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**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL FINANCE CORPORATION  
MULTILATERAL INVESTMENT GUARANTEE AGENCY**

**COUNTRY PARTNERSHIP FRAMEWORK**

**FOR**

**THE REPUBLIC OF BELARUS**

**FOR THE PERIOD FY18–22**

**February 21, 2018**

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

**International Finance Corporation  
Europe and Central Asia**

**Multilateral Investment Guarantee Agency**

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## The date of the last Country Partnership Strategy Progress Report was June 30, 2016

### CURRENCY EQUIVALENTS

(Exchange Rate Effective as of 19 January, 2018)

Currency Unit = BYN

1.99 = US\$1

US\$ 0.69 = SDR 1

### FISCAL YEAR

January 1 – December 31

### ABBREVIATIONS AND ACRONYMS

AF	Additional Financing	NIB	Nordic Investment Bank
ASA	Advisory Services and Analytics	NIS	National Infrastructure Strategy
BDHP	Biomass District Heating Project	NPL	Nonperforming Loan
BEEPS	Business Environment and Enterprise Performance Survey	OECD	Organisation for Economic Co-operation and Development
CE	Citizen Engagement	PER	Public Expenditure Review
CLR	Completion and Learning Review	PFM	Public Financial Management
CPF	Country Partnership Framework	PISA	Programme for International Student Assessment
CPS	Country Partnership Strategy	PLR	Performance and Learning Review
DBRB	Development Bank of the Republic of Belarus	PPP	Public-private Partnership
DPO	Development Policy Operation	STAREP	Strengthening Auditing and Reporting in the Eastern Partnership Program
EBRD	European Bank for Reconstruction and Development	SCD	Systematic Country Diagnostic
EDB	Eurasian Development Bank	SDG	Sustainable Development Goal
EEU	Eurasian Economic Union	SIDA	Swedish International Development Cooperation Agency
EIB	European Investment Bank	SMEs	Small and Medium Enterprises
EMIS	Education Management Information System	SOE	State-owned Enterprise

ESMAP	Energy Sector Management Assistance Program
EU	European Union
FDI	Foreign Direct Investment
FSU	Former Soviet Union
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GTFP	Global Trade Finance Program
HSMP	Health System Modernization Project
ICT	Information and Communication Technology
IFI	International Financial Institution
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IT	Information Technology
MICS	Multiple Indicator Cluster Survey
MIGA	Multilateral Investment Guarantee Agency
MSMEs	Micro, Small, and Medium Enterprises
NCD	Noncommunicable Disease
NDC	Nationally Determined Contributions

SPI	Supplementary Progress Indicator
STEM	Science, Technology, Engineering, and Mathematics
TA	Technical Assistance
TB	Tuberculosis
TCIP	Transit Corridor Improvement Project
TF	Trust Fund
UN	United Nations
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
WIM	Weigh-in-Motion
WTO	World Trade Organization
WHO	World Health Organization
WSSP	Water Supply and Sanitation Project

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## THE REPUBLIC OF BELARUS: COUNTRY PARTNERSHIP FRAMEWORK, FY18–22

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## I. EXECUTIVE SUMMARY

1. **This Country Partnership Framework (CPF) for the Republic of Belarus covers the period FY18–22.** It is aligned with the objectives of the Program of Activities of the Government of the Republic of Belarus 2016–20 and is based on the findings of a World Bank Group Systematic Country Diagnostic (SCD). The CPF aims to support sustainable and inclusive growth and improve living standards. The program is aligned with the World Bank Group’s twin goals of eliminating extreme poverty and boosting shared prosperity. The CPF puts forward a program that is calibrated to the likely pace of policy reforms but adaptable to any changes. The previous Country Partnership Strategy (CPS) covering the period FY14–17 was discussed at the Board of Executive Directors on June 13, 2013.

2. **Belarus has achieved inclusive growth over the last 25 years with an impressive reduction in poverty, but changes are needed for its development path to be sustainable and fast enough to meet society’s expectations.** Growth has been driven by capital investment and been dependent on foreign borrowing, imports of subsidized fuel, and economic developments in the Russian Federation. Investment decisions have not always been driven by competitiveness criteria and until recently public expenditure and wages have periodically been growing faster than productivity. In 2015–16, the Belarusian economy went into recession. Real wages fell and poverty and vulnerability rose, foreign debt obligations and fiscal constraints increased, and the Government cut public expenditure. In 2017, there was a modest recovery. In this context, the Program of Activities of the Government of the Republic of Belarus for 2016–20 (Program 2016–20) has the objective of improving living standards through enhanced competitiveness, innovation and an increase in the volume and efficiency of overall investment. There are four main program areas: unleashing entrepreneurship and enhanced macroeconomic management, promoting innovation-based growth, developing human potential and the quality of life, and promoting a green economy.

3. **Growth rates are unlikely to pick up because of structural rigidities.** The high economic growth of the past is unlikely to return as Russian demand growth is recovering slowly, the subsidy margin on fuel imports is declining, and foreign debt constraints are tighter. Macroeconomic imbalances are recurring and the liabilities of state-owned enterprises (SOEs) have strained the financial sector. In the absence of structural adjustment, it will be difficult for Belarus to achieve rapid improvements in living standards. Gross domestic product (GDP) growth is expected to average around 2 percent over 2017–20, growth in incomes will be modest, and fiscal and debt constraints on public services will remain severe, despite the 2015–16 contraction of public and private spending.

4. **The CPF builds on the FY18 SCD.** The SCD (Table 1) shows that a sustainable improvement in living standards will require economic, social, and institutional transformation, with an enhanced role for market forces and strengthened safety nets. The SCD highlights the resolution of six issues as priorities for sustainable improvements in living standards: (a) maintaining macroeconomic stability; (b) strengthening social resilience; (c) improving economic governance and improving the environment for private sector development; (d) unleashing private sector growth potential; (e) maintaining Belarus’ human capital edge; and (f) enhancing connectivity, through improved trade policy, public investment management, and logistics. The SCD has one cross-cutting theme: mitigating climate change and disaster risks.

5. **The CPF focuses on the nexus between the SCD, Government priorities, the World Bank Group’s comparative advantage, and ongoing programs.** The purpose of the FY18–22 CPF is to support sustainable and inclusive growth and improve living standards by focusing on three interlinked focus

areas: (a) creating opportunities for private sector to grow and for more efficient public investment; (b) maintaining the country's human capital edge; and (c) improving the contribution of infrastructure to climate change management, economic growth, and human development. Finally, there is a cross-cutting theme related to promoting greater use of data and access to information in public decision-making. The access to information theme reflects a finding from the SCD and CPF consultations: that lack of transparency of information, insufficient use of impact data, and weak public-private dialogue limit well-informed decision making by both private and public sector actors.

**Table 1. Development Priorities for Belarus According to the SCD**

Priority	Brief description
<b>A</b> Maintain macroeconomic stability	<ul style="list-style-type: none"> <li>• Maintain prudent economic policy management</li> <li>• Address financial sector vulnerabilities</li> <li>• Enhance fiscal and public debt sustainability</li> </ul>
<b>B</b> Strengthen social resilience	<ul style="list-style-type: none"> <li>• Strengthen safety nets</li> <li>• Design adequate unemployment protection mechanisms</li> <li>• Design active labor market policies</li> </ul>
<b>C</b> Improve economic governance	<ul style="list-style-type: none"> <li>• Improve efficiency of SOEs and reform the state-owned banks</li> <li>• Improve cooperation and coordination between public and private sectors</li> <li>• Strengthen property rights protection</li> </ul>
<b>D</b> Unleash private sector growth potential	<ul style="list-style-type: none"> <li>• Strengthen the role of the market signals in allocation of capital and labor</li> <li>• Ensure competitive neutrality and deregulation of product and factor markets</li> <li>• Eliminate cross-subsidization and improve public utility service delivery</li> </ul>
<b>E</b> Maintain human capital edge	<ul style="list-style-type: none"> <li>• Increase relevance, responsiveness and quality of higher education, research and innovation systems in accordance with labor market needs and international trends</li> <li>• Promote active and healthy ageing</li> </ul>
<b>F</b> Enhance connectivity	<ul style="list-style-type: none"> <li>• Transition to rules based trading system (WTO accession)</li> <li>• Strengthen public investment management and management of SOEs</li> <li>• Improve logistics potential and offer competitive transport services</li> </ul>
<b>G</b> Climate Change Adaptation and Disaster Risk Mitigation	<ul style="list-style-type: none"> <li>• Increase energy efficiency</li> <li>• Assess systematic needs and risk financing strategies</li> <li>• Promote creation of resilient forests</li> </ul>

■ Cross-cutting areas

Note: WTO = World Trade Organization.

6. **The CPF assumes that policy change will remain cautious.** However, reforms might accelerate, either because of economic pressures or because early successes encourage the authorities to go further. The World Bank Group's strategy will therefore be to open opportunities for future transformation and to help build Belarus' resilience to withstand potential shocks. Flexibility is built into the CPF program: the Performance and Learning Review (PLR) will assess which recommendations or pilot initiatives from FY18–20 are ripe for implementation on a more ambitious scale in FY21–22. Risks are rated Moderate overall, though macroeconomic risks are assessed as Substantial.

7. **The CPF incorporates a key lesson from the last CPS, namely that World Bank Group successes in Belarus are associated with uncontroversial efficiency improvements which deliver concrete measurable gains.** The most challenging policy areas are those with potential downside social risks, and overambitious program design is unlikely to succeed. Other key lessons include the importance of strong analytical and advisory services, building consensus and ensuring institutional ownership for policy improvements, careful assessment of the Government's willingness to borrow for technical assistance, realistic disbursement profiles, flexibility, and ensuring that results indicators are easily measurable and attributable.

8. **IBRD lending is estimated at around US\$570 million from FY18 through FY22.** Actual lending amounts will depend on several factors, including country demand and performance, global macroeconomic and financial developments, demand from other borrowers, and IBRD's financial capacity. In addition, the International Finance Corporation (IFC) program is estimated at US\$80–120 million (IFC's own account) from FY18 through FY22. IFC lending and Multilateral Investment Guarantee Agency (MIGA) guarantees will depend on the pace of economic reforms, as well as overall macroeconomic conditions, country risk, and levels of foreign direct investment (FDI). European Union (EU) Trust Funds (TFs) will permit the expansion of IBRD and IFC advisory services on economic management, social protection, and private sector development. A PLR in FY20 will describe investments and analytical work for FY21–22.

9. **The CPF has continuity with the previous CPS but places greater emphasis on economic management, human capital development, and the environmental, economic and human development outcomes from infrastructure investment.** The CPF will reinforce support for improved education and tertiary education to enhance innovation and competitiveness. Infrastructure programs will emphasize the links between efficiency, living standards, and improved economic management.

10. **The CPF has been discussed with various stakeholders.** Government, development partners, think tanks, students, and private sector organizations were consulted. The feedback is summarized in Annex 8.

## **II. COUNTRY CONTEXT AND DEVELOPMENT AGENDA**

### **A. Social and Political Context**

11. **The political outlook is stable.** Belarus chose a gradualist path to economic and political transition following the breakup of the former Soviet Union (FSU), with a strong role for SOEs in the economy and employment, and equitable and affordable access to education, social services, and public utilities. Belarus retained a close relationship with Russia, which accounts for nearly half of Belarus' exports. It was affected worse than any other country by the Chernobyl nuclear accident in 1986, and 13 percent of the country is still contaminated. The country has centralized decision making and relatively strong human and administrative capacity. The President, Alexander Lukashenko, has been in office since 1994, having been the winning candidate in five successive elections. Belarus has avoided the disruptions and oligarchic governance which many FSU countries experienced in the 1990s but structural rigidities are slowing further social and economic progress. According to the World Governance Indicators (2017), Belarus is in the midrange for political stability and control of corruption, with low but improving indicators for other dimensions of governance.

12. **The external political environment has evolved over the last four years.** Relationships with the EU and the United States have improved. Belarus is now participating in the European Neighborhood Policy of the EU, and the European Bank for Reconstruction and Development (EBRD) and European Investment Bank (EIB) have expanded relationships. Belarus retains good relations with its Eastern neighbors and is a member of the Eurasian Economic Union (EEU). The Government has successfully negotiated a program with the Eurasian Fund for Stabilization and Development in support of macroeconomic stabilization. Membership of the EEU obliges Belarus to reduce tariffs consistent with Russia's commitments to the WTO, to which Belarus is also negotiating accession.



13. **Belarus' political economy exhibits competing challenges.** Belarus has pursued a policy of centralized decision making, full employment, and real wage growth to maintain living standards and stability. For this, Belarus has relied on foreign finance and fuel import pricing arrangements, especially from Russia, the terms of which have become increasingly unpredictable. However, reducing dependency on these would require a more rapid economic transformation with short-term risks to employment, social welfare, and stability.

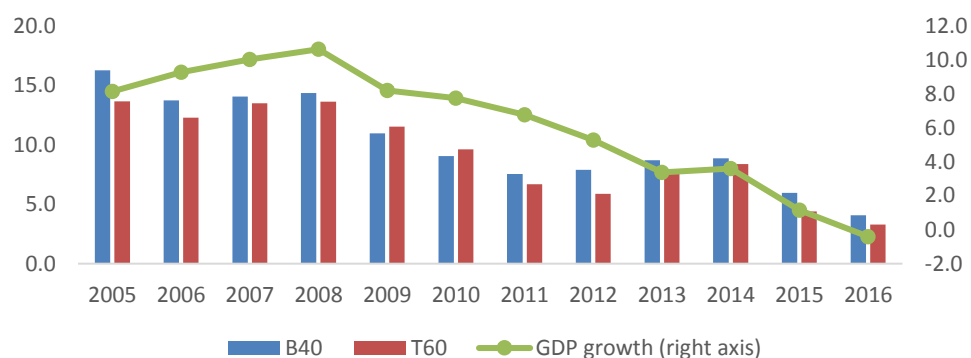
14. **Recent experience suggests that interest in accelerated reform is more likely in the event of external financing pressures.** During the economic recession of 2015–16 Belarus was preparing a program with the International Monetary Fund (IMF). After an agreement was reached with Russia on credit and fuel subsidies in April 2017, however, the authorities suspended program discussions with the IMF. With US\$1.4 billion eurobond sales in June, Belarus' external financing position appears to be manageable until 2019 unless there is a major external or internal shock before then.

15. **Progress on poverty reduction and shared growth were impressive until 2014.** Per capita GDP in 2015 was US\$5,829 and poverty rates were the lowest in Europe and Central Asia, falling from 32 percent in 2003 to less than 1 percent in 2014–16.<sup>1</sup> Extreme poverty was limited to a small group of people with particular disadvantages, such as disabilities or specific social situations. Figure 1 illustrates that growth in the expenditure of the bottom 40 percent increased faster than that of the top 60 percent from 2001 to 2015, with the Gini coefficient falling from 0.31 to 0.27 over 2000–15. The share of the population defined as 'middle class or higher', that is with per capita incomes over US\$10 per day, rose from under 20 percent to over 90 percent between 2003 and 2015. However, with the most recent recession, there was an increase in the proportion of those living on US\$10 per day or less to 12.3 percent in 2015. Furthermore, the proportion of the population close to the vulnerability threshold, expressed as daily per capita expenditure of US\$10, increased between 2014 and 2016. Real wages were 3.8 percent lower in 2016 than 2015, with greater reductions in some regions, and jobs lost exceeded jobs created by about 14 percent. Welfare reductions were mitigated by increased spending on targeted social assistance.

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<sup>1</sup> Measured at the internationally comparable figure of purchasing power parity US\$5 per person per day threshold.

**Figure 1. Shared Prosperity: 5-year Moving Window, Growth in Real Household Expenditure 2001–15**



*Source:* Staff estimates based on the ECA poverty harmonization of household budget survey data.

*Note:* 2005 corresponds to the period 2000–05; 2015 corresponds to the period 2010–15. For each year in the table, the column to the left illustrates the growth in expenditure of the bottom 40 percent and the column to the right the top 60 percent. The numbers on the left axis illustrate annual percentage growth in per capita expenditure.<sup>2</sup>

16. **Spatial disparities in living standards have widened since 2014 and there have also been changes in the demographic composition of vulnerable households.** Between 2003 and 2014 there was spatial convergence; the proportion of the population living below US\$10 per day fell by 54 percent in Minsk and by 75 percent in rural areas. However, in 2015, the rural population living on less than US\$10 per day<sup>3</sup> rose from 18.3 percent in 2014 to 23.9 percent, while there were increases, though smaller, in regional towns and in Minsk.<sup>4</sup> A particular feature has been the fall in vulnerability rates for pensioners and, after earlier improvements, a recent rise in vulnerability for larger households including those with three or more children. It is estimated that 210,000 children, or 11.5 percent of the total, were living in households below the national poverty line in 2016, an increase of 35 percent over 2013.<sup>5</sup>

17. **There has been a decline in overall levels of satisfaction with life in Belarus, in contrast to other ECA countries.** The Life in Transition Survey (EBRD 2016) recorded a decline in satisfaction with life among Belarusian adults from 67 percent in 2006 to 41 percent in 2016, compared with an increase in other transition countries over the same period from 42 percent to 48 percent.

18. **The population of Belarus is declining and ageing and policies need to adapt to this reality.** The population has fallen from 10.2 million in 1990 to 9.5 million in 2017. The proportion of the population under the age of 14 is expected to decline from 18.3 percent in 2000 to 14.1 percent in 2025, while the proportion of those over 60 years old will increase from 19.2 percent to 25 percent. Belarus' ageing population will place strains on pension and the health care system. Belarus' life expectancy is lower than that of every EU country and is 10.1 years higher for women (79 years) than for men (68.9 years), mainly

<sup>2</sup> Shared prosperity measured as annualized growth of per capita household expenditures for a 5-year window ending in the year reported on the X axis. Annualized growth calculated as  $g = \left( \left( \frac{y_t}{y_{t-5}} \right)^{1/((t-(t-5)))} - 1 \right) \times 100$ , where  $y$  is per-capita income in year  $t$  or  $(t-5)$ . For comparability with the shared prosperity series, economic growth series is similarly presented as annualized growth rate of per capita GDP, in constant BLR terms for the same 5-year window. GDP per capita data from IMF World Economic Outlook database, April 2016.

<sup>3</sup> That is, households with per capita incomes of less than US\$10 per day.

<sup>4</sup> *Source:* Household Budget surveys.

<sup>5</sup> United Nations Children's Fund (UNICEF) Socioeconomic Analytical brief. Belarus defines the national poverty line as households living below the minimum monthly subsistence budget of US\$87.

as a result of the growing incidence of noncommunicable diseases (NCDs), in particular cardiovascular diseases, due to poor diet, smoking, alcohol consumption, and sedentary lifestyles.

**19. Health services are equitable and affordable but underperform in terms of efficiency and outcomes.** Public health expenditures at 3.5 percent of GDP are in line with other ECA middle-income countries. Out-of-pocket expenditures (20 percent of total) are among the lowest in the region. Belarus has made great improvements in addressing public health issues, such as child mortality and communicable diseases.<sup>6</sup> In a public health system which retains pre-independence structures, the challenge now is to enhance the efficiency and quality of services and the use of public resources, improve integration and information flows between different levels of service, address the high incidence of NCDs, and develop primary care services to eliminate the inequality of health care provision between urban and rural areas. To improve the efficiency of health spending, there is a need to replace an oversized hospital network with primary care facilities adapted to the management of NCDs and promotion of healthy living for both men and women. Further pressures are likely to arise from increased treatment costs and an ageing population.

**20. Belarus has maintained an educational system with a strong reputation for literacy, numeracy, technology, and engineering.** However, input-based management approaches and lack of diversity of education methods are jeopardizing the delivery of market-relevant skills. Belarus has universal school education and equitable access to tertiary education but the content of education and training needs to adapt to the job market. Public expenditure on education (4.9 percent of GDP) is in line with the ECA and Organisation for Economic Co-operation and Development (OECD) average.<sup>7</sup> Belarus is working on reducing the number of underfilled general secondary education institutions and upgrading the remaining facilities. It is rolling out a per pupil approach to school funding. It is improving the use of information technologies (ITs) in education as a management tool and as preparation for participation in standardized international tests. Challenges remain in adapting higher education and skills development to the labor market; in the 2013 Business Environment and Enterprise Performance Survey (BEEPS), skills gaps were judged to be a major constraint to doing business among all categories of business (large, medium, and small). A recent survey of the country's IT labor market showed that 43 percent of IT companies in Belarus identify soft skills as insufficient among Belarusian graduates; however, the general and higher education systems have no measures to foster soft skills acquisition. As in many European countries, most students, especially women, study the arts and social sciences. Currently, 32 percent of university students study science, technology, engineering, or mathematics, of whom the majority are male. The education system needs to move from passive to active learning, to improve the learning environment and information and communication technology (ICT) literacy and to address regional differences in quality. In higher education, Belarus would benefit from the implementation of its commitments under the Bologna Process.

**21. Belarus is regarded as a leader among ECA countries in giving priority to gender equality.** It ranks 12 out of 160 countries in the latest OECD Social Institutions and Gender Index. Nevertheless, men have higher predicted wages than women for almost all educational categories. The gap in Belarus is explained by two factors: (a) women are generally employed in sectors where the pay is lower and (b) even in sectors

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<sup>6</sup> Infant and maternal mortality rates were 3.2 per 1,000 live births and 2 per 100,000 live births, respectively, in 2013, down from 11.9 per 1,000 live births and 22 per 100,000 live births, respectively, in 1990. These figures are among the lowest in the region due to strengthening of maternal and child health care, as well as ensuring of safe deliveries and robust vaccination schedules.

<sup>7</sup> Figures in this paragraph are taken from World Bank Education Statistics.

where this is not the case, women are often underrepresented in higher-paid positions. None of the five Deputy Prime Ministers, 1 of the 24 sector ministers, and only one chair of a State Committee are female.

22. **Utility subsidies have fiscal and social implications.** In 2014, fiscal and quasi-fiscal subsidies to all utilities were 2 percent of GDP but there have been gradual tariff increases since then. At 17 percent of operating cost recovery levels in 2014,<sup>8</sup> residential heat tariffs have been particularly low, benefiting especially those with larger homes. Water and sewerage utility tariffs have risen steadily, from a national average of 19 percent of operating costs in 2014 to 36 percent in 2015 and 62 percent in 2016. Further, utilities have compensated low household tariffs by charging industry at tariffs well above cost recovery, increasing the cost of industrial production and undermining competitiveness. It is expected that in 2018, the tariffs for all housing and communal services, except for heat supply, will reach cost recovery rates. In late 2016, the World Bank provided a distributional impact assessment of utility tariff increase scenarios: at full cost recovery of all tariffs by December 2018<sup>9</sup> and without a reduction of consumption volumes, costs for the lowest income decile would increase from 11.6 percent to over 20.9 percent of household expenditure. Despite increases of utility tariffs to households, subsidies and cross-subsidies remain significant. Cost-reduction strategies, such as the promotion of demand- and supply-side energy efficiency, the use of biomass for district heating, and tariff increases accompanied by further development of the Housing and Utilities Subsidy program targeted at low-income households, would enable Belarus to reduce the fiscal burden of subsidies while protecting the more vulnerable members of the population. Improvements in the quality of service delivery, increase of social accountability, public communications campaigns, together with revised housing and utility subsidy program and state support of energy efficiency investments in residential buildings, that will accompany the growing tariffs, will help mitigate the impact and increase social acceptability for these reforms.

## **B. Recent Economic Developments and Outlook**

23. **In the medium term, economic recovery is expected to be weak as structural bottlenecks persist.** Russian demand growth is recovering slowly, the subsidy margin on fuel imports is lower, foreign debt constraints are tighter than before, and nonperforming loans (NPL) in the banking sector remain at elevated levels. In the absence of structural economic change, it will be difficult for Belarus to achieve the improvements in living standards which comprise the core objective of Government strategies. Growth in incomes will be modest and fiscal constraints on public services will remain.

24. **Fast growth is not forecast to return.** Per capita GDP growth averaged 5.6 percent over 1995–2015 compared to 3 percent in ECA countries. The growth record was impressive given the cost (US\$22 billion to date in Government spending alone) of the Chernobyl legacy. In 2009–15, following the financial crisis, annual per capita GDP growth was higher in Belarus (2 percent) than in other ECA countries (1 percent). However, when GDP fell by 3.7 percent in Russia in 2015, GDP in Belarus declined by 3.8 percent. In 2016, GDP in Belarus declined by a further 2.6 percent. There was some recovery in 2017, with growth at 2.0 percent at an annualized rate from January through October. The recent growth path and recession have exposed underlying structural vulnerabilities in the Belarusian economy, and growth is expected to remain modest, at around 2 percent per year, through 2020.

25. **While growth from 2000 to 2008 was largely due to the fuller utilization of underused capacity, from 2009 to 2015, it was due to capital investment, not all of it productive.** There were also

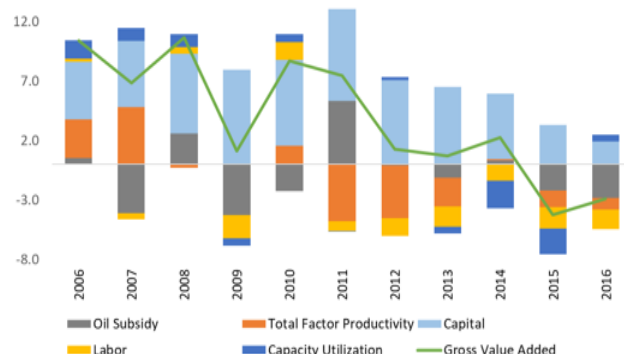
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<sup>8</sup> The figures in this paragraph are drawn from the 'Heat Tariff Reform and Social Impact Mitigation: Recommendations for a Sustainable District Heating Sector in Belarus' World Bank report of 2014. The study is being updated.

<sup>9</sup> The tariff values at cost recovery were the same as those provided by the Ministry of Antimonopoly Regulation to IMF.

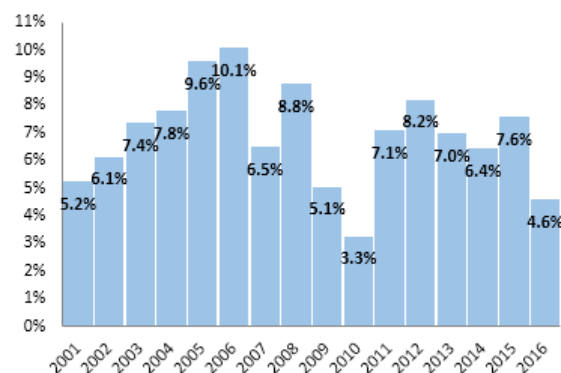
contributions from the ‘oil factor’ (see figure 2 and figure 3), labor productivity and total factor productivity during this period. Since 2012, however, the contribution of capital investment has been slowing but remained the only positive contribution, while changes in total factor productivity and labor were negative (figure 2). Over time, the size of the oil subsidy decreased (figure 3).

**Figure 2. Growth Decomposition - Contributions to Real Value-added Growth, Percentage Points (2006–15)**



Source: World Bank staff calculation based on National Statistical Committee of Belarus data<sup>10</sup>.

**Figure 3. Subsidies from Receiving Duty-free Crude Oil from Russia, Percentage of GDP (2001–16)**



Source: World Bank Staff estimates based on National Statistical Committee of Belarus data, Ministry of Economic Development of Russia, Federal Customs Services of the Russian Federation<sup>11</sup>.

**26. Growth benefited from importing oil and gas from Russia at below world prices and selling refined petroleum products at world prices.** On average, these margins accounted for about a quarter of GDP growth annually during 2001–10. However, the value has fallen sharply, from an average of over 7 percent of GDP in 2000–09 to 4.6 percent in 2016, and it is not expected to increase substantially unless world fuel prices rise. An important share of Belarusian exports (34.8 percent over 2013–16) consists of mineral fuels, oil products, and fertilizers, with much of the raw material except potash imported from Russia. Belarus is a transit country for energy exported from Russia to EU member countries. Belarus is seeking to increase energy security through increasing use of domestic renewables such as wood and peat. The 2,400 MW nuclear power plant under construction at Ostrovets and financed through foreign borrowing serves this purpose. This plant, expected to be operational in 2019/20, will cover up to 40 percent of domestic electricity generation and affect electricity costs and tariffs.

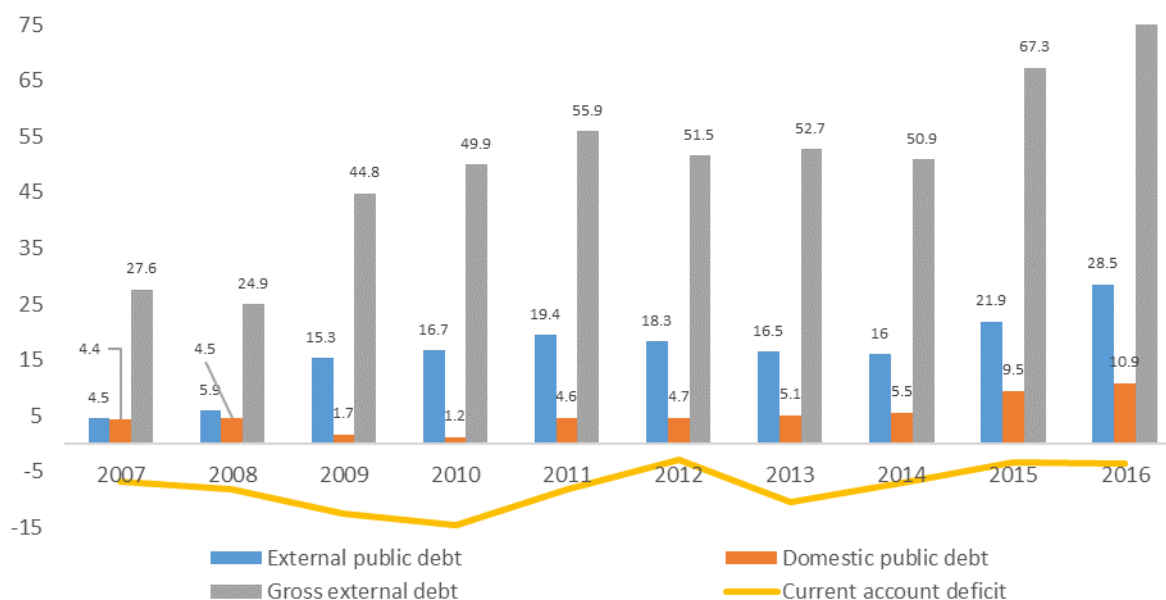
<sup>10</sup> In this growth decomposition, the contributions of capital to gross value added are obtained by applying the use of capital services approach to address the problem of biased-fixed investment deflators. Available data on capital stock display an unnatural stability, as, throughout the last 20 years, the annual growth rate of capital stock in real terms was about 2 percent. To minimize the bias, alternative deflators for both the whole economy and the selected sectors are constructed by reevaluating the capital stock.

<sup>11</sup> Calculations reflect agreements on oil products’ customs duties for 2011–14 and 2015–16.

27. **Belarus' economy is increasingly relying on foreign currency borrowing at external and domestic markets.** If a broad definition of the external public sector debt is applied (to include external debt obligations of the Government, the central bank, and deposit and non-deposit organizations owned by the state), its ratio to GDP went up from 8.0 percent of GDP in 2008 to 31.9 percent in 2011, and then 46.8 percent in 2016. In 2017, external public debt repayments and service are estimated to be around US\$1.72 billion (or about 3.2 percent of forecasted GDP), while domestic obligations of the Government in foreign currency add another US\$1.57 billion (2.9 percent of GDP).

28. **Non-Performing Loans (NPLs), a weak financial safety net, high dollarization, and exposure to poor SOEs are a threat to financial and economic stability and a curb on private investment.** The financial sector is dominated by state-owned banks, whose share at the beginning of 2017 was 66.8 percent of total assets. State-owned banks have been used to channel subsidized loans at real negative interest rates to SOEs within the framework of Government programs and measures. Although the share of directed lending in new loans fell from 4.8 percent of GDP in 2015 to 1.8 percent in 2017, the stock – 18 percent of GDP in 2015 – continues to impair portfolio quality. In certain cases, beneficiaries failed to increase revenues and productivity. In contrast, domestically owned private banks (2.6 percent of assets as of January 1, 2017) have been providing loans at much higher commercial rates, which has discouraged private investment and diminished the capacity of private firms to expand production and create jobs. Moreover, the nonbank financial sector lacks scale or depth. With a private sector loan-to-GDP ratio of 25.9 percent in 2016 (compared to 42.8 percent in 2010), financial intermediation in Belarus remains significantly below the ECA average of 96.7 percent of GDP. In a 2013 World Bank Group survey, 19 percent of private enterprises identified lack of access to finance as the single most important obstacle to their growth (up from around 6 percent in 2008), with micro, small, and medium enterprises (MSMEs) particularly constrained.

**Figure 4. Selected Debt Indicators and Current Account Deficit, Percentage of GDP (2007–16)**



Source: National Bank and the Ministry of Finance.

29. **The central role of SOEs in the economy is under strain.** In 2016, enterprises fully or partially owned by the state (including even those with a 1 percent state share ) accounted for 42.8 percent of GDP, 47.5 percent of employment, 38.7 percent of merchandise exports, and 78 percent of industrial

output.<sup>12</sup> From September 2015 to June 2016, the share of loss-making SOEs increased from 17.1 percent to almost 22 percent. Although there have been some moves toward commercialization, governance structures discourage managerial autonomy. However, in 2017, there was a decrease in the share of loss-making organizations. As the economy started to grow, in January–September 2017, the number of loss-making organizations decreased to 1,276 entities, which is 13.5 percent less compared to January–September 2016. The proportion of unprofitable enterprises in the total number of organizations in January–September 2017 made up 17.4 percent, which is 2.7 percentage points lower than the comparable period in 2016.

30. **High priority is attached to employment as a pillar of stability.** Belarus has not yet introduced a comprehensive unemployment insurance program and, if excess labor in SOEs were shed, the unemployment rate could rise by 4.2 percentage points (according to the Country Economic Memorandum 2012). Agricultural SOEs present particular challenges. They account for a disproportionate share of NPLs, and many are in rural areas where there are few alternative job opportunities. There are also close links up the value chain between production and agricultural processing industries. However, an authoritative data-based analysis of the farm sector is lacking. Official unemployment rates are very low (1 percent)<sup>13</sup> but unemployment was estimated at 5.8 percent using International Labor Organization methodologies in 2016.<sup>14</sup> Since 2015, Belarusians working in Russia have not had to register, so the number employed there is uncertain. To encourage formal employment and payment of taxes and to ensure that all working-age people contribute to the financing of subsidized public services, the *Presidential Decree on the Prevention of Social Dependency* was issued in 2015, whereby non-working able-bodied people who participated in the financing of public expenditures less than 183 days during the corresponding year were obliged to pay an annual tax of equivalent to around US\$180. Local authorities may exempt various categories of person from the tax, including those in “difficult circumstances”<sup>15</sup>. Following protests in early 2017, and in connection with the preparation of a revised approach, directions were given to reimburse the tax to the people who paid it in 2015 and/or 2016.

31. **The Government addressed macroeconomic imbalances in 2016 and 2017.** In 2016, the authorities cut capital expenditures by 11 percent and decreased public sector real wages by 1.5 percent. Government support to SOEs fell by 1 percent of GDP. Inflation fell from 12 percent in 2016 to 4.9 percent on an annualized basis by November 2017. The current account deficit fell from US\$5.2 billion in 2014 to US\$1.7 billion in 2016 (about 3.5 percent of GDP) due to a reduction in imports. However, as of October 1, 2017, forex reserves (excluding monetary gold) stood at US\$5.3 billion, enough to cover almost two months of imports of goods and services. Key macroeconomic indicators are summarized in table 2. Gross public and publicly guaranteed debt (including SDR allocations) is expected to remain above 55 percent of GDP over the next three years.

**Table 2. Key Macroeconomic Indicators and Projections through 2019<sup>a</sup>**

Indicator/Year	2014	2015	2016	2017F	2018F	2019F
<i>Annual percent change</i>						
GDP, at constant market prices	1.7	–3.8	–2.6	1.8	2.1	2.4
Private consumption	4.3	–2.4	–3.9	2.5	3.0	3.1

<sup>12</sup> National Statistical Committee of Belarus: 2016. Different sources provide widely differing estimates.

<sup>13</sup> National Statistical Committee of Belarus: defined as actively seeking work.

<sup>14</sup> National Statistical Committee of Belarus.

<sup>15</sup> Mothers with young children, and with three children or more, were also exempt, as were those over and under working age and in education or training.

Indicator/Year	2014	2015	2016	2017F	2018F	2019F
Government consumption	-1.8	-0.6	0.4	0.4	0.6	1.1
Gross fixed investment	-5.7	-15.5	-16.7	1.1	3.1	3.9
Inflation (Consumer Price Index)	18.1	13.5	11.8	4.6 <sup>c</sup>	7.2	6.5
Exports of goods and services	5.3	2.1	2.8	4.2	5.0	6.1
Imports of goods and services	2.4	-10.6	-2.1	3.9	5.4	6.3
<i>Percentage of GDP</i>						
General Government revenues	38.3	41.3	42.7	42.2	41.5	41.5
General Government expenditures	36.7	39.9	41.2	40.3	39.6	39.5
General Government balance	1.6	1.4	1.5	1.9	1.9	2.0
Gross public and publicly guaranteed debt (including SDR allocation) <sup>b</sup>	38.8	53.0	53.9	55.3	58.1	58.9
Net FDI	2.4	2.9	2.6	2.4	2.6	2.6
Current account balance	-6.9	-3.2	-3.5	-3.2	-3.6	-3.5

Source: National statistics and World Bank Staff projections.

Note: a. Includes external and domestic debt obligations and guarantees; actual data - Ministry of Finance, projections - IMF Debt Sustainability Assessment estimates under the baseline scenario (IMF Country Report No.17/383, p. 34); b. IMF staff projections; c. Actual data for 2017.

32. **Compared to previous adjustments to economic crises, post-2014 economic policy has exhibited a timelier macro-adjustment and a greater awareness of the need for competitiveness and private sector growth.** Belarus is gradually adjusting tariffs toward Russia's WTO commitments, and WTO accession may take place during the CPF period. There has been progress on structural reform, with improvements in corporate governance and enterprise restructuring, price liberalization, and trade and forex controls. The Government has developed a methodology to assess the fiscal risk from SOEs and introduced reforms on financial reporting in line with International Financial Reporting Standards (IFRS), starting with large SOEs from 2016. Belarus rose in the Doing Business Survey between 2016 and 2018 from 50th to 38th position. In November 2017, the President approved a package of laws aiming to improve the environment for private business, with a particular emphasis on reducing inspections, improving the transparency of regulation, and supporting self-employment and IT-enabled business. The Government has adopted a Republic of Belarus Financial Market Development Strategy up to 2020, aimed at enhancing competition and private sector presence, reducing dollarization and directed lending, and enhancing financial stability.

33. **Despite these improvements, however, it is not clear that the pace of reform is sufficient to stave off macroeconomic risks and generate fast enough growth to meet societal expectations.** The authorities are only beginning to untangle the complex issues around SOEs. To improve SOE performance would require managerial autonomy and a transfer of their control away from line ministries and municipalities with a vested interest in the status quo. It would require the unravelling of ineffective inter-SOE and SOE-bank borrowing, possibly leading to adverse effects on the sustainability of individual banks. Finally, it would entail social protection and unemployment benefits to some extent replacing secure public employment, with possible risks to social welfare and stability. Progress on the implementation and enforcement of investment climate reforms appears to be slower than regulatory change. Policy on utility tariffs and public-private partnerships (PPPs) may not be enough to finance investment needs. The Government is making some cautious moves in several of these areas, but a higher and more sustainable growth path would require more rapid and comprehensive change.



34. **Belarus is exploiting its geographical position as a transit country and there is room for further improvements.** Belarus has made great progress in improving trunk road infrastructure, has developed toll roads, and is committed to reducing waiting times at borders. However, Belarus is ranked 120th in the Logistics Performance Index, scoring significantly below the Upper-Middle Income Country average for customs and infrastructure. Border and other regulatory barriers have been reduced but there is still scope to speed up international freight movements and improve the financial sustainability of rail transit. Belarus could also further enhance its role as an energy transit country.

35. **Belarus faces climate change and environmental challenges.** Energy use in kg of oil equivalent per unit of GDP has declined in Belarus from 501 kg in 2002 to 190 kg in 2013 but is still higher than in EU countries. Energy efficiency programs are a priority for social and economic as well as environmental reasons. Belarus is a party to the Climate Change Convention. Its Nationally Determined Contributions (NDCs) Document<sup>16</sup> focuses on energy efficiency and renewables to reduce greenhouse gas (GHG) emissions, reforestation, and peat and wetland restoration to absorb GHG. Regarding climate resilience, 40 percent of Belarus' GDP, particularly agriculture, is weather sensitive; flooding is the main challenge, costing an estimated one percent of GDP every year<sup>17</sup> with other extreme events such as gales, hailstorms, and snowstorms costing 0.4 percent of GDP per year. Agriculture and forestry are the most vulnerable sectors. Belarus has programs in sustainable landscape management and emergency response but lacks a systematic approach to climate risk management and assessment. Belarus has invested significantly in mitigation of the 1986 Chernobyl disaster which led to land contamination and increased incidence of cancer. Belarus is also investing in water quality improvements.

### **III. COUNTRY PARTNERSHIP FRAMEWORK OF THE WORLD BANK GROUP**

#### **A. Government's Country Development Strategy**

36. **Government priorities are articulated in the Program of Socio-Economic Development for 2016–20.** The key objective is to improve household living standards through enhanced competitiveness, innovation, and an increase in the volume and efficiency of overall investment. The program covers four main areas:

- (a) Macroeconomic policy and unleashing business initiative, including measures to improve budget, macroeconomic and financial sector management and the competitiveness and investment environment, anti-monopoly measures and price deregulation, support for Micro-, Small and Medium Enterprise (MSME) development, improvement of property rights, introduction of modern corporate governance practices and financial insolvency in SOEs, and PPPs
- (b) Innovation-based growth, including through digital transformation, improved information management for decision making, and the accelerated development of advanced technologies in both traditional and nontraditional sectors

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<sup>16</sup> The NDC was prepared as part of the architecture of the December 2015 United Nations (UN) Paris Climate Agreement and builds on the Belarusian National Program of Measures to Mitigate Climate Change 2013–2030.

<sup>17</sup> World Bank Global Facility for Disaster Risk Reduction 2016.

- (c) The development of human potential and improvements in the quality of life, including through improved education, health, active lifestyle, labor markets, retraining schemes and social assistance, youth and regional development programs
- (d) Promotion of the green economy, sustainable natural resource management, and environmental protection, including through landscape and improved solid waste management

37. The 2016–20 program is comprehensive and includes measures to gradually tackle economic imbalances and structural rigidities, including programs for

- (a) Maintaining macroeconomic stability;
- (b) Creating efficient financial markets to improve the allocation of capital;
- (c) Facilitating a dynamic labor market;
- (d) Transforming the state-owned sector to reduce losses and enhance incentives for achieving productivity growth;
- (e) Facilitating private sector growth and job creation through improvements in the investment climate; and
- (f) Efficient product and service markets, respecting obligations assumed within the EEU Treaty.

#### **B. Lessons from the 2014–17 CPS Completion and Learning Review**

38. **The previous CPS saw portfolio expansion, good implementation, and high disbursement rates.** The IBRD portfolio grew from US\$385 million in 2014 to US\$991 million in 2017. IFC invested US\$75 million in Belarus' financial sector, food retail, commercial and housing real estate, and manufacturing of construction materials. In addition, IFC mobilized US\$6 million from other financial institutions as well as providing US\$155 million for trade financing. Guarantees issued by MIGA stood at US\$130 million (The guarantees were issued in Euro for a total of Euro 104.5 million). There were US\$12.2 million of TF-supported programs under implementation and growing partnerships with the EU, EIB, Eurasian Development Bank (EDB), Nordic Investment Bank (NIB), EBRD, and IMF.

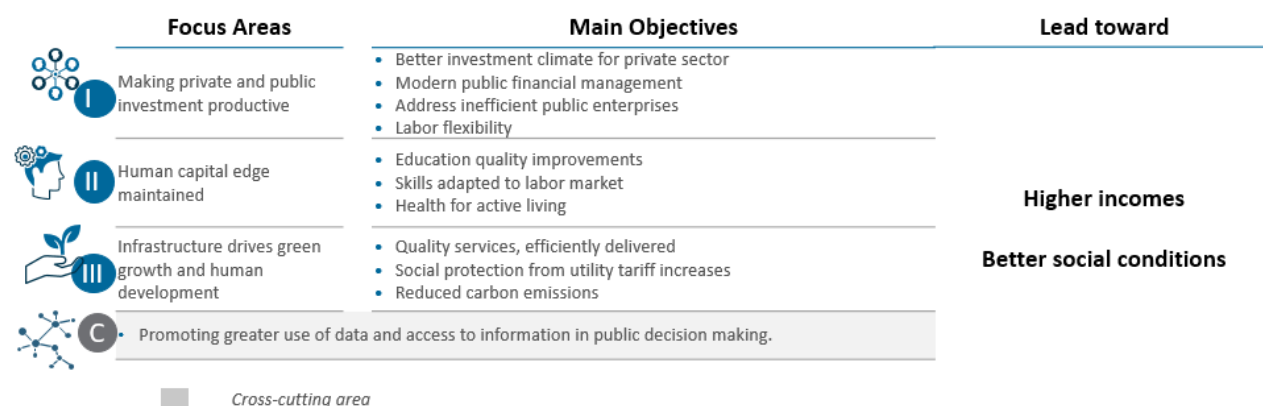
39. **The main conclusion of the FY14–17 CPS Completion and Learning Review (CLR) is that successes are associated with policy consensus, concrete, easily measurable results and efficiency gains (see annex 2).** There are several other important lessons which are reflected in CPF design. Integrating social impact analysis while supporting efficiency and improved service delivery is important. Willingness to support reforms step by step is important for long-term results. Strong Advisory Services and Analytics (ASA) can help assess options and build consensus for reform. Programs in health, education, forestry, energy, and improved public sector financial management went hand in hand with analytics. However, there needs to be a dialogue with the Government on its willingness to borrow for technical assistance. Moreover, there needs to be clarity early on regarding counterpart responsibility and ownership of reform areas. Flexibility is important; in the case of the Road Upgrade and Modernization Project, when during implementation the Government moved to a PPP for tolling, the World Bank was able to support weigh-in-motion (WIM) monitoring instead, bringing efficiency gains. Implementation management and monitoring disbursement profiles need to be adapted to implementation realities. Even with readiness

filters, there are inevitable delays in finalizing tenders and delivering on contracts approved. Results frameworks need to include indicators which are easily measurable and attributable to World Bank Group interventions. An Independent Evaluation Group review of the 2008–11 CPS confirmed the need for realism as well as for identification and mitigation of risks.

### C. Country Partnership Framework

40. **The CPF program is located at the intersection of the Government program, SCD priorities, and the World Bank Group’s comparative advantage (Figure 5).** SCD priorities were filtered through the lens of Government readiness for World Bank Group engagement, thus identifying potential areas of engagement. Certain potential areas of engagement were excluded from the CPF because of other development partners’ greater presence. Other results areas, notably in infrastructure, were included even if they were not prominent as SCD priorities because of their strong presence in the current portfolio and the Government program as well as their potential for leveraging finance from commercial sources and other international financial institutions (IFIs). The resulting priorities were grouped around three focus areas: (a) creating opportunities for the private sector to grow and for more efficient public investment; (b) maintaining the country’s human capital edge; and (c) improving the contribution of infrastructure to climate change management, economic growth, and human development. These are supplemented by the cross-cutting theme of promoting greater use of data and access to information in public decision making. The latter reflects the SCD’s finding that inadequate coordination, cooperation, and collaboration between levels of Government and public sectors, citizens, and private sector actors are an impediment to informed decision making. Data-driven decision making and public-private policy dialogue also emerged as a priority from CPF consultations.

**Figure 5. World Bank Group CPF 2018–22: Toward Sustainable Productivity**



41. **The CPF recognizes that enhanced private sector investment, including in infrastructure, is essential for longer-term sustainable growth.** In the National Infrastructure Strategy (NIS) for 2017–30, funding needs to create infrastructure facilities until 2020 are estimated at about US\$18 billion, with an additional amount of about US\$50 billion between 2021 and 2030. The NIS recognizes the need for private sector participation in infrastructure development, but acknowledges the current challenges. In seeking to maximize finance for development, the priority for the World Bank Group will be to support an improved upstream enabling environment for the private sector, support commercialization and governance improvements for SOEs, including utilities, and accelerate financial sector reforms. The World Bank Group will continue to seek opportunities to mobilize private sector finance especially in the financial

sector and in infrastructure. For infrastructure, support would include preparations for PPPs including investment prioritization and the development of frameworks for competitive tendering and evaluation. Where there is demand, the World Bank Group will also support privatization, pre-privatization, and PPP pilots. If they are successful, the pilots will demonstrate the advantages of these models and encourage scaling up. The CPF emphasizes that improvements in Government policy are key to scaled-up private sector investment, and this will be the area of focus. There is currently little private sector experience with social sector service delivery and limited demand, but if interest develops, the World Bank Group stands ready to engage.

42. **The CPF assumes that policy change will be positive but cautious.** It expects macro-fiscal policy continuity; gradual improvements in the investment climate; and only tentative policy change on SOEs, utility tariffs, PPPs, or social protection. However, early successes in these areas might encourage the authorities to go further. Moreover, acute economic pressures could trigger an acceleration of reforms, particularly if adequate Russian financing is not maintained. Slow growth in wages and incomes could also generate political momentum for policy change. (Power utilization and debt repayment options for the new Belarusian nuclear power plant add another element of uncertainty.)

43. **The World Bank Group's strategy will therefore be to open opportunities for future transformation and to help build Belarus' resilience to withstand potential shocks.** ASAs (for example, on the investment climate, bank resolution, deposit insurance, SOEs, social protection, power markets, utility tariffs, and an update of the Policy Reform Roadmap) will outline options for more ambitious future changes. Policy-based lending could also be considered in the future in conjunction with resumption of an IMF program. Flexibility is built into the CPF program: the PLR will assess which ASA recommendations or pilot initiatives from FY18 to FY20 are ripe for implementation on a more ambitious scale in FY21–22. It will also examine the scope for results-based financing, including the 'Program-for-Results' instrument.

44. **Compared with the previous CPS, the CPF has a stronger focus on growing the private sector and on the economic, environmental, and human development dimensions of infrastructure investment.** It emphasizes the link between more efficient infrastructure, including at the subnational level, and financial sustainability. It responds to the Government's gradually increasing openness toward private sector development, commercial financing for infrastructure, cost-recovery for utilities, and the commercialization of SOEs. It introduces a new cross-cutting theme on promoting the greater use of data and access to information in public decision making and has a stronger program of cooperation with other key development partners. The prioritization logic is illustrated in table 3, table 4 and table 5.

**Table 3. Translating SCD Priorities into CPF Focus Areas**

SCD Priorities	From SCD to CPF Focus Area
<b>A: Maintain macroeconomic stability</b> <ul style="list-style-type: none"> <li>• Maintain prudent economic policy management</li> <li>• Address financial sector vulnerabilities</li> <li>• Enhance fiscal and public debt sustainability</li> </ul>	<p>Yes. The CPF supports improved budget and Public Financial Management (PFM), and reductions in the fiscal cost of utility subsidies; it addresses financial sector vulnerability and monitors macroeconomic risks together with the EEU.</p> <p><b>CPF Focus Area 1</b></p>
<b>B: Strengthen social resilience</b> <ul style="list-style-type: none"> <li>• Strengthen safety nets</li> <li>• Introduce adequate unemployment protection mechanisms</li> <li>• Introduce active labor market policies</li> </ul>	<p>Yes, partially. The CPF supports design of programs for targeted social assistance to mitigate the impact utility tariff reform and for unemployment insurance; implementation would be the decision of the Government.</p> <p><b>CPF Focus Area 1</b></p>

SCD Priorities	From SCD to CPF Focus Area
<b>C: Improve economic governance</b> <ul style="list-style-type: none"> <li>Improve efficiency of SOEs and reform the state-owned banks</li> <li>Improve cooperation and coordination between public and private sectors</li> <li>Strengthen property rights protection</li> </ul>	Yes, partially. The CPF supports ASA for improving governance and management of SOEs and utility tariff reform. <b>CPF Focus Area 1 and 3</b>
<b>D: Unleash private sector growth potential</b> <ul style="list-style-type: none"> <li>Strengthen the role of the market signals in allocation of capital and labor</li> <li>Ensure competitive neutrality and deregulation of product and factor markets</li> <li>Eliminate cross-subsidization and improve public utility service delivery</li> </ul>	Yes, partially. The CPF supports ASA for continued improvements in the regulatory environment for private sector development, improved governance and management of SOEs, PPPs, and SOE commercialization and privatization, as well as investments in small and medium enterprises (SMEs) development on market terms, and improved, more efficient utilities service delivery. It does not support strengthened property rights protection or review of the price system in support to agriculture. <b>CPF Focus Areas 1 and 3</b>
<b>E: Maintain human capital edge</b> <ul style="list-style-type: none"> <li>Increase relevance, responsiveness and quality of higher education, research and innovation systems in accordance with labor market needs and international trends</li> <li>Promote active and healthy ageing</li> </ul>	Yes. The CPF supports both general and higher education modernization, and improved health service delivery with a focus on primary health care, including NCDs which affect mostly the ageing. <b>CPF Focus Area 2</b>
<b>F: Enhance connectivity</b> <ul style="list-style-type: none"> <li>Transition to rules-based trading system (WTO accession)</li> <li>Strengthen public investment management and management of SOEs</li> <li>Improve logistics potential and offer competitive transport services</li> </ul>	Yes, partially. The EEU leads on rules-based trading including moving toward compliance with the WTO. CPF supports improved public investment management, management of SOEs, and competitive transport services. <b>CPF Focus Areas 3 and 1</b>
<b>Cross-cutting priorities</b>	
<b>G: Mitigate climate change and disaster risk</b> <ul style="list-style-type: none"> <li>Increase energy efficiency</li> <li>Assess systematic needs and risk financing strategies</li> <li>Promote creation of resilient forests</li> </ul>	Yes, partially. The CPF supports increasing energy efficiency and sustainable landscape management for climate resilience and climate change mitigation as well as a coordinated approach to disaster risk management. <b>CPF Focus Areas 3</b>

**Table 4. Translation of CPF Focus Areas into Activities through the Filters of the Government Program and Partnerships**

	CPF Objective	Government Program	World Bank Group Comparative Advantage and Partnerships (see also annex 7)	Examples of Activities
A, B, C, D, F	<b>Focus Area 1</b> Creating opportunities for private sector to grow and for	Supports Government programs in PFM, financial sector development, SOE efficiency and private sector	World Bank Group has an ongoing program in private sector development and financial sector reforms. Strong ASA program financed by EU TFs.	<b>World Bank Group Lending:</b> <ul style="list-style-type: none"> <li>PFM Modernization (ongoing)</li> <li>PFM Modernization II (FY20)</li> <li>MSME Access to Finance (ongoing)</li> <li>IFC investments in financial and corporate sectors (FY18-22)</li> </ul>

	CPF Objective	Government Program	World Bank Group Comparative Advantage and Partnerships (see also annex 7)	Examples of Activities
	more efficient public investment	development, sustainable utilities management, and rollout of targeted social assistance programs	Cooperation with the IMF and EEU on macroeconomic stability, EBRD on enterprise transformation. Investment climate, PPP, and private sector development advice will be coordinated with the EBRD, EU, UN, U.S. Agency for International Development, and Swedish International Development Cooperation Agency (SIDA). World Bank Group implements Austrian-funded Privatization Project and advisory services funded by Korea on the digital economy and paperless trade. World Bank also provides ASA on design of instruments to mitigate social impact of tariff reform and unemployment insurance.	<ul style="list-style-type: none"> <li>• IFC Global Trade Finance Program (GTFP) ongoing and planned (FY18-22)</li> <li>• MIGA guarantee in financial sector (ongoing)</li> </ul> <b>ASA and Partnerships:</b> <ul style="list-style-type: none"> <li>• Programmatic financial sector monitoring (ongoing)</li> <li>• IFC Competition and Investment Climate</li> <li>• IFC Global Food Safety Platform</li> <li>• IFC Corporate Governance</li> <li>• EU TF (FY18) on Structural Reforms,</li> <li>• EU TF (FY18) on Private Sector Development Multi-cluster poverty assessment (with UNICEF and EU TF)</li> </ul>
A, E	<b>Focus Area 2</b>  Maintaining the country's human capital edge	Supports government programs in education and health	World Bank has ongoing programs and strong dialogue in health and education and collaboration with the World Health Organization (WHO), United Nations Population Fund (UNFPA), and UNICEF. Links these to improved public expenditure management and dialogue on poverty and vulnerability and social impact.	<b>World Bank Group Lending:</b> <ul style="list-style-type: none"> <li>• Education Modernization (ongoing)</li> <li>• Education Modernization AF (FY19)</li> <li>• Tertiary Education (FY20)</li> <li>• Health Systems Modernization (ongoing)</li> </ul> <b>ASA and Partnerships:</b> <ul style="list-style-type: none"> <li>• Optima Tuberculosis Modelling Study (ongoing)</li> <li>• Policy Dialogue on Tobacco Taxation (ongoing)</li> <li>• Higher Education ASA (ongoing)</li> <li>• EU Vocational Education and Training Program (ongoing)</li> <li>• Assistance in the preparation and conduct of the population census</li> </ul>

	CPF Objective	Government Program	World Bank Group Comparative Advantage and Partnerships (see also annex 7)	Examples of Activities
				of the Republic of Belarus in 2019 (subject to TF availability)
<b>A, B, D, F, G</b>	<b>Focus Area 3</b> Improving contribution of infrastructure to climate change management, economic growth, and human development	Supports Government programs in transport and road safety, waste management, and energy and water utilities	World Bank Group has built up a strong relationship in the energy, water and sanitation, forestry, and transport sectors. Potential partnership with EIB on utilities and transport and close cooperation with EBRD, the EU, and NIB.	<b>World Bank Group Lending:</b> <ul style="list-style-type: none"> <li>• Transit Corridor Improvement (ongoing)</li> <li>• Biomass District Heating (ongoing)</li> <li>• Sustainable Energy Scale-up (FY19)</li> <li>• Forestry Development (ongoing)</li> <li>• Forestry Development AF (FY18)</li> <li>• Water Supply and Sanitation (ongoing)</li> <li>• Utility Efficiency and Quality Improvement (FY19)</li> <li>• IFC support for PPPs through financing</li> <li>• IFC subnational infrastructure finance</li> </ul> <b>ASA:</b> <ul style="list-style-type: none"> <li>• Power Planning Study and Market Reform (FY18)</li> <li>• ASA on establishment of an integrated monitoring, forecasting, risk assessment and early warning system</li> <li>• IFC Sustainable Energy Finance (regional; ongoing)</li> <li>• IFC ECA Power (regional; ongoing)</li> <li>• IFC support for PPPs through advisory</li> </ul>

Note: Program details in annex 1; The letters A through F represent the pillars and cross-cutting theme of the CPF; activities with blue font are planned, those with black font are ongoing.

**Table 5. Translation of CPF Cross-cutting Theme into Activities through the Filters of the Government Program and Partnerships**

	Cross-cutting Theme	Government Program	World Bank Group Comparative Advantage and Partnerships	Examples of Activities
<b>All SCD areas</b>	Greater use of data and access to information in public decision making	Supports programs in improved management information systems in all programs as well as citizens'	Supports improved management information systems and citizens' feedback	<b>World Bank Group Lending:</b> <ul style="list-style-type: none"> <li>• Education Modernization (ongoing)</li> <li>• Education Modernization AF (FY19)</li> <li>• Tertiary Education (FY20)</li> <li>• Health System Modernization (ongoing)</li> </ul>

	Cross-cutting Theme	Government Program	World Bank Group Comparative Advantage and Partnerships	Examples of Activities
		feedback surveys in program implementation	surveys in health, education, PFM, and SOEs	<ul style="list-style-type: none"> <li>• PFM Modernization (ongoing);</li> <li>• PFM Modernization II (FY20)</li> <li>• MSME Access to Finance (ongoing)</li> <li>• Forestry Development (ongoing) and AF (planned)</li> <li>• Biomass District Heating (ongoing)</li> <li>• Sustainable Energy Scale-up (FY19)</li> <li>• Utility Efficiency and Quality Improvement (FY19)</li> </ul> <b>ASA:</b> <ul style="list-style-type: none"> <li>• ASA on open budget initiative, publication of SOE audited financial statements, poverty assessments (Multiple Indicator Cluster Survey [MICS])</li> </ul>

*Note:* The letters A through F represent the pillars and cross-cutting theme of the CPF; activities with blue font are planned, those with black font are ongoing.

#### **D. Focus Areas, Objectives supported by Program of Lending and Non-lending Activities**

*Focus Area 1. Creating opportunities for private sector to grow and for more efficient public investment*

<b>Focus Area 1. Creating opportunities for the private sector to grow and for more efficient public investment</b> Objective 1A: Some aspects of the enabling environment for private sector development improved Objective 1B: Improved access to finance for enterprises Objective 1C: More transparent public financial management Objective 1D: Preparedness of some elements for public enterprise restructuring and commercialization
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45. **In Belarus, despite progress, there is substantial scope for stimulating private sector-led growth.** The four objectives under this focus area are interlinked and support pillars A, B, and C of the SCD. IFC and IBRD, with EU funding and guided by enterprise surveys, will provide advice on the regulatory environment, with emphasis on simplification, impact assessment, and competition policy. MSME credit lines from both IFC and IBRD, and EU-funded advice on a collateral registry, NPLs, bank resolution, deposit insurance, credit bureaus, and the IFRS rollout for banks will support access to finance, in line with Financial Sector Assessment Program recommendations. The IBRD and IFC approaches to credit lines are complementary. In Belarus, where the state dominates banking and long-term financing for MSMEs is scarce, the IBRD operation will catalyze term financing to privately owned MSMEs. The operation aims to boost the capacity of the Development Bank of the Republic of Belarus (DBRB) to act as an apex institution in channeling long-term funding in conditions of market failure. IFC provides credit lines to private banks or state-owned banks which have the potential to be privatized. IFC will also continue to support banks' capacity to deliver trade financing through its Global Trade Finance Program (GTFP). If warranted by progress on the ongoing Public Financial Management Modernization Project, a system implementation phase would follow. Social impact analysis will strengthen the social and political viability of any future SOE restructuring. EU TFs would provide TA to SOEs on improved governance, commercially based



management, corporatization, and IFRS reporting.<sup>18</sup> Good quality financial reporting, based on international standards can improve businesses' access to investment and finance, assist banks in growing their SME lending portfolios by including financial performance and cash-flow projections into credit risk assessment, and gradually decreasing the collateral burden. Given the challenges of agricultural SOEs, analysis and advice would be considered on this subject, provided there is demand. Through its investments and advisory support at both the policy and company level, IFC will help the country diversify its export basket. In addition, IFC will attract FDI into competitive and export-oriented sectors. Should the Government ask for help, IFC could offer pre-privatization support to state-owned banks, helping with financing as well as advisory services to improve corporate governance and risk management and review their strategy and operations. The World Bank and IFC will work together on SOE reforms and will attempt to show through demonstrational pilots how privatization will increase efficiency and serve the public interest. Through its advisory program, IFC will also offer support to private banks to improve their risk management procedures, particularly regarding MSME lending risk assessment. The EU TF would support the design of social impact mitigation instruments.<sup>19</sup> Although a Development Policy Operation (DPO) is not currently expected, one would be considered if policy decisions led to an IMF program. Meanwhile, an ASA will help Government to update the Policy Reform Roadmap which underpinned discussions of an IMF program and DPO in 2016–17.

#### *Focus Area 2. Maintaining the country's human capital edge*

##### **Focus Area 2. Maintaining the country's human capital edge**

Objective 2A: Improved learning environments and data on learning outcomes

Objective 2B: Improved delivery of health services

46. **The SCD highlights the importance of maintaining Belarus' human capital edge, and the 2013 BEEPS shows that skills shortages are a priority constraint for private firms of all sizes.** The ongoing Education Modernization Project and an additional financing (AF), will improve learning outcomes through improved learning environments, strengthened student assessment, and education management information systems (EMISs). A Higher Education Project will aim to improve the relevance of higher education to the economy. It will support a greater focus on science, technology, engineering, and mathematics (STEM) subjects, innovation and research, linking education and training with enterprises, and integration with the Bologna Process, the standard for tertiary education for Europe, covering, among other things, a three-cycle degree structure (bachelor, masters, doctorate), employability, and quality assurance, as well as mobility and the recognition of degrees. The recently approved Health System Modernization Project (HSMP) focuses on better integration between primary, secondary, and tertiary care through information management systems, improved diagnosis, and greater emphasis on primary health care as well as screening for and treatment of key NCDs. IFC is ready to consider opportunities for PPPs in the health sector. Ongoing ASAs would help address specific challenges, including in tuberculosis (TB) and on options for increasing tobacco taxation. If there is interest from the Belarusian authorities, an updated Public Expenditure Review (PER) on the health sector could be considered, which would cover resourcing questions, including possibly greater emphasis on primary care and the involvement of private sector providers.

#### *Focus Area 3. Improving contribution of infrastructure to climate change management, economic growth and human development*

<sup>18</sup> IFRS.

<sup>19</sup> Including rollout of the MICS.

**Focus Area 3. Improving contribution of infrastructure to climate change management, economic growth and human development**

Objective 3A: Enhanced climate change management

Objective 3B: Improved access to quality water and sanitation services

Objective 3C: Enhanced efficiency, security, and quality of energy utility provision

Objective 3D: Improved transport connectivity and safety

47. **This focus area reflects the weight of infrastructure in the ongoing portfolio and offers an opportunity to mobilize efficiency gains for growth, fiscal savings, welfare improvements, and climate change benefits.** It contributes directly to the SCD goals through Pillars C, E, and F and indirectly to Pillars A and B. It also contributes to Focus Areas 1 and 2 of the CPF as well as to the cross-cutting theme.

48. **Climate change management is woven into the energy and urban utilities programs as well as a forest operation.** The energy programs contribute to energy efficiency and climate change mitigation through the reduction of energy consumption and the replacement of fossil fuels with renewable biomass energy, reducing GHG. The Forest Development Project, to be supplemented with an AF, enhances climate resilience through improved forest management, reducing the risk of wind damage, while reforestation sequesters carbon and helps reduce erosion and vulnerability to flooding from extreme weather events. The project also increases sustainable production of biomass energy. Outcomes include GHG emission reduction under the energy programs and carbon sequestered under the Forestry Development Project. The CPF will seek TFs to finance ASA on developing a coordinated approach to disaster risk management and South-South cooperation on forest fire management.

49. **The planned Sustainable Energy Scale-up Project will build on the achievements of two ongoing projects, reducing district heating costs, heating bills and net carbon emissions while improving utilities' energy management.** ASA supported by the Energy Sector Management Assistance Program (ESMAP) will support further work on the social costs to households of the utility subsidy phase-out. The Power Planning and Market Reform Study will review generation system expansion plans, power market reform options, and the regulatory environment in the power sector. IFC's regional advisory ECA Power Program and Sustainable Energy Finance Program will investment and promote energy efficiency at company and sector levels. IFC will seek to support banks with long-term funding and advisory support to develop energy efficiency products. IFC will also consider a Residential Energy Efficiency Advisory Program and is ready to consider opportunities for sub-sovereign infrastructure lending to municipalities. A Utility Efficiency and Quality Improvement Project, building on ongoing water, sanitation, and solid waste projects, will improve technical efficiency and financial sustainability, as well as service quality, perhaps creating some of the pre-conditions for future commercial financing. In transport, the ongoing Transit Corridor Improvement Project (TCIP) aims to improve connectivity through road widening, road safety measures, and border management enhancement. The operation also supports improved efficiency and safety through WIM technology and operational improvements. The CPF also supports ongoing ASA on strengthening railway and logistics operations, including the development of options for tariff deregulation.

*Cross-Cutting Area. Promoting greater use of data and access to information in public decision making*

**Cross-Cutting Area**

Objective 4A: Promoting greater use of data and access to information in public decision making

50. **The SCD highlighted issues with the quality of information and with communication for decision making among levels of Government, citizens, and private sector actors.** CPF consultations revealed

opportunities for the public and private sector to make a greater contribution to decision making if provided with the necessary information and a forum for doing so. The CPF supports improvements in several areas, including PFM, accounting standards for SOEs, and through citizen engagement (CE) and feedback mechanisms in the education, health, and public utilities operations. The PFM operation aims to reduce the share of public funds managed outside the single Treasury Account (improving the quality of budget information), increase budget transparency through an improved open budget index, and introduce a citizens' budget by publishing budget information. The Education Modernization Project includes results indicators related to information including (a) Belarus' participation in the Programme for International Student Assessment (PISA) 2018 completed; (b) annual education statistics reports produced using data generated by the integrated EMIS, and (c) beneficiaries reporting improved satisfaction with quality of learning environment, relative to a control group. If the FY19 Sustainable Energy Scale-up Project supports residential energy efficiency, there would be an opportunity for engagement with residents' associations. Finally, the World Bank Group will expand its external communications on development policy to increase somewhat the public's familiarity with Belarus' options for policy change.

#### **E. Implementation: World Bank Group Resources and Partnerships**

51. **While Focus Areas 1 and 3 aim to improve Belarus' access to private financing, the reality is that Belarus's state-dominated economy will not attract significant volumes of private money in the short to medium term.** The World Bank Group will therefore expand collaboration with other development partners to leverage its limited operating budget and lending resources. EU TFs in support of economic competitiveness (EUR 3 million) and private sector development (EUR 9 million) are key examples, while ESMAP has supported energy ASAs for several years. Other IFIs may join World Bank visits in the energy and water sectors to consider parallel financing. The World Bank Group will continue to coordinate economic policy dialogue and any macroeconomic stabilization programs with the IMF and EDB.

52. **New lending has been programmed only through FY20.** IBRD lending for FY18–20 will be around US\$400 million while estimated resources for the full implementation period of FY18–22 are around US\$570 million. Funding might also be considered for a DPO should circumstances permit. New lending for FY20–22 will be identified in 2019 following completion of key ASA products and depending on progress with ongoing and planned operations. IFC's estimated program is US\$80–120 million (IFC's own account) from FY18 through FY22. IFC financing would depend on the Government's reforms and progress with SOE privatization. MIGA has no pre-determined envelope for guarantees over the CPF period. However, it is actively seeking opportunities in the infrastructure and financial service sectors via its political risk insurance products, particularly those covering transfer and convertibility, expropriation, and breach of contract.

53. **The design of outcome indicators has taken account of lessons from the CLR.** All outcomes are directly attributable to World Bank Group interventions. Results indicators are summarized in the Results Matrix in Annex 1. A PLR during FY20 will also help guide mid-course adjustments.

54. **Belarus has a solid history of compliance with fiduciary and safeguards requirements and the World Bank Group will continue to provide implementation support in these areas.** Average annual disbursement rates are 22 percent, a little faster than the ECA average. Belarus has introduced an Electronic Procurement System (E-GP) with the aim of improving transparency and efficiency, and Belarus and the World Bank are working together on the use of the E-GP in World Bank-financed operations, on a review of draft procurement legislation, and on rolling out the World Bank's new procurement

framework. Projects have not posed major environmental or social risks and have been in compliance with the World Bank’s safeguards policies. As the CPF begins implementation, the World Bank will provide training on the new Environmental and Social Framework of the World Bank.

**Table 6. Ongoing and Planned Lending Operations FY18–20**

<b>Focus Area</b>	<b>Lending Operation</b>
<b>Focus Area 1</b> Creating opportunities for private sector to grow and for more efficient public investment	FY16–20: PFM Modernization, US\$10 million <i>FY20: PFM Modernization II, US\$50 million</i> FY18: MSME Access to Finance, US\$60 million FY18–22: IFC Global Trade Finance Program FY18–22: IFC financing of projects in the financial and real sectors, US\$90–120 million FY15–16: MIGA guarantees for Priorbank, US\$130 million
<b>Focus Area 2</b> Maintaining the country’s human capital edge	FY16–21: Education Modernization, US\$50 million <i>FY19: Education Modernization AF, US\$50 million</i> <i>FY20: Tertiary Education, US\$50 million</i> FY17–22: Health System Modernization, US\$125 million
<b>Focus Area 3</b> Improving contribution of infrastructure to climate change management, economic growth, and human development	FY14–20: Biomass District Heating, US\$90 million FY15–20: Transit Corridor Improvement, US\$250 million <i>FY19: Sustainable Energy Scale-up, US\$100 million</i> FY09–19: Water Supply and Sanitation, US\$150 million <i>FY19: Utility Efficiency and Quality Improvement, US\$70 million</i> FY15–21: Forestry Development, US\$41million <i>FY18: Forestry Development AF, US\$14 million</i>
<b>Cross-cutting Area</b> Promoting greater use of data and access to information in public decision making	FY16–21: Education Modernization, US\$50 million <i>FY19: Education Modernization AF, US\$50 million</i> <i>FY19 Tertiary Education, US\$50 million</i> FY14–20: Biomass District Heating, US\$90 million FY17–22: Health System Modernization, US\$125 million FY16–20: PFM Modernization, US\$10 million <i>FY18: MSME Access to Finance, US\$60 million</i> <i>FY19: Sustainable Energy Scale-up, US\$100 million</i> <i>FY20: PFM Modernization II, US\$50 million</i>

*Note:* Proposed new operations are in italic font.

## **F. The CPF and Corporate Priorities**

55. **The CPF design furthers the World Bank Group’s twin goals with support for stronger productivity growth, maintenance of the human capital edge, and more efficient infrastructure—as the SCD recommends.** Envisaged results include 11 Core Corporate Scorecard Indicators. Belarus is a strong participant in the agenda of the Sustainable Development Goals (SDGs), and the World Bank Group participates alongside UN agencies in the SDG Mainstreaming, Acceleration, and Policy Support process.

56. The CPF supports climate change management directly through its energy and forest operations and includes monitorable indicators for GHG emissions reduction and carbon sequestration.

57. **Belarus’ track record on gender equality is one of the best in the region.** The World Bank Belarus Country Gender Profile was last updated in 2016. The CPF will track gender-specific indicators in project implementation, including in the proposed Tertiary Education Project by measuring graduate employment . It will aim to address the low level of participation of women in STEM subjects. The HSMP will focus on

NCDs and help address the very wide gender disparities between male and female life expectancy. UNFPA is leading on gender-based violence and the World Bank is part of the UN working group.

58. **By FY15, Belarus had reached 100 percent compliance with CE corporate requirements, well above the regional average.** Overall, about 70 percent of the active portfolio have a citizen-oriented design, although some gaps were noted in implementation. The CPF will include mechanisms for beneficiary feedback and citizen engagement in projects, and monitor implementation closely, including in energy, urban utilities, health, education, and access to finance operations. The World Bank and IFC will also increase the frequency of enterprise surveys.

#### **IV. MANAGING RISKS**

59. **Belarus is vulnerable to macroeconomic risks and these risks will affect program areas.** Macroeconomic vulnerabilities relate largely to debt sustainability, balance of payments pressures, and reduced fiscal space in a lower growth context. The vulnerabilities are aggravated by the structural challenges of the economy described above and acknowledged in the 2016–20 Action Plan. The CPF has accounted for broader economic vulnerabilities by setting unambitious but realistic targets for results over the next three years, especially in the first focus area. Nevertheless, the indicator for Objective 1B (Improved access to finance for enterprises) is vulnerable to macro-shocks; increased investment is unlikely to take place if the economy deteriorates. The size and success of the IFC investment program would depend on progress in key areas including SOE privatization and attracting private sector investment in the infrastructure sectors, as well as overall macroeconomic conditions and country risk. The quality of social services and infrastructure may be impaired by constraints upon recurrent financing, specifically for consumables and maintenance. MIGA programs also depend on consistent policy improvements. The CPF seeks to address macroeconomic and structural weaknesses through advice on structural reforms and by supporting private sector development, PFM, financially robust utilities and financial sector effectiveness. The World Bank Group will monitor trends and stands ready to provide budgetary support in close partnership with the IMF and the EDB. A further risk mitigation strategy is flexibility, with the program defined only through 2020, leaving space for recalibration. Macroeconomic risks are rated Substantial.

60. **The remaining risks are rated Moderate to Low.** The political situation is stable and sector strategies are generally carefully developed and implemented. In the energy sector, nonetheless, there is still uncertainty regarding use of the power from the new Belarusian nuclear power plant, the cost structure of electricity, and the mode of debt repayment. The CPF proposes work with the Government on options, as part of a broader Power Planning Study and Market Reform ASA. Belarus has a strong track record in Investment Project Financing implementation, fiduciary management, and safeguards, and operations under the CPF include stakeholder feedback mechanisms. Technical risks are rated Moderate because, despite high institutional capacity, the CPF is supporting operations in new areas, especially in the human development sectors.

**Table 7. Summary Risks to the World Bank Group Program**

<b>Risk Categories</b>		<b>Rating</b>
1.	Political and governance	Moderate
2.	Macroeconomic	Substantial
3.	Sector strategies and policies	Moderate
4.	Technical design of project or program	Moderate
5.	Institutional capacity for implementation	Low
6.	Fiduciary	Low
7.	Environment and social	Moderate
8.	Stakeholders	Moderate
9.	<b>Overall</b>	<b>Moderate</b>

## Annex 1. FY18–22 Belarus CPF Results Matrix

CPF Objective Indicators	Supplementary Progress Indicators (SPIs)	World Bank Group Program
<b>FOCUS AREA 1: Creating opportunities for private sector to grow and for more efficient public investment</b>		
<p>According to current forecasts, sustained growth for the least well-off will be slow without a larger private sector and a more productive use of resources in the public sector. The 2016–20 Government Action Plan focuses on improving some aspects of the business environment, including the simplification of controls and inspection and improved access to finance for SMEs. On the public sector side, the Government intends new governance arrangements and upgrading for some SOEs. Any restructuring of SOEs would have to be accompanied by the strengthening of targeted social safety nets and unemployment insurance. Improved PFM is required to monitor and raise the productivity of public spending, including public investments, social programs, and financial transfers to SOEs.</p> <p>The common theme of the objectives under this focal area is therefore productivity: the volume of productive private investment, the productivity of SOEs, and the productivity of public resource use.</p>		
<b>CPF OBJECTIVE 1A: Improved some aspects of enabling environment for private sector development</b>		
<p>Despite improvement and Belarus' rise to the 37th position in the Doing Business Rankings, regulatory barriers remain in several areas, including in property rights and resolution of commercial disputes, and there is often poor implementation of regulations. The SCD recommends that streamlining the regulatory environment would create a more competitive environment and new opportunities for existing and new companies, especially SMEs, to enter and expand. The Government intends SMEs' share of the economy to rise from 28 percent to 40 percent by 2020. The IFC Belarus Competitiveness Advisory Project and the EU TF for Private Sector Development will therefore support the Government and the private sector in improving regulatory governance, regulatory impact, assessment focused on SMEs, private sector input to policy dialogue, and implementation of an e-Registry of Administrative Procedures with informational and transactional functionalities. This would result in a Direct Compliance Cost Saving, reflecting a reduction of the regulatory burden for business. In addition, the IFC will perform ex ante and ex post regulatory impact assessment of laws and by-laws and will provide recommendation to the Government on improving competition policy. Through EU TFs, the World Bank Group will conduct a diagnostic of SME access to management skills and services, and targeted capacity building to improve them.</p>		
<p><b>Indicator 1.</b> Direct compliance cost savings from regulatory reforms for the private sector Baseline: 0 (FY18) Target: US\$12 million per year (FY21)</p> <p><b>Indicator 2.</b> Number of administrative procedures performed online through the E-registry Baseline: 0 (FY18) Target: 100 (FY22)</p>	<p><b>SPI1:</b> Number of administrative procedures Baseline: 760 (FY18) Target: 600 (FY21)</p> <p><b>SPI2:</b> Launch of the Electronic Registry of Administrative Procedures Baseline: No (FY18) Target: Yes (FY22)</p> <p><b>SPI3:</b> Concept document on Competition Development adopted, incorporating IFC advice Baseline: No (FY18) Target: Yes (FY20)</p>	<p><b>ASA</b></p> <ul style="list-style-type: none"> <li>• EU TF on Structural Reforms (FY18), IBRD</li> <li>• EU TF on Private Sector Development (FY19), IBRD and IFC</li> <li>• IFC Global Food Safety Program (global; ongoing)</li> <li>• IFC Corporate Governance (regional; ongoing)</li> <li>• IFC Belarus Competition Advisory Project (FY18) (SIDA TF)</li> </ul>

CPF Objective Indicators	Supplementary Progress Indicators (SPIs)	World Bank Group Program
<b>CPF OBJECTIVE 1B: Improved access to finance for enterprises</b>		
<p>With a private sector loan-to-GDP ratio of 21.2 percent in 2016 (compared to 44 percent in 2010), financial intermediation in Belarus remains significantly below the ECA average of 96.2 percent. In 2013, according to the World Bank Group Enterprise Survey, 19 percent of private enterprises identified lack of access to finance as the single most important obstacle to their growth (up from around 6 percent in 2008), with MSMEs particularly constrained. Widespread use of subsidized loans channeled predominantly via public banks to SOEs has distorted the operation of the banking system. The Government has already substantially reduced directed lending but there is still progress to be made. Higher real interest rates for non-privileged private enterprises have discouraged private investment and diminished the capacity of private firms—in particular MSMEs—to expand their production and create jobs. The Government's goal is to facilitate growth of the private sector, especially MSMEs, as part of a strategy to reduce overreliance on the public sector as a driver of growth. In this regard, the Government places high importance on channeling resources through financial intermediaries to eligible MSMEs. The ongoing MSME Access to Finance Project therefore improves access to finance for MSMEs through a loan to the DBRB, as well as support for enhancing its governance and institutional capacity. The share of beneficiary businesses that obtain credit under the project with at least 15 percent female workforce participation will be monitored. MIGA has an ongoing guarantee to Priorbank in the financial sector.</p>		
<p><b>Indicator 3.</b> Improved access to finance for private MSMEs as measured by</p> <ul style="list-style-type: none"> <li>• Number of MSME beneficiaries that obtained credit under the IBRD financing Baseline: 0 (FY18) Interim target: 80 (FY20) Target: 150 (FY22)</li> <li>• Including to businesses with at least 15 percent female workforce participation Interim target: 10 (FY20) Target: 20 (FY22)</li> </ul>	<p><b>SPI4A:</b> Volume of loans disbursed under the project (US\$, millions) Baseline: 0 (FY18) Interim target: 25 (FY20) Target: 56 (FY22)</p> <p><b>SPI4B:</b> Total trade supported by IFC program (US\$, millions) Baseline: 4.9 (FY17) Target: 30 (FY22)</p> <p><b>SPI4C:</b> Facilitate financing for MSMEs through adoption of Collateral Registry (US\$, millions) Baseline 0 (FY18) Target: 160 (FY21)</p>	<p><b>World Bank Group Lending</b></p> <ul style="list-style-type: none"> <li>• MSME Access to Finance Project (ongoing)</li> <li>• MIGA Guarantee to Priorbank (ongoing)</li> <li>• IFC Global Trade Finance Program (GTFP) (FY18–22)</li> </ul> <p><b>ASA</b></p> <ul style="list-style-type: none"> <li>• EU TF on Structural Reforms (FY18), IBRD</li> <li>• EU TF on Private Sector Development (FY19), IBRD and IFC</li> <li>• IFC Global Food Safety Program (global; ongoing)</li> <li>• IFC Corporate Governance (regional; ongoing)</li> </ul>
<b>CPF OBJECTIVE 1C: More transparent public financial management</b>		
<p>The Public Expenditure and Financial Accountability Assessment 2014 concluded that the Belarus PFM system delivered fiscal discipline, but also highlighted areas that undermined the productivity of public spending. Building on this assessment, the Government's PFM Reform Strategy has an ambitious agenda, including improvements in medium-term budgeting, program budgeting, treasury, debt management, and accounting. The CPF relies on a combination of lending (PFM Modernization and PFM II) and ASA (EU TFs) to support improved public financial and fiscal management including the rollout of multiyear budgeting, budget transparency, the consolidation of cash balances, and procurement of an Integrated Financial Management Information System. CPF outcomes based on the PFM Modernization Project include (a) improved budget management that would result in expansion of Treasury Single Account coverage; (b) improved budget transparency, as indicated by the annual publication of a citizens' budget, which includes information on budget execution and the medium-term financial program and an analysis of links between financing and results; and (c) development of the foundations for an Integrated</p>		



CPF Objective Indicators	Supplementary Progress Indicators (SPIs)	World Bank Group Program
Financial Management Information System. These measures will contribute to more transparent and efficient use of public resources by strengthening the PFM framework and moving to higher standards in terms of international good practice.		
<p><b>Indicator 4.</b> Improved budget management as measured by share of public funds managed outside the Single Treasury Account Baseline: 11% (FY18) Target: 5% (FY21)</p> <p><b>Indicator 5.</b> Increased Budget Transparency as measured by Open Budget Index Baseline: To be established through the baseline assessment supported by EU TF expected to be available by Q1 FY19 Target: to be established in FY19</p>	<p><b>SPI4:</b> Integration of budget and financial reporting based on international standards Baseline: No (FY18) Target: Yes (FY21)</p> <p><b>SPI5:</b> Citizens' budget is introduced at the central and local level. Baseline: No (FY18) Target: Yes (FY21)</p>	<p><b>World Bank Group Lending</b></p> <ul style="list-style-type: none"> <li>• PFM Modernization Project (ongoing), IBRD</li> <li>• PFM Project II (subject to readiness criteria), IBRD</li> </ul> <p><b>ASA</b></p> <ul style="list-style-type: none"> <li>• EU TF on Structural Reforms (FY18), IBRD</li> <li>• EU TF on Private Sector Development (FY19), IBRD and IFC</li> </ul>
<b>CPF OBJECTIVE 1D: Preparedness of some elements for public enterprise restructuring and commercialization</b>		
<p>SOEs account for 42.8 percent of GDP and 47.5 percent of employment. Despite heavy capital investment, their share of value-added has fallen compared with that of the private sector. The current governance structure of many SOEs does not make for efficiency in a competitive international environment. SOE employment to some extent performs a social protection function, with overemployment estimated at about 10 percent. If excess labor were entirely shed, the unemployment rate could rise by 4.2 percentage points. The Government has been cautious about developing the unemployment insurance and retraining schemes that would need to accompany any shedding of excess labor. SOE arrears, especially those of state farms, dominate the stock of NPLs, threatening financial sector stability and impeding credit to private firms. Competition policy often protects SOEs from private competition. The SCD highlights that structural transformation of the SOE sector will require better corporate governance, harder budget constraints, support for privatization and/or joint ventures with foreign investors, and reforms of the insolvency regime.</p> <p>CPF engagement will support SOE performance and accountability, including (a) building capacity to improve the quality of state ownership management, (b) transitioning to new business models, and (c) strengthening corporate governance and financial reporting. An EU TF would assist with design of an unemployment insurance scheme, providing an assessment of the fiscal costs, and assist the country in analyzing income and welfare trends, including through regular poverty monitoring, vulnerability analyses, and rollout of the MICS to assess the situation of children and women in the Republic of Belarus (MICS6). The CPF would also assist with further improvements in the targeted utilities subsidy scheme, mitigating the social impact of the transition toward cost recovery in the utilities sector. Building on Strengthening Auditing and Reporting in Countries of the Eastern Partnership (STAREP) achievements, the EU TFs would assist the largest 50 SOEs to produce and publish IFRS-based audited financial statements. In addition, the EU TFs will include capacity building to the State Property Committee on strengthening SOE oversight and corporate governance, and advise selected SOEs on restructuring.</p>		
<p><b>Indicator 6.</b> 50 largest SOEs publish IFRS-based audited financial statements in a public domain Baseline: 0 (FY17) Target: 50 (FY20)</p>	<p><b>SPI6:</b> Advice to SOEs (number) on more competitiveness business models and improved financial management Baseline: 0 (FY17) Target: 10 (FY20)</p>	<p><b>ASA</b></p> <ul style="list-style-type: none"> <li>• Strengthening Auditing and Reporting in the Eastern Partnership Program (ongoing), IBRD</li> <li>• EU TF on Structural Reforms (FY18), IBRD</li> <li>• EU TF on Private Sector Development (FY19), IBRD and IFC</li> </ul>

CPF Objective Indicators	Supplementary Progress Indicators (SPIs)	World Bank Group Program
<b>Indicator 7.</b> Improved data collection to inform more efficient social protection policies as measured by conduct and results dissemination of the Multiple Indicator Cluster Survey to assess the situation of children and women in the Republic of Belarus (MICS6) by 2020 Baseline: No (FY17) Target: Yes (FY20)		

CPF Objective Indicators	SPIs	World Bank Group Program
<b>FOCUS AREA 2: Maintaining the country's human capital edge</b>		
<p>The Population Health and Demographic Security Program of the Republic of Belarus 2016–20 aims to increase life expectancy to 74.6 years, reduce tobacco use, and control NCDs. The National Education and Youth Program 2016–20 objectives include improvement of the quality of general secondary education and optimization of the general secondary school network, enhancement of higher education system competitiveness, and its alignment with employers' needs. The objectives of subprogram 2, Development of the General Secondary Education System of the National Education and Youth Program 2016–20, are to improve the quality of general secondary education and to optimize the network of institutions of general secondary education. The Government's objectives resonate with the SCD's conclusion that human capital improvements are a key driver of shared prosperity and that improving the sustainability and quality of social service delivery systems, particularly for education and health, is critical to social transformation. It notes a mismatch between skills and market demand and that existing labor policies have contributed to labor misallocation.</p>		
<b>CPF OBJECTIVE 2A: Improved learning environments and data on learning outcomes</b>		
<p>Belarus has equitable access to education, and public expenditure on education (4.9 percent) is in line with other European countries. However, the content of education and training needs to adapt to a changing economy as well as to population dynamics. Twenty percent of firms identify inadequate education as a major constraint. Only 32 percent of university students currently study STEM subjects, of whom only 26 percent are female. Belarus would also benefit from implementation of its commitments to align with European tertiary education standards under the Bologna process.</p> <p>The World Bank is currently improving learning environments in secondary schools through the Education Modernization Project, targeting less privileged regions. Further support would be provided through an AF operation. A new Tertiary Education Project will help adapt tertiary education and skills to the labor market. CPF outcomes will include improved learning environments and the provision of improved laboratory equipment for classes, the use of IT in education and as a management tool, and the rollout of standardized international testing (PISA). The results of PISA will indicate actions for education quality improvements. Outcomes of the Tertiary Education Project would include the increased relevance of education, with a focus on innovation and linking education and training more closely to enterprises, and the alignment of Belarus tertiary education with the Bologna process. Most of the results of this project will materialize beyond the 2018–22 CPF.</p>		
<b>Indicator 8.</b> Students benefiting from improved learning environment in general secondary schools targeted by the Belarus Education Modernization Project	<b>SPI8:</b> Innovative learning environment approach is piloted within the project, recommendations for Belarus system are prepared, and evaluations of linkages	<b>World Bank Group Lending</b> <ul style="list-style-type: none"> <li>• Education Modernization Project (ongoing)</li> <li>• Additional Financing to Education Modernization Project (FY19)</li> </ul>

CPF Objective Indicators	SPIs	World Bank Group Program
<p>Baseline: 8,427 (FY18) Interim target: 14,500 (FY20) Target: 25,000 (FY22)</p> <p>including female students Baseline: 4,044 (FY18) Interim target: 7,250 (FY20) Target: 12,500 (FY22)</p> <p><b>Indicator 9.</b> PISA 2018 national report is prepared Baseline: No (FY18) Interim target: PISA implemented (FY20) Target: Yes (FY22)</p>	<p>between student wellbeing and implemented learning environment interventions are conducted Baseline: No (FY18) Target: Yes (FY22)</p> <p><b>SPI9:</b> Belarus participates in PISA 2018 Baseline: No (FY18) Target: Yes (FY19)</p>	<p>• Tertiary Education Project (FY20)</p> <p><b>ASA</b></p> <ul style="list-style-type: none"> <li>• Higher Education (ongoing)</li> </ul> <p><b>Partnership</b></p> <ul style="list-style-type: none"> <li>• EU Vocational Education and Training Program (ongoing)</li> </ul>
<b>CPF OBJECTIVE 2B: Improved delivery of health services</b>		
<p>Belarus has equitable access to health care with out-of-pocket expenses (20 percent of total) that are reasonable and comparable with higher-income European countries. Public expenditure on health (3.5 percent of GDP) is about average for ECA countries of similar income. Belarus has made excellent progress in the control of communicable diseases and in reducing infant and maternal mortality. However, NCDs are a key factor behind low life expectancy in Belarus, particularly among men, and will become increasingly important as the population ages, and there is still too much focus on hospital-based care. The Government also sees the need for further development of primary care services, especially to eliminate inequality of health care provision between urban and rural areas, and improved systems for diagnosis, treatment, and follow-up.</p> <p>The ongoing HSMP's expected outcomes include (a) improvement of clinical competencies of health care providers in NCD management and (b) establishment of e-Health systems to facilitate diagnosis of illness, clinical decisions for treatment, and follow-up of patient well-being in a systematic manner. ASA work includes an analysis of the potential impacts of different taxation scenarios on tobacco products and an Optima Tuberculosis Modelling Study, a mathematical model aiming to optimize the use of resources to the TB response. IFC will explore opportunities to support a hospital PPP.</p>		
<p><b>Indicator 10.</b> Percentage of individuals diagnosed with Diabetes Type II under adequate clinical control, as confirmed through measurements of glycated hemoglobin (HbA1c) Baseline: 30 (FY18) Interim target: 32.5 (FY20) Target: 35 (FY22)</p> <p><b>Indicator 11.</b> Number of oblasts using e-prescription Baseline: 0 (FY18)</p>	<p><b>SPI11a:</b> Electronic information system is functional allowing data exchange among health service providers Baseline: No (FY18) Target: Yes (FY22)</p>	<p><b>World Bank Group Lending</b></p> <ul style="list-style-type: none"> <li>• Health System Modernization Project (ongoing)</li> </ul> <p><b>ASA</b></p> <ul style="list-style-type: none"> <li>• Optima Tuberculosis Modelling Study (ongoing)</li> <li>• Policy Dialogue on Tobacco Taxation (ongoing)</li> <li>• Update of Public Expenditure Review on the Health Sector</li> </ul> <p><b>Partnerships</b></p> <ul style="list-style-type: none"> <li>• WHO on NCDs and e-health</li> <li>• UNICEF on neonatal care</li> </ul>

CPF Objective Indicators	SPIs	World Bank Group Program
Interim target: 3 (FY20) Target: 7 (FY22)		

CPF Objective Indicators	SPIs	World Bank Group Program
<b>FOCUS AREA 3: Improving contribution of infrastructure to climate change management, economic growth, and human development</b>		
<p>The utilities sectors could make a greater contribution to economic growth and macro-stability by increasing efficiency, reducing cross-subsidies from commercial to high-income residential users, and by cutting fiscal subsidies, particularly for district heating. Water quality, particularly iron contamination, is also a major quality-of-life issue. Government programs highlight the need for better quality, more efficient delivery of household heating, and water utilities for better quality of life and reduced costs, as well as for greater energy security. The Government aims to streamline management structures and reduce costs in the power and housing and utilities sectors while eliminating cross-subsidization and budget subsidies and strengthening targeted social assistance. Cost-reduction strategies such as the promotion of household energy efficiency, the use of biomass for heating, and tariff increases accompanied by subsidies targeted at low-income households will enable Belarus to reduce the fiscal burden of subsidies while protecting the vulnerable. A 2014 World Bank study estimated that at full cost recovery and without a reduction in use of energy for heating, costs for the lowest income decile would increase from 11.6 percent to over 20 percent of household expenditure. In water and sanitation, further improvements are needed in water quality, and the reduction of leaks and discharge of contaminated water. Better quality services will increase the acceptability of tariff increases. The SCD and 2016–20 Government Action Plan both emphasize that improvements in logistics and reduction of nontariff barriers, including delays at border crossings, will help realize Belarus' potential as a transit hub. The Government is considering PPPs in roads and solid waste management and the World Bank Group would be open to opportunities for commercial financing in these sectors.</p>		
<b>CPF OBJECTIVE 3A: Enhanced climate change management</b>		
<p>Energy efficiency and the use of wood biomass are pathways for Belarus to reduce its carbon emissions. Belarus has done much to reduce energy intensity but levels remain higher than in comparable EU member countries. It is vulnerable to climate change, particularly with regard to the increased frequency of flooding but also due to other extreme weather events. Despite progress, inadequate treatment leads to the discharge of contaminated wastewater into water receiving bodies. 13 percent of the country remains, to some extent, contaminated by the Chernobyl accident. The main focus of CPF activities would be on climate change mitigation, through the reductions in GHG emissions associated with the energy efficiency and domestic biomass programs, supported by the ongoing Biomass District Heating Project (BDHP) and a planned Sustainable Energy Scale-up Project as well as increased carbon sequestration from afforestation, reforestation, and improved landscape management through the Forestry Development Project and the AF. In addition, improved landscape management, including enhancement of biodiversity, would contribute to climate resilience through reducing erosion and vulnerability to flooding. Intended outcomes include the modernization of forest nurseries to produce container-grown seedlings of improved quality by FY21. The private sector development, skills, and innovation activities in Focus Areas 1 and 2 are helping Belarus move away from energy-inefficient Soviet-legacy manufacturing toward more modern technologies and knowledge-intensive processes.</p>		
<b>Indicator 12.</b> Reductions in carbon emissions through World Bank-supported projects (tCO <sub>2</sub> eq per year) Baseline: 1,300 (FY18) Target: 2,100,000 (FY20)	<b>SPI12a:</b> Lines for container grown seedlings of climate change adaptive tree species established Baseline: 0 (FY18) Target: 4 (FY20)	<b>World Bank Group Lending</b> <ul style="list-style-type: none"> <li>• Biomass District Heating Project (ongoing)</li> <li>• Sustainable Energy Scale-up Project (FY19)</li> <li>• Forestry Development Project (ongoing)</li> <li>• Forestry Development Project AF (FY18)</li> <li>• Utility Efficiency and Quality Improvement (FY19)</li> </ul>

CPF Objective Indicators	SPIs	World Bank Group Program
<b>Indicator 13.</b> Ratio of climate co-benefits over total IBRD commitments FY18–22 Target: 25% (FY22)		<b>ASA</b> <ul style="list-style-type: none"> <li>• Power Planning Study and Market Reform, ESMAP (FY18)</li> <li>• Establishment of an integrated monitoring, forecasting, risk assessment, and early warning system covering the threats of hydrometeorological and radiation-ecological nature</li> <li>• IFC ECA Power Advisory Program</li> <li>• IFC Sustainable Energy Finance Program</li> </ul>
<b>CPF OBJECTIVE 3B: Improved access to quality water and sanitation services</b>		
<p>Belarusians have adequate access to water supply and sanitation but, despite improvements, there are still major issues in efficiency and quality, such as service interruptions, leaks, and excessive operating costs as a result of aging infrastructure and insufficient maintenance. The iron content in water discolors teeth and clothing and results in the purchase of expensive bottled water. Leakages from aging pipes lead to the risk of bacteriological contamination as well as water losses. Wastewater collection and treatment suffer from by obsolete equipment, and contaminated water is often discharged into the environment. The National Clean Water Program aims for 100 percent coverage of drinking water supply by 2020 with the construction of about 500 iron removal plants and a gradual transition to groundwater supplies for Minsk. The Municipal Waste Management Program sets to minimize landfill disposal with recycling of at least 25 percent of municipal solid waste by 2020.</p> <p>IBRD's investments will therefore include the ongoing WSSP and a new Utility Efficiency and Quality Improvement Project, which will provide cleaner water and improved technical and financial efficiency. The PLR will provide outcome indicators for the new operation but final outcomes will be achieved after this CPF ends.</p>		
<b>Indicator 14.</b> Improved quality of supplied water as measured by <ul style="list-style-type: none"> <li>• Population provided with access to drinking water compliant with national quality standards</li> </ul> Baseline: 268,440 (2017) Target: 324,000 (2018)		<b>World Bank Group Lending</b> <ul style="list-style-type: none"> <li>• Water Supply and Sanitation Project (ongoing)</li> <li>• Utility Efficiency and Quality Improvement Project (FY19)</li> <li>• IFC-supported PPP in Solid Waste Management (pipeline)</li> </ul> <b>Partnerships</b> <ul style="list-style-type: none"> <li>• EIB (tbc)</li> <li>• Eurasian Development Bank (tbc)</li> </ul>

CPF Objective Indicators	SPIs	World Bank Group Program
<b>CPF OBJECTIVE 3C: Enhanced efficiency, security, and quality of energy utility provision</b>		
<p>Reducing the cost of service to households is important to mitigate the impact of heat and electricity tariff increases. The Energy Saving Program 2016–20 has the objective of reducing the energy intensity of GDP in 2021 by at least 2 percent compared to 2015. Sustained investments in the energy sector, specifically energy efficiency, have led to a dramatic decrease of energy intensity and an increase in the quality of energy services (from 1990 to 2013, TPES of Belarus decreased by 40 percent from 45.5 Mtoe to 27.3 Mtoe). However, the following key challenges still remain: (a) dependence on energy imports (about 95 percent of power and 80 percent of heat is produced from imported Russian natural gas), (b) subsidies to residential consumers (residential electricity and heat tariffs are significantly below costs), (c) remaining inefficiencies on the supply side, and (d) the low energy performance of the building stock. Annual fiscal and quasi-fiscal subsidies to energy utilities amount to about 2 percent of GDP. The existing practice of tariff subsidization undermines the financial sustainability of the energy sector which depends on budgetary transfers and other subsidies (for example, the price of gas) and hinders EE investment in space heating, which has the largest untapped energy savings potential in the economy.</p> <p>The World Bank Group program will help increase the efficiency of district heating systems, replacing imported natural gas with domestically produced biomass, implementing energy efficiency measures at the household level, and providing advice on related energy policy, thus decreasing the costs of energy and demand and increasing the energy security of the country. IBRD investment in the ongoing BDHP and a proposed Sustainable Energy Scale-up Project will continue to support sustainable biomass heating (covering biomass district heating investments and the demonstration of distributed biomass heating options to increase the overall efficiency of DH systems and heat provision) and thermal renovation of multiapartment buildings (establishment, capitalization, and operation of selected Oblast Thermal Renovation Funds for the provision of financing for thermal renovation of multiapartment building and enabling the partial recovery of their investments). Outcomes will be included in the PLR. A Power Planning Study and Market Reform will review generation system expansion plans, power sector reform options, and the regulatory environment in the power sector. The IFC will provide support through the ECA Power Advisory and Sustainable Energy Finance Programs.</p>		
<p><b>Indicator 15.</b> Increased energy efficiency in processes benefiting from WBG supported projects as measured by</p> <ul style="list-style-type: none"> <li>Lifetime energy savings directly attributable to the project, converted to MWh Baseline: 610 (FY18) Target: 1,180,000 (FY20)</li> </ul> <p><b>Indicator 16.</b> Increased production and use of renewable energy resources in the World Bank Group-supported projects as measured by</p> <ul style="list-style-type: none"> <li>Heat and electricity generated from renewable biomass associated with investments financed under the project (MWh/year) Baseline: 6,280 (FY18)</li> </ul>		<p><b>World Bank Group Lending</b></p> <ul style="list-style-type: none"> <li>Biomass District Heating Project (ongoing)</li> <li>Sustainable Energy Scale-up Project (FY19)</li> </ul> <p><b>ASA</b></p> <ul style="list-style-type: none"> <li>Power Planning Study and Market Reform, ESMAP (FY18)</li> <li>EU TF on Structural Reforms (FY18), IBRD</li> <li>IFC ECA Power Advisory Program</li> <li>IFC Sustainable Energy Finance Program</li> </ul> <p><b>Partnership</b></p> <ul style="list-style-type: none"> <li>EIB (tbc)</li> </ul>

CPF Objective Indicators	SPIs	World Bank Group Program
Target: 8,300,000 (FY20)		
<b>CPF OBJECTIVE 3D: Improved transport connectivity and safety</b>		
<p>The SCD highlights the economic opportunities from developing international and domestic links, the facilitation of customs procedures, and better use of logistics infrastructure. Belarus is committed to taking full advantage of its geographical potential as a transit country between Western Europe and countries to the east. Despite improvements, road infrastructure needs further upgrading, including to meet safety standards, and there is room for the reduction of regulatory barriers to reduce waiting time at the borders. The World Bank Group will support the Government in developing the core network of transport infrastructure and will cooperate with the development partners (primarily with EIB and EBRD) on investment in road infrastructure. The ongoing TCIP aims to improve hard and soft connectivity through road widening, improved network management, and road safety measures. A border management component leading to reducing border clearance time is based on IFC advice. Domestic and international road users will benefit from reduced journey times between Minsk and Grodno, lower road accident risks, and a better travel experience with improved public amenities and services, as well as real-time traffic information, including detour suggestions due to severe weather and road maintenance works.</p>		
<p><b>Indicator 17.</b> Road safety improved on the upgraded sections of the M6 road as measured by:</p> <ul style="list-style-type: none"> <li>Reduction in number of traffic fatalities and severe injuries on road sections Baseline: 35 (FY18) Target: 21 (FY20)</li> </ul> <p><b>Indicator 18.</b> Transport costs for road users on the upgraded sections of the M6 road reduced as measured by:</p> <ul style="list-style-type: none"> <li>Vehicle operating costs for medium trucks, along the project road reduced (US\$) Baseline: 0.55 (FY18) Target: 0.50 (FY20)</li> </ul> <p><b>Indicator 19.</b> Ministry of Antimonopoly Regulation and Trade has identified options of tariff deregulation for the railway sector Baseline: No (FY18) Target: Yes (FY19)</p>	<p><b>SPI17a:</b> Number of km of two-lane M6 road upgraded to four-lane motorway Baseline: 0 (FY18) Target: 154 km (FY20)</p> <p><b>SPI17b:</b> Reduction in travel time between Minsk and Grodno (minutes) Baseline: 220 (FY18) Target: 178 (FY20)</p> <p><b>SPI17c:</b> Reduction in average time to complete inward border clearance procedures (commercial vehicles) at Bruzgi BCP (minutes) Baseline: 360 (FY18) Target: 300 (FY20)</p> <p><b>SPI19:</b> Belarus Railway and Logistics Strategy (P161818) ASA is presented to the Government Baseline: No (FY18) Target: Yes (FY19)</p>	<p><b>World Bank Group Lending</b></p> <ul style="list-style-type: none"> <li>TCIP (ongoing)</li> <li>IFC-supported PPP for M10 road (pipeline)</li> </ul> <p><b>ASA</b></p> <ul style="list-style-type: none"> <li>Belarus Railway and Logistics Strategy</li> <li>IFC Increased Competition Project</li> </ul> <p><b>Partnership</b></p> <ul style="list-style-type: none"> <li>EIB (tbc)</li> </ul>



CPF Objective Indicators	SPIs	World Bank Group Program
<b>CROSS-CUTTING CPF Objective 4A: Promoting greater use of data and access to information in public decision making</b>		
<p>Access to high-quality information and collaboration across agencies and between the public and private sectors is critical for effective planning and decision making. There are challenges across sectors in access to data and in collaboration and coordination between agencies in utilizing these data. The Government is committed to improving the use of ICT and to the digitization of many sectors of the economy. The <i>Government Program for Development of Digital Economy and Information Society 2016–20</i> foresees the provision of electronic public services and administrative procedures and the improvement of access to services and procedures, including the development of e-health, e-education, e-trade, a single payment and information space, and so on. The CPF supports the development of enhanced ICT-based management information systems in several operations, including the ongoing Education Modernization Project, HSMP, and TCIP. Equally important is data transparency. The PFM Modernization Project and STAREP support greater transparency in areas such as budget management and in the publication of financial statements of SOEs. Another key challenge is ensuring that project beneficiaries and communities provide the feedback that is needed for public service agencies to be responsive to their needs and adjust programs as needed. The CPF includes beneficiary feedback and citizen redress mechanisms in its investment operations, adapted to the specifics of the different sectors. Entry point opportunities for proactive engagement with project beneficiaries and the participation of citizens in efforts to improve public service delivery have been identified in sectors such as health, education, energy, and access to finance. The Water Supply and Sanitation Project (WSSP) strengthens the capacity of participating utilities to provide better information to customers and develop social accountability mechanisms for water and wastewater services. The BDHP helps participating utilities communicate more proactively with their customers, including on existing grievance redress mechanisms and feedback analysis, to enhance service delivery and to facilitate a shift from volume-based pricing to energy content-based biomass pricing. ICT-based data are available for accountability and decision making in selected World Bank-supported operations (HSMP, BEMP, TCIP).</p>		
<p><b>Indicator 20.</b> Annual education statistics reports are produced using data generated by the integrated EMIS Baseline: No (FY18) Target: Yes (FY22)</p> <p><b>Indicator 21.</b> Percentage of selected health facilities that can electronically exchange patient summaries Baseline: 0 (FY18) Target: 100 (FY22)</p> <p><b>Indicator 22.</b> Development of a traffic and road safety co-ordination center (TRSCC) Baseline: No (FY18) Target: Yes (FY20)</p> <p><b>Indicator 23.</b> Beneficiary satisfaction with water, roads, education, and health</p>	<p><b>SPI20:</b> Percentage of schools connected to the integrated EMIS Baseline: 0 (FY18) Target: 100 (FY22)</p>	<p><b>World Bank Group Lending</b></p> <ul style="list-style-type: none"> <li>• PFM Modernization Project (ongoing)</li> <li>• WSSP (ongoing)</li> <li>• Education Modernization Project (ongoing)</li> <li>• Health System Modernization Project (ongoing)</li> <li>• Transit Corridor Improvement Project (ongoing)</li> <li>• Tertiary Education Project (FY20)</li> <li>• Education Modernization Project AF (FY19)</li> <li>• Sustainable Energy Scale-up Project (FY19)</li> <li>• Forestry Development Project (ongoing)</li> <li>• Utility Efficiency and Quality Improvement Project (FY19)</li> </ul> <p><b>ASA</b></p> <ul style="list-style-type: none"> <li>• ICT Industry Development (ongoing)</li> <li>• ICT Strategy Support (ongoing)</li> <li>• Higher Education TA (ongoing)</li> </ul>



CPF Objective Indicators	SPIs	World Bank Group Program
<p>project interventions reaches defined project targets Baseline: No (FY18) Target: Yes (FY22)</p> <p><b>Indicator 24.</b> Improved public-private dialogue for efficient private sector development as measured by conduct and results dissemination of SME Survey by 2020 Baseline: No (FY18) Target: Yes (FY20)</p>		

## Annex 2. Completion and Learning Review Report

Date of CPS FY14-17: June 13, 2013 (Report No. 77458-BY)

Date of CPS Performance and Learning Review: June 30, 2016 (Report No. 106267-BY)

Period Covered by Completion and Learning Review: June 13, 2013 to June 30, 2017

### I. SUMMARY OF KEY FINDINGS

**1. The Belarus CPS was prepared when the country was recovering from severe macro-economic imbalances following the 2009 financial crisis.** By 2013 a measure of stability had been achieved and, importantly, the country had managed largely to avoid increases in poverty and inequality during this period, with poverty rates amongst the lowest and access to social services and utilities amongst the highest in ECA countries. Belarus remained cautious about rapid structural reform, and the economy was characterized by a slowly declining role of the state in the economy, exports targeted at traditional markets, and widely accessible though not always efficient social services, public utilities and infrastructure. The external and political environment remained challenging.

**2. The CPS included three pillars to improve:** (i) the competitiveness of the economy by supporting structural reforms, including reducing the role of the state, transforming the SOE sector, promoting private and financial sector development and integration into the global economy; (ii) the quality and efficiency of public infrastructure services, use of agricultural and forestry resources and global benefits of public goods; and (3) human development outcomes through better education, health and social services. IFC's focus was on private sector development and energy efficiency. The program was calibrated to adapt to the depth, breadth and speed of structural reforms and included a strong program of analytical and advisory activities and a high degree of flexibility. Cross-cutting themes supported improved governance and accountability to people, and gender, while the sustainable development (SD) agenda included support for addressing climate change. The chief risks identified were the macro-economic environment and slow reform processes, especially of state-owned enterprises (SOEs).

**3. During the CPS implementation period the political context in Belarus was stable but there were increasing challenges with the external environment, which affected the domestic economy.** Belarus' main trading partners, Russia and Ukraine, fell into recession during the period. Macro-economic policies since 2014 have prioritized stability over demand stimulation, and economic growth over 2015-16 was negative though it has since recovered; real GDP growth of 1.7 percent is expected for 2017, and average annual growth rates of 2 percent for the next three years. However, key European institutions resumed dialogue and lending, the trade environment with Western Europe has improved, and Belarus' relations with the EU are being developed in the framework of the EU's Eastern Partnership. The EU and WBG have also established a joint partnership for provision of advisory services to Belarus.

### *Development Outcome*

**4. Despite the challenging environment, CPS outcomes were mostly achieved, and the overall rating is judged *Moderately Satisfactory*.** The CPS included three pillars, 21 outcomes were planned for at CPS approval. At Performance and Learning Review (PLR) two of these were dropped, a third dropped indicator was replaced by another, and selected targets were adjusted to reflect refinements in program design and some largely procurement-related delays. Table 1 summarizes achievement of outcomes by key pillars and result areas. Explanations for achievement of each result area are provided in Section II Highlights of the Assessment. Of the 19 outcomes anticipated at PLR, 10 were achieved, 4 were mostly

achieved, 2 were partially achieved, and 3 were not achieved. There were noteworthy achievements in structural reform legislation, public sector financial management, financial sector diversification, including reductions in directed lending, modernization of forestry, EU-compliant food safety regulations, improving energy efficiency and energy security, water and waste management, road transport, and health and education. There were less successful outcomes in financial inclusion and growth of private enterprises in the share of employment as well as in labor market analysis for policy guidance and greater efficiency in social service delivery, including long-term care (outcomes relating to these last two areas were dropped at the PLR). Overall, pillar 1, improving competitiveness by supporting structural reforms, presented the most challenges, with three out of six outcomes not achieved, pillar 2 on efficiency and quality in public infrastructure and sustainable use of forest and agricultural resources had the best results, with nine outcomes mostly or fully achieved, while pillar 3 on human development had successful outcomes in health and education, but outcomes on social service delivery were dropped at PLR stage.

**Table 1. Summary of Outcome Ratings**

<b>Pillar</b>	<b>Number of outcomes <i>Result areas</i></b>	<b>Achieved Outcomes <i>Result areas</i></b>	<b>Mostly Achieved Outcomes <i>Result areas</i></b>	<b>Partially Achieved Outcomes <i>Result areas</i></b>	<b>Not Achieved Outcomes <i>Result areas</i></b>	<b>Dropped Outcomes <i>Result areas</i></b>
Improving competitiveness of the economy by supporting structural reforms <i>Result area 1</i> <i>Result area 2</i> <i>Result area 3</i>	6 2 2 2	2 1 1	1 1		3 1 2	
Improved efficiency & quality of public infrastructure services, enhanced & sustainable use of agricultural and forestry resources and increased global public good benefits <i>Result area 1</i> <i>Result area 2</i> <i>Result area 3</i>	11 3 3 5	7 1 2 4	2 1 1	2 1 1		
Improved human development outcomes through better delivery of education, health and social services <i>Result area 1</i>	2 2	1 1	1 1			2
<b>OVERALL CPS Outcomes as designed at start of CPS</b>	<b>21 (100%)</b>					
<b>OVERALL CPS Outcomes as adjusted at CPS PLR</b>	<b>19</b>	<b>10</b>	<b>4</b>	<b>2</b>	<b>3</b>	

5. The IBRD portfolio grew rapidly over the CPS period, from US\$457.5 million in June 2013 to US\$973 million as of June 2017, in addition to US\$8.9 million in recipient-executed trust funds. The lending program was supported by a strong program of Advisory Services and Analytics (ASA) and technical

assistance programs, which often helped to build in-country consensus around reform areas and the design of lending operations. Particularly noteworthy was approval of the WBG's first-ever *Health System Modernization Project* to Belarus in late 2016, which was designed based on a strong ASA program.

**6. IFC played an increasing role in private sector development**, with outstanding commitments of US\$83.6<sup>20</sup> million in early 2017, focusing on manufacturing, agribusiness and retail in the real sector and on private sector banks, access to finance for MSMEs and external trade through the Global Trade Finance program in the financial sector. IFC's advisory services program focuses on the investment climate, especially for MSMEs, through improving the quality of private sector policies and implementing regulations at national and sub-national level. IFC is also helping Belarus to compete internationally through reducing inefficiencies and regulatory burdens related to quality requirements, procedures and certifications and improving trade logistics. MIGA has outstanding exposure of US\$130 million for one guarantee utilizing its capital optimization cover. During the CPF period, MIGA also signed local currency and legal protection agreements with the Government of Belarus.

**7. The CPS was written before the adoption of the WBG twin goals of reducing extreme poverty and boosting shared prosperity; nonetheless the CPS was consistent with these goals.** Given the low rates of extreme poverty in Belarus, the focus of CPS support on shared prosperity and reducing vulnerability was appropriate. Key elements contributing to these goals included continued structural and public financial management reforms to facilitate longer term growth and revenue generation to fund public good services, reforms in education and health, and more cost-effective and efficient utilities combined with social assessment of tariff reforms. They also included infrastructure improvements and reforms to agriculture and forestry which should help increase employment opportunities outside the capital, and improvements in social accountability mechanisms.

### ***World Bank Group Performance***

**8. The overall performance of the WBG in designing and implementing the CPS is assessed as *Good*.** This assessment is based on: (i) a strong program of analytical and advisory services to underpin lending and build consensus for needed change; (ii) flexibility in CPS design, with the ability to adapt and/or scale up, based on government priorities and readiness; (iii) strengthened social accountability mechanisms; (iv) growing partnerships with other development partners, and (v) effective support for implementation of the program. A key area of strength was the willingness to spend the time necessary to work with key stakeholders on building consensus on the advantages of reform in certain important areas (e.g. PFM, education and health). Areas for improvement could include greater non-government stakeholder consultation in ASA design and public communications strategies for ASA (these issues were identified during stakeholder consultations in the PLR); more conservative disbursement profiles for new investment lending, to take account of the realities of early implementation delays even with implementation readiness filters; and ensuring that all outcome indicators are easily measurable and attributable to WBG interventions.

## **II. HIGHLIGHTS OF THE ASSESSMENT**

**9. The overall development outcome of the FY14-17 CPS program is rated as *Moderately Satisfactory*** The assessment is based on the revised results framework detailed in the PLR dated June 30, 2016. The cutoff date for the assessment period is June 30, 2017, the end date of the CPS under review. Details of

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<sup>20</sup> Since 2003 IFC has invested US\$650 million in 54 projects in various sectors of the economy.

the status of outcomes, key results and results indicators at the end of the CPS period are outlined in the following paragraphs and presented in more detail in Attachment 1. Attachment 2 assesses how well the indicators measure achievement of the outcome, Attachment 3 includes actual as against planned deliveries, Attachment 4 lists non-lending products, and Attachment 5 portfolio performance through CPS implementation. The principal data sources for individual investment operations are aide-memoires and/or implementation status reports (ISRs); and for technical assistance and ASA activities documentation and information provided by the responsible staff. This document also assesses WBG performance and presents major lessons. This assessment is based on an analysis of the three strategic pillars and two cross-cutting themes of the CPS — comprising 19 outcomes, 9 key results and 22 key outcome indicators. Overall, pillar 1, improving competitiveness by supporting structural reforms, presented the most challenges, with three out of six outcomes not achieved, and is judged moderately unsatisfactory. Pillar 2 on efficiency and quality in public infrastructure and sustainable use of forest and agricultural resources, with nine out of eleven outcomes mostly or fully achieved, is judged satisfactory, while pillar 3 on human development had successful outcomes in health and education and is judged satisfactory. However, outcomes on social service delivery were dropped at PLR stage. Separate indicators were not developed for the cross-cutting themes of gender, and of governance and accountability; results were woven into the broader results framework (see para 33). However, as anticipated, a gender assessment update was carried out, and gender-specific indicators were included in new operations where appropriate and measurable. Regarding governance, progress on the PEFA (public expenditure and financial accountability) score was included in pillar 1, while the PFM operation included support for more transparent budget management, and several operations included measures providing for feedback on service levels from consumers and for improved provision of information. CPF support for citizens' engagement more broadly is described in para 41. Although results were adapted at PLR to reflect changes in the portfolio, results from the operations approved in the second half of CPS implementation will largely be reflected in the FY18-22 CPF.

***Pillar 1: Improving Competitiveness of the Economy by Supporting Structural Reforms***

**10. While the WBG recognized in the CPS the need for comprehensive structural reform, the CPS objectives and activities were calibrated to the authorities' gradualist approach to policy change.** The pillar included six desired outcomes in three result areas supporting economic stability and competitiveness, deepened financial intermediation on market based terms, and a more liberalized environment for private sector investment. The CPS highlighted that comprehensive structural reforms would be critical to regaining competitiveness, maintaining macroeconomic stability and sustaining growth. These included moving towards a stronger role of the private sector in the economy, through development of a level playing field for private and public sector economic actors, reductions in directed lending and in regulatory barriers to private investment, deepened financial intermediation on market terms, more transparent PFM, and a transition to full cost recovery for residential heating and water utilities. WBG support has helped build some degree of support for policy change, even if the pace of change has been slow, in areas such as business regulation, utility tariffs, bank supervision, and social protection. CPS support for energy efficiency and lower cost domestic energy production has also helped mitigate the cost of energy price increases, while there has been substantial progress on cost recovery for water and sewerage utilities, facilitated by better quality service supported by the CPS. However, the Belarusian leadership continues to have deep concerns about the social impacts of public enterprise restructuring and tariff increases and has only recently fully embraced a private sector-driven growth model. The WBG was therefore unable to engage as much as hoped in areas such as privatization, social protection, unemployment insurance, and utility commercialization. At the same time the economic

pressures highlighted in the CPS have eased somewhat *following a regional economic recovery, mid-2017 energy and financing agreements with Russia and Eurobond issuance.*

**11. The two outcomes under economic stability and competitiveness were mostly achieved or achieved.**

Indicators were calibrated to what was likely to be feasible over the CPS period. *Outcome 1: Progress in structural reforms was mostly achieved.* Belarus achieved the targeted progress on structural reform areas. A key outcome area concerned progress on the EBRD transition indicator, including governance and enterprise restructuring, price liberalization, the trade and forex system, where the targeted improvements were fully achieved<sup>21</sup>. The program included several important ASA and TA products, including notably a Roadmap of Structural Reforms in 2015, which was incorporated into policy documents, as well as a heat and electricity tariff reform and social impact mitigation study. The Government enacted a Competition Law and developed a roadmap of structural reforms including an anti-inflation program and new regulations on state programs. The Government *Program of Socio-Economic Development for 2016-20* includes many of the measures articulated in the Roadmap. Although an action plan to address price liberalization was not prepared during CPS implementation, the Government liberalized prices for a number of socially important goods and services; the number of services with regulated prices was reduced from 19 to 13, and of goods from 28 to 16. In 2016 and early 2017 there were prospects for an IMF program and DPO in support of more rapid and far reaching macro-economic, financial sector and structural reforms. However, agreement with the IMF was not finalized, and the DPO did not move forward.

*12. Outcome 2: More transparent management of public resources was achieved.* Specifically, *PEFA indicators PI10 regarding improved public access to information, and PI17 regarding improved recording and management of cash balances, debt and guarantees,* were achieved. There were improvements in disclosure of contract awards and executive budget proposals, expansions in the coverage of the Treasury Single Account, and approval of a Public Financial Management (PFM) reform strategy, including in improved financial management information systems and budget management. In December 2016, the Government approved a Medium-Term Financial Program for 2017-19 disclosing the main macro-economic and fiscal indicators, including the expenditures for state programs and intergovernmental transfers. Support was underpinned by ASA and TA, including a roadmap for improved public financial management and a new PFM lending operation, approved in FY16, supporting reform implementation.

<b>Pillar 1: Result Area 1. Economic Stability and Competitiveness</b>			
<b>Country Development Goal:</b> Increased productivity, competitiveness and export diversification. Sustained macroeconomic stability, public debt maintained at sustainable level and hardening of budget constraints for enterprise sector. Transparent and efficient public finance management			
<b>Outcomes sought by CPS</b>	<b>Status</b>	<b>Additional indicators</b>	<b>Status</b>
<b>Outcome 1. Progress in structural reforms</b> as measured by improvements in the scores of the EBRD transition indicator	<i>Mostly achieved</i>	1a. Competition Law enacted in 2014 1b. Social Impact Assessment of price liberalization measures completed and action plan of price liberalization measures developed 1c: Roadmap of Structural Reforms of March 2015 incorporated into policy documents	Achieved Partially achieved Achieved
<b>Outcome 2. More transparent management of financial resources</b> as	<i>Achieved</i>	2a. PFM reform strategy approved	Achieved

<sup>21</sup> EBRD discontinued formal collection of international data on this indicator in 2014. Therefore, updated data are based on World Bank staff calculations using EBRD methodology.

measured by improvements in PEFA scores		2b. <i>Conceptual design of integrated Financial Management Information System (FMIS) developed by end of 2016</i>	Achieved
		2c. <i>Methodologies for budget preparation, execution and reporting revised in line with applicable good international practices by 2017</i>	Achieved

13. **The two outcomes under deepening financial intermediation were not achieved and achieved respectively.** Outcome 3 on improved financial inclusion included targets on increases in the share of households with a formal savings account and was not achieved. The main reason for this was the economic slowdown, which led to a decline in real incomes and reduction in the use of savings accounts, compared with the increase to 30 percent targeted in the CPS. However, there were improvements in other parts of the financial inclusion agenda, including increased use of general bank accounts, internet banking, and debit cards. There was also programmatic financial sector TA and an advisory program, including on consumer protection and financial literacy, which led to some improvements in the legal and institutional framework. Work on financial literacy is coordinated by the National Bank of Belarus through a Joint Action Plan of Government Agencies and Financial Market Participants on Enhancing Financial Literacy of the Population of the Republic of Belarus for 2013-18, and includes support programs for citizens as well as to a wide range of institutions. The target on savings accounts was added at PLR stage to replace one on mortgage lending, which was included in the original CPS results framework. One difficulty with the outcome indicator on savings accounts was that it was not directly attributable to WBG support, since it depended on the choices of individual households; the 2015-16 recession also influenced household budget management decisions since real wages fell during that period.

14. Outcome 4 on increased diversification of financial markets was achieved. The key target on reduction of directed lending on non-market terms from 7 percent to 4 percent of GDP was more than achieved, falling to 2.6 percent of GDP over the period. ASA in 2015 on directed lending helped guide establishment of a comprehensive database at central and local government levels. A second key target, regarding increased availability of financing to MSMEs, was fully achieved, through support from the IFC, IBRD, and Belarusian financial institutions; in 2014 IFC provided a US\$13 million credit line to Belnarodny Bank to support the MSME sector. This complements a US\$175 million IFC program aimed at supporting Belarusian export companies<sup>22</sup>. Furthermore, approval of IBRD's new line of credit of US\$60 million in support of MSMEs through the Development Bank of Belarus (DBB) under the Micro, Small and Medium Enterprise Access to Finance Project (MSME Access to Finance Project) is expected for early FY18; this complements the DBB's existing program of MSME finance, which has disbursed US\$50 million since 2014. One additional indicator, regarding advice by IFC to banks on best risk management practices, was not achieved; however, Belarusian banks are engaging with EBRD on this topic. EBRD approved a US\$50 million loan to Belinvest Bank to support pre-privatization activities.

Pillar 1: Result Area 2. Deepening financial intermediation on market-based terms			
Country Development Goal: More efficient and stable system of financial intermediation			
Outcomes sought by CPS	Status	Additional indicators	Status
Outcome 3. Improved financial inclusion as evidenced by increased share of population with savings	Not achieved. Share decreased from 19% to 11%; target was increase to 30%	3a. National financial literacy program (CPFL) implemented and improvements introduced in the legal and institutional	Achieved

<sup>22</sup> The US\$13 million credit line comprised US\$6 million from IFC and US\$7 million as a syndicated loan from the Netherlands FMO (Netherlands Development Bank), while the US\$175 million loan was part of the Global Trade Finance program and is channeled through five Belarusian commercial banks.

<i>account at a formal financial institution</i>		<i>framework for financial consumer protection by 2016</i>	
<b>Outcome 4. Increased diversification of financial market</b> as measured by: <i>Reduced flow of government directed lending on non-market terms (percent of GDP)</i>	<i>Achieved. 2.6%, target reduction was from 7% to 4%</i>	<i>4a. Adoption of multi-year plan for reduction of government directed lending by 2017</i>	<i>Achieved</i>
		<i>4b. Establishment of mega-regulator for oversight of financial sector entities by 2016</i>	<i>Not achieved</i>
		<i>4c. Adoption of strategy for development of non-banking segment of financial market by 2016</i>	<i>Achieved</i>
<i>Increased availability of financing to MSMEs</i>	<i>Achieved. US\$13 million plus other credits, target was up to US\$13 million</i>	<i>4d. Advice provided to banks on best risk management practices</i>	<i>Not achieved</i>

15. **The two outcomes on a more liberalized environment for private sector investment were not achieved.** Outcome 5 on an improved business environment for private investors was not achieved. Key outcome indicators included an increase in the annual growth rate in new private enterprises and individual entrepreneurship from 8 percent to 12 percent. There was a decline of 14.3 percent of new registrations between 2015 and 2016<sup>23</sup>. The decline was in the individual enterprise sector, while number of newly registered legal entities grew by 1.9 percent. These trends are largely explained by the broader challenges in the economic environment and the high cost of finance; a further difficulty is that the indicator itself is not directly attributable to WBG interventions. IFC provided support on regulatory impact assessment, and the Government is establishing a system for e-registry of businesses. Based on Bank ASA and dialogue, the Government has drafted a SME development strategy until 2030 (to be adopted before mid 2018). Substantial progress was also made on the regulatory framework. The proportion of legal entities stating unstable legislation as a severe obstacle for doing business declined from 59 percent to 40.9 percent compared with the target of 34 percent<sup>24</sup>.

16. **Outcome 6 on stronger reliance of the economy on private sector evidenced by growing share of MSMEs in employment was not achieved.** The share of MSMEs in employment declined from 26.7 percent in 2014 to 25.6 percent in 2015 and slightly rebounded to 26.3% in 2016. There was some progress in privatization of state-owned enterprises, though slower than anticipated. Out of a target of 12 SOEs offered for privatization through competitive and transparent tender eight were tendered; however, four had to be retendered, and no privatization deal has been concluded, an illustration of the challenges involved. Nevertheless, although not specifically included as a target, Belarus rose in rankings under the Doing Business Survey from 63<sup>rd</sup> in October 2013 to 37<sup>th</sup> in October 2016, the fastest improvement in ECA, with improvements in areas such as getting credit, protecting minority shareholders, resolving insolvency, access to electricity, and in the regulatory environment. The broader challenge has been in the economic downturn of Belarus' main trading partners, specifically Russia<sup>25</sup>, as well as the continued reduction of the energy subsidy for fuel imported from Russia, which affected the cost structure and competitiveness of goods produced in Belarus as well as household disposable income and domestic demand.

<sup>23</sup> The numbers were 41,587 new registrations (including 31,151 individual entrepreneurs) from January to November 2016, compared with 48,747 (including 39,610 individual entrepreneurs) for the same period in 2015.

<sup>24</sup> Source: "Belarusian Business in 2016: Condition, Trends and Outlook" (IPM Research Center, leading Belarusian economic think tank).

<sup>25</sup> The SCD notes that the contraction in the Belarusian economy in 2015, 3.9 percent, mirrored that of Russia in the same year, 3.3 percent.



<b>Pillar 1: Result Area 3. Liberalized environment for private sector investment</b>			
<b>Country Development Goal:</b> Permanent increase in private sector contribution to sustainable growth as measured by growing share of private sector in GDP			
<b>Outcomes sought by CPS</b>	<b>Status</b>	<b>Additional indicators</b>	<b>Status</b>
<b>Outcome 5. Improved business environment for private entrepreneurs/investors</b> as measured by: <i>Growth in newly created private enterprises and individual entrepreneurship</i>  <i>Decline in number of legal entities stating unstable legislation as a severe obstacle for business</i>	<i>Not achieved</i>  Decline of 14.3%, target growth was from 8% to 12%  Decline of 18.1 percentage points <sup>26</sup> (target was 34% decline versus 59% baseline)	<i>5a. Transparent and consistent regulations developed</i> <i>5b. Good practice SME development strategy established by 2017</i>	<i>Mostly achieved</i>  <i>Partially achieved</i>
<b>Outcome 6. Stronger reliance of the economy on private sector</b> as measured by <i>growing share of MSMEs in employment</i>	<i>Not achieved.</i> 26.3% in 2016, target was 30%, baseline 26.3%	<i>6a. Number of SOEs offered for sale to strategic investors through competitive and transparent tender procedure: target 12, tendered 8<sup>27</sup></i>	<i>Partially achieved</i>

***Pillar 2. Improved Efficiency and Quality of Public Infrastructure Services, Enhanced Use and Sustainability of Agricultural and Forestry Resource and Improved Global Public Goods Benefits***

17. The pillar included eleven desired outcomes in four result areas, enhanced energy security and efficiency of resource use; improved standards in the agriculture and forestry sectors; improved public infrastructure and municipal public utility services; and improving road infrastructure and road safety.

18. Of the three outcomes under result area 1 aiming to improve energy security and efficiency, two were mostly achieved and one was partially achieved. The CPS FY14-17 identified energy as by far the most unsustainable element of the public sector in Belarus, despite progress in reducing energy intensity. Belarus has been almost entirely dependent on oil and gas imports from Russia and vulnerable to fluctuations in international prices and linked to both market and political volatility. The value of the energy subsidy from Russia has declined sharply over recent years, from as much as 14 percent of GDP in the period 2000-08 to 3 percent in 2016<sup>28</sup>. The CPS argued for greater efficiency, for reduced dependency on gas imports from Russia through increased use of domestically available fuels, including renewables, and for utility reforms, including tariff reforms; achievements in these areas contribute substantially to fiscal sustainability and macro-economic stabilization. The outcomes were all directly linked to WBG supported operations and included quantitative targets for *reductions in annual gross consumption of energy resources (outcome 7), reductions in carbon emissions (outcome 8), and increased annual energy amount of renewable fuel used (mostly from woody biomass: outcome 9)*. Targets for outcome 9 were less

<sup>26</sup> According to “Belarusian Business in 2016: Condition, Trends and Outlook”, 40.9% of respondents representing MSME sector marked “Fluid legislation (including tax legislation)” in their response to the question “Please indicate five most severe external obstacles for business development in Belarus”.

<sup>27</sup> Of which three were retendered and one retendered a third time.

<sup>28</sup> Draft SCD.

than anticipated at CPS completion because of delays due to the need to re-bid some contracts for replacement of fossil fuels by biomass in district heating and the need also to identify new sites, but will be achieved during 2018. The energy sector accounts for US\$335 million, nearly one-third, of the active lending program to Belarus; operations include the *Energy Efficiency, Biomass District Heating, and Forestry Development Projects*, and are complemented by analytical and advisory support on utility and tariff reforms, energy efficiency, and managing the social impact of phasing out subsidies. IFC is also supporting energy efficiency finance.

<b>Pillar 2: Result Area 1. Enhanced energy security and efficiency of resource use</b> <b>Country Development Goals:</b> (a) Improving energy security by decreasing energy intensity (EI) of GDP and improving competitiveness by reducing GHG emissions through energy efficiency and renewable energy <sup>29</sup> ; (b) Increasing use of domestic and renewable energy			
Outcome	Status	Additional Indicators	Status
<b>Outcome 7. Reduced annual gross consumption of energy resources</b> as measured by ml m <sup>3</sup> of gas per year	<i>Achieved.</i> Baseline: by 15 ml m <sup>3</sup> of gas per year (2012); target: by 134 ml m <sup>3</sup> of gas per year; achieved: by 150 ml m <sup>3</sup> of gas per year	<i>Increased energy efficiency in Bank-supported projects:</i> <i>7a. Investment in energy efficiency measures resulting in reduced annual energy consumption.</i> <i>Baseline: US\$65 ml (2012), target: US\$315 ml (2017), achieved: US\$218 ml (2017)</i>	Mostly achieved
<b>Outcome 8. Reductions in carbon emissions through Bank-supported projects</b> (tonnes per year, CO <sub>2</sub> equivalent)	<i>Mostly achieved.</i> Baseline: 40,800 (2012); target: 254,000; achieved: 232,000		
<b>Outcome 9: Increased use of renewable energy resources in the Bank-supported projects</b> as measured by annual energy amount of renewable fuel used	<i>Partially achieved.</i> Baseline: 23,359 MWH/year; target: 200,000 MWH/year; achieved: 105,000 MWH/year	<b><i>Increased use of renewable energy resources in the Bank-supported projects</i></b> as measured by: <i>9a. Investments resulting in increased use of renewable fuel.</i> <i>Baseline: US\$3.9 ml (2012); target: US\$68.6 ml (2017), achieved: US\$46.2 ml (2017)</i>	Partially achieved

19. The three outcomes on the result area 2 aiming to improve efficiency of the forest and agriculture sectors were achieved, mostly achieved and partially achieved respectively. Outcome 10 on development of a forestry sector reform roadmap was achieved, as evidenced by the approval of the *Strategic Forest Development Plan for 2015-30*. Analytical work, under both phases of the EU FLEG Program and the Forest Policy Note in 2012, supported development of modernization strategy, and implementation was backed up by a lending operation approved in FY16, *The Forestry Development Project* complemented by a US\$2.3 million GEF grant. Reforms focus on improved management including fire and pest management, silviculture, harvesting and thinning practices and environmentally sustainable productivity increases, but also on multiple and sustainable use of forests, for renewable energy as well as for sawn-wood, ecosystems management, tourism and hunting. Improved outcomes in forestry are also linked to improved outcomes in renewable energy (e.g. though the use of efficient and environment-

<sup>29</sup> Long-term targets: (i) Reduced energy intensity, % of GDP vis-à-vis 2005 level. Baseline: by 23.4% (2012); target: by 50% (2015), by 60% (2020); (ii) GHG emissions avoided, CO<sub>2</sub> equivalent; target: 2.71 million tons of CO<sub>2</sub> in emissions avoided as a result of increased share of renewable energy (2015).

friendly techniques for utilization of waste wood from forest harvesting), given the potential of biomass energy in Belarus, as well as to creation of new jobs through the forest products value chain. The Government Program *Belarus Forest 2016-20* also includes more sensitive goals such as the development of more service-oriented forest institutions, which separate the functions of supervision, monitoring and control from the management of state forest assets, develop timber sales methodologies and encourage more private sector participation in timber harvesting and haulage.

20. *Outcome 11 aimed to support reduction in costs of compliance for agri-business and was mostly achieved, while outcome 12, increasing the efficiency of the food sector, was achieved.* EU compliant HACCP (Hazard analysis and critical control point) guidelines have been adopted for the dairy and poultry sectors, and Belarus' dairy sector has been certified by DG SANCO for export to the EU, though not yet the poultry sector. Regarding outcome 12, increased sales for client companies under the IFC *Food Safety Project* were US\$34 million compared with a target of US\$30 million. IFC has played a key role in achieving these outcomes, through ASA, including on strengthening institutional capacity for monitoring and evaluation of policy instruments, and through the Food Safety Project; it has provided advice on food safety to nearly 400 agricultural processing companies. IBRD is supporting the agenda through the ECA Agribusiness standards program.

<b>Pillar 2: Result Area 2. Improved standards in the agriculture and forestry sectors</b>			
<b>Country Development Goals:</b> (a) Enhancing sustainability, economic efficiency, environmental and social accountability in forestry sector; (b) Raising the competitiveness of agriculture in international markets through increased productivity, quality and food safety standards			
<b>Outcome</b>	<b>Status</b>	<b>Additional Indicators</b>	<b>Status</b>
<b>Outcome 10: Forestry sector reform roadmap developed</b> as measured by: <i>Forest sector reform strategy developed and adopted</i>	<i>Achieved</i>	<i>10a. New Strategic Forest Development Plan for 2015-30 prepared and adopted (with support of FLEG I and II program)</i>	Achieved
<b>Outcome 11: The cost of compliance for agri-business reduced</b> (a) The system of food safety control is aligned with EU practice as confirmed by IFC expert and EU missions (Y/N) (b) Belarus dairy and poultry sectors get approved by EU for exports (Y/N)	<i>Mostly achieved</i>  (a) <i>Achieved</i> for food safety control (b) <i>Partially achieved:</i> Belarus' dairy sectors approved for EU exports, poultry not yet	<i>The cost of compliance for agri-business reduced as evidenced by:</i> <i>11a. Relevant changes in legislation governing food safety issues are introduced and adopted</i> <i>11b. HACCP principles are mandatory for all food processors (in line with EU practice)</i> <i>11c. Belarus' dairy and poultry sectors get approved for EU exports by DG SANCO (Yes for dairy, No for poultry)</i>	Achieved  Achieved  Partially achieved
<b>Outcome 12. Increased efficiency of food sector</b> as measured by US\$30 million in increased sales for client companies of Food Safety Project	<i>Achieved.</i> US\$34 million in increased sales by client companies	<i>12a. Food safety advisory services provided to 200 companies, including in-depth engagement with 6 client companies</i>	Achieved

21. **Two of the three outcomes on the result area 3 aiming to improve public infrastructure and municipal public utility services were achieved and one partially achieved; it will be fully achieved by**

**the end of calendar year 2018.** Poor water quality, wastewater treatment and solid waste management, low operational efficiency, and tariffs inadequate to provide funding for maintenance had been identified as key issues during CPS development. *Outcome 13 aimed to increase access to drinking water compliant with national quality standards by 277,000 people* over the CPS period. Seven iron removal plants were rehabilitated during the CPS period and 287,909 more people provided with access to drinking water compliant with national quality standards. The outcome was therefore fully achieved. *Outcome 14 aimed to improve performance of wastewater treatment systems* as measured by the percentage of regulatory treated wastewater samples complying with national standards for BOD, nitrogen and phosphor levels. With the rehabilitation of seven plants during CPS implementation this outcome was achieved. The percentage of treated wastewater samples complying with the national standards for BOD, nitrogen and phosphor levels reached 100% in all target communities. *Outcome 15 aimed to reduce the amount of waste disposed at landfills* and achieve higher rates of material recovery from solid waste; this target is rated as partially achieved because the rollout of the separate waste collection and commissioning of the new waste sorting facility in Grodno took place in June 2017. This outcome indicator is expected to be fully achieved by the end of CY2018, after the end of the CPS period, as the system becomes used at full capacity. New lending included an additional financing operation and was complemented by a *Municipal Water Sector Review* in FY13, which facilitated initiation of a water sector strategy by the Government and commitments to utilities organizational reforms, including a transition to full cost recovery by 2018.

<b>Pillar 2: Result Area 3. Improved public infrastructure and municipal public utility services</b>			
<b>Country Development Goal: Improving quality and environmental management of municipal services</b>			
<b>Outcome</b>	<b>Status</b>	<b>Additional Indicators</b>	<b>Status</b>
<b>Outcome 13. Improved quality of supplied water</b> as measured by <i>population provided with access to drinking water compliant with national quality standards</i>	<i>Achieved for 288,000 people, the target was 277,000</i>	<i>13a. Iron removal plants implemented or rehabilitated: baseline: 0, target: 4, achieved: 7</i>	Achieved
<b>Outcome 14. Improved performance of wastewater treatment systems</b> as measured by <i>% of regulatory treated wastewater samples complying with national standards for BOD, nitrogen and phosphor levels as evidenced by treated wastewater in four plants compliant in 95 % of tested samples, compared with baselines varying by plant from 0% to 80% in 2013</i>	<i>Achieved. The % of treated wastewater samples complying with national standards for BOD, nitrogen and phosphor levels is 100% in all target communities</i>	<i>14a. Wastewater treatment plants implemented or rehabilitated: baseline: 0, target: 4, achieved: 7</i> <i>14b. Municipal Water Sector Review reflected in Government policy</i>	Achieved  Achieved
<b>Outcome 15. Reduced amount of waste disposed at landfill and higher rates of material recovery from solid waste</b> as measured by <i>tons of waste that will not be buried in the landfill due to the new facility</i>	<i>Partially achieved: 6,400 tons by September 2017; target was 20,000 tons (2017)</i>	<i>15a. Waste sorting facility in Grodno construction completed by end of 2016</i>	Achieved

**22. The two outcomes on the result area 4 aiming to improve road infrastructure and road safety were achieved.** For Belarus good quality road infrastructure is important both to ensure connectivity within the country and to facilitate Belarus' role as a transit corridor. Funding for road maintenance was inadequate in the years following the break-up of the Soviet Union and road conditions deteriorated. *Outcome 15*

aimed to reduce transport costs for road users on the upgraded sections of the M5 road as measured by reduced vehicle operating costs; this outcome was fully achieved. Weigh-in-motion (WIM) axle load monitoring systems were also installed. *Outcome 16, road safety improved on the upgraded sections of the M5 road* as measured by reductions in mortality, was also fully achieved, with reductions greater than forecast for 2016. A *Road Upgrading and Modernization Project* was completed during the CPS implementation period and rated moderately satisfactory overall: development outcome indicators were fully achieved<sup>30</sup>. Lessons learnt included acknowledging the advantages of enhanced supervision through the combination of locally based staff together with international staff to provide expertise in specific areas; the importance of on-the-job training for PIU staff, especially in procurement management; the need for flexibility in project design and good M&E systems; and the importance of support for sustainable financing mechanisms, streamlining e-tolling and WIM systems. ASA on a railway and logistics strategy is currently ongoing. A new *Transit Corridor Improvement Project*, the largest in the portfolio, was approved in FY15; its results will be reflected in the 2018-22 CPF. The Project Appraisal Document (PAD) recognizes the positive role that sustained dialogue with the Belarusian authorities has played in advancing the agenda of an efficient transport network, including in such areas as road asset management, procurement, private sector involvement, improved border procedures, including reduction of waiting times and adoption of innovative practices such as WIM and e-tolling, road safety, and citizens' feedback. The need for flexibility in design is also emphasized.

<b>Pillar 2: Result Area 3 (continued). Improved public infrastructure and municipal public utility services</b>			
<b>Country Development Goal: Improving infrastructure and road safety</b>			
<b>Outcome</b>	<b>Status</b>	<b>Additional Indicators</b>	<b>Status</b>
<b>Outcome 16: Transport costs for road users on the upgraded sections of the M5 road reduced</b> as measured by: <i>Reduced Vehicle Operating Cost, %</i>	<i>Achieved.</i> Baseline: 100% (2013), target: 94% (2014), achieved: 83% in 2014 and 2015; 79% in 2016	<i>16a. Number of km of two-lane main roads upgraded to four-lane motorway: baseline: 0 (2010), target: 52 km (2014)</i> <i>16b. Axle load monitoring and control system installed in 2016</i>	Achieved
<b>Outcome 17. Road safety improved on the upgraded sections of the M5 road</b> as measured by: <i>Reduction in number of traffic fatalities</i> Baseline: 12 (2010) Target: 5 (2014)	<i>Achieved.</i> Traffic fatalities dropped to 2 in 2014, 5 in 2015, and 3 in 2016		Achieved

***Pillar 3: Improved Human Development Outcomes Through Better Delivery of Education, Health and Social Services***

**23. The pillar included two desired outcomes in one result area: *laying the ground for increased efficiency and quality of services in health and education*.** At CPS approval the pillar had included an additional result area: improving social protection, and greater labor market efficiency, with two outcomes: development of a long-term care services roadmap, and enhanced capacity of the national

<sup>30</sup> Government had originally intended to use the Bank loan to finance a pilot e-tolling on M5 road for 960 km, but, given the urgency of implementing this system, decided to accelerate full implementation of e-tolling and signed a PPP investment contract in 2012 with a leading European firm Kapsch for the supply and installation of the system and its operation for 20 years. The operation was restructured to accommodate this change, with Bank support focused on introduction the WIM element of tolling to protect roads from premature deterioration.

employment service to use labor market data for policy design. Both of these outcomes were dropped at PLR stage, the first because of lack of dialogue, the second because of lack of access to labor market survey data. The objectives on health and education were not adjusted at PLR stage although investment operations were already under way or well under preparation, because it was recognized that these investments would be too early in implementation to have measurable results.

**24. Both outcomes were achieved.** *Outcome 18 on continued reforms in the school network organization* was mostly achieved. Despite relatively good educational attainment outcomes in core subjects, inefficiencies in education expenditure exist in the light of declining population and lack of reliable information about the quality of education. Businesses report that the socio-emotional and technical skills imparted by the education system are becoming outdated and pose a constraint to business development and economic growth. Following an extended period of dialogue and ASA, the Government adopted measures to modernize the mechanisms for financing general secondary schools, including rollout of per-student financing, increased school autonomy, and an increase in class size where appropriate. The Government also signed up for participation in the Programme for International Student Assessment in 2018 and approved a new State Program on Education and Youth Policy for 2016-20. Bank support was provided through an *Education Technical Assistance Program* (FY14-15), a grant from the Institutional Development Fund (FY15-18), and the *Belarus Education Modernization Project* (approved in FY16). Dialogue, time to build consensus and political willingness for reform, and understanding that the pace of rollout needed to match training and capacity building for implementation, were key to success.

**25. Outcome 19 on policy framework for health sector reforms** was also achieved. While access to health care is relatively equitable in Belarus, there has traditionally been too much reliance on expensive hospital care, a slower-than-needed focus on the non-communicable diseases associated with ageing, and poor coordination between the different levels of health care. Following policy dialogue, a Government program for improvements in health care management reflecting international experience was adopted in 2017, accompanied by extensive consultative processes. Reforms include rollout of a strategy which supports further development of primary health care (PHC), including improved early diagnosis of non-communicable diseases (NCDs) and an integrated management information system (MIS) to integrate PHC and hospital care. The program was supported by WBG with extensive consultations and TA on health care reform, complemented by a *Health System Modernization* operation approved in FY17.

<b>Pillar 3: Result Area 1. Laying the ground for increased efficiency of health and education services delivery</b>			
<b>Country Development Goal: Greater efficiency and quality of services in health and education</b>			
<b>Outcome</b>	<b>Status</b>	<b>Additional Indicators</b>	<b>Status</b>
<b>Outcome 18. Continued reforms in the area of school network reorganization</b> as measured by: <i>Rollout of per-student financing (PSF) started by 2017 (Y/N)</i> <i>Increased school autonomy and improved efficiency indicators (class-size, student-teacher ratio) in pilots by 2016 – baselines and targets to be established under Education Sector TA (Y/N)</i>	<i>Mostly achieved.</i> By 2017 PSF pilot covered 21% of schools, with further rollouts planned.	<i>18a. Piloting of PSF and wider autonomy in selected secondary schools implemented (at least in 3 cities/oblasts) by 2015.</i> In 2015, PSF piloting began in 34 urban schools across Belarus. By 2017 it included 642 schools (254 rural)	Achieved
	Average class size in participating schools increased by 0.5 students. Despite an increase of 3,600 students in urban	<i>18b. Results achieved in pilots are reflected in the national reform strategy in the education sector by 2016.</i> The State Program on Education and Youth Policy for 2016-20 sets quantitative targets for school network optimization and increases in	Achieved

<p><b>Outcome 19. Policy framework for health sector reforms improved</b> as evidenced by:  <i>Health sector reforms strategy developed by 2017 with design reflecting international experiences</i></p>	<p>schools, only 33 classes were added  The ratio of the number of students and teachers of institutions of general secondary education in Baranovich<sup>31</sup> participating in the pilot project in 2015 stood at 9.2, and in 2017, this ratio was 9.47</p> <p><i>Achieved.</i> The Government adopted the State Program <i>Health of the Nation and Demographic Safety of Belarus for 2016-20</i> in February 2017. The Bank project rolls out this strategy, which supports further development of PHC and MIS to integrate PHC and hospital care</p>	<p>average class sizes of general secondary schools  <i>19a. Consultative process on health reforms strategy with development partners and main stakeholders as evidenced by written comments from WHO and other partners, and round-table policy discussions organized by Ministry of Health with international partners</i></p>	<p>Achieved</p>
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### III. WORLD BANK PERFORMANCE

**26. The performance of the WBG in designing and implementing the CPS was Good.** The following paragraphs illustrate why.

#### *Design*

**27. CPS objectives were designed to be relevant to country goals and adapted to country circumstances.** There was recognition that Belarus, unusually among ECA countries, had succeeded in avoiding substantial increases in poverty and inequality in the post-transition period, and that reforms in the economic model, which was coming under increasing strain in the post 2008 period, would need to take place at a pace adapted to political realities and concerns about short-term social consequences. Country goals are articulated in the Programs of Social and Economic Development for 2011-15 and 2016-20; for both the priority is improvement of living conditions of the population based on modernization of economic relations, innovative development, and increased competitiveness of the economy. Targets were set for 2011-15 for human development, including in the quality of health and education, in economic modernization, exports and high-tech development, in business initiative, especially for SMEs, in regional development, accessible housing, and efficient agriculture and forestry. The CPS supported many of these objectives.

**28. A first strong feature was the extensive program of ASA and technical assistance designed to facilitate consensus building around sectoral reforms.** The PLR illustrates how in many cases ASA and

<sup>31</sup> Baranovich was the only city entirely covered throughout the project implementation.

technical assistance provided the foundation for design of lending operations to help roll out agreed reforms.

**Box 1: Correlation<sup>32</sup> between Advisory Services and Analytics and New Lending**

Advisory Services and Analytics		Lending
Biomass-Based District Heating TA (FY13); Residential Energy Efficiency TA; Tariff Reform & Social Impact Mitigation Study (FY16 & FY17 update); End-User Heat Control & Cost Allocation (FY17)	➔	Biomass District Heating Project (FY14), Energy Efficiency Financing (IFC) (FY17), Sustainable Energy Scale-Up Project (FY19)
Municipal Water Sector Review (FY13); Social Accountability of Municipal Services Study (FY14); Regional Knowledge Sharing Events (Water and Wastewater Services in the Danube Region) (FY15)	➔	Water Supply and Sanitation Project AF (FY14)
IFC's Advisory on Reducing Border Clearance Times; Railway Logistics Performance (FY17); Enhancing Border Clearance Data Collection TA (FY17)	➔	Transit Corridor Improvement Project (FY15)
ENPI FLEG (FY13-17); Forest Sector Policy Note (FY13)	➔	Forestry Development Project (FY15)
Public Expenditure Review II (FY13); Belarus Programmatic Education TA (FY13-15); Higher Education TA (FY17)	➔	Belarus Education Modernization Project (FY16)
Fiscal Governance TA (FY13-15); Improving Efficiency and Transparency of Public Finance Management TA (FY14-17); Belarus Shared Prosperity; Consumer Protection/Financial Literacy TA; FSAP Update; Programmatic Financial Sector Monitoring TA (FY13-16)	➔	PFM Modernization Project (FY16)
Programmatic Structural Reform TA (FY13-16); Programmatic PSD TA (FY14-17); IFC Investment Climate Advisory Services; Programmatic Private Sector Development TA; ICT Strategy Support; ICT Industry Development; Property Valuation & Taxation Review; Strengthening Public Investment Management & Public Private Partnerships	➔	MSME Access to Finance Project (FY18) IFC Credit Line to MSMEs IFC Export Support Program IFC ECA Agribusiness Standards Program (FY14-17)
Public Expenditure Review II (FY13); Belarus Improving Quality of Health Care Programmatic TA (FY14-16); Optima Tuberculosis Modelling Study and Policy Dialogue on Tobacco Taxation (FY17)	➔	Belarus Health System Modernization Project (FY17)

29. A second strong feature was **adaptability**, with support calibrated to the pace of reform and the willingness of the Government to engage. Investment lending focused on sectors with an adequate and improving policy framework, a sufficient knowledge base, a solid implementation track record and demonstrated government commitment, direct benefits to ordinary citizens, and/or global public goods benefits. Analytical and advisory services focused on key policy areas such as structural reforms and design of social impact mitigation measures, trade, fiscal, PFM, private and financial sector development,

<sup>32</sup> This box presents updated material from the PLR.



education, and municipal services. Where there was not sufficient dialogue with the Government (e.g. on SOE restructuring, social assistance, labor market analysis, and unemployment insurance) or there were particular difficulties (e.g. failure to reach agreement on an IMF program necessary for a DPO), planned programs were dropped, postponed or adapted. Specific examples are included below in the implementation section, but flexibility was built into CPS design. With hindsight, the PLR should not have been allowed to slip into late FY16, since this allowed little time for PLR conclusions to be implemented before the end of the CPS period. However, given the flexibility of the CPS, the delayed delivery of the PLR did not constrain program delivery.

**30. A third strong feature was the emphasis on strong synergies between sectoral reforms, improved service to citizens, and macro-economic improvement.** The investments in energy efficiency and biomass heating, for example, supported tariff reform but also reduced consumption of energy from efficiency gains, thus lowering effective costs for consumers, mitigating the cost of tariff increases and lowering energy import bills. Investments under the *Forestry Development Project* provide the production base for better use of domestically produced woody biomass, also reducing exposure to price fluctuations from energy imports. The *Health and Education* programs both focused on improving service delivery standards and cost effectiveness to contain budget pressures. The *Roads* programs included road safety and improved services as well as efficiency improvements, including weigh-in-motion and support for reduced waiting times at border, and enhanced asset management.

**31. Indicators were mostly well chosen but attribution was challenging for some.** This is particularly the case for outcomes under pillar 1, where some of the indicators selected were not attributable only to WBG supported programs. The key indicator under outcome 1, for example, was progress on the EBRD transition score. Progress is attributable not only to WBG support programs; furthermore, the survey may not always be undertaken at time consistent with reviewing progress under CPS implementation.<sup>33</sup> Outcomes 3 on financial inclusion (the number of people with formal savings accounts) and 5 on growth in newly created private enterprises face similar challenges of attribution. Progress on some of these indicators (e.g. growth of MSMEs) is linked as much to changes in the broader macro-economic environment, which was increasingly unfavorable during CPS implementation, as to WBG interventions.

**32. Consultations during the PLR, which was presented to the Board on August 1, 2016, indicated some shortfalls in dialogue regarding ASA.** Discussions indicated that while project design included adequate provision for stakeholder participation and feedback, some civil society organizations felt that there was not always adequate dialogue on or dissemination of the results of analytical and advisory services to broader non-government audiences.

**33. CPS design integrated cross-cutting themes of gender and governance adequately.** The performance of Belarus on *gender* has been historically quite strong. The CPS supported an update of the Belarus Country Gender Profile in 2016. Most newer operations (e.g. Education Modernization, Biomass District Heating, MSME Access to Finance) include gender-specific indicators. Deepened engagement in the health and education sectors has highlighted gender concerns such as low male life expectancy (12 years less than women), lower male participation in higher education, and lower female representation at senior level in enterprise management and high-level government positions, preparing the way for deepening engagement through the CPF currently under preparation. The CPS *supported improved governance and social accountability mechanisms*. Progress was woven into the results framework in outcome 2, more transparent management of public resources, with indicators on the PEFA score and support for the PFM

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<sup>33</sup> EBRD ceased to monitor this indicator during CPS implementation; however, its methodology is well known and could be applied by WBG staff to monitor continued progress.

project, which is supporting rollout of more transparent public budget management. Both gender and governance are also discussed in the implementation section below.

**34. CPS design took into account lessons from the WBG experience in Belarus.** In particular, it sought to focus on critical priorities while adapting to the readiness of Belarusian counterparts to move forward with reforms; ASA played a key role in creating consensus around challenging policy areas and project design, and there was concern for project readiness and an increasing focus on involving stakeholders in design and monitoring. An IEG review of the 2008-11 CPS confirmed the need for realism as well as for identification and mitigation of risks. The CPS was largely realistic in the level of ambition and identified risks appropriately (see para 39).

### **Implementation**

**35. The total volume of new lending approved over the period was US\$655 million,** smaller than anticipated during the PLR (US\$795 million). The composition of lending (see Attachment 3) was also somewhat different. The largest changes comprised the addition of the *Transit Corridor Improvement Project* for US\$250 million in FY15 and the downsizing of the *PFM Modernization Project*. The option of a *Development Policy Operation* to complement a possible IMF structural reform program was introduced at PLR stage but was not finalized as the IMF did not reach agreement on a program with the Government. As regards IFC, total new lending was US\$276 million compared with US\$230 million; more support was provided for trade finance than anticipated. The current outstanding portfolio is US\$209 million.

**36. Portfolio performance has been good over the CPS period, reflecting the relatively high implementation capacity** in Belarus, solid implementation support, including from locally based staff with strong local knowledge, and attention to project readiness. None of the operations is currently in problem status, and major risk flags have not been identified during implementation. Fiduciary and safeguard issues are well handled, and there were no major issues during CPS implementation. Average proactivity over the CPS period was 100 percent compared with 74.3 percent for ECA and 70.8 percent Bank-wide, and IEG outcome rating MS and better was 100 percent compared with 74.7 percent for ECA and 74.1 percent Bank-wide. Average disbursement rates over the period, at 22 percent of commitments, are a little faster than the ECA average (21 percent), although several operations are disbursing more slowly than anticipated at appraisal. The reasons are mostly due to delays in procurement and delivery of goods, which while they affect the pace of implementation do not affect the achievement of project objectives. The *Forestry Development Project*, for example, as of September 2017, had 66 percent of funds committed but 39 percent disbursed, because of time lags between completing contract signature and delivery of equipment. Completion of a combined heat power plant under the *Energy Efficiency Project* was delayed by the bankruptcy of the main contractor, while the construction of the materials recycling facility in Grodno under the *Integrated Solid Waste Management Project* was delayed by a number of factors, including revision of technical design and a failed tender process; the facility has now been completed and should be fully operational during CY18. One INT investigation is ongoing related to a contractor who may have made some fraudulent claims.

**37. One lesson is that disbursement profiles for investment operations should be adjusted to reflect the reality of slow start-ups and lumpy investments.** Furthermore, for investments of the size of the *Transit Corridor Improvement Project* (IBRD loan of US\$250 million) a planned project life of 5 years is probably too short, even with readiness filters. The *Water Supply and Sanitation Additional Financing (AF)* project paper described useful experience with the challenges of managing small contracts in Belarus (the project covers several towns). International contracting and larger local companies were often not

interested, while small-scale local contractors did not fully understand Bank bidding and contracting requirements. The AF project proposal included outreach to contractors, and contract packages were grouped into larger contracts to increase their attractiveness to larger companies. Nonetheless, even with readiness filters, both civil works and technical assistance contracts may be subject to delay, and this needs to be factored into project disbursement profiles. Some operations (like the *Water Supply and Sanitation Project*) lend themselves to additional financing better than others, and restructuring is not always the preferred option to patience and hands-on assistance with addressing procurement delays where this is appropriate. In the case of Belarus, delays have generally been resolved without affecting the achievement of the project objectives and without requiring project redesign.

**38. There was adjustment of the Results Framework and some key indicators at PLR stage, but nonetheless some outcome indicators were difficult to monitor, and attribution was not always clear,** especially for pillar 1. Achievement of some selected outcomes, such as growth of MSMEs, is difficult to attribute to CPS interventions since they are highly dependent on the broader economic environment. Two outcomes under pillar 3 were dropped at PLR stage (see pillar 3 above). Cooperative ASA on long-term care, better targeted and more sustainable social protection systems was dropped because of limited dialogue, and ASA on use of the labor force survey for policy design was dropped because of lack of data availability. One outcome under pillar 1 on mortgage lending was replaced by one on financial inclusion.

**39. IFC's contribution to key CPS pillars is described in section II above and the institution scaled up investment support during the CPS implementation period.** Specifically, IFC contributed to results under pillar 1, including to outcome 4 on increased diversification of the financial market, and to outcome 5 on improving the environment for private sector investors. Under pillar 2 it contributed to outcome 7 on energy efficiency and to outcome 11 on reducing the cost of compliance for agri-business. Broader downturns in the economic environment resulted in creation of fewer new businesses and slower progress on privatization of SOEs than anticipated, but by June 2017 IFC's investment portfolio was US\$83.6 million, with loans to export-oriented companies through its global trade finance program and a loan facility channeled through a financial intermediary to MSMEs. IFC also continued with implementation of a loan facility targeted at energy efficiency enhancement for MSMEs, which was approved in 2011. IFC's TA programs on regulatory simplification contributed to improvements in the business environment. In an IPM Research Center<sup>34</sup> survey there was a reduction in the proportion of firms stating that instability in regulations was a serious constraint to doing business from 59 percent in 2012 to 40.9 percent in 2017. The TA on food safety and quality standards resulted in dairy exports being approved for export to EU countries by the EU certification institution. IFC and the WB maintain close working relationships with joint work (i) on private sector development: IBRD/IFC programmatic TA on SME development strategy; creation of a SME agency; and amendments to the Privatization Law; and (ii) with the National Agency for Investment and Privatization (NAIP): IBRD technical and policy advice to pilot a new, *case-by-case approach to privatization*, and IFC advisory assistance to NAIP on *investment promotion*. IFC and IBRD provided complementary support to ICT sector: IFC jointly with World Bank Institute (WBI) and ICT Sector Unit (TWICT) helped set up the ICT sector initiative group, establish Belarus ICT business forum, develop recommendations in six priority themes in ICT (infrastructure, access to finance, skills development, regulation and taxation, innovation and R&D, and branding and communication). The IBRD advised the Government in elaborating a medium-term ICT development strategy. Complementary support was provided to the State Customs Committee: in parallel with IBRD's Transit Corridor Improvement Project (TCIP, FY15), IFC jointly undertook advisory work on reducing

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<sup>34</sup> Institute for Privatization and Management, a local economic think tank.

border clearance times, focusing primarily on processed food imports. When the CPS was issued, MIGA did not have specific operational plans for Belarus, but was seeking opportunities in support of Pillar 1 and 2 through its political risk insurance products, which focused on opportunities in the infrastructure and financial service sectors. In effect, MIGA has outstanding exposure of US\$130 million for one guarantee utilizing its capital optimization cover. During the CPF period, MIGA also signed local currency and legal protection agreements with the Government of Belarus.

**40. Risks were mostly adequately identified and addressed.** They included the re-emergence of price and exchange rate volatility, the risk of policy reversals, difficult relationships with other partners, and gas import prices. Mitigating measures included close monitoring, a readiness to downsize the program and focus on infrastructure operations with global public good benefits, and support for tariff reform, energy efficiency and domestic energy production. During CPS implementation, progress on structural reforms continued, though slowly, and these were facilitated by WBG ASA and lending. However, Belarus' main trading partner Russia fell into recession, with impacts on the Belarusian economy. Further discussion of the implications of the recent economic downturn would have been useful at PLR stage, especially as some outcome indicators were directly affected by it, including demand for financial services and MSME start-ups.

**41. CPS implementation has been able to benefit from growing partnerships,** for example with European institutions as their relationships with Belarus have improved. There also continues to be close cooperation with the IMF on macro-economic issues, in addition to dialogue on broader structural reform and joint work on the preparation of the Structural Reforms Roadmap. Belarus' membership of the Eurasian Economic Union, mentioned in the PLR, is facilitating trade and other economic reforms consistent with Russia's membership of the WTO. CPS implementation has benefited from synergies with the EBRD and Nordic Investment Bank (NIB) in the water sector, and the WBG is exploring opportunities with the EBRD on structural reforms, SOE management reforms, and economic competitiveness, and has reached agreement with the EU on trust funded ASA. It is cooperating with the Government of Austria on privatization and food safety, and it is considering joint operations on infrastructure with European Investment Bank (EIB), which has just signed a Framework Agreement with Belarus. EIB is preparing a Transport Connectivity Project, which is complementary to the ongoing IBRD Transit Corridor Improvement Project and will help Belarus to complete the reconstruction of M6 and M7 highways that are important transport and transit corridors connecting Belarus to Poland and the Baltics. UNICEF is a key partner on the education, poverty, and health agendas (providing information on international best practices in per-student financing of preschool education; assessment of Belarus' Early Childhood Development (ECD) policies using the SABER-ECD instrument; and a joint conference "Development of the preschool education system: investments in the future of Belarus"). The CPS and PLR could usefully have discussed opportunities for dialogue with the Eurasian Development Bank (EDB), which also has a program of cooperation, including investment lending to Belarus. The WBG facilitated trust fund program is substantial; a total of US\$12.2 million of trust funds were under implementation as of January 2017, of which US\$8.9 million recipient-executed and the remainder Bank-executed. This compares with US\$14.4 million at the start of FY14<sup>35</sup>. Most development partner cooperation is through professional contacts; formal arrangements have not been well developed to date.

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<sup>35</sup> In FY14 there were 16 trust funds under implementation, the two largest being a GEF grant of US\$5.5 million for Persistent Organic Pollutants (POPs) phase out linked to an IBRD loan, and US\$3.6 million grant in support of privatization. There were 12 trust funds under implementation in January 2017, of which the two largest were a US\$4.6 million grant by the Austrian government in support of privatization, and a GEF grant of US\$2.7 million linked to the Forestry Development Project.

**42. There was progress on citizen engagement during CPS implementation.** The program's ambition on citizen engagement should be seen within the context of Belarus' voice and accountability indicators. The portfolio was fully compliant with WBG citizen engagement requirements. The CPS also supported a PISA (Poverty Impact and Social Assessment) as part of preparation of the Education project, which looked at key stakeholders' concerns with regard to school network right sizing and identified mitigation and feedback measures. The Ministry of Education now includes indicators reflecting beneficiaries' satisfaction with school network modernization as part of its monitoring program. The CPS supported implementation of citizen feedback mechanisms in the utilities projects; the Biomass District Heating Project, for example, builds capacity of the utilities to provide information to the consumers and analyze their feedback on quality, accessibility and affordability of services.<sup>36</sup> Belarus also participates in the WBG Global Partnership for Social Accountability (GPSA). A review of the portfolio carried out in FY17<sup>37</sup> suggested that there has been progress in citizen oriented project design, in the quality of beneficiary feedback, and in project-level grievance redress mechanisms (which are also envisioned under Belarus domestic legislative framework that requires all public authorities to maintain viable channels to seek and respond to citizen feedback on project-related issues impacting communities or individuals). Budgeting and monitoring on citizen engagement was identified as an area that needs further progress. However, these projects are still at early stages of their implementation, so assessing results or the depth of engagement may likely demonstrate an incomplete picture at this stage. During early design of new operations under the CPS, governance and accountability filters were applied<sup>38</sup>. Future ambitions for citizen engagement and social accountability should be adapted to voice and accountability indicators in Belarus.

**43. Gender equality and gender policies continued to be given high priority in Belarus during CPS implementation.** Belarus has amongst the highest rankings in ECA regarding gender equality in the legal and regulatory framework, female education, and participation in the work force. However, more women are likely to be in lower paid employment categories such as education and health, compared with manufacturing, mining, information technology or largescale enterprise management. During CPS implementation, gender objectives were incorporated into a range of areas such as PFM modernization and health; the ASA on financial literacy, for example, aims to increase use of financial services by women, including in business. With regard to males, the main challenge is that men live 12 years less than women on average, linked to the earlier onset of non-communicable diseases, in particular cardio-vascular diseases. With the support of ASA, the Government developed a Health Sector Strategy of which enhanced treatment, including preventive treatment of NCDs, forms a part as well as improved mother and child health services. Implementation is being supported by the *Health System Modernization Project*. With regard to women, challenges moving forward will be to maintain fiscally-sustainable pension systems and long-term care for the elderly, areas of particular concern to women given their longer life expectancy as well as adequate daycare for young children and the progression of women into higher-paying segments of the labor market. Dialogue on long-term care and pension reform was more limited than anticipated during CPS implementation.

**44. Climate change was not identified as a cross-cutting theme, but climate change mitigation was integrated into CPS design and implementation through supporting energy efficiency and greater use of renewables** in the energy mix. These programs form part of the broader strategy for reducing the costs of energy as well as dependence on imported fossil fuel energy; they also contribute to achievement of

<sup>36</sup> Beneficiary feedback in the Education and Biomass District Heating Projects is not included in the formal PLR results framework or project outcome monitoring indicators.

<sup>37</sup> Belarus Citizen Engagement Review: ECA Social Development Unit.

<sup>38</sup> This was the stated intention of the CPS (see Annex 6).

Belarus' GHG reduction targets. In addition to the ongoing *Energy Efficiency Project*, new operations included the *Biomass District Heating Project* and the *Forestry Development Project*, supporting greater use of domestically produced renewables. The *Forest Development Project* also supports use and development of more climate resilient trees and landscapes as well as improved fire management.

## V. ALIGNMENT WITH CORPORATE STRATEGY

45. **Given the low levels of extreme poverty and inequality in Belarus, the focus was rightly on shared prosperity and reduced vulnerability.** The CPS recognized the importance for Belarus of maintaining equitable and widespread access to services and utilities and focused on efficiency gains, which would improve service levels while containing costs and reducing macro-economic pressures, necessary to maintain and improve these levels over the long term. The CPS included ASA to analyze the social impact of reforms such as removal of subsidies on utilities tariffs. Support for food safety and forestry potentially boosted rural employment, with the aim of contributing to reduction of regional and rural-urban income disparities. Support for education also aimed to address longer term emerging issues of mismatch between requirements for specialized skilled labor and the education system. The CPS also included programs for supporting citizen engagement, gender, and climate change management.

## V. LESSONS

46. **Key successes are associated with areas where the WBG was able to align support with the authorities' reform plans, and which delivered concrete, easily measurable results and efficiency gains.**

47. **Integrating social impact analysis, efficiency and practical, easily measurable service delivery gains is important.** Programs in the energy, water and public financial management sectors, where there has been longstanding engagement, were able to demonstrate how policy reforms brought about these gains, and the newer health and education programs have the same objectives. Similarly, practical programs to improve the business environment yielded results: the Doing Business Survey reported very substantial improvements.

48. **Willingness to support reforms step by step** but also willingness to understand detailed implementation practicalities and develop acceptable financing mechanisms is important for long-term results. In the case of the proposed Competitiveness Enhancement Project (CEP), while the Government was willing to consider step by step reforms, the CEP proposed substantial technical assistance, for which the Government has traditionally been reluctant to borrow. Moreover, CEP design did not provide sufficient detail, in practical terms, on which institutions would be best equipped to implement certain activities. On the other hand, the Government has agreed to a comprehensive grant funded program of analytical and advisory services to help prepare the ground for such reforms and is already undertaking certain reform measures such as development of paperless trade system and electronic registry of administrative procedures for businesses.

49. **Working comprehensively and over time to address sector issues pays off.** In the energy sector, addressing energy efficiency, reducing energy imports, and increasing production and use of domestically produced renewables, together with gradual tariff reform, has brought about substantial improvements in sector management.

50. **Strong ASA and technical assistance can help assess options and build consensus for reform.** Programs in health, education, forestry, energy, and improved public sector financial management were all backed up by these; investment operations could support reform implementation.

51. **Flexibility is important;** in the case of the *Road Upgrade and Modernization Project*, when during implementation the Government moved themselves on an investment contract for development and operation of e-tolling, the Bank was able to support WIM monitoring instead, also bringing about substantial efficiency gains. Where dialogue on certain issues (labor market analysis, social protection, and long-term care reforms) was limited, these targets were dropped from the CPS at PLR. They may be taken up at a later date.

52. **Disbursement profiles need to be adapted to implementation realities.** Even with readiness filters there are inevitable delays in finalizing tenders and delivering on contracts approved. Procurement delays are common.

53. **Results frameworks need to include indicators which are easily measurable and attributable to WBG interventions.** Most indicators were “SMART” but some were dependent on factors outside the control of support provided by the CPS (e.g. the economic slowdown linked to recession in neighboring countries).

54. **Integrating social accountability mechanisms into project outcome monitoring has been positive.**

55. The lessons learned from the Belarus CPS FY14-17 echo many of the lessons learned in recent CAS/CPS completion reports of other countries, such as Albania, Serbia, Uzbekistan, Montenegro, Azerbaijan, Bulgaria, and Croatia. The importance of: alignment with the country’s priorities; continuing dialogue and partnership with counterparts and partners; flexibility and responsiveness as circumstances change; and the value of knowledge products are generally reflected in all of these reports.

## CPS CLR Attachment 1: Results Matrix

## PILLAR 1: Improving competitiveness of the economy by supporting structural reforms

CPS Outcomes	Status and Evaluation Summary			Bank Group Program	Lessons Learnt/Comments																																
Result Area 1. Economic stability and competitiveness																																					
Country Development Goal: Increased productivity, competitiveness and export diversification. Sustained macroeconomic stability, public debt maintained at sustainable level and hardening of budget constraints for enterprise sector. Transparent and efficient public finance management																																					
Issues and Obstacles:																																					
<ul style="list-style-type: none"><li>State interference in resource allocation and economic management resulted in deteriorating productivity and competitiveness. Largely inefficient SOE sector limits private sector development, particularly SMEs and services. High export concentration on Russian market makes Belarus vulnerable to external shocks. Russia’s WTO accession and resultant increased competition reinforces urgency of structural reforms</li><li>Growth dependent on domestic demand driven by expansionary monetary/fiscal policies at expense of macro stability. Substantial refinancing needs in 2013-15</li></ul>																																					
<b>Outcome 1. Progress made in structural reforms</b> as measured by the following scores of the EBRD Transition Indicator: <table><tr><th>Indicator</th><th>2014 (baseline)</th><th>2017 (target)</th></tr><tr><td>Governance and Enterprise Restructuring</td><td>1.7</td><td>2.0</td></tr><tr><td>Price Liberalization</td><td>3.0</td><td>3.3</td></tr><tr><td>Trade &amp; Forex System</td><td>2.3</td><td>2.7</td></tr><tr><td>Competition Policy</td><td>2.0</td><td>2.3</td></tr></table> <p>* EBRD scoring captures the progress in constructing market economy. Score 1 designates limited reforms, while score 4 is for a mature market economy. In-between scores reflect various degrees of progress in constructing market-oriented institutions</p>			Indicator	2014 (baseline)	2017 (target)	Governance and Enterprise Restructuring	1.7	2.0	Price Liberalization	3.0	3.3	Trade & Forex System	2.3	2.7	Competition Policy	2.0	2.3	<b>Outcome 1 [mostly achieved]</b> <table><tr><th>Indicator</th><th>2014 (baseline)</th><th>2017 (actual/estimated)</th></tr><tr><td>Governance and Enterprise Restructuring</td><td>1.7</td><td>2.0</td></tr><tr><td>Price Liberalization</td><td>3.0</td><td>3.3</td></tr><tr><td>Trade &amp; Forex System</td><td>2.3</td><td>2.8</td></tr><tr><td>Competition Policy</td><td>2.0</td><td>2.3</td></tr></table>			Indicator	2014 (baseline)	2017 (actual/estimated)	Governance and Enterprise Restructuring	1.7	2.0	Price Liberalization	3.0	3.3	Trade & Forex System	2.3	2.8	Competition Policy	2.0	2.3	<b>Delivered and Ongoing:</b> <u>IBRD Lending</u> PFM Modernization Project (FY16) <u>IBRD Advisory Services and Analytics (ASA)</u> Programmatic Structural Reform TA (FY13-16) Belarus Shared Prosperity (FY16-17) Fiscal Governance TA (FY13 -15) Trade Policy/WTO Accession TA (FY13-15) Regional Development AAA (FY14-15) Regional Labor Market TA (FY14) PEFA Update (FY14) Improving Efficiency & Transparency of Public Finance Management TA (FY14-17) Energy Tariff Reform and Social Impact Mitigation Study (Update) (FY16-17) <u>IFC</u>	
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<b>Progress made in structural reforms</b> as measured by:																																					
1a. Competition Law enacted in 2014 (Y/N) [achieved]																																					
1b. Social Impact Assessment of price liberalization measures completed and action plan of price liberalization measures developed (Y/N) [partially achieved]																																					



	<p><i>1c: Roadmap of Structural Reforms of March 2015 incorporated into policy documents as evidenced by:</i></p> <ul style="list-style-type: none"> <li>· <i>Anti-inflation Program of the Council of Ministers and the National Bank [achieved]</i></li> <li>· <i>Government regulations removing price controls over socially important goods [achieved]</i></li> <li>· <i>Action Plan of the Government for 2016-2020 [achieved]</i></li> <li>· <i>Government regulations on State Support and State Programs [achieved]</i></li> </ul>	<p>Trade Finance (FY14-15)</p> <p><b>Planned:</b></p> <p><u>IBRD Lending</u></p> <p>DPO (FY18)</p> <p>MSME Access to Finance Project (FY18)</p> <p>PFM Modernization Project II (FY20)</p> <p><u>IBRD ASA</u></p> <p>Belarus Social Protection TA (FY17)</p> <p>Public Investment Management Diagnostic (FY17): title changed to Strengthening Public Investment Management and Public Private Partnerships (FY17)</p> <p><u>IFC</u></p> <p>Global Trade Finance Program (GTFP) (FY16-17)</p>	
<p><b>Outcome 2. More transparent management of public resources</b> as measured by:</p> <p><i>PEFA PI10 - public access to key fiscal information</i></p> <p>Baseline: C (2009)</p> <p>Target: B (2017)</p> <p><i>PEFA PI17 - recording and management of cash balances, debt and guarantees</i></p> <p>Baseline: C+ (2009)</p> <p>Target: B+ (2017)</p>	<p><b>Outcome 2 [achieved]</b></p> <p><i>PEFA P110: [achieved].</i> In 2016 public access to key fiscal information was improved by the introduction of mandatory disclosure of contract award information and executive budget proposals.</p> <p><i>PEFA P117: [achieved]</i> as a result of expanding the coverage of the Treasury Single Account (continues in 2017) as well as improved control over loans and guarantees.</p> <p><b>Roadmap for reforms in PFM created</b> as evidenced by:</p> <p><i>2a. 2014 PEFA update completed and used as basis for development of a PFM reform strategy (Y/N) [achieved]</i></p> <p>In December 2015, the Government approved the PFM Reform Strategy building on the diagnostic of the PFM performance provided by 2014 PEFA update.</p> <p><i>2b. Conceptual design of integrated Financial Management Information System (FMIS) developed by end of 2016 (Y/N) [achieved by May 2017]</i></p>		<p>Building consensus for reforms through analytical work, knowledge sharing, and peer learning takes time, requires champions at high levels and institutional capacity to design and implement reforms. Initial progress was slow as the Ministry of Finance (MoF) did not have experience dealing with development partners and external consultants. Establishment of a unit for public accounting reform at the Treasury took almost two years but helped enhance the capacity of the MoF to launch a PFM modernization project.</p> <p>The combination of the analytical work, TA, peer to peer learning, and preparation of the PFM modernization project brought about important improvements.</p>

	2c. Methodologies for budget preparation, execution and reporting revised in line with applicable good international practices by 2017 <b>[mostly achieved]</b> . Approval of the Medium-Term Financial Program for 2017-19 is on track to be aligned with good international practices; supported under the ongoing PFM modernization project.		
<b>Result Area 2. Deepening financial intermediation on market-based terms</b>			
<b>Country Development Goal: More efficient and stable system of financial intermediation</b>			
<b>Issues and Obstacles:</b>			
<ul style="list-style-type: none"> <li>The financial sector remains small and undiversified, with most of the lending provided by state-owned banks under subsidized government directed programs</li> </ul>			
<b>Outcome 3. Improved financial inclusion</b> as evidenced by: <i>Share of population with savings account at a formal financial institution increased:</i> Baseline: 19% (2012) [18.6% male, 19.3% female] Target: 30% (2017) [30% male, 30% female]	<b>Outcome 3 [not achieved].</b> Progress: 11% (2016) The economic slowdown led to a decline in real incomes and reduction in the use of savings accounts. But there was progress with other parts of the financial inclusion agenda, including increased use of general banking accounts, internet banking, and debit cards.  <b>Improved legal and institutional framework for financial inclusion</b> as measured by: <i>3a. National financial literacy program (CPFL) implemented and improvements in the legal and institutional framework for financial consumer protection by 2016 (Y/N) [achieved].</i> Improvements in the legal and institutional framework for CPFL have been put in place in 2013-16.	<b>Delivered and Ongoing:</b> <u>IBRD ASA</u> Strengthening Public Investment Management and Public Private Partnerships (FY17) Programmatic Financial Sector Monitoring TA (FY13-17) TA on Consumer Protection and Financial Literacy (FY14-16) FSAP Update (FY14; FY16) <u>IFC</u> Trade Finance (FY14-16) MSME Lending (FY14-16) IFC long-term debt finance to the banking sector and to the microfinance institutions MIGA's expropriation guarantee of foreign investment in the financial sector  <b>Planned:</b> <u>IBRD Lending</u> MSME Access to Finance Project (FY18)	CPS design should be cautious about selecting indicators which are not directly attributable to CPS interventions. In this case the indicator was linked to improvements in the broader economy. Other improvements (which were achieved such as use of debit cards or internet banking) could be more directly attributed to specific interventions to improve services.

<p><b>Outcome 4. Increased diversification of financial market</b> as measured by:  <i>Reduced flow of government directed lending on non-market terms (percent of GDP)</i>  <i>Baseline: 7.0% (2013)</i>  <i>Target: 4.0% (2017)</i></p> <p><i>Increased availability of financing for MSMEs up to US\$10 million per annum (Y/N)</i>  <b>[achieved]</b>  In FY14 IFC provided a US\$13 million credit line to Belnarodny Bank (BNB) to support MSMEs (US\$7 million from IFC own account and US\$6 million in a syndicated loan from FMO (the Netherlands)). In FY14-17 IFC supported Belarusian export-oriented companies and committed US\$155 million as part of the Global Trade Finance Program through five local commercial banks (BPS-Sberbank Bank, Belgaz Bank, MTBank, Priobank, and Belnarodny Bank). IBRD's new line of credit (US\$60 million) in support of MSMEs through the Development Bank is expected to be approved in early FY18. This line of credit will complement the DBB's existing program of MSME finance, which has disbursed about US\$50 million since it was established in 2014.</p>	<p><b>Outcome 4 [achieved].</b> The flow of government directed lending (commercial banks and the Development Bank) dropped to 2.6% of GDP in 2016</p> <p><b>Improved framework to allow for greater financial market diversification</b> as measured by:</p> <p><i>4a. Adoption of multi-year plan for reduction of government directed lending by 2017 (Y/N)</i>  <b>[achieved]</b>  Program of Activities of the Government of the Republic of Belarus for 2016-20: the total stock of directed lending, excluding changes in value and any partial write-offs, is to be reduced by at least 1.6 percent of GDP in 2016, at least 2.1 percent of GDP in 2017, and 2.2 percent of GDP in 2018. The reduction is stock will be achieved through the gradual reduction in annual disbursement. The Government has accelerated the pace of reduction in 2016 and introduced the concept of competitive selection of projects under government programs.</p> <p><i>4.b Establishment of a mega-regulator responsible for oversight of all financial sector entities by 2016 (Y/N)</i> <b>[not achieved]</b>  This issue was discussed with the President in mid-2016, and a decision is expected in 2017.</p> <p><i>4c. Adoption of strategy for development of non-banking segment of financial market by 2016 (Y/N)</i> <b>[achieved]</b>  The strategy (approved on March 28, 2017) sets clear objectives and means to achieve them in the next 5 years and takes into account FSAP recommendations.</p>	<p>DPO (FY18)  <u>IFC</u>  Global Trade Finance Program (GTFP) (FY16-17)</p>	<p>The progress here was substantial and linked to financial autonomy of SOEs.</p> <p>ASA on Government Directed Lending helped to guide the establishment of a comprehensive database on and monitoring of directed lending at central and local government levels.</p> <p>The financing environment for MSMEs also improved, despite the challenges in creating new MSMEs (see outcome 5-6).</p> <p>IFC pricing policy stipulates that private companies/banks are to cover the cost of the engagement. In the uncertain economic environment and profitability in the banking sector in Belarus, banks found it difficult to contribute to the</p>
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	4d. Advice provided to banks on best risk management practices (Y/N) [not achieved]		advisory engagement financially and preferred other, less expensive options, e.g. EBRD Business Advisory Services (BAS) program.
<b>Result Area 3. Liberalized environment for private sector investment</b>			
<b>Country Development Goal: Permanent increase in private sector contribution to sustainable growth as measured by growing share of private sector in GDP</b>			
<b>Issues and Obstacles:</b> <ul style="list-style-type: none"> <li>Private sector development in Belarus is restricted by over-regulated business environment and uncertainty about property rights. Skewed incentives and preferences to relatively inefficient SOE sector create a highly uneven playing field</li> </ul>			
<b>Outcome 5. Improved business environment for private entrepreneurs/investors</b> evidenced by: <i>Growth in newly created private enterprises and individual entrepreneurship</i> Baseline: 8% (2010) Target: 12% (2017)	<b>Outcome 5 [not achieved]</b> <i>Growth in newly created private enterprises and individual entrepreneurship.</i> In 2016, 44,311 new businesses were registered, including 34,186 individual entrepreneurs (compared to 51,705 businesses, including 41,771 individual entrepreneurs registered over the same period in 2015). Overall, growth in new businesses was negatively impacted by the recession that Belarus entered in 2015 and related high inflation along with a decline in wages/consumer spending. The decline in registration of new individual entrepreneurs (-18.2%) is attributed to vulnerability of this segment to the increased inflation and declined wages/consumer spending. Growth in the registration rate of legal entities (+1.9%) seems to indicate some more resilience for businesses above individual entrepreneur level.	<b>Delivered and Ongoing:</b> <u>IBRD Lending</u> MSME Access to Finance Project (FY18) <u>IBRD ASA</u> Programmatic PSD TA (FY14-16) [Development of SME Organization; Advice on National Quality Infrastructure; Advice on Minority Shareholders' Rights; SME Development Strategy] Pilot Enterprise Privatization TA (FY13-16) BY Privatization - Bank Analytical Activities (FY13-16) ICT Strategy Support for Belarus (FY17) <u>IFC</u> Regulatory Simplification, Investment Climate Improvement TA Sector-Specific Business Regulation TA (FY16)	Even where there is good progress on improving the enabling environment for new small enterprise development, when the broader economic environment is unfavorable (due in this case to external factors, in particular the economic downturn in Russia) new enterprises are not likely to be created. The indicator was not directly attributable to actions/support provided under the CPS.  With regard to the second outcome 5 indicator, the Doing Business Survey indicates substantial progress including on the regulatory environment.
<i>A number of legal entities stating unstable legislation as a severe obstacle for business</i> Baseline: 59% (2012) Target: 34% (2017)	<i>A number of legal entities stating unstable legislation as a severe obstacle for business.</i> Progress: 40.9% as reflected by findings of the survey "Belarusian Business in 2016: Condition, Trends and Outlook" (IPM Research Center). According to the businesses surveyed by the study 40.9% of MSMEs identified "Volatile	<b>Planned:</b> <u>IBRD Lending</u> DPO (FY18)	

	<p>legislation (including tax legislation)” among key barriers for the sector growth.</p> <p><b>Regulatory environment simplified</b> as evidenced by:</p> <p><i>5a. Transparent and consistent regulations developed (Y/N) [achieved]</i></p> <p>The World Bank’s Doing Business Report 2017 further improved Belarus ranking, from 50 a year ago to 37. Belarus was named among the top reformers of the year. In addition, Belarus is developing new legislation introducing regulatory impact assessment (RIA). Decree No. 40 “On Optimization of the Presidential Administration of the Republic of Belarus” dated February 13, 2017, introduced mandatory RIA for all draft legal acts subject to Presidential approval. Amendments to Law on Legal and Regulatory Acts passed the second hearing at the Parliament. Also, the Government develops e-Registry of Administrative Procedures, which will increase regulatory transparency and reduce compliance burden for businesses.</p> <p><i>5b. A good practice SME development strategy established by 2017 (Y/N) [partially achieved]</i></p> <p>In 2016 Belarus adopted a State Program for Support of Entrepreneurship (2016-20) listing a range of regulatory reforms and priority areas, and followed the adoption of the Program with a detailed and specific Action Plan. In July-August 2017 public consultations for the draft <i>SME Development Strategy 2030</i> were conducted, and in September the draft is at the advanced stage of clearance in the Government. The Strategy is to be adopted by the end of 2017.</p>		<p>While the SME Programs/Strategy noted under indicator 5 are useful from the perspective of planning and ensuring state support to the SME sector, the acceleration of structural reforms will be necessary to ensure sustainable private sector growth based on pro-growth policies and pro-competitiveness reforms.</p>
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<p><b>Outcome 6. Stronger reliance of the economy on private sector</b> evidenced by <i>growing share of MSMEs in employment</i></p> <p>Baseline: 26.3% (2012) Target: 30% (2017)</p>	<p><b>Outcome 6 [not achieved].</b> Progress: 26.7 (2014); 25.6% (2015); and 26.3% (2016).</p> <p>Share of MSMEs in employment slightly rebounded in 2016 after three consecutive years of decline.</p> <p><b>Improved government's capacity to undertake privatization of SOEs using international best practice [partly achieved]</b> as measured by: <i>6a. Number of SOEs offered for sale to strategic investors through competitive and transparent tender procedure (cumulative)</i></p> <p>Baseline: 0 (2012) Target: 12 (2016) <b>[partially achieved]</b> <b>Progress: (2017)</b></p> <p>Eight SOEs were announced for sale to strategic investors through competitive and transparent tender. Three of the eight SOEs had to be retendered, one for the third time. None privatization deals have been concluded. Cumulative number of tenders announced is 12.</p>		<p>As indicated above, MSME creation is linked to the broader economy as well as direct actions under the CPS.</p> <p>Indicator 6a on SOEs is directly attributable; it illustrates the challenges in privatizing SOEs even when competitive and transparent tender procedures are used.</p>
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**PILLAR 2: Improved efficiency and quality of public infrastructure services, enhanced and sustainable use of agricultural and forestry resources and increased global public good benefits**

CPS Outcomes	Progress to Date	Bank Group Program	Lessons Learnt
<b>Result Area 1: Enhanced energy security and efficiency of resource use</b>			
<p><b>Country Development Goal: Improving energy security by decreasing energy intensity (EI) of GDP:</b> Reduced EI, % of GDP vis-à-vis 2005 level; Baseline: by 23.4% (2012); Target: by 50% (2015), by 60% (2020). <b>Improving competitiveness of the economy by reducing GHG emissions through energy efficiency and renewable energy programs:</b> GHG emissions avoided, CO<sub>2</sub> equivalent; Target: 2.71 million tons of CO<sub>2</sub> in emissions avoided as a result of increased share of renewable energy (2015)</p>			
<p><b>Issues and Obstacles:</b></p> <ul style="list-style-type: none"> <li>Despite a remarkable progress in reducing energy intensity (by 67% in 2010 relative to 1990), Belarus is still lagging behind the EU. However, in 2015, Belarus EI was 0.16 toe/thousand of 2010 US\$ of GDP (PPP) which is comparable with Finland and Canada.</li> <li>Belarus ranks among the top 30 GHG emitters worldwide</li> </ul>			

<p><b>Increased energy efficiency in the Bank-supported projects</b> as measured by:  <b>Outcome 7. Reduced annual gross consumption of energy resources</b>  Baseline: by 15 ml m3/year (2012, PCRP)  Target: by 134 ml m3/year (2017), including through:  PCRP: by 26 ml m3/year  EEP: by 87 ml m3/year  EEP AF: by 21 ml m3/year</p>	<p><b>Outcome 7 [achieved]</b>  <b>Progress:</b> by 150 ml m3/year, including through:  PCRP: by 26.8 ml m3/year  EEP: by 110 ml m3/year  EEP AF: by 14 ml m3/year</p> <p><b>Increased energy efficiency in the Bank-supported projects mostly achieved, as measured by:</b>  <i>7a. Investment in energy efficiency measures resulting in reduced annual energy consumption [mostly achieved]</i>  Baseline: \$65 ml (2012, PCRP)  <b>Target/progress</b>  \$180 ml (2013, PCRP, EEP)/\$168 ml  \$205 ml (2014, PCRP, EEP)/\$196 ml  \$225 ml (2015, PCRP, EEP)/\$236 ml  \$295 ml (2016, EEP, BDHP) /\$223 ml  \$315 ml (2017, EEP, BDHP)/\$218 ml</p>	<p><b>Delivered and Ongoing:</b>  <u>IBRD Lending</u>  PCRP and PCRP AF (FY06; AF FY11, closed FY14)  EEP and EEP AF (FY09, AF FY13)  Biomass District Heating Project (FY14)  Forestry Development Project (FY15)  <u>IBRD ASA</u>  Scaling Up Energy Efficiency Retrofit of Residential and Public Buildings (FY15-16)  End-User Heat Control and Cost Allocation (FY16-17)  Energy Tariff Reform and Social Impact Mitigation Study (Update) (FY16-17)  <u>IBRD ASA</u></p>	<p>Shortfalls in targets were largely due to procurement delays.</p> <p>Working with the energy sector comprehensively, including support for energy efficiency and reduced consumption, reducing dependence on imported fuel, increasing supply and use of domestically produced renewables and introducing gradual tariff reform has helped Belarus substantially improve energy sector management.</p>
<p><b>Outcome 8. Reductions in carbon emissions through Bank-supported projects (tonnes per year, CO<sub>2</sub> equivalent)</b>  Baseline: 40,800 (2012, PCRP)  Target: 53,029 (2013, PCRP, EEP)  66,381 (2014, PCRP, EEP)  125,427 (2015, PCRP, EEP)  213,621 (2016, PCRP, EEP)  253,675 (2017, PCRP, EEP)</p>	<p><b>Outcome 8 [mostly achieved]</b>  <b>Progress:</b>  53,029 (2013, PCRP, EEP)  66,381 (2014, PCRP, EEP)  125,427 (2015, PCRP, EEP)  191,251 (2016, PCRP, EEP)  231,63 (2017, PCRP, EEP)</p>	<p>ICT Strategy Support for Belarus (FY16-17)  ICT Industry Development in Belarus (FY16-17)  Strengthening Public Investment Management and Public Private Partnerships (FY17)  <u>IFC</u>  Energy Efficiency Financing (FY16-17)</p> <p><b>Planned:</b>  <u>IBRD Lending</u>  Sustainable Energy Scale-Up Project (FY19)</p>	
<p><b>Country Development Goal: Increasing use of domestic and renewable energy (RE) resources:</b> Increased share of domestic and renewable energy sources in fuel mix for electricity and heat generation: Baseline: 25% (2012); Target: 28% (2015), 32% (2020)</p>			

<b>Issues and Obstacles:</b> <ul style="list-style-type: none"> <li>Low diversification of energy supply due to reliance on natural gas supplies from Russia (80% of primary energy supply). Belarus RE potential remains un-utilized. The share of domestic renewable energy in fuel mix for electricity and heat generation constituted about 25% in 2012</li> </ul>			
<b>Outcome 9. Increased use of renewable energy resources in the Bank-supported projects</b> as measured by: <i>Annual energy amount of renewable fuel used</i> Baseline: 23,350 MWh/year (2012, PCRPP) Target: 200,000 (55,000 + 145,000 MWh/year (2017, PCRPP, BDHP)	<b>Outcome 9 [partially achieved]</b> due to procurement delays and identification of new sites (savings) <b>Progress:</b> 105,000 (55,000+50,000) MWh/year (2017, PCRPP and BDHP). <b>Increased use of renewable energy resources in the Bank-supported projects</b> as measured by: <i>9a. Investments resulting in increased use of renewable fuel [partially achieved]</i> Baseline: \$3.9 ml (2012, PCRPP) <b>Target/progress:</b> \$8.6 ml (2013, PCRPP)/\$8.6m \$8.6 (2014, PCRPP)/\$8.6m \$8.6 (2015, PCRPP)/\$8.6m \$38.6 ml (2016, PCRPP, BDHP)/\$27ml \$68.6 ml (2017, PCRPP, BDHP)/\$46.2 ml	<b>Delivered and Ongoing:</b> <u>IBRD Lending</u> Biomass District Heating Project (FY14)  <b>Planned:</b> <u>IBRD Lending</u> Sustainable Energy Scale-Up Project (FY19) <u>IFC</u> Renewable Energy Finance (FY16-17) Resource Efficiency Financing, Regional (FY16-17)	Need for rebidding some contracts and identification of new sites has led to some delays: targets likely to be fully achieved by 2019.
<b>Result Area 2: Improved standards in the agriculture and forestry sectors</b>			
<b>Country Development Goal: Enhancing sustainability, economic efficiency, environmental and social accountability in forestry sector</b>			
<b>Issues and Obstacles:</b> <ul style="list-style-type: none"> <li>Lack of consensus or vision regarding forestry sector development, conflicting institutional responsibilities, missed opportunities for carbon financing and lack of investment in forest infrastructure</li> <li>A need to improve quality and resilience of new forests, to enhance the role of pedigree seed fanning in increasing productivity of forests and improving nurseries, to increase the use of felling residues</li> </ul>			
<b>Outcome 10. Forestry sector reform roadmap developed</b> as evidenced by: <i>Forest sector reform strategy developed and adopted (Y/N)</i>	<b>Outcome 10 [achieved]</b> <b>Forestry sector reform roadmap developed</b> as evidenced by: <i>10a. New Strategic Forest Development Plan for 2015-13 prepared with support of FLEG I and II program (Y/N)</i>  The Strategic Forest Development Plan for 2015-30 was approved and is under implementation	<b>Delivered and Ongoing:</b> <u>IBRD Lending</u> Forestry Development Project (FY15) <u>IBRD ASA</u> FLEG II (Forest Law Enforcement and Governance TA) (FY13-17)	Sustained dialogue can build consensus for sector modernization, including both technical and institutional/policy reforms, as articulated in the Government Program Belarus Forest 2016-20, which supports more service oriented forest institutions which separate the



	(with the support of the Forest Development Project).		functions of supervision, monitoring and control from the management of state forest assets; further development of timber sales methodologies; and more private sector participation in timber harvesting and haulage.
<b>Country Development Goal: Raising the competitiveness of agriculture in international markets through increased productivity, quality and food safety standards</b>			
<b>Issues and Obstacles:</b> <ul style="list-style-type: none"> <li>Agriculture spending is dominated by direct enterprise support (subsidies). Production of many commodities is economically unprofitable and only financially profitable for enterprises because of large subsidies</li> <li>Inadequate quality and food safety standards are obstacles to diversification of exports beyond their currently narrow base. Outdated food safety regulations and standards limit Belarus' export potential. The absence of effective food safety management systems at a company level hinders export growth and sector efficiency</li> </ul>			
<b>Outcome 11. The cost of compliance for agri-business reduced</b> as evidenced by: The system of food safety control is aligned with EU practice as confirmed by IFC expert and EU missions (Y/N)  Belarus dairy and poultry sectors get approved by EU for exports (Y/N)	<b>Outcome 11 [mostly achieved]</b> <b>The cost of compliance for agri-business reduced</b> as evidenced by: <i>11a. Relevant changes in legislation governing food safety issues are introduced and adopted (Y/N) [achieved]</i>  <i>11b. HACCP principles are mandatory for all food processors (in line with EU practice) (Y/N) [achieved]</i>  <i>11c. Belarus' dairy and poultry sectors get approved for EU exports by DG SANCO (Y/N) [partly achieved, Yes for dairy, and No for poultry sectors]</i>	<b>Delivered and Ongoing:</b> <u>IBRD ASA</u> IDF: Strengthening institutional capacity for M&E of agricultural policy instruments (FY11-15) <u>IFC ASA</u> Belarus Food Safety Project (FY10-13) ECA Agribusiness Standards Program (FY14-17)	
<b>Outcome 12. Increased efficiency of food sector:</b> US\$30 ml in increased sales for client companies of Food Safety Project (Y/N)	<b>Outcome 12 [achieved]</b> US\$34 million increase in client companies' revenues. <i>12a. Food safety advisory services provided to 200 companies, including in-depth engagement with 6 client companies (Y/N) [achieved]</i>		
<b>Result Area 3: Improved public infrastructure and municipal public utility services</b>			
<b>Country Development Goal: Improving quality and environmental management of municipal services</b>			

<b>Issues and Obstacles:</b> <ul style="list-style-type: none"> <li>• High prevalence of iron in supplied drinking water</li> <li>• Insufficient level of wastewater treatment, resulting in the discharge of organic pollution and nutrients to the environment</li> <li>• Low tariffs, high cross-subsidization, weak performance and low operational efficiency of service providers</li> <li>• Low recycling rates; large amount of waste disposed at landfills; non-sanitary disposal practices</li> </ul>			
<b>Outcome 13. Improved quality of supplied water</b> as measured by: <i>Population provided with access to drinking water compliant with national quality standards</i> Baseline: 0 (2013) Target: 277,000 (2017)	<b>Outcome 13 [achieved]</b> Seven iron removal plants were rehabilitated during the CPS period and 287, 909 people provided with access to drinking water compliant with national quality standards. <b>Improved quality of supplied water</b> as measured by: <i>13a. Number of iron removal plants implemented or rehabilitated [achieved]</i> Baseline: 0 (2013) Target: 4 (2014) In 2014-15 four iron removal plants were rehabilitated and 220,000 people provided with access to improved drinking water compliant with national quality standards. Three more iron removal plants were commissioned in 2016 (Smolevichy and Rogachev) and 2017 (Shklov and 2 <sup>nd</sup> start-up complex in Rogachev) bringing the additional population <i>provided with access to drinking water compliant with national quality standards to 287,909.</i>	<b>Ongoing:</b> <u>IBRD Lending</u> Water Supply and Sanitation Project (FY09) Water Supply and Sanitation Project AF (FY14) Integrated Solid Waste Management Project (FY11)	
<b>Outcome 14. Improved performance of wastewater treatment systems</b> as measured by: <i>% of regulatory treated wastewater samples complying with national standards for BOD, nitrogen and phosphor levels</i> <u>Dubrovno:</u> Baseline: 0% (2013) Target: >95% (2017) <u>Baranovichy, Pinsk:</u> Baseline: 90% (2013) Target: >95% (2017)	<b>Outcome 14 [achieved]</b> The % of regulatory treated wastewater samples complying with the national standards for BOD, nitrogen and phosphor levels reached 100% in April 2017 in all target communities. <b>Improved performance of wastewater treatment systems [achieved]</b> as measured by: <i>14a. Number of wastewater treatment plants implemented or rehabilitated</i> Baseline: 0 (2013) Target: 1 (2014), 4 (2015)		When service levels are improved, moving towards financial sustainability is more socially and politically acceptable.

<p><u>Gantsevichi:</u> Baseline: 80% (2013) Target: &gt;95% (2017)</p> <p><u>Gorodok:</u> Baseline: 71% (2013) Target: &gt;95% (2017)</p>	<p>Rehabilitation of five wastewater treatment plants was completed in 2014 (Dubrovno, Pinsk, Grodno, Brest, and Gantsevichi), two in 2015 (Baranovichi and Gantsevichi 2<sup>nd</sup> complex), and three more (Verkhnedvinsk, Glubokoe, and Grodno 2<sup>nd</sup> stage) are expected to be completed in August 2017 (a total of ten during the CPS period).</p> <p><i>14b. Municipal Water Sector Review reflected in Government policy (Y/N) [achieved]</i> The Government is committed to water sector reform with the objective to have more efficient and financially self-reliant sector as reflected in key decisions (e.g. Law on Potable Water Supply, which is now under Parliamentary approval, and new rules of water supply and sanitation adopted in September 2016).</p>		
<p><b>Outcome 15. Reduced amount of waste disposed at landfill and higher rates of material recovery from solid waste</b> as measured by: <i>Tons of waste that will not be buried in the landfill due to the new facility</i> Baseline: 0 (2013) Target: 20,000 (2017)</p>	<p><b>Outcome 15 [partially achieved]</b> <b>Reduced amount of waste disposed at landfill and higher rates of material recovery from solid waste</b> as measured by: <i>15a. Waste sorting facility in Grodno construction completed by end of 2016 (Y/N) [achieved]</i> Commissioned in December 2016. The amount of landfilled waste was reduced by 6,400 by September 2017. When the waste sorting facility operates at full capacity, this amount will increase (expected at the end of 2018).</p>		
<p><b>Country Development Goal: Improving infrastructure and road safety</b></p>			
<p><b>Issues and Obstacles:</b></p> <ul style="list-style-type: none"> <li>Insufficient capacity and deficient condition of some main roads in Belarus, leading to inefficient traffic flow conditions and head-on collisions</li> </ul>			

<p><b>Outcome 16. Transport costs for road users on the upgraded sections of the M5 road reduced</b> as measured by:  <i>Reduced Vehicle Operating Cost, %</i>  Baseline: 100% (2013)  Target: 94% (2014)</p>	<p><b>Outcome 16 [achieved]</b>  Vehicle operating costs were reduced to 83% in 2014 and 2015, and 79% in 2016 versus 100% in 2013.</p> <p><b>Improved road infrastructure</b> as measured by:  <i>16a. Number of km of two-lane main roads upgraded to four-lane motorway [achieved]</i>  Baseline: 0 (2010)  Target: 52 km (2014)</p> <p><i>16b. Axle load monitoring and control system installed in 2016 (Y/N) [achieved]</i>  Axle load monitoring and control system (weigh-in-motion) was commissioned in April 2016. The weight control and data processing time was reduced from 15-20 to 2-5 minutes.</p>	<p><b>Delivered and Ongoing:</b>  <u>IBRD Lending</u>  Road Upgrade and Modernization Project (FY11) (completed FY17)  Transit Corridor Improvement Project (FY15)</p> <p><b>Planned:</b>  <u>IBRD ASA</u>  Railway Logistics Strategy (FY17)</p>	<p>The Bank was able to adapt quickly to the decision of the Government to move forward rapidly with a contract with the foreign investor e-tolling system, and replace this component with a WIM component, which brought substantial additional efficiency gains.</p>
<p><b>Outcome 17. Road safety improved on the upgraded sections of the M5 road</b> as measured by:  <i>Reduction in number of traffic fatalities</i>  Baseline: 12 (2010)  Target: 5 (2014)</p>	<p><b>Outcome 17 [achieved]</b>  The number of traffic fatalities dropped from 12 in 2010 to 2 in 2014, 5 in 2015, and 3 in 2016.</p>		

**PILLAR 3: Improved human development outcomes through better delivery of education, health and social services**

CPS Outcomes	Progress to Date	Bank Group Program	Lessons Learnt
<b>Result Area 1: Laying the ground for increased efficiency of health and education services delivery</b>			
<b>Country Development Goal: Greater efficiency and quality of services in health and education</b>			
<p><b>Issues and Obstacles:</b></p> <ul style="list-style-type: none"> <li>• The education sector needs to adjust to sharp student population decline with a view to provide room for quality enhancing investments</li> <li>• Education quality and skills mismatch is increasingly becoming an issue</li> <li>• Social services delivery system, while providing widely accessible and affordable education and health services, is costly and inefficient</li> </ul>			
<p><b>Outcome 18. Continued reforms in the area of school network reorganization</b> as measured by:</p>	<p><b>Outcome 18 [mostly achieved]</b>  As of January 2017, a per-student financing (PSF) pilot covers 642 schools (388 urban, 254 rural) out of approximately 3,000 schools</p>	<p><b>Delivered and Ongoing:</b>  <u>IBRD Lending</u>  Education Modernization Project (FY16)</p>	<p>As a result of Bank support through the Education TA Program and the IDF Grant, PSF in Belarus' education has gone</p>

<p><i>Rollout of per-student financing started by 2017 (Y/N)</i></p> <p><i>Increased school autonomy and improved efficiency indicators (class-size, student-teacher ratio) in pilots by 2016 – baselines and targets to be established under Education Sector TA (Y/N)</i></p>	<p>(21%) including all schools in Mogilev region. The Government is proceeding with a staged rollout, which is expected to expand coverage in every subsequent year. In 2017 the Government started piloting PSF for preschool institutions (90 of them are currently covered).</p> <p>Average class size in participating schools increased by 0.5 student. Despite an increase in the number of students (by 3,600 students) in urban schools, only 33 new classes were opened by 2016. The ratio of the number of students and teachers of institutions of general secondary education in Baranovich (the only project zone in the original project design) participating in the pilot project in 2015 stood at 9.2, and in 2017 this ratio was 9.47.</p> <p><b>Government general education reform strategy informed</b> as evidenced by:</p> <p><i>18a. Piloting of per-student financing mechanism and wider autonomy in selected general secondary schools implemented (at least in 3 cities/oblasts) by 2015 (Y/N) [achieved]</i></p> <p>In 2015 PSF piloting began in 34 urban schools across all regions of Belarus. In 2016 it was scaled up to 188 schools (15 rural schools) and in 2017 to 642 schools (254 rural schools).</p> <p><i>18b. Results achieved in pilots are reflected in the national reform strategy in the education sector by 2016 (Y/N) [achieved]</i></p> <p>The State Program on Education and Youth Policy for 2016-20 sets quantitative targets for school network optimization and increases in</p>	<p><u>IBRD ASA</u> Programmatic Education TA (FY13-15) IDF Grant for Strengthening Evidence-Based Policymaking for Education Sector Reforms Project (FY15-18) Belarus Education PSIA (FY15-16) Higher Education TA (FY17)</p> <p><u>IBRD Lending</u> Health System Modernization Project (FY17)</p> <p><u>IBRD ASA</u> Improving Quality of Health Care TA (FY14-16) Optima Tuberculosis Modelling Study and Policy Dialogue on Tobacco Taxation (FY17)</p>	<p>from a totally foreign concept to an accepted practice of financing schools. The main lessons learned are as follows: Bank support for education reforms in Belarus is only effective when those reforms are done at a pace acceptable to the Government. In the case of PSF, it took 2 years for the technical staff in the Ministries of Education and Finance to navigate and examine various approaches to reforming school financing mechanisms and adopt all necessary policy documents by policymakers. After the appropriate channels of decision making were identified and the policymakers could see the advantages of this approach the PSF pilot was launched and has been implementing successfully and expanding since 2015. Once political will is in place, technical capacity building for the design and monitoring of reforms is essential. Piloting of PSF could only proceed at a pace that accommodated the concurrent need for training and capacity building among the respective implementing agencies. In this case, the Bank's technical support proved crucial.</p>
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	average class sizes of general secondary schools.		
<b>Outcome 19. Policy framework for health sector reforms improved</b> as evidenced by: <i>Health sector reforms strategy developed by 2017 with design reflecting international experiences (Y/N)</i>	<p><b>Outcome 19 [achieved].</b> The Government adopted the State Program <i>Health of the Nation and Demographic Safety of Belarus for 2016-20</i> in February 2017. The Bank project rolls out this strategy, which supports further development of primary health care and management information system to integrate PHC and hospital care.</p> <p><b>Government health care reform strategy informed</b> as evidenced by:  <i>19a. Consultative process on health reforms strategy conducted with development partners and main stakeholders (Y/N) [achieved]</i></p> <p><i>Health System Modernization Project</i> is under implementation to support reforms.</p>		Bank-supported Health Sector TA Program helped build consensus for sector modernization.

## CPS CLR Attachment 2: Assessment of How Well the Indicators Measure Achievement of the Outcome

PILLAR 1: Improving competitiveness of the economy by supporting structural reforms			
Result Area 1. Economic stability and competitiveness			
CPS Outcomes			Assessment of how well the indicators measure achievement of the outcome
<b>Outcome 1 [mostly achieved]. Progress made in structural reforms</b> as measured by the following scores of the EBRD Transition Indicator:			<b>Well:</b> the EBRD indicator has been the standard used to measure progress in transition and uses a clear methodology, with easily available data. The indicator is also attributable to measures agreed to and implemented by the Government with WBG support. EBRD stopped using the indicator during CPS implementation, but progress could continue to be monitored using the standard methodology.
Indicator	2014 (baseline)	2017 (target)	
Governance and Enterprise Restructuring	1.7	2.0	
Price Liberalization	3.0	3.3	
Trade & Forex System	2.3	2.7	
Competition Policy	2.0	2.3	
<b>Outcome 2 [achieved]. More transparent management of public resources</b> as measured by: <i>PEFA PI10 - public access to key fiscal information</i> Baseline: C (2009) Target: B (2017) <b>[achieved]</b> <i>PEFA PI17 - recording and management of cash balances, debt and guarantees</i> Baseline: C+ (2009) Target: B+ (2017) <b>[achieved]</b>			<b>Well:</b> These indicators are standard PEFA progress scores and were implemented by the Government with WBG support. The PFM operation under implementation provides support for further planned improvements.
Result Area 2. Deepening financial intermediation on market-based terms			
<b>Outcome 3 [not achieved]. Improved financial inclusion</b> as evidenced by: <i>Share of population with savings account at a formal financial institution increased:</i> Baseline: 19% (2012) [18.6% male, 19.3% female] Target: 30% (2017) [30% male, 30% female]			<b>Moderately poorly:</b> The indicator itself was a good marker for improved financial intermediation in Belarus. The challenge was that achievement could not be directly attributable to WB supported activities; achievement was dependent on the choices of individuals, linked in turn to broader economic growth; the economy was already in recession in 2015, when the PLR was conducted. External factors played a key role in causing the recession, though there were underlying vulnerabilities in the economy.
<b>Outcome 4 [achieved]. Increased diversification of financial market</b> as measured by: <i>Reduced flow of government directed lending on non-market terms (percent of GDP)</i> Baseline: 7.0% (2013) Target: 4.0% (2017) <b>[achieved]</b> <i>Increased availability of financing for MSMEs up to US\$10 million per annum (Y/N) [achieved]</i>			<b>Well:</b> Reducing directed lending on non-market terms to SOEs is a key element in moving towards a level playing field for lending to private sector investors and for reducing distortions in financial markets. The indicator on increased lending to MSMEs, though with a modest target, was supported by WBG activities and provides a marker toward diversification of lending products. Both

	outcomes were included in Country Development Goals (CDGs).
<b>Result Area 3. Liberalized environment for private sector investment</b>	
<b>Outcome 5 [not achieved]. Improved business environment for private entrepreneurs/investors</b> evidenced by: <i>Growth in newly created private enterprises and individual entrepreneurship</i> Baseline: 8% (2010) Target: 12% (2017) <i>A number of legal entities stating unstable legislation as a severe obstacle for business</i> Baseline: 59% (2012) Target: 34% (2017)	<b>Moderately poorly:</b> The first of the two indicators was not directly attributable to WBG activities and does not itself measure improvements in the business environment. The second indicator does and was attributable to WBG-supported government implemented activities.
<b>Outcome 6 [not achieved]. Stronger reliance of the economy on private sector</b> evidenced by <i>growing share of MSMEs in employment</i> Baseline: 26.3% (2012) Target: 30% (2017)	<b>Moderately poorly:</b> The indicator was not directly attributable to WBG activities but linked to the broader economy. It represented some ways of “scaling up” of outcome 4 and could perhaps also have been merged with it.
<b>PILLAR 2: Improved efficiency and quality of public infrastructure services, enhanced and sustainable use of agricultural and forestry resources and increased global public good benefits</b>	
<b>Result Area 1. Enhanced energy security and efficiency of resource use</b>	
<b>Increased energy efficiency in the Bank-supported projects</b> as measured by: <b>Outcome 7 [achieved]. Reduced annual gross consumption of energy resources</b> Baseline: by 15 ml m3/year (2012, PCRPP) Target: by 134 ml m3/year (2017), including through: PCRPP: by 26 ml m3/year EEP: by 87 ml m3/year EEP AF: by 21 ml m3/year	<b>Well:</b> Reduced energy consumption is a reasonable measurement of efficiency in a country with stable/declining population and mature economic structure and was directly attributable to WBG supported interventions. It helps measure Belarus’ progress in decreasing dependence on imported energy, an important CDG. Reduced energy consumption, furthermore, reduces the costs and increases the social acceptability of future tariff increases. The targets chosen are directly attributable to WBG interventions.
<b>Outcome 8 [mostly achieved]. Reductions in carbon emissions through Bank-supported projects (tonnes per year, CO<sub>2</sub> equivalent)</b> Baseline: 40,800 (2012, PCRPP) Target: 53,029 (2013, PCRPP, EEP) 66,381 (2014, PCRPP, EEP) 125,427 (2015, PCRPP, EEP) 213,621 (2016, PCRPP, EEP) 253,675 (2017, PCRPP, EEP)	<b>Well:</b> The indicator helps assess progress with climate change mitigation. (Belarus is party to the 2015 Paris Climate Change agreement and submitted its Intended Nationally Determined Contribution (INDC) in advance of the meeting). Climate change mitigation was not a core theme of the CPS, but one objective of the energy operations was to support GHG emissions reductions. Climate change management is a core element of the overall WBG strategy and 2016 Climate Action Plan. Targets are directly attributable to WBG interventions.



<p><b>Outcome 9 [partially achieved]. Increased use of renewable energy resources in the Bank-supported projects</b> as measured by:  <i>Annual energy amount of renewable fuel used</i>            Baseline: 23,350 MWh/year (2012, PCRPP)            Target: 200,000 (55,000 + 145,000 MWh/year (2017, PCRPP and BDHP)</p>	<p><b>Well:</b> The indicator measures progress with a key objective in the WBG supported government energy strategy, and targets are directly attributable to WBG interventions. Use of renewables, which are domestically produced, also reduces dependence on imports.</p>
<p><b>Result Area 2. Improved standards in the agriculture and forestry sectors</b></p>	
<p><b>Outcome 10 [achieved]. Forestry sector reform roadmap developed</b> as evidenced by:  <i>Forest sector reform strategy developed and adopted</i>            (Y/N)</p>	<p><b>Well:</b> The forest sector reform roadmap was supported by WBG ASA, which contributed to a lending operation now underway, whose objective is to improve forest and silvicultural management and enhance forests' public good contributions; this second aspect is increasingly important in European forest management policy.</p>
<p><b>Outcome 11 [mostly achieved]. The cost of compliance for agri-business reduced</b> as evidenced by:            (a) The system of food safety control is aligned with EU practice as confirmed by IFC expert and EU missions (Y/N) <b>[achieved]</b>            (b) Belarus dairy and poultry sectors get approved by EU for exports (Y/N) <b>[partly achieved, Yes for dairy, and No for poultry sectors]</b></p>	<p><b>Well:</b> The indicator was attributable to government implemented WBG-supported interventions and a good marker for improved competitiveness in the agri-food sector, including for creating enabling conditions for diversification of exports to EU markets.</p>
<p><b>Outcome 12 [achieved]. Increased efficiency of food sector:</b> US\$30 ml in increased sales for client companies of Food Safety Project (Y/N)</p>	<p><b>Moderately Well:</b> The indicator illustrates the broader impact of the support for improved safety; there could, however, be an argument for combining outcomes 11 and 12, with two indicators.</p>
<p><b>Result Area 3. Improved public infrastructure and municipal public utility services</b></p>	
<p><b>Outcome 13 [achieved]. Improved quality of supplied water</b> as measured by:  <i>Population provided with access to drinking water compliant with national quality standards</i>            Baseline: 0 (2013)            Target: 277,000 (2017)</p>	<p><b>Well:</b> The indicator is attributable to WBG supported, government implemented interventions; good quality drinking water is important also for peoples' broader wellbeing and health and is a key CDG.</p>
<p><b>Outcome 14 [achieved]. Improved performance of wastewater treatment systems</b> as measured by:  <i>% of regulatory treated wastewater samples complying with national standards for BOD, nitrogen and phosphorus levels</i>  <u>Dubrovno:</u>            Baseline: 0% (2013)            Target: &gt;95% (2017)  <u>Baranovich, Pinsk:</u>            Baseline: 90% (2013)            Target: &gt;95% (2017)  <u>Gantsevichi:</u>            Baseline: 80% (2013)            Target: &gt;95% (2017)  <u>Gorodok:</u>            Baseline: 71% (2013)</p>	<p><b>Well:</b> The indicator is attributable to WBG-supported government implemented interventions; improved wastewater quality, like drinking water, forms part of CDGs for improved quality of life by improving the quality of water discharged into water receiving bodies.</p>

Target: >95% (2017)	
<b>Outcome 15 [partially achieved]. Reduced amount of waste disposed at landfill and higher rates of material recovery from solid waste</b> as measured by: <i>Tons of waste that will not be buried in the landfill due to the new facility</i> Baseline: 0 (2013) Target: 20,000 (2017)	<b>Well:</b> The indicator is attributable to WBG-supported government implemented interventions; improved systems for recycling solid waste form part of government broader program for improved management of the living environment.
<b>Outcome 16 [achieved]. Transport costs for road users on the upgraded sections of the M5 road reduced</b> as measured by: <i>Reduced Vehicle Operating Cost, %</i> Baseline: 100% (2013) Target: 94% (2014)	<b>Well:</b> The indicator is attributable to WBG-supported government implemented interventions; it is a “marker” for increased efficiency in the transport sector; one of the CDGs is to develop Belarus’ potential as a transit country.
<b>Outcome 17 [achieved]. Road safety improved on the upgraded sections of the M5 road</b> as measured by: <i>Reduction in number of traffic fatalities</i> Baseline: 12 (2010) Target: 5 (2014)	<b>Well:</b> Improved road safety is a key indicator of improved road traffic management. It could be argued that improvements are due to behavioral change as well as to the WBG-supported road upgrading, but Belarus also has effective road safety policies in place and recognizes the importance of both “social” and “physical” capital in this regard.
<b>PILLAR 3: Improved human development outcomes through better delivery of education, health and social services</b>	
<b>Result Area 1: Laying the ground for increased efficiency of health and education services delivery</b>	
<b>Outcome 18 [mostly achieved]. Continued reforms in the area of school network reorganization</b> as measured by: <i>Rollout of per-student financing started by 2017 (Y/N)</i>  <i>Increased school autonomy and improved efficiency indicators (class-size, student-teacher ratio) in pilots by 2016 – baselines and targets to be established under Education Sector TA (Y/N)</i>	<b>Well:</b> WBG-supported ASA helped build consensus for improvements in the quality and efficiency of school management, and a WBG-supported investment project is now rolling out these and other improvements in education. Human development at all levels is a core CDG.
<b>Outcome 19 [achieved]. Policy framework for health sector reforms improved</b> as evidenced by: <i>Health sector reforms strategy developed by 2017 with design reflecting international experiences (Y/N)</i>	<b>Well:</b> WBG-supported ASA helped build consensus for improvements in health service delivery, including in integration between different levels of the health service, improved diagnostics and prevention and treatment of non-communicable diseases. A WBG-supported investment operation is helping with implementation of key improvements.

**Overall, indicators were appropriately chosen in relation to the key objectives (result areas).** Progress indicators were mostly attributable and although some were modest they were realistic in the time-frame, given what could be achieved over a four-year period. The ongoing program was appropriately emphasized, though the indicators selected, while attributable and measurable, do not illustrate directly the macro-economic importance of key programs such as investments in reducing energy consumption and improving efficiency. Importantly, the indicators selected were also consistent with government program targets and broader development goals and could be directly measured. The possible exceptions are with regard to some of the outcome indicators under result area 1, which were not all directly

attributable. Possibly also given the modest scale of activities of pillar 1, which comprised largely ASA, there were too many result areas (6 out of 19); there could have been an argument for merging some of these. Since, however, improving competitiveness and structural reforms are key to long-term growth, it was appropriate to give this pillar prominence.

**CPS CLR Attachment 3: Planned IBRD Financing Program and Actual Deliveries**

Original CPS Lending Program (US\$ ml)		Status June 2017 (US\$ ml)	
FY14-FY15			
PFM Modernization	100.0	Moved to FY16	
Biomass District Heating	90.0	Biomass District Heating	90.0
Water Supply/Sanitation AF	60.0	Water Supply/Sanitation AF	90.0
Forest Management Improvement	40.0	Forestry Development Project	40.71
		Transit Corridor Improvement	250.0
FY14-15 Total	290.0	FY14-15 Total	470.71
Progress Report Plans		Status June 2017	
FY16-17			
PFM Modernization	10.0	PFM Modernization	10.0
Belarus Education	50.0	Belarus Education	50.0
Health System Modernization	125.0	Health System Modernization	125.0
Competitiveness Improvement	120.0	Scaled down to MSME Access to Finance and moved to FY18	(60.0)
Development Policy Operation	200.0	Dropped	
FY16-17 Total	505.0	FY16-17 Total	185.0
		Overall TOTAL	655.71

**CPS CLR Attachment 3a: Planned IFC Financing Program and Actual Deliveries**

Original CPS Lending Program (US\$ ml)		Status June 2017 (US\$ ml)	
FY14-FY15			
Trade Finance	100.0	Trade Finance	148
MSME Lending		MSME Lending	13.0
Energy Efficiency Financing	40.0	Energy Efficiency Financing	0
Renewable Energy Finance		Renewable Energy Finance	0
Agriculture Project		MAS Projects	24.0
FY14-FY15 Total	140.0	FY14-FY15 Total (LTF+STF)	185
Progress Report Plans		Status June 2017	
FY16-FY17			
Trade Finance	20.0	Trade Finance	6.7
MAS Investments	75.0	MAS Investments	44.0
Resource Efficiency Finance	10.0	Resource Efficiency Finance	0
Renewable Energy Finance	10.0	Renewable Energy Finance	0
FY16-FY17 Total	95.0	FY16-FY17 Total (LTF+STF)	50.7
		Overall TOTAL (LTF+STF)	235.7

Effective Date	Expiry Date	Investor Name	Project Name	Business Sector	Investor Country	Priority Area	Risk Covers	Gross Exposure (\$US)
03/31/2015	03/30/2018	Raiffeisen Bank International AG	Priorbank J.S.C.	Financial	Austria		EXP	129,987,550
								129,987,550

## CPS CLR Attachment 4: Planned Non-Lending Activities and Actual Deliveries (FY14-17)

Planned Completion	Activity	Planned in CPS	Status June 2017
FY13-15	Programmatic Structural Reform TA	X	Delivered (FY13-17)
FY13-15	Trade Policy/WTO Accession	X	Delivered (FY13-15)
FY13-16	Fiscal Policy Dialogue, including PER Follow Up, PEFA, Debt Management	X	Delivered (PEFA FY14) and ongoing (FY13-17)
FY13-16	Financial Sector Policy Dialogue TA, TA to Development Bank of Belarus and Regulation/Supervision of NBFIs. Consumer Protection Financial Literacy TA. Problem Bank Resolution and Deposit Insurance Frameworks	X	Delivered (FY13-17)
FY13-16	Pilot Enterprise Privatization TA	X	Ongoing (FY13-18)
FY14	FSAP Development Module	X	Delivered (FY14, FY17)
FY15	Statistical Capacity Building TA	X	<i>Dropped</i>
FY15	Regional Development AAA	X	Delivered (FY15)
FY14	Regulatory Simplification, Investment Climate Improvement TA (IFC)	X	Delivered (FY14)
FY15	Sector-Specific Business Regulation, including Agribusiness (IFC)	X	Delivered (FY15-17)
FY13-17	FLEG II	X	Delivered (FY13-17)
FY11-15	Strengthening Capacity for M&E of Agricultural Policy Instruments	X	Delivered (FY11-15)
FY15	Municipal Service Performance Review	X	<i>Dropped</i>
FY14	Sectoral Support to Reforming Sectors	X	<i>Dropped</i>
FY14-15	Carbon Investments (IFC)	X	<i>Dropped</i>
FY10-13	Food Safety Project (IFC)	X	Delivered (FY14)
FY13-16	Environmental, Social and Trade Standards Program (IFC)	X	Delivered (FY15-17)
FY13-15	Education Sector TA	X	Delivered (FY13-15)
FY14-16	Health Sector TA	X	Delivered (FY14-16)
FY13-15	Employment/Labor Market TA	X	Partially delivered (FY14: Belarus Labor Force Survey)
FY15-16	Long-Term Care AAA	X	<i>Dropped</i>
FY14	ECCU2 Regional Labor Market TA		Delivered (FY14)
FY14-15	Heat Tariff Reform and Social Impact Mitigation Study		Delivered (FY14-15)
FY16-17	Belarus Shared Prosperity		Delivered (FY16-17)
FY14-16	Programmatic Private Sector Development TA		Delivered (FY14-16)
FY15	Development of SME Organization		Delivered (FY15)
FY15	Advice on National Quality Infrastructure		Delivered (FY15)
FY15	Advice on Minority Shareholders' Rights		Delivered (FY15)
FY15	SME Development Strategy		Delivered (FY15)
FY17	Strengthening Public Investment Management and Public Private Partnerships		Ongoing (FY17-18)
FY16-17	Tariff Reform and Social Impact Mitigation Study (Update)		Ongoing (FY16-18)
FY14-16	Trade Finance (IFC)		Delivered (FY14-17)
FY14-17	National Quality Infrastructure and Business Regulations TA (IFC)		Delivered (FY14-17)
FY14	Social Accountability of Municipal Services		Delivered (FY14)
FY15-16	Scaling-Up Energy Efficiency in Buildings		Delivered (FY15-16)

FY16	End-User Heat Control and Cost Allocation Study		Delivered (FY17)
FY17	Energy Sector Review		Ongoing (FY17-18)
FY17	Railway Logistics Strategy		Ongoing (FY17-18)
FY16-17	ICT Strategy Support for Belarus		Ongoing (FY17-18)
FY16-17	ICT Industry Development in Belarus		Ongoing (FY17-18)
FY15-16	Advisory on Reducing Border Management Time		Delivered (FY17)
FY16-17	Strengthening Social Protection TA		Delivered (FY17)
FY15-16	Belarus Education PSIA		Delivered (FY16)
FY17	Higher Education TA		Delivered (FY17)
FY17	Optima Tuberculosis Modelling Study and Policy Dialogue on Tobacco Taxation (FY17)		Delivered (FY17)

**CPS CLR Attachment 5: Selected Indicators of Bank Portfolio Performance and Management**  
**As of March 24, 2017**

<b>Indicator</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>
<b>Portfolio Assessment</b>				
Number of Projects Under Implementation <sup>a</sup>	6	7	9	9
Average Implementation Period (years) <sup>b</sup>	4.4	3.5	3.6	3.6
Percent of Problem Projects by Number <sup>a, c</sup>	1	0	0	0
Percent of Problem Projects by Amount <sup>a, c</sup>	42.51	0	0	0
Percent of Projects at Risk by Number <sup>a, d</sup>	1	1	0	0
Percent of Projects at Risk by Amount <sup>a, d</sup>	42.51	42.51	0	0
Disbursement Ratio ( percent) <sup>e</sup>	36.9	11.7	15.3	28.4
<b>Portfolio Management</b>				
CPPR during the year (yes/no)	Yes	Yes	Yes	Yes
Supervision Resources (total US\$)				
Average Supervision (US\$/project)				
<b>Memorandum Item</b>				
Projects Evaluated by IEG by Number	1	0	0	1
Projects Evaluated by IEG by Amount (US\$ millions)	79.95	0	0	150
percent of IEG Projects Rated U or HU by Number	0	0	0	0
percent of IEG Projects Rated U or HU by Amount	0	0	0	0

a. As shown in the Annual Report on Portfolio Performance.

b. Average age of projects in the Bank's country portfolio.

c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).

d. As defined under the Portfolio Improvement Program.

e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.

\* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.



**Annex 3. Selected Indicators of Bank Portfolio Performance and Management**  
**As of November 30, 2017**

Indicator	FY15	FY16	FY17	FY18
<b>Portfolio Assessment</b>				
Number of Projects Under Implementation <sup>a</sup>	7.0	8.0	8.0	9.0
Average Implementation Period (years) <sup>b</sup>	3.5	3.5	3.9	3.9
Percent of Problem Projects by Number <sup>a,c</sup>	0.0	0.0	0.0	0.0
Percent of Problem Projects by Amount <sup>a,c</sup>	0.0	0.0	0.0	0.0
Percent of Projects at Risk by Number <sup>a,d</sup>	14.3	0.0	0.0	0.0
Percent of Projects at Risk by Amount <sup>a,d</sup>	4.5	0.0	0.0	0.0
Disbursement Ratio ( percent) <sup>e</sup>	11.7	15.3	28.4	13.0
<b>Portfolio Management</b>				
CPPR during the year (yes/no)				
Supervision Resources (total US\$)				
Average Supervision (US\$/project)				

Memorandum Item	Since FY80	Last Five FYs
Proj Eval by OED by Number	9	2
Proj Eval by OED by Amt (US\$ millions)	621.6	226.1
percent of OED Projects Rated U or HU by Number	22.2	0.0
percent of OED Projects Rated U or HU by Amt	24.1	0.0

a. As shown in the Annual Report on Portfolio Performance (except for current FY).

b. Average age of projects in the Bank's country portfolio.

c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).

d. As defined under the Portfolio Improvement Program.

e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.

\* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

**Annex 4. Operations Portfolio (IBRD/IDA and Grants)**  
**As of October 31, 2017**

**Closed Projects**

**13**

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**IBRD/IDA\***

Total Disbursed (Active)	462.18
of which has been repaid (1)	46.84
Total Disbursed (Closed)	504.31
of which has been repaid	225.22
Total Disbursed (Active + Closed)	966.48
of which has been repaid	272.06
Total Undisbursed (Active)	524.58
Total Undisbursed (Closed)	
Total Undisbursed (Active + Closed)	524.5802653

**Active Projects**

Project ID	Project Name	Last PSR		Fiscal Year	Original Amount in US\$ Millions				
		Supervision Rating			IBRD	IDA	Grants	Cancel.	Undisb.
		Development Objectives	Implementation Progress						
P148181	Belarus Education Modernization Project	S	S	2016	50.0	0.0		0.0	40.2
P147760	Belarus Forestry Development Project	S	S	2015	40.7	0.0		0.0	22.2
P152636	Belarus Forestry Development Project	S	S	2015	0.0	0.0	2.7	0.0	2.2
P146194	Biomass District Heating	S	S	2014	90.0	0.0		0.0	41.8
P108023	Energy Efficiency Project	S	S	2009	215.0	0.0		0.0	8.6
P156778	Health System Modernization Project	S	S	2017	125.0	0.0		0.0	124.2

P152276	MSME Access to Finance Project	#	#	2018	60.0	0.0	0.0	60.0
P146997	PFM Modernization Project	S	MS	2016	10.0	0.0	0.0	9.1
P149697	Transit Corridor Improvement Project	S	S	2015	250.0	0.0	0.0	165.8
P101190	Water Supply and Sanitation	MS	S	2009	150.0	0.0	0.0	50.5
<b>Overall Result</b>					<b>990.7</b>	<b>0.0</b>	<b>2.7</b>	<b>0.0</b>
								<b>524.6</b>

\* Disbursement data is updated at the end of the first week of the month.

a. Intended disbursements to date minus actual disbursements to date as projected at appraisal.

**Annex 5. Statement of IFC's Held and Disbursed Portfolio**  
**As of November 30, 2017**

Commitment Fiscal Year	Institution Short Name	Committed (In US\$ Millions)					Disbursed Outstanding (In US\$ Millions)				
		Loan	Equity	Quasi Equity	Guarantee / Risk Management	Participant Loan	Loan	Equity	Quasi Equity	Guarantee / Risk Management	Participant Loan
2015	<u>A-100</u>	8.3	0	0	0	0	8.3	0	0	0	0
2011/16/12	<u>Alutech</u>	36.8	0	0	0	0	36.8	0	0	0	0
2010/ 13/14/11/15/12	<u>BPS-Bank</u>	0	0	0	0.1	0	0	0	0	0	0
2010/13/17/14/11/15/16/12	<u>Belnarodny</u>	2.6	0.7	0	3.5	2.3	2.6	0.7	0	2.8	2.3
2018/17	<u>Belinvestbank</u>	0	0	0	1.0	0	0	0	0	1.0	0
2012	<u>DB Juice</u>	0	3.3	0	0	0	0	3.3	0	0	0
2009/10/13/18/14/17/11/15/12	<u>MTBank</u>	0	0	0	0.8	0	0	0	0	0.8	0
2013/16/08	<u>Rubliovskiy</u>	10.9	0	10.0	0	0	10.9	0	10.0	0	0
2016	<u>Strominvest Group</u>	5.9	0	0	0	0	5.9	0	0	0	0
<b>Total Portfolio</b>		<b>64.5</b>	<b>4.0</b>	<b>10.0</b>	<b>5.3</b>	<b>2.3</b>	<b>64.5</b>	<b>4.0</b>	<b>10.0</b>	<b>4.5</b>	<b>2.3</b>

**Annex 6. Planned MIGA Financing Program and Actual Deliveries  
As January 30, 2018**

*Active Guarantee Detail*

Managem ent Sector	Contract	Effective Date	Expiry Date	Investor Name	Project Name	Business Sector	Region Name	Host Country	Investor Country	Priority Area	Risk Covers	Gross Exposure (\$US\$)
FINCAP	14072-01	3/31/2015	3/30/2018	Raiffeisen Bank International AG	Priorbank J.S.C.	Financial	Europe and Central Asia	Belarus	Austria		EXP	129,987,550
Grand Total	1 Contract											129,987,550

Note: Contract was issued in Euro in the amount of Euro 104.5 million.

## **Annex 7. Development Partners and Areas of Cooperation**

**The WBG will continue to coordinate closely with development partners in the implementation of the CPF.** There is no formal aid coordination mechanism in Belarus. Coordination among development partners has therefore until now been mostly bilateral and sectoral. However, the World Bank will respond to the suggestion of several development partners during CPF consultations to establish a development partner discussion forum. The World Bank is also participating in the Mainstreaming, Acceleration and Policy Support (MAPS) process for the implementation of the Sustainable Development Goals (SDGs), with a particular focus on the acceleration of economic growth and the prioritization of public spending.

**In Focus Area 1. Creating opportunities for private sector to grow and for more efficient public investment** the WBG will coordinate on structural reform advice and macro-economic monitoring with the IMF, the EDB and EBRD. The World Bank will provide advice on bank supervision, state-owned enterprise policy, tax administration, public financial management and the update of the Structural Reforms Roadmap in collaboration with the IMF. Investment climate, public-private partnership and private sector development advice will be coordinated with the EBRD, EU, UN, USAID and SIDA.

**EU-financed Trust Funds on economic policy support and private sector development will greatly increase the level of World Bank and IFC advisory activity compared with the previous CPS.** They will cover advice on fiscal management, social protection, unemployment assistance, utility tariffs, financial sector supervision, public enterprises, the investment climate, public-private partnerships (PPPs), secured transactions, investment promotion and retention, supply-chain development and enterprise strategy. The PPP advice will build on an earlier EU/UNDP project. The Austrian-funded Privatization Project will focus its final year on the mobilization of foreign investments. Korean-funded advisory services on the digital economy and paperless trade will also end in FY18.

**In Focus Area 2, Maintaining the country's human capital edge,** the WB intends close cooperation with the EU and UNICEF on the quality and efficiency of secondary and tertiary education, skills, training and retraining. Increased collaboration is expected with the WHO, UNFPA and UNICEF on primary health care, non-communicable diseases, tobacco control, TB prevention and the optimization of health expenditures.

**In Focus Area 3, Improving contribution of infrastructure to climate change management, economic growth and human development,** the World Bank hopes to finance urban utilities and energy efficiency in parallel with the EBRD, EIB and Nordic Investment Bank (NIB). The World Bank is serving a secretariat function for the European Union on the Eastern Partnership Transport Panel process.

## Annex 8. Summary of Consultations

**CPF priorities were informed by consultations with national and local government, representatives of the private sector, civil society, academia and development partners.** The WBG initiated in-country CPF consultations in Minsk and Brest in May 2017, a second round was organized in October-November 2017 in Minsk and Grodno, and a third in Minsk and Mogilev in January-February 2018. The CPF benefited from (i) face-to-face consultations; (ii) online feedback, (iii) the 2016 Country Opinion Survey and (iv) inter-ministerial consultations.

(i) **Consultations confirmed a broad consensus with respect to the CPF focus areas.** There was agreement on the need to continue promoting greater efficiency, transparency and accountability of the public sector, strengthening the private sector, and better use of infrastructure. Stakeholders also stressed the need to improve the quality of training and the importance of linking the skills produced by the education system with labor market demand.

**Stakeholders invited the WBG to support a national debate on structural transformation, providing a platform for the exchange of opinions and sharing global experience.** In particular CSOs called for increased outreach and engagement beyond Government and opportunities for all groups in society to participate in WBG-supported programs, including in knowledge and analytical activities.

**Business representatives emphasized the need for a growth model driven by the private sector, and stressed that the enforcement of legislation to protect property rights was a critical factor for all domestic enterprises as well as for Belarus's attractiveness to foreign investors.** They believe the WBG has a role in improving channels of communication between Government and business, including through support for enterprise surveys. Business representatives made the following recommendations to the WBG:

- Improve access to finance for business development, and competition;
- Improve the transparency and accountability of economic institutions by means of e-government, better access to data and information and enterprise surveys;
- Help improve the relevance of education to labor market needs, make business education accessible at the regional level, support the management training initiatives of business schools and unions of entrepreneurs.

**Development partners advised the World Bank Group to shift the balance of its effort somewhat from investment lending to policy advice.** They predicted that rapid policy change would not be forthcoming. They requested the World Bank to convene meetings of Development Partners. A number of themes for sectoral coordination were identified: support to public sector reforms, private sector development, education, health, social protection, energy, transport, utility services, and access to information and data.

(ii) **Online feedback-mechanism was launched in November 2017.** A web-based poll in English and Russian captured the views of 120 people. The online-consultations reveal that:

- 97 percent of respondents believe it is time to restructure the economy, even if it brings job losses to some people;
- 62 percent of respondents said that the Bank Group should program its activities for only two years because of the uncertainty;
- The main risks to the CPF implementation were: government resistance to policy changes, government performance and capacity and macroeconomic risks;

- The highest priorities for WB finance were private sector development, increased quality and efficiency of education and energy efficiency;
- The highest priorities for education projects were alignment of higher education with Bologna process and better matching of education to demand from employers;
- If WB finances a utility services project its main results expected should be reduced government subsidies, better disposal of solid waste, better water quality and better-targeted social assistance to help poor people with their energy bills.
- Respondents would like to see the Bank collaborate more with civil society and the private sector and recommended developing country-focused social media based communication.

**(iii) Key findings from the Client Survey conducted in 2016 include:**

- Respondents' vision of development priorities is aligned to FY18-22 CPF priorities: private sector development; public sector reform and economic growth;
- WBG resources should go to public sector reform, economic growth and the energy sector;
- The WBG is rated highly as a long-term partner and its greatest value is seen as its financial resources and policy advice;
- The more stakeholders engage with the Bank, the more positive perception of the WBG they have.

**(iv) Inter-ministerial consultations on WBG support' priorities initiated in May 2017** and coordinated by the Ministry of Economy helped to identify CPF priority areas and specific projects (lending and ASA) for WBG support in FY18-20.