

**About IEG-IFC**

IFC's Independent Evaluation Group (IEG-IFC) independently evaluates IFC's investment and advisory services operations and reports its findings to IFC's management and Board of Directors. IEG-IFC is a resource for helping staff understand what IFC has learned and how IFC can do better business in the future.

**About Findings**

IEG-IFC *Findings* help inform IFC and Bank Group managers and staff about new evaluation findings and recommendations. The views expressed here are those of IEG-IFC and should not be attributed to IFC or its affiliated organizations. The findings here do not support any general inferences beyond the scope of the evaluation, including any inferences about IFC's past, current or prospective overall performance.

**Online access**

<http://www.ifc.org/IEG>

## IFC in Ukraine

### An Independent Country Impact Review

The Country Impact Review evaluates the results and analyzes the performance drivers of IFC's investment and advisory operations in Ukraine since it became a member of IFC in fiscal year (FY) 1993 through FY 2006. In doing so, it seeks to inform IFC's Ukraine strategy in the World Bank Group's Country Assistance Strategy (CAS) paper and make recommendations aimed at improving the results of IFC's operations going forward. The review was completed in conjunction with IEG-World Bank's Country Assistance Evaluation covering World Bank operations in Ukraine undertaken from FY 1999 to FY 2006.

The main findings of the review are:

- IFC's advisory services-centric strategy was appropriate given country conditions, but the expected increase in IFC's investment operations to follow advisory services efforts did not materialize until recently;
- IFC's advisory services operations in Ukraine outperformed evaluated IFC advisory services operations in other countries in the Europe and Central Asia (ECA) region in terms of aggregate ratings for overall development effectiveness and IFC work quality, largely due to the strong performance of larger programmatic assignments;
- IFC investment operations in Ukraine performed better than other evaluated investment operations in the rest of the ECA region and the average for IFC, although the relatively small number of investment projects did not allow for a more detailed analysis;
- The outcomes of IFC's operations going forward can be further improved by expanding IFC's strategic horizon to respond to changing country conditions, by increasing coordination between IFC and IBRD (the World Bank) to address remaining privatization challenges, and by replicating the design of successful advisory services operations.

**IFC's Ukraine strategy was largely shaped and constrained by the country's challenging business climate.**

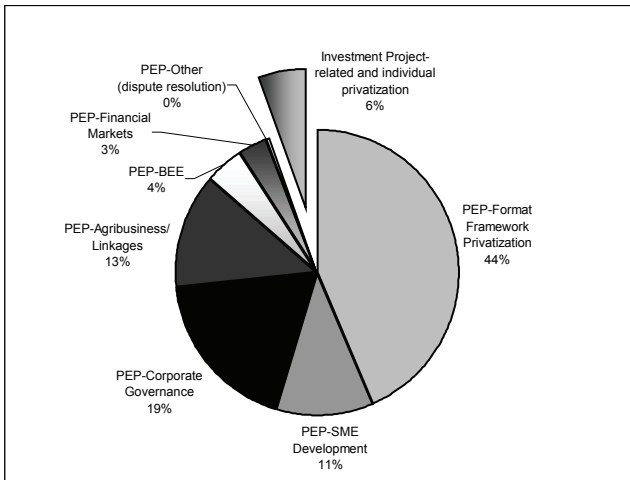
Given the seriousness of Ukraine's recession in the 1990s and the tenuous political commitment to reform, Ukraine remained relatively unattractive to private investors for much of the period under review. To support improvements in Ukraine's business environment, IFC engaged in an extensive program of advisory operations as the first component and continuing mainstay of its work in Ukraine. The approach was appropriate, however, recen-

business climate improvements call for a more proactive and targeted IFC investment strategy.

Most of IFC's initial efforts centered on programmatic privatization advisory services projects, which aimed at creating a critical mass of small and medium enterprises (SMEs) that could serve as an engine for private sector growth and become attractive investment targets for private sponsors. Later, the focus of IFC Advisory Services operations shifted from privatization to business enabling environment activities (Figure 1)

## IFC IN UKRAINE: 1993-2006. AN INDEPENDENT COUNTRY IMPACT REVIEW

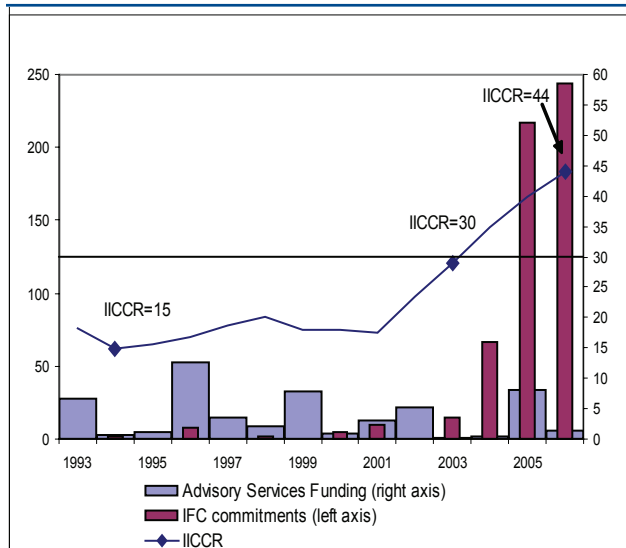
Figure 1: IFC Advisory Services distribution in Ukraine (FY93-06)



\*PEP - Private Enterprise Partnership  
\*\* BEE - Business Enabling Environment

Meanwhile, the expected increase in IFC's investment activities did not materialize until FY 2004-2005, when country conditions had sufficiently improved (Figure 2). While the scale of IFC's investment and advisory services operations was significant in relation to IFC's activity in the region, it was relatively small compared to the activities of the IBRD and other donors in Ukraine.

Figure 2: Trends in IFC Advisory and investment commitments (US\$ millions), and Ukraine IICCR Ratings



Note: IICCR refers to the Institutional Investor Country Credit Risk Rating. A country is considered high-risk if its IICCR score is below 30.

**IFC was able to achieve satisfactory or better results in 68 percent of the advisory services projects implemented.** This is especially true for larger and longer ad-

### Resources

**Task Manager:**  
Anna Zabelina

**Director, IEG-IFC:**  
Dr. Marvin Taylor-Dormond  
mtaylor@icfc.org

**Head of Knowledge, Dissemination, and Quality, IEG-IFC:**  
Sid Edelmann  
sedelmann@icfc.org

**IEG-IFC Help Desk:**  
(202) 458-2299  
AskIEG@icfc.org

visory services projects utilizing the comprehensive framework eventually adopted by the Private Enterprise Partnership (PEP) facility. At the same time, smaller assignments were only viable inasmuch as they addressed a specific need and/or client request.

**Evaluated investment project ratings were slightly better than those for the rest of the ECA region and the rest of IFC,** although the small number of investment operations preclude statistically significant findings. An analysis of the risk profiles at approval of recent commitments shows low risk intensity, which indicates potentially better than average future performance.

**Going forward, given the improved business climate, IFC should develop and follow a more systematic medium-term approach** to identify investment opportunities in areas of high impact country competitive advantage and unmet demand.

**IFC and IBRD should improve coordination to address remaining privatization priorities,** especially for large enterprises and for infrastructure projects, with IBRD policy work and IFC post-privatization funding. They should also use existing joint mechanisms such as the World Bank Group's Sub-National Finance Department to promote public-private partnerships and provide funding to municipal utilities projects.

**IFC should focus on the strategic relevance of its advisory services operations and replicate the demand-driven, multi-generational, and multi-dimensional design** of its successful larger operations, using the latter to refine benchmarks for measuring performance of ongoing projects.

**Furthermore, IFC should proactively develop and maintain regular contact with donors** in its areas of engagement to help establish information exchange mechanisms, align priorities, improve distribution of labor, and avoid inconsistencies, as well as to initiate tactical interaction at the outset of its multi-donor operations to minimize discrepancies in approach and maximize cohesion and alignment of tactics between donors.

**Finally, IFC should expand the proven model of creating partnerships** among linkages projects seeking to develop agricultural suppliers and agribusiness investments, as well as aim to undertake financial markets projects that provide local currency financing (through guarantees and other methods) to achieve greater synergies between investment and programmatic advisory operations.