



Report Number: ICRR0024798

1. Operation Information

Operation ID P181023	Operation Name Relief and Recovery DPL
Country Ukraine	Practice Area (Lead) Macroeconomics, Trade and Investment

Non-Programmatic DPF

L/C/TF Number(s)	Closing Date (Original)	Total Financing (USD)
IBRD-95780	30-Jun-2024	1,500,000,000.00
Bank Approval Date 29-Jun-2023	Closing Date (Actual) 30-Jun-2024	
	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	1,500,000,000.00	0.00
Revised Commitment	1,500,000,000.00	0.00
Actual	1,500,000,000.00	0.00

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2. Program Objectives and Pillars/Policy Areas

a. Objectives

The Program Development Objectives (PDOs) of this development policy operation (DPO) were to:

- **PDO1:** Bolster social protection to provide relief during the wartime;
- **PDO2:** Enhance accountable and transparent use of public resources; and



- **PDO3:** Strengthen markets for economic recovery.

b. Pillars/Policy Areas

The operation's three pillars corresponded to the PDOs (ICR, para. 23). For the purpose of this ICRR, the pillars and policy areas are broken down to reflect actions taken as follows:

Pillar 1: Bolster social protection to provide relief during the wartime:

- Pensions;
- Social benefits;
- Housing and utility subsidy.

Pillar 2: Enhance accountable and transparent use of public resources:

- Procurement;
- Damaged property registry;
- Bank account reporting.

Pillar 3: Strengthen markets for economic recovery:

- Land markets;
- Energy markets;
- Financial sector.

c. Comments on Program Cost, Financing and Dates

An International Bank for Reconstruction Development (IBRD) loan of US\$1.5 billion was approved on June 29, 2023; effective July 25, 2023; and closed as planned on June 30, 2024. The loan benefitted from credit enhancement from the Government of Japan through the ADVANCE Ukraine Trust Fund (ICR, para. 1).

3. Relevance of Design

a. Relevance of Objectives

Country context

Since receiving candidate status for accession to the European Union (EU) in 2022, Ukraine had made notable progress in addressing the seven steps outlined in the Commission Opinion (ICR, para. 5).

Ukraine was added to the list of Fragile and Conflict-affected Situations (FCS) in FY23 after Russia's invasion of Ukraine in February 2022. The destruction and displacement/migration of the population had reversed nearly a decade of poverty reduction and created both fiscal and external imbalances.



A standalone operation was chosen because of the exceptional uncertainty regarding the duration of the conflict (Program Document [PD], para. 4). The absence of a series of DPOs limited the scope for undertaking and following through on long-term reform programs. Reforms involving pensions, the Housing and Utility Subsidy, and social and administrative expenditures were supported under a complementary World Bank operation, Public Expenditures for Administrative Capacity Endurance (PD, para. 6).

Relevance of objectives

The objectives were consistent with the updated Rapid Damage Needs Assessment (RDNA2), prepared with WBG assistance, and with Ukraine’s medium-term economic priorities as articulated in the country’s National Recovery Plan (PD, para. 3). The ICR (para. 93) noted that, by 2023, “there was a clearer view of medium-term financing needs.”

The objectives were well aligned with the WBG’s three-phased approach to supporting Ukraine: (1) relief and repair during wartime; (2) recovery; and (3) reconstruction and structural reforms (PD, para. 65). PDO1 focused on relief during wartime, while PDO2 and PDO3 were intended to help adapt the economy, including the private and the public sector, to wartime conditions and prepare them for recovery— foster competition in critical markets, especially in land and energy, and to lay the groundwork for priority investments (PD, para. 28). The actions under PDO1 also focused on policy and institutional changes to extent or streamline the social safety nets. Some actions had potentially significant fiscal consequences, which the PD sometimes acknowledged, but did not discuss how to deal with systematically.

b. Relevance of Prior Actions

Rationale

The operation had 11 prior actions (PAs), each addressing a specific policy area under the three PDOs (Table 1 below). The PD stated the expected result of each action but did not provide an explicit theory of change (ToC). The ICR (Figure 3) did articulate the actions, expected results and outcomes in a useful visual ToC framework (although the outcomes are stated as ex post accomplishments rather than expected consequences of the PAs). The PAs appear to have been designed consistently with the diagnosis of priorities and constraints in the FCV context, and most directly addressed important constraints or provided appropriate relief for the initial recovery phase.

Table 1: Objectives, Policy Areas and Prior Actions (PAs) for Ukraine Relief and Recovery DPL

PDO 1: Bolster social protection to provide relief during the wartime
Pensions
PA1: To support financially vulnerable citizens, the Borrower, through its Cabinet of Ministers (CoM), has increased the minimum pension and carried out the annual indexation of all pensions eligible for indexation.
Social benefits
PA2: To enhance the administration of social benefits, the Borrower has consolidated the administration of work injury and professional disease as well as temporary sickness protection insurances performed by the Social Insurance Fund of Ukraine (SIFU) into the Pension Fund of Ukraine (PFU).



<p>Housing and utility subsidy</p> <p>PA3: To reduce the negative impact of higher cost of utilities on socially vulnerable groups during wartime, the Borrower, through the CoM, has simplified access to the Housing and Utility Subsidy Program (HUS) by expanding the possibility of receiving benefits based on a declared residence</p>
<p>PDO 2: Enhance accountable and transparent use of public resources</p>
<p>Procurement</p> <p>PA4: To strengthen the domestic procurement systems, enhance transparency and enable its use for externally-financed projects, which will be critical for recovery and reconstruction, the Borrower, through the CoM, has mandated the use of an improved and broadened national e-procurement system for all procurement for public spending (including international procurement) and introduced system improvements that enable its more competitive and flexible use.</p>
<p>Damaged property registry</p> <p>PA5: To enable compensation for damaged assets, the Borrower, through the CoM, has established a register of damaged and destroyed property.</p>
<p>Bank account reporting</p> <p>PA6: To continue strengthening transparency and curb tax avoidance and evasion, the Borrower has introduced the Common Reporting Standard enforcing the international reporting of bank accounts' beneficial owners into national legislation.</p>
<p>PDO 3: Strengthen markets for economic recovery</p>
<p>Land markets</p> <p>PA7: To improve transparency and competitiveness of land markets, the Borrower has mandated comprehensive land public monitoring.</p> <p>PA8: To reduce land-related corruption risks, the Borrower has: (i) mandated legal requirements to manage land-related corruption risks and (ii) established the legal basis for a pilot of mass valuation of all land parcels contained in the national cadaster with sufficient information required for the implementation of the pilot.</p>
<p>Energy markets</p> <p>PA9: To improve cost-recovery in the energy markets, the Borrower, through the National Energy and Utilities Regulation Committee (NEURC), has approved an increase of the transmission tariff to the weighted average level of 445 UAH/MWh from the previous 346 UAH/MWh.</p>
<p>Financial sector</p> <p>PA10: To improve access to finance and assist economic recovery, the Borrower, through the CoM, has refocused the 5-7-9 Loan Program by increasing the duration for loan repayment, increasing the maximum loan amount for individual entrepreneurs and eliminating full interest rate compensation.</p> <p>PA11: To preserve financial sector stability the Borrower, through the National Bank of Ukraine (NBU) Board, has adopted the rules for carrying out a resilience assessment of the banks and banking system in 2023 and has approved the terms of references for said assessment.</p>

Source: ICR, Table 2.

PDO 1: Bolster social protection to provide relief during wartime



Pensions

PA1 directly addressed inadequacies in Ukraine's pension system that limited the benefits and adjustment for inflation for a large share of pensioners, especially elderly women, who constitute 66 percent of the pension recipients (ICR, para. 32). Minimum pensions had not previously been eligible for indexing, and automatic indexing of benefits had been suspended in 2022. By increasing the minimum pension and expanding eligibility for indexing, the reform directly helped to mitigate the impact of the conflict and inflation on pensioners. However, increasing pension benefits in times of conflict risks exacerbating fiscal distress. Second, while targeting pensioners is important, it is not clear if targeting the poor (irrespective of age) would have been not more effective **Relevance of PA1: Moderately Satisfactory (MS)**.

Social benefits

PA2 responded to the challenge of Ukraine's social protection system being spread across four different contributory pension schemes and administrations. In light of the surge in need and applications due to the conflict, PA2 consolidated three of the schemes to centralize client intake, benefits provision, and payments under the Pension Fund of Ukraine (PFU) to improve access and efficiency in providing relief during wartime (ICR, para. 34). **Relevance of PA2: Highly Satisfactory (HS)**.

Housing and utility subsidy

PA3 supported strengthening the access criteria for Housing and Utility Subsidy (HUS) to cover the growing number of internally displaced persons (IDPs), especially women, who could not readily meet the strict eligibility requirements (PD, para. 37; ICR, para. 35). The action was needed to adapt to wartime conditions that increased the number of households that needed the HUS but could not meet the normal conditions. By enabling registration of temporary resident status, the reform helped to close the gap for internally displaced persons who could not meet those requirements and extended the social safety net to the realities of the wartime conditions, including rising energy tariffs. This PA targeted a well-defined and severely impacted group, while the reform was estimated to include an additional 250,000 households, at a cost of about 0.1 percent of GDP, with a relatively low risk of fraud (PD, para. 38). **Relevance of PA3: Satisfactory (S)**.

PDO 2: Enhance accountable and transparent use of public resources

Procurement

PA4 supported the reinstatement of mandatory use and strengthening of the e-procurement system, to redress the increased risk of corruption and fraud resulting from suspension of the mandatory use requirement after martial law was declared (ICR, para. 37). While the e-procurement system was already in place, the reform made an essential contribution to the objective of more accountable and transparent use of public resources by restoring its use (with certain martial law exceptions), in line with recommendations from the World Bank procurement assessment (ICR, para. 37). **Relevance of PA4: Highly Satisfactory (HS)**.

Damaged property registry

PA5 represented an essential step toward relief and recovery by establishing a digital property registry and standardized assessment protocol for damaged housing, as a basis for compensation to help restore some 1.4 million damaged private homes, thereby encouraging the return of IDPs and emigrants. By providing verifiable



records, the digital system supported PDO2 by “ensur(ing) a transparent and efficient recovery and compensation process” (ICR, para. 38). **Relevance of PA5: Satisfactory (S).**

Bank account reporting

PA6 supported legislation for Ukraine to comply with the Organisation for Economic Co-operation and Development (OECD)’s Common Reporting Standard (CRS), thereby contributing to the objective of greater accountability and transparency (ICR, para. 39). It was an essential step to overcome the challenge of tax evasion and to enable exchange of banking information with other countries, thereby making it harder to hide income and assets offshore and mitigating the substantial annual revenue losses due to tax evasion, avoidance and transfer pricing (PD, para. 46). **Relevance of PA6: Highly Satisfactory (HS).**

PDO 3: Strengthen markets for economic recovery

Land markets

PA7 was a critical complement to the opening of agricultural land markets in 2021 after a 20-year hiatus, supported by a two-step process (starting with individuals) supported by the previous DPO series. By establishing a publicly accessible repository of land information, this measure provided market participants with the necessary information to assess land value and creditworthiness, as well as reducing risks of corruption and of lending to farmers (ICR, para. 41). By making land data publicly accessible, the reform contributed to the recovery objective, as well as to greater transparency, by fostering a more transparent, competitive, and efficient land market and facilitating use of land as collateral to access credit for reconstruction. **Relevance of PA7: Highly Satisfactory (HS).**

PA8 addressed the problem of undervaluation of land, which diminished tax revenues and financing secured by land as collateral, as well as the corruption risks associated with lack of transparency (ICR, para. 42; PD, para. 52). Legislation and implementation resolutions under PA8 established a computerized mass valuation system for land and other measures to address corruption risks and provide the information and confidence necessary to make land markets more open, transparent, and able to catalyze investment for growth (especially important for agriculture) (PD para. 53; ICR, para. 43). **Relevance of PA8: Highly Satisfactory (HS).**

Energy markets

PA9 adjusted the electricity transmission tariffs paid to the state-owned electricity transmission system operator, Ukrenergo, to (partially) offset its financial losses due to decreased demand during the war and low collection rates (ICR, para. 44). The PA helped to sustain the market for electricity, did not affect rates paid by households, but did not deeply reform the sector. The approved increase in transmission tariffs was not sufficient to allow Ukrenergo to cover transmission costs, according to World Bank estimates (PD, p.18). Nonetheless, part of this standalone operation was focused on immediate actions for the initial recovery phase of a longer-term, three-phase approach to strengthening policies, institutions and investments for rebuilding. **Relevance of PA9: Satisfactory (S).**

Financial sector

PA10 addressed the problem of decreased lending to the private sector following Russia’s invasion of Ukraine, despite the increased demand for financing to meet working capital and investment needs during the crisis (PD, para. 58). The 5-7-9 program of subsidized interest rates, initially designed for micro, small and medium enterprises (MSMEs), had been expanded to include large companies and prioritize agriculture, reconstruction,



businesses in affected regions, and large-scale retail (ICR, para. 45). PA10 modified the program further by including food processing as a priority and raising the loan ceiling for individual entrepreneurs, as well as raising interest rates and phasing out refinancing of previous COVID-19 loans to minimize the fiscal strain. By compensating banks for the difference between their retail rate and the subsidized rate (depending on the size of the firm and whether for working capital or investment), the action provided an incentive for banks to expand lending – though there were no complementary measures to support that desired result. **Relevance of PA10: Satisfactory (S).**

PA11 responded to uncertainties about the health of the banking system resulting from regulatory forbearance on capital, credit and reporting standards in the wake of Russia’s invasion of Ukraine (ICR, para. 46). Increased provisioning against likely loan losses and uncertainties about asset quality made it essential to conduct a resilience assessment to provide an indication of the 20 largest banks’ health as well as a first quantification of capital needs to ensure continued financial sector stability and facilitate the completion of recapitalization plans (PD, paras. 62-63). The action set the rules and terms of reference for the resilience assessment; it implicitly assumed that implementation and measures to redress both prevailing and war-related weaknesses would ensue. **Relevance of PA11: Satisfactory (S).**

Rating

Satisfactory

4. Relevance of Results Indicators

Rationale

Table 2: Results Indicators (RIs) for Ukraine Relief and Recovery DPL

Results indicator (RI)	Associated PAs	RI Relevance	Baseline (2022)	Target (2024)	Actual (2024)	Actual as % of targeted change	RI Achievement rating
RI1: Minimum pension receipt as a share of average salaries, with at least 66 percent of minimum pensions received by women.*	PA1 PA2	MS	14%	17% (+3 %-points)	11% (-3 %-points)	0%	Negligible
RI2: Number of households selecting the self-declared location to receive HUS benefits.	PA3	S	0	≥ 100,000	33,336	33.3%	Modest
RI3: Share of competitive procurement, in value terms, conducted through e-procurement.	PA4	HS	40%	55%	66.8%	179%	High



RI4: Number of registered and local government verified properties in the Diia portal.	PA5	HS	0	600,000	240,000	40%	Modest
RI5: First exchange of information of financial transactions is taking place according to Common Reporting Standards.	PA6	S	No	Yes	Yes	100%	High
RI6: Share of land sales and leases completed after June 1, 2023, for which the price is reported in the Registry of Rights of Ukraine.	PA7	HS	45.3%	80%	76%	88.5%	Substantial
RI7: Share of land parcels for which a valuation calculated through the mass valuation pilot is publicly available.	PA8	HS	0	>60%	100%	167%	High
RI8: Average weighted wholesale transmission tariff. (UAH/MWh)	PA9	MS	346	≥445	686.2	344%	[High]
RI9: Cumulative loans provided under the 5-7-9 program during martial law.	PA10	S	UAH 7 bil	UAH 150 bil	UAH 360 bil	247%	High
RI10: All undercapitalized banks have recapitalization/restructuring plans in place.	PA11	S	NA	Yes	Yes	100%	High

Source: ICR, Table 2.

Note: RI achievement rating in brackets (e.g. [High]) reflects a downgrade in the calculation of the PDO level Efficacy rating due to low relevance (e.g. MS).

*ICR para. 52 reported that women constituted 80.5 percent of pensioners aged 75 and above, although the overall percentage was not tracked in the results framework.

The ten results indicators (RIs) were generally attributable to their respective PAs and appropriate to track progress toward achievement of objectives. No indicators were gender-specific, although RI1 mentioned an implicit gender-related target (which nevertheless was not explicitly tracked). All indicators were measurable and monitorable, although the PD could have clarified the source of data for some indicators for which data might not be regularly or readily available (RIs 2 and 4; ICR, para. 48).

PDO 1: Bolster social protection to provide relief during the wartime

Pensions and social benefits

RI1 attempted to measure the impact of both PA1 (to increase the minimum pension and index pensions annually) and PA2 (to consolidate three social protection schemes into a more efficient centralized



administration). However, it measured only the minimum pension relative to average salaries which depend on many factors beyond the pension indexation reform. The target of 66 percent of minimum pensions going to women could have been a separate indicator, as it was not tracked in the results framework. **Relevance of RI1: Moderately Satisfactory (MS).**

Housing and utility subsidy

RI2 was directly attributable to PA3, which enabled self-declaration to qualify for the HUS. It indicated the extent to which the PA succeeded in bringing IDPs who previously were ineligible for the social safety net. It was readily measurable, though dependent on the HUS program to provide data on this new category. **Relevance of RI2: Satisfactory (S).**

PDO 2: Enhance accountable and transparent use of public resources

Procurement

RI3 directly tracked the impact of PA4 on utilization of the e-procurement system. It was readily measurable and monitorable. **Relevance of RI3: Highly Satisfactory (HS).**

Damaged property registry

RI4 was directly attributable to PA5, which established a digital approach to registering and verifying damaged property, to be incorporated into the Diia portal (launched in 2020 for smartphone access to government services). Measurement was straightforward. **Relevance of RI4: Highly Satisfactory (HS).**

Bank account reporting

RI5 tracked whether PA5 had resulted in an international exchange of information on bank account ownership following international standards. The exchange of banking information with other countries represents an important step toward the desired outcome of greater accountability and transparency and also represents a critical step to reduce tax evasion and mobilize revenue. **Relevance of RI5: Satisfactory (S).**

PDO 3: Strengthen markets for economic recovery

Land markets

RI6 tracked the extent to which PA7 had been implemented in the form of reporting the prices of land sales and leases in the Registry. This was a critical step towards the objective of strengthening land markets. It was readily measurable and monitorable. **Relevance of RI6: Highly Satisfactory (HS).**

RI7 represented both the implementation of PA8 with respect to legal requirements and mass valuation and the impact on land markets in the form of readily available information on market-based prices. It was readily measurable and monitorable. **Relevance of RI7: Highly Satisfactory (HS).**

Energy markets

RI8 directly tracked the extent to which PA9 had raised cost recovery in electricity transmission for Ukrenergo. Although readily measurable and monitorable, it was not sufficient to track achievement of the



objective stated in PA9 to improve cost recovery in the energy markets and the PDO objective of a strong energy market. A complementary indicator of broader cost recovery and sustainability would have been desirable. **Relevance of RI8: Moderately Satisfactory (MS).**

Financial sector

RI9 indicated the extent to which the 5-7-9 program for subsidizing loans to enterprises had been revived from the 2022 slump, although the result could be attributable to other financial and economic factors as well as the modifications made under PA10. It was readily measurable and monitorable. **Relevance of RI9: Satisfactory (S).**

RI10 tracked whether the rules adopted under PA11 had resulted in all undercapitalized banks having recapitalization/restructuring plans in place. To capture progress, it could better have been stated as a percentage rather than an all-or-nothing Yes/No. **Relevance of RI10: Satisfactory (S).**

Rating

Satisfactory

5. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

Bolster social protection to provide relief during the wartime

Rationale

Pensions

RI1 was not achieved, and in fact the minimum pension as a share of the average wage actually fell rather than rose by 3 percentage-points (as targeted), due to a combination of high inflation and rapid nominal wage growth (ICR, para. 51). women constituted 80.5 percent of pensioners aged 75 and above, although the overall percentage was not tracked in the results framework (and was not specified as a distinct RI), (ICR para. 52). **Achievement Rating: Negligible.**

Housing and utility subsidy

RI2: The number of households self-declaring their place of residence to qualify for HUS benefits reached only a third of the targeted number. The ICR (paras. 54-55) indicated that this shortfall was due to a lack of awareness among internally displaced persons, not to any problems in implementing PA3 to consolidate responsibility into the PFU. It also noted that only 70 percent of those who self-declared were actually awarded the benefit (after verification). **Achievement Rating: Modest.**

Rating



Moderately Unsatisfactory

OBJECTIVE 2

Objective

Enhance accountable and transparent use of public resources

Rationale

Procurement

RI3: The e-procurement share of total procurement (67%) substantially exceeded the targeted increase from 40% to 55%. This was attributable in part to use of the system by a number of multilateral development banks, as well as by WB operations, with substantial estimated savings (ICR, para. 56). **Achievement Rating: High.**

Damaged property registry

RI4: The number of properties registered in the State Register of Damaged and Destroyed Property (supported under PA 5) reached 240,000, which represented only 40 percent of the targeted 600,000. The ICR (paras. 57-58) indicated that about half that number had gone on to apply for compensation under the WB project for Housing Repair for People's Empowerment, although lack of awareness remains a constraint. **Achievement Rating: Modest.**

Bank account reporting

RI5 was achieved through the first mutual international automatic information exchange according to the CRS standard by the State Tax Service, with over 50 foreign jurisdictions transmitting data to Ukraine and over 30 receiving data (ICR, para. 59). **Achievement Rating: High.**

Rating

Satisfactory

OBJECTIVE 3

Objective

Strengthen markets for economic recovery

Rationale

Land markets

RI6: The share of land sales and leases reported in the Registry rose from 45% to 76% overall, slightly short of the target of 80% (ICR, para. 60). The shortfall was with respect to leases, which constituted the bulk of the market; nearly 100% of land sales were registered. **Achievement Rating: Substantial.**



RI7 was exceeded in that valuations were publicly available for 100% of all land parcels in the mass valuation pilot (ICR, para. 61). **Achievement Rating: High.**

Energy markets

RI8 was exceeded in that the average wholesale transmission tariff increased more than triple the targeted increase. This was because the initial one-time increase was not sufficient to achieve the objective of stabilizing Ukrenergo’s financial situation, and it had to enter into debt restructuring talks – prompting the energy regulator to boost the wholesale tariff by an additional 30 percent (ICR, para. 62). Although the indicator target was exceeded, this was because the initial increase failed to achieve adequate cost recovery to avoid debt distress. In the absence of a complementary indicator of results in terms of cost recovery and sustainability, the achievement rating is restricted to Substantial. **Achievement Rating: Substantial.**

Financial sector

RI9: The number of loans under the 5-7-9 program rose 2.5 times the targeted increase, bolstered by support from the WB’s Agricultural Emergency Support Project (ICR, para. 63). Nonetheless, its heavy reliance on budget subsidies has led to further restructuring to prioritize investment lending and high value-added products under the IMF’s EFF and the WB’s 2024 Growth Foundations DPL series to maintain macroeconomic stability. **Achievement Rating: High.**

RI10 was fully achieved in that all five banks (out of 20 assessed) facing capital shortfalls had achieved strong capital adequacy ratios by the end of 2024 (ICR, para. 64). The National Bank of Ukraine has committed to annual resilience assessments, including stress testing of the 21 largest banks. **Achievement Rating: High.**

Rating

Satisfactory

Overall Achievement of Objectives (Efficacy)

Rationale

Overall Efficacy Rating

Moderately Satisfactory

6. Outcome

Rationale



While the relevance of PAs was Satisfactory, Efficacy was only Moderately Satisfactory.

a. Rating

Moderately Satisfactory

7. Risk to Development Outcome

The ongoing Russian invasion of Ukraine constitutes a major threat to sustaining outcomes. The war continues to expand the need for relief and recovery efforts, as well as to undermine macroeconomic stability. A standalone operation was chosen because of these uncertainties. The 2024 Growth Foundations DPL carries forward measures to strengthen markets for economic recovery with respect to energy, land and finance, among others.

Institutional weaknesses and governance challenges may constrain sustained achievement of objectives. Corruption, including in state-owned enterprises, remains a threat to the efficient use of available resources and the willingness of development partners to continue support. The ICR (para. 82) noted that limited institutional capacity within ministries and a lack of efficient interministerial coordination hinder effective implementation of reforms, as well as EU accession.

Another risk is limited digital accessibility, which inhibits the ability of intended beneficiaries of social benefits to access digital platforms necessary to apply for benefits (para. 76). The ICR cited lack of awareness as an important constraint in the achievement of objectives for the HUS benefits (para. 55) and the e-Recovery program for damaged property (para. 58).

8. Assessment of Bank Performance

a. Bank Performance – Design

Rationale

Analytical underpinnings

Extensive analytical work informed the operation. Measures under Pillar 1 were derived from the findings of the concept note “Ukraine: Strengthening the System of Social Support for the Population”. Pillar 2 was based on the updated Rapid Damage and Needs Assessment 2022-23 (RDNA2) and the 2021 World Bank Public Finance Review, as well as the WB’s assessment of the Prozorro procurement system and on-going ASA work. Under Pillar 3, strengthening of land markets drew on paper on land and mortgage markets in Ukraine (Deininger and Ali (2023)). Energy actions were informed by the programmatic ASA “Supporting Energy Transition and European market integration in Ukraine” and the Ukraine Rapid Damage and Needs Assessment (February 2022-2023). Financial market measures were based on the WB’s technical review of the 5-7-9 loan program and the National Bank of Ukraine’s Financial Stability Report.



The design benefited from lessons learned from the previous Economic Recovery DPO series, in particular the importance of a sustained engagement with Government, a multi-pronged approach to disempowering vested interests, advocacy and collaboration with development partners, and technical knowledge and assistance (PD, Annex 6).

Results framework (RF)

The ICR provided a very clear Theory of Change (Fig. 3) that linked actions to results and the intended outcomes. This helped make the case that the RF represented reasonable accommodation to difficult conditions. The RF was adequately designed with a unique RIs identified for each PA except PA1 and PA2 which used the same pensions. The RIs were all readily measurable and monitorable.

However, there were several weaknesses related to the RF. The PD had no explicit results chain or ToC, and the discussion of expected results under each PA were general statements of desired outcomes without the cause-and-effect sequences that would enable the action to lead to the outcome (e.g.: “This action is expected to enhance the efficiency and cost-effectiveness of contributory pension administration.” PD, para. 36). Although RI1 mentions a target for the female share of minimum pensions, no separate indicator is included. With respect to PA9 and RI 8, a more detailed results chain would have highlighted the need for additional actions and indicators.

Identification and mitigation of risks

The PD (paras. 84-89) assessed the operational risk as exceptionally high across virtually all risk categories in Ukraine’s extreme FCV situation, and it included appropriate mitigation measures (including making it a standalone operation rather than a series, in light of the risks and uncertainties). Financial management safeguards were introduced to reduce fiduciary risks. Continued TA and close coordination with other development partners, as well as Ukrainian authorities, helped to address institutional risks (ICR, para. 77).

Consultation with stakeholders and development partners

The operation was well integrated into a large program of multilateral support for Ukraine, including the IMF, the European Union/Commission, the European Bank for Reconstruction and Development, and bilateral partners such as Japan, the United States, the UK, Switzerland, Canada and Sweden (PD, para. 67; ICR, para. 78). In particular, the IMF 48-month US\$15.5 billion Extended Fund Facility provided important complementary financing (ICR, para. 6). Consultations with domestic stakeholders included farmers and their associations, landowners, the private sector, academia, and civil society (PD, para. 66).

Overall design

This stand-alone operation spanned a large amount of reform areas (9) under 3 pillars and 3 PDOs. Given the FCS status of Ukraine and the country context of an ongoing war, this was a complex design. In addition, some PAs carried the risk of increasing fiscal pressures in this difficult context, yet this was not considered or discussed in more detail. While the land and procurement reforms were critical and were able to achieve significant systemic changes, some social protection measures were less well targeted.



Rating

Satisfactory

b. Bank Performance – Implementation

Rationale

Monitoring and supervision

Monitoring and supervision of some RIs benefited from the Bank's multisectoral engagement in Ukraine. Most of the supported reform areas of this DPO were linked to other ongoing World Bank engagement, which facilitated coordination and strengthened the overall monitoring and evaluation framework.

Adaptation

Assumptions regarding the likely cessation of hostilities proved over-optimistic, necessitating revisions to the baseline economic and financial scenarios (ICR, para. 24). Nonetheless, GDP growth exceeded expectations and inflation declined faster than expected. Nevertheless, these variations did not necessitate changes in the design or implementation of the operation. The one modification occurred when Ukrenergo's debt distress necessitated an additional increase in the transmission tariff beyond what was specified in PA9.

Link to follow-up DPO series

Continued monitoring and engagement led to the conclusions in 2023 that the crisis would continue and that the government remained committed to, and capable of continuing reforms (ICR, para. 93). Hence the Bank initiated the Growth Foundations programmatic DPO series to continue supporting structural reforms and meeting medium-term financing needs. The first operation in the series was approved in March 2024, and the second in December 2024. This two-operation series, with a cumulative total of US\$3.551 billion in financing, targeted growth-enhancing reforms, specifically focused on enabling critical factor markets and further strengthening the country's institutional framework, continued efforts to strengthen the energy market transition and competition.

Rating

Highly Satisfactory

c. Overall Bank Performance

Rationale

The design had some shortcomings but was well grounded in analytical work, was supported by complementary projects; and closely coordinated with other stakeholders. There were no weaknesses in implementation.



Overall Bank Performance Rating

Highly Satisfactory

9. Other Impacts

a. Social and Poverty

It is too early for substantial data to be available on desired social and poverty impacts, the ICR (para. 68) cited evidence that modifying HUS eligibility led to inclusion of a million additional poor and vulnerable households and that improved access to financing helped farmers and small businesses to mitigate the impact of inflation and high interest rates.

b. Environmental

The operation was not directly related to resilience to climate change and other environmental factors. The ICR (para. 69) stated that “most prior actions were unlikely to cause adverse effects on the environment, forests, or other natural resources.”

c. Gender

There are no gender-specific actions, and it is too early for evidence to be available on whether women benefited disproportionately from certain social benefit measures.

d. Other

n.a.

10. Quality of ICR

Rationale

The ICR was clearly and concisely written, with sufficient evidence and analysis to convey an understanding of the operational objectives, challenges and results. It provided a ToC to illustrate plausible pathways for the achievement of results as implied in the DPO design. It provided a clear analysis of the successes and failures, including explanations why certain targets were not fully achieved. It also offered a critique of indicators.



Although the operation had no gender-specific actions, the ICR mentioned gender-specific implications and differences where appropriate. The discussion of Lessons Learned also highlighted evidence on several aspects of the design and implementation that constituted strengths and weaknesses. Nonetheless, the ICR did not explicitly discuss measures that could have improved design and outcomes.

a. Rating

High

11. Ratings

Ratings	ICR	IEG	Reason for Disagreement/Comments
Outcome	Moderately Satisfactory	Moderately Satisfactory	
Bank Performance	Satisfactory	Highly Satisfactory	Strong supervision which adapted well to a complex design and a difficult country context, laying the ground work for a follow-up DPO series.
Relevance of Results Indicators	---	Satisfactory	
Quality of ICR	---	High	

12. Lessons

The ICR offered several relevant lessons regarding the design and implementation of operations in a highly uncertain, crisis and FCV context. IEG highlights the following lessons:

- 1. An articulated theory of change from prior action, outputs and outcomes can highlight the need for additional actions and indicators.** For example, a more fully articulated results chain would have indicated further measures needed for PA9 and RI8 to reach the objectives of improved cost recovery and strengthening of energy markets overall, beyond immediate enhancement of cost recovery in electricity transmission. The ICR’s ToC helped to clarify how consolidating work injury and sickness protection insurance would lead to outcomes toward the objective of bolstering social protection during wartime.
- 2. Digitalization has significant potential for extending access to social services and for promoting transparency and competitive procurement in FCS.** The operation successfully introduced two new platforms for intended beneficiaries (poor and vulnerable households, including IDPs) to be able to access HUS subsidies and to register damaged property in order to be able to apply for compensation. The existing Diia portal for smartphone access to government services meant that implementing the newly-created Register of Damaged and Destroyed Property could be streamlined by integrating it into



the Diia (ICR, para. 92). The e-procurement system helped to improve oversight and competition in the procurement process (ICR, para. 90).

13. Project Performance Assessment Report (PPAR) Recommended?

No