrains which hardly affected capital spending. Thus, in 2014 the state budget capital expenditures execution rate was 54%. The final report for the TA for Public Investment Project Appraisal and Selection System Development (P147303, FY15) reports that in 2014 and 2015 the Parliament has adopted Changes to the Budget Code and other legal changes, that improved public		Capital budgeting practices remain one of the weakest PFM areas and continuity in addressing persistent weaknesses is needed. Support in improving capital budgeting is needed.

No.	CPS Outcomes	Progress to Date	CPS Instruments and Partners	Lessons Learned
		investment performance. The Government also approved a number of by-laws to introduce economic-base project appraisal and transparent selection for budgeting. In 2015 capital expenditures execution rate was 67,9% and in 2016 it was 71,4%.		
1.4	**Improved governance in the energy sector:** • Naftogaz subsidiaries publish separate financial accounts according to international standards.	**Achieved.** Separate financial accounts according to international standards of Naftogaz subsidiaries are published. Financial restructuring and corporatization strategy for Naftogaz adopted and ongoing implementation.		The Government made provisions to strengthen independence of the national regulation of the energy sector through approval of a number of standard regulations/normative acts and approved the 'Gas Sector Reform and Implementation Plan' to comprehensively restructure the gas sector.[10] Reforms of the gas sector should remain a priority to improve governance and reduce structural fiscal imbalances. Support is required to increase transparency in line with the EU standards as well as compliance with EC gas directives.
1.5	**Implemented Pension Reform Law and sustainability of the Pension Fund improved:** • Pension expenditures reduced as a share of GDP (from 18% in 2010).	**Achieved.** World Bank advice provided on the measures to ensure long-term sustainability of the pension system. Pension expenditures reduced to 13% of GDP in 2015.		Remaining challenges include low retirement age, flat distribution of pensions, lack of benefit indexation, and significant number of early pensioners. A continued dialogue focused on fiscal sustainability of the pension system has to be ensured.
Result Area 2. Improved efficiency of social expenditures				

[10] Order of the Cabinet of Ministers of Ukraine #375-p 'Gas Sector Reform and Implementation Plan', dated March 25, 2015, and Law of Ukraine #626-VIII 'On Amendments to Some Laws of Ukraine in the Area of Communal Services', dated July 16, 2015, are some of the actions taken by Ukraine under the DPL-2 Program (P151479).

No.	CPS Outcomes	Progress to Date	CPS Instruments and Partners	Lessons Learned
1.6	**Improved efficiency of spending in health and education:**		**Closed operations:** Social Assistance Systems Modernization Project (P075231) was closed in January 2013. **Additional closed operations:** Second Development Policy Loan (DPL-2) (P151479) was closed in June 2016. **Indicative lending:** Second Social Assistance Project - Ukraine Social Safety Nets Modernization Project (P128344) is under implementation, with closing date in October 2020. **Additional ongoing lending:** Serving People, Improving Health Project (P144893) is under implementation, with closing date in September 2020. **AAA:** Measuring Governance in Health - Measuring Governance in Health and Education Sectors in Ukraine (P121315) was completed in June 2013. Health Sector Dialogue - Ukraine Health Policy Dialogue (P156985) is under implementation, with closing date in May 2017. IDF Grant in support of health reform pilots - TF 99614	Health sector transformation is a sensitive topic, which is much affected by instability of the leadership and discontinuity of reform measures at the central level. All dimensions of governance in the health sector still suffer from low levels of transparency and accountability in the system. Governments and communities do not make the best use of available resources and continue to see them as items of the social infrastructure, which should be maintained rather than provide essential and quality service. Local governments need more freedom and flexibility to implement changes and stay accountable for the use of resources they receive from the central level. It is hard to sustain achievement of improved Government capacity without a continuous sector dialogue that allows support to the client in building its capacity to analyze sector efficiency and other issues. Training and capacity-building support was provided to the client on a continuous basis.
	• Average length of stay (ALOS) in hospital reduced in pilot oblasts by 20% against 2011 level.	**Partially Achieved.** Reduction of the ALOS in 2015 compared to 2011 rate varied between 5 and 9% in pilot regions. Three of four regions (Vinnytsya, Dnipro, and Donetsk) reduced ALOS by 9%, which is above Ukraine's average reduction (7%). The remaining pilot region of Kyiv achieved only 5% reduction of ALOS, but the 2015 ALOS in Kyiv facilities was among the lowest in the country (10.65 days compared to 11.43 days' average for Ukraine).		
	• Visits to PHCs in pilot oblasts increased by 10% against the 2011 level.	**Achieved.** Visits to PHCs in all pilot oblasts increased by 16% (from 2013 level), measured in 2015, after implementation of pilots in 3 oblasts and Kyiv. Within this period the larger increase was seen in Dnipro region and Kyiv city, where the increase hit more than 50%. The number of visits decreased in Donetsk oblast almost by twofold, which could be explained by the ongoing conflict on its territory.		
	• Improved the Government's capacity to analyze public spending efficiency in education through hands-on training of up to 25 key specialists of the MEDT, MOF, and treasury on the use of the BOOST tool for public expenditure analysis (with	**Achieved.** Government's capacity to analyze public spending efficiency in education improved. Trainings provided.		

No.	CPS Outcomes	Progress to Date	CPS Instruments and Partners	Lessons Learned
	manual and video describing how to use BOOST produced and provided).		(P126030): Support Pilot of Health System Reform Projects in Ukraine was closed in September 2014. Education Sector Dialogue (P118278): Ukraine Education Dialogue (BOOST) Project was completed in March 2013. **Additional AAA:** TF016160 Ukraine Oblast Health Sector Reform Project Preparation (P144893) was completed in July 2015. Improve implementation for effective response to HIV AIDS and TB epidemics (P149997) was completed in June 2016. TF013623 for Preparation of the Ukraine Second Social Safety Nets Modernization Project (P128344) was closed in October 2014. Social Accountability in Ukraine (P133518) was closed in July 2015. Social Safety Nets and Energy Reform TA (P153607) was completed in June 2016. Improving effectiveness in human development and social accountability (P154136) is	
1.7	**Improved efficiency and equity of social safety net:** • Targeting accuracy of the overall Social Safety Net in Ukraine increased from 37.4% in 2011 to 50% in 2016. • By 2016, spending on categorical benefits reduced by 30% of the level in the 2011 state budget.	**Not Achieved** (as of 2014 data). Targeting accuracy[11] of the overall SSN in Ukraine decreased from 37.4% in 2011 to 22.3% in 2014.[12] **Achieved.** By 2015, spending on categorical benefits reduced by over 29% of the level in the 2011 state budget.		Improvements in targeting accuracy of social assistance, revised eligibility criteria of means tested programs, and the rationalization of multiple social benefits programs have been partially implemented. The Social Assistance System Modernization Project (SASMP), completed on January 1, 2013, supported these improvements and then the new Social Safety Nets Modernization Project (SSNMP) is further assisting the Government of Ukraine in its efforts to improve targeting of benefits. In 2014, Ukraine introduced income testing of the Housing and Utilities subsidies and reduced the amount of such housing and utilities privilege benefits, replaced universal child benefits with a guaranteed minimum income supplement for children ages 0–3, and has reduced the amount of the universal childbirth grant benefit, all for the purposes of improving the targeting of social assistance to the poor. Further consolidation of benefits and improvement of eligibility means testing criteria should continue in the new CPF. After completion of the SASMP, the following lessons have been learned: Implementation of the one-stop shop (the 'unified technology') client intake in the

[11] Targeting accuracy is the percentage of Ukraine's overall spending on social assistance that reaches the poorest 20% of the population.
[12] The latest Household Budget Survey (HBS) data available to calculate targeting accuracy is the 2014 HBS data.

No.	CPS Outcomes	Progress to Date	CPS Instruments and Partners	Lessons Learned
			under implementation, with closing date in March 2017. Ukraine: Moving Forward Energy Tariff Reforms (P152593) was completed in April 2016. **Partnership:** EU, UKAid, USAID\	network of 756 local welfare offices was successful in terms of delivering outputs, but the intended outcome was not achieved due to the lack of a supporting MIS. A realistic timeline for implementation should be established. PDOs should be realistic and directly reflect the project activities. Specific reforms that can be promoted by and attributed to the project, if any, should be defined. Assessment of the feasibility of their implementation during the project's lifetime and opting for a realistic agenda while taking the political environment into account must be ensured. Available systems and capacity, instead of optimistic projections of future systems and capacity, must be considered. Assessment of the sustainability of the results to be achieved by the new project should be done from the beginning to avoid repeating the mistakes of previous projects. These lessons have been considered in the design of the follow-up SSNM project that started in October 2014. Importance of protecting gains made in reducing poverty and protecting the most vulnerable from economic contraction with better targeted social protection should not be underestimated. Close monitoring and flexible implementation of these reforms should be always ensured. Clear communication on reform programs and expected results and benefits by the Government and the World Bank to the population is encouraged.

<table>
<tr><th>No.</th><th>CPS Outcomes</th><th>Progress to Date</th><th>CPS Instruments and Partners</th><th>Lessons Learned</th></tr>
<tr><td colspan="5">Result Area 3. Improved efficiency, quality, and governance of municipal infrastructure services</td></tr>
<tr><td>1.8</td><td>Improved energy efficiency of targeted municipal water utilities:
• Increased energy efficiency in at least 12 participating water and sanitation utilities (total kWh/m^3 reduced by 15% in each utility as of 2011).</td><td>Achieved.
Achieved and exceeded by a significant margin the targeted energy efficiency values.</td><td rowspan="2">Closed operations:
Urban Infrastructure Project (P095337) was closed in June 2015.

Indicative lending:
Second Urban Infrastructure Project (P132386) is under implementation, with closing date in October 2020.

Additional ongoing lending:
Ukraine District Heating Energy Efficiency Project (P132741) is under implementation, with closing date in October 2020.

AAA:
Supporting Kyiv in City Vision and Development Strategy (P124709) was completed in January 2012.
Modernization of the DH Systems: Heat Metering - District Heating AAA - Belarus and Ukraine (P112754) was completed in July 2012.
Municipal Demand Side Governance AAA - Ukraine: Municipal Demand Side Governance (P127656) was completed in June 2013.
CTF Grant for Municipal Energy efficiency - Municipal energy efficiency financing (P129900) TA was completed in September 2014.</td><td>Project readiness should be ensured to enable immediate start of implementation. All activities should be identified in advance and clear selection criteria of potential beneficiaries should also be set and communicated to all utilities.
The risk that beneficiary utilities may not be in a position to repay their subloans should be identified during appraisal and mitigated.
Institutional development aspects of the projects need to be well defined at appraisal, with specific activities in place.</td></tr>
<tr><td>1.9</td><td>Increased transparency and accountability of municipal service provision:
• Water services and sanitation utility performance benchmarking introduced in 2014.

• Performance information is reported by targeted WSS utilities to the Central Government through the new sector information system.</td><td>Not Achieved.
National Commission for Regulation of Communal Services created a benchmarking system but not yet introduced since the Regulator was liquidated and a new Regulator established instead.

Not Achieved.
However, the World Bank assisted in building the capacity of the newly created communal service Regulator.</td><td>Political decisions, transition period from old to new National Utility Regulator, and frequent change of Ukrainian officials slowed down implementation pace and delayed the results.</td></tr>
</table>

No.	CPS Outcomes	Progress to Date	CPS Instruments and Partners	Lessons Learned
			Additional AAA: TF091769 and TF093251 to support UIP activities was closed in June 2014. TF 013067 (P129704) for Preparation of Ukraine District Heating Energy Efficiency project (P132741) was closed in June 2014. Ukraine Municipal Solid Waste Management Sector Review (P145947) was completed in February 2014. Assistance to the National Commission for Regulation of Communal Services: District Heating Regulatory Reform Support Program (P151321) is under implementation, with closing date in December 2017. Ukraine Urbanization Review (P149719) was completed in January 2016.	
Pillar 2: Improving Policy Effectiveness and Economic Competitiveness: Support to Building Relations with Business				
Result Area 4. Improving business regulatory environment for a more competitive and diversified economy				
2.1	**Reduced regulatory burden on enterprises:** • WTO commitments pertaining to certification and standardization are accomplished in line with the Law of Accession to the WTO. • Agreement on Conformity Assessment and Acceptance of industrial products	**Achieved.** Certification and standardization laws have been passed and have come into force (Law on Standardization, Law on Technical Regulations & Conformity Assessment, Law on Metrology and Metrology Activity). **Not achieved.** Article 57 of the Ukraine/EU Association Agreement endorses	**IFC:** Investment Climate Advisory: Program will be implemented till 2018. Ukraine Investment Climate: Agribusiness and Cleaner Production (P584508) was closed in September 2015. Ukraine Investment Climate Reform (P600664) under	Ukraine has established a deregulation framework. Eased licensing and permit requirements, harmonized food safety standards and procedures, and technical regulations and conformity assessments with the EU requirements for the purposes

No.	CPS Outcomes	Progress to Date	CPS Instruments and Partners	Lessons Learned
	(ACAA) with the EU is signed. • Burden on enterprises is reduced by shifting to the sample-based data collection approach (from 10 surveys elaborated in 2010 to 15 by the end of the CPS period).	that parties agree to add an ACAA as a protocol to this agreement, following a check by the EU party and agreement on the state of alignment of relevant Ukrainian technical legislation, standards, and infrastructure. Ukraine is preparing to sign an agreement on mutual recognition of electromagnetic compatibility, machinery, pressure equipment, and low voltage equipment. **Not Verified**	implementation, with closing date in December 2018. Financial Markets Crisis Management Project - ECA Financial Markets Risk Management Project (P597667) under implementation, with closing date in August 2017. Direct investments in the financial sector: Investments were undertaken through granting of loans in the amount of about US$20 million. **Closed operations:** Development of the State Statistics System for Monitoring the Social and Economic Transformation Project (DEVSTAT) (P076338) was closed in December 2013. State Tax Service Modernization Project (P057815) was closed in June 2012. Second Export Development Project (EDP-2) (P095203) was closed in December 2014. **Additional closed operations:**	of improving the investment climate.[13] However, some of the regulations remain in force: an outdated Government Decree on Standardization and Certification is still in force (and will remain until January 1, 2018) and so is the list of goods subject to mandatory certification (though the list has been significantly reduced). **Lessons learned from the Investment Climate: Agribusiness and Cleaner Production Project:** 1. The transition period from the economy-wide to sector-specific reform was smoother than expected for two reasons: the project started to prepare stakeholders for the transition during the ending phase of the previous project, and the project continued its involvement in the economy-wide issues when the agri-specific project started. **Lessons for the future:** It is essential to start preparing stakeholders for this shift at an early stage. It is also crucial to show stakeholders the link between the economy-wide and industry-specific reform. What was also helpful is that as part of the old economy-wide project, the team started to explore food certification and food safety related issues—looking at them from the point of view of the economy-wide issues. Projects that plan the move from economy-

[13] Law of Ukraine #222-VIII 'On Licensing of Certain Types of Entrepreneurial Activities', dated March 2, 2015; Law of Ukraine #124-VIII 'On Technical Regulation and Conformity Assessment', dated January 15, 2015; Law of Ukraine #191-VIII 'On Amendments of Certain Legislative Acts of Ukraine Regarding Simplification of Running Business (Deregulation)', dated February 12, 2015; Law of Ukraine #1602-VII 'On Amendments of Certain Legislative Acts of Ukraine on Food Safety', dated July 22, 2014; Law of Ukraine #289-VIII 'On Amendments to Certain Legislative Acts of Ukraine on Protection of the Rights of Investors', dated April 7, 2015, are some of the actions taken by Ukraine under the DPL-2 Program (P151479).

No.	CPS Outcomes	Progress to Date	CPS Instruments and Partners	Lessons Learned
			First Program. Fin. Sector DPL (P150677) was closed in November 2014. Second Programmatic Financial Sector DPL (FSDPL-2) (P151941) was closed on June 30, 2016. First DPL1 (DPL-1) (P150313) was closed in October 2014. Second Development Policy Loan (DPL-2) (P151479) was closed in June 2016. **AAA:** Financial Sector TA (P132228) completed in June 2013. Fiscal, Structural, and Governance Reforms TA (P130146) completed in June 2014. **Partnership:** IMF, EU, USAID	wide to industry-specific reform need to be ready to allocate substantial resources at the beginning of the industry-specific project to avoid economy-wide issues that follow from the previous economy-wide project. Lastly, a purely industry-specific project would not be effective as industry-specific and economy-wide issues are often intertwined, that is, to change some regulation that would affect a particular industry, some economy-wide issue should be addressed. 2. Start by applying tried and tested approaches in the new areas. The early results of the industry-specific project were elimination of certain burdensome permits, licensing, and certificates in agribusiness and streamlining the inspections regime of the agriculture sector, for example, certain types of grain silos. Doing what the team knows well at the beginning of the project was a win-win for the World Bank and for the sector—it bought us time needed to learn more about the agriculture sector specifics while at the same time reducing some burdensome procedures for agriculture sector companies. 3. The team had a chance to learn about sector regulatory constraints from IFC Investment Services clients, for example, Nibulon. The information gathered was used in monetizing the burden and in later persuading relevant stakeholders that it needed to be removed. Collaboration with Investment Services can be beneficial for both sides, for example, the project advised (and continues to advise) IFC's Investment Services infrastructure team on renewable

No.	CPS Outcomes	Progress to Date	CPS Instruments and Partners	Lessons Learned
				energy matters. Continuous communication with IFC Investment Services and IFC country management is crucial and can be mutually beneficial—it saves time for the IFC team on diagnosing a particular regulatory issue; it helps IFC Investment Services make the right decisions. 4. Leveraging activities with World Bank policy conditionalities. The project collaborated with the World Bank DPL team on developing the agriculture sector and investment climate related conditionalities and triggers for the Government to meet to get financing from the World Bank. Two DPLs went through (in 2014 and 2015) that helped the project advance the permit reform (broadly and specifically for agribusiness) and the food safety reform. Complementarity of World Bank lending and IFC Advisory helps achieve greater results and achieve them quicker (multiple regulations can be changed in one go when there is a DPL in the country). At the organizational level, the mutual learning, knowledge exchange and cooperation speeds up the World Bank Group's delivery of advice to clients, makes the process more efficient, and strengthens the organization offer to client. **The DEVSTAT project findings produced a number of lessons:** Statistical capacity building requires a regulatory and institutional framework for the national statistical system that includes both users and producers of statistics, including effective dialogue among all stakeholders.

No.	CPS Outcomes	Progress to Date	CPS Instruments and Partners	Lessons Learned
				The use of a single contract with a consortium providing statistical services is more efficient than using many small procurement packages and helps ensure that results delivered are coherent and well sequenced. Procurement of Information and Communication Technology (ICT) systems requires more time than procurement of less complex goods and services due to lengthy preparation of technical specifications, changes in specifications over time, and the demands on experienced ICT procurement specialists.
.2	**Reduced tax compliance costs:** • Share of legal entities that undergo on-site audits is reduced from 16.3% in 2010 to below 12% throughout the CPS. • Share of VAT refunds under the 'automatic' refund system increases from 48% in July 2011 to above 70%.	Awaiting response from Fiscal Service **Partially achieved.** About 55% of VAT refunded automatically by the end of the CPS period. With the introduction of VAT accounts, it would be difficult to assess the automatic VAT refunds in the course of 2016.[14]		State Fiscal Service (SFS) implementation arrangements had several advantages: (a) increasing project ownership, established important project and change management capacities within the Government, and improved the transfer of inputs developed by the project to operational business units within the SFS while ensuring adequate staff resources were dedicated to the modernization effort and (b) enhanced the sustainability of project achievements and enabled the SFS to expand and deepen its reform efforts and provide strong coordination among all modernization activities independent of the source of financing. Need for setting realistic, measurable, and operational performance targets that are closely linked to project interventions.

[14] Law of Ukraine #71-VIII 'On Amendments to the Tax Code and Certain Legislative Acts of Ukraine on Tax Reform', dated December 28, 2014, is one of the actions taken by Ukraine under the DPL-2 Program (P151479).

No.	CPS Outcomes	Progress to Date	CPS Instruments and Partners	Lessons Learned
				Packaging ICT investments to minimize need for systems integration by the client. Carefully consider the advantages and disadvantages of two-stage versus one-stage procurement procedures. Using restructuring to align the project to changing priorities. Aligning World Bank investment and resources of other development partners. Continuity in the leadership is an important precondition to the successful implementation of complex institutional reform processes, such as the ones supported by the project.
2.3	**Increased access to medium and long-term finance for export:** • All borrowers under EDP-2 expanded their exports volumes as per targets in EDP-2.	**Achieved.** EDP-2 provided 67 working capital and investment subloans to 50 beneficiary enterprises. Export multiplier achieved at completion is 2.78 (in 2014). The aggregate annual volume of exports increased significantly.		Working through a sound financial institution with a proven implementation track record is important for achieving results. In this case, the resources and skills for implementing the project were effective because of the choice of an experienced financial intermediary as an implementing partner. In a rapidly evolving context, implementation flexibility is crucial since it is not possible to predict all possible scenarios. In this case, the decision to restructure, to change the proportion of direct and wholesale lending, and to scale up disbursement were all crucial in delivering intended results. Lines of credit can be leveraged by close coordination with other World Bank operations and those of other partners. In this case, support from the World Bank's Financial Sector Development Policy Loan and non-lending technical assistance, along with financing to Ukreximbank (UEB)

No.	CPS Outcomes	Progress to Date	CPS Instruments and Partners	Lessons Learned
				from other IFIs, were all important in leading to the successful outcomes.
2.4	**Increased stability of the financial system:** • DGF capacity as bank resolution agency is strengthened, as confirmed by the World Bank's expert assessment. • Consolidated supervision of financial institutions implemented. • The state has exited three banks recapitalized in 2009 following low-cost option. • Distressed asset market established and actively operating. • Risk management in 28 financial institutions improved (IFC clients).	**Achieved.** **Not Achieved but in progress.** **Not Achieved.** (Not done) **Achieved**. **Partially Achieved.** Risk management for partner banks with risk-sharing instruments has been implemented for 2 client banks and 25 banks attended training on bank liquidity risk management and operational risk and financial crime.		FSDPL-1 and FSDPL-2 helped stabilize and improve resilience of the financial sector with operations aimed to strengthen the operational, financial, and regulatory capacity of the DGF for the resolution of insolvent banks; improve the solvency of the banking system through implementation of bank recapitalization/restructuring plans and timely enforcement action; and strengthen the legal and institutional framework to improve the resiliency and efficiency of the banking system but continuous close monitoring of the overall implementation and the debt situation and technical assistance expanding to help authorities mitigate the high risks related to the bank restructuring program are needed. Effective coordination among the World Bank Group, the IMF, and other development partners and among the Ukrainian counterparts to further advance critically needed reforms should be ensured. Achievements could be/are undermined by the fragile situation and the continued high risks in the financial sector and require robust risk mitigation process. Continued close coordination with IFC and MIGA as well as with development partners, including the IMF, to be maintained and enhanced. Adequate and timely external support remains crucial to reinforce implementation and monitoring of reforms in the next CPF.
		Result Area 5. Improving infrastructure for business activities		
2.5	**Improved energy efficiency in the public and private sectors:**		**Closed operations:**	Project objectives should be focused and specific enough to avoid pursuing overly

No.	CPS Outcomes	Progress to Date	CPS Instruments and Partners	Lessons Learned
	• Energy intensity of selected industrial enterprises decreased by 15% by 2014 compared to 2011. • Loans granted through the credit line for energy efficiency investments generated 750,000 toe in energy savings.	**Achieved.** Average weighted energy efficiency returns under the Energy Efficiency Project (EEP) portfolio exceed 20%. IFC Green finance program developed for Ukrgazbank. Energy intensity per unit of production in selected industrial enterprises are to be decreased by 15%. **Mostly Achieved.** Actual generated is 524,700 toe in energy savings as of June 2016. In progress.	Hydropower Rehabilitation Project (P083702) was closed in June 2016. Power Transmission Project in Support of the Energy Sector Reform & Development Program (P096207) was closed in June 2016. Roads and Safety Improvement (RSIP) (P100580) was closed in November 2014. **Ongoing lending:** Energy Efficiency Project (P096586) is under implementation, with closing date in March 2017. Second Road and Safety Improvement Project (RSIP-2) (P127156) is under implementation, with closing date in December 2016. **Additional ongoing lending:** Second Power Transmission Project (P146788) is under implementation, with closing date in June 2020. Road Sector Development Project (P149322) is under implementation, with closing date in December 2021. **IFC:** Cleaner Production Advisory Project: Ukraine Cleaner Production (P568089) was completed in December 2015.	ambitious goals, especially in countries with track record of political instability. In countries undergoing significant structural reforms and facing substantial financial challenges, it is crucial to separate investment lending activities from development lending activities. Tying structural sector reforms to investment lending may significantly slow down the progress of the project for reasons over which the World Bank has no direct control. Assessment of the Government's long-term commitment and ability to carry out reforms is a key aspect of analyzing overall project sustainability. It is important to have a reform-oriented government not only during project preparation but throughout the entire project cycle as well. The experience in Ukraine has shown that political instability and frequent changes of government and management at line ministries adversely affect implementation of projects. Importance of early preparation of the project cannot be overestimated. Project readiness is critical to avoid implementation delays in the future. It has been underlined in other projects in Ukraine and applies to all. Activities that could be identified in advance should have their feasibility studies completed and where possible, design preparation should be under way by the time the project goes to the Board. In particular, preparation of the bidding documentation should be carried at the earliest. In challenging Ukrainian macro-circumstances, privately owned banks (including foreign-owned subsidiaries) are

No.	CPS Outcomes	Progress to Date	CPS Instruments and Partners	Lessons Learned
			Sustainable Energy Finance Project (P565387) is under implementation, with closing date in December 2018. Residential Energy Efficiency Project (P566047) is under implementation, with closing date in March 2018. PPP Transaction Advisory Services - dropped. Direct investments in infrastructure and in exporting enterprises: Investments were undertaken by granting of loans in the amount of US$46 million. Trade facilitation through the Global Trade Finance Facility (GTFP): Investments were undertaken through granting of loans in the amount of about US$270 million. **AAA:** Gas Sector TA (TF018284): Strengthening the Capacity of Ukrtransgaz PIU under the Joint EC-World Bank Facility to Support the Ministry of Energy and Coal Industry of Ukraine and NJSC 'Naftogaz of Ukraine' for Modernization of Ukraine's Gas Transit System (P151927) is under implementation, with closing date in October 2016. TA on PPP in the context of Public Investment Management in Ukraine was completed in 2015.	reluctant to launch long lending programs given their risk-averse policy, and they focus only on short-term products with their existing clients without expanding into new segments. Engaging state-owned banks as wholesale vehicles appeared to be important to facilitate investments into private sector development, in energy efficiency, and other similar areas requiring capital expenditures. Focus on improving energy efficiency on the consumption side should be a part of the larger reform of the energy sector. It includes supply-side reforms of the district heating and the overall policies affecting the end client behavior patterns. It includes tariff and subsidy reforms. When implementing projects that focus on supply, demand, and policy reforms, it is important to coordinate efforts between IBRD/IFC and Power Grid for an increased leverage in effecting reforms and achievement of sustainable long term results. Coordination with external partners proves effective as well. Legislative reforms are successful only when supported by intensive educational and awareness efforts.

No.	CPS Outcomes	Progress to Date	CPS Instruments and Partners	Lessons Learned
			IDF Grant for Auditing Road Infrastructure Projects (P121654) was closed in December 2013. **Additional AAA:** PMR-Partnership for Market Readiness in Ukraine (P128551) was closed in June 2015. Ukraine Partnership for Market Readiness (PMR) (P158772) is under implementation, with closing date in December 2019. In the framework of Ukraine - Smart Grid Project - PPG (P145138) closed in December 2015. The state and prospects of the Power System of Ukraine (UPS) in the context of Regional Energy System integration analyzed; the main priority investments areas identified. Smart Grid development project documentation including feasibility study, financial and economic analysis and Ukrainian standards compliant feasibility study and budget documents prepared along with project implementation plan and procurement plan; and the recommendations to the customer concerning standardization, legal framework compliance, the requirements to design solutions.	

No.	CPS Outcomes	Progress to Date	CPS Instruments and Partners	Lessons Learned
			Modernization of Ukrzaliznytsia (P153725) was closed in June 2016. Energy Efficiency Transformation in Cities (P150553) was completed in May 2016. **Partnership:** EU, EBRD, EIB	
2.6	**Improved performance of power sector:**			National/political crises resulted in financial crisis and force majeure situations, which led to implementation difficulties for contracts. These should be promptly addressed and resolved to avoid the challenges experienced as a result of hostilities in eastern Ukraine and Crimea. To avoid shortcomings with the PDO, it has to be designed without being overarching. The process of land acquisition has to be finalized before the start of project works and in compliance with the World Bank's and national requirements to avoid implementation delays. WEM concept was adopted in 2002 but not implemented until 2014 because of political reasons (absence of the Law). Multiple changes in the Government have affected institutions, the reform momentum, and normal procurement. Despite that, projects have achieved results. In the case of the Power Transmission Project, it also established a basis for the continued implementation of core market reforms in electricity and the implementation of core transmission and substation infrastructure to improve the quality of supply.
	• 20% of power market transactions are concluded on the basis of bilateral contracts in line with the WEM Law.	**Not Achieved.** WEM Law has been adopted but will be in effect only from July 1, 2017, and the revised WEM Law is pending in the Parliament.		
	• Greater power system reliability.	**Achieved.**		
	• Increased hydropower capacity by 80 MW and hydropower production by 160 GWh between 2011 and 2014.	**Achieved.** Hydropower capacity exceeded the set target and production capacity increased by 190 MW since 2005 and 80 MW since 2011. Annual energy increase since 2011 is 155 GWh.		
	• Energy not served reduced by at least 35 GWh/year and transmission losses reduced to less than 2.5%.	**On track.**		
	• Greater uptake of investment in resource efficiency in agribusiness.	**Mostly Achieved.** In progress. Two IFC agribusiness clients invested in resource efficiency and others are considering investing.		
	• Cost savings of US$30 million per year through the	**Mostly Achieved.** Resource efficiency initiatives implemented with IFC support		

No.	CPS Outcomes	Progress to Date	CPS Instruments and Partners	Lessons Learned
	implementation of resource efficiency initiatives with IFC support.	resulted in cost savings of US$19 million.		
	• 230,000 tons of CO_2 per year in emissions avoided as a result of these investments.	**Mostly Achieved.** 140,000 tons of CO_2 emissions per year avoided.		
	• IFC Residential Energy Efficiency Project facilitated US$50 million in financing, achieving 48,000 tons per year of CO_2 emission reduction.	**Achieved.** With IFC support, two state-owned banks financed residential energy efficiency projects for a total value of US$95 million equivalent, resulting in 267,175 tons of CO_2 emission reduction.		
2.7	**Improved road connectivity and safety:** • Riding quality along the rehabilitated road sections of the M03 road improved: International Roughness Index (IRI) reduced from over 5 m/km in 2011 to less than 2 m/km in 2015 and beyond.	**Achieved.** IRI reduced to 1.16 m/km.		A more integrated approach to road safety is favored. Issues with counterpart funding caused delays during project implementation: The World Bank should consider financing 100% of project costs to minimize the risks to implementation caused by delay of funds coming from the Government. Programmatic approach to lending should be adopted: The continued engagement resulting from a sequenced approach (a number of consecutive projects) to lending and complementary trust funds can provide a platform to improve sector dialogue where the World Bank is a new player in the sector. The monitoring and evaluation framework is key to identifying problems early and allowing for proper planning of corrective measures. A stronger project management culture can positively affect decision making.
	• Road capacity increased on 2-lane sections of the M03 between Lubny and Poltava (by widening to four lanes).	**Mostly Achieved.** 90% of the works are completed. The planned outcome will be achieved by the RSIP-2 closing date.		
	• 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 as compared to 2011, on rehabilitated road	**Achieved.** Number of vehicle crashes between Boryspil and Lubny decreased from 248 per year to 10 per year. The WHO statistics show a sharp decrease in the number of fatalities in the country. At project closing, the annual fatalities per 10,000		

No.	CPS Outcomes	Progress to Date	CPS Instruments and Partners	Lessons Learned
	sections on the M03 and on treated blackspots and corridors.	vehicles had declined to 1 at the national level.		Improving design of civil works: Consultations during the design phase and continuous engagement with local communities during implementation improve compliance with safeguard policies, as well as project design. Structuring a PPP in the road sector requires the goodwill of the Government, including change in the legislation, a comprehensive approach, institutional capacity, and financial backing as the private sector in today's environment will not accept market and foreign exchange risks.
2.8	**Private participation in transport sector:** • At least one pilot PPP project in transport was brought to a financial closure, applying best international practices.	**Not Achieved.** Due to the macroeconomic crisis and poor PPP legislation, structuring a PPP transaction was not possible.		
Result Area 6. Improving productivity and competitiveness in agriculture				
2.9	**Increased efficiency of cadastral registration:** • Time for cadastral registration is reduced from 3–24 months in 2011 to 14 days by 2014.	**Achieved.** Average time for registrations reduced to 21 minutes (from application acceptance in the system to issuance of the registration certificate) and required only one visit to the cadaster office.	**Closed operations:** Rural Land Titling and Cadastre Development Project (P035777) was closed in April 2013. **AAA:** Fiscal, Structural, and Governance Reforms TA (P130146) was completed in June 2014. Land Governance Assessment Framework (LGAF) - Ukraine Agriculture and Land Monitoring TA (P133393) was completed in December 2013. **Additional AAA:** Ukraine Agriculture, Irrigation, and Land TA (P156681) was completed in June 2016. **IFC:**	Land administration interventions tend to be long and complex, involving heavy investment in preparation; they tend to work best when there is a programmatic approach involving a series of investment projects, possibly with supporting policy-based operations. High-level political support and direction is essential for any project that seeks to introduce fundamental reforms (such as land privatization), and from the start project teams need to realistically assess the political economy. When projects prove to be unworkable, it is advisable to restructure as soon as possible. Expert consultants are often needed to advise on the procurement of the complex mapping and information technology typically applied to land administration; the World Bank may not have the necessary skills in-house.
2.10	**Reducing the cost of compliance for agribusinesses:** • The system of food safety control is aligned with the EU practice as confirmed with IFC experts, in corporation with the EU. • US$60 million in increased sales for client companies of IFC's Food Safety Project.	**Partially Achieved.** Partial compliance is based on the Law on Food Safety #1602. A separate law on inspection is under development. Options: No data		
2.11	**Development of agri-insurance and access to agri-finance for IFC clients:**			

No.	CPS Outcomes	Progress to Date	CPS Instruments and Partners	Lessons Learned
	• Farmers adopt agri-insurance as a risk management tool: value of premiums collected increases to US$3 million, and value of insurance contracts issued increases to US$40 million as per project surveys. • Access to finance for farmers through financial institutions improves: value of loans disbursed increases to US$40 million; value of NPLs is below 3% as per project service agreements with IFC client banks.	**Not Achieved.** Agricultural insurance concept similar to the Risk Management Agency in the United States is being developed jointly with the GoU. Concept paper drafted. Two pilot index insurance products developed with Syngenta in three regions and these provided US$2 million in insurance coverage for 63 producers cultivating 49,000 hectares of land. Two insurance products for corn and wheat developed with Credit Agricole, Syngenta, and AXA Insurance where launch in 2016 fall. **Partially Achieved.** In partnership with three banks and three input suppliers, improved farmers' access to financing. A total of 67 farmers were financed a total value of US$1.42 million. Another US$4 million financing is provided to farmers through the Bayer/RZB risk-sharing facility.	Investment Climate Advisory Project: Program will be implemented till 2018. Food Safety Project - Ukraine Food Safety Improvement Project (P561634) was closed in January 2013. Agri-Finance Project (P564788) was closed in June 2015. Agri-Insurance Development Project (P540163) was closed in June 2015. Direct investments in agribusiness sector: Investments were undertaken through granting of loans in the amount of about US$500 million.	

Annex C: Indicative FY17-19 Lending and ASA Program

Table 5: Indicative FY17-19 Lending/Guarantee Program

IBRD Guarantee in Support of a Ukraine Gas Supply Security Facility	$500m	Approved Oct. 2016
SME Access to Longer Term Financing	$150m	FY17
Potential Roads Additional Financing	tbd	FY19
Potential DPLs supporting key reforms	tbd	TBD
Potential IPFs supporting implementation of complementary reforms	tbd	TBD

Table 6: Ongoing and Proposed FY17-19 Advisory Services and Analytics by CPF priority area and delivery year

Governance, Anticorruption & CE	Fiscal & Financial Stability	Creating Markets	Efficiency and Inclusiveness of Social Services Delivery
FY17			
Public Investment Management (TF)	Programmatic Public Finance Review 1 (BB)	Sustainable Urban Transport for Kyiv (TF + BB) – In connection with Lower Dnieper River Waterway and Port PPP	Improving Effectiveness in Human Development and Social Assistance (BB + TF)
Preventing Corruption (TF)	Increasing Fiscal Accountability (TF)	Facilitating Forest Sector Reform (TF)	Ukraine Health Policy Dialogue (BB)
Improving Transparency and Governance of Infrastructure (TF)	Programmatic Financial Sector TA (BB)	Land, Agriculture and Irrigation Policy Dialogue (BB + TF)	Programmatic Approach on Peacebuilding and Recovery (TF + BB)
	Pension Policy Dialogue (BB)	Advice to the design of Energy Efficiency fund (TF)	
Poverty and Equity Programmatic TA (BB)			
		Ukraine Finance and Enterprise Recovery (TF)	
	Programmatic Financial Sector Reform TA (BB)	Advancing Energy Subsidy Reform (BB + TF)	
FY18			
Anti-corruption TA (BB)	Pension Policy Dialogue (BB)	Towards Greener & More Efficient Logistics (TF)	Programmatic Labor and Skills (BB + TF)
	Programmatic Financial Sector Reform TA (BB)	Ukraine Land Reform TA (BB + TF)	Strengthening Evidence-Based Policymaking with Education Statistics and Analysis (BB + TF)

	Programmatic Expenditure Reviews	Ukraine Competition Policy (TF + BB)	Programmatic Approach on Peacebuilding and Recovery (TF + BB)
Drivers of Economic Growth (BB)			
Poverty and Equity Programmatic TA (BB)			
FY19			
Support to Public Administration Reform (PAR) and Public Financial Management Reforms (TF)	Programmatic Financial Sector Reform TA (BB)	Ukraine: Partnership for Market Readiness (PMR)- Climate Change (TF)	Ukraine: Preparation of methodological framework for Population Census (BB+TF)
Economic and Social Impacts of Demographic Change (BB)			
Poverty and Equity Programmatic TA (BB)			
		Climate change impact on agriculture (BB)	Programmatic Approach on Peacebuilding and Recovery (BB and TF)

Annex D: Selected Indicators of Bank Portfolio Performance & Management

Indicator	Value/Target
Candor Gap	Percent / 10%
Proactivity index	Percent / 80%
Additional funds leveraged via innovative approaches such as exposure exchange agreements, PPPs, private sector co-financing, guarantees, other co-financing and risk-mitigation instruments	US$ million/ 500m
Climate change co-benefits (adaptation/mitigation)	
Disbursement ratio	Percent / not less than 15%
Project Extensions - Number of extensions requiring RVP approval (excluding Additional Financing)	Number/ 3 or less
Partial Cancellations – Number of cases when partial cancelation was used as a proactivity measure	At least 2 cases
Portfolio Performance Review happening twice a year	Y
Portfolio compliance with corporate commitment on Gender	Percent / 80% compliance
Portfolio compliance with corporate commitment on Citizen Engagement	Percent/ 100% compliance

Annex E: Operations Portfolio (MIGA)

Project Name	Effective Date	Expiry Date	Business Sector	Exposure ($USD)
Whirlpool Ukraine	06/22/2012	12/12/2017	Manufacturing	6,175,000
Porsche Mobility - Porsche Leasing	09/23/2013	07/14/2028	Financial	23,940,000
Lantmännen Axa	12/05/2016	12/04/2026	Manufacturing	6,338,464
Aluminum Beverage Can Factory	09/04/2003	09/03/2018	Manufacturing	35,513,663
Raiffeisen Leasing AVAL LLC	02/13/2008	12/31/2017	Financial	61,750,000
Insurance of Mandatory Reserve at the Central Bank of Ukraine	12/22/2010	12/21/2020	Financial	7,709,279
6 Projects				141,426,406

Annex F: Statement of IFC's Held and Disbursed Portfolio

MIS

International Finance Corporation

Report Run Date: 12/05/2016

Statement of IFC's Committed and Outstanding Portfolio

Amounts in US Dollar Millions

Accounting Date as of : 11/30/2016

Region(s):Europe and Central Asia

Country(s) : Ukraine

Commitment Fiscal Year	Institution Short Name	LN Cmtd - IFC	LN Repayment - IFC	ET Cmtd - IFC	QL + QE Cmtd - IFC	GT Cmtd - IFC	RM Cmtd - IFC	ALL Cmtd - IFC	ALL Cmtd - Part	LN Out - IFC	ET Out - IFC	QL + QE Out - IFC	GT Out - IFC	RM Out - IFC	ALL Out - IFC	ALL Out - Part
2013/ 2016	Agrofusion	17.27	8.73	0	0	0	0	17.27	0	17.27	0	0	0	0	17.27	0.00
2013/ 2016	Astarta	43.02	24.68	0	0	0	0	43.02	28.55	26.92	0	0	0	0	26.92	4.35
2013/ 2014/ 2017	Axzon	27.88	10.88	15.75	0	0	0	43.63	0	27.88	15.75	0	0	0	43.63	0.00
2011/ 2016	BayerFarmersRSF	0	0	0	0	2.75	0	2.75	0	0	0	0	2.33	0	2.33	0.00
2012	Bayer Ukraine-CA	0	0	0	0	1.57	0	1.57	0	0	0	0	0.52	0	0.52	0.00
	Bucha	3.30	16.52	0	0	0	0	3.30	0	3.30	0	0	0	0	3.30	0.00
2014/ 2011	De Novo	0	0	2.90	0	0	0	2.90	0	0	2.90	0	0	0	2.90	0.00
2006	EVU II	0	0	7.12	0	0	0	7.12	0	0	6.96	0	0	0	6.96	0.00
2011	Euroleasing-UA	0	0	0	0.68	0	0	0.68	0	0	0	0.68	0	0	0.68	0.00
2009/ 2010/ 2016	Evrotek Group	0	0	15.00	0	0	0	15.00	0	0	15.00	0	0	0	15.00	0.00
2014/ 2007/ 2011/ 2004	First Lease	2.14	20.71	0	0	0	0	2.14	0	2.14	0	0	0	0	2.14	0.00
2006/ 2014/ 2011/ 2008/ 2012	Galnaftogaz	17.29	58.29	0	20.00	0	0	37.29	42.80	17.29	0	20.00	0	0	37.29	42.80
2010	Globino	6.71	6.46	0	7.78	0	0	14.49	0	6.71	0	7.78	0	0	14.49	0.00
2012	HPC Ukraina	13.20	8.80	0	0	0	0	13.20	0	13.20	0	0	0	0	13.20	0.00
2014	IMC Ukraine	0	0	0	30.00	0	0	30.00	0	0	0	30.00	0	0	30.00	0.00
2006/ 2007/ 2008	Industrial Un...	180.00	20.00	0	0	0	0	180.00	416.67	180.00	0	0	0	0	180.00	416.67

Annex G: Summary Gender Assessment

This report identifies and analyzes the main gender disparities in Ukraine in terms of agency, endowments and access to economic opportunities. The Country Gender Assessment [15]was done in March –May 2016 using the framework provided by the World Development Report on Gender and Development. The assessment methodology is based on a quantitative approach using a wide range of international databases including World Bank's World Development Indicators, the Global Financial Inclusion Database, the Enterprise Survey, the Life in Transition Survey, the European Value Study, and as well as supplementary statistics of the Eurostat, the World Health Organization, and United Nations Economic Commission for Europe, and others. The national data is provided by the State Statistics Service of Ukraine, along with results of Labor Force Survey, Household Survey, Multiple Indicator Cluster Survey and Demography and Health Survey. The national consultations with leading experts on gender issues were held to validate the key findings and strengthen the recommendations of the report.

1. **Ukraine has a high level of human development, in particular with regard to indicators of gender equality.** The country's advantaged position is largely contributed by women's high educational attainments and labor force participation rates, which are quite comparable with European countries. Significant progress was achieved in reducing maternal and infant mortality, coverage with prenatal care and mother-to-child transmission of HIV. The national legislation can be mostly described as gender-neutral, while international assessments classify Ukraine with a low level of gender discrimination in social institutions. To promote gender equality, the target public programs were enacted along with establishing the institutional framework for developing and coordinating gender policies. The Millennium Development Goals declared a range of important tasks in the field of gender equality; however, most of them haven't been met in full due to a lack of political will and policy failures. To address the gaps, gender issues were incorporated into the national post-2015 development agenda as well.

2. **Important gender disparities in various domains of public life exist, including political representation and decision-making, social views and public attitudes, and distribution of powers in a society.** In spite of women's high educational achievements and economic activity, their participation in politics and decision-making remains disproportionally low. Despite affirmative actions taken to introduce the 30- percent gender quotas in electoral processes, these norms could be ignored in practice due to a lack of any sanctions for non-compliance. Though women are rather well-represented at lower administrative levels and at the local self-governance, they face a persistent 'glass ceiling' in access to chief executive positions in public administration. Positively, there are increasing evidences of a raise of women's social activism and participatory activities associated with development of a civil society. Nevertheless, the gender-based views on traditional roles of men and women remain prevalent in Ukraine, shaping the distribution of powers in households and opportunities for empowerment outside the family. Such stereotypes are particularly important in terms of women's reconciling of employment and family duties, including responsibility for unpaid care and domestic work. Sociological surveys reveal that women tend to be less satisfied with their life than men are.

[15] http://documents.worldbank.org/curated/en/128891470822320083/Country-gender-assessment-for-Ukraine-2016

3. Gender stereotypes are reproduced in the system of education and cause the vicious cycle of gender-based segregation in occupations and employment. The roots of segregation can be found already in the system of secondary education, as perceptions of the 'proper' gender roles could be influenced by school textbooks and curricula. As a result, men and women tend to choose different fields of study at post-secondary level. Though women's high concentration in tertiary education can be regarded as important competitive advantage at the entrance to labor market, females' returns of education may be lower. In practice, female-dominated occupations and types of economic activity are often associated with lower wages and devaluated social prestige. There are still no reliable assessments done on the outcomes of education across genders, as well as international competitiveness of students from Ukraine.

4. In spite of quite high rates of labor force participation, women could face certain barriers in opportunities for employment and earnings. As women prevail among employed in the budget-funded sectors of economy (such as public administration, education, healthcare and social service, etc.), female employment is generally more secured in terms of social guarantees and unemployment risks. In contrast, male-dominated industries experience the largest impact of economic downturns through short-cuttings and recession. However, the patterns of employment confirm women's vulnerability at the labor market; prevalent part-time employment could also restrain women's career advancement and professional development. Importantly, the extensive system of social protection on maternity could create additional barriers for women's employment opportunities, causing the biased attitude of employers and contributing to female economic inactivity. As on average, women earn less than men, and the gender pay gap is only partially explained by observed gender differences in education, length of service, residential and sectoral dummies the importance of unexplained determinants of the gender wage gap could be associated with direct discriminatory practices at the labor market (which are well-documented by sociological surveys) as well as with 'vertical' form of gender segregation in employment. Women's access to business activities and financial resources is also constrained by the lower income and choice of profession.

5. Gender inequality in income opportunities results in increased women's vulnerability and poverty risks. Though there are no reliable data to argue about total feminization of poverty in Ukraine, the poverty 'profiles' are clearly gendered. In particular, the highest poverty risks are common for families with many children (and the risk is naturally increasing in single female-headed households), while elderly women and women of the most active reproductive age face high poverty rates as well. Women's lower earnings and shorter length of pensionable service contribute to the gender gap in pensions, affecting the quality of life in old age. Therefore, along with optimization of the pension system, an increase in women's retirement age is aimed to reduce the gender gap in pension benefits. The poverty risks are increasing among rural population and residents of small settlements with poorly developed labor markets and lower incomes of employment. In terms of non-monetary criteria of poverty, rural female residents also face multiple deprivations from access to basic services and infrastructure (indoors water and toilets, health and family planning, safe transport, etc.). Finally, the armed conflict in Eastern Ukraine and large-scale displacement movements resulted in a new form of vulnerability, as numerous contingents of internally displaced people turned out to be deprived from safe housing, income of employment and access to public services. As women prevail among displaced persons, having additional obligations in terms of caring for children (sometimes non-related), elderly and disabled persons, the gender approaches should be incorporated into the policies for humanitarian response and recovery.

6. The problems of gender-based violence and trafficking in persons remain particularly acute with regard to the on-going conflict. Though important efforts have been done to achieve the progress in combating trafficking to comply with requirements of EU partnership, prevention and prosecution activities should be improved, as well as inter-agency coordination. As to domestic violence, its roots are closely related to unequal distribution of powers and prevalent gender stereotypes. As a result, public tolerance to spousal violence is quite high in Ukraine, while there is no widespread practice to apply for any assistance due to common stigma put on survivors in communities. The permanent lack of shelters and protective services for survivors of gender-based violence is often supplemented by low population awareness and mistrust to the existing service-providers. Despite intense response to the gender-based violence provided by international agencies in the conflict-affected regions, there is a pressing need in expansion of preventive information campaigns and providing adequate support to survivors.

7. Importantly, the problems of gender inequality concern men as well. A large gender gap in average life expectancy is contributed to by significantly higher rates of male mortality, in particular in the working age. Along with cardio-vascular diseases, some of the main determinants of excessive male mortality are related to external death causes, such as injuries, traffic accidents, alcohol poisonings, suicides, homicides, etc. In addition, stressful environment, hazardous occupations, and additional psychological pressure of the traditional 'breadwinning' role could provoke alcohol abuse, unhealthy diet or risky behavior. The incidence of such communicable diseases as tuberculosis and HUV/AIDS is also importantly higher among men, but a share of females living with HIV has grown because of the increased role of sexual transmission. The knowledge about comprehensive HIV prevention remains insufficient, in particular among young people, as well as experience of HIV testing.

8. The current demographic situation is featured with depopulation and progressing ageing. While the total population number has been decreasing since the 1990's due to a decline in fertility, unprecedented population losses were caused by the armed conflict in Eastern Ukraine. The demographic consequences of the conflict, including postponed births, external migrations, shifts in the trends of morbidity and mortality, still have to be examined in details. Ukraine's patterns of fertility still differ from the European ones in terms of age-specific birth rates: the mean age at first childbirth is among the lowest in Europe. This trend is particularly important with regard to women's empowerment, as early motherhood is associated with constrains for education and employment. In addition, in spite of a decline in the rates of unwanted pregnancies and abortions, teenage pregnancy remains a pressing problem. As a whole, the ageing population poses new challenges for the pension and healthcare systems, as well as new requirements to the system of life-long education and flexible labor market. Though labor migrations have become an important source of remittances and household's well-being, they are closely associated with new social risks, including deficit of care for children and elderly.

9. Promoting gender equality in Ukraine may benefit from the proposed measures to remove constrains to agency, effective use of endowments and expanding economic opportunities for women. In spite of development of the gender-neutral legislation, the implementation of its provisions remains inadequate, as no sanctions or penalties are envisioned for non-compliance. The national gender machinery should be strengthened, in particular at sub-national and community levels. The Government should take the leading role in developing the gender agenda and coordinate initiatives launched by civil society organizations and international agencies. Implementation of gender policies should be supported by the target funding, while principles of gender budgeting need to be incorporated in the budget process. The continuous practice of training public officials in gender sensitivity as well as advocacy campaigns among employers could facilitate the progress. To address gender-based discrimination, the public awareness on the possible forms of discrimination and available mechanisms of counteraction should be improved. In general, transformation of the traditional gender stereotypes will require a comprehensive gender expertise of the whole education curriculum, combating any sexism in mass media, conducting an information campaign on popularization of equal duties and responsibilities across gender, etc. The national statistics can be expanded by supplementary gender-disaggregated data, and special surveys are needed to address the current data gaps, such as women's constrains in doing business or political participation. It is also important to use the gender-sensitive approach in any needs assessments for internally displaced persons, as displaced women are particularly vulnerable to multiple forms of discrimination and biased treatment. The risks of gender-based violence and trafficking in persons are increasing in the on-going conflict, so inter-agency response could be strengthened through establishing of information campaigns and providing access to safe housing for survivors. Finally, the current demographic trends pose a need in planning of the long-term strategies to address depopulation, progressing ageing, labor migrations, excessive mortality of men, and health-associated problems, including communicable diseases.

10. Recommended steps to enhance the understanding of gender gaps in Ukraine should be focused in three key areas: 1) improving the national statistics and obtaining additional data to understand the nature of the revealed gender gaps; 2) making estimations of the cost of gender gaps to assess their impact on the economy and prospects of development; 3) monitoring and evaluation of the progress in promoting gender equality through stocktaking of policies and case studies. So far, no economic estimates of the costs of gender inequality have been realized in Ukraine. The launched process of setting the Sustainable Development Goals for Ukraine provides an opportunity to revise the priorities of gender development at the national levels and to ground the system of indicators for monitoring and evaluation.

Annex H: Citizen Engagement Country Roadmap

The CPF enhances citizen engagement through:

(i) Raising civil society awareness and creating opportunities for dialogue on key institutional reforms.

(ii) Enhanced and structured involvement of third party monitoring by independent organizations, including in IBRD-financed projects.

(iii) Establishing trust-building mechanisms for citizen feedback at the local level in the delivery of services.

FRAMEWORK OF CITIZEN ENGAGEMENT (CE) ACTIVITY IN CPF

A. NATIONAL LEVEL ACTION *with NGOs/CSOs*

OPEN INFORMATION AND CONSULTATIVE FORUMS

STRATEGIES AND REFORMS

1. **Establish consultative platforms/events for land reform, energy reform, pension reform, etc. to inform policy process and provide feedback on implementation**
2. **Awareness building for CSOs and citizens to become informed participants in reforms dialog**
3. **Support and use information portals on key reforms issues**
4. **Link transparency to anti-corruption advocacy and monitoring** (Eg. COST, EITI)

B. SECTOR AND THEMATIC ACTION *with NGOs/CSOs*

THIRD PARTY MONITORING

1. **Awareness building of service standards and performance**
2. **Use ICT platforms to disseminate information and gather feedback**
3. **Monitoring public institutions and service providers against service standards.**

C. LOCAL LEVEL ACTION *with* INFORMED CITIZENS

CITIZEN INFORMATION WITH PRO-ACTIVE FEEDBACK CHANNELS

1. **'Information for citizens'** (I4Cs) actively disseminated on rights, standards, targets and performance around key basic services.
2. **Citizen monitoring enables comparative benchmarking of services** (Citizen Report Cards and CSO Panels to deliberate over action)
3. **GRMs and hotlines (mobile technology/IT enabled) to improve responsiveness.**

D. LOCAL LEVEL ACTION *with* CITIZENS in CONFLICT AFFECTED AREAS

EMPOWERMENT FOCUSED, PARTICIPATORY METHODOLOGIES

IN THE DEVELOPMENT OF SERVICES AND INFRASTRUCTURE

1. **Participatory needs assessments, participatory planning, and citizen panels**

Information generated at local level is channeled to the national level to provide concrete data for advocacy activities.

Key facilitating actions:

1. **ESTABLISH INFORMAL CIVIL SOCIETY ADVISORY GROUP** to provide consistent dialog with the Bank and support Bank management and GP teams to enhance quality of engagement in all instruments [CPF, DPLs and sector reforms].
2. **ENSURE NEW IPFs INTEGRATE CITIZEN ENGAGEMENT ACTIONS IN PROJECT DESIGN.** The availability and sector focus of new IPFs will be reviewed as CPF progresses.
3. **ENHANCE IMPLEMENTATION OF EXISTING PROJECT COMMITMENTS TO CITIZEN ENGAGEMENT** through technical assistance for implementation of Operations Manuals procedures, and enhancing approach to consultations and beneficiary feedback surveys.
4. **IMPROVE TRANSPARENCY OF CITIZEN ENGAGEMENT ACTION AND MONITOR CITIZEN ENGAGEMENT COMMITMENTS ANNUALLY.** Encourage better project-level reporting and annual portfolio tracking and review.

Annex I: Partnership with other Development Partners in CPF Focus Areas

	Area	Development partners
Governance	Transparency: Public Financial Management	European Union (EU), International Monetary Fund (IMF), Swedish International Development Cooperation Agency (SIDA), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), United States Treasury, United States Agency for International Development (USAID)
	Accountability: anticorruption and citizen engagement	United Kingdom Department for International Development (DFID), European Bank for Reconstruction and Development (EBRD), European Commission, ECS, EITI
Make Markets Work	Infrastructure	European Commission (EC), European Investment Bank (EIB), EBRD, USAID, Kreditanstalt für Wiederaufbau (KfW), SIDA
	Create level playing field for the private sector	IFC, EBRD, EIB
	Land reform, agriculture, irrigation	EC, KfW, EBRD
Fiscal and Financial Stability	Fiscal consolidation and macroeconomic stability	IMF, Japan International Cooperation Agency (JICA), Government of Norway
	Financial and banking sector	US Treasury, EBRD
Service Delivery	Health reform	Swiss Agency for Development and Cooperation (SDC), World Health Organization (WHO), UNDP, UNICEF USAID, DFID, EU, GIZ, Canadian International Development Agency (CIDA)
	Pensions, social assistance and support the vulnerable groups	IMF, USAID, EU, UNDP, UNICEF, International Organization for Migration (IOM), United Nations High Commissioner for Refugees (UNHCR), United Nations Office for the Coordination of Humanitarian Affairs (OCHA), Embassy of Canada/Ukraine, SIDA, DFID

Annex J: Map of Ukraine