



EBRD-Ukraine Stabilisation and Sustainable Growth Multi- Donor Account



European Bank
for Reconstruction and Development



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Abbreviations

ABI	Annual Business Investment
AML	Anti-Money Laundering
BAP/BAS	Best Available Practice/ Best Available Standards
BOI	Business Ombudsman Institution
CGAP	Corporate Governance Action Plan
COO	EBRD's Country of Operation
DCF	Donor Co-Financing Department at EBRD
DCFTA	Deep and Comprehensive Free Trade Agreement
E2C2	Energy Efficiency & Climate Change Department at EBRD
EU4PAR	EU-funded TC project to support public administrative reform in Ukraine
EvD	Evaluation Department at EBRD
FAO	UN's Food and Agriculture Organisation
GG	Good Governance
GIZ	German Corporation for International Development GmbH
GoU	Government of Ukraine
IDLO	International Development Law Organisation
IFI	International Financial Institution
LC2	Local Currency and Capital Markets Development Department at EBRD
MDA	Multi-donor Account
NBU	National Bank of Ukraine
OECD DAC	OECD Development Assistance Committee
OL	Operational Leader
PA/ PAR	Public Administration/ Public Administration Reform
RDO	Reform Delivery Office at the Cabinet of Ministers
RO	EBRD's Resident Office
RST	Reform Support Team
SAGSUR	Strategic Group of Advisors
SGUA	Support Group for Ukraine funded by EU
SOB	State Owned Bank
SOE	State Owned Enterprise
SSF	EBRD's Shareholder Special Fund
TC	Technical Co-operation
TCSR	Technical Co-operation Reporting System at EBRD
UNIC	Ukraine Network of Integrity & Compliance
URA	Reform Support Architecture for Ukraine
WTO GPA	World Trade Organisation, Agreement on Government Procurement

Executive Summary

The 'EBRD Ukraine Stabilisation and Sustainable Growth Multi-Donor Account' (Ukraine MDA) was launched in 2014 as part of a multilateral crisis-response measures to provide urgent support to Ukraine in the wake of major political, security, economic and humanitarian crises.

A total of fourteen donors have contributed €53.5 million to the Ukraine MDA, out of which a portfolio of 38 projects have so far been or are being delivered, with a total earmarked value of €36.9 million.¹ The Fund is managed by the EBRD and is the only such single-country focused arrangement in the Bank. Support was targeted at the design and implementation of policy reforms and institutional capacity building in sectors where the EBRD has considerable experience as an investor and partner, such as financial policy, the banking sector, capital markets, energy, infrastructure, and agribusiness. Originally intended to last for three years the Fund was extended for another three in 2017.

EvD was asked by EBRD management and the MDA donors to produce an interim evaluation on an accelerated basis in order to inform discussion and decisions about Fund's effectiveness and potential extension ahead of its current July 2020 closure date.

The evaluation provides an assessment of: MDA relevance and effectiveness as a crisis response mechanism; its governance principles; the efficiency and effectiveness of its activities and sustainability of its results; and, any impact it has on the Ukrainian investment climate and economic growth, where possible to assess. The evaluation covers nine completed projects and 27 ongoing projects spanning 2014 to mid-2019.

Main Findings:

The MDA's scope is in line with the EBRD's mandate and core capabilities such as: banking; insolvency and restructuring; energy and infrastructure; corporate governance; integrity; and procurement.

MDA core principles – additionality, alignment with Ukraine's priority agenda and international co-ordination – are sound and relevant and Fund activities have respected them. The policy advice, expertise and technical support delivered have complemented the efforts of other IFIs and donors and aligned well with Ukraine's reform agenda.

The MDA has proven to be strategically relevant, operationally efficient and effective, and enabled key institutional changes in Ukraine. It contributed to implementation of institutional and regulatory changes which have supported economic recovery and growth. However Ukraine has not yet fully overcome this crisis.

Not all available MDA instruments have been used. Technical assistance is clearly crucial for governance and policy delivery priorities; other instruments such as investment grants, concessional funding, and first-loss guarantees have not been used.

The EBRD's strategic frameworks have evolved since 2014 and the MDA's structure should be adjusted to sync with recent changes. If the MDA is extended, the EBRD and contributors should consider removing sector pillars and anchoring it to EBRD's 'well-governed' transition quality. Most MDA's projects and funding is concentrated in one pillar –

¹ Data actual as of 19th November when report was finalised

investment climate – which fits neatly within the ‘well-governed’ transition quality. The five priorities set out in the Ukraine Country Strategy should define the sectoral scope of possible activities.

The flexibility of allocations across five pillars was distinguished as one of the Fund’s most useful features, and it must be maintained. There should not be earmarking of individual funding streams.

The MDA is managed efficiently and Donors are broadly satisfied. Fund administration is in compliance with the Bank’s key policies and procedures; Donor Co-financing Department (DCF) is effectively delivering overall fund management, reporting and relations with the contributors; donors are mostly satisfied with visibility and co-ordination, although communication could be improved.

However there is both scope and need for specific improvements. Better results-based management at Fund and project level is required, including a clear results chain integrated into project design, implementation, monitoring and self-evaluation. There is a lack of connection between stated high-level objectives (impact) and actual activity-level results (outputs), which requires stronger mid- and long-term results chains. Staff needs deeper training for results-based management to be more adequately integrated.

Internally for many bankers management of MDA projects and policy dialogue activities remains auxiliary to their core tasks, and MDA-related work is not properly reflected and recognised in their performance matrices.

MDA support has contributed to specific institutional and structural reforms, including creation of new institutions such as a Business Ombudsman, Network of Integrity and Compliance, Investment Council, Financial Restructuring Secretariat, ProZorro e-procurement platform; turnaround of the Deposit Guarantee Fund; improvements in monetary policy and banking sector; improvements in technical capacity at multiple public agencies; reforms at several strategic SOEs and SOBs; the abolition of price regulations on food products and services; the approach to solid waste management; and various other reforms. MDA-funded projects triggered a number of investment projects in both public and private sector, particularly in banking, energy, municipal solid waste management, and agribusiness.

MDA likely contributed to improvement of Ukraine position in several key international indices These include major gains in the annual Doing Business survey; ranking in the Global Open Data, and some improvement in the Corruption Perception Index. The Ukrainian economy has stabilised since 2014 and started to grow.

MDA-funded projects also likely contributed to uptake of reforms and changes in the behaviour of stakeholders in some public institutions and the private sector, thus strengthening the potential sustainability of the legal and regulatory reforms which have been achieved in such areas as procurement, banking sector, financial restructuring and others.

Recommendations:

For contributors and EBRD:

1. Extend the MDA and maintain its current focus on EBRD’s comparative advantages in Ukraine as identified in the EBRD Country Strategy for Ukraine 2018-2023.

2. Preserve the key elements of the General Conditions and maintain the flexibility of funding allocations without earmarking funds to specific pillars. Discontinue sector pillars structure.
3. Agree to use 'well-governed' transition quality as the premise for Ukraine MDA activities, along with three components (pillars): (1) enhancing quality of economic governance in public institutions; (2) improving standards and practices of corporate governance; (3) building and sustaining partnership between public and private sectors.
4. Include key indicators in results metrics which might trigger graduation from certain project areas.
5. Review unutilised MDA instruments (investment grants, incentive payments, first-loss guarantees, access available to other IFIs) and decide to discontinue or continue them.
6. Significantly strengthen results-based Fund management and enhance reporting standards for MDA projects and Fund in general, including metrics with monitorable indicators – possibly allocating an additional MDA budget for this.

For the Bank:

7. The individual performance matrices of bankers who are leading non-transactional TC projects and intensive policy dialogue must be expanded to include these elements.
8. DCF, possibly jointly with other departments of the Bank, should design a training programme for operational leaders managing projects funded from the MDA and similar accounts to enhance OLS' understanding of the principles and core elements of results-based management and to improve the evaluability of projects.
9. Enhance and enforce standards of reporting in internal information systems, such as TCRS.
10. The EBRD team in the Kyiv RO to establish communications channel with key interested contributors to provide regular and relevant updates between the annual assemblies.

1. Introduction

1.1. Rationale

The Evaluation's Department's (EvD) 2019 Work programme includes evaluation of the EBRD-Ukraine Stabilisation and Sustainable Growth Multi-Donor Account (Ukraine MDA). Established in July 2014 its purpose was to help “*stabilise Ukraine's macroeconomic situation and foster Ukraine's growth rebound, ... supporting the design and implementation of policy reforms and institutional capacity building... as well as investment.*”² The Ukraine MDA complemented a range of EBRD and other crisis response efforts in the wake of the Ukrainian systemic economic and geopolitical crises, prompted by the Revolution of Dignity and military conflict.

The Fund was designed to operate for three years, with an option to extend for a maximum of three more. That option was exercised in 2017. After its current sunset date of July 2020 no new funds may be raised or project commitments made. A further extension might be possible after consultation among contributors and upon approval of the EBRD Board.

This report has been prepared on an accelerated basis by EvD in response to EBRD management and MDA's contributors joint request for independent evaluation of the Fund's operations to date. It doesn't seek to duplicate detailed regular reporting provided to donors on funding, administration and activities. Its intended objective is to assess the Fund's strategic relevance, efficiency and effectiveness in order to inform donors and Bank Management upstream of the July 2020 sunset date.

In addition insights into experience with a significant single-country fund of this type may be useful both for the Bank and the donors in other contexts. It is the only single-country MDA with a very clearly defined focus and timeframe. An additional focus area for the evaluation is the transferability of lessons and experience.

1.2. Context

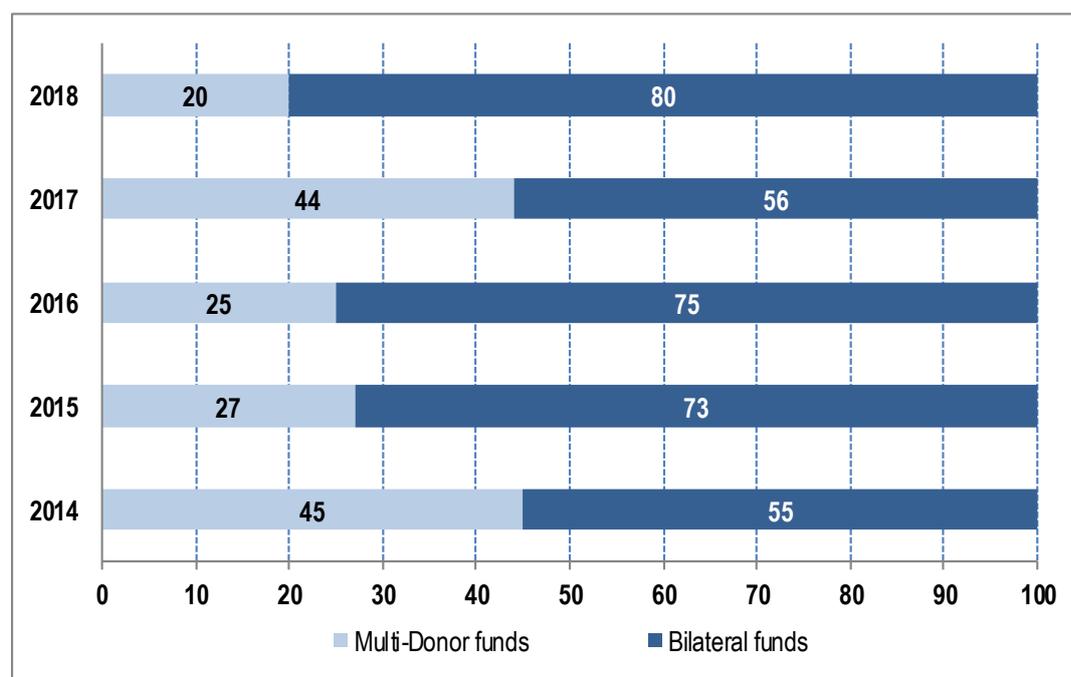
Multi-donor funds at EBRD

Availability of donor funding is crucial to deliver elements of the EBRD's mandate. With the support of co-investment funds, and transactional and non-transactional technical co-operation (TC) projects, the Bank can deliver investment projects, technical assistance and policy dialogue that meet the diverse needs of its countries of operations. Bilateral and multilateral donor support is crucial to deliver a programmatic approach for the country or region of operation, aimed at addressing key challenges that undermine private sector investments. From affordability to local currency availability to investment climate improvements, among other issues – these programmes are intended to deliver institutional and regulatory changes that open up opportunities for domestic and foreign investments. Ideally, donors can quickly and flexibly allocate funds through EBRD financial instruments in the areas of greatest need, with appropriate quality and controls. EBRD-managed multi-donor funds are often used in a programmatic approach, with the expectation of pulling in various donor resources to achieve specific sector objectives (Small Business Impact Fund) or to meet diverse challenges in a specific country/region (ETC, SEMED MDAs).

² BDS14-167(Rev 3) Establishment of the EBRD-Ukraine Stabilisation and Sustainable Growth Multi-Donor Account, July 2014

Inflows to EBRD-managed funds, including multi-donor funds have increased significantly – from €70 million in 2017 to €161 million in 2018 – while at the same time total donor contributions decreased from €876 million in 2017 to €583 million in 2018.³ Usually other IFIs have access to these funds. For example in 2018 out of €145 million contributed to EBRD-managed multi-donor funds €78 million was secured for EBRD projects and €67 million was open to other IFIs, while in 2017 EBRD projects secured €159 million out of total €229 million inflows into EBRD-managed multi-donor funds. The split between contributions to bilateral and multi-donor funds from bilateral donors (presented in Graph 1) changes dynamically from year to year depending on the country needs and donors' priorities. The EBRD-Ukraine Stabilisation and Ukraine MDA is one of the multi-donor EBRD-managed funds where all activities are implemented by the Bank.

Graph 1. Destination of contributions from bilateral donors 2014-2018, %



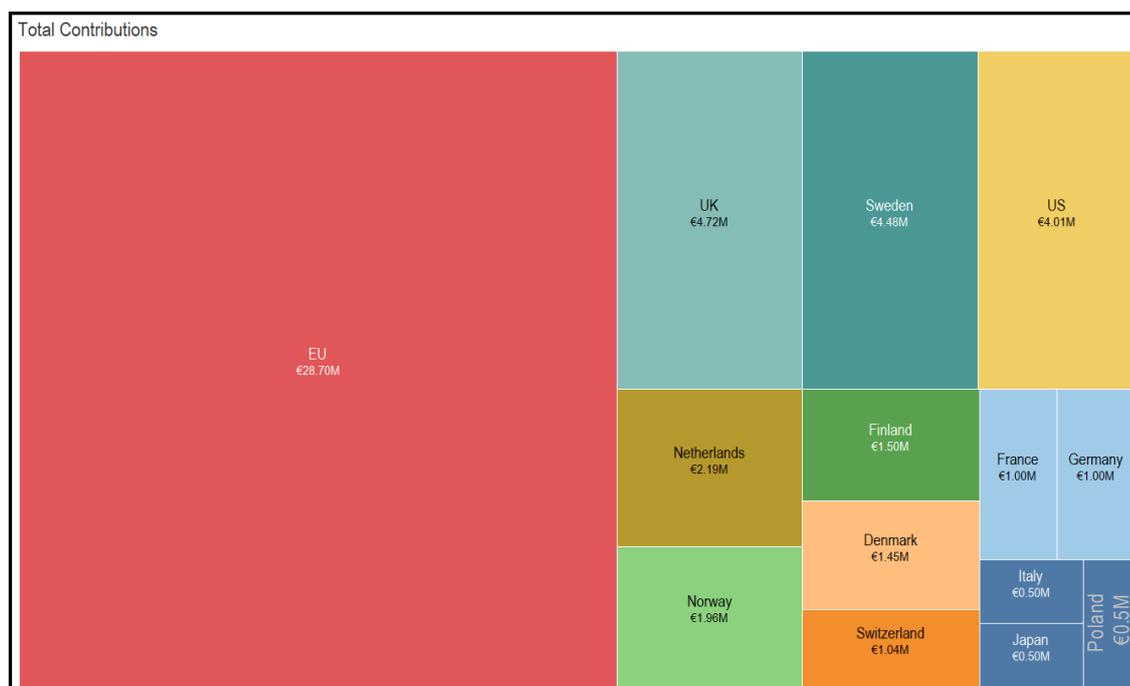
Source: 2018 Grant Co-financing Report

Initially **10 donors contributed €10.5 million**; at the time of evaluation 14 donors⁴ had contributed €53.5 million, well beyond the €15-20 million target. The EU contributed an additional €10 million just in October 2019 and is the largest donor. Further funds could be mobilised up to the sunset date in July 2020. The full structure of contributions is presented in Graph 2.

³ 2018 Grant Co-financing Report

⁴ EU, UK, Sweden, US, the Netherlands, Norway, Finland, Denmark, Switzerland, France, Germany, Italy, Japan and Poland

Graph 2. Pledged donor contributions to the Ukraine MDA, € million

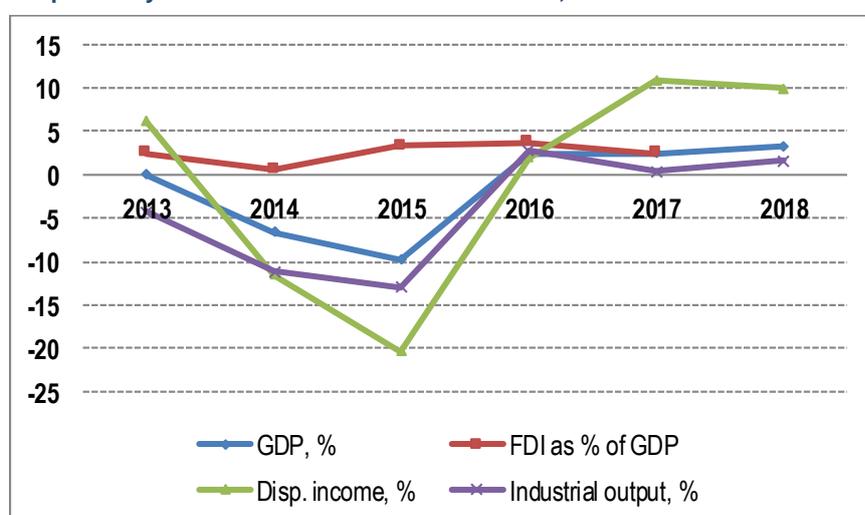


Source: Ukraine MDA Progress Report January -June 2019; DCF *ad verbum* data on additional funding raised in July-November 2019

Responding to crisis in Ukraine

In the aftermath of the Revolution of Dignity and the military conflict, Ukraine faced a systemic crisis. The physical loss and destruction of a large proportion of its industrial assets and infrastructure combined with the great social upheaval sent the Ukrainian economy into deep recession (see Graph 3 below). Rapid devaluation, high inflation, a banking crisis and rocketing NPLs, plus dramatic shifts in international trade with plummeting international reserves, undermined the national economy. A significant external support package was required to stabilise the situation and create conditions for future economic growth.

Graph 3. Key macroeconomic trends of Ukraine, 2013-2018



Source: State Statistics Service of Ukraine

The change of political leadership in 2014 confirmed integration with Europe as the national strategic priority (Box 1). The geopolitical shift from East to West has had dramatic effects on the national economy and trade, energy security and the provision of critical public services. The EU-Ukraine Association Agreement was ratified in 2015 and Deep and Comprehensive Free Trade Agreements (DCFTA) in 2016. In 2015-2016 Ukraine transposed key elements of the EU's Third Energy package into its energy legislation. In 2017 it joined the Schengen visa-free regime after complying with a range of rules and conditions.

Box 1. Ukraine's reform path in 2014-2019

In 2014 Ukraine committed to its Strategy-2020 which was operationalised through annual Government Programmes and budgets. The reform architecture was created, including the National Reform Council which was supported by the Secretariat and expert group.⁵ The National Model of Managing Reforms was approved and a monitoring system was established.

Public Administration Reform became one of the key priorities, with the objective of creating a lean and efficient civil service and effective institutions that provide services to the public.

In 2019 Ukraine went through another electoral cycle which led to substantial political changes. In April 2019 President Volodymyr Zelensky was elected. In July 2019 a new Parliament was elected with mono-party majority of Zelensky's Servant of the People. The new Cabinet and its Government Programme was approved in September 2019.

The EBRD reacted quickly to the Ukrainian crisis, similar to all other crucial international partners of Ukraine (Box 2) approving an Operational Response (SGS14-084) in April 2014 and a Reform Anchoring and Crisis Response Package a few months later in December (BDS14-360). The package had three priorities: (1) banking sector stabilisation and restructuring; (2) energy security and energy sector reforms; (3) financial support for key private corporate sector players. It committed to significantly stepping up policy dialogue and capacity building activities. It was renewed in April 2017 and effective until October 2018, when a new Country Strategy was approved.

The Bank sought to use a flexible approach to allow a quick reaction while also remaining focussed on core areas of expertise - pushing for necessary reforms in the areas of energy security, financial and banking stability, sound corporate governance, integrity and compliance, infrastructure and a competitive corporate sector. With the support of MDA and other funding sources, the EBRD was able to lead policy dialogue and coordinate with other IFIs and donors active in these areas. In 2014-2016, the EBRD's new investments (ABI) in Ukraine reached €2.8 billion, with a further €740 million invested in 2017 and €540 million in 2018. In October 2019 the EBRD's ABI reached €1 billion – a symbolic achievement after the dramatic decrease in investments since 2015.

Box 2. Other donors and IFIs in Ukraine

Complementarity of actions with other IFIs and donor organisations is an essential element of the success of technical assistance and policy dialogue. Ukraine has a busy donor landscape where multilateral and bilateral agencies have substantial packages of financial and other aid. The

⁵ From the start the Council's Secretariat and expert group was supported by the EBRD/MDA in the framework of URA's 1st stage. Later this structure was transformed and moved from the Presidential Administration to the Cabinet of Ministers where it became the Reform Delivery Office, one of the institutional innovations supported through 2nd stage of URA.

EBRD's Strategy for Ukraine contains a detailed mapping of complementarity of actions with other IFIs active in Ukraine, which includes investments and policy dialogue (see Annex 6 for the map).

The EBRD's strategy in general and MDA priorities in particular are anchored to several international treaties/commitments that define Ukraine's strategy in economic and governance spheres. Key among them are the EU-Ukraine Association Agreement (2015), Deep and Comprehensive Free Trade Agreement (DCFTA) (2016), the EU's Third Energy Package, IMF Programme (2014) etc.

While it is difficult to outline all assistance programmes, some are highlighted below.⁶

EU - launched an €11 billion programme (for 2014-2020)⁷ to help Ukraine meet its obligations under the Association Agreement and DCFTA. It included €3.8 billion of macro-financial assistance (low-interest loans), and some institutional innovations, for example, the launch of the Support Group for Ukraine (SGUA), the main coordinating body for all EU assistance to Ukraine. At the time of evaluation the EU had a portfolio of 250 active projects in Ukraine.

IMF - approved a US\$17.01 billion Stand-By Arrangement in April 2014, which in March 2015 was transformed into an Extended Fund Facility of US\$17.5 billion, and in January 2019 into a US\$3.9 billion Stand-By Arrangement.

World Bank Group - provided a crisis response package in March 2014 which included both financial and technical support. Since then it has provided two series of Development Policy Loans, seven new investment operations, a US\$200 million Programme for Results in the agriculture sector, and two guarantees for critical public services for the total amount of US\$6 billion. Key focus areas for Bank operations are: good governance, public sector transparency and accountability; the stability of the banking sector; a reduction in the cost of doing business; the effective use of limited public resources; the effective provision of essential public services in critical times (i.e. sanitation, health, social protection, energy and infrastructure). At the end of 2019, the IBRD's portfolio in Ukraine included eight investment projects for US\$2.3 billion.

In 2019 the Ukrainian economy is in considerably better shape than in 2014. Chapter 4 provides a snapshot of progress and key achievements. But the situation remains challenging and further structural reform is essential to spur growth and investment.

1.3. Evaluation objectives, scope and approach

The objective of the evaluation is to provide an interim assessment of the MDA's principles and scope of activities ahead of the decision about its future scheduled for the beginning of 2020. This evaluation focuses not only on MDA operations and their sustainability in the fluid politico-economic environment of Ukraine, but also on the relevance and effectiveness of this type of crisis response instrument. It also provides additional insights into the Bank's support for policy dialogue.

The evaluation uses the OECD DAC evaluation criteria – the relevance, efficiency, effectiveness, impact and sustainability of the Bank's MDA activities. Specific focus areas are:

- Relevance given the country's shifting needs and the priorities of contributing donors and the Bank.
- The governance and administrative procedures guiding MDA delivery.

⁶ Publicly open sources of IFIs and donor organisations

⁷ This amount includes grants from member states

- The MDA portfolio of completed and ongoing projects in terms of its structure and utilisation. Currently the MDA has five pillars and highly flexible allocations. The advantages and disadvantages of this approach are analysed, also vis-à-vis potential greater focus and defined funding windows.
- Results of the completed projects are validated and conclusions presented on their effectiveness and impact (when relevant/possible) on the basis of available Bank reports, external statistical data and the opinions of key stakeholders in the country.
- Some specific ongoing projects are evaluated and interim results included in the report. Evidence of the effectiveness of specific projects recently evaluated elsewhere by EvD is incorporated (e.g. from the Investment Climate evaluation of October 2018).

The evaluation makes recommendations for EBRD management and the contributors regarding the potential future administration of Ukraine MDA and managing similar funds in other countries. This is done with the understanding that the contributors are considering extending the Fund's life beyond the current final date in July 2020. Recommendations also cover internal procedures and policies at the EBRD.

One of the deliverables of this evaluation is a coherent theory of change for the Ukraine MDA (see Annex 1). Although the theory of change was developed in 2015 and forms part of the MDA reporting matrix, it is a bottom-up activities-driven matrix with no long-term impact chain identified. Both management and contributors agree that it requires a conceptual reformulation to reflect a meaningful results chain.

Evaluation Questions

1. How effectively did the original MDA design as a crisis response instrument and operational principles serve it over time and in the context of changing strategic priorities?
2. What specific results can be identified relative to design expectation? Are there targeting and monitoring issues of concern to be learned from?
3. What strategic framework and focus, including strategic anchor (e.g. country strategy, EU DCFTA action plan) would be appropriate for MDA design and timeline should a further extension be considered?
4. In what ways did the Bank's role/implementation meet donor expectations and in what others might it be improved for potential future funds of the same (anti-crisis) nature?

These questions form the basis for the evaluation matrix which includes judgement criteria and indicators that allow the measurement of the Fund's efficiency and effectiveness (see Annex 2). The answers to these questions are provided in Chapters 2 and 3.

Box 3. Methodology and Risks

The evaluation team used a consultative approach, engaging all key stakeholders in order to obtain a comprehensive and objective picture of the Fund's activities. The evaluation methodology was driven by Evaluation Matrix (Annex 2) and included a desk review of the Fund documents, project documents, procedures and related policy documents of the Bank and donors; a review of key Ukrainian policy documents related to MDA activities. The team analysed the key project data to assess the MDA's results and relevant external statistics (Ukrainian and international) to assess its contribution to the impact.

Around 50 semi-structured interviews were conducted with EBRD colleagues, key beneficiaries and stakeholders of MDA projects, donors and consultants delivering the activities. This was done at the EBRD's London and Kyiv offices and during a mission to Kyiv in September-October 2019 (remotely when necessary).

As mentioned above, **some elements of other relevant evaluations are used in this evaluation in order to avoid duplication of effort and to ensure consistency in the messages and recommendations.** In particular, EvD includes the Ukrainian Business Ombudsman Case from the Investment Climate Support Special Study and some materials from the ongoing Legal Transition Programme Special Study (its Ukrainian segment).

Given the nature of decision making in the Ukraine MDA its contributors were engaged in the consultation process for this study along with the Ukraine team, DCF department and governance department. Their comments were sought for the approach paper and this report.

Risks

- (1) Availability of data.** This risk didn't materialise. The Ukraine MDA has a solid document database (with some rare exceptions) and the evaluation team did not have many problems with accessing information/data. To have a comprehensive picture of the Fund's efficiency and effectiveness, qualitative data was required. Core project team members and external stakeholders were willing to share their opinion about the Fund's activities. This risk was mitigated by employing a consultative approach.
- (2) Diverging views among multiple stakeholders of the Ukraine MDA.** This risk didn't materialise. EvD maintained continuous transparency about its approach, evaluation criteria and evidence, which form the basis for the evaluation findings and recommendations. Common ground was strong enough and no conflicts emerged.

2. Strategic Relevance and Governance of Ukraine MDA

This section addresses two questions: (1) how effectively did the original MDA design as a crisis response instrument and its operational principles serve it over time and in the context of strategic priorities; (2) what strategic framework and focus would be appropriate for MDA design and timeline should a further extension be considered.

2.1. Strategic Relevance

- *The Ukraine MDA was a relevant, appropriate and effective instrument for crisis response, contributing to institutional and regulatory changes that led to economic recovery and growth.*
- *It would likely remain relevant in the circumstances should extension be approved.*
- *The core principles of the MDA are sound and relevant and should be maintained.*
- *The Fund's priorities and attributes anchor well to the "well-governed" transition quality. It fully corresponds to the matrix of investment climate. The five priorities of the EBRD's strategy in Ukraine should define the sectoral scope of possible activities.*
- *The MDA's scope should not stretch beyond the EBRD's mandate, its core capabilities and areas of expertise as investor.*

The MDA's core objective in 2014 was to complement the efforts of the EBRD and other international partners in helping Ukraine to overcome a severe macroeconomic crisis, which was augmented by the political and security crisis. In particular, it filled a gap by providing much-needed technical assistance for institutional capacity building and enhancing the quality of corporate and public governance in core institutions, agencies and systemic companies, particularly SOEs and SOBs. All projects, with a very few exceptions, were non-transactional technical assistance (i.e. not associated with a specific investment operation) – the type of advice and support that is traditionally difficult to fund from the Bank's core resources.⁸

The five pillar structure of MDA – investment climate, banking, corporate, energy and infrastructure – allowed for a very broad application of funds, flexibility and a quick reaction to the emerging needs of the government. Few other IFIs provide TA and policy dialogue linked to investments in the corporate, banking, energy and infrastructure spheres, which was mostly confirmed by the EBRD's own exercise of mapping IFI strategic priorities conducted while developing the Ukraine country strategy.⁹ Annex 6 summarises information on the activities of other IFIs. Most Ukraine MDA activities target governance and competitiveness issues, however the focus is on building dialogue, and achieving governance changes contributes mainly to the private sector and large state owned companies/banks (see Chapter 3 for more details).

The MDA structure is in line with the priorities of the Bank's Reform Anchoring and Crisis Response Package (see Chapter 1.3 for details). The analysis of the use of funds show the dominance of the investment climate pillar - with 22 out of 38 projects representing 73% of total earmarked funds as of June 2019.¹⁰ However even in the remaining 16 projects across four sector pillars, the scope and objectives were similar to those of investment climate projects – they support strengthening institutional capacity, expertise/human capital, development and implementing new legislation and regulations, enhancing standards of corporate governance, strengthening dialogue between public and private sector, etc.

There have been significant changes in the Bank's approach to transition since the Fund was designed in 2014. Under its revamped Transition Qualities approach the Bank engages along six broadly-drawn transition qualities: competitive, resilient, well-governed, integrated, green and inclusive. Well-governed is defined as “authority, decision-making and accountability in all domains. At its core, governance is about the quality of institutions and the process that they support”.¹¹ Competitiveness is defined as the country's position in international trade, the interactions among firms in a market, the strength of a single firm or its capacity to generate value added.

These two qualities directly relate to the investment climate which here is defined as “the institutional, policy and regulatory environment within which companies invest, create jobs, and expand, and the behaviour of public and private agents which influence investment performance”.¹² In its recent evaluation of the EBRD's Investment Climate Support Activities, EvD stated that “*EBRD's activities along competitive and well-*

⁸ See conclusions of EvD's Special Study on EBRD's Investment Climate Support Activities, 2018

⁹ EBRD's Country Strategy for Ukraine 2018-2023

¹⁰ The total does not take into account the most recent contribution from the EU for the amount of EUR 10 million as it was not signed at the time of evaluation

¹¹ Transition Concept Review, 10 November 2016, BDS16-181

¹² EBRD's Investment Climate Support Activities, EvD's special study, October 2018

*governed transition qualities contribute the most to improving investment climate and governance standards... Entire well-governed quality overlaps the elements of the investment climate; in the competitive quality only some components do, particularly incentives for commercially-sound decision making and a market structure that promotes competition and diversification”.*¹³

As stated above, most MDA projects are aimed at strengthening institutional capacity, building dialogue between the public and private sectors, and enhancing standards of corporate governance – core elements of the well-governed transition quality.

The EBRD’s Strategy for Ukraine in 2018 had the following priorities:¹⁴

1. Promote privatisation and commercialisation in the public sector to increase competitiveness and foster good governance;
2. Promote rule of law, competition and level playing field in the private sector by supporting best practice companies;
3. Strengthen energy security through effective regulation, market liberalisation, diversification and increased production and energy efficiency;
4. Enhance resilience of the financial system by strengthening the banking sector, and in parallel developing capital markets and other non-bank finance;
5. Improve integration by facilitating trade and investment, expanding infrastructure links, and supporting convergence with EU standards.

These priorities were agreed with the Government and incorporated in its vision and strategy, and multiple other international commitments. The MDA’s most active use is in the sphere of improving investment climate – this should be maintained by including well-governed as the overarching transition quality to be addressed through MDA activities. The EBRD’s five priorities should define the sectoral scope of possible activities.

Initial feedback from some stakeholders suggested that the MDA should go beyond the EBRD’s strategic priorities in the country and offer delivery platforms for the initiatives that are in line with the priorities of the MDA’s contributors. While recognising the merit of this suggestion, it is important to understand that essentially it suggests the EBRD stretching beyond its core capabilities and areas of expertise. As the EBRD’s mandate and areas of expertise were the very reasons why it was selected to administer the MDA, EvD would advise against such broadening of its scope. The 14 contributors have diverse strategies, and multiple instruments to deliver them, in Ukraine. They also have a choice of potential administrators among the IFIs and multilateral international organisations active in country. Some of them might be more suitable for specific initiatives and delivery tools than the EBRD. The EBRD’s hosting of the MDA offers unique opportunities to unlock investments and energise the private sector, as well as to enhance the competitiveness of the publicly-owned companies, banks and public institutions. These strengths should continue being fundamental in future Ukraine MDA activities, if its extension is approved.

¹³ EBRD’s Investment Climate Support Activities, EvD’s special study, October 2018

¹⁴ EBRD’s Ukraine Country Strategy 2018-2023

Principles

The Ukraine MDA was established as *“the Bank’s operational approach require(d) new donor resources primarily to finance policy dialogue and institutional capacity building with a view to take advantage of the transition opportunities”*. It was set up to work in parallel with other financial instruments and funds. There are three fundamental principles underpinning its activities. The following analysis briefly covers the application of each of them:

- (i) Additionality:** activities within the remit of the Bank’s mandate and where it can add real value and expertise

In the process of evaluation multiple stakeholders highlighted the strongest advantages of the EBRD as fund manager: (i) its excellent credentials as a major investor in the country with a practical understanding of the challenges and opportunities of its investment climate; and (ii) extensive policy dialogue activities across many networks bringing together government and private sector actors. The Bank’s value added in this respect should be maintained. It is a strong argument to establish the EBRD’s country strategy for Ukraine (2018-2023) as a key strategic anchor for MDA activities in the future, along with the Ukrainian Government Strategy, if its extension is approved. Expanding the MDA’s remit beyond the EBRD’s areas of expertise might potentially damage the strongest element of success of the Fund’s operations and lead to an overlap with the activities of other international stakeholders.

- (ii) Alignment with Ukraine’s priority agenda:** the MDA’s activities are those that are urgently needed and where a solid commitment to immediate change was expressed by the Government

The evaluation confirmed that the Ukrainian counterparts strongly agreed on the consistency between Ukraine’s policy priorities and the MDA’s priorities, and the relevance of the MDA to the country’s needs.¹⁵ Moreover, the EBRD’s ability to react swiftly and substantially to changes in government priorities due to objective changes in the economic or political situation was highly complimented. Most of the activities supported through the MDA have action plans owned by the Government and its agencies, and are in line with some of Ukraine’s crucial international commitments.

- (iii) International co-ordination:** strategically and operationally aligning the Bank’s activities with those of other IFIs, international organisations and donors

Ukraine has become a good example of strong donor co-ordination despite a crowded donor landscape with many bilateral and multilateral agencies providing support in multiple areas. However the capacity of the Ukrainian government to effectively co-ordinate these actions remain unsatisfactory, while different stakeholders with vested interests in Ukrainian economy are keen to exploit the potential divergence in the opinion of international partners. Therefore to achieve meaningful transformations the donors can’t afford the conflicting messages and must speak with one voice on some very critical issues. Effective donor co-ordination groups led by one or other of them function in the energy, macroeconomic, banking, capital markets sectors, in the area of privatisation and management of state owned enterprises (SOEs) and state owned banks (SOBs), infrastructure etc.¹⁶

¹⁵ As expressed in Strategy -2020 approved in 2014, Medium-Term Priority Action Plan for 2017-2020 approved in 2017 with annual Government Programmes and Budgets, and Strategy of new Government approved in September 2019

¹⁶ The examples listed do not cover all groups and limited to EBRD operational areas only

Both the current and former MDs for Eastern Europe and Caucasus at the EBRD underlined the unparalleled nature of donor co-ordination in Ukraine compared to other COOs. Evidence from interviews and content analysis of the media support the existence of “one voice”. Interviews with the representatives of the World Bank, the IFC, the IMF, the EU and other entities confirmed the unified position of donors/IFIs on critical issues. Joint statements and letters contributed to ceasing the reversal of reforms in banking (SOB management), energy (corporate governance reform in Naftogaz), privatisation and SOE management, land reform, public sector reform etc. These and other partners often sit on the same committees/working groups which ensure progress in critical reforms (such as nomination committees for SOEs and SOB supervisory boards).

High-level co-ordination of MDA activities with those of its donors is maintained through the annual assembly of the contributors, and communications on the Fund’s activities and procedures among them. Day-to-day co-ordination at project/stream level is continuous, mostly among project teams rather than among representatives of donor organisations in Ukraine. Some donors expressed the desire to have more regular contact with the EBRD RO in order to obtain up-to-date information about key MDA activities happening throughout the year. Some donors, particularly those with a decentralised structure, would like to know about forthcoming events when and if possible/relevant. Evaluation suggests that contributors will benefit from more “proactive” (rather than “reactive”) communication of information from Kyiv RO regarding key events/milestones. It is understood that management is already taking some steps to improve the information flow among donors based in Kyiv.

2.2. Operational Guidelines (General Conditions) and Funding

- *Ukraine MDA is managed according to the Bank’s mandate and key policies, and in conformity with its agreed operational guidelines (General Conditions)*
- *The flexibility of the Fund’s allocation with a focus on institutional capacity and governance works well*
- *Some operations anticipated by the General Conditions have not been utilised; their role in a possible extension should be examined*

The Ukraine MDA is administered by the Bank in accordance with the General Conditions of the Ukraine MDA (BDS14-167 (Rev3)), co-operation agreements between the Bank and the Ukraine MDA contributors and the Bank’s internal policies and procedures, in particular the Procedure for the Review and Approval of the Use of Grant Funds (PRO/2019/18).

The General Conditions stipulate various aspects of the Fund’s administration and they have evolved over the Fund’s lifetime, particularly at the time of extending the sunset date from 2017 to 2020. Key elements of the General Conditions are presented in Box 4 below.

Box 4. Key elements of the General Conditions of the Ukraine MDA

Mobilising funding

- a procedure for signing of co-operation agreement with individual donors;
- a minimum threshold of €500,000 for the first donor contribution;
- donors can express preferences for the allocation of their contribution, however those are not binding and do not lead to earmarking of the funds to a specific project or pillar;
- some co-operation agreements also include recommendations on the detail of reporting pertaining to specific activities under the MDA.

Eligibility of activities and use

- activities that could be funded from the MDA include (i) technical assistance, (ii) investment grants, (iii) incentive payments and (iv) first-loss guarantees. At the time of evaluation most funds were committed to technical assistance;
- other IFIs can apply for MDA funding. At the time of evaluation there was not a single example of such application.

Approval of projects and oversight

- the approval procedure is split into two streams: for smaller projects of up to €300,000 the Bank has a delegated authority whereby final approval is done by the Managing Director for External Relations and Partnerships. This threshold was raised from €150,000 in 2017;
- for larger projects above the €300,000 threshold, approval requires at least $\frac{2}{3}$ of all contributors providing at least $\frac{2}{3}$ of the total amount of cooperation funds.

Decision making and Reporting

- contributors have 10 working days to decide on various aspects of the Fund's activities on a no objection basis;
- contributors receive semi-annual narrative reports; annual financial reports, including audited financial statements and detailed project-by-project reports.

The Bank's administration procedures and fees

- the Fund is managed as per the General Conditions and the Bank's own established policies and procedures;
- the EBRD is entitled to administration and management fees, ranging from 2% to 4% of the total contribution. The percentage depends on the sum of co-operation funds provided by the contributor, with a smaller amount incurring a higher percentage. This condition was amended in 2017 – from a flat rate of 2%;
- the EBRD has no responsibility for activities carried out by implementing agencies;
- the prohibited practices and enforcement procedures were expanded in 2017.

Fund's lifetime

- at inception in 2014 the Fund's expected lifetime was three years, with the possibility of extending for a further three years; the contributors took up this opportunity in 2017;
- the current Ukraine MDA sunset date is July 2020.

The contributors' assembly meets annually to take stock of the Fund's activities, review its pipeline, structure of allocations, and consider/make decisions on any necessary modalities. For these meetings the EBRD provides a report on the previous year, the pipeline for the next year, and presents the results of selected projects. The two out of three most recent donor assembly meetings took place in Kyiv, Ukraine. It was highlighted by several stakeholders that this practice provides an opportunity to meet a wider group of local stakeholders and visit specific projects; it enhances the contributors' understanding of the real progress with the Fund's activities.

EvD discovered no deviations from the general conditions or Bank's procedures/policies in the implementation of Ukraine MDA activities. The evidence suggests that the flexibility of funding allocation (without strict earmarking) and the focus on institutional capacity and governance issues across a range of sectors that are included in the Bank's specialisation is its strongest feature and should be maintained. There are, however, some elements of the General Conditions that were not utilised – for example the use of funds by other IFIs or the financing of investment grants, concessional funding and first-loss guarantees. **EvD recommends that management investigate the reasons behind the lack of demand for these instruments.** The results of this investigation should then inform the decision on whether to discontinue these options or give them more prominence in the next period of the Fund's activities, should the extension be approved. Five years of administering the Fund has demonstrated where the demand is high and where it is low. Some features could be removed in order to streamline the MDA's activities and procedures, particularly if alternative sources of financing exist (i.e. climate funds, E5P or the Bank's own SSF).

2.3. Delivery and Reporting

- *Responsibility for implementing individual projects lies with OLs*
- *DCF is responsible for overall management and oversight of the Fund*
- *Recognition of bankers' work in managing TC projects is peripheral, it is often considered as non-core task*
- *Policy staff working on Ukraine has expanded and solid ground presence is one of the Bank's strengths*
- *Reporting systematically mistakes project outputs for outcomes*
- *There is little linkage of reporting to larger MDA purposes*

The Donor Co-Financing Department (DCF) is responsible for managing the Ukraine MDA, with dedicated fund officers, as is the case for all donor funds at the EBRD. They ensure that procedures are followed, manage contributions and funding allocations, and facilitate effective communication with and reporting to the contributors. As per the General Conditions, DCF jointly with the other departments is responsible for ensuring donor visibility and preparing/reporting on the Fund's results framework. Projects prior to donor funding approval are submitted and approved by the EBRD's Grant Unit (Authorised Approver), as are all TC projects at the Bank. DCF has well established processes and algorithms for managing funds and they are used to administer the Ukraine MDA. However, this is the only single country MDA managed by the Bank and therefore there is an especially close engagement with the country team, particularly the Managing Director for Eastern Europe and Caucasus, Director for Ukraine and his deputies.

The design and Implementation of individual projects is the responsibility of individual operational leaders (OLs) and includes heavy administrative and operational workloads.¹⁷ MDA projects are not discussed at and/or approved by the Operations Committee – OLs and senior directors ensure the congruence of work delivered through MDA-funded projects with investment activities (if relevant). The visibility of individual projects is equally the responsibility of the OL and some projects have much higher recognition and traction than others – sometimes due to the scope of engagement, and sometimes due to the level of seniority of the OL/sponsor within the Bank. For example, the URA project has a very high visibility, as do the Business Ombudsman Institution, projects aimed at improving corporate governance in some key SOEs (Naftogaz), and the ProZorro e-procurement system. Although, in the latter two cases, as the projects are part of a much larger stream of technical assistance provided by various donors, the attribution of the EBRD’s role is not as significant as it might be.¹⁸

Project OLs may be based in London HQ or the Kyiv Resident Office (RO); they could be bankers or specialists in policy teams (Legal Transition, Governance, E2C2, LC2 etc). The Managing Director for Eastern Europe and Caucasus, Head/Deputy Head of Ukraine and the DCF Director are the Bank’s key stakeholders in the process of sourcing/forming the pipeline and setting up priorities for project implementation in a given timeframe. Projects that directly pave the way to investments (i.e. Naftogaz or Ukrainian Railways, dialogue in the agribusiness sector) or contribute to reducing/ removing investment risks in certain areas (BOI, DGF, ProZorro) have preference. Quality control and compliance with the Bank’s procedures is ensured through the process of grant review by the EBRD’s Grant Unit. Final decisions about projects under delegated authority are made by the EBRD’s Managing Director for External Relations and Partnerships.

Recognition of bankers’ work in managing TC projects is peripheral, it is considered as non-core task. The commitment to efficient delivery and high results achieved in these projects have no or very little effect on assessing the bankers’ individual performance vis-à-vis investment projects and might affect their motivation.¹⁹ Frequently, TC projects are managed “on the margins” of the core day job – financial operations. This issue has been identified regularly by EvD. Some improvements have been introduced since then: policy objectives are present in the departmental scorecards to ensure congruence of investments and policy dialogue in the client group; annual policy awards are aimed at distinguishing best examples of policy work and motivating staff. However the feedback provided for this evaluation confirms no material change in the perceived importance of policy dialogue and technical assistance – they remain secondary compared to core banking business and are often excluded from the performance and motivation matrix of individuals.

On the other hand, managing TC projects and policy dialogue is a key business task for the Bank’s policy experts – they are operational leaders for the majority of Ukraine MDA projects – and there is no conflict in their appraisal and performance matrix. Moreover, since 2014 Ukraine has seen an increase in locally-based and London-based positions of economic, legal and governance cadres, some of them funded from the MDA through fixed-term consultancy budgets. Stronger policy capacity has helped bankers to

¹⁷ This includes: project design, submission for approval by the EBRD Authorised Approver (PRO/2019/18) and contributors (where required under the General Conditions of the Ukraine MDA), contracting of consultants, engagement with the country stakeholders, co-ordination with other international partners, disbursement of funds and monitoring implementation.

¹⁸ This finding is based on a number of interviews with key stakeholders involved in corporate governance and procurement stream of work – donors, consultants, government stakeholders.

¹⁹ Observation is based only on the interviews conducted for this study

gradually build a solid pipeline of investment projects – in 2019 the EBRD has achieved €1 billion ABI following three years of challenging investment performance.

Ukraine MDA aggregated reports prepared by DCF are of a good standard and make the best use of available primary project reporting and information provided by the operation leaders of the respective projects. Day-to-day monitoring of project implementation and self-evaluation at completion is performed by OLs. Analysis of internal progress and completion reports (available through the internal TCRS system) suggests that the operation leaders of individual projects exert good due diligence and submit correct information, although not always in a complete and timely manner.

However, in most cases OLs are unaware of the results chain and causal links between the inputs/activities and mid-term results. Project activities, which are simple outputs, are consistently regarded as outcomes, which is a fundamentally different concept. In the absence of any credible metrics for results, even in proxy form, project reporting cannot connect to the MDA's objective – “stabilising Ukraine's macroeconomic situation and fostering Ukraine's growth rebound”. There is a significant gap between reporting the results of specific activities (number of laws approved and trainings performed) and the qualitative improvements in the investment climate and growth in the specific sectors/economy in general.

To bridge the gap between output-based reporting and the MDA's purpose the evaluation team designed (retrospectively) a theory of change for the MDA, where the missing middle link in the results chain is restored (see Annex 1). The results chains are presented for three distinct project types: (1) supporting public administration; (2) improving corporate governance; and (3) building dialogue between the public and private sectors. This framework could be used as a basis for the next iteration of the Ukraine MDA if its extension is approved. It will help to determine the evaluability of submitted projects and lead to a better quality of results reporting against set benchmarks and objectives.

3. Analysis of MDA portfolio and project results

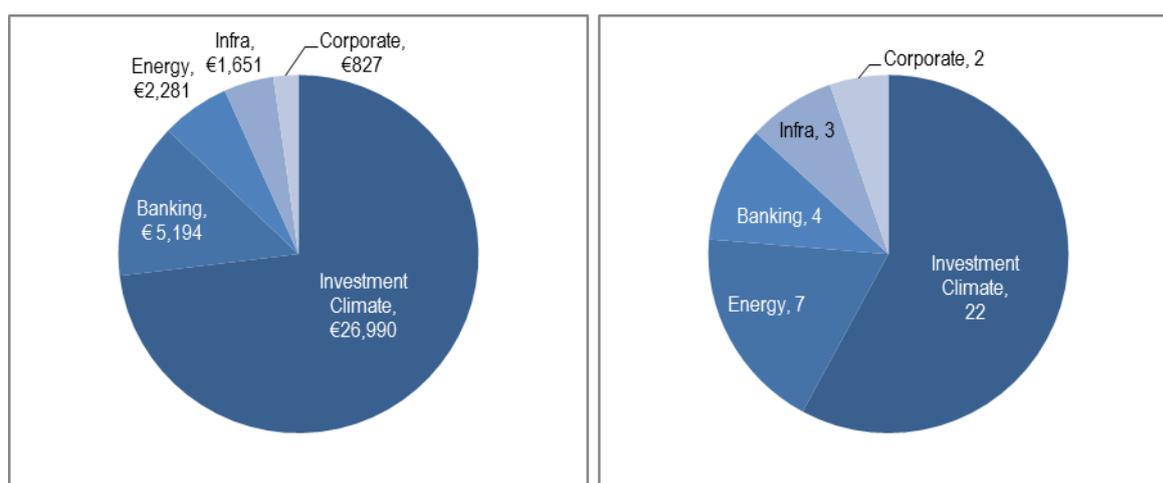
- *Overview of the results of completed and operational projects offers evidence of substantial effectiveness at the project level.*
- *However, baseline indicators are often missing or presented in general/qualitative form (i.e. submitted legislation).*
- *Project level monitoring is designed to track both outputs and outcomes of the project but progress and completion reports show a lack of understanding of the links between project activities and intended results.*
- *Often defined/reported outputs are identical to the outcomes. When outcomes are not identical, they still mostly represent the immediate result of the activity, rather than accumulated result achieved in the mid-term perspective.*
- *These issues are found consistently in the Bank and require an institutional level response*

3.1. Overview

The evaluation included 38 TC projects financed from the MDA, amounting to €36.9 million earmarked funds across five pillars: (1) investment climate; (2) banking sector; (3) energy; (4) corporate sector; and (5) infrastructure. The distribution of projects and funding across the five pillars is presented in Graphs 4 (a) and (b).

The largest pillar in terms of volume (€26.9 million) and the number of projects (22) is the investment climate. It is in line with the additionality principle of the MDA and the purpose of the Fund to finance institutional capacity building and policy engagement activities. Of the 22 projects in the investment climate pillar, the majority of funds are allocated to Ukraine Reform Architecture, the Ukrainian Business Ombudsman Institution and ProZorro Project Implementation Support (see Table 1 below). In the banking pillar there are four projects, in corporate – two; in energy – seven; in infrastructure – 3.

Graph 4. MDA projects by pillars in (a) earmarked volume (€'000s) and (b) number of projects



Source: 2019 H1 Report of the Ukraine MDA

N.B.: without most recent funding agreement for EUR 10 million signed with the EU in October 2019

Table 1. Top three projects in each MDA pillar with budgets

Investment Climate	Banking	Corporate	Energy	Infrastructure
Support for Institutions under the Reform Support Architecture for Ukraine €14.8 million	TC for Deposit Guarantee Fund €3.3 million	Advice for Agribusiness €750,000	Programme to Support Renewable Energy in Ukraine €1.68 million	the Ukraine Public Transport Framework €750,000
Ukrainian Business Ombudsman Institution €7.3 million	Support of Institutional Reform in Oschadbank €900,200	AML Corporate Governance Improvement Project €76,922	Corporate Governance Review of Naftogaz and Ukrtransgaz €242,500	Supporting investments in sustainable municipal solid waste management and recycling €749,450
ProZorro Project Implementation Support €633,750	Financial Sector Reform in Ukraine (Phase II) €594,000	n/a	Methane Emissions Reduction Programme in Gas Supply Chains €129,930	Anti-Corruption Action Plan for Ukrainian Railways €152,000

Source: Ukraine MDA Report H1 2019

As of June 2019, €30.4 million or 82% of approved funds had been contracted, and €24.2 million or 65% of approved funds had been disbursed. A total of €4.3 million funds remained uncommitted and may be allocated to new projects until July 2020. At the same time, the estimated pipeline in June 2019 amounted to €7.9 million with several project proposals being rollover financing for existing initiatives, such as the Business Ombudsman, Investment Council, Ukraine Reform Architecture, ProZorro e-procurement platform etc. In October 2019 the EBRD signed a new €10 million contribution agreement with the EU, thus bringing the total Ukraine MDA budget to €53.5 million. A full list of Ukraine MDA projects and their status is presented in Annex 3.

3.2. Completed projects

- *Supported Ukraine's accession to WTO GPA – since February 2019 Ukraine has chaired the WTO's Work Programme on Collection and Reporting of Statistical Data – recognition of its achievements and capabilities (jointly with WTO)*
- *Contributed to the creation of the e-procurement system ProZorro – one of the most open and efficient systems internationally, savings from e-procurement in 2015-2018 reached US\$2.76 billion (jointly with Transparency International, many donors, and the Ukrainian IT business community)*
- *Helped with the process design and strengthening institutional capacity of the Ministry of Justice and regional bailiff centres to manage the Enforcement System of court decision, including the introduction of a hybrid bailiff service with a 50/50 state/private combination (jointly with IDLO)*
- *Supported the reform of the agribusiness sector through: deregulation including the abolition of state price regulation for food products and services, the introduction of quality standards and predictable algorithms for relations between government and agribusiness producers; strengthening the expert and self-regulatory capacity of several agribusiness associations (jointly with FAO)*
- *Contributed to the corporate governance reform at Ukrenergo, one of the key SOEs in the energy sector (jointly with OECD, WB and others)*

Nine of the 38 projects had been completed by June 2019 and were available for the evaluation of results.²⁰ EvD reviewed the completion reports for these projects (see list below)²¹, which include reporting against identified outputs and outcomes. Project documents do not identify long-term results chains contributing to impact. EvD produced a theory of change for the MDA and integrated the findings of individual project results into larger country and sector results – see Annex 1.

²⁰ Two previously completed projects have received MDA financing for new assignments in mid-2019 so were re-classified as operational in the process of evaluation - Ukraine: Corporate Governance Review of Naftogaz and Ukrtransgaz; and Regional: Support with the implementation of the WTO GPA standards

²¹ Not all completed and ongoing projects have reports filed to the EBRD's TC reporting system (TCRS). In some cases it was agreed at the start (Advice for Agribusiness), in others operational leaders provided the reports separately, however they had no information on the level of output/outcome (Sustainable Development of the Power Sector Programme). Some regional project reports contain self-assessment of the overall facility with little detail on Ukraine case that was funded from Ukraine MDA, e.g. "Regional: Support with the implementation of the WTO GPA standards"; "EBRD GPA TC Facility – Support in Accession to the Agreement on Government Procurement of WTO (Regional)".

The portfolio of nine completed projects is structured as follows:

- two projects in the energy pillar, both related to transaction;
- five projects in the investment climate pillar, including two projects in the area of public procurement;
- two projects aimed at organising training/conferences, a one-off action (one of them in the corporate pillar and another in investment climate).

There are no completed projects in the banking pillar and EvD has reviewed the ongoing project “Technical Co-operation for the Deposit Guarantee Fund” in Chapter 3.3 where two stages have been completed and the third was launched in mid-2019.

Table 2 presents a numerical overview of the status of achievement of project outputs and outcomes. While reviewing the results of the nine projects, with the exception of two projects for which output/outcome data was not available to EvD at the time of evaluation, it was noted that:

- 28 out of 29 outputs were fully achieved (with 3 out of 3) and only one partly achieved (2/1 out of 3);
- 19 out of 21 outcomes were fully achieved (3 out of 3), one partly achieved (2/1 out of 3) and one not achieved – in a project related to delivering AML training to Ukrainian banks, where it was too early to state the result. However, the observation was made in December 2016 and the target date is June 2019 – so the review of results is warranted in this instance.

Table 2. Project output and outcome achievement

#	Projects	Total outputs	Achieved/ partly/ not achieved	Total outcomes	Achieved/ partly/ not achieved
1	13th Procurement, Integrity, Management and Openness (PRIMO) Forum	3	3 / 0 / 0	1	1
2	EBRD GPA TC Facility - Support in Accession to the Agreement on Government Procurement of the World Trade Organization (Regional) *	5*	5/0/0	3*	3/0/0
3	#942 Partnership Agreement between Ukrainian Government and Private Sector	4	4 / 0 / 0	3	3 / 0 / 0
4	#597 Public Procurement Policy Advice and Legislative Drafting for eProcurement reforms	8	8 / 0 / 0	5	5 / 0 / 0
5	#6891 Review and Revisions of Legislative Framework for Privatisation in Ukraine	3	2 / 1 / 0	3	2 / 1 / 0
6	#172 AML Corporate Governance Improvement Project	3	3 / 0 / 0	3	2 / 0 / 1
7	Sustainable Development of the Power Sector Programme; Technical Audits / Projects Review / Projects Preparation - Mott Macdonald - NAK Ukraine**	1**	n/a	2**	n/a
8	#7112 Ukraine: Bailiff Service Capacity Building (Phase 1)	3	3 / 0 / 0	3	3 / 0 / 0
9	#8118 Regional: Programme for Improving Corporate Governance in Selected EBRD Investee Companies and Banks: Ukrenergo	n/a	n/a	n/a	n/a

Source: EvD's elaboration based on available project completion reports

* This is large regional programme with overall budget of 1.620 million. It consists of 16 assignments, only some of which are relevant for Ukraine. Reports provided separately by DCF include overall assessment of entire framework without much in-depth information for Ukraine case, except brief statements on short-term and mid-term achievements – such as Ukraine becoming WTO GPA member in December 2016. EvD has subjectively selected the outputs and outcomes that are relevant to “Ukraine component”; however those might not necessarily be covered by Ukraine MDA in its entirety.

**Information on outputs/outcomes of this project was provided by DCF separately at a later stage; it was not covered in project completion report provided by OL neither it was revealed during the interview with OL, therefore it was not validated.

Annex 4 provides a project-by-project validation of results with comments on project relevance, efficiency, effectiveness, impact and sustainability. Box 5 below summarises key findings for all completed projects (except one-off events) that are most relevant for answering the evaluation questions.

Box 5. Completed projects: key elements

- **The EBRD’s position as the largest investor in Ukraine (in both the private and public sector) has contributed to the implementation of all projects.** Evidence from the documents and interviews with key stakeholders supports the statement that the EBRD’s leverage through investment projects delivers results in achieving improvements in the legal and regulatory spheres (specifically for completed projects - in energy and agribusiness sectors).
- The EBRD’s modus operandi in most cases is not “doing for” but “doing with” – its in-house experts and consultants from partner organisations (i.e. IDLO, FAO, WTO) **built trust and mutual understanding with the local partners**, helping them to enhance knowledge, skills and expertise in a specific area. Ownership of reform by local stakeholders is present and ensures the sustainability of processes and frameworks created during the project lifetime.
- **Project “Partnership Agreement between Ukrainian Government and Private Sector” (Agribusiness)** was delivered jointly with the EBRD’s long-term partner FAO.²² Its results are: (i) a number of key legal and regulatory acts in state price regulation, self-regulatory organisations, veterinary practice, animals identification and traceability, on agriculture co-operation; (ii) the abolition of price regulation for food products and services in October 2016 after a successfully run pilot; (iii) enhanced expert and analytical capacity of two associations (pig breeders and millers); (iv) expanded export markets for Ukrainian agribusiness producers (FAO supported participation in relevant sectoral trade fairs and missions). **Outcome of project: five new investment projects in the agribusiness sector were signed (in the grain, dairy and sugar sectors).** Two spin-off TC projects were launched: (i) supporting the development of self-regulated agribusiness associations (14) with funding from SSF and (ii) legislation on agribusiness co-operation that among other elements should allow co-ops to become the owners of their own production (currently only individual farmers can be the owners).
- **Project “Sustainable Development of the Power Sector Programme; Technical Audits / Projects Review / Projects Preparation - Mott Macdonald - NAK Ukraine”** was directly related to a joint EBRD/EIB investment project “Emergency Pipeline Repair” for the amount of €400 million (€150 million funded by the EBRD) with SOE UKRTRANS GAS. It delivered a report with recommendations on operational and energy efficiency improvements as a result of pipeline repair. At the time of evaluation the investment project had not been disbursed and there is no evidence that the report recommendations were adopted. However MDA contributors have recently approved a new TC on methane emissions reduction in gas supply chains intended to build on the design first suggested by the consultants of the completed TC project.

²² EBRD-FAO co-operation is regulated by MoU between two organisations

- **Project “Ukraine: Bailiff Service Capacity Building (Phase 1)”**: EBRD and IDLO consultants delivered a process design for the Enforcement System which is now fully implemented. According to the key beneficiary at the Ministry of Justice, despite many donors being active in the legal domain, none of them could deliver this critical task. Project results also included comprehensive training programme, including the launch of five regional centres and an online platform which is fully operational. The main achievement that should be highlighted is a great level of trust and mutual understanding between the EBRD, IDLO and beneficiary. At the time of evaluation, the second phase of the project was being designed.
- **EBRD GPA TC Facility - Support in Accession to the Agreement on Government Procurement of the World Trade Organization (Regional): Ukrainian assignments.** The Legal Transition Team provided comprehensive support for Ukraine’s membership in WTO GPA, which was achieved in October 2016 (the process started in 2012 and was funded from other sources as well). Ukraine is an active member of Global Procurement Agreement and working on expanding into international procurement markets. A related project on implementing WTO GPA commitments and transposing its principles into national legislation is ongoing (also funded by the Ukraine MDA), including new assignments related to enhancing the technical and other capacities of Ukrainian businesses and platforms to take part in international tenders.
- **Project “Review and Revisions of Legislative Framework for Privatisation in Ukraine”** delivered expected draft legislation and regulations, which were approved by the Government, however approval by the Parliament was stalled until recently. The newly elected Parliament and newly appointment Government have a greater appetite for the reform of state property management and privatisation.
- **Project “Public Procurement: Policy Advice and Legislative Drafting for e-Procurement Reforms”** supported launch of Ukraine’s highly successful ProZorro e-procurement system. It helped to draft primary and secondary legislation, build capacity of the very first group of public officials responsible for piloting and later successful running of the system, technical and expert support during the pilot stage and continuation of support further (in the framework of other projects, including those funded from the MDA). Long-term outcome of the project is successful implementation of e-procurement reform driven by block chain technologies, open-source software and multi-platform auction solution. ProZorro gradually expanded into all spheres of public procurement in Ukraine and in 2015-2018 saved US\$2.76 billion of public funds. System is in continuous state of improvement and evolution, including extension to other public services – such as assets management and disposal through ProZorro.Sale platform. Results are sustainable and will be difficult to reverse. ProZorro became a model used in some other COOs (i.e. Moldova, Tunisia), albeit with significant degree of localisation.

3.3. Ongoing projects

Twenty-seven projects are at various stages of implementation, including four which were approved in the first half of 2019. Several projects are complex and consist of multiple assignments and several stages. The evaluation team reviewed four of them in order to provide some interim evaluation findings: (1) Support to Institutions under the Reform Support Architecture for Ukraine (URA); (2) Business Ombudsman Institution; (3) Deposit Guarantee Fund; (4) Corporate Governance Review of Naftogaz and Ukrtransgaz.

The key findings most relevant for answering evaluation questions are presented in Boxes 6-8 below, while Annex 4 provides a project-by project validation of emerging results with the focus on relevance, efficiency, effectiveness, anticipated impact, and sustainability (when relevant/available). Annex 5 contains Business Ombudsman evaluation case produced in October 2018. The analysis included a document review; consultation with external sources; interviews with operational leaders, key beneficiaries and consultants when possible.

Box 6. Support to Institutions under the Reform Support Architecture for Ukraine (URA)

Launched in 2014 as EBRD-funded and managed support to National Reforms Council, URA has evolved to become the most complex and ambitious projects funded by Ukraine MDA and one of the biggest policy TC projects ever implemented by the EBRD. **URA was designed with the aim of transitioning from the old-style ineffective civil service to a new form of public administration**, with clear functional divisions, lean structures, separation of policy planning and delivery, strategic planning and budgeting with clear KPIs, a programmatic approach and a professional public service selected from the best of the candidates receiving competitive remuneration. Its immediate objective was to kick-start the new public service procedures and algorithms, based on comprehensive functional reviews and strategic frameworks of public administration reform (PAR), and new expert capabilities across the Government.

Comprehensive PAR support package is led by the EU, with the participation of some bilateral donors, few of which are MDA contributors. The EU provides technical and advisory support to the Government and direct budget support to finance a new civil service. Its main vehicle for delivery is the TC project EU4PAR. Due to the close alignment of the EU4PAR and URA objectives, EU experts were involved in designing URA procedures and algorithms together with the EBRD specialists; they contributed to regular monitoring and evaluation; and are currently engaged in developing URA 2.0, to be launched by the EBRD in 2020.

URA's task is to provide temporary structures enabling new standards of public policy planning and delivery until the point when PAR is completed and the new civil service is launched, ensuring there is no gap in public service. URA's ultimate achievement is for there to be no need for temporary deployed professionals. The successful completion of the PAR pilot in seven ministries and the launch of universal PAR are essential conditions for URA to succeed and gradually to be completed. For this to be achieved, PAR progress should be monitored/evaluated and certain trigger indicators integrated in the URA matrix for gradual reduction of scope. This task goes beyond the scope of current evaluation, which can only rely on existing URA documents and feedback from the stakeholders.

Semi-annual URA progress reports contain a great deal of detail on the results of its activities across three strands: (1) SAGSUR (Strategic Group of Advisors): a high-level advisory group led by the former Prime Minister of Slovakia, Ivan Miklosh; (2) RDO – the Reform Delivery Office at the Cabinet of Ministers (central reform co-ordination unit); (3) RSTs – Reform Support Teams in six ministries and three government services/agencies (Annex 4 contains a full list).

Project progress reports contain largely input-output analysis – many details on the activities and their results, listing approved laws and regulations, communications, training and capacity building events etc. However, as it lacks higher level results and the project has no results framework/casual results chain, aggregation across dozens of work streams is challenging. Moreover, RST/RDO outputs largely duplicate the outputs of the Government's work in essence, as their role is **to support and to enable** effective policy development, decision making, delivery, and monitoring by respective departments in the ministries/agencies. Evidence from the interviews suggests that sometimes URA outputs duplicate the results of other EBRD TC projects, funded through the MDA

or other donor funds, which address specific sectoral policy challenges. It is important to identify the core deliverables specific to RSTs, indicating larger achievements towards which they contribute, also mentioning other stakeholders who've been contributing.

EvD agrees with the conclusions of the recent EU-funded evaluation of RSTs: *"appraisal of the results delivered by temporary support staff can't be made only on the basis of simple input-output analysis... any assessment of the performance and effectiveness has to be framed in a broader political context of Ukraine, division of political powers and influence of respective politicians"*.²³

Regular project self-assessment should concentrate on the processual progress and sustainability of newly introduced processes and functions. For this a matrix should be designed, which is the intention of the operational team preparing URA 2.0.²⁴

The main issue of concern for URA is the sustainability and self-sufficiency of the institutions and processes it launched. As there are not many ex-ante criteria for defining the impact and sustainability, EvD considers sustainability through the prism of: (i) human capital and (ii) structures and procedures.

The anticipated and partly demonstrated sustainability of human capital is high. URA's achievements in preparing a sizeable group of skilled and motivated experts working in RSTs/RDO are evident. The evaluation team interviewed practically all heads of RSTs/RDO and most of their core Government partners (heads of agencies, (former) ministers/deputy ministers and state secretaries, heads of key departments). Their motivation is clear, their skills are strong and relevant, and the speed/flexibility of delivery is high. Their relatively junior status and realistic remuneration package does not create too much animosity (although there are some cases). After leaving RSTs people remain in the reform "orbit" working in other public agencies, TC project teams, new civil service departments, parliament, etc. However, some RST experts failed the selection for the new civil service. At the same time, according to government officials interviewed by EvD, the skills/experience of successful candidates who joined the new civil service in reality often don't fit in the specific ministry/directorate. There is room for improving the process and bridging the gap between recruiting temporarily deployed staff and permanent civil servants, particularly as one of URA's objectives is to retain RST experts in the public service.

The collective nature of reform teams (rather than individual experts) and the fact that they are local experts enhances the sustainability of built capacity as the likelihood of them leaving the country is low (unlike international consultants).

Sustainability of structures and procedures is less evident, as they are more dependent on politico-economic factors. The interaction among RSTs and the rest of the ministry is not always easy and elicits a mixture of appreciation and disdain. In some cases the teams worked against the will of the ministry's leadership (although with support at political level), while in others they had ministry's full support and commitment, and in yet more the situation was somewhere in-between. But most of them noted that regardless of the environment in the specific agency, focused efforts on PAR (which represents 30% of the total RST workload) delivered results – observable change in the behaviour and processes used by the ministry/agency staff, their openness to learning and improving, and a certain degree of "appropriation" and automation of newly introduced processes.

The evaluation team has observed a number of issues related to the efficiency of implementing URA which are noted in Annex 4.

²³ Brief assessment of means created and applied to temporary engaged Ukrainian professionals to support reforms in Ukraine, Final reports, EU4PAR, September 2018

²⁴ EvD agreed to support URA team at EBRD in developing project's results framework. It is in line with the theory of change prepared for the MDA. However it merits a separate document with the explanation which is to be shared in November 2019.

Box 7. Business Ombudsman Institution (BOI)

MDA helped to create several institutions from scratch, one of the most significant being BOI. In the four years since its launch in 2015 BOI has helped more than 4,200 companies in Ukraine to resolve their grievances with state institutions. It resulted in a financial impact at the level of UAH 15.6 billion.²⁵

BOI was designed as a substitution institution – instead of dysfunctional state agencies that, in theory, should support businesses in their activities, rather than create continuous handicaps and sometimes hostile actions. With the ongoing reforms of key economic institutions in Ukraine – such as the Fiscal Service and Customs Service – and the potential removal of economic functions from the enforcement agencies, such as the State Security Service and Ministry of Interior, there should be a gradual reduction in the scope of BOI's work in the future.

While initially its sustainability was considered through the lens of financial contributions from founding business associations, the BOI's future path for sustainability should be rooted in an effective matrix for monitoring context indicators in order to assess the real demand for its services. If and when a specific public agency establishes new procedures and algorithms, including in the area of dispute resolution and recourse, the BOI will lose one or several segments of its current scope of activities. For example, if the Tax Service establishes an effective system to deal with complaints, BOI might lose most of the complaints that are currently filed against the actions of the Service.

Ideally, it will narrow down to zero – the situation where all state agencies that provide services and support to companies working in Ukraine, from licencing and labour security to taxation and ownership rights, are working properly and ensure equal treatment and rule of law. However it will be a lengthy process and it is clear that demand for BOI activities will be high in the mid-term perspective. Therefore, if extended, the MDA should consider further support to BOI, however with the condition of setting up a clear “graduation” plan aligned with the transformation of key institutions that are currently the main “clients” of BOI recommendations. Approval of the BOI Law by the Parliament, and its enactment (which should establish its official and independent status in the structure of public administration), is an essential element for BOI's sustainability. Its draft was prepared and approved in first reading by the Parliament in 2016, however no further progress was observed. In the wake of the recent political changes the draft was revised and is expected to be re-submitted to the Parliament in early 2020 with the anticipated greater support from the MPs.

Box 8. Deposit Guarantee Fund (DGF)

Since 2014 the Deposit Guarantee Fund has managed the process of liquidating 104 out of 180 Ukrainian banks.²⁶ Jointly with other international partners and external consultants the EBRD has delivered a systemic change in this essential institution that ensures the stability of the banking sector. Given the dramatic increase in tasks and staff (from 60 in 2013 to 400 in 2019), the Fund was struggling with operational processes and efficiencies, it lacked expertise and experience dealing with the challenges of such a scale.

The project helped to address most of them, including single standards for data monitoring and assessment of all impaired banks, the production of real-time data, accurate accounts, etc. DGF is gradually unwinding bankrupt banks. Although the legally binding 5-year period of “cleaning” the banking sector is about to expire in 2020 the DGF is still in the process of recovering assets from bankrupt banks and their ultimate beneficiaries.

²⁵ <https://boi.org.ua/en/statistic/>

²⁶ National Bank of Ukraine, <https://badbanks.bank.gov.ua/>

It also requires a revision of the model of its financial sustainability, as the level of debt taken on from the Ministry of Finance in 2014 in order to deliver all guaranteed payments will double by 2030 if no active restructuring measures are performed. DGF's current level of indebtedness precludes it from effective functioning and puts too much of a burden on the guarantee scheme participants, as their fees are not invested in the functioning of the system but in paying back debts. This activity is the subject of the project's recently approved third phase.

Also, DGF is currently facing new challenges related to the recent adoption of the "Split" Law that clearly defines the division of regulatory functions between the National Bank of Ukraine and the State Commission on Securities and Stock Market. As a result, DGF most certainly will undertake the oversight of several new classes of financial institutions, such as financial co-operatives and insurance companies. Anticipating fluctuations in staff levels (from large to small and then potentially back to large) DGF is creating a roster of pre-qualified experts who could be quickly deployed in a time of great need/crisis.

4. Impact and Sustainability of MDA activities

- *This section reconstructs the mid-term and long-term results of the MDA's activities in relation to the impact – changes in Ukraine's macroeconomic situation and investment climate, and growth dynamics.*
- *Ukraine has pursued sound monetary and fiscal policies; it improved its internal and external deficit due to (ongoing) structural adjustments, including in energy policy. For example, the deficit of Naftogaz, a systemic gas company in state ownership, was equal to 5.4% of GDP in 2013 – in 2018 it contributed 19% of total budget revenues.*
- *Economic growth has stabilised at the level of 2.5-3% with an improved forecast for 2019 and 2020 (3.3% and 3.5% respectively).*
- *Ukraine has significantly improved its ranking in key global indices: by 48 positions in the World Bank 'Doing Business' rating 2013-2019; by 23 places in the Global Open Data Ranking 2015-2017; its score on Transparency International's Corruption Perception Index improved from 25 to 32 points out of 100 (2013-2018), although it is still 120th among 180 countries. Ukraine is 43rd out of 126 countries in the Global Innovation Index (2018).*
- *Post-2014 transformations are unique due to consistent behavioural changes across large groups of stakeholders in the public and private sectors, with a sustained commitment to deeper institutional change (although this commitment is not universal and there are strong counter-acting forces).*
- *Ukraine's greatest challenges persist – wide-spread corruption and poor governance.*
- *Changes in some sectors have reached the sustainability point (i.e. monetary policy, public procurement), while in others further support in the implementation of new laws and models is essential (i.e. energy policy, public administration reform).*

The most recent data and forecast illustrate good progress, albeit not at the pace required to restore pre-crisis levels or catch up with neighbouring countries. The most recent IMF mission to Ukraine in September 2019 concluded:²⁷

²⁷ Press Release on Conclusion of IMF Mission to Ukraine, 27 September 2019
<https://www.imf.org/en/News/Articles/2019/09/26/pr19356-ukraine-imf-staff-concludes-mission>

“The [Ukrainian] economy is growing at a pace of 2½–3½ percent. Sound fiscal and monetary policies and exchange rate flexibility have resulted in a sharp reduction in Ukraine’s external and internal imbalances. The overall fiscal deficit has been limited to just above 2 percent of GDP in the last two years and is expected to remain at the same level this year. The energy sector’s quasi-fiscal deficit has been eliminated—a major accomplishment. Moreover, the current account deficit has fallen to 3–3½ percent of GDP and reserves have recovered to over US\$20 billion. Decisive efforts to restructure the banking system have been critical for economic stabilization and the resumption of growth.”

The EBRD’s most recent regional economic outlook upgraded Ukraine’s GDP growth forecast for 2019 from 2.5% to 3.3%, and for 2020 from 3% to 3.5%.²⁸ Based on the more optimistic performance of the Ukrainian economy in Q2 2019 – 4.6% y-o-y – the National Bank of Ukraine (NBU) has upgraded its forecast of economic growth to 3.5% in 2019 and 2020, and to 4% in 2021.²⁹ In October 2019 NBU decreased the main interest rate by 1% to 15.5% due to the consistent decline in inflation – which has returned to single digits since the end of 2018 (7.5% in September 2019 compared to 43.3% at the end of 2015).³⁰

With modest rates of inflation and stabilised currency exchange rates, Ukraine’s foreign reserves reached US\$20.8 billion in January 2019, compared to US\$7.5 billion in 2015. Thanks to enhanced investment ratings and a reduction in the cost of borrowing, Ukraine’s state debt decreased from 80% of GDP in 2016 to 59% in May 2019. Real incomes, salaries and pensions have increased, and employers report labour deficits. Business expectations for growth are modestly positive,³¹ despite the military conflict and corruption, which remain the top two concerns for the population. The share of the population living below the national poverty line reduced from 8.3% in 2013 to 2.4% in 2018.³² The estimated share of the grey economy reduced from 40% of GDP in 2015 to 32% in 2018.³³

But the IMF notes that growth is still too low, per capita GDP is just 20% of the EU average, and labour productivity is only 10% of the EU average. The IMF mission noted that in Ukraine *“growth is held back by a weak business environment—with shortcomings in the legal framework, pervasive corruption, and large parts of the economy dominated by inefficient state-owned enterprises or by oligarchs—deterring competition and investment.”* This weakness is supported by the EBRD’s own 2018 assessment of Ukraine’s transition. “Well-governed” has the lowest score among the six transition qualities - 3.6 out of 10. In other dimensions Ukraine scores higher: competitive 4.7 out of 10; resilient - 4.6; integrated - 5; green - 5.5; inclusive - 5.9.³⁴

Ukraine has significantly improved its ranking in key global indices. For example its position in the World Bank ‘Doing Business’ rating improved from 112 position in 2013 to 64th in 2019, with notable improvements in business registration, construction permits, taxation, and foreign trade sub-components. Ukraine jumped 23 places in the Global Open Data Ranking between 2015-2017,³⁵ and it is now 43rd out of 126 countries in the Global Innovation Index (2018). Ukraine’s score on Transparency International’s Corruption Perception Index

²⁸ Regional Economic Prospects in the EBRD Region, November 2019, at www.ebrd.com

²⁹ National Bank of Ukraine

³⁰ National Bank of Ukraine

³¹ For example as illustrated by regular surveys of European Business Association and American Chamber of Commerce in Ukraine

³² <https://data.worldbank.org/country/ukraine>

³³ Investment Council Report <https://ukraineinvest.com/wp-content/uploads/2019/03/Ukraineinvest-2018-H2-report-UKR.pdf>

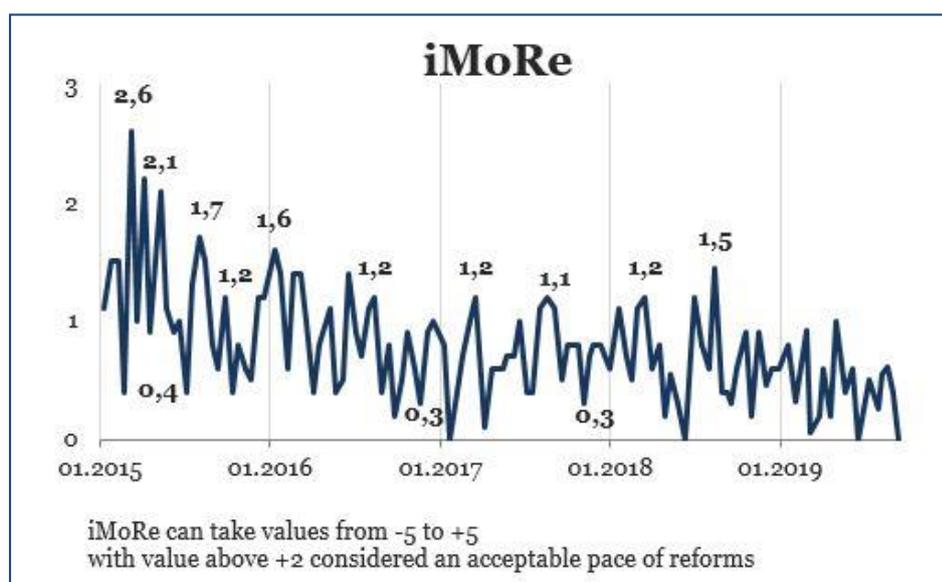
³⁴ EBRD Strategy for Ukraine 2018-2023

³⁵ <https://index.okfn.org/place/>

improved from 25 points (2013) to 32 out of 100 (2018), although it is still 120th among 180 countries.³⁶ Lack of progress in reforming law enforcement and the court system are key contributing factors. Ukraine's progress in WB's Governance Indicators is also marginal. For example, in the period 2015-2018 government effectiveness improved from 34.6 percentile to 38.5, control of corruption from 14.9 to 18.5 percentile, rule of law from 22.1 to 24 percentile, and regulatory quality saw the biggest jump from 29.8 to 44.2 percentile.³⁷

The Index of Monitoring Reforms (iMoRe) introduced in 2015 by analytical platform VoxUkraine is a good illustration of progress in reform. It tracks fortnightly reform efforts across a spectrum of economic policy spheres using quantitative evaluations based on expert assessments of changes in the regulatory environment “*that could be considered as reform or anti-reform*”.³⁸ iMoRe consists of five components: (1) governance; (2) public finance; (3) the monetary system; (4) the business environment; (5) the energy sector. Graph 5 below illustrates the fluctuations of the index since the beginning of 2015 up to mid-2019. It shows that 2015 was the most dynamic year in terms of positive reforms in the selected components, with the trend slowing in 2016 and relatively little progress in 2017-H1 2019.

Graph 5. Index of Reform Monitoring, iMoRe, 2015-2019



Source: VoxUkraine, *Index for Monitoring Reforms, 2019*, <http://imorevox.org/releases-pdf/>

Compared to previous reform efforts, the post-2014 transformation is unique, due to the high and sustained commitment of a significant cohort of public and private actors to deeper institutional change. It should be noted that this commitment is not universal and does not cover the fundamental institutions responsible for the rule of law - interior affairs, security and judicial. It is also patchy in many sectors, where two steps forward could be followed by three steps back. The greatest progress to date has been achieved in institutions responsible for economic governance and policies.

The purpose of establishing the Ukraine MDA in 2014 was (i) to stabilise the macroeconomic situation and (ii) to foster growth rebound. These could be established as the impact to which the EBRD is contributing by implementing MDA and other TC projects, policy dialogue (funded from different sources) and its

³⁶ <https://ti-ukraine.org/en/research/corruption-perceptions-index-2018/>

³⁷ World Bank, *Worldwide Governance Indicators*, <https://databank.worldbank.org/reports.aspx?source=worldwide-governance-indicators>

³⁸ Vox Ukraine <http://imorevox.org/about/>

investment projects. Analysing this contribution backwards – through the chain of long-, mid- and short-term results – delivers a coherent theory of change where the EBRD can track the contribution its efforts have made towards the overall progress. As there were no baseline indicators – no targets for either growth or parameters of macroeconomic stability – there could be no “above” or “below” expectation assessment. Only achieved or not achieved. This open ended strategy, although difficult to assess precisely, is adequate for the particular period of Ukraine’s transition, where the volatility of political, security and macroeconomic situation makes forecast challenging.

Long-term results (outcomes) of Ukraine MDA activities that contribute to a desirable impact are:

- (1) **Increased uptake of reforms.** Many areas of economic governance policy saw a significant improvement in the legal and regulatory environment (as reflected in some international investment climate rankings), quality of delivery, monitoring and oversight. The majority of stakeholders consulted during this evaluation recognised that the speed of consultation, decision making and implementation have increased significantly, the level of mutual understanding between key decision makers and their international partners has been enhanced. This was particularly evident in the case of NBU, DGF, Ministry of Finance, Ministry of Infrastructure, Ministry of Environment and Natural Resources, Cabinet of Ministers, Ministry of Regional Development, Construction, Housing and Communal Services.

However, there are continuous attempts to derail some of the most critical reforms where large vested interests have been undermined and where public/private figures have lost income opportunities (i.e. the energy market, banking, large SOEs, construction of infrastructure, public procurement etc). Each of these areas now have a strong coalition of like-minded agents of change from the Government, private and third sectors and, most importantly, international partners like the EBRD. They speak with one voice, “keep pushing”³⁹, and maintain pressure on delivering reforms and then constantly monitor the integrity of those reforms and risks of reversals.

- (2) **Changed behaviour among stakeholders in public and private sectors.** Ukraine has high levels of corruption at all tiers and segments of the economy and society (as testified by TI scores). It is recognised by all parties, including GoU, as the main impediment to improving the investment climate and speeding up economic growth. Also, public trust in state institutions – and often in private companies – is low.⁴⁰ Therefore, emerging evidence of positive trends in adherence to common rules and codes of behaviour, driven by openness, good governance, compliance and integrity, is a positive sign. For example, due to the selection processes employed by both BOI and UNIC, the companies are encouraged to behave in a respectful manner and play by the rules. Work on integrity and compliance certification although challenging and progressing slower than expected, is delivering positive effects to companies and their supplier networks. Similarly, achievements in out-of-court financial restructuring

³⁹ Evaluation revealed interesting semantic evolution of Ukrainian language. Almost 100% of interviewed local partners used word “пуш/пушити” which is “push” in Cyrillic. This word does not exist in Ukrainian vocabulary and according to interviewees its use was induced by communications with international partners.

⁴⁰ One of the recent surveys by Razumkov Centre (March 2019) revealed that 82% of Ukrainians don’t trust Parliament, 81% - civil service/public administration, courts – 75%, Government – 72%, National Bank – 63%. Among institutions that enjoy trust of Ukrainians are the army – 61%, Ukrainian mass media – 47% and civil society – 46%.
<http://razumkov.org.ua/napriamky/sotsiologichni-doslidzhennia/riv-en-doviry-do-suspilnykh-institutiv-ta-elektoralni-orientatsii-gromadian-ukrainy-2>

supported through the newly established Secretariat, although modest, create new patterns of engagement among companies and financial institutions. The new business processes and universal standards established in DGF enable equal treatment of all banks going through the bankruptcy procedure and reduce the risk of bias on the part of temporary bank administrators.

Ukraine's joining a number of international accords and frameworks (i.e. in the areas of climate change and energy efficiency, energy market, trade, procurement, open data, open contracting etc) imposes new standards and requirements for policy development, implementation, oversight and information disclosure. There has been an exponential growth of information that is proactively disclosed (voluntarily published, often in real-time mode) relative to reactively (upon request). A growing number of public-private dialogue platforms require the ability to listen and understand another party, equal access to information and documents, compatible levels of expertise – which, when achieved, leads to a higher level of trust and mutual understanding.

The achievement of the above mentioned long-term results is conditional on the achievement of mid-term results (outcomes) of institutional reforms and capacity building efforts. When aggregated across the MDA portfolio and beyond project/activity level these results include (as per the Theory of Change in Annex 1):

- **Sustainable institutions compliant with good governance standards:** NBU, DFG, BDO/RSTs in key ministries. The complete overhaul of the National Bank of Ukraine, was acknowledged by international partners and distinguished with the International Transparency Award in 2018. In October 2019, GlobalMarkets awarded the title of the best CEE central banker to the CEO of NBU;
- **Motivated cadres able to self-develop:** experts in RSTs and PMOs, alumni working in parliament, the President's Office, in the new civil service, in minister/deputy minister positions. As they were deployed as groups of local experts their networking/social capital is much stronger and, unlike international experts, the likelihood of their departure from the country is small
- **Sustained pressure for reforms/growth:** the coalition of like-minded stakeholders in the critical areas of banking, energy, infrastructure, capital markets, energy efficiency, various agriculture sub-sectors.
- **Open online platforms/data/e-solutions:** ProZorro and ProZorro.Sale, <http://www.grainbalance.org.ua>, <http://www.milkbalance.org.ua>, <http://www.meatbalance.org.ua>, internal MIS at the Ministry of Justice (compatible with others), at the Deposit Guarantee Fund.
- **New investments:** five new projects in the private sector (agribusiness), one municipal project, five new public sector projects.
- **New markets:** agrarian companies that received EBRD/FAO support and advice were able to find new clients in other countries. Some companies that receive support through the Advisory project in the agrisector found new markets. The abolition of price regulations for main agriculture commodities/foodstuff also opened new segments of the domestic market.
- **Models for replication:** ProZorro is being replicated in a number of other countries of operation through LTP's stream of work in public procurement; e-solutions that work in

one sector (procurement) are being used in others (small privatisation). A complete overhaul of public procurement policy, where losses from corruption were estimated at the level of 10-15% of state budget expenditures.⁴¹ The launch of ProZorro, an open-source e-platform for public procurement, which is mandatory for all state agencies/SOEs, has saved US\$2.76 billion in public funds in 2015-2018⁴². ProZorro has received several international awards in the area of transparency, integrity and open data, for example 2016 World Procurement Award. The same open-source solution is being used for managing state assets, including small-scale privatisation and the sale/rental of state and municipal assets (ProZorro.Sale). In the period 2017-2019 ProZorro.Sale delivered UAH 21 billion (US\$840 million) income through 241,000 auctions.

- **Well-governed SOEs and SOBs, reduced share of public sector (still to be delivered):** Reform of the national policy and tools for managing state-owned enterprises, particularly in the energy and infrastructure sectors. This covered substantial reforms in Ukrnaftogaz, Ukrengergo, Urkzaliznytsia (railways), Ukrposhta (post), Ukrainian Port Authority, etc. For example, the state oil and gas company *Naftogaz* has progressed from being responsible for a budget deficit of 5.4 per cent of GDP in 2013, to declaring US\$1 billion income in 2018. There is a gradual increase in understanding the significance of corporate governance standards and their introduction through legal mechanisms, practical solutions and training programmes, including with the EBRD's support.⁴³
- **Increased number of companies that comply with the standards of integrity and anti-corruption behaviour:** new anti-corruption and integrity institutions (the Business Ombudsman BOI and the Ukrainian Network of Integrity and Compliance UNIC) support businesses in addressing problems/disputes with public agencies and promote compliance and integrity as standards of Ukrainian corporate culture. UNIC (a self-regulated network) is gradually expanding its membership, including affiliate status for SOEs with large supply chains with the private sector. Formal certification remains a challenge due to the scope of reforms required and the cost factor.
- **Constructive public-private dialogue**, particularly in agribusiness, solid waste management and energy efficiency.
- **Enhanced mutual understanding and less information asymmetry between the public and private sectors in various spheres.** Dynamically increasing the volume of open data, online registers and results of oversight and monitoring in various sectors of the economy enhances the ability of business and the public sector to plan and implement decisions, as well as identify and mitigate risks for investment activities. It is particularly important that there is a growing awareness of the core principles of integrity, compliance and good governance; and readiness to take part in transparent and predictable partnerships.
- **Conducive environment for market efficiency, commercially sound decision making and anti-corruption standards:** reform of the banking system, which resulted in shutting down two-thirds of the banks, nationalisation of several large/systemic banks (i.e. UkrGazBank, Privatbank), improved governance standards and practices of private

⁴¹ Equivalent of UAH 35-52 billion, according to State Security Service of Ukraine <https://dt.ua/ECONOMICS/sbu-zaproponuv-ala-ivestii-z-tini-zakupiv-li-derzhpidpriv-emstv-124757.html>

⁴² <http://bi.prozorro.org/http/sense/app/fba3f2f2-cf55-40a0-a79f-b74f5ce947c2/sheet/HbXjQep/state/analysis/select/ Language/EN#view/pEh>

⁴³ <https://ethicalboardroom.com/lessons-from-naftogaz/>

and state-owned banks. Reform of the national energy policy with a strong emphasis on cost-recovery tariffs, energy efficiency and renewables. Ongoing reform of the national energy system with unbundling of extraction and transportation functions.

5. Conclusions

Over the five years of its existence, the Ukraine MDA has proven to be strategically relevant, operationally efficient and an effective tool which has enabled critical institutional reforms in Ukraine. Mobilised in a relatively short period of time, with clearly set conditions and flexible procedures, MDA offers a unique funding platform that supports the enhancement of governance standards and expert capabilities in public institutions, the improvement of corporate governance in SOEs and private companies, the strengthening of dialogue between the public and private sector, and finally, the creation of a legal and regulatory framework aimed at increasing the investment attractiveness of Ukrainian economy.

The document review and interviews with key donors and government stakeholders confirmed the adequacy of its format and governance mechanisms. If and when the extension of the MDA is approved there will be no need for a dramatic recalibration of the MDA's General conditions and key parameters, with the exception of the structure, as presented below. The core features of the Fund's initial format – its scope, flexibility, absence of rigid earmarking rules, the blended nature of the financial package at exit (with fourteen donors being attributed with the entirety of MDA's operations and results), the availability of fast-track approval procedures for the projects within the delegated authority amount – are highly valued by donors and EBRD colleagues. A management review of the instruments that could be funded through the Ukraine MDA is warranted. In the five years of its operation only technical assistance activities managed by the EBRD were funded. EvD found no evidence of demand for MDA funding from other IFIs, or demand for financial instruments such as investment grants, investment payments and first-loss guarantees.

The area with the greatest potential for improvement is the MDA's results-based management in general and reporting standards in particular. There is a general absence of causal linkages and any real theory of change for the Ukraine MDA, which means that the team managing the Fund has no matrix for monitoring project results beyond activity level and their aggregate impact. This should be rectified in the (potential) next period of the MDA operation.

At the moment the EBRD provides contributors with semi-annual brief reports and annual extensive reports that include progress/completion reports for each individual project funded by the Ukraine MDA. The project reports provide a greatly detailed picture at micro-level (outputs of specific activities) and macro-level (state of Ukrainian economy and governance standards) but the middle level results and the overall logic of change (theory of change) are absent. This way of reporting is not enough to draw a picture of the impact. Some contributors have higher standards of results-based management and require logical results chains to transpose MDA results in their own theory of change as per their country strategies.

The EBRD itself would benefit greatly from a more consistent use of the theory of change in investment and TC projects. Its corporate approach to results management is gradually improving, however it is not yet comprehensive (as opposed to the transition impact monitoring, which has existed for two decades). There are ongoing discussions about a further refinement of results-based management in the Bank, including through the use of

software solutions and enhancing the knowledge and skills of the specialists involved in developing and delivering projects.⁴⁴ These efforts should be enhanced and enforced with both financial and human resources. Automating processes through clear algorithms might be a good way to preserve the highly appreciated “lean” and speedy model of administering the Ukraine MDA and all other EBRD-managed funds.

Answers to evaluation questions

1. Crisis response mechanism

The MDA as a crisis response mechanism proved to be efficient and effective. Among the key contributing factors are: (a) its ability to quickly mobilise a critical amount of donor resources; (b) its lean administrative structure that enables projects to be originated and implemented in a relatively short period of time; (c) robust due diligence procedures and quality assurance at design, implementation and reporting stage – the MDA benefits from the EBRD’s entire institutional capability to run complex projects in Ukraine; (d) operation leaders for each project are either bankers or key experts from policy teams, with strong on-the-ground experience and extensive links to core counterparts in the governmental and business spheres; (e) administrative support and relations with donors are maintained by an experienced DCF team.

Although Ukraine has emerged from the most severe crisis stage, various sectors of its economy are still experiencing a great deal of distress. Political and security fragility persists, as well as high levels of corruption; the new country leadership is in the process of finalising its vision and strategy for economic breakthrough, and therefore a dedicated country-level crisis response mechanism is still very much needed. Its presence greatly contributes to donor co-ordination and achieving more systemic results at sector and country level.

2. Results and their sustainability

Ukraine MDA activities and their results contributed to the improvement of Ukraine’s investment climate in a very challenging security, political and macroeconomic situation. It significantly contributed to:

- The creation of four new institutions – Business Ombudsman Institution, Investment Council (through supporting its Secretariat), Ukraine Network of Integrity and Compliance (UNIC), Secretariat of Financial Restructuring (Kyiv Approach). Launching a network of Reform Support teams in seven ministries and central government agencies, as well as in the National Bank of Ukraine. These institutions filled the gaps resulting from non-existent institutional capacity and their ultimate success will be measured by future demand – it should diminish and ultimately disappear as the quality of new state institutions improves and the recourse mechanisms for businesses are active and efficient.
- The systemic turnaround of an existing institution – the Deposit Guarantee Fund – which, since 2014, has managed the process of liquidating more than half of Ukrainian banks (104 out of 180 banks were closed down). Jointly with other international partners (WB,

⁴⁴ Specifically, the deficiencies of monitoring and evaluation were noted in the recent Independent Evaluation of Evaluation Function at EBRD (November 2019). The report offers recommendations how EBRD can improve results-based management and consequently strengthen its monitoring and evaluation system and quality of reporting provided to shareholding nations and global for a (such as monitoring the progress in achieving SDGs).

- US Treasury), the EBRD has delivered a systemic change in an essential institution that ensures the stability of the banking sector.
- The internationally recognised reform of the National Bank of Ukraine which has revamped its structure and functions based on the principles of good governance. The Bank is leading the process of achieving macroeconomic stability, strengthening the banking sector with in-depth structural changes, strengthening the regulatory framework for non-banking financial services and, jointly with the Ministry of Finance and the State Commission on Securities and Stock Market, creating a clear delineation between banking and capital markets (as per the recently approved “Split Law”) etc. It involved support in financing the Reform Unit in NBU and a high-level strategic advisor who has built trust-based relations with the NBU decision makers and officials.
 - The creation of a new state ownership and privatisation policy framework (still to be fully implemented); the creation of new policy and procedures for managing SOEs and SOBs, with the idea of preparing some of them for privatisation while keeping the others in state ownership with the delivery of profit. The EBRD is a leading donor in this policy area and responsible for co-ordinating the efforts of other donors/IFIs.
 - Enhanced standards of corporate governance in a number of strategic SOEs – the work stream that comprises not only defining the gaps and preparing action plans (CGAP), but supporting their delivery, including through a “try and test” approach. The EBRD launched new investment projects with a number of strategic SOEs, specifically *Naftogaz*, *UkrEnergo*, *UkrZaliznytsia*, with a pipeline of other projects (i.e. *UkrPoshta*). Related to this is the significant restructuring of SOBs. However, until recently Ukraine MDA didn’t support any TC projects in this area and the work has been funded either from the Bank’s own SSF or other donor funds. This changed recently with the approval of the project “Support for Institutional Reform in Oschadbank”. Further projects with SOBs might follow in recognition of the EBRD’s leading international expertise in this area.
 - A new open source e-procurement system (ProZorro), which has contributed to demolishing traditionally corrupt public procurement schemes. It is constantly refining and creating new automated components which, among other benefits, allow for non-price competition criteria, red flag identification and checks, oversight in real time and a platform for complaints. The open source nature of this electronic platform, and its ultimate control by a third party (Transparency International) ensures objectivity and enhances data-driven administration of the system and civic control.
 - The spread of e-governance instruments into other spheres, such as small privatisation, rental of communal assets and sale of impaired assets (for example by DGF) – ProZorro.Sale.
 - Ukraine joining the WTO General Procurement Agreement (GPA) and gradually benefiting from this membership, opening new international markets for Ukrainian businesses. Ukraine is taking open data and contracting standards to the global level with its leadership in the respective WTO working group.
 - A new legal and regulatory framework in the area of municipal solid waste management and recycling with the potential of opening the large municipal economy sector to private sector investments. Secondary legislation and implementation capacity is still to be enhanced. The EBRD has launched one investment project in this area with two more in the pipeline.
 - An improved legal framework in the agribusiness sector, decreased state control (price regulation), stronger partnerships between the government and private sector in a number of spheres, as well as stronger expert and analytical capacity in a number of

agribusiness associations that are moving towards self-regulation and standard setting/enforcement. Stronger well-informed associations are able to initiate and sustain a constructive private-public sector dialogue (as opposite to continuous “battles with the government” that were a norm for decades) in the interests of the entire sector (as opposed to business lobbying). Support in setting quality standards, reducing information imbalances (through the delivery of online real-time open data sources), finding export markets and strengthening companies’ corporate governance standards. The EBRD has launched three new investment projects in this area with two more in the pipeline.

- A growing number of professionals in the public sector with a clear understanding of good governance principles and high ethical standards of policy development and delivery. Mostly local, these professionals ensure that the footprint of the new approach to public administration persists, penetrates into a wider group of public institutions (through rotations) and, jointly with the anticipated public administration reform, will deliver the fundamental skeleton of Ukraine’s new public sector/civil service.
- The changed behaviour and culture of some (not all) core counterparts in the public and private sector – greater openness, a constructive approach to partnership, commitment to reforms, compliance with integrity standards, driving change and demonstrating its effects on the ground.

3. Strategic anchor

The Ukraine MDA was conceived and launched at a time of deep crisis, as an element of the Ukraine Crisis Response approved by the EBRD Board in 2014. With the broad objective of achieving macroeconomic stability and growth it offered a structure for TC and policy dialogue projects which contribute to critical transformations in the sectors of the economy and the segments of public administration where the EBRD has **direct** experience of dialogue and delivery. Feedback from the majority of stakeholders consulted confirmed that the MDA’s strength is in its connection to investment activity and the EBRD’s capability as key stakeholder working on improving Ukraine’s investment climate. It means that the MDA’s pillars – investment climate, corporate, financial, infrastructure and energy – are closely aligned with the Bank’s expertise and track record of deals. This is the USP that contributes to the delivery of positive and tangible results.

However, in reality most MDA projects were focused on the well-governed dimension of transition, including improving economic governance and corporate governance. EvD suggests that well-governed should be used as the key dimension of the Fund. Its structure should be aligned with the key elements of this transition quality, namely (i) enhancing economic governance in public administration; (ii) improving corporate governance standards and practices; (iii) supporting dialogue between the public and private sectors. The EBRD’s Strategy for Ukraine approved in 2018 should be maintained as MDA’s strategic anchor. It was agreed by the Government of Ukraine and thus rooted in the country’s needs. It is also aligned with Ukraine’s commitments in the framework of key international accords.

The internal process for monitoring and adjusting the EBRD’s country strategy will ensure the necessary flexibility. It envisages the annual review of the strategy by the Board, which includes the director for Ukraine. The review provides an opportunity to present the progress and challenges, as well as emerging priorities and needs that could serve as the basis for incorporating new priority policy objectives.

4. Donor satisfaction

The evaluation team had an opportunity to consult closely with a small group of MDA donors, including several of the largest bilateral donors and the EU. There was consensus that the EBRD's performance in administering the Ukraine MDA is strong and consistent, aligned with all rules and procedures, and implemented in the most prompt and flexible manner. The lean administrative structure allows for quick decision-making, with key bankers and policy specialists being directly responsible for managing the MDA's projects. This "light" approach might have some disadvantages, for example the lack of systemic results-based management, insufficient reporting, as well as the intensity of communications with key contributors between the annual assemblies and bi-annual reports.

Despite having some questions about the depth and breadth of reporting and attribution of results, the donors recognise the EBRD's unique position in Ukraine, vis-à-vis other IFIs, in delivering an instrument of this nature. The Bank's attempts to maintain donor visibility were acknowledged, although they are not always reflected in the objective knowledge of the local stakeholders. In this respect, it might be possible for contributors to join forces with the EBRD's team at Kyiv RO (governance expert) to design a more inclusive communication strategy that brings different stakeholders under one umbrella.

Contributors do not see a need to amend the principles and key parameters of the MDA's General Conditions. It's best to maintain the flexible nature of resource allocations, maintaining the structuring of portfolio for ease of mobilisation, implementation and accounting for results. However, EvD suggests changes to the structure of the pillars (see the chapter on Recommendations) and potentially streamlining the availability of instruments with TC being most in demand.

6. Looking into the Future of MDA: Recommendations

For contributors and EBRD:

1. Extend the MDA and maintain its current focus on EBRD's comparative advantages in Ukraine as identified in the EBRD Country Strategy for Ukraine 2018-2023.
2. Preserve the key elements of the General Conditions and maintain the flexibility of funding allocations without earmarking funds to specific pillars. Discontinue sector pillars structure.
3. Agree to use 'well-governed' transition quality as the premise for Ukraine MDA activities, along with three components: (1) enhancing quality of economic governance in public institutions; (2) improving standards and practices of corporate governance; (3) building and sustaining partnership between public and private sectors.
4. Include key indicators in results metrics which might trigger graduation from certain project areas.
5. Review unutilised MDA instruments (investment grants, incentive payments, first-loss guarantees, access available to other IFIs) and decide to discontinue or continue them.
6. Significantly strengthen results-based Fund management and enhance reporting standards for MDA projects and Fund in general, including metrics with monitorable indicators – possibly allocating an additional MDA budget for this.

For the Bank:

7. The individual performance matrices of bankers who are leading non-transactional TC projects and intensive policy dialogue must be expanded to include these elements.
8. DCF, possibly jointly with other departments of the Bank, should design a training programme for operational leaders managing projects funded from the MDA and similar accounts to enhance OLs' understanding of the principles and core elements of results-based management and to improve the evaluability of projects.
9. Enhance and enforce standards of reporting in internal information systems, such as TCRS.
10. The EBRD team in the Kyiv RO to establish communications channel with key interested contributors to provide regular and relevant updates between the annual assemblies.

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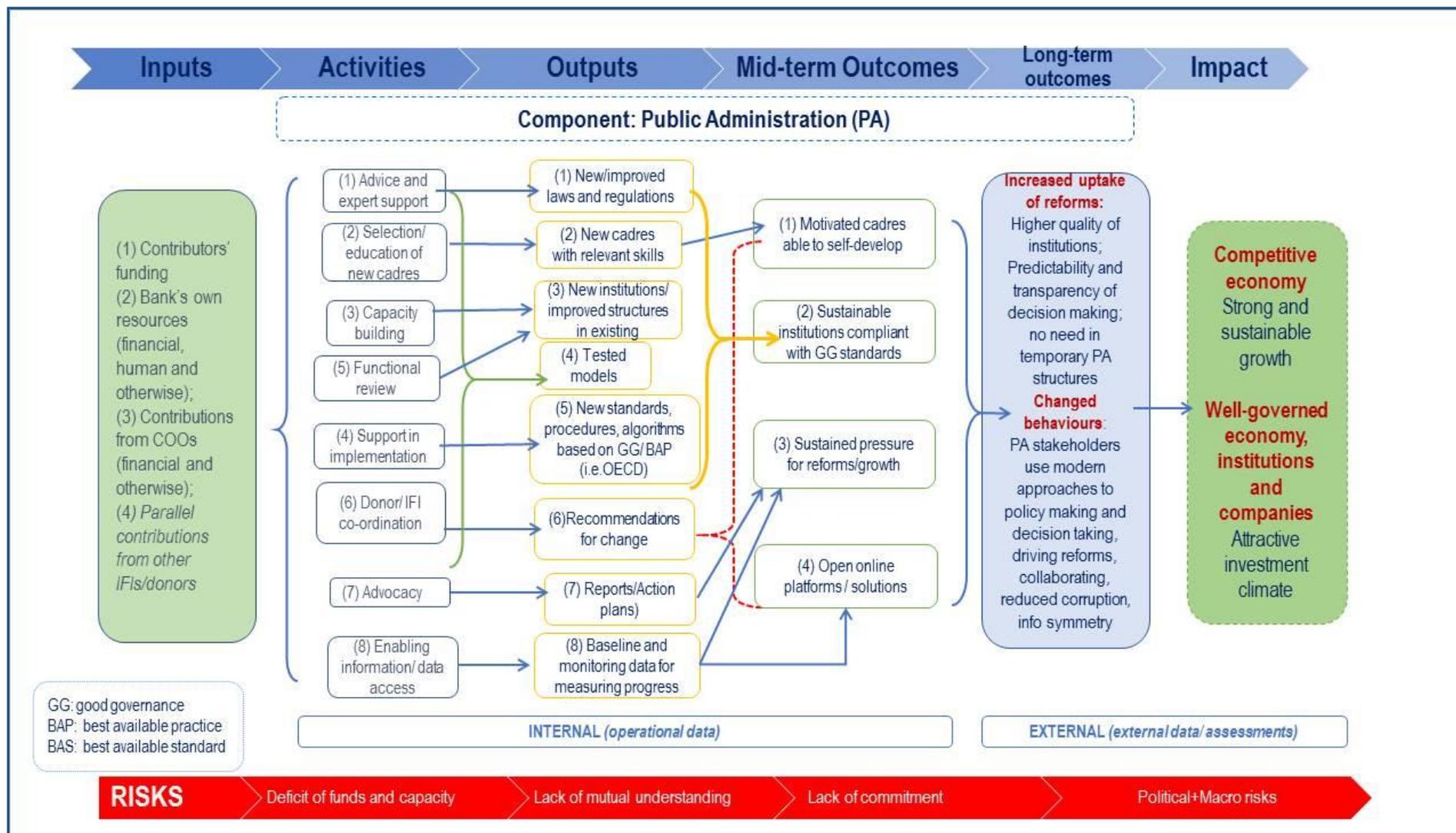
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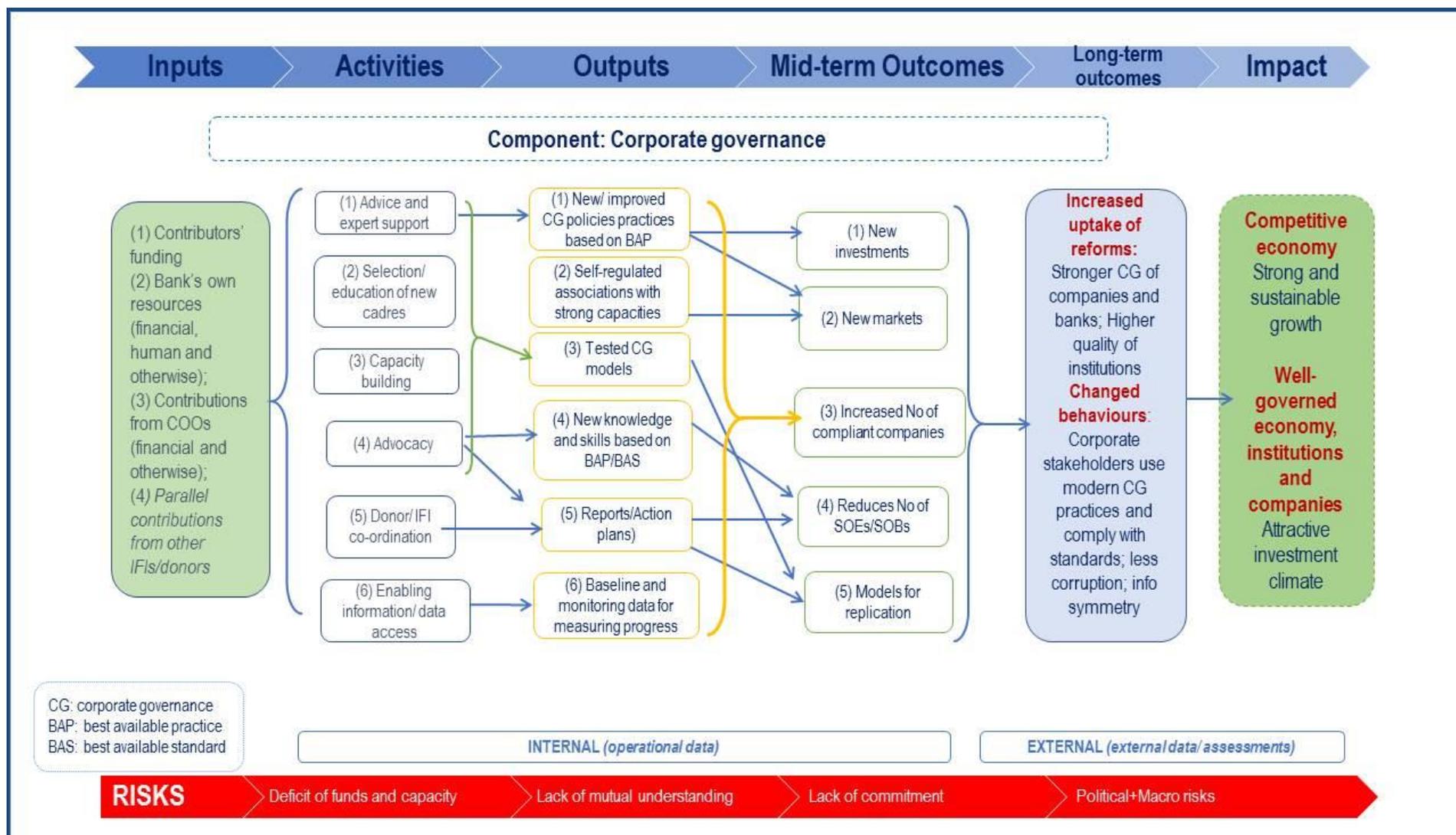
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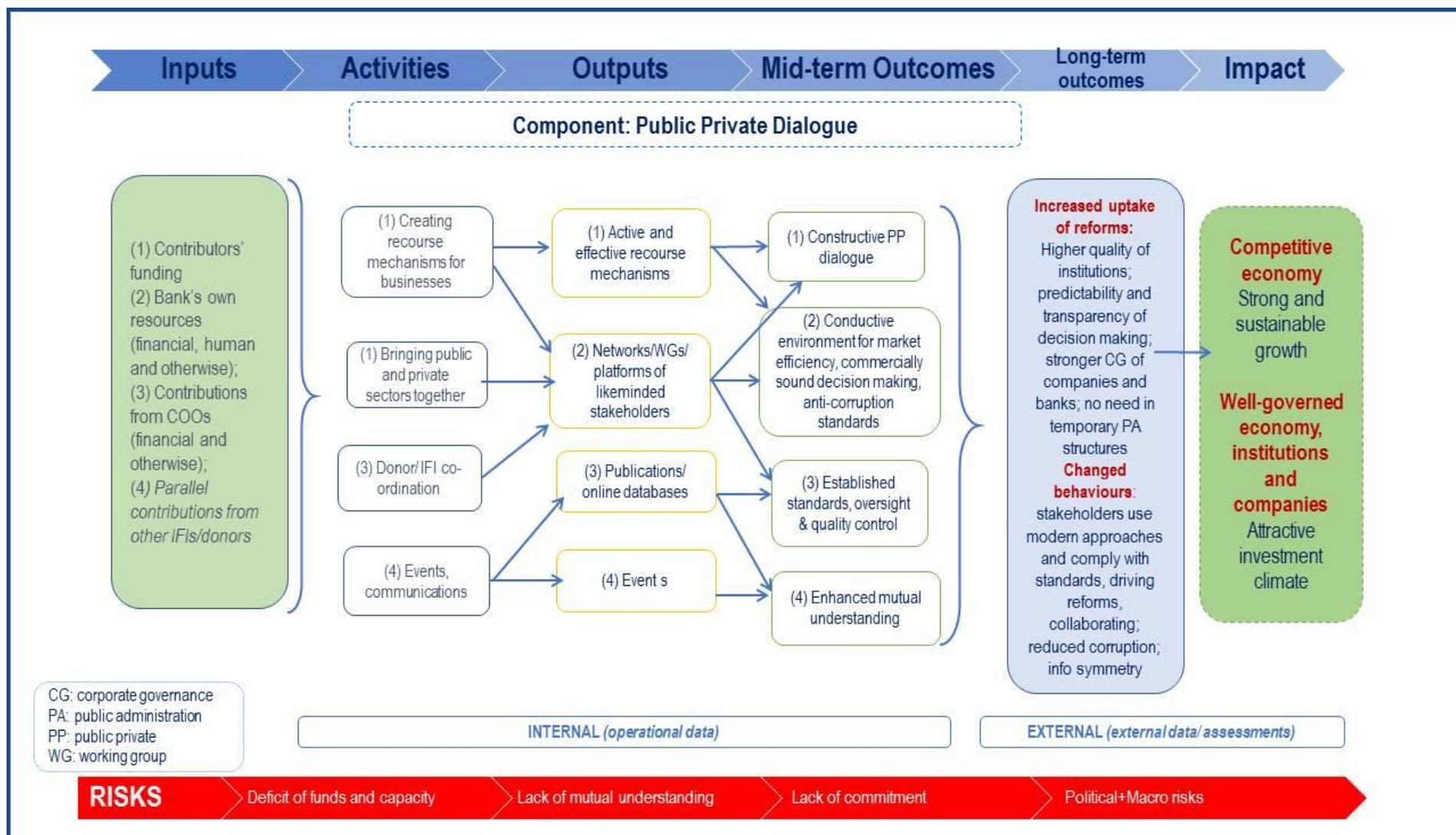
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Annex 1. Theory of change







Annex 2 : Evaluation Matrix

Judgement criteria	Indicators	Sources of data
EQ1: How effectively did the original MDA design as a crisis response instrument and operational principles serve it over time and in the context of changing strategic priorities?		
1.1.MDA's general conditions and project pipeline are aligned with the evolving national priorities and needs of Ukraine	<ul style="list-style-type: none"> Ukrainian key stakeholders/authorities are satisfied with the delivery of MDA's outputs and outcomes Ukrainian key stakeholders can identify MDA's contribution into systematic transformations in country's investment climate and institutional capacity to implement reforms 	Ukraine's strategic documents, including EU AA and DCFTA implementation plans, MDA's core documents, interviews with the key Ukrainian stakeholders
1.2. MDA's general conditions and project pipeline are aligned with the evolving strategic and operational approach of the EBRD in Ukraine	<ul style="list-style-type: none"> EBRD's bankers and policy specialists working in the sectors that are priorities for MDA are aware of the Fund and are able to utilise it to achieve core policy/operational/crisis mitigation objectives EBRD's bankers and policy specialists working in the sectors that are priorities for MDA can identify fund's contribution to achieving operational results in Ukraine 	EBRD strategic documents, including country strategy, MDA's core documents, interviews with key EBRD banking and policy staff at HQ and RO
1.3.MDA's principles and procedures are supportive to rapid actions aimed at crisis mitigation in the Fund's priority sectors	<ul style="list-style-type: none"> Timeline of project preparation, approval and implementation is congruent with the urgency of challenge the project is aimed to address Ukraine's authorities, contributors, EBRD's bankers and policy specialists working in the sectors that are priorities for MDA are satisfied with the speed and quality of decision making 	MDA's project documents, internal data on grant review process, interviews with key Ukrainian stakeholders, contributors, EBRD banking and policy staff at HQ and RO
1.4.MDA's activities are co-ordinated with the activities of key international partners supporting Ukraine in mitigating the crisis	<ul style="list-style-type: none"> International stakeholders are satisfied with the outcomes of MDA's projects and their additionality to other efforts 	Interviews with contributors and other international partners active in MDA priority areas, information/data on international support to Ukraine reform efforts
EQ2: What specific results can be identified relative to design expectation? Are there targeting and monitoring issues of concern to be learned from?		
2.1.Actual results of MDA portfolio are satisfactory/excellent and are aligned with the design results	<ul style="list-style-type: none"> Outputs and outcomes for each project are clearly identified and reported against in progress and completion reports MDA's overall theory of change is clear and helps to trace the contribution of individual results into wider policy change and improvement of institutional capacity 	Project data and reports (TCRS and others), MDA reports
2.2.Unexpected results are identified and either mitigated (if negative) or integrated (if positive) into results chain and greater reform architecture	<ul style="list-style-type: none"> Unexpected outputs and outcomes are identified and reported on in progress and completion reports There is evidence of mitigating negative unintended results and use of positive results as contribution to achieving wider policy change and improvement of institutional capacity 	Project data and reports (TCRS and others), MDA reports, external sources
2.3.The evidence of project implementation and results is sufficient and of high quality. It is communicated in a clear and accessible way to all involved parties. It is used for agile management of MDA portfolio	<ul style="list-style-type: none"> TCRS and other reports are available for contributors, core beneficiaries (if relevant) and EBRD operational colleagues working on respective initiatives Project results (outputs and outcomes) could be triangulated with the external data sources, particularly GoU sources and international data sources 	MDA project portfolio data and reports, EBRD transition impact data, GoU data and reports, reports and data by other international partners, interviews with contributors and key Ukrainian stakeholders

	<ul style="list-style-type: none"> Feedback from contributors and key local stakeholders are incorporated in project design and delivery 	
2.4.MDA project results are sustainable and institutionalised by Ukrainian stakeholders	<ul style="list-style-type: none"> Evidence of outcomes of completed projects (new policies, regulations, institutions, structural changes in existing institutions, products and tools etc.) being institutionalised Evidence of changed attitudes and behaviour of key local counterparts 	Interviews with contributors and key Ukrainian stakeholders, survey of key local stakeholders (for ongoing projects like URA, Investment Council support etc.), GoU and other external data sources
EQ3: What strategic framework and focus, including strategic anchor (e.g. country strategy, EU DCFTA action plan) would be appropriate for MDA design and timeline should a further extension be considered?		
3.1.(Potential) discussions on the future of MDA are taking into account significant strategic frameworks of GoU, EBRD, and contributors	<ul style="list-style-type: none"> Scenarios of future MDA activity period are developed and proposed, including governance, structure of priorities and decision making 	Interviews with contributors, MDA documents including minutes of the meetings/assemblies, country strategies of MDA's contributors, EBRD strategic documents, Ukraine's strategic documents, including EU AA and DCFTA implementation plans, other relevant documents
EQ4: In what ways did the Bank's role/implementation meet donor expectations and in what others might it be improved for potential future funds of the same (anti-crisis) nature?		
4.1. High level of satisfaction among MDA contributors	<ul style="list-style-type: none"> Contributors are satisfied with the implementation of the Ukraine MDA, its projects, and its contributions to delivering donor strategies in Ukraine and EBRD's strategy Contributors acknowledge their ability to participate in the MDA's decision making as per General Conditions Contributors acknowledge EBRD's unique position as the largest private sector investor in supporting Ukraine's implementation of systematic reforms of business environment 	Interviews with contributors, MDA documents including General Conditions, reports, minutes of the meetings/assemblies, country strategies of MDA's contributors, EBRD country strategies for Ukraine, operational response, other relevant documents
4.2. Contributors' confidence in EBRD's ability to manage crisis response instruments, in particular in the areas of policy reform and institutional capacity building	<ul style="list-style-type: none"> Contributors are considering further financial contributions to EBRD-managed MDA (in Ukraine and other COOs) with the objectives of rapid crisis response and others Contributors are able to see the impact of their proposals on EBRD's approach to delivering TC in the framework of MDAs, which are compliant with the Bank's mandate and transition impact concept 	Interviews with contributors, MDA documents including reports, minutes of the meetings/assemblies, EBRD strategic documents
4.3.Contributors are satisfied with the level of visibility provided by EBRD while communicating activities/results of MDA projects	<ul style="list-style-type: none"> Contributors names/logos are used in external and internal communications about MDA activities and results Local counterparts are aware of contributors' role in launching and sustaining MDA activities 	MDA project information, also available in public domain, publications of relevant projects, interviews with contributors, local stakeholders and EBRD staff

Annex 3. List of MDA projects as of July 2019

Pillar / Project	Earmarked Funds €
INVESTMENT CLIMATE - TOTAL	26,989,563
13th Procurement, Integrity, Management and Openness (PRIMO) Forum	35,000
Advice on Regulatory Improvements in Ukraine's Pharmaceutical Sector	295,000
Capacity Building of Ukrainian Anti-Monopoly Committee	260,000
Centralised Procurement Body (CPB) - Public Procurement Reform in Ukraine	240,000
Development of Modern Concessions Legal and Policy Framework in Ukraine	150,000
EBRD GPATC Facility - Support in Accession to the Agreement on Government Procurement of the World Trade Organization (Regional)	150,000
EBRD UNCITRAL Public Procurement Reform Initiative	250,000
Partnership Agreement between Ukrainian Government and Private Sector	148,494
Public Procurement: Policy Advice and Legislative Drafting for eProcurement reforms	200,000
Regional: Support with the implementation of the WTO GPA standards	762,928
Review and Revisions of Legislative Framework for Privatisation in Ukraine	55,566
Review of the draft law on bondholder meetings in Ukraine	49,000
Financing the Establishment and Operation of the Secretariat of the Ukrainian Network for Integrity and Compliance (UNIC)	325,416
Support for e-Governance Law in Ukraine	50,000
Support for Institutions under the Reform Support Architecture for Ukraine	14,818,842
Support in implementation of transparency-oriented e-government solutions based on ProZorro concept	50,000
Support to the Secretariat of the National Investment Council of Ukraine	545,400
Assistance to the Government of Ukraine on Improving Corporate Governance of State-Owned Enterprises	391,880
Ukraine: Bailiff Service Capacity Building	70,000
Ukraine: ProZorro Project Implementation Support	633,750
Ukrainian Business Ombudsman Institution (BOI)	7,358,287
Reform of the Project Financing Approval Cycle for the Public Sector	150,000
BANKING - TOTAL	5,194,200
Financial Sector Reform in Ukraine (Phase II)	594,000
Ukraine: Phase III - Implementation of Bank Reorganization and Debt Restructuring / Bank Restructuring	415,000
Ukraine: Technical Cooperation for the Deposit Guarantee Fund	3,285,000
Oschadbank – Support of Institutional Reform	900,200
CORPORATE - TOTAL	826,922
AML Corporate Governance Improvement Project	76,922
Advice for Agribusiness	750,000
ENERGY - TOTAL	2,281,450
Regional Programme for Improving Corporate Governance in Selected EBRD Investee Companies and Banks "Ukrenergo"	74,500
Development Of Ukrainian Gas Exchange	50,000
Sustainable Development of the Power Sector Programme; Technical Audits / Projects Review / Projects Preparation - Mott Macdonald - NAK Ukraine	69,918
Ukraine: Corporate Governance Review of Naftogaz and Uktransgaz	242,500
Programme to Support Renewable Energy in Ukraine	1,680,000
Methane Emissions Reduction Programme in Gas Supply Chains	129,930
Natural Gas Upstream PD, Compliance Training	34,602
INFRASTRUCTURE - TOTAL	1,651,450
Ukrainian Railways (UZ) – New Rolling Stock – Anti-Corruption Action Plan	152,000
Supporting investments in sustainable municipal solid waste management and recycling in Ukraine	749,450
Ukraine Public Transport Framework (UPTF) - Pre- and Post-Signing TC Support	750,000
GRAND TOTAL	36,943,585

Items in red font are new projects from H1-2019 report, items in orange font are existing projects with additional funding in H1-2019

Annex 4. Brief project summaries with EvD's validation of results⁴⁵

COMPLETED PROJECTS

PILLAR: INVESTMENT CLIMATE

EBRD GPA TC FACILITY - SUPPORT IN ACCESSION TO THE AGREEMENT ON GOVERNMENT PROCUREMENT OF THE WORLD TRADE ORGANIZATION (REGIONAL) # 327

Budget €150,000

APPROVED: October 14

FINISHED: 2016

Assignments: The UMD budget partially financed a number of assignments in a larger Regional project

		Ach'd	Partly Ach'd	Not Ach'd
OUTPUTS	i) WTO GPA strategy & docs for all negotiation stages accepted by EBRD & client in Ukraine , Moldova, Montenegro, Tajikistan, and Kyrgyz Republic	1	0	0
	ii) Revisions to primary and/or secondary legislation based on country-specific legal comparative analysis findings are enacted in Ukraine , Moldova, Montenegro, Tajikistan, Armenia and Kyrgyz Republic	1	0	0
	iii) Advice on GPA implementation including ratification and deposit of instrument of Accession, business opportunities, etc. is provided in Ukraine , Moldova, Tajikistan, Montenegro, Kyrgyz Republic and Armenia	1	0	0
	iv) Outreach event to promote Ukraine's accession to the WTO GPA Agreement for Ukrainian trade officials to be held in Geneva, Switzerland	1	0	0
	v) Outreach event to promote Ukraine's accession to the WTO Agreement for Ukrainian procurement officials to be held in Vienna, Austria	1	0	0
OUTCOMES	i) GPA documentation provided by Ukraine , Moldova, Montenegro, Tajikistan and Kyrgyz Republic clients is accepted by the WTO GPA Secretariat	1	0	0
	ii) Revised national primary and secondary legislation in Ukraine , Moldova, Montenegro, Tajikistan, Armenia & KR aligned with GPA standards	1	0	0
	iii) Ukraine , Moldova, Montenegro, Tajikistan and Kyrgyz Republic sign the WTO Agreement on General Procurement	1	0	0
TOTAL		8	0	0

LONG-TERM OUTCOME
(assumed, not in system)

Long-term result of this project is assumed to be Ukraine taking advantage of global access to public procurement – benefiting from international suppliers while Ukrainian businesses using the opportunities of taking part in international public procurement tenders.

EVD'S VALIDATION:

RELEVANCE

The project is highly relevant to the EBRD's strategic priorities in Ukraine as it helps the country to integrate into global markets – in this case, global procurement markets – and become more competitive and diverse.

EFFICIENCY

The EBRD collaborated with the WTO GPA Secretariat to deliver this project, and provided hands-on support to the Ukrainian negotiating team throughout the process (which started in 2012 through other funding sources). The Legal Transition Team experts have delivered a range of other public procurement projects and ensure there is synergy and continuity in

⁴⁵ Summary budget totals were taken from the most recent Ukraine MDA report (2H2019) whereas assignment amounts were drawn from TCRS, a Bank-owned and management-led information system. All amounts relate to earmarked, not contracted, funds. FX fluctuations have led to minor differences between budget and assignment totals in some cases.

actions. A follow-on WTO GPA implementation project supports Ukraine in using the opportunities of membership.

EFFECTIVENESS The project delivered a range of intermediary results, culminating in Ukraine becoming a member of the WTO GPA in October 2019. The project report covers the entire regional framework so it is challenging to trace the results chain for Ukraine-specific actions. EvD had to do its own selection of relevant outputs and outcomes to do the validation – five outputs out of 13 and three outcomes out of seven.

IMPACT Upon completion of implementation it should deliver a competitive public procurement market in Ukraine, and the integration of Ukraine into global PP markets.

SUSTAINABILITY Sustainability is achieved through the implementation of all commitments in the framework of WTO GPA – these are supported through another project funded by MDA.

PILLAR: INVESTMENT CLIMATE

PARTNERSHIP AGREEMENT BETWEEN UKRAINIAN GOVERNMENT AND PRIVATE SECTOR # 942

Budget €148,494

APPROVED: June 15

FINISHED: June 17

Assignments: N/A

		Ach'd	Partly Ach'd	Not Ach'd
OUTPUTS	i) <i>MoU signed with Ministry of Agrarian Policy and Food of Ukraine</i>	1	0	0
	ii) <i>Drafts of legal/regulation materials to improve business environment</i>	1	0	0
	iii) <i>Sector-wide analysis on export potential of Ukrainian agri-food products</i>	1	0	0
	iv) <i>Participation of 20 producers/govt representatives in one trade conference</i>	1	0	0
OUTCOMES	i) <i>Private sector priorities for reform included in Ukrainian Agriculture Strategy</i>	1	0	0
	ii) <i>Ukrainian agri export priorities agreed between public & private sectors</i>	1	0	0
	iii) <i>CRMs for up to 5 new Agribusiness projects in the Ukrainian grain/dairy/meat sectors are submitted to Opscom</i>	1	0	0
TOTAL		7	0	0

LONG-TERM OUTCOME
(assumed, not in system)

Assumed long-term results of the project (which currently are not identified in project documents) are: increased uptake of reforms by relevant public institutions; enhanced role of private sector in ensuring safety and standards in agribusiness (i.e. in sanitary and veterinary domains); improved oversight over the standards of food products and processes; changed behaviour of significant number of private companies contributing to transparency of information and coherent monitoring/planning. For example pig breeders take part in regular benchmarking exercise while millers are prepared to co-finance participation in international exhibitions which previously was considered as waste of money.

EVD'S VALIDATION:

RELEVANCE

The project is strategically relevant to the EBRD's Agribusiness Strategy, Ukraine Country Strategy, and Ukrainian Agriculture Strategy. It was confirmed by key Ukrainian counterparts. It should be noted that the project team commented on the usefulness of a previous EvD evaluation on the EBRD Agribusiness Strategy 2010 – its recommendation to better merge policy work, technical support and investments resulted in the development of a new type of TC project – the current project being one of those.

EFFICIENCY

The project was implemented efficiently, with a high level of mutual understanding and trust between the EBRD project team, FAO experts, the Ministry of Agriculture, other public agencies and private sector companies and their associations. The EBRD and the FAO have a long history in jointly delivering policy engagement and TC projects, bringing substantial changes to various Ukrainian agriculture sectors (grain, milk etc). The continuous local presence of experts ensured participation in all key meetings and support in preparing the necessary documents. Subsequently the local expert joined the EBRD office in Kyiv on a permanent basis.

EFFECTIVENESS

The project has achieved some crucial changes in the sector, for example: the abolition of price inspections and price regulation in 2015; further strengthening the Grain Working Group, which was an internationally recognised case, and extended its membership to include representatives of millers and bakers; the abolition of Bread Inspection (although its function of monitoring the quality and quantity of grain was not transferred to any other institution, which creates some problems); enhancing the capacity of two agribusiness associations to provide analytical, expert and logistical support, (the Association of Millers organises an annual forum which was initially financially supported by the project but is now fully self-funded); developed Strategies for respective sectors (i.e. pig breeding); improved export opportunities for Ukrainian producers; etc. The project report provides a good overview of the progress achieved, and logical and consequential links between the inputs, outputs and outcomes, although the linkages between

certain outcomes and outputs could be presented more prominently. For example, the impetus for five new investment projects could be stated more clearly: was it due to a better regulatory regime, strategy, business priorities included in GoU agenda?

IMPACT

This project has a direct investment impact – the EBRD has signed five new projects with private sector companies. The improved agribusiness governance system and enhanced public-private dialogue reduce investment risks and make industry more attractive.

SUSTAINABILITY

The institutional and regulatory changes are sustainable. Among others the key factors are: (i) there is continuous oversight and pressure from well-informed market operators and their representative associations, that have enhanced analytical and expert capacity; (ii) reduced information imbalance, partly due to the launch of online information resources and regular benchmarking exercises; (iii) the emergence of self-regulated associations in agribusiness that establish, monitor and enforce standards and practices in the respective sectors.

PILLAR: INVESTMENT CLIMATE

PUBLIC PROCUREMENT: POLICY ADVICE AND LEGISLATIVE DRAFTING FOR E-PROCUREMENT REFORMS # 597

Budget €200,000

APPROVED: November 14

FINISHED: June 17

Assignments: N/A

		Ach'd	Partly Ach'd	Not Ach'd
OUTPUTS	i) Draft secondary legislation on eProcurement submitted to the MEDT	1	0	0
	ii) Final Reform Implementation Plan, including technical specification for Prozorro, is approved by the EBRD and the MEDT	1	0	0
	iii) Central government agency staff trained in eProcurement procedures	1	0	0
	iv) Report from audit of Prozorro pilot is accepted by the EBRD	1	0	0
	v) Piloting electronic procedures via the Prozorro system in the regions of Ukraine, municipalities and local government	1	0	0
	vi) Draft primary legislation	1	0	0
	vii) eProcurement Reform concept	1	0	0
	viii) Pilot electronic procedures via Prozorro system with central gov't	1	0	0
OUTCOMES	i) eProcurement Reform concept approved by the EBRD and the MEDT	1	0	0
	ii) Revised primary legislation is enacted	1	0	0
	iii) Secondary legislation on eProcurement is adopted by the MEDT	1	0	0
	iv) During the piloting period, government contracts signed using the eProcurement platform meet the targets in year 1 of operations	1	0	0
	v) During the piloting period, government contracts signed using the eProcurement platform meet the targets in year 2 of operations	1	0	0
TOTAL		13	0	0

LONG-TERM OUTCOME
(assumed, not in system)

Anticipated long-term outcome of the project, which should be indicated and which materialised since project completion, is successful implementation of e-procurement reform driven by block chain technologies, open-source software and multi-platform auction solution. ProZorro gradually expanded into all spheres of public procurement in Ukraine and in 2015-2018 saved US\$2.76 billion of public funds. System is in continuous state of improvement and evolution, including extension to other public services – such as assets management and sale through ProZorro.Sales platform. Its high efficiency and effectiveness have been recognised internationally, for example ProZorro received 2016 World Procurement Award.

EVD'S VALIDATION:

RELEVANCE

The strategic relevance of this project is justified in the documents related to the LTP Work Programme. It is also in line with the Ukrainian strategic objective of reducing corruption and creating a transparent public procurement system – historically one of the most corrupt areas of public services. This and other projects aimed at enhancing Ukraine's public procurement system also contribute to delivering the competitive transition quality by inducing commercially sound decision making and market structures that promote competition and diversification.

EFFICIENCY

The project was implemented efficiently and in close collaboration with local stakeholders, reacting swiftly to their changing needs. Public procurement reform has been achieved in a highly contested political climate, with many forces trying to undermine the progress. The EBRD was a trusted and reliable partner, whose international status added credibility to the actions of a coalition of businesses, civil society organisations and reform-minded public servants. Local partners expressed their high appreciation and the exceptional level of trust established between

the EBRD project team and local stakeholders. ProZorro had, and still has, many international sponsors and the EBRD is not alone in delivering TC, however its role has been distinguished as exemplary in terms of innovation, flexibility, resilience and delivery.

EFFECTIVENESS

The project contributed to: (i) the creation and approval of the Public Procurement Concept and Law (2015); (ii) dismantling the old paper-based public procurement system with high corruption risks; (iii) the creation of an innovative open-source multi-platform e-procurement solution which is gradually expanding to all spheres of procurement (from large tenders to under-threshold purchases) and is continuously renewing/upgrading; (iv) the establishment and development of a dedicated ProZorro project office, later integrated into the government structure; (v) creating an efficient partnership between the public sector and civil society, which monitors and oversees public procurement (TI is one of the core partners in the sector); (vi) training a core group of public procurement experts – an exercise that was later cascaded to other agencies and below national level. Ukraine now has an established public procurement profession.

In a well written project report, a logical and consequential link between the inputs, outputs and outcomes is established. However the sequence is not always right. For example, the eProcurement concept is outcome 1 while it preceded the launch of ProZorro pilot, which is output 5 (local) and output 8 (central agencies). Among outcomes is “legislation signed”, which is a direct consequence of activity, means it is an output. Enacting legislation would be an outcome – mid-term result. Pilot results – outcomes 4-5 – should be better articulated as results, rather than using the formulation “during piloting”.

The project successfully achieved its objective and paved the way for a range of new activities in the Ukrainian e-procurement system which are supported through other MDA projects (five in total at operational stage).

IMPACT

The significant savings in public spending due to open and transparent public procurement system is not only reflected in the billions of money spent, but also in the chain of reforms that were triggered by e-procurement in a range of public services at national and local levels. The cascading training/capacity building of the public agencies using the system, as well as private companies, including SMEs, on the use of the system, led to a significant increase in competition in the area, and general reduction of costs. In 2015-2018, 200,000 companies, many of which are local SMEs, participated in procurement through the platform, ensuring an average 2.3 participants per tender. The average number of goods/service providers per single public institution increased from 3.4 to 5.9 (2015-2018). There were three million total procurement transactions for a total amount of UAH 1.7 trillion.

The parallel capacity building of independent monitoring and oversight experts (DoZorro) created a new culture and a large cohort of people across all regions of Ukraine that are fluent in the public procurement system and can identify risks/corruption cases, report them, and follow enforcement actions. The use of block chain technologies with open-source software is cost effective and completely transparent, and is spreading to other sectors with high corruption risks (asset management, small privatisation, energy efficiency of buildings) with new modules being created.

SUSTAINABILITY

The reform of the public procurement system is comprehensive and sustainable. E-procurement system and public procurement legislation is under constant attack by vested political interests who want to reverse reform and preserve some pockets of corruption in public procurement. However the group of stakeholders involved in implementing ProZorro is large and diverse, including members of parliament who are crucial for pushing forward legal changes. So far, they have been successful in tracking the attempts of reversal and aborting them. Politico-economic configuration is a significant factor in the sustainability of this project; however the scale of change is so vast that it will be difficult to achieve full reversal. The newly elected parliament and appointed government include former members of the ProZorro team which increases the chances of sustainability.

PILLAR: INVESTMENT CLIMATE

REVIEW AND REVISIONS OF LEGISLATIVE FRAMEWORK FOR PRIVATISATION IN UKRAINE # 6891

Budget €55,566

APPROVED: July 16

FINISHED: July 17

Assignments: N/A

		Ach'd	Partly Ach'd	Not Ach'd
OUTPUTS	i) <i>Presentation to EBRD and Ministry of Economy draft amendments to the privatisation legislation and secondary legislation</i>	1	0	0
	ii) <i>Presentation to the EBRD and the Ministry of Economy of the finalised legislative privatisation amendments</i>	1	0	0
	iii) <i>Presentation to the EBRD and the Ministry of Economy of a substantially finalised Privatisation Policy Paper</i>	0	1	0
OUTCOMES	i) <i>Initial draft amendments to privatisation law & related secondary legislation is endorsed by the Ministry of Economic Development and Trade</i>	0	1	0
	ii) <i>The draft amendments to the privatisation law are approved by the Cabinet of Ministers of Ukraine</i>	1	0	0
	iii) <i>Submission by the Government of the draft amendments into the parliament of Ukraine, Verkhovna Rada</i>	1	0	0
TOTAL		4	2	0

LONG-TERM OUTCOME
assumed, not in system)

EvD identified long-term result of this project as: Successfully implemented Privatisation policy that created rational balance between state owned and private companies in various sectors of economy.

EVD'S VALIDATION:

RELEVANCE The project is extremely relevant to the Government Strategy, as well as the EBRD's strategic framework (country strategy, state ownership/role of SOEs) – which could be better articulated in the report

EFFICIENCY It is reported that project delivery was efficient due to the presence of high-calibre local expertise at the RO and the strategic importance of the activity for various sectors of the Ukrainian economy, including those where the EBRD is active. Feedback from some other international partners with whom the EBRD is collaborating in this area was positive. Unfortunately, EvD had no chance to verify this with the team on the ground due to the personnel change.

EFFECTIVENESS The project delivered primary legislation which, at completion, was not approved, however political changes since then has made complete delivery more likely.

IMPACT Delivery of the privatisation policy will; make the Ukrainian economy more competitive – with a reduced share of state ownership in many sectors where SOE activities were inefficient and ineffective, and often with an element of high corruption. Transparent privatisation should attract solid investors, assuming other macro risks are not too high.

SUSTAINABILITY The assumed sustainability of the project is the consistent implementation of a long-term privatisation strategy by the Government of Ukraine. The new Parliament and Government (as of November 2019) have a high commitment to privatisation and have launched important reforms, including institutional. Therefore, sustainability is currently assumed to be relatively solid.

PILLAR: INVESTMENT CLIMATE

UKRAINE: BAILIFF SERVICE CAPACITY BUILDING # 7112

Budget €70,000

APPROVED: November 16

FINISHED: November 18

Assignments: N/A

	Name	Ach'd	Partly Ach'd	Not Ach'd
OUTPUTS	i) <i>Report on the functional analysis of bailiff training needs submitted to EBRD (Phase 1)</i>	1	0	0
	ii) <i>Training plan for bailiffs covering the identified training needs is submitted to EBRD (Phase 1)</i>	1	0	0
	iii) <i>Action plan on the creation of the new system of private bailiffs submitted to EBRD (Phase 1)</i>	1	0	0
OUTCOMES	i) <i>Report on the functional analysis of bailiff training needs & review of legislative & institutional concerns & recommendations to address these is accepted by EBRD & the MOJ (Phase 1)</i>	1	0	0
	ii) <i>Training plan for bailiffs covering identified training needs is accepted by EBRD & the MOJ (Phase 1)</i>	1	0	0
	iii) <i>Action plan on the creation of the new system of private bailiffs is accepted by the EBRD & the MOJ (Phase 1)</i>	1	0	0
	TOTAL	6	0	0

LONG-TERM
OUTCOME
(assumed, not in
system)

Long-term result for this project is increased uptake of the Enforcement reforms across institutions, and effective functioning of bailiff service that combines both public and private components. Second phase of the project that is being designed and aimed at the implementation support will contribute further to achieving this result.

EVD'S VALIDATION:

RELEVANCE

The strategic relevance of this project is strong, corresponding to Ukraine's commitment to enhancing the rule of law and improving the regulatory environment. It is in line with the country strategy for Ukraine and the priorities of the Legal Transition Programme, in the framework of which this project is being implemented. However, the completion report didn't specify this.

EFFICIENCY

The EBRD worked together with IDLO as consultants and managed to build a very good relationship with the main beneficiary – the Ministry of Justice. The level of trust and mutual understanding was specifically highlighted by beneficiaries during the interview. There was a significant effort of donor co-ordination to avoid overlaps with some other TC projects, particularly the EU Justice Reform Programme. The scope of Phase 2 was redesigned to achieve a greater complementarity.

EFFECTIVENESS

The project achieved its planned results; however there is a problem with the results chain. For this project the outputs are identical to outcomes, the only difference being that the same documents are approved not only by the EBRD, but also by the Ministry. However, the explanation of achievement uses different analysis for outputs and outcomes, recognising the difference. All outcomes lead to the need to implement Phase 2, which is aimed at delivering the proposed bailiff service administration model and a training/capacity building action plan. The report does mention the approval of the Strategy and Passport of the Enforcement System Reform for 2018-2021 where EBRD/IDLO recommendations have been integrated. This is the mid-term outcome that should be included in the results chain.

IMPACT

A well-functioning bailiff service has a significant impact on, reducing corruption risks, strengthening the enforcement of court decisions and ultimately, improving the regulatory environment. Potential investors, having more trust in a well-functioning transparent enforcement system, will have fewer risks to consider when planning new/expanding existing projects.

SUSTAINABILITY The sustainability of the results is not very strong without implementing the recommended new enforcement system and a substantial number of bailiffs going through a comprehensive training and capacity building programme. It is anticipated that the second phase of the project will deliver this.

REGIONAL PROGRAMME FOR IMPROVING CORPORATE GOVERNANCE IN SELECTED INVESTEE COMPANIES AND BANKS: UKRENERGO # 1881

Budget € 74,500

APPROVED: May 14 FINISHED: December 16 (from OP/OC achievement dates)

Assignments: The UMD budget partially financed a number of assignments in a larger Regional project

	Name	Ach'd	Partly Ach'd	Not Ach'd
OUTPUTS	i) <i>Advocacy/knowledge management activity(ies) delivered</i>	1	0	0
	ii) <i>Seminars in non-SEMED countries on most recent developments in corporate governance of AML for bankers conducted</i>	1	0	0
	iii) <i>Consultants provide selected banks in non-SEMED COOs with diagnostic study and action plans to improve the client's corporate governance of AML</i>	1	0	0
OUTCOMES	i) <i>Participants confirm that the seminar provided at least one new lesson of relevance to their institution or responsibilities</i>	1	0	0
	ii) <i>Participating banks approve Action Plans (all or part) to improve AML governance recommended by consultants</i>	1	0	0
	iii) <i>Participating banks implement governance changes agreed by their Management within one year of their approval</i>	0	0	1
TOTAL		5	0	1

LONG-TERM OUTCOME
(assumed, not in system)

Project reporting is for the entire framework and it is difficult to disaggregate the activity-specific results. The assumption is that the long-term outcome of improved corporate governance standards in Ukrenergo will deliver higher operational and financial efficiencies in the company and wider energy market effects, including enhanced transparency and reduced corruption risks.

EVD'S VALIDATION:

RELEVANCE The project is strategically relevant to the EBRD's Country Strategy and Energy Strategy. It is also relevant to the country's priorities as expressed in Ukraine 2020, the Country energy strategy, Ukraine's international commitments (for example EU 3rd Energy Package) and other documents.

EFFICIENCY The project team employs a very flexible approach and is responsive to the client's needs. The main CG activities were performed by the WB, OECD and some other international partners, however the EBRD played a critical role in the niche identified for it to deliver its assistance. The Ukrenergo representative was highly complimentary about the EBRD's efficiency, and the high level of expertise of HQ and RO colleagues, noting that the local expert presence was good for daily communications (LTT had a temporary consultant based in Kyiv RO for two years working on this and some other projects)

EFFECTIVENESS This is a transaction related project so its main results will materialise upon implementation of the actual investment. There is very little formal reporting on this specific assignment in the overall framework report. As the project is related to an investment project with Ukrenergo, progress in CG improvement is covenanted in the loan agreement. The investment project is very much at the initial stage so it is too early to report.

IMPACT The assumed impact from this project is Ukraine having a competitive energy market with well-governed state owned and private companies and clear/predictable policies and regulations in the area.

SUSTAINABILITY Too early to evaluate.

**SUSTAINABLE DEVELOPMENT OF THE POWER SECTOR
PROGRAMME; TECHNICAL AUDITS / PROJECTS REVIEW /
PROJECTS PREPARATION – MOTT MACDONALD – NAK
UKRAINE # 5293**

Budget €69,918

APPROVED: January 15 FINISHED: January 19

Assignments: N/A

		Ach'd	Partly Ach'd	Not Ach'd
OUTPUTS	n/a			
OUTCOMES	n/a			
LONG-TERM OUTCOME <i>(assumed, not in system)</i>	Project has no identified results chain, even at the output level, therefore it is challenging to reconstruct the long-term outcome. However the assumption is that the long-term outcome will be associated with related investment project with Naftogaz – joint EBRD/ EIB investment of US\$400 million (US\$150 million by EBRD) to co-finance urgent replacement of 4 of the 7 sections of the pipeline for the total length of 119 km and modernisation of the compressor station. Use of the proposed model on operational and energy efficiency should result in safe and efficient operation of the respective sections of gas pipeline Urengoy-Pomary-Uzhgorod, and in the long-term future – of the entire pipeline. However the loan signed at the end of 2014 has not been disbursed at the time of evaluation. So no evaluation of results beyond short-term is possible.			

EVD'S VALIDATION:

RELEVANCE The project is extremely relevant to the Ukrainian national energy security strategy, the EBRD's Energy Sector Strategy, GET, and the country strategy for Ukraine. The report does not contain an assessment of strategic relevance.

EFFICIENCY The consultant worked efficiently and had a good level of understanding with the client – Naftogaz. Evidence suggests the project was managed efficiently, in congruence with the parallel investment project.

EFFECTIVENESS The main purpose of this assignment was to review and confirm the appropriateness of the project and propose improvements, analysing energy and operational efficiency improvements, taking into account existing conditions and planned operations. Short-term results – the consultant report and recommendations on how to achieve operational and energy efficiency in running the gas pipeline and compressor stations – were delivered and accepted by both the Bank and the client. However implementation has not yet materialised.

IMPACT As the investment project for which the project recommendations were delivered has not yet been implemented, it is difficult to assume contribution to impact. However, when it happens the impact will be in an effectively run gas transmission system with higher standards of energy efficiency and lower carbon emissions. The project is part of the larger Ukrainian gas sector reform/ investment programme, where the most recent changes (November 2019) resulted in the unbundling of production and transmission systems, which is essential for the future effective functioning of the Ukrainian gas infrastructure system.

SUSTAINABILITY As results beyond short-term were not achieved it is not possible to evaluate the sustainability.

PILLAR: INFRASTRUCTURE

SUPPORTING INVESTMENTS IN SUSTAINABLE MUNICIPAL SOLID WASTE MANAGEMENT AND RECYCLING IN UKRAINE # 361

Budget €749,450

APPROVED: May 15

FINISHED: January 19

Assignments:

Supporting investments in sustainable municipal solid waste management and recycling in Ukraine
Supporting investments in sustainable municipal solid waste mgmnt and recycling in Ukraine - Ext

Start	Status	€
Oct 14	Complete	500,000
April 16	Complete	250,000

	Name	Ach'd	Partly Ach'd	Not Ach'd
OUTPUTS	i) <i>Market study report accepted by EBRD</i>	1	0	0
	ii) <i>Pre-feasibility reports are accepted by EBRD</i>	1	0	0
	iii) <i>Policy intervention report accepted by EBRD</i>	1	0	0
	iv) <i>Final report accepted by EBRD</i>	1	0	0
	v) <i>Stakeholder workshop conducted</i>	1	0	0
	vi) <i>Provide government with a comprehensive Municipal Solid Wastes Management Strategy</i>	1	0	0
OUTCOMES	i) <i>At least 5 potential investment projects accepted by EBRD</i>	0	1	0
	ii) <i>Recommendation on targeted policy dialogue activities accepted by EBRD</i>	1	0	0
	iii) <i>Government acknowledges receipt of Municipal Solid Wastes Management Strategy</i>	1	0	0
TOTAL		8	1	0

LONG-TERM OUTCOME
(assumed, not in system)

Implementation of expected investment projects (Lviv and Khmelnytsky at the time of evaluation) will improve environmental situation in these municipalities and will trigger change in the attitudes to the municipal solid waste as a resource rather than waste. Economic and social effects will also be significant. However it is too early to evaluate. Implementation of National Municipal Solid Waste Management Strategy (MSW) 2030 across entire country will have a systemic effect on situation with the waste management.

EVD'S VALIDATION:

RELEVANCE

The project is strategically relevant for both GET and the Ukraine country strategy, it is in line with Ukraine's strategic priorities and - after completion - with the newly adopted MSW Strategy.

EFFICIENCY

The project was implemented with some delay, however with significant flexibility to match the dynamics of country's progress and to integrate the tasks that were not expected at design. Collaboration with GIZ had a synergic effect, while collaboration among the ministries was good. During implementation a significant network of private and civic partners was mobilised, which remains active and pushing for further changes, including MSW Strategy implementation.

EFFECTIVENESS

The project achieved desirable results, although with some delay as implementation uncovered significant systemic issues, that had to be addressed. The development and approval of the strategy, as well as the contribution to the new legal and regulatory base is a significant result, which enabled the approval of two investment projects with municipalities and the preparation of several more in the pipeline.

The report provides a brief but good description. There is a clear sequential logic of outputs and outcomes, however two of the three outcomes are outputs (2 and 3) – immediate results

of project activities. For example “government accepts MSW Strategy” could be reformulated to “Government Approves MSW Strategy” – it is then a mid-term result which is not in the EBRD’s direct control, but is, however, a consequence of EBRD actions.

IMPACT

The project contributes to the increased attractiveness of the solid waste sector for new investments, as well as enhancing governance standards in two partner municipalities (at the time of evaluation) and municipal/private companies which are/will be implementing investment projects. It directly affects the decrease of waste, reduction of carbon emissions and contamination of the environment due to unsustainable waste management approaches (green transition quality).

SUSTAINABILITY

The fact that the project not only determined the investment attractiveness of the sector through a comprehensive feasibility study, but also supported the development and approval of national MSW and mobilised a coalition of like-minded actors across all sectors creates the foundation for sustainability.

ONGOING PROJECTS

PILLAR: ENERGY

UKRAINE: CORPORATE GOVERNANCE REVIEW OF NAFTOGAZ AND UKTRANSGAZ # 739

Budget €242,500

APPROVED: March 15 ONGOING

Assignments:	Start	Status	€
Executive Search for Independent TSO Supervisory Board Director	Dec 16	Complete	75,000
Executive Search for Independent Naftogaz Supervisory Board Director	Dec 15	Complete	74,500
Review of CG Practices of Naftogaz and Ukrtransgaz	Mar 15	Complete	74,000
Review of Reg & Leg Frameworks Governing Naftogaz and Ukrtransgaz CG	Mar 15	Complete	74,000

	Name	Ach'd	Partly Ach'd	Not Ach'd
OUTPUTS	i) <i>The mapping of the laws, secondary legislation and corporate documentation to be amended is approved by the EBRD</i>	1	0	0
	ii) <i>The Legal Report is accepted by the EBRD.</i>	1	0	0
	iii) <i>Outline & 1st draft of proposed legislative/reg amendments approved by EBRD.</i>	1	0	0
	iv) <i>Outline & 1st draft of corporate documentation accepted by EBRD and NAK.</i>	1	0	0
	v) <i>The Corporate Governance Action Plan is accepted by the EBRD.</i>	1	0	0
	vi) <i>Mapping of key functions & businesses of NAK & UTG approved by EBRD</i>	1	0	0
	vii) <i>The Corporate Governance Report is approved by the EBRD</i>	1	0	0
	viii) <i>No less than 3 Independent Directors introduced to NAK Supervisory Board</i>	1	0	0
OUTCOMES	i) <i>CG Action Plan accepted by EBRD, NAK & Ukraine Min of Energy and Coal</i>	1	0	0
	ii) <i>The legislative and regulatory amendments are accepted by the EBRD, NAK and Ministry of Energy and Coal of Ukraine</i>	1	0	0
	iii) <i>Potential candidates for role of Independent Directors at NAK Supervisory Board presented to the Ministry, EBRD and NAK</i>	1	0	0
	iv) <i>Short-listed candidates for role of Independent Directors at NAK Supervisory Board interviewed by the Ministry, EBRD and NAK</i>	1	0	0
	v) <i>No less than 3 Independent Directors are voted to become elected to the Supervisory Board of NAK</i>	1	0	0
	TOTAL	13	0	0

LONG-TERM
OUTCOME
(assumed, not in
system)

The anticipated long-term outcomes from this project are changed behaviour and organisational culture in two SOEs that went through CG reform; changes induced by implementing CGAP are reflected in new business processes and company policies; potentially being expanded to the network of suppliers. External information confirms the positive trend, although the complexity of the changes required means that conclusions are only preliminary. Another long-term result is the replicability of the model. Naftogaz transformation is used by the EBRD, OECD, IMF and other international organisations as a case of an ongoing successful transformation of a complex SOE. If and when successful it could be replicated in a similar country context.

EVD'S VALIDATION:

RELEVANCE

The project completion report does not really refer to the project's relevance to country strategic priorities or the Bank's strategy in Ukraine. EvD confirms that this project is highly relevant to both. It was also related to two EBRD investment projects with Naftogaz.

EFFICIENCY	The project was implemented under high pressure, including political. In the circumstances the team performed exceptionally well.
EFFECTIVENESS	<p>Reporting on outputs and outcomes is detailed, however the formulations are often incomplete. Also, all outcomes are in fact outputs, results of specific activities. For example, the selection of the nominee directors should lead to the outcome – higher standards of oversight and enhanced quality of decision making.</p> <p>Some specific comments:</p> <p>Output 2. Legal report – more detail would be desirable. Like, a legal report on the functioning of NAK? As later it is noted that it was used for CGAP.</p> <p>Output 3. Regulatory amendments – or what??? Laws and regulations related to the functioning of NAK? Should be more specific.</p> <p>Output 5. CGAP is accepted by the EBRD – but then the description of achievements states that “CGAP was approved by Ministry and the Cabinet.” It should be formulated differently, or even replaced with a different output as it requires a different set of activities, with more negotiations involved with the government stakeholders.</p> <p>Outcomes 3,4,5 – are in fact actions/consequences preceding output 8 - the appointment of three independent directors. First they were sought, then interviewed, then elected, then appointed. The structure of outcomes makes no sense.</p>
IMPACT	This project has already contributed considerably to the establishment of well-governed institutions in a critical sector of the economy and in two of the largest SOEs. Additionality significantly improved Naftogaz’s performance, which has positive macroeconomic implications. In 2014 the company’s deficit amounted to 5.4% of Ukrainian GDP, while in 2016 it reported US\$1 billion net profit. In 2016-2018 Naftogaz was the largest contributor to the national budget – 19% of total budget revenues in 2018.
SUSTAINABILITY	If CGAP is fully implemented and the reform of two SOEs is completed, sustainability will be achieved. The politico-economic risks for the sustainability of this project are very high.

PILLAR: INVESTMENT CLIMATE

SUPPORT FOR INSTITUTIONS UNDER THE REFORM SUPPORT ARCHITECTURE FOR UKRAINE # 668

Budget €14,818,842

APPROVED: November 14 – October 19 EXPECTED END DATE: March 2020 CURRENT STATUS: ONGOING (PR May 18)

Assignments:	Start	€
TC1.1: Support for Ukraine's National Reform Council (NRC) and the development of strategy for reforms	Oct-14	935,500
TC1.2: Support for Ukraine's National Reform Council (NRC) and the development of strategy for reforms	Oct-14	39,760
TC2: Support to the Project Management Office (PMO) for local consultants	Jul-15	50,000
TC3: International Expert Advisor to NRC	Aug-15	53,913
TC4: Continuation of support for the Project Management Office (PMO) of the National Reform Council (NRC)	Mar-16	780,000
TC5: Reform Support Teams	Sep-16	5,586,500
TC6: Strategic Advisory Group for Support of Ukrainian Reforms (SAGSUR)	Jul-16	8,318
TC6: Strategic Advisory Group for Support of Ukrainian Reforms (SAGSUR)	Jul-16	5,144,000
TC7: Operational Support to the 'Foundation for Support of Reforms in Ukraine'	Jul-17	327,000
TC8 National Reform Council Support Team (NRC ST)	Jul-17	193,000
TC9: TC project support - Monitoring, Evaluation and Project Management Consultant (Kyiv RO) - Extension	Apr-17	100,866
TC10: TC project support - Policy Analysis and Project Management Consultant (HQ)	Jun-17	154,118
TC11: TC project support - Budget and Results Monitoring Analyst (Kyiv RO)	Jun-17	50,400

	Name	Ach'd	Partly Ach'd	Not Ach'd
OUTPUTS	i) PMO Annual plans and budget submitted to the Director of Reforms Executive Committee (REC)	1	0	0
	ii) PMO submits quarterly and annual reports on the status of reforms to the Director of REC	1	0	0
	iii) The PMO will submit reports to the EBRD after the initial 6 month and 12 month periods before further funds are committed. Twice annual reporting will continue in Year 2.	1	0	0
	iv) Periodical reform communication (to public) reports and presentations.	1	0	0
	v) SAGSUR is fully staffed and equipped in accordance with the requirements of its mandated responsibilities	1	0	0
	vi) SAGSUR implements actions supporting reforms as agreed in its work plan	1	0	0
	vii) National Reforms Support Team is fully staffed and equipped in accordance with the requirements of its mandated responsibilities	1	0	0
	viii) National Reforms Support Team implements actions supporting reforms as agreed in its work plan	1	0	0
	ix) Reforms Delivery Office is fully staffed and equipped in accordance with the requirements of its mandated responsibilities	1	0	0
	x) Reforms Delivery Office implements actions supporting reforms as agreed in its work plan	1	0	0

	xj)	<i>Reforms Support Teams implement actions supporting reforms as agreed in their work plan</i>	1	0	0
	xii)	<i>Reforms Support Teams are fully staffed and equipped in accordance with the requirements of their mandated responsibilities</i>	0	1	0
OUTCOMES	i)	<i>PMO is fully staffed in accordance with the requirements of its mandated responsibilities</i>	1	0	0
	ii)	<i>Reforms are developed by NRC (Reform Task Forces) and coordinated by PMO</i>	1	0	0
	iii)	<i>PMO reforms implementation workplans are timely executed</i>	1	0	0
	iv)	<i>PMO implements actions supporting reforms as agreed in its workplan</i>	1	0	0
	v)	<i>SAGSUR: all reform priority areas progressing as planned</i>	1	0	0
	vi)	<i>National Reforms Council (NRC) Support Team: all reform priority areas progressing as planned</i>	1	0	0
	vii)	<i>Reforms Delivery office: all reform priority areas progressing as planned</i>	1	0	0
	viii)	<i>Reform Support Teams: all reform priority areas progressing as planned</i>	1	0	0
		TOTAL	19	1	0

LONG-TERM OUTCOME

(assumed, not in system)

For a systemic project like URA, the long-term results are assumed to be: (1) increase in the uptake of the reforms in targeted government agencies; (2) changes in the behaviour of the key public sector stakeholders; (3) effective functioning of the civil service and public administration as per established principles (i.e. in compliance with OECD SIGMA) and priorities; and ultimately (4) no need for teams of temporarily deployed experts – disbandment of RST/RDO.

SAGSUR disbandment is warranted in the short-term perspective as external strategic support under new country leadership is taking a different shape. However, teams of local experts will still be required until PAR delivers a well-functioning system of public agencies.

EVD'S VALIDATION:

RELEVANCE

URA has high strategic relevance. It addresses urgent needs related to Ukrainian public administration reform, providing temporary structures that enable a gradual and smooth transition from the old and inefficient public administration and civil service to new models in congruence with the international standards and commitments Ukraine has in the framework of various international agreements. PAR is a large component of the assistance package delivered by the EU and other international donors. URA was designed jointly with the GoU and the EU, and it is closely co-ordinated with the main TC vehicle – EU4PAR. While located in various ministries, 30% of each RST work stream falls in the PAR component, with the intention of increasing it further, as sector ministries gradually strengthen their functional expertise.

URA is strategically relevant for the EBRD as it contributes to the delivery of a number of country priority policy objectives. The majority of expert teams are created in ministries which have a long-term history of policy engagement and delivery of investment projects with the EBRD. There are only two agencies which haven't collaborated closely with the EBRD (in italic), however progress in the "inclusive" transition quality opens opportunities to collaborate with the Ministry of Education and Science, while the Secretariat of the Cabinet of Ministers is the key reform co-ordination centre. The agencies where RSTs have been created are:

- 1) Ministry of Finance
- 2) Ministry of Economic Development and Trade (merged with the Ministry of Agriculture)
- 3) Ministry of Ecology and Natural Resources (merged with the Ministry of Energy)
- 4) Ministry of Communities and Territorial Development (new name)
- 5) Ministry of Infrastructure
- 6) State Road Agency Ukravtodor
- 7) Customs Service
- 8) Tax Service
- 9) *Ministry of education and science*
- 10) *Secretariat of the Cabinet of Ministers (RDO)*

EFFICIENCY

The project is being delivered by a dedicated team of EBRD staff and contracted consultants in London HQ and Kyiv RO. The strong presence on the ground ensures effective daily communications with all involved parties, specifically with the supported RSTs, RDO and SAGSUR. All interviewed RST, RDO and SAGSUR representatives confirmed that the URA project staff are highly efficient, flexible and committed, , separately stressing the efficiency of the Ukraine Reform Foundation which is used as the legal vehicle for contracting/payments to temporarily deployed experts.

URA is the largest TC project in the public administration sphere managed by the EBRD and is highly visible due to its scope and high-level sponsorship inside and outside the Bank.

The delivery model is in line with the EBRD's rules and procedures, which assume a lean operational model, which means some areas could suffer from insufficient financial and staff resources. It is particularly evident in the weak results chain and overall theory of change, supported by practical monitoring and an evaluation matrix with objectively verifiable indicators. It means that URA has very low level of evaluability. The URA team acknowledges this challenge and while designing the URA 2.0 – the next phase of the project – it plans to develop a results framework and enhance monitoring and self-evaluation standards. EvD agreed to support this process and a separate URA results framework is to be prepared shortly.

EvD revealed a number of efficiency issues that leave room for improvement. They are related to RST's "one size fits all" model and its procedures, rigidity in hiring personnel and uniform skill requirements (for example, it is difficult to find engineering/technical experts who are fluent in English) and remuneration packages (in some sectors, the desired experts have higher market offers). Also, administrative costs have a very marginal share in RST budgets, which makes some activities difficult: communications (no funds for printing/ events) and outreach (travel budgets are very limited for staff travelling around the country or abroad, which in some cases is essential).

On a separate note, RST heads noted that more horizontal exchange of information and experiences among the teams, particularly on PAR issues, would be useful. Representatives of the most recently created RSTs were particularly keen on the initiative. EvD noted that this type of exchange could be kick-started informally by the network itself, without an administrative decision from the project team.

EFFECTIVENESS

Currently, the structure of URA's results chain is limited to the immediate effects of the designed actions (outputs), and some assumptions about their mid-term effect. It follows the input-output model that makes evaluation of effects challenging. Along with the very detailed sector-by-sector reporting on the scope of legal and regulatory changes, which

RSTs/RDO/SAGSUR support, there are very few details on mid-term results (outcomes). Most of them are formulated along the lines “all reform priority areas are progressing as planned” – a result which is difficult to measure. Some outcomes are actually outputs, such as “PMO is fully staffed in accordance with the requirements of its mandated responsibilities”, and often they are repetition of outputs.

RST/RDO outputs largely duplicate the outputs of the Government’s work in essence, as their role is **to support and to enable** effective policy development, decision making, delivery, and monitoring by the respective ministry/agency departments. For effective monitoring of the RST/RDO enabling and “igniting” function an additional set of outcomes and indicators is required – characterising functions and processes – additional to the set of indicators characterising content of sectoral reforms. Evidence from the interviews also suggests that sometimes URA outputs duplicate the results of other EBRD TC projects, funded through the MDA or other donor funds, which address specific sectoral policy challenges. It is important to identify the core deliverables specific to RSTs, indicating the larger achievements towards which they contribute, also mentioning other contributing stakeholders/mechanisms.

IMPACT

At the current stage of implementation it is not possible to validate the impact. However, the assumed impact of the URA is well-governed public institutions that develop, deliver, enforce, monitor, and evaluate public policy. This could be monitored through the EBRD’s own assessment of the well-governed quality, as well as a range of other international indices (i.e. WB Governance Indicators). Predictable and transparent decision making will improve the regulatory environment, where progress could be traced through a range of external indicators, such as Doing Business, Competitiveness etc.

SUSTAINABILITY

EvD considered sustainability through the prism of: (i) human capital and (ii) structures and procedures.

The anticipated and partly demonstrated sustainability of human capital is high. URA’s achievements in preparing a sizeable group of skilled and motivated experts working in RSTs/RDO are evident. The evaluation team interviewed practically all heads of RSTs/RDO and most of their core Government partners (heads of agencies, (former) ministers/deputy ministers and state secretaries, heads of key departments). Their motivation is clear, their skills are strong and relevant, and the speed/flexibility of delivery is high. Their relatively junior status and realistic remuneration package do not create too much animosity in the host institution (although there are some cases). After leaving RSTs people remain in the reform “orbit” working in other public agencies, TC project teams, new civil service departments, parliament, etc. However, some RST experts failed the selection for the new civil service. At the same time, according to government officials interviewed by EvD, the skills/experience of successful candidates who joined the new civil service in reality often don’t fit with the profile/needs of the specific ministry/directorate. There is a room for improving the process and bridging the gap between recruiting temporarily deployed staff and permanent civil servants, particularly as one of URA’s objectives is to retain RST experts in the public service. The collective nature of reform teams (rather than individual experts) and the fact that they are local experts enhances the sustainability of built capacity as the likelihood of them leaving the country is low (unlike international consultants).

The sustainability of structures and procedures is less evident, as they are more dependent on politico-economic factors. The interaction between RST and the rest

of the ministry is not always easy and elicits a mixture of appreciation and disdain. In some cases the teams worked against the will of the top-level leadership (e.g. state secretary) despite general political support, while in others they had full support and commitment, and in yet more the situation was somewhere in-between. But most of them noted that regardless of the environment in the specific agency, focused efforts on PAR delivered results: observable change in the behaviour and processes used by the ministry/agency staff, their openness to learning and improving, and a certain degree of “appropriation” and automation of newly introduced processes.

TECHNICAL COOPERATION FOR THE DEPOSIT GUARANTEE FUND # 619

Budget €3,285,000

APPROVED: December 14 & July 2016 EXPECTED END DATE: June 21 CURRENT STATUS: ONGOING (PR Jan 19)

<i>Assignments:</i>	Start	€
<i>The Deposit Guarantee Fund Diagnostic Assessment and Recommendations</i>	Jan 15	285,000
<i>The Deposit Guarantee Fund, Stage 2 Assistance</i>	Mar 16	2,000,000

	Name	Ach'd	Partly Ach'd	Not Ach'd
OUTPUTS	i) <i>Report on conversion of accounting systems to IFRS associated MIS</i>	1	0	0
	ii) <i>Recommendations on changes to the organisational structure and staffing</i>	0	0	1
	iii) <i>Detailed internal documents and procedures accompanied by employee handbooks, clarifying reporting relationships, level of authority, decision-making processes, and roles and responsibilities</i>	1	0	0
OUTCOMES	i) <i>Consolidated report accepted by DGF and EBRD.</i>	1	0	0
	ii) <i>DGF has established new management reporting system as well as accounting function which enables it to produce IFRS compliant financial statements.</i>	1	0	0
	iii) <i>DGF has built internal capacity for asset valuation and disposal</i>	1	0	0
	iv) <i>DGF's HR function is enhanced in order to cope with the increased staff number</i>	1	0	0
	TOTAL	6	0	1

LONG-TERM OUTCOME The long-term result of this project, (currently in the third phase of implementation) is a well-functioning Deposit Guarantee Fund – with a sustainable financial model, uniform standards of managing distressed financial institutions, the institutional capacity to react quickly and professionally to crisis situations in the banking sector, and in the future – in other segments of the financial sector that might enter the DGF scheme after the newly approved Split legislation is implemented.

(assumed, not in system)

EVD'S VALIDATION:

RELEVANCE The project is strategically relevant to the EBRD's activities in Ukraine, where the stability of financial sector and a well-governed and competitive banking sector are among the priorities. It is in compliance with the Ukrainian Government's strategy and its commitments in the framework of the IMF support programme and EU regulations, particularly in relation to compliance with a number of EU directives (#49 and #59) that define DGF's financial sustainability.

EFFICIENCY Delivery of first two project stages was efficient and prompt. Selected consultants delivered a comprehensive assessment of the challenges with recommendations for action, which was

followed by the implementation stage. Split into eight work streams for different businesses processes and algorithms the action plan was delivered in two years. Each stream had a dedicated group of consultants with relevant experience in the field and a hands-on approach to delivery. Beneficiaries noted that this TC project had a strong competitive advantage compared to those delivered by other donors. The presence of mostly local experts with great awareness of the local context and the modalities required of international models if they are to fit; full-time presence and delivery; the gradual handover of tasks and responsibilities to trained DGF staff. These features are usually absent in other TCs – dominated by short- mid-term international experts with limited exposure to the local context and time pressures. The EBRD also ensured that all activities were closely co-ordinated with other international partners working in the sphere, particularly the WB and US Treasury – a fact which was confirmed by international partners.

The international partners also noted that the EBRD's management of the DGF project was highly efficient and effective, offering an exemplary delivery of a complex package of assistance in a short period of time.

EFFECTIVENESS Since 2014 the Deposit Guarantee Fund has managed the process of liquidating 60 Ukrainian banks with total assets of UAH 300 billion. Jointly with other international partners and external consultants, the EBRD has delivered a systemic change in this essential institution that ensures the stability of the banking sector. Given the dramatic increase in tasks and staff (from 60 in 2013 to 400 in 2019), the Fund was struggling with operational processes and efficiencies, it lacked expertise and experience dealing with the challenges of such a scale. Improvements delivered through the project helped to build up DGF's governance, operational processes and unified standards for managing distressed financial institutions.

The project has delivered strong results in eight components:

- 1) Project management office
- 2) Accounting and reporting
- 3) Management information system (MIS)
- 4) IT function
- 5) Asset valuation
- 6) Asset disposal
- 7) HR function
- 8) Legal and regulatory support and advice.

The asset valuation and disposal component has benefited from the products created in the framework of other MDA-funded projects – establishing and supporting the e-procurement platform ProZorro. Its algorithm and open source model was later replicated for ProZorro.Sales – a state enterprise that supports the sale of assets. DGF is one of the main clients of ProZorro.Sales, using the platform for effective asset disposal.

The project progress report is well written and provides a logical chain of results.

IMPACT Capable and efficient, DGF is a significant element of macroeconomic stability and a resilient financial system. When it functions well, it contributes to competitiveness in financial sector, ensuring prompt and thorough management of bankruptcy procedures, releasing assets that could be used in alternative sectors and investment activities.

SUSTAINABILITY The implementation of the second project phase provides some foundation for institutional sustainability, as a significant number of professionals were trained/prepared to deal with

the wide range of tasks that became DGF's responsibility following a number of legal changes (including bank resolution, provisional administration and bank liquidations, the establishment of "good" and "bad" banks, depositors' access to funds in impaired banks etc.). Completely revamped business processes, data standards, the automation of data gathering, the introduction of IFRS and other standards set the institution on the path to self-sustainability. It plans to manage its fluctuating staff requirements (full-time and part-time) by creating a roster of pre-qualified professionals who could be quickly mobilised when the needs arise.

However, further changes and policy dialogue are required to achieve long-term sustainability based on the financial viability of DGF. Currently its level of debt is unsustainable. By 2030 the total debt will be double the amount of loans provided by the Ministry of Finance in 2014. Most of the debt costs should be covered through membership fees. International experience demonstrates that the Government takes on part of the costs of administering bank bankruptcy by restructuring/writing off part of DGF debt. Tri-party dialogue between DGF, Ministry of Finance and National Bank is anticipated during the third project phase, the main objective of which is supporting the design and implementation of a sustainable financial model for DGF.

Annex 5. Business Ombudsman Case⁴⁶

Approach

Support to the BOI contributes to achieving objectives in two EBRD transition qualities: well-governed and competitive. It also contributes to progress in three out of seven dimensions of the EBRD's Investment Climate and Governance Initiative (ICGI), particularly: (a) public-private dialogue; (b) transparency and disclosure; (c) incentives to reduce corruption; and (d) dispute resolution. While covering areas that are the responsibility of various bank teams (OCCO, OGC, LTT) this initiative is managed by the Governance team in the GPA department, under the leadership of the Country Director for Ukraine and the Managing Director for Eastern Europe and the Caucasus.

Origination of idea

The idea of establishing a Business Ombudsman office in Ukraine was conceived through the Anti-corruption Initiative, the origins of which go back to 2013. At the time, the snowballing problems of aggressive asset raiding, high-level corruption and nepotism negatively affected many companies in Ukraine, including EBRD clients. The Bank came up with the high-level anti-corruption initiative and suggested that its future investments in the country's economy would depend on the progress in tackling corruption. In 2013 initial steps were taken to prepare the Memorandum of Understanding on Anti-corruption Initiative with Viktor Yanukovich's administration. However, delays in taking action and the further dramatic political turbulence that led to a regime change and the overwhelming security and economic crisis meant that the MoU was not signed until May 2014. Since then the Ukrainian authorities and the EBRD have been on track, establishing the Business Ombudsman Institution, which was formally launched in November 2014. A detailed timeline of actions is presented in Graph 1 below.

The Ukrainian Business Ombudsman Institution (BOI) was broadly structured along the line of the principles of the High Level Reporting Mechanism (HLRM) – a collective action tool that targets bribery solicitation and other unfair treatment of business through the rapid actions of the alternative dispute resolution mechanism (see section 2 for more information on HLRM). The authors of HLRM – experts from the OECD and the Basel Institute of Governance – structured this tool as a mechanism that primarily helps to prevent corruption and unfair treatment of businesses in a procurement context; at the same time, the BOI is a tool designed to address issues wider than just procurement, which result in the mistreatment of businesses by the authorities. Given their expertise in this area, the Bank retained the Basel Institute of Governance as a consultant during initial phase of the project (prior to the signing of the Memorandum of Understanding in May 2014 – see the Timeline in Graph 1 below).

At the initial stage (2013-2014) there was substantial scepticism about the Bank's ability to address the issue of corruption through the Initiative. When the EBRD experts (including those from the Office of the Chief Compliance Officer (OCCO) and the Kyiv Resident Office), together with the OECD and the Basel Institute of Governance, were brainstorming regarding practical solutions to effectively tackle corruption in the summer of 2013, they consulted a wide range of businesses and government agencies in Ukraine. At that time, EvD was evaluating the EBRD's experience with policy dialogue in Ukraine. Its conclusions, among other things, were based on a range of interviews, including those with stakeholders who were directly involved in preparing the launch of BOI. In its report, EvD noted⁴⁷:

⁴⁶ Prepared in the Framework of Evaluation "EBRD's Investment Climate Support Activities" published in October 2018. This text represents key elements of the BOI 2018 case. All information is relevant except the results of operational activities in terms of number of cases delivered, financial results, special reports and MoUs with government agencies – these facts are valid for mid-2017.

⁴⁷ EvD's Special Study "The EBRD's Experience with Policy Dialogue in Ukraine", p. 39, April 2014

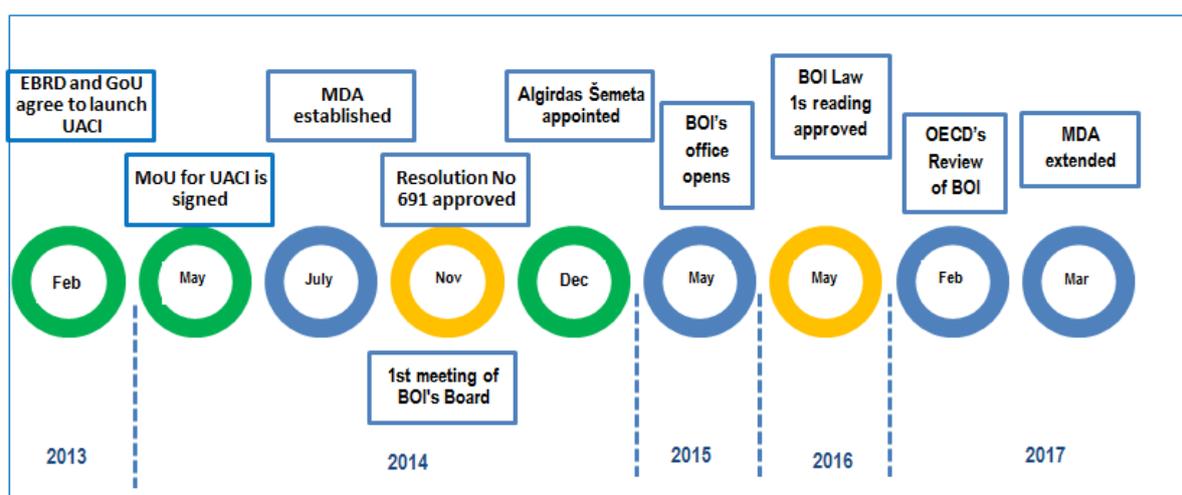
“...Non-EBRD people interviewed in Ukraine generally praised the EBRD for the [anti-corruption] initiative, viewing it as an important and necessary stand. However given the context prevailing at the time the interviews were conducted, most did not consider the chances of success great”.

In the middle of 2017 it is evident that the EBRD did succeed in mobilising significant financial and human resources, as well as the commitment of the Government and businesses across the country to launch the Business Ombudsman Council in November 2014. This case report demonstrates the substantial results achieved since May 2015, when the BOI’s Secretariat opened started operating in Kyiv. It also outlines the indications of the BOI’s potential long-term impact on Ukraine’s investment climate, and the potential and conditions for replicating this model in other countries of operation (COOs).

Timeline

Graph 1 below illustrates the sequence of actions taken by the EBRD, Ukrainian government and international actors that enabled the BOI launch and ensured its successful initial stage of operation.

Graph 1. Timeline of BOI’s launch*



Source: EvD’s own elaboration

*Colour coding of the actions: blue – EBRD’s action; yellow – GoU’s action; green – joint action.

Inputs

According to the theory of change developed for the Investment Climate study the success of investment climate support activities depends on the scale and scope of inputs provided and their timing. By inputs we understand the availability of: (i) core funding for relevant policy teams and administration of the project/activity; (ii) donor funding for TC projects; (iii) contributions of the country team; (iv) contributions made by local partners, including government; (v) top management support; and (vi) parallel contributions from other IFIs and donors. This chapter provides some details of the inputs used to launch and sustain the BOI in Ukraine.

The Business Ombudsman Institution (BOI) is a new format for the Bank’s work in the area of investment climate improvement and anti-corruption. It is one of the mechanisms for enabling private-public dialogue (PPD) and recourse for businesses, as described in the main evaluation report⁴⁸ and was first introduced in Ukraine in 2014, and broadly based on the concept of the High Level Reporting Mechanism (HLRM). HLRM is a novel instrument first developed in 2013 by a team of experts from the OECD and the Basel Institute of Governance along with other international actors, prompted by a G20 drive to tackle global corruption. It is defined as “...an innovative collective action tool that calls for collaborative efforts from multiple stakeholders to address bribery solicitation,

⁴⁸ Link to the main report

*suspicious behaviour and other similar concerns at the national level and thereby prevent corruption practices.*⁴⁹ Currently (in 2018) HLRM has been introduced in Colombia and Ukraine, although with the distinctively different implementation models and institutional arrangements in place.

The OECD, as one of the originators of the HLRM concept, is taking an active part in the activities of the Ukrainian BOI – through its membership of the Supervisory Board and the provision of methodological and intellectual support. Among other things, the OECD supported the preparation of an assessment of the BOI's institutional capacity in 2017⁵⁰, as well as the preparation and launch of the Ukrainian Network of Integrity and Compliance initiated by BOI, which also collaborates closely with the Bank's OCCO experts.

The EBRD is a founding and leading partner of this initiative. The Bank provides ongoing organisational support, as an administrator of the Multi-Donor Account that provides funding for the BOI's activities, and as a core partner in the dialogue with the Government, having substantial weight due to its status as the biggest investor in Ukraine's private sector.

Organisationally the Governance and Public Affairs (GPA) department, and specifically the Governance team, is responsible for the implementation of the BOI. Since 2014 it has assigned to the Kyiv RO a senior governance/legal expert, whose role was critical at the inception and the structuring phases when key BOI governance documents were prepared, negotiated and agreed with key stakeholders; the MoU on Anti-corruption Initiative; the legal documents, including the Resolution of the Cabinet of Ministers No 691 (26.11.2014) on the establishment of the BOI and the Rules of Procedure of the Business Ombudsman Council. After inception, the EBRD expert was essential for maintaining relationships between the BOI Secretariat and HQ, including coordinating with the RO leadership. Until recently, the expert was a governance/legal resource assigned from the HQ, and as of April 2017 there has been a locally-based Governance Counsellor who provides expert support for BOI activities, alongside their other responsibilities.⁵¹

The EBRD Director for Ukraine is a crucial leader in the process as he assumed the role of the Chair of BOI's Supervisory Board. He dedicates a considerable amount of time and effort to sculpting the BOI's organisational structure and work programme, making it consistent with the initial design. He is also crucial for enabling the connection between the Ombudsman and the business community, as well as enabling networks with the international donor community and government agencies. Having comprehensive knowledge of the problems faced by many EBRD clients in Ukraine he also has the real-time validation tools that allow him to track the effectiveness of the BOI's activities. Other core members of the EBRD management team are also crucial for ensuring the consistency and persistence of the BOI's activities, its importance and relevance in Ukrainian politico-economic context.

During interviews in Kyiv in March 2017 the evaluation team repeatedly heard from international, government and business counterparts that the EBRD was the only organisation that could “pull this thing [BOI] together”. All partners praised the Bank's determination, which resonated with the views expressed in 2013-2014. However, four years on, this determination was bearing very concrete and tangible results. The EBRD consistently enjoys great trust from the government, businesses, and international partners as its actions have the right mixture of flexibility and firmness, and its status as the biggest investor in the private sector warrants political leverage.

The donor support in launching and sustaining the BOI in Ukraine was essential and it remains such. Although the first steps in establishing the BOI were mainly supported by the Bank's own

⁴⁹ The OECD, the Basel Institute of Governance (2017) *The High Level Reporting Mechanism (HLRM). A tool to help prevent bribery and related practices.* Briefing note.

⁵⁰ Marin A. (2017) *Final Report on the Business Ombudsman Council of Ukraine*, 26 February 2017

⁵¹ The Governance team has a dedicated governance adviser for Ukraine, Belarus and Moldova as of April 2017

financial and human resources, it is the Ukraine MDA that provided funding for launching the BOI institution.

The BOI should operate on the basis of the law. Initially, the BOI was established as a consultative body of the Cabinet of Ministers, based on the Cabinet Resolution No 691/2014. This temporary legal foundation is a potential weakness because it grants very little authority to the BOI in dealing with public agencies at the central and local levels. Consequently, its organisational/financial management is not straightforward and the BOI's Secretariat had to be registered as an NGO in order to open a bank account and to employ its staff.

Consistent with the initial agreement with the Government, the EBRD's experts together with the BOI office and business counterparts, prepared the Draft Law on Business Ombudsman in Ukraine No. 4591, which stipulates its long-term legal position in the institutional structure of the Government. In 2016 the draft law was approved by the Cabinet of Ministers and presented in the parliament as a government-sponsored legislation. It was approved in first reading in May 2016 but since then its approval has been delayed in the parliament. It is currently proposed for the second reading. While the EBRD and OECD have sent letters to the head of the parliament in support of the draft law in its current form, there is currently no strong support for enhancing the BOI's legal status among the various factions of MPs and core parliamentary committees. Some MPs attempted to weaken the proposed legislation, being concerned about creating another agency with strong investigative powers. Conversely, others are concerned about the organisation's "light" status as per existing draft. The ongoing negotiations over the draft are mainly of a political nature. Under the current legal set-up, the BOI faces some possible limitations that may affect its effectiveness. However, its experts have designed a number of practical instruments that help minimise these until the BOI law is adopted (see section 2 for more details).

It is fair to say that the evident success of the Ukrainian Business Ombudsman Council is due to the combination of all necessary inputs, as identified in the theory of change for this study. Appropriate corporate funding and allocation of human resources, available donor funding, strong commitment and leadership from the country team, backed up by the top management, and most importantly, commitment of the country leadership and key counterparts – all these components are present. The BOI is well funded, compared to similar initiatives launched and managed by the EBRD. Its well demonstrated direct financial and systemic impact has shown that the donor support for the BOI represents money well spent. The urgency of change and fragile macroeconomic situation, combined with a politico-economic context which is conducive to change, has spurred the commitment of all parties, including financial. At the same time, should the priority to support reforms in Ukraine subside, inevitably there is a risk that the commitment of the local counterparts and the interest of foreign donors might decrease.

It is therefore important for the BOI to continue demonstrating its sustained economic value and importance in Ukraine's system of rule of law and dispute resolution. Its achievements in resolving complaints and the subsequent economic effect, as well as systemic impact stemming out of its advice and systemic reports and recommendations, should ensure that its cost of action is legitimate and could, at least partially, be derived from public income, which otherwise would be lost because of corrupt actions, unintended mismanagement and lack of transparency. Therefore, a portion of the costs of its activities might gradually be covered by the Government and business associations. However, as discussed below, the local commitment to financing the BOI in Ukraine is only tentative and requires governance instruments to be considerably designed, in a manner that does not compromise the four founding principles of the ombudsman's work (independence, impartiality, confidentiality, and credible investigative process). The current international status of the organisation – due to the origins of its funding, administrative oversight and leadership – ensures its high reputation and adherence to principles.

Activities

The EBRD's initiative to launch and support the sustainable functioning of BOI is a very good example of support in creating a new institution, however all other elements are also present in this innovative initiative. This chapter presents them along three main strands: (1) inception and corporate processes; (2) the BOI's core activities; and (3) the EBRD's activities.

Inception phase and corporate activities

The BOI's inception phase included the preparation and signing of the Memorandum of Understanding for the Ukrainian Anti-corruption Initiative,⁵² and establishment of the BOI's Supervisory Board. The Memorandum was signed on 12 May 2014 and the Supervisory Board had its first meeting in November 2014. It was a lengthy and challenging process in which the EBRD staff based in country and HQ experts persevered in agreeing the sometimes conflicting interests of the government and business community. Graph 2 below illustrates the map of stakeholders involved in the BOI and the core processes/flows among them. Its Supervisory Board is comprised of representatives of organisations-signatories of the above-mentioned MoU.⁵³

The governance model finally approved for the BOI, with a triangle of partners on the supervisory board, offers a balanced structure. Each side – government, business, and international organisations – has one vote. It allows equal representation of the interests of the government and business, with international partners (the EBRD and the OECD) playing the role of the honest broker and the insurer of compliance and accountability for resources spent. Five largest business associations of Ukraine – ACC, EBA, UCCI, ULIE, and UFE – represent interests of Ukrainian businesses and need to agree their positions prior to voting/ taking decision.

As noted above, the BOI is a governmental advisory body with consultative functions but not part of the government apparatus; it is therefore not subject to a Government oversight that is normal for a governmental agency. The government representative on the BOI supervisory board⁵⁴ ensures a continuous political will for change so that systemic policy and regulatory recommendations are enacted by the respective public agencies.

The BOI is fully funded by donors, which means the existence of strict accountability lines. The EBRD plays a core role in ensuring this accountability, as well as in instilling compliance and integrity standards, and full transparency of functioning. All of these are essential for the BOI's long-term success. Business associations ensure a two-way flow of information and practices: the voices of discriminated businesses are heard, while new standards of integrity and compliance are being promoted among Ukrainian companies and entrepreneurs.

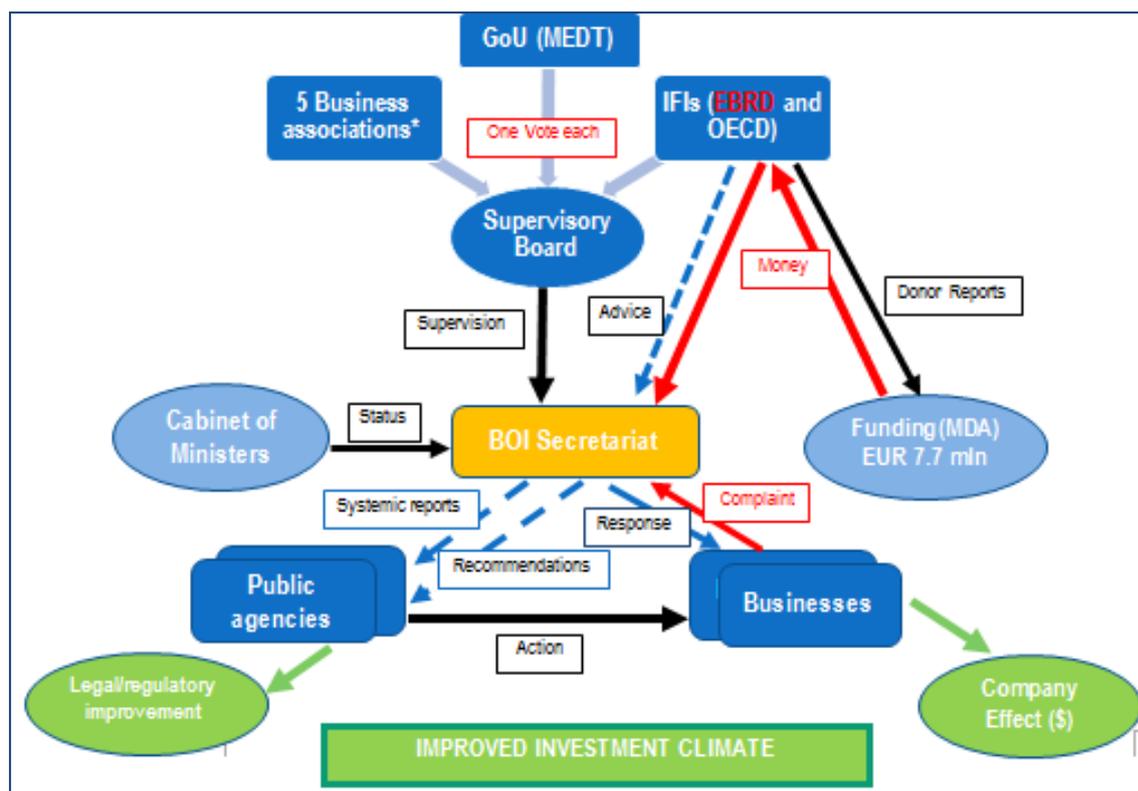
It should be noted that the BOI was launched in an extremely difficult business environment with little mutual trust between the private sector and the government. Building trust requires time and demands the highest standards of integrity, compliance and accountability from the BOI and its staff. Only then might the final results of its activities – direct financial gains of businesses, amended regulatory acts, corrected decisions of controlling agencies and removal of corrupt practices and individuals – have a long-term systemic effect.

⁵² Full text of the MoU is available at <http://www.ebrd.com/downloads/news/mou-ukraine-aci.pdf>

⁵³ There is a provision in the Rules of the BOI to extend the number of Board members, however until now the membership remains unchanged.

⁵⁴ The Government representative on the BOI supervisory board is currently the First Deputy Prime Minister and Minister of Economic Development.

Graph 2. Stakeholder map and BOI processes



Source: EVD's own elaboration

* American Chamber of Commerce (ACC), European Business Association (EBA), Ukrainian Chamber of Commerce and Industry (UCCI), Ukrainian League of Industrialists and Entrepreneurs (ULIE), Ukrainian Federation of Employers (UFE)

The Supervisory Board's first action was to select the Business Ombudsman and two deputies.

After a competitive process Algirdas Šemeta was officially appointed as Ombudsman in December 2014, followed by the (competitive) selection and appointment of his two deputies. He immediately started the process of selecting the Secretariat's staff – investigators, communications and IT specialists, administrative staff. By the middle of 2015, the BOI's Secretariat was fully functioning with fourteen full time staff members.⁵⁵ By September 2017, after Ukraine's Multi-Donor Account contributors approved the extension of the Fund and the BOI's budget for the next three years, the number of staff was increased to thirty.⁵⁶

The specificity of the BOI's activities is that it uses state-of-the-art technological solutions. The cloud-based case management system (CMS) which is fully integrated with the BOI's website, allows all management processes/tasks related to business complaints to be fully automated.⁵⁷ From submitting the complaint to initial review, to formal case review, to communications with the public institutions against which the complaint is filed, to final decision/ communication with the client - all these steps are done through the IT system. Clients do have a chance to submit complaints in hard copy, which is especially important for SMEs in remote areas of the country. In this case, BOI staff will digitalise all case documents submitted in hard copy and the automated workflow is generated. Overall about 50% of all complaints are submitted via the BOI website, the rest is submitted via email and post.

⁵⁵ The BOI's First Quarterly report, April-June 2015

⁵⁶ The BOI's website information as of February 2018

⁵⁷ The IT infrastructure was developed by the Ukrainian IT company Terrasoft after a competitive tender procedure.

The system generates automatic reports, and core statistics related to the BOI's activities is available in real time on the BOI website. This is one of the most advanced and transparent reporting systems in Ukraine and worldwide. Periodic data is used for regular reports (quarterly and annual) that are also freely available on the Council's website. The BOI's transparency and openness is one of the most important elements of the Institution's role and reputation (see Results section for more information). Being a new institution, the BOI leads by example on how publicly important institutions could be set-up and managed, and how they may be held accountable by their clients and the general public. Using the most advanced technological solutions allows the BOI to substantially decrease the time and cost spent on internal administrative procedures and ensures impartiality. All professional staff members have access to all cases and internal information through CMS, including remote access. It is particularly helpful as there is no specialisation among the staff and the allocation of cases happens randomly, to ensure impartiality and lack of conflict of interest.⁵⁸ Effective knowledge management and sharing processes (including an online library and internal technical seminars/information sessions) are essential for a system with such a generalist approach to case review.

The high standard of the BOI's work is ensured by a strict Code of Conduct and the staff selection process. Effective staff management and motivation is important for maintaining consistency and adherence to the Code (BOI staff have competitive salaries, comparable to similar positions in the private sector). The policy also ensures an appropriate distance from the public agencies that are being investigated in the process of case work.

It should be noted that competitive remuneration of BOI staff creates tension with some of its founding partners – business associations. During interviews some of them expressed the view that their staff is doing similar work but for a fraction of the price. It is difficult to verify these claims without knowing the details of internal organisational processes in business associations. However it is possible to state that the independent and unbiased status of the BOI and its staff, which is distinguished as its greatest strength, is ensured through adequate staff remuneration, thus removing most of the integrity risks emanating from unscrupulous staff behaviour. Associations could not offer the same degree of openness and independence, being committed to supporting their members regardless of the situation. This was acknowledged in conversations with their representatives, as well as with government officials and representatives of international organisations/donors.

The BOI's Core activities

The BOI's activities could be grouped into three main categories:

- (1) Case work;
- (2) Systemic policy advice; and
- (3) Outreach and communications.

1. Case Work

As indicated on the dashboard, the number of cases reviewed by BOI investigators has grown substantially and consistently from day one of its work. As of end- 2017, the BOI has received 3,091 complaints, with 64% of them closed (1,042 cases in 2017 alone) after a successful review and consequent actions. In the fourth quarter of 2017, 19% of all complaints were rejected for various reasons which are clearly stipulated in the Rules of Procedure and presented in simple infographics – both available at the BOI website.⁵⁹ This is a significant improvement compared to 26% of rejections at end-2016, which testifies to a greater understanding of the BOI's role and the scope of its activities

⁵⁸ In a situation when the investigator is allocated a complaint that is linked to their former employer, the reallocation of the case is ensured.

⁵⁹ Presented link contains the Rules of Procedure in English - [https://boi.org.ua/media/uploads/rules_of_procedure_\(eng\).pdf](https://boi.org.ua/media/uploads/rules_of_procedure_(eng).pdf) They are also available in Ukrainian

among Ukrainian companies. More information on the BOI's case work is presented in the Results section.

Traditionally, tax issues top the list of complaints. These are followed by the actions of state regulators (e.g. Antimonopoly Committee); Prosecutor's Office actions; actions of the National Police; Ministry of Justice; deficiencies in legal acts; actions of local councils and municipalities; customs issues; actions of the state security service; actions of state companies etc.

2. Systemic Policy Advice

The systemic work of BOI is as important as the case work, as it allows “preventative” measures and procedures to be designed that would, potentially, mean more clarity for businesses, fewer opportunities for misuse by public servants, and ultimately, fewer complaints to the BOI. At the moment, the BOI operates on the basis of the Decree of the Cabinet of Ministers rather than the Law, and has the status of a consultative body with the right to issue non-binding recommendations. This situation requires additional tools to build constructive relations with key government stakeholders. The BOI's experts designed a mechanism of co-operation by signing a Memorandum of Understanding with a public institution. It is expected that after the BOI Law has been approved, the MoU tool will become redundant. As of end-2017 the BOI has signed MoUs with nine public agencies.

Another element of the BOI's systemic work is preparing and publishing systemic reports. These contain comprehensive overviews of a specific sector, sphere or problem, with in-depth insights combined with comprehensive legal analysis and real-life challenges faced by the BOI's clients. By the beginning of 2018 the BOI Secretariat have prepared 11 systemic reports and all documents are available on the BOI website (for a full list, see the dashboard).

The most recent area of the BOI's systemic work is the support in launching and maintaining the Ukrainian Network of Integrity and Compliance. It is a new instrument for Ukraine, aimed at tackling “supply” side corruption – nurturing a culture of integrity and compliance among Ukrainian companies of different sizes and in different sectors, “*to promote the idea of doing business ethically and responsibly*”.⁶⁰ This network is one of the most valuable “pre-emptive” activities supported by the EBRD.

3. Outreach and Communications

Being a new organisation with a consultative status, with no legal tools to compel state institutions means that the Ombudsman and his staff are obliged to interact a lot with the public and mass media. Communicating the results of its work to the public is essential for building awareness that the Ukrainian Business Ombudsman Institution exists and the benefits its interventions offer. The Ombudsman regularly visits the Ukrainian regions and conducts meetings at oblast (regional) state administrations with representatives of local businesses and regional regulatory agencies. After each regional visit the BOI witnesses a substantial increase in the number of complaints submitted by the companies based in the region.

Work with the media is also successful, although the BOI has neither a specific budget for media advertising, nor for advertising in social networks, which are increasingly important channels for disseminating information and communication. The Ombudsman and his deputies are frequent speakers at various events organised by partner business associations, different fora and events organised by government, international organisations and universities.

The EBRD's activities

The Bank performs a considerable number of activities aimed at sustaining the BOI's work to ensure its financial stability (through managing MDA) and long-term sustainability. The work of

⁶⁰ <https://boi.org.ua/en/publications/new/s/96-applications-to-join-the-ukrainian-network-of-integrity-and-compliance>

GPA colleagues in HQ and the Kyiv RO, combined with the leadership of the EBRD Director in Ukraine, is continuous and increasingly links the BOI's outputs with other Bank initiatives aimed at improving Ukraine's investment climate (e.g. Strategic Advisory Group for Support of Ukrainian Reforms, Reform Support Teams at the ministries, support to PROZORRO procurement platform, corporate governance reform of state owned enterprises, the newly established Ukrainian Corporate Governance Academy, support to the Secretariat of the National Investment Council). All these initiatives have their own important role in enhancing Ukraine's progress towards offering a business-friendly regulatory environment.⁶¹

The EBRD monitors the BOI's activities through regular reports to the MDA contributors. However, with the degree of transparency offered by the BOI website the task is relatively easy and all results are available readily and in real time. The Bank is also supporting a number of exploratory activities aimed at introducing a BOI in other countries of operations, in particular Moldova, Serbia and the Kyrgyz Republic. These activities include the organisation of visits to BOI offices in Kyiv, and discussions with local counterparts on their commitment to establishing an independent body as BOI. More reflections on replicability are offered in the Results section.

Results

EvD has developed a results framework, which allows it to identify the outputs, outcomes and impact of activities aimed at improving the investment climate (see Annex 2 for details). This chapter mainly focuses on operational results (outputs) and outcomes, as it is too early to measure the long-term impact. Outcomes are related to the higher quality of legal/regulatory framework, dynamics of reform, synergy between the Bank's interventions and the domestic policy framework; reduced resistance to change; decrease in regulatory barriers; enhanced ratings.

Although it is too early to identify the systemic impact of the BOI, launched in 2015, and the Bank's contribution to it, some positive trends can already be observed. Ukraine have not yet achieved a dramatic breakthrough in perception of corruption (see dashboard), but there is slight progress in Transparency International's CPI from 2013-2017. On the other hand, some elements of regulatory environment have improved considerably, allowing Ukraine to rise in the WB's Doing Business ranking (76th position in 2018) and to reduce its Distance to Frontier (to 65.75 in 2018 compared to 44.27 in 2012). Among the areas that improved the most compared to previous years, with DTF improving by 6.5% points, is paying taxes (dealing with construction permits improved by 10%). However the security situation remains challenging, which affects country's investment attractiveness/ratings and productivity. The economic growth is picking up (estimated 2% in 2017 and forecast of 3% in 2018), and FDI are beginning to grow, reaching 3.69% relative to GDP at end-2016.

The operational results of the BOI's activities are impressive considering the short period of time since it started operating in May 2015. According to the BOI Secretariat, the direct financial impact of the BOI's case investigation and resolution is estimated to be UAH 11,3 billion.⁶² Among the non-financial effects of BOI activities the following are highlighted: (1) ceased malpractices by complainee; (2) obtaining permit/ license/conclusion/registration; (3) closure of a criminal case against a complainant; (4) signing/execution of a contract with a state body; (5) opening of a criminal case against a state official/third party. These have had a positive effect on a number of investment policy areas, specifically public governance; corporate governance; policies enabling responsible business conduct; competition policy; and tax policy.

In the fourth quarter of 2017, 64% of cases were closed with the desired outcome for the complainants and a further 10% were closed with recommendations for public agencies (139 recommendations in total). Since the launch of operations in May 2015, the BOI has provided 1,254 case-driven recommendations of which 91% were implemented.

⁶¹ These initiatives are not the subject of this evaluation and no opinion is offered on their effectiveness

⁶² Valid for the time period of 20 May 2015 – 31 December 2017

The BOI reports a high rate of response by public agencies and consequent changes in regulatory/legal acts to prevent similar situations happening in the future. The collaboration with public agencies is greatly assisted by a number of MoUs signed by the business ombudsman and the heads of the respective agencies. This framework arrangement is not only helpful for resolving cases, but also conducive to implementing more systemic changes (please see subsection Systemic Policy Advice for more details).

Client feedback on the BOI's work is very positive. It is fully integrated with the complaint process and at the beginning all clients fill in a form stating the degree of transparency they would allow in disclosing their case. Some companies take a conservative approach and data remains confidential, while others are happy to disclose the details, including participation in the BOI's media activities and case production (see Annex 3 for more details). In the most recent report (Q4 2017), based on 213 feedback forms, 98% of clients reported high satisfaction from their collaboration with the BOI.⁶³ It should be noted that among the BOI's clients there are members of the founding business associations (such as ACC, UFE and EBA), as well as EBRD clients. It was noted during the interviews, that the BOI provides a valuable service, which was previously undertaken by the association or the Bank. However, the BOI's activities do not provide a complete substitute for the services provided by the business associations, and there is also room for policy dialogue performed by the EBRD's office in Ukraine on various issues related to regulatory reforms and improving the investment climate.

While the BOI's operational results are impressive its ability to have a systemic impact on the legal and regulatory framework in its current form remains potentially limited. With the number of enacted BOI recommendations growing, the quality of the regulatory environment should be enhanced. However there are no indicators of this happening on a large scale and the most recent dynamics in the Doing Business rating illustrates this (see dashboard). Unless the Law on Business Ombudsman is adopted, and the BOI obtains a status beyond that of a consultative body with the right to issue non-binding recommendations, there is a limit to its abilities to have a systemic effect.

Unfortunately there is no consensus among parliamentarians that would allow the final approval of the Law and new approaches to creating/cementing a majority of votes are necessary. The EBRD and OECD have written letters to the head of the parliament and IMF included the adoption of the Law as part of its conditionalities. Recently, in April 2018, the EU Commissioner Johannes Hahn reminded the authorities of the need to adopt the BOI law in its current form. He linked the passing of this legislation, together with certain other important reforms, with the release by the EU of a significant funding in support of Ukrainian reforms. During interviews all business associations confirmed their commitment to join their voices to the BOI's in a balanced but vocal information campaign, aimed at lobbying for the approval of the Law. There needs to be a considerate approach to this situation that enhances BOI's role without its neutrality and objectivity suffering.

The BOI invests a significant amount of time and effort in establishing the Ukrainian network of integrity and compliance which will deliver significant positive results that curtail corrupt supply side practices. However UNIC's effects will only be notable after the next 3-5 years, as a critical number of companies join and the established norms and practices of behaviour are changed. In the mid-term perspective, UNIC might deliver more "bankable" clients, including for the EBRD. Having high standards of corporate governance and compliance, they will deliver cost savings for future financiers in terms of performing due diligence and providing corporate governance consultancy.

Where the BOI's direct effects are already noticeable today, is the contribution to the transparency of decision making and data disclosure. Ukraine is firmly on the path towards becoming an advanced country in terms of open data and e-government. Although these achievements cannot be directly attributed to the BOI's activities, they do make a contribution to this

⁶³ EvD had no chance to validate this data as there were no client meetings scheduled for the mission in March 2017.

trends. For example, Ukraine has significantly improved its position in the Global Open Data Index (31st position in 2016 vs 54th in 2015)⁶⁴ and UN's E-Government Development Index (62th position in 2016 which is an improvement of 25 positions compared to 2014)⁶⁵.

Prospects for replication

The BOI is one of ICGI's flagship products and the replicability is a core question. While facing growing interest in and demand for similar institutions in other COOs, the Bank needs to be cautious in managing expectations. For a BOI to be as successful in another context as it is in Ukraine, it would need to serve a market of similar size (for sustained demand), to have similar donor interest and commitment (including financial commitment), to have significant political commitment (for continuous government support), secure a professional high-profile individual to undertake the role of Ombudsman (foreign nationality is optional), and enjoy the solidarity of business stakeholder opinions. The combination of all these preconditions created a unique politico-economic environment that is challenging to replicate.

Anticipating further interest for replicating BOI in the EBRD's COOs, EvD notes that success is dependent upon the ability to invest significant time and human resources in designing a model that is relevant to the local politico-economic context. In Ukraine a senior advisor was posted to Kyiv in order to design and support agreement/approval of the legal documents establishing the BOI – in conformity with the local legislation. Therefore, to ensure the success of any similar institutions in a different context, the EBRD needs to invest comparable human and financial resources at the inception phase and at the operational stage. As the BOI is still very much an experimental tool, the support and guidance from international partners is crucial, as well as effective feedback loop that enables necessary modalities and evolution. Government's continued commitment to the cause is another essential ingredient for long-term success.

The results delivered by the BOI so far, even with a short-term perspective, strongly indicate a contribution to the implementation of four out of seven ICGI dimensions. Specifically these are (a) public-private dialogue; (b) transparency and disclosure; (c) incentives to reduce corruption; and (d) dispute resolution. It also illustrates a positive case of horizontal collaboration between teams and the significance of localised expertise and resources provided by the country team.

Conclusions

BOI is a unique institutional innovation championed in Ukraine by the EBRD and no other IFI is directly involved in its activities. Initiating and supporting the activities of the Ukrainian BOI is one of the most successful examples of the Bank's non-investment operations in the country, and the only example of introducing a novel institution in a COO. Ukraine is a country where the EBRD has affirmatively addressed the long-standing challenge of reform support activities: policy implementation is prioritised as much as policy adoption, if not more. The BOI is an illustrative example of the complex and continuous support the Bank and its international counterparts provide to the Ukrainian government and business community in implementing difficult but necessary policies aimed at enhancing the public service culture, creating standards of transparency and responsible actions, and nurturing mutual trust between the public authorities and businesses. All these elements deliver important results that contribute to an improved investment climate and, ultimately, to a greater volume of investments in the country, and to its dynamic economic growth.

After two and a half years of functioning the BOI has become a trustworthy institution in the eyes of the public. This is a great achievement since trust is something that Ukrainian state institutions have persistently lacked. The BOI is effectively a substitute for dysfunctional dispute resolution between private businesses and state agencies. Through its systemic work it directly

⁶⁴ <https://index.okfn.org/place/ua/>

⁶⁵ <http://www.ua.undp.org/content/ukraine/en/home/presscenter/articles/2016/08/04/ukraine-jumps-by-23-in-un-e-government-development-index-.html>

contributes to improving Ukraine's legal and regulatory environment, and is highly regarded by its clients, critical mass of which is willing to take compliance and ethical behaviour a step further. In 2017 the Ukrainian Network of Integrity and Compliance was established, and compliance self-assessment and a Compliance Pledge is being introduced in a growing number of businesses. BOI staff support this process, as do EBRD experts, who also participate in other compliance activities, thanks to the generous funding from donors.

The EBRD's role in supporting the BOI is essential: it was the source of the idea and it has since been an enabler, mobilising donor resources and top quality international expertise.

Since its inception the Bank has been responsible for managing the Ukraine Multi-Donor Account (MDA) which finances the BOI's activities, and the EBRD country director became a chair of the BOI supervisory council. In fact, the country director plays an indispensable role in the BOI council by facilitating the process of building a consensus, steering the BOI's strategic work in the directions that require/deserve its attention, ensuring complementarity with other initiatives supported by the donors and IFIs, and ensuring that the BOI's voice is heard at the highest levels in the Government, Parliament and other public institutions. This is a significant role that the Director performs alongside his main responsibilities.

The speed of mobilising and flexibility in deploying EBRD staff to launch and support BOI activities is impressive. Pressed by the urgency of responding to the deep structural crisis affecting the entire economy and EBRD clients in particular, the Bank created and staffed a full-time position in Kyiv, with high calibre legal skills enabling the swift preparation of all founding documents and draft law, along with secondary regulations. The senior governance/legal advisor was crucial in launching the appropriate institutional structure and governance standards that are essential for an institution that battles corruption and unethical behaviour.

Despite the BOI's independent status, the EBRD has a strong influence on its functioning and ensures that its path is not diverted by the vested interests of influential state and private sector stakeholders. Until now, the EBRD's protective influence has delivered mostly positive results. The question is how to take things forward, which includes considering the scenario which would involve an increased role of the Government and the business associations in the funding of the BOI. However, it will be equally important that the increased dependence on such funding will not erode the independence of the BOI in conducting its business and thus its trustworthiness towards its users – Ukrainian businesses.

To avoid a conflict of interests, the BOI does not engage with the EBRD's specialist/policy departments in its daily work, and some interviewees noted the deficiency of this arrangement.

As the institution's activities grow in breadth and depth a mutually accommodating arrangement should be developed to engage EBRD experts in some BOI systemic (rather than case-based) activities. Some collaborative activities with OCCO are already emerging. The BOI's inputs might be useful for the Bank's diagnostic work and for defining its priorities in Ukraine during the strategy preparation cycle due to begin in 2018. At the same time, given its investor's role in Ukraine, the Bank has to ensure appropriate degree of separation of its investment activities from the work of the BOI.

However attaining a systemic effect remains challenging for the BOI. While recognising its clear success, it should be noted that unless the Law on Business Ombudsman is adopted, and the BOI obtains a status beyond that of a consultative body with the right to issue non-binding recommendations, there is a limit to its abilities to have a long-term sustained impact. The EBRD's ability to have a long-term systemic effect in the country is equally challenging. With only a marginal share of its resources dedicated to core policy activities, and with operational processes geared up towards banking, rather than TC operations, the Bank can't offer large scale replication potential. Rapid mobilisation of resources – financial and human – is feasible in crisis situations but challenging in "calm periods", as other cases illustrate. At the same time, the EBRD has confirmed its formidable reputation of being able to support reform-minded government of Ukraine as a "friend in crisis".

When considering the creation of similar opportunities in other COOs, the Bank should be mindful of the number of elements that ensured success in the Ukrainian case. Among them is the large market size, commitment of donors, continuous and significant political commitment, securing a high-profile professional to undertake the role of Ombudsman. The combination of all these preconditions created a unique politico-economic environment that is challenging to replicate. However, the diversity of models that could be developed and used in other countries is an intrinsic element of the entire instrument. It is the principles that need to remain intact, for success to be equally meaningful: rapid-reaction; neutrality; non-enforcement nature; clear, transparent and sufficiently independent governance structures; companies free to share their concerns without fear of retribution; confidentiality and safeguarding of personal data.

Annex 6. Mapping of International Partners' Complementarity in EBRD Business Areas

		EBRD BUSINESS AREAS																	Areas for Potential Cooperation								
		Sectors													Other												
		Corporate				Energy		Infrastructure			Financial				Green Transition			Inclusion									
Indicative annual investment/ grants (2015-2017 average unless otherwise specified, excluding budget support)		Agribusiness	General industry	Real estate	ICT	Natural resources	Electric power	Water / wastewater / solid waste	Urban transport	Roads	Railways	Banking	Insurance	MSME finance	Private equity	Capital markets	Water efficiency	Materials efficiency	Sustainable energy	Gender	Youth	Region	Governance				
EIB	€792m	€				€	€	€	€	€				€							€				Competitive: Partner with the EIB & IFC to co-finance bankable private corporates; work with the EU on product standards		
World Bank	€659m					€P	€P		€P		€P												€P	Well-Governed: Advance investment climate reforms (including land reform) with the EU & World Bank			
EU	€293m**	€P				€P	€P		€P	€P									€P	€P	€P	€P		Resilient: Coordinate MSME on-lending frameworks with the EIB; joint advocacy on the EU 3d Energy package			
KfW	€144m					€P	€P											€R	€R				€P	Green: Co-finance with the EIB & World Bank "green" MEI and urban transport projects			
GIZ	€87m						€P	€P											€P	€P	€P	€P		Integrated: Co-invest in large transportation projects with the World Bank & EIB, while working on logistics with the IFC			
IFC	€53m	€R	€								P			€									€R	Inclusive: Leverage EIB investments in higher education and improve complementarity with EIB's investments, especially in the private sector			
BSTD	€36m	€		€		€P		€						€													
EBRD (forward looking)	€773m	€	€			€R	€R	€R	€R	€R	€R	€R	€R	€	€	€R	€R	€R	€R	€R	€R	€R	€R				

€ Area of significant investments ● Focus mostly on private sector
P Area of significant policy engagement Focus mostly on public sector

Source: Ukraine Country Strategy, 2018