Report Number: ICRR0024208

1. Project Data

Project ID P156766	**Project Name** Access to Long Term Finance	
Country Ukraine	**Practice Area(Lead)** Finance, Competitiveness and Innovation	
L/C/TF Number(s) IBRD-87270,IBRD-92540	**Closing Date (Original)** 31-Mar-2022	**Total Project Cost (USD)** 250,000,000.00
Bank Approval Date 02-May-2017	**Closing Date (Actual)** 31-Dec-2023	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	150,000,000.00	0.00
Revised Commitment	250,000,000.00	0.00
Actual	250,000,000.00	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
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2. Project Objectives and Components

a. Objectives

According to the International Bank for Reconstruction and Development (IBRD) Loan Agreement (p.6) dated June 26, 2017, and the Project Appraisal Document (PAD, p. 10) the project development objective (PDO) was “to improve access to longer term finance for export oriented small and medium enterprises”.

The PDO remained unchanged when an additional IBRD loan in the amount of US$100 million was granted on June 7, 2021.

b. Were the project objectives/key associated outcome targets revised during implementation?
Yes

Did the Board approve the revised objectives/key associated outcome targets?
Yes

Date of Board Approval
07-Jun-2021

c. Will a split evaluation be undertaken?
No

d. Components
The Access to Long Term Finance (ALTF) Project was designed with **a single component** (Estimated Cost at Appraisal: US$150 million; Revised Cost with additional financing US$250 million; Actual Cost at Closing: US$250 million). The credit line was to provide financing to export oriented small and medium enterprises (SMEs). According to the PAD (p. 12), the choice of a design with single component was to provide re-allocation flexibility against a potentially limited number of participating financial institutions (PFIs) and high financial markets uncertainty. The project was to be implemented and intermediated by the Export-Import Bank of Ukraine (UEB) through two subcomponents:

Sub-component 1: Under this sub-component the UEB was to on-lend through PFIs to export oriented SMEs to finance their projects. The PFIs were to assume the credit risk of the sub-borrowers that were to be selected based on the eligibility criteria agreed by the World Bank. On the other hand, UEB was to assume the credit risk for on-lending funds to PFIs. Neither the PAD nor the Loan Agreement set a budget for this sub-component. However, it was estimated that around US$100 million of funds was to be disbursed through on-lending.

Sub-component 2: Under this sub-component the UEB was to lend directly to the eligible export-oriented SMEs and act as a PFI while assuming the credit risk of sub-finance to the sub-borrowers**.** The eligibility criteria of sub-finance and for sub-borrowers were to be different under Component 1 and 2 to reflect the differences in financing models. Similar to the sub-component 1, no specific budget was allocated for this sub-component. However, it was estimated that around US$50 million of funds was to be disbursed through direct lending.

Revised components: The second restructuring changed the estimated allocation of funds between the two sub-components. This was as a result of the exposure limits introduced by the regulatory authority following the Russian invasion of Ukraine. The UEB could not allocate more funds to the PFIs under the newly introduced exposure limits. The undisbursed amount at the time of the restructuring was allocated to sub-component 2. Accordingly, the estimated budgets became US$110 million and US$40 million for sub-components 2 and 1 respectively. However, this change did not require any amendment in the loan agreement as the distribution at appraisal was of a tentative nature. Lastly the single borrower limit was increased from US$8 million to US$15 million.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project cost: The project cost was originally estimated at US$150 million. An additional financing of USD$100 million was granted increasing the total project cost to US$250. The actual cost at project closing was US$250 million. The project funds were fully disbursed by the World Bank. However, US$8.3 million remains to be dispersed by the UEB to the sub-borrowers due to restrictions imposed on the bank by the National Bank of Ukraine- NBU (Meeting with the project team, October 3, 2024).

Financing: At appraisal, the IBRD loan to UEB (guaranteed by the government of Ukraine) amount was estimated at US$150 million (IBRD-87270). In June 2021, an additional IBRD loan was granted in the amount of USD$100 million (IBRD-92540) and accordingly the total financing for the project reached US$250 million. By closing, the project funds were fully disbursed by the World Bank. However, the UEB is yet to disburse remaining US$8.3 million to the sub-borrowers.

Borrower contribution: Borrower contribution was not foreseen and none was materialized by project closing.

Restructuring: The project had four restructurings and one additional financing (AF):

- **Additional financing (June 7, 2021):** Similar to the original project the AF provided a US$100 million Investment Project Financing (IPF) guaranteed by the Ukrainian government and intermediated by UEB through on-lending to PFIs and by direct lending. The aim of the AF was to scale up of the original project and to allow productive SMEs to recover their economic activities affected by the COVID-19 pandemic, preserve jobs, and facilitate much needed long-term investments**.** With the AF, targets for two PDO indicators (number of SME beneficiaries, and volume of bank support) and one intermediate results indicator (number of PFIs) were revised upwards. A new gender intermediate indicator was added to monitor the share of female-led SMEs. Another intermediate indicator was introduced to capture the volume of lending to SMEs with up to 250 employees, with an indicative target of 55 percent disbursement rate in the POM to be monitored throughout the project lifetime. Lastly, a new intermediate indicator was introduced on citizen engagement to monitor the percentage of SMEs who believed the project had established effective engagement processes (through semi-annual roundtables and/or a survey).
- **First Project Restructuring (March 24, 2022 – Level 2):** The restructuring extended the closing date of the original loan (IBRD-87270) by 15 months from March 31, 2022 to June 30, 2023 to match with the closing date of the AF. At the time of the restructuring 79.2% of the original loan was disbursed.
- **Second Project Restructuring (April 25, 2022 – Level 2):** The second restructuring changed the allocation of funds between the two sub-components which did not require any change in loan agreement since the distribution between the components was tentative. The change in allocation was as a result of the exposure limits introduced by the regulatory authority following the Russian invasion of Ukraine. The UEB could not allocate more funds to the PFIs under the newly introduced exposure limits. The undisbursed amount at the time of the restructuring was allocated to direct lending component. Accordingly, the estimated budgets became US$110 million and US$40 million for sub-components 2 and 1 respectively. In addition, the conditions imposed by the war resulted in deferral of required documentation for SMEs conducting their environmental and social due diligence since the SMEs could not have access to their company premises/documents. It was agreed that the selected enterprises were to present these documents to UEB once the war and the

martial law will have ended. Lastly the single borrower limit was increased from US$8 million to US$15 million.

- **Third Project Restructuring (March 3, 2023 – Level 2):** The restructuring increased the single borrowing limit of the AF from US$8 million to US$15 million as had been processed for the original project. The goal was to allow UEB to swiftly proceed with addressing key financing needs of SMEs (currently eligible under the project) operating primarily in agri and food-related sectors.
- **Fourth Project Restructuring (April 24, 2023 – Level 2):** The restructuring extended the project's closing date from June 30, 2023 to December 31, 2023 to allow full disbursement of funds and finance the remaining 18 projects in the UEB's pipeline.

3. Relevance of Objectives

Rationale

Country context and consistency with the country strategies and priorities: The PDO was well aligned with the country strategies and priorities. At appraisal, Ukraine was pursuing a financial sector reform and the relevant authorities, with the support of the World Bank's advisory work, were developing a state-owned banks strategy (SOB Strategy). The strategy was to refocus mandates, introduce independent governance structures (with relevant legislative changes adopted by early 2017), and enhance risk management practices. Also, Ukraine was in the process of changing the structure of its exports and geographically shifting them towards the West. The Free Trade Agreement signed with the EU was expected to accentuate this shift. This move would require market diversification, more capital intensive and sophisticated products for which long term finance would be needed by the SMEs. The banking sector in Ukraine was the largest provider of long-term finance and was facing maturity mismatches from limited access to long-term funding sources. This imposed limitation on availability of long-term finance impeded the country reaching its export potential. In this context, this project had a key objective to make long-term finance available/accessible to export oriented SMEs in the country and therefore, highly aligned with the country's priorities.

Previous sector experience: The project benefited from the Bank's experience in designing and implementing financial intermediation operations in Europe and Central Asia and worldwide. At appraisal, the WB had completed two financial sector Development Policy Operations (P151941, P150677) focused on financial stability reforms. In addition, the World Bank and the UEB had completed two Export Development Programs (EDPs) previously and the lessons learnt from these programs were reflected in the design of the project. Compared to previous EDPs, the objective of the ALTF was more focused and had the appropriate level of ambition by targeting SMEs with upper limit on enterprises' size eligibility, defining specific maturity targets (for loans from UEB to PFIs and loans from PFIs to SMEs). Lastly, as a result of a lesson from EDP2, the ALTF incorporated both direct and on-lending sub-components, under a single financing component, to allow for re-allocation flexibility during the project's lifetime.

World Bank strategy: The project objective was well aligned with the World Bank strategy defined in the Country Partnership Framework (CPF) FY17-21 for Ukraine. There has been no new CPF since then. The World Bank started consultations for the preparation of CPF for FY22-FY26 in December 2021 but it is not yet finalized. Under the valid CPF's second Focus Area (Fiscal and Financial Stability), the second objective was to strengthen the financial sector and lay the basis for sound credit growth. This objective was to be implemented through lending to facilitate access to longer-term finance, financial sector technical assistance and multisector development policy financing. The project was directly aligned as it facilitated lending long-term finance and lessening maturity mismatches in the banking sector. The PDO was also in line with the Bank's twin goals of ending extreme poverty and promoting shared prosperity by facilitating a more inclusive and stable financial system. In addition, by increasing access to finance, the project was to contribute to the growth of SMEs and employment.

Overall, the PDO was well aligned with the Bank's strategy and the country's priorities. While the ICR reflects sound results at the outcome level of the results chain, the PDO formulation itself is pitched at an intermediate results level only, which is a minor shortcoming. Relevance is therefore rated Substantial.

Rating
Substantial

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective
To improve access to longer term finance for export oriented small and medium enterprises.

Rationale
Theory of Change (ToC): To achieve this objective, the project supported the activities of extension of loans by UEB to PFIs (intermediaries) which would on-lend funds to export oriented SMEs for financing their sub-projects and also extension of loans by UEB directly to export oriented SMEs. All loans were with predetermined targeted minimum maturities. These activities were expected to result in outputs of increased number of SMEs accessing finance and availability of longer-term loans for financing export oriented sub-projects (the focus of the project was on sub-loan maturity extension, rather than broadening access, with explicit minimum maturities set for sub-finance PAD, p12). By increasing access and tenors of finance, the expected intermediate outcomes were the growth of SMEs (increasing exports) and increased employment, as well as lessening maturity mismatches in the banking sector. In the long term, these would result in increased financial inclusion, increased income and prosperity. Overall, the AF did not change the PDO, the ToC or the results framework (only some targets were revised upwards).

The critical assumptions for the achievement of the PDO were: a) terms of the loans and application procedures were favorable and simple enough for the PFIs to participate in the program, b) terms of the loans and application procedures were favorable simple enough for the SMEs to participate in the program, c) PFIs and SMEs have enough capacity to comply with the World Bank's environmental and social framework policies and other procedures.

Overall, the stated activities in the ToC were connected to the outputs, intermediate outcomes and outcomes in a plausible causal chain. However, the ToC did not include any element which would support capacities of eligible PFIs for their operations within the scope of the project. The results framework did not include an indicator which could capture the impact of the increased tenure of finance on exports and/or on the SMEs themselves (i.e. increased revenues, sales or employment). That said, this issue was partly resolved by defining “Additional Indicators” (performance and profile of SMEs and profile of loans under the project) in the PAD. However, according to PAD (p.33) these indicators were to be monitored for analytical purposes only and were to serve as useful inputs to define policies and projects aimed at further improving SMEs’ access to finance in Ukraine. The two of the PDO indicators (number of SME beneficiaries and the volume of Bank support) were intermediate results indicators.

Outputs/Intermediate Results reported in the results framework:

- As of February 2024, 85 SMEs have received loans under the project (130 approved sub-projects). Target was to grant financing to 130 SMEs. Target could not be achieved. The ICR (p. 13 and 24) reports that the under achievement was due to extraordinary circumstances and the limited ability of UEB to attract new clients and participating banks due to martial law as well as the average loan size.
- The total volume of disbursed sub-projects reached US$235.4 million (US$241.7 million, Meeting with the project team, October 3, 2024) or 94.16 percent of the total project volume (including AF) of US$250 million. The sector breakdown indicated that agriculture and food industry sectors had the largest share among the financed sectors. Around 67 subprojects for the amount of USD 137 million were financed (over 58 percent of the total Project amount) in these two sectors.
- By December 2023, 70.1% of project funds were granted to sub-borrowers with less than 250 employees. By project closing, 89.4% of SME beneficiaries financed under the project was with at least 15 percent female participation in their workforce and 83.5% of the SMEs were led by a female Director/CEO, Deputy/member of the Management Board, Chief Accountant/CFO, or woman owning >50% stake, exceeding the target of 70%. The World Bank also reviewed the first sub-finance from each PFI for gender bias, and remedial action was taken where necessary.
- By project closing the project had three active PFIs. Although this target was achieved, only a small portion of project funds (two long term loans in the total amount of US$7 million) was disbursed through the PFIs. Only two of PFIs have disbursed to SMEs, and one subsidiary agreement expired undisbursed. In this regard, the project could not fulfill its initial design feature of channeling majority of funding through PFIs. It was mainly because borrowing in foreign currency was not attractive for the PFIs (large banks) given the low interest rate on FX liquidity and the limited availability of FX hedge options whereas the small private banks found it difficult to comply with the eligibility criteria (ICR, p.21). After the Russia's invasion of Ukraine, the UEB could not attract new PFIs under the implementation of martial law when NBU introduced forbearance measures.
- A beneficiary feedback survey conducted in October-November 2023 revealed that 97.6% of the beneficiary SMEs believe that sub-loans provided by the project reflected their needs and the project has established effective engagement processes through semi-annual round table and surveys, exceeding the target of 90%.
- By December 2023, the outstanding SME finance portfolio (entire SME portfolio of the PFIs not just bank financed) was US$1.2 million with 970 active SME finance accounts. These indicators (SME finance portfolio and active SME accounts) did not have baseline values for before and after comparison and no target value.

- Other indicators in the results framework on financial performance of the borrower (UEB):
    - By December 2023, UEB’s portfolio at risk was 20.10% (baseline:40.95%) This indicator did not have a target value. The ICR (p. 26) reports that the progress was due to actions of the

borrower to resolve legacy NPLs, many of which were enabled by the parallel World Bank support through DPO operations.
  - By December 2023, UEB's return on assets was 2.1% (baseline: -1.82%) of the entire portfolio (not only Bank-financed). The borrower reported a strong increase in net profit in the last year of implementation, mainly due to the recovery of loan portfolio quality and favorable monetary policy (high-interest rate environment). This indicator did not have a target value.
  - The UEB's financial sustainability improved. Return on Equity was 93.1% (baseline: -299.79%) project closing.
  - Compliance with prudential regulation: This target could not be achieved. The ICR (p. 29) reports that UEB had been compliant with the NBU prudential requirements for most of the project's lifetime. However, the unprecedent challenges of COVID-19 pandemic and Russian's invasion of Ukraine negatively impacted UEB's asset quality and UEB fell out of compliance with several prudential ratio and required three waivers on UEB's compliance with the NBU's prudential requirements.

Outcomes as reported in the results framework:

- By project closing the ratio of the average maturity of SME sub-finance under the project, over the average maturity of PFIs' SME portfolio not financed under the project was 1.2. Target was to achieve a higher than 1 ratio.

Other outcomes reported in the ICR with respect to "Additional Indicators" (Sources: ICR and Borrower's ICR):

- The ICR (p. 13) reports that the average maturity of sub-loans under the project and AF was 45.2 months (94.6 percent had a maturity above 24 months, 36.6 percent above 50 months).This was not an indicator in the RF and hence there was no target value.
- The participating SMEs continuously increased their sales revenues between 2017 and 2019 and maintained their level in 2020 despite the challenging environment. The revenues of the participating SMEs increased from UAH11.6 billion to UAH22.9 billion in 2020. During the implementation of AF, the total sales revenues remained unchanged in 2021 and 2022 but increased in 2023. The project under challenging environment contributed to satisfying the demand of Ukrainian companies for long-term financing.
- Annual exports by the participating companies grew significantly from US$114 million in 2017 to US$528 million in 2023 annually. The figure was even higher in 2022 (US$756 million).
- The financing granted by ALTF allowed the beneficiary export-oriented companies to access new export markets and diversify the geographical and product structure of exports. The financing also enabled the SMEs to renew machinery and equipment, modernize production facilities and improve competitiveness of goods and services which is important particularly for exports to the EU market (ICR, p.40). With the invasion, the export-import activities with Russia and Belarus stopped. Russia was traditionally the largest single-country trading partner of Ukraine. Under these circumstances the companies were forced to supply their products to new market and through new logistics ways. Despite the challenges the geographical structure of exports was quite diversified under ALTF. The

companies supplied their products to around 100 countries worldwide (Poland and Switzerland had the largest shares).

According to the ICR (p.21), the development outcome could have been more significant if the implementation of other supporting reforms in the country on facilitating development of long-term investors, such as pension funds, and enhancing capital markets had not stalled as a result of the conditions imposed by Russia's invasion of Ukraine.

Overall, through the financing granted, the ALTF extended the loan maturity available for export-oriented SMEs. The beneficiary SMEs increased their exports and sales revenues during the implementation which was a challenging period. The project funds were directed prominently by UEB not through the PFIs, therefore could not meet its design feature. However, although disbursing majority of funds through PFIs was only a tentative and flexible feature, if implemented, could have contributed to the capacities of the PFIs and to the overall financial sector. Based on these achievements, efficacy is rated Substantial.

Rating
Substantial

OVERALL EFFICACY

Rationale
The project's efficacy in achieving its objective is rated Substantial. The project increased the loan tenors available to export oriented SMEs resulting in increased revenues and exports.

Overall Efficacy Rating

Substantial

5. Efficiency

Financial and economic analysis: At appraisal a traditional economic/financial analysis for the project was not conducted since the sub-projects to be funded were not pre-identified and project costs were not defined. However, the project included specific eligibility criteria, terms, and conditions (including minimum sub-loan maturities) that would be consistent with a market-driven approach, focusing on potentially financially viable companies. Provision of long-term finance was crucial for Ukraine in facilitating export growth (particularly in the EU markets) since export growth would require provision of more capital intensive and sophisticated products compatible with the EU. In addition, availability of working capital has been a priority in the context of economic downturn as companies experience delays in the payments for goods sold and services provided. At project closing a financial and economic analysis was not conducted also. An attempt to conduct a financial analysis could have been done to assess the impact of the financing by project closing.

Administrative and operational efficiency: The project experienced delays in ratification of the project and its AF by the Parliament. The ratification of the agreement by the Parliament required more than 13 months of the project and 11 months for AF. As a result, the effectiveness period for both loans were extended twice. In addition, the conditions imposed by COVID-19 and the Russian invasion of Ukraine, significantly impacted the implementation of the project. The closing date and disbursement deadline date of the project and the AF had to be extended.

A financial or an economic analysis was not conducted at appraisal and project closing. Project experienced significant delays due to delays in ratification of both original project and the AF. In addition, COVID-19 and Russian invasion of Ukraine negatively impacted implementation resulting in delays. These delays negatively impacted administrative and operational efficiency.

Efficiency Rating

Modest

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 ☐ Not Applicable
ICR Estimate		0	0 ☐ Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

Relevance of objective was rated Substantial, as was overall efficacy. The project’s efficiency was rated Modest as a result of administrative and operational inefficiencies. Based on these ratings, overall outcome is rated Moderately Satisfactory.

a. Outcome Rating

Moderately Satisfactory

7. Risk to Development Outcome

Security risk: Security risk is high. Continuation of conditions imposed by the war constitutes a significant threat to physical assets, infrastructure, energy resources, logistics. It can be expected that these threats would limit the SMEs capacity to increase production capacity for exports and their demand for long term loans.

Financial risk: Financial risk is high. As mentioned in the Borrower's ICR report, under the continuing war conditions, both SMEs and corporate enterprises suffer from the destruction and business interruptions in all regions of Ukraine and need the financial assistance for renovation, implementation of new technologies and diversify as well increase the quality of produced goods to be acceptable in USA, EU and other countries. If the financial assistance could not be provided, businesses particularly the SMEs are expected to face difficulties and may not be able to keep up with the level of production and exports achieved under the ALTP.

Institutional support risk: Institutional support risk is moderate. The commitment to pursuing the SOB strategy is likely to be sustained. The enhanced ability of UEB supported by the World Bank's previous engagements is likely to be maintained. However, the reform process facilitating development of long-term investors, such as pension funds, and enhancing capital markets need to be implemented.

8. Assessment of Bank Performance

a. Quality-at-Entry

The project was strategically relevant to the Government of Ukraine's financial sector reform strategies; more specifically to its SOB strategy. The PDO was also in line with the World Bank's strategies as it supported availability of long-term finance targeting maturity mismatches in the banking sector which is the main source of funding for the SMEs. From technical perspective the project featured a single component design which involved flexibility to reallocate funds between the two sub-components of the project. This flexibility was introduced following the lessons drawn out of the previous EDPs. Implementation arrangements were overall sufficient. At appraisal, financial condition of UEB as well as the potential eligible PFIs were analyzed and found satisfactory. The UEB was chosen as the main implementing agency due to its experience with exporters and also, with the World Bank. The Project Implementation Unit (PIU) at UEB was staffed with qualified personnel, capable of satisfactorily implementing all aspects of the project. The PIU had already performed well under past and current World Bank projects. At appraisal, the risks were identified in two main areas: Macro-financial and political risks. These risks were identified as high. In addition, the PAD, foresaw that the pool of eligible PFIs may have been limited given the banking sector's ongoing transformation and challenges. The overall risk was rated substantial. To mitigate these risks a flexible design was introduced for the project and an analysis of potential PFIs was conducted. Furthermore, close monitoring of the project by the WB was foreseen. The M&E design was simple, clear, but had some shortcomings. The results framework did not include an indicator which could capture the impact of the increased tenure of finance on exports and/or on the SMEs themselves (i.e. increased revenues, sales, employment). A list of additional indicators was introduced at appraisal however, these were for analytical purposes only. The two of the PDO indicators (number of SME beneficiaries and the volume of Bank support) were intermediate results indicators.

Overall, the quality-at-entry is rated Satisfactory.

Quality-at-Entry Rating
Satisfactory

b. Quality of supervision
The World Bank team conducted 11 Supervision Missions during the 6 years of project implementation. During the implementation, the World Bank team regularly monitored progress of the project and achieving the PDO. In addition to regular monitoring, the team provided advice in several areas, such compliance with E&S requirements. The progress of the project was candidly reported in the Implementation Status and Results Reports. The World Bank team's focus on development results was demonstrated by their effort to address the challenges experienced during the implementation and needs of the Borrower and to restructure the project accordingly. The flexible design and the restructurings enabled change in distribution of funds between sub-components and extensions in the implementation period enabled full disbursements of the funds. In addition to the restructurings, the AF was secured to meet the increasing demand by the SMEs. At the restructurings, some revisions were introduced in the results framework. However, these revisions were mainly to adjust targets to the extended implementation period. The weaknesses in the results framework mentioned in the Quality-at-Entry section above were not addressed.

Quality of Supervision Rating
Satisfactory

Overall Bank Performance Rating
Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design
The PDO was clearly defined and involved a single objective. The results framework included three PDO indicators two of which were output level indicators. The first PDO indicator provided evidence on extension of loan tenors available for the SMEs. On the other hand, the PAD (p.34, Annex 2) identified a list of additional indicators which provided evidence about the impact of the financing on the beneficiary SMEs. However, these additional indicators which included among others, indicators of increase in exports and maturity of sub-loans, were not part of the project's results framework. The results framework involved a number of financial ratios which monitored financial stability, quality of loan portfolio and profitability of the Borrower. Although these inputs were relevant, they did not provide evidence with respect to achievement of the PDO. The PIU in the UEB was to monitor the PDO and intermediate indicators of the Results Framework and the additional indicators on a regular basis. The data was to come from UEB's internal reports. The PIU was to prepare semi-annual project reports.

b. M&E Implementation

The ICR (p. 18) reports that UEB was experienced in collecting reporting information from previous engagements in the implementation of projects financed by the WB and other IFIs. UEB, jointly with WB, developed appropriate reporting templates in the POM. The data on project performance came from reports submitted by UEB on a regular basis (semi-annually). In line with the restructurings, the project team revised the results framework. With the extended implementation period and AF, the set targets were increased to match the project's ambition and some target definitions were revised. The project team completed implementation status and results reports. The data regarding the additional indicators were also collected in addition to the data collected under the results framework.

c. M&E Utilization

The M&E findings were regularly reviewed by the project team and the implementing agencies. The M&E framework enabled the project team to make appropriate adjustments to the implementation plan, depending on the status of physical progress. During the implementation, the M&E system was also used as a tool to facilitate decision making and achieving the PDO by the implementing partners.

Overall, the Quality of M&E is rated Substantial. The M&E design involved two sets of indicators. The set of indicators which were not part of the project's results framework provided relevant evidence not the results framework. That said, this design issue did not hinder the assessment of the PDO. Implementation arrangements were adequate, and data was systematically collected despite challenging conditions. Inputs of the M&E system were used to inform project implementation and support project management decisions.

M&E Quality Rating

Substantial

10. Other Issues

a. Safeguards

The project was classified as category FI aimed to extend a credit line, intermediated by UEB through on-lending to PFIs and by direct lending. Two environmental safeguard policies were triggered: Environmental Assessment (OP/BP 4.01) and OP/BP 4.09 Pest Management (where applicable). All sub-projects to be financed under the Project were subject to an environmental review process following the procedures described in the Environmental and Social Management Framework (ESMF). The ICR (p. 19) reports all project activities were undertaken in a manner consistent with the ESMF requirements. All subprojects went through a preliminary environmental and social (E&S) screening and due diligence to check and confirm if they operated in compliance with the national environmental regulatory framework. According to the ICR (p.19) the PIU demonstrated good understanding of E&S risk management requirements and project E&S timelines during the entire project implementation. Any sub-projects that may require land acquisition, physical displacement, or result in any issues associated with involuntary resettlement (that would require application of the World Bank Operational Policy (OP) 4.12 on Involuntary

Resettlement) were not eligible for financing under the scope of this project. The project had a two-level grievance redress mechanism (GRM) to address concerns of stakeholders. The project had a GRM focal point and a dedicated log. During the implementation of the project, the GRM did not receive any complaints.

b. Fiduciary Compliance

Procurement: A procurement specialist was assigned at appraisal to carry out supervision. Loans to SMEs were to be consistent with the relevant provisions on Eligibility, Conflict of Interest and Fraud and Corruption included in the World Bank "Procurement Regulations for IPF Borrowers", dated July 2016. The ICR report does not include a section on procurement. However, as informed by the project team, (Correspondence, October 9, 2024) no procurement activities were conducted under the ALTF (and AF). This was a one-component project fully implemented via PFIs.

Financial management: At appraisal UEB was already an experienced borrower with the World Bank, had established systems and procedures to manage the on-lending and direct lending components. UEB had qualified staff to execute these tasks. The ICR report does not include a section on financial management (FM). However, as informed by the project team (Correspondence, October 9, 2024), the FM arrangements were in place and FM performance fully satisfactory. In the last project ISR (preceding the ICR), FM of the Project was rated "Satisfactory". No further information was provided in the ICR about independent audits and any potential qualified opinions.

c. Unintended impacts (Positive or Negative)

None.

d. Other

None.

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Satisfactory	
Bank Performance	Satisfactory	Satisfactory	
Quality of M&E	Substantial	Substantial	
Quality of ICR	---	Substantial	

12. Lessons

The following three lessons are from the ICR with some adaptation of language:

- **If implemented in conjunction with reforms supporting the same objective, the credit lines to support SMEs' access to finance can help achieving development outcomes more effectively.** In the case of ALTP, the country experienced significant shocks during the implementation period. It can be reasonably expected that, in the absence of a stable macroeconomic performance and effective legal framework, chances of developing sustainable long-term finance would be low. The development outcome could have been more significant if the implementation of other supporting reforms on facilitating development of long-term investors, such as pension funds, and enhancing capital markets had not stalled.
- **Availability of foreign currency hedging instruments under the credit line operations or providing loans in foreign currency can increase attractiveness of offered funds to beneficiary SMEs and PFIs.** According to an NBU survey, about 80 percent of businesses in need of a loan would be seeking financing in local currency. In the case of Ukraine, SMEs typically do not have access to financial instruments such as currency swaps or forward rate agreements which impedes them to hedge against currency risks. The project did not prohibit UEB from providing sub-loans to SMEs in local currency, which suggested that PFIs would have to hedge against the currency risk or take the currency risk on its balance sheet within the prudential limit. Hedging against currency risks and more expensive pricing on the WB financing reduced its attractiveness for the PFIs.
- **In countries where WB engages in credit lines on a consistent basis, having a provision for re-lending funds refunded by PFIs to the wholesale bank, can help continuity of operations.** As mentioned in the efficacy section, the low participation of small private PFIs in the project was due to difficulty in complying with the eligibility criteria. As for larger banks it was due borrowing in foreign currency. In fact, most of the funds that UEB disbursed to PFIs were pre-paid or returned. The project did not call for UEB to re-lend any funding reflows from PFIs under similar terms. Under the ALTP, it is assumed that funds returned by PFIs were used by UEB to continue financing their core clients, export-oriented SMEs. However, there is no record of such reflows in the project reporting within the lifetime of the project

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR was well written and provided adequate coverage of project activities and candidly reported on most shortcomings in a concise form. The ICR used the available data to justify most the assigned ratings and is consistent with the guidelines. Lessons reflected the project experience and were based on evidence and analysis. The ICR could have been enriched by further details including the sections of M&E and Fiduciary Compliance.

Overall, the quality of the ICR is rated as Substantial.

a. Quality of ICR Rating

Substantial