

**1. CAS Data**
**Country: Belarus**
**CAS Year: FY 2002**
**CAS and ISN Period: FY 2002- FY 2004**
**CASCR Review Period: FY 2002-2006**
**Date of this review: November 2007**
**2. Executive Summary**

i. As the CAS was a joint strategy between the Bank and the IFC, this review of the CASCR covers the Bank-related aspects and is evaluated by the IEG-WB; IFC-related aspect of the CASCR are reviewed by IEG-IFC, whose review is included as Attachment 1.

ii. This CASCR Review examines the implementation of the FY 2002-2004 Belarus CAS, which was extended to FY 2006 due to the lack of progress in reforms and limited progress on the agreed agenda. The Bank postponed a new CAS to 2007 and used the FY 2002 - FY 2004 CAS to cover the period FY 2002 to FY 2006. The CASCR covers the FY 2002-FY 2006 period.

iii. This review rates the overall outcome of the FY 2002-2006 CAS as *moderately satisfactory*, and notes that the CASCR did not rate the overall outcome of the CAS or individual outcomes of each pillar. The CAS supported the development objectives of the Government, which were to address global public goods, mitigate social risks and foster private sector development with specific components in each pillar.

iv. The first pillar was *addressing the global public goods agenda*: This review rates Bank's contribution under the pillar as *satisfactory*. The Bank supported reducing the incidence of AIDS and TB, improving the environment, increasing energy efficiency and reforming the financial sector. With respect to AIDS and TB, while the Bank prepared a project, the Government undertook an AIDS project on its own and postponed work on a TB project. Bank's analytical work contributed to the AIDS project. The incidence of AIDS and TB epidemics had declined significantly but began to increase recently. The Bank's analytical support related to the environment helped in the design of environmental institutions, mainstream environmental concerns and enhance international compliance. The Bank contributed to energy efficiency through its work related to the Social Infrastructure Retrofitting Project (SIRP), which helped improve energy efficiency in schools and hospitals. National energy intensity declined by 25 percent between 1999 and 2005. The Bank's work on the financial sector and public expenditure, jointly with the IMF, contributed to improved fiscal transparency, enhanced budget coverage and reporting and auditing of off-budget items. Notwithstanding these achievements, the Bank's overall contribution to the pillar had mixed outcomes, as evidenced by the remaining agenda for reform in the health sector, the rising incidence of AIDS and the continuing vulnerability of the financial system.

v. The second pillar was *mitigation of social risks*: This review rates the Bank's contribution as *moderately satisfactory*. One objective of the pillar was to address Chernobyl-type risks. The Chernobyl Review prepared by the Bank emphasized economic development in affected areas, where twenty per cent of the Belarus population lives. It also led to a US\$50.0 million Post-Chernobyl Recovery project to provide energy efficient and reliable heat and hot water to the affected areas. Another objective under the pillar was to design social safety nets. The Bank helped to define a Unified Targeted Assistance System (UTAS) and prepare corresponding legislation and regulation. While no lending program materialized with respect to this component, the Bank's contribution helped to develop and implement social assistance reform. Under health reform, the Bank's Health Policy Note (HPN) provided options for reform. It was intended to build capacity at the Health Ministry and draft a medium term health strategy. However, the Government did not pursue substantive reforms

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that were needed in clinical and public health, and managerial practice.

vi. The third pillar was *fostering private sector development through a better business and investment environment*. Bank contribution is rated as *unsatisfactory*. The Bank provided analytical support. There was limited progress in reforms, with some backsliding due to changes in bankruptcy procedures and extension of the interventions in internal resource allocation in private firms. Business surveys done at the enterprise level and reported by the World Bank and the IFC record a deterioration of the business environment in 2004 compared to 2003. However, Doing Business 2008 finds Belarus among the top ten reformers in the category of starting a business—this rating is based on what is written on the laws and not on what happens on the ground and refers to the ease of establishing a limited partnership company.

vii. IEG concurs with three of the lessons identified in the CASCR, namely that the WB program should align with Governments priorities that fall within its mandate, that high quality AAA is a prerequisite for a solid dialogue with the Government, and that there is high benefit from working with others such as the IMF, USAID and the EBRD. IEG finds that back-sliding of reforms that impact the resource allocation mechanisms of the economy should be monitored closely, with less credit given to changes in the laws and more to changes in institutions and behaviors.

### 3. CASCR Summary

#### **Overview of CAS Relevance:**

1. In the early years of the CAS implementation, the country made good progress based on the new economic policy and a favorable external environment, especially with increased access to the Russian market and implicit and large gas subsidies from Russia. The proposed economic union with Russia also provided confidence to the various enterprises. This was the context in which the CAS was prepared. However, the authorities slowed down their pace of effective reforms, reflecting their continued preference for a central control of the economy. In fact, Belarus has the smallest share for the private sector at 10 percent of GDP compared to other CIS countries.

2. The trigger for the initiation of increased engagement with the WBG was the unification of exchange rates in late 2000. Around the same time, the IMF initiated a Staff Monitoring Program (SMP) to support the re-engagement and the initiation of a reform program. The program was only partly successful. While most of the targets were met, the fiscal target was not as the government increased wages in excess of productivity gains.

3. Belarus doubled GDP per capita from US\$1,380 in 2002 to US\$3,370 in 2006, as the economy rebounded from the sharp decline brought about by the collapse of the Soviet Union. Broad economic growth based on output expansion in labor intensive sectors (services, food processing, and machinery), supported by Government wage and income policies, spread the gains of growth widely. The poverty headcount ratio more than halved from 30.5 percent of the population in 2002 to 11.6 percent of the population in 2006. Some three million people were lifted out of poverty over this period, a very significant achievement compared to other FSU countries including Russia, Moldova and Ukraine. Belarus has one of the lowest incidences of poverty in the region.

#### **Overview of CAS Implementation:**

4. The CAS had planned a large program of support for the country. The issues addressed included the macroeconomic environment, price stabilization, public sector accountability and civil society development. Bank lending was proposed for health, social sector infrastructure, private sector development, and improving the environment. In all, nine projects were planned. To support these projects and development issues, twenty two pieces of analytical and advisory activities (AAA) were proposed and planned for the Bank Group (see Annex Table 2).

5. Lending: The CAS envisioned Bank assistance under two lending scenarios: a low case and a base case. The CAS was to begin with a low case lending scenario with the Bank resuming its lending operations in line with the previous (FY 99) CAS. This case was predicated on no deterioration of portfolio performance, strict adherence to financial and fiscal obligations, and no re-introduction of multiple exchange rates or equivalent restrictions. The low case envisaged concentration of activities that addressed issues of global and social nature, namely AIDS, tuberculosis, environment, and social protection. The low case lending envelope amounted to US\$140 million for the 3 year period.<sup>1</sup> The base case triggers included meeting the requirements for the low case in addition to achieving a sustainable macroeconomic situation, continued liberalization of price controls and a positive track record of implementation of a plan to improve business and investment environment. The base case lending program of US\$270 million included an additional large component for Private Sector Development (PSD).

6. Only two World Bank projects were implemented during the CAS period. The Social Infrastructure Retrofitting Project (SIRP) (FY01), and the Post-Chernobyl Recovery Project (FY06). Five projects that were planned did not take place. These included the Social Assistance Learning and Innovation Project (FY03), the TB and Primary Care Project (FY04) and the Chernobyl project (FY 03). The Government found funds for the AIDS project and felt that the TB component had become less urgent. Instead of the earlier planned Chernobyl project, the team introduced the Post-Chernobyl Recovery with a wider scope and which is now under implementation. With respect to the Social Assistance and Learning and Innovation project, the Government did a pilot project to test out the concept. The other two projects that were dropped were the Post Chernobyl Environment Project and the Social Sector TA project. The former was also incorporated into the Post Chernobyl Recovery project, while the latter was dropped due to the Government's policy of not borrowing for TA.

7. Non-Lending Services: The CAS also planned 22 economic and sector work (ESW) deliveries. Eight of them focused on the macroeconomic environment, price liberalization and public sector accountability. Fourteen of the studies were meant to support the nine projects planned in the CAS.

8. The ESW for Belarus was evaluated by QAG as satisfactory in most aspects in 2003. It also noted that 40.1 percent of country services and direct costs for Belarus went for AAA compared to a Bank wide and ECA wide averages of 24.0 percent and 26.4 percent, respectively. But the QAG found that overall impact of the AAA was "marginally satisfactory" noting that there was "a scarcity of meaningful and sustainable changes in Government policy spending and investment programs, project design and undertaking deep structural reforms".

**Overview of Achievement by Objective:**

**Pillar 1: Address Global Public Goods**

- **Reduced AIDS and TB:** While the Bank prepared a project, the Government did its own AIDS project and postponed the TB project. Today, the incidence of AIDS in Belarus has declined to 78.3 cases per 100,000 of population, to a level lower than Estonia, Moldova, Russia and Ukraine. Similarly, the incidence of TB has also declined to 66.2 cases per 100,000 to a level lower than Moldova, Russia and Ukraine. The base data for AIDS and TB are not available for a detailed comparison of the extent of the reduction of the epidemic. However, their incidence has begun to increase recently. The Bank through its analytical and advisory work helped to design the Governments AIDS and TB strategy and obtain grant-based funding.
- **Improved Environment:** Belarus adopted a national strategy to comply with international environmental requirements. The Bank's study "Building Blocks for a Sustainable Future: A Selective Review of Environment and Natural Resource Management" provided the basis for the Government to draft and environmental strategy.
- **Increased Energy Efficiency:** Belarus reduced energy intensity by 25 percent between 1999

<sup>1</sup> FY 2002-2004 CAS: Table 3, Triggers and Lending Levels.

and 2005. The Bank's SIRP contributed to the more efficient use of energy in schools and hospitals as a part of the broader Government investment program while its Rapid Social Assessment helped to increase the country's knowledge of energy issues and identify potential and actual beneficiaries.

- **Increased Transparency of Financial and Fiscal sector links:** There were considerable risks in the banking and the fiscal system associated with mandated Government loans and public sector guarantees, combined with the limited ability of the financial system to evaluate the capacity of the clients to repay. The Bank's joint work with the IMF on the Fiscal Sector Assessment Program (FSAP) in 2004 (and its update in 2006) and the Public Expenditure Review (FY 03) revealed these key vulnerabilities. These two studies contributed to improved fiscal transparency measures, enhanced budget coverage, and the reporting and auditing of off-budget funds. However, much of the risks of the banking and financial system remain, due in part to the lack of transparency in the management of publicly-owned financial institutions.
- This review rates the Bank's contribution to the pillar as *satisfactory*, while noting that the Bank's contributions to the outcomes were mixed as evidenced by the remaining agenda for reform in the health sector, the rising incidence of AIDS and the continuing vulnerability and opacity of the financial system.

#### **Pillar 2: Mitigate Social Risks**

- **Address Post-Chernobyl disaster issues:** The Post-Chernobyl project, a US\$50 million operation, was approved in FY 06. This project was approved three years later than planned but with a wider scope and a higher amount. The project, which is in its early stages of implementation, is expected to contribute to energy efficiency and reliable heat and water in the affected areas, where twenty per cent of the poor people live. The Bank's Chernobyl Review supported administrative changes, including the restructuring of the institutional arrangements, transferring functions into line ministries and local governments. This AAA paved the way for disaster relief to be treated as an economic development proposition, with widened scope going beyond getting things back to normal.
- **Provide Social Safety Nets:** The CAS lending program to support social assistance and social security did not materialize. However the Bank's principal contribution was AAA-based policy dialogue. The dialogue reportedly helped in the reform of social assistance, supported a pilot project, and helped to prepare legislation and regulation for a UTSA. The Bank also suggested a targeted and fiscally sound system of social assistance to protect the poor from adverse shocks.
- The Banks' contribution under this pillar is rated as *moderately satisfactory*, given the time taken to agree on an acceptable program and the delay in the implementation of the Chernobyl project, as well as the limited progress on social safety nets.

#### **Pillar 3: Fostering Private Sector Development**

- Even though the Government had announced its intention of encouraging private sector participation in manufacturing and the facilitation of new enterprises, it slowed down this program after an initial effort. Some of its policies have even back-tracked the movement towards a market economy (see Attachment 1, IEG-IFC review). Without significant policy reforms the environment for private sector development has remained unsupportive and the economy remained non-competitive. Belarus remains behind its trading partners in this regard.
- The World Bank provided analytical support and advice, yielding the area to IFC within the context of increased World Bank Group collaboration. IFC's activities are discussed in Attachment 1.
- The WB contribution to private sector development is rated as *unsatisfactory* given that the economy remains non-competitive, the Belarus' private sector has the smallest share of GDP in CIS countries and surveys of the business and investment environment show a deterioration of the overall business environment over time. The backsliding of reforms while making

progress on areas that show little progress on the ground points at the weakness of the Bank's contribution in this area.

9. The following conclusions arise with respect to the planning and implementation of CAS: First, a much smaller program of lending was undertaken than what was planned in the CAS. Second, as rated by QAG, the overall impact of the AAA was "marginally satisfactory," as reflected in the government's actions, particularly regarding its national health policy and the better targeting support to the rural poor. Third, the focus on public goods, mitigation of social risks (including the Chernobyl disaster) and fostering private sector development as the Bank strategy was appropriate since it reflected the Governments priorities. However, the Government did not show much enthusiasm for supporting the development of the private sector. In fact the Government back-slided in this area as noted by its assertion that it preferred to keep the production structure with respect to industry unchanged. Fourth, the apparent change in the government's attitude towards the CAS strategy seems to have led to a gap between expected and actual outcomes.

10. Future prospects for a change in strategy would arise if Belarus continues to experience large external shocks as it had done recently (equivalent 4.5 percent of GDP according to the IMF). These shocks would increase with: (a) a further reduction in the gas subsidy from Russia; (b) further increased uncertainty in forming an economic union with Russia, as it would change expectations of potential investors to take advantage of the easy access to the Russian market and; (c) reduced ability to handle shocks given that relative prices cannot allocate resources under the current system of central control of large parts of the economy. Moreover, foreign exchange and fiscal resources needed to continue supporting public sector wages could increase substantially as the subsidy from Russia is reduced. In addition to the fiscal problem, the economy may face medium to long term growth problems if its competitiveness erodes, as wages continue to run ahead of productivity.

**Achievement of CAS Objectives**

Objectives	CASCR Rating	IEG Rating	Explanation / Comments
Pillar 1: Address Global Public Goods	None	Satisfactory	Analytic support for addressing AIDS, improving the environment, increasing energy efficiency and increasing transparency in financial and fiscal links. Bank's SIRP under implementation is contributing to more efficient use of energy in schools and hospitals. Bank's contribution to outcome mixed, however. Remaining agenda for reform of the health sector, rising AIDS incidence and financial sector vulnerable.
Pillar 2: Mitigate Social Risks	None	Moderately satisfactory	Analytic support for designing a unified targeted system of social safety nets. The post-Chernobyl Recovery Project under implementation to provide energy and reliable heat and hot water to affected areas. Agreement on Chernobyl project was late and it is too early to evaluate whether its contribution would be satisfactory. No country-wide program of social assistance.
Pillar 3: Fostering Private Sector Development	None	Unsatisfactory	WB provided analytic support. But the business environment worsened as reforms back-slided, evidenced by a 2005 survey of business conditions in 2002 and 2004. Some

			recent progress on the letter of the law on the conditions for starting business, according to Doing Business 2008.
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**Comments on Bank Performance:**

11. The Bank had in its base case scenario a large program of support to Belarus, both in terms of planned lending and AAA. On the lending side, only two of five projects were approved. Bank lending during the period 2002-2006 was US\$76.2 million. A level lower than the low case scenario may reflect a management decision to hold back in the absence of a shared view of direction with the government. The AAA program was moderately successful in influencing Government policy as it led to some improvements.

12. Only two projects were approved during the CAS period. These were the Social Infrastructure Retrofitting Project (SIRP) (FY01) and the Post Chernobyl Recovery Project (PCRP) (FY06). The SIRP project was rated as satisfactory by QAG and the PCRP was rated as highly satisfactory by the QAG. The SIRP project is progressing satisfactorily. The PCRP began implementation. This project came after a long dialogue with the government on different aspects of project design.

13. The Bank's performance in the area of AAA was satisfactory. It helped to design projects and also increase the understanding of crucial development issues by the Government and donors. There was a significant use of Bank's resources on analytical and advisory activities in Belarus.

**Portfolio Performance**

14. The SIRP project has proceeded without complications, even though the pace of implementation is said to have slowed down. A second project, Post Chernobyl Recovery Project just begun. The WB has little exposure in Belarus given that there has not been a substantive lending program to the country. Nor did the small program expand in recent history. As such there are no impending safeguard and fiduciary issues.

**Donor Coordination**

15. The Bank worked closely with the IMF over a range of issues from preparing a FSAP, a CEM and a PER, as well as providing technical assistance on fiscal policy, fiscal reports on observance and codes, bank supervision and bank restructuring, and anti-money laundering/combating the finances of terrorism.

16. The WBG coordinated its activities with the EBRD. Overall the agendas of the WBG and EBRD were complementary.

**4. Overall IEG Assessment**

<b>Outcome:</b>	Moderately Satisfactory
<b>Bank Performance:</b>	Moderately Satisfactory

17. During the CAS period Belarus has had a good performance in terms of growth and poverty reduction. GDP growth rate doubled while the poverty rate fell by more than half (see Annex Table). Belarus has done better than most CIS countries in both these objectives. This was largely due to the rebounding of the economy after the very low levels reached after the collapse of the Soviet Union in the early 1990s. It is not clear whether this performance is sustainable. Some fortuitous circumstances seem to have contributed to this outcome. These circumstances could be absent in the future, so that the prospects for continued satisfactory progress would be limited. In fact, it is possible that macroeconomic problems could re-surface and strong growth would become more difficult to achieve because of the emergence of an increasingly non-competitive economy, with its very small private sector. These circumstances are compounded by delayed reforms and back-sliding in the policy

framework.

18. The Bank's overall performance is rated as *moderately satisfactory* in Belarus. It has operated in a difficult environment, given that there was only a limited shared vision with the country. The Bank may have not judged political environment well especially with respect to its commitment to reform. The external environment changed with Belarus getting access to more resources and the Government becoming more intrusive with NGOs and development partners within the country.

19. While lending was limited, the country benefited from a strong analytical and advisory program. It benefited from this work and has been able do projects on its own thanks to the policy dialogue with the Bank. However, QAG has rated the effectiveness of the Bank's non-lending support as "marginally satisfactory."

## 5. Assessment of CAS Completion Report

20. The CASCR could have validly given a more nuanced and complete view of why issues arose on the policy dialogue, the shared vision, as well as of the reasons that led to lending program lower than the low case scenario. There are some general statements in the CASCR about these shortfalls but not a well-rounded or convincing analysis of the reasons and what they would mean for a future program.

21. The CASCR discusses the six indicators used to assess progress identified in the CAS. It notes the mixed results in relation to the outcomes. Of the six indicators, the CASCR finds that three have had satisfactory progress, namely fiscal transparency, containment of AIDS and TB and compliance with international environmental standards. The other three indicators—introduction of a targeted system of social protection, a better business environment and increased civil society participation—were weak and did not make significant progress. In addition, it is noteworthy that the business environment has worsened and civil society participation has been constrained. The CASCR could have highlighted these lapses, as well as explore ways in which changes in laws may lead to improvement in institutions and behaviors.

22. While it is difficult to make specific attributions to these outcomes, CASCR could have given a more detailed accounting of the main challenges that remain for country dialogue, a shared vision and a well articulated program of lending and analytical support and advice.

## 6. Findings and Lessons

23. IEG concurs with three of the lessons identified in the CASCR, namely that the WB program should align with Governments priorities that fall within its mandate, that high quality AAA is a prerequisite for a solid dialogue with the Government, and that there is high benefit from working with others such as the IMF, USAID and the EBRD. IEG finds that back-sliding of reforms that impact the resource allocation mechanisms of the economy should be monitored closely, and attention given to what is needed to bring about changes in institutions and behaviors. The Bank could play a more significant role when the dialogue improves and leads to stronger incentive and institutional reforms that truly strengthen the business and investment environment, and that foster the economy's competitiveness.





**ANNEXES**

- Annex Table 1:** Planned and Actual Lending FY2002-2006
- Annex Table 2:** Planned Non-lending Services and Actual Deliveries FY 2001 – 2006
- Annex Table 3:** IEG Project Ratings, Belarus, FY 2001-2006
- Annex Table 4:** Portfolio Status Indicators, Belarus & other ECA lower middle income countries, FY 2000-2005 (Net Commitment Amount in million US\$)
- Annex Table 5:** IBRD/IDA Net Disbursements and Charges (in US\$), Belarus, FY 2001-2006
- Annex Table 6:** Total Net Disbursements of Official Development Assistance and Official Aid, Belarus
- Annex Table 7:** Economic and Social Indicators, Belarus, FY 2000-2005
- Annex Table 8:** Belarus - Millennium Development Goals

**ATTACHMENT**

- Attachment 1:** IEG-IFC CASCR Review



**Annex Table 1. Planned and Actual Lending FY2002-2006**

	Proposed FY	Approval FY	Status	Proposed Amount (million US\$)	Approved Amount (million US\$)
<b>Programmed Projects</b>					
<b>Low-Case Scenario</b>					
TB/AIDS	2002		Dropped	40	
Social Assistance LIL	2002		Dropped	5	
Chernobyl	2003		Dropped	45	
Post Chernobyl Environment	2003		Dropped	20	
Social TA	2004		Dropped	30	
<b>Total FY02-05</b>				<b>140</b>	<b>0.0</b>
<b>Base-Case Scenario</b>					
Private Sector Development	2003		Dropped	30	
TB & Prim Health Care	2003		Dropped	30	
Rural Development	2004		Dropped	40	
Social Assistance Reform	2004		Dropped	30	
<b>Total FY02-05</b>				<b>270</b>	<b>0.0</b>
<b>Non programmed projects</b>					
Social Infrastructure Retrofitting Project		2001			22.6
Post Chernobyl Recovery		2006			50.0
<b>Total FY01-06</b>					<b>72.6</b>
<b>IFC Investment Activities (non programmed projects)</b>					
Priorbank		2003			14
DBBC		2004			10
Belgazprombank		2005			5
RZB Priorbank		2004			20
BBC		2004			0
Priorbank II		2005			20
BBC (Increased)		2006			2
BBC Increased 2		2006			0
DBBC Rights Issue		2006			.517
<b>Total</b>					<b>71</b>

Source: Belarus CAS FY02, WB operations portal, and WB Business Warehouse as of Aug 1, 2007 and MIS.

**Annex Table 2: Planned Non-lending Services and Actual Deliveries FY 2001 - 2006**

	Project ID	Proposed FY	Delivered to Client FY	Status	Estimated Cost (thousand US \$)	Actual Cost (thousand US \$)
<b>Pre-CAS (Completed or Underway)</b>						
Farm Restructuring			1999			48.4
Farm Restructuring II			2000			68.2
Agricultural Sector Review			1999			90
Climate Change			2001			25
Health Sector Study			2001			60
CAS		2002			240	
Social Sector Dialogue	P075923	2002-04		Dropped	40	
Chernobyl Impact	P074997	2002	2002		101.6	267
Private Sector Business Assmt:	P074859	2002	2003		148	182
Social Sector Dialogue/TA	P084592	2002	2004		90	62
Health Policy Note	P072529	2002	2002		104	150
Environmental Strategy Update	P071140	2002	2002		115	151
Public Awareness/Cap Bldg	P074949	2002-04	2002		200	30
Civil Society Cap Bldg/Outreach	P075018	2002-04	2006		100	60
Poverty Assessment	P079256	2002-03	2004		87	236
Country Monitoring – Belarus	2016442	2001-04			140	
IFC TA to SMEs (Business Association Capacity building project)	IFC-00508134	2001-04	2002		240	1477
IFC TA to SMEs (SME Development Project)	IFC-00502546	2001-04	2004			
Enterprise Sector Study		2002		Dropped	140	
<b>Planned</b>						
PER	P077655	2003	2003		210	215
CFAA	P088896	2003		Dropped	200	
CEM	P079317	2003-04	2005		300	361
Social and Gender Study		2003		Dropped	60	
Financial Sector Review		2003		Dropped	120	
E-development Study		2003		Dropped	100	
Development Policy Review		2004		Dropped	150	
Country Procurement Assessment		2004		Dropped	130	
<b>Non-Planned</b>						
Non-banking Fin Sect Assessment	P079089		2004			22
FASP Belarus	P088987		2004			254
Social Sector Dialogue	P084592		2004			62
PER FLWP TA	P091164		2005			41
BUS ENV TA	P084065		2006			86
<b>IFC Advisory Services (Non-Planned)</b>						
Belarus Business Enabling Environment Project	532983			Active		1,312
Belgazprom Bank Strengthening	533086			Active		214
Belarus Business Enabling Environment Phase 2	548425			Active		2,053
HACCP DBJC Implementation	554787			Active		50
Belarus BACBP	508134			Closed		1,402

Source: CAS FY02, WB Business Warehouse, IRIS, Imagebank, and Operations Portal as of Aug 1, 2007 and IFC database.

**Annex Table 3: IEG Project Ratings, Belarus, FY 2001-2006**

Proj ID	Approval FY	Exit FY	IEG Outcome	IEG Sustainability	IEG ID Impact
ODS PHASEOUT (GEF)	1997	2001	SATISFACTORY	LIKELY	SUBSTANTIAL
FOREST DEVT	1994	2002	MODERATELY UNSATISFACTORY	LIKELY	MODEST

Region	Total Evaluated (\$M)	Total Evaluated (No)	Outcome % Sat (\$)	Outcome % Sat (No)	Inst Dev Impact % Subst (\$)	Inst Dev Impact % Subst (No)
Belarus	33.4	2	0.0	50.0	0	50.0
ECA	19,399.7	340	83.4	82.2	63	58.4
Overall Result	113,968.2	1,642	82.2	77.9	55	52.2

Source: WB Business Warehouse Tables 4a. 5 and 4a.6 as of July 25, 2007.

**Annex Table 4: Portfolio Status Indicators, Belarus & other ECA lower middle income countries, FY 2000-2005 (Net Comm Amt in million US\$)**

<i>Country</i>	<i>Fiscal year</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>
<b>Belarus</b>	# Proj	1	2	1	1	1	1
	Net Comm Amt	33.9	56.5	22.6	22.6	22.6	22.6
	# Proj At Risk	0	0	0	0	0	0
	% At Risk	0	0	0	0	0	0
	Comm At Risk	0	0	0	0	0	0
	% Commit at Risk	0	0	0	0	0	0
<b>Albania</b>	# Proj	21	20.0	25.0	21.0	20.0	14.0
	Net Comm Amt	310.4	254.4	342.4	286.2	290.5	224.4
	# Proj At Risk	2	3.0	2.0	1.0	3.0	0.0
	% At Risk	9.5	15.0	8.0	4.8	15.0	0.0
	Comm At Risk	41.1	60.2	33.5	12.0	35.0	0.0
	% Commit at Risk	13.2	23.6	9.8	4.2	12.0	0.0
<b>Armenia</b>	# Proj	15	13.0	17.0	14.0	18.0	16.0
	Net Comm Amt	357.9	268.3	307.5	260.7	295.5	251.3
	# Proj At Risk	1	1.0	1.0	0.0	2.0	0.0
	% At Risk	6.7	7.7	5.9	0.0	11.1	0.0
	Comm At Risk	5	30.0	21.0	0.0	16.4	0.0
	% Commit at Risk	1.4	11.2	6.8	0.0	5.5	0.0
<b>Azerbaijan</b>	# Proj	11	13.0	15.0	14.0	14.0	18.0
	Net Comm Amt	259.2	288.3	367.8	336.0	341.3	421.0
	# Proj At Risk	2	1.0	7.0	0.0	2.0	1.0
	% At Risk	18.2	7.7	46.7	0.0	14.3	5.6
	Comm At Risk	38.2	5.0	186.3	0.0	103.9	15.0
	% Commit at Risk	14.7	1.7	50.7	0.0	30.5	3.6
<b>Bosnia and Herzegovina</b>	# Proj	13	18.0	19.0	20.0	20.0	16.0
	Net Comm Amt	264.6	352.0	364.0	307.7	379.1	349.5
	# Proj At Risk	0	0.0	0.0	0.0	1.0	4.0
	% At Risk	0	0.0	0.0	0.0	5.0	25.0
	Comm At Risk	0	0.0	0.0	0.0	19.8	118.5
	% Commit at Risk	0	0.0	0.0	0.0	5.2	33.9
<b>Bulgaria</b>	# Proj	10	12.0	8.0	9.0	8.0	8.0
	Net Comm Amt	437	441.4	245.9	291.4	377.1	377.1
	# Proj At Risk	0	0.0	0.0	2.0	1.0	1.0
	% At Risk	0	0.0	0.0	22.2	12.5	12.5
	Comm At Risk	0	0.0	0.0	77.7	30.0	30.0
	% Commit at Risk	0	0.0	0.0	26.7	8.0	8.0
<b>Georgia</b>	# Proj	15	18	17	17	18	17
	Net Comm Amt	310.9	348.5	326.2	301.7	344.8	328.8
	# Proj At Risk	1	0	4	1	4	0
	% At Risk	6.7	0	23.5	5.9	22.2	0
	Comm At Risk	20	0	106.77	15	82.11	0
	% Commit at Risk	6.4	0	32.7	5.0	23.8	0
<b>Kazakhstan</b>	# Proj	14	13	9	8	7	7
	Net Comm Amt	941.2	695.7	542.2	560.9	545.9	512.9
	# Proj At Risk	2	3	2	0	1	0
	% At Risk	14.3	23.1	22.2	0	14.3	0
	Comm At Risk	126.9	85.9	101.4	0	12	0
	% Commit at Risk	13.5	12.3	18.7	0	2.2	0

**Annex Table 4: Portfolio Status Indicators, Belarus & other ECA lower middle income countries, FY 2000-2005 (Net Comm Amt in million US\$) (continued)**

<i>Country</i>	<i>Fiscal year</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>
<b>Macedonia, former Yugoslav Republic of</b>	# Proj	10	13	13	8	11	10
	Net Comm Amt	195.3	236.4	238.5	151.3	155.8	84.4
	# Proj At Risk	2	0	3	2	0	0
	% At Risk	20	0	23.1	25	0	0
	Comm At Risk	41.9	0	51.1	44.5	0	0
	% Commit at Risk	21.5	0	21.4	29.4	0	0
<b>Serbia</b>	# Proj			3	10	15	17
	Net Comm Amt			101.8	242.0	352.0	261.0
	# Proj At Risk			0	1	4	1
	% At Risk			0	10	26.7	5.9
	Comm At Risk			0	11.5	108.3	20
	% Commit at Risk			0	4.8	30.8	7.7
<b>Turkmenistan</b>	# Proj	3	2	2	1		
	Net Comm Amt	70.1	45.1	45.1	14.8		
	# Proj At Risk	3	2	1	0		
	% At Risk	100	100	50	0		
	Comm At Risk	70.1	45.1	30.3	0		
	% Commit at Risk	100	100	67.2	0		
<b>Ukraine</b>	# Proj	10	7	8	11	12	11
	Net Comm Amt	1364.6	457.0	437.3	709.3	921.3	789.2
	# Proj At Risk	5	1	2	1	3	4
	% At Risk	50	14.3	25	9.1	25	36.4
	Comm At Risk	805.1	99.8	52.4	30	95	297.1
	% Commit at Risk	59.0	21.8	12.0	4.2	10.3	37.7

Source: WB Business Warehouse as of Aug 5, 2007.

**Annex Table 5: IBRD/IDA Net Disbursements and Charges (in US\$), Belarus, FY 2001-2006**

<b>Fiscal Year</b>	<b>Disb. Amt.</b>	<b>Repay Amt.</b>	<b>Net Amt.</b>	<b>Charges</b>	<b>Fees</b>	<b>Transfers</b>
2001	6,413,203	13,861,691	-7,448,488	5,382,779	26,772	-12,858,039
2002	6,495,591	13,500,238	-7,004,647	4,809,161	274,429	-12,088,237
2003	1,399,301	14,330,499	-12,931,198	4,541,707	74,294	-17,547,199
2004	659,405	15,448,296	-14,788,890	3,916,218	72,901	-18,778,009
2005	4,688,189	16,179,242	-11,491,053	2,845,504	66,396	-14,402,953
2006	5,892,760	15,396,738	-9,503,978	2,858,224	38,898	-12,401,100
<b>Total</b>	<b>25,548,449</b>	<b>88,716,703</b>	<b>-63,168,254</b>	<b>24,353,592</b>	<b>553,690</b>	<b>-88,075,536</b>

\* IFC included.

Source: WB Loan Kiosk, Net Disbursements and Charges Report as of July 25, 2007.



**Annex Table 6: Total Net Disbursements of Official Development Assistance and Official Aid, Belarus**  
Calendar Year 2000-2006  
(Million US\$)

Donor	2000	2001	2002	2003	2004	2005	2006	Total
<b>Bilateral Donors</b>								
Australia	..	..	..	..	..	..	..	..
Austria	..	..	..	..	..	1.89	..	1.89
Belgium	..	..	..	..	..	0.01	..	0.01
Canada	..	..	..	..	..	0.22	..	0.22
Denmark	..	..	..	..	..	0.79	..	0.79
Finland	..	..	..	..	..	0.01	..	0.01
France	..	..	..	..	..	3.76	..	3.76
Germany	..	..	..	..	..	13.92	..	13.92
Greece	..	..	..	..	..	0.26	..	0.26
Ireland	..	..	..	..	..	0.03	..	0.03
Italy	..	..	..	..	..	0.05	..	0.05
Japan	..	..	..	..	..	0.41	..	0.41
Luxembourg	..	..	..	..	..	0.07	..	0.07
Netherlands	..	..	..	..	..	0.23	..	0.23
New Zealand	..	..	..	..	..	..	..	..
Norway	..	..	..	..	..	..	..	..
Portugal	..	..	..	..	..	..	..	..
Spain	..	..	..	..	..	1.76	..	1.76
Sweden	..	..	..	..	..	5.67	..	5.67
Switzerland	..	..	..	..	..	2.75	..	2.75
United Kingdom	..	..	..	..	..	0.11	..	0.11
United States	..	..	..	..	..	1.72	..	1.72
<b>Multilateral Donors</b>								
EC	..	..	..	..	..	6.39	..	6.39
GEF	..	..	..	..	..	0.19	..	0.19
Global Fund (GFATM)	..	..	..	..	..	..	..	..
MONTREAL PROTOCOL	..	..	..	..	..	..	..	..
IDA	..	..	..	..	..	..	..	..
IDB	..	..	..	..	..	..	..	..
UNDP	..	..	..	..	..	0.59	..	0.59
UNFPA	..	..	..	..	..	0.28	..	0.28
UNHCR	..	..	..	..	..	0.4	..	0.4
UNICEF	..	..	..	..	..	0.79	0.64	1.43
UNTA	..	..	..	..	..	0.43	..	0.43
WFP	..	..	..	..	..	..	..	..
Other Bilateral Donors	..	..	..	..	..	2.49	..	2.49
DAC Countries, Total	..	..	..	..	..	33.66	..	33.66
Multilateral, Total	..	..	..	..	..	9.29	0.64	9.93
G7, Total	..	..	..	..	..	20.19	..	20.19
DAC EU Members, Total	..	..	..	..	..	28.56	..	28.56
Non-DAC Bilateral Donors, Total	..	..	..	..	..	10.81	..	10.81
All Donors, Total	..	..	..	..	..	53.76	0.64	54.4

Source: OECD DAC online database, table DCA 2a as of July 26, 2007.

**Annex Table 7: Economic and Social Indicators, Belarus, FY 2000-2005**

Series Name	Belarus						Albania Average 2000 - 2006	Ukraine
	2000	2001	2002	2003	2004	2005		
<b>Growth and Inflation</b>								
GDP growth (annual %)	5.80	4.73	5.05	7.04	11.45	9.24	10.14	7.36
GDP per capita growth (annual %)	6.12	5.09	5.52	7.60	12.01	9.79	10.81	8.35
GNI per capita, PPP (current international \$)	4780.00	5150.00	5540	6080	7000	7920	8810	5627.14
GNI per capita, Atlas method (current US\$)	1380.00	1300.00	1370	1610	2150	2760	3380	1134.29
Inflation, consumer prices (annual %)	168.62	61.13	42.54	28.40	18.11	10.34	7.02	11.11
<b>Composition of GDP (%)</b>								
Agriculture, value added (% of GDP)	14.15	11.87	11.78	10.20	10.33	9.51	9.26	13.32
Industry, value added (% of GDP)	39.17	37.25	36.99	38.69	40.87	41.21	43.42	34.82
Services, etc., value added (% of GDP)	46.68	50.88	51.24	51.11	48.80	49.29	47.32	51.84
<b>External Accounts</b>								
Exports of goods and services (% of GDP)	59.99	68.61	63.76	64.94	67.80	61.11	60.385216	56.24
Imports of goods and services (% of GDP)	63.49	72.70	67.06	68.66	74.26	60.44	60.63028	53.57
Current account balance (% of GDP)	-2.66	-3.32	-2.24	-2.44	-5.16	1.47	-4.0914549	5.90
External debt (% of GNI)	16.87	18.97	19.90	18.16	17.42	16.00	..	47.21
Total debt service (% of GNI)	2.91	2.76	2.54	2.36	1.61	2.30	..	8.18
Total reserves in months of imports	0.52	0.52	0.84	0.62	0.58	0.89	0.7061647	2.69
Gross fixed capital formation (% of GDP)	25.20	22.67	21.98	25.40	27.14	27.93	30.472048	19.38
<b>Fiscal Accounts (% of GDP)</b> <sup>1/2i</sup>								
Revenue	45.70	44.90	44.50	45.90	46.00	48.40	48.50	46.27
Expenditure (Cash)	45.90	46.80	46.60	47.70	46.00	49.10	48.00	47.16
Expenditure (Commitment)	46.70	48.10	46.70	46.90	45.60	49.00	48.00	47.29
Balance (Cash)	-0.20	-1.90	-2.10	-1.70	0.00	-0.70	0.50	-0.87
Balance (Commitment)	-1.00	-3.10	-2.20	-1.00	0.40	-0.60	0.50	-1.00
<b>Social Indicators</b>								
<b>Health</b>								
Life expectancy at birth, total (years)	68.01	..	68.21	..	68.39	68.48	..	68.13
Mortality rate, infant (per 1,000 live births)	14.20	..	..	..	..	10.30	..	19.00
Immunization, DPT (% of children ages 12-23 months)	99.00	99.00	99.00	50.00	99.00	99.00	..	97.33
Improved sanitation facilities (% of population with access)	..	..	..	..	84.00	..	..	91.00
Improved water source (% of population with access)	..	..	..	..	100.00	..	..	96.00
<b>Population</b>								
Population, total (million)	10.00	9.97	9.92	9.87	9.80	9.70	9.7	4.78
Population growth (annual %)	-0.30	-0.35	-0.45	-0.52	-0.50	-0.50	-0.61	-0.92
Urban population (% of total)	70.00	70.44	70.88	71.32	71.76	72.20	72.68	67.53
<b>Education</b>								
School enrollment, preprimary (% gross)	83.96	91.20	94.64	98.78	104.06	104.69	..	69.97
School enrollment, primary (% gross)	111.34	112.21	110.44	101.80	101.23	101.44	..	100.11
School enrollment, secondary (% gross)	84.66	84.61	85.93	91.01	93.48	95.42	..	94.92

<sup>1/</sup> IMF Belarus: 2003 Article IV Consultation - Staff Report, April 2003; 2006 Article IV Consultation - Staff Report, Aug 2006; 2007 Article IV Consultation - Staff Report, Aug 2007; <sup>2/</sup> WB World Development Indicators as of Sept 27, 2007 for all indicators excluding noted

<sup>2/</sup> 2006 Data is preliminary

**Annex Table 8: Belarus - Millennium Development Goals**

	1990	1995	2000	2005
<b>Goal 1: Eradicate extreme poverty and hunger</b>				
Income share held by lowest 20%			8.45	
Malnutrition prevalence, weight for age (% of children under 5)				
Poverty gap at \$1 a day (PPP) (%)			0.50	
Poverty headcount ratio at \$1 a day (PPP) (% of population)			2.00	
Poverty headcount ratio at national poverty line (% of population)			41.90	
Prevalence of undernourishment (% of population)		2.50		
<b>Goal 2: Achieve universal primary education</b>				
Literacy rate, youth total (% of people ages 15-24)	99.80	..	..	..
Persistence to grade 5, total (% of cohort)	..	..	..	..
Primary completion rate, total (% of relevant age group)	81.73	92.94	99.41	99.73
School enrollment, primary (% net)			..	89.31
<b>Goal 3: Promote gender equality and empower women</b>				
Proportion of seats held by women in national parliament (%)			5.00	29.10
Ratio of girls to boys in primary and secondary education (%)			104.75	105.23
Ratio of young literate females to males (% ages 15-24)	100.00			
Share of women employed in the nonagricultural sector (% of total nonagricultural employment)	55.70	56.20	55.90	
<b>Goal 4: Reduce child mortality</b>				
Immunization, measles (% of children ages 12-23 months)	..	93.00	98.00	99.00
Mortality rate, infant (per 1,000 live births)	16.40	17.10	14.20	10.30
Mortality rate, under-5 (per 1,000)	18.70	19.60	16.10	11.50
<b>Goal 5: Improve maternal health</b>				
Births attended by skilled health staff (% of total)				
Maternal mortality ratio (modeled estimate, per 100,000 live births)			35.00	
<b>Goal 6: Combat HIV/AIDS, malaria, and other diseases</b>				
Contraceptive prevalence (% of women ages 15-49)		50.00		
Incidence of tuberculosis (per 100,000 people)	38.38	54.24	73.49	61.66
Prevalence of HIV, female (% ages 15-24)	..	..	..	..
Prevalence of HIV, total (% of population ages 15-49)	..	..	..	0.34
Tuberculosis cases detected under DOTS (%)	..	..	..	45.77
<b>Goal 7: Ensure environmental sustainability</b>				
CO2 emissions (metric tons per capita)	10.58	6.20	5.91	..
Forest area (% of land area)	35.55	..	37.83	38.05
GDP per unit of energy use (constant 2000 PPP \$ per kg of oil equivalent)	..	1.43	1.96	..
Improved sanitation facilities (% of population with access)				
Improved water source (% of population with access)	100.00			
Nationally protected areas (% of total land area)				
<b>Goal 8: Develop a global partnership for development</b>				
Aid per capita (current US\$)	..	21.83	3.96	5.50
Debt service (PPG and IMF only, % of exports of G&S, excl. workers' remittances)	..	3.36	3.06	1.22
Fixed line and mobile phone subscribers (per 1,000 people)	154.50	193.68	279.99	755.17
Internet users (per 1,000 people)	0.00	0.03	18.69	347.23
Personal computers (per 1,000 people)				
Total debt service (% of exports of goods, services and income)		3.43	4.81	3.70
Unemployment, youth female (% of female labor force ages 15-24)	..	..	..	..
Unemployment, youth male (% of male labor force ages 15-24)	..	..	..	..
Unemployment, youth total (% of total labor force ages 15-24)				
<b>Other</b>				
Fertility rate, total (births per woman)	1.91	1.39	1.29	1.24
GNI per capita, Atlas method (current US\$)	..	1370	1380	2760
GNI, Atlas method (current US\$) (billions)	..	13.92	13.76	26.97
Gross capital formation (% of GDP)	26.51	24.75	25.40	29.62
Life expectancy at birth, total (years)	70.84	68.46	68.01	68.48
Literacy rate, adult total (% of people ages 15 and above)	99.47	..	..	..
Population, total (millions)	10.19	10.19	10.01	9.78
Trade (% of GDP)	89.61	103.72	123.48	121.55

Source: World Development Indicators database, July 2007.



<b>1. CAS Data</b>	
Country: Belarus	
CAS Year: 2002	CAS Period: FY02-FY04
CASCR Review Period: FY02-FY07 <sup>1</sup>	Date of This Review: Nov 28, 2007
IEG-IFC CASCR Reviewer: Maria Elena Pinglo	

<b>2. Assessment of the CASCR</b>		
<p><i>IEG-IFC finds the coverage of IFC's activities and achievements in the CASCR generally accurate and reasonably comprehensive, the CASCR outlines IFC's activities between FY02-07, but it does not explain why IFC did not succeed in developing rural business, trade finance and in attracting foreign investors to Belarus although it lacks clear explanations as to why some objectives were not achieved.</i></p>		
<b>3. IFC Objectives over the CASCR Period</b>		
CAS pillars and IFC objectives:		
<b>CAS Pillar A: Fostering Global Public Goods</b>		
<ul style="list-style-type: none"> <li>• <b>Financial markets.</b> IFC intended to promote the development of the financial sector by developing instruments such as trade financing and by attracting foreign banks to partner with Belarusian financial institutions<sup>2</sup>.</li> </ul>		
<b>CAS Pillar C: Fostering Private Sector Development:</b>		
<ul style="list-style-type: none"> <li>• <b>Business associations.</b> IFC aimed to help domestic business associations expand their coverage and consolidate their role in the economy.</li> <li>• <b>Support to SMEs.</b> IFC planned to support small and medium enterprises through technical assistance.</li> <li>• <b>Post privatization support.</b> IFC aimed to continue post privatization support to firms, specifically by strengthening business associations, leasing companies, micro-credit institutions and other forms of services to small and medium businesses.</li> <li>• <b>Promote rural business.</b> IFC aimed to promote rural business by: (i) stimulating the development of SMEs in rural areas to provide alternative employment in the face of the collapsing state and collective farm system; (ii) encouraging investment in rural SMEs; (iii) encouraging entrepreneurship among the rural population; and (iv) promoting cross border business relationships between Belarus and its neighboring countries.</li> </ul>		
<b>CASCR Reviewer: Maria Elena Pinglo</b>	<b>Peer Reviewer: Asita De Silva</b>	<b>Head Macro Evaluation: Linda Morra Manager: Amitava Banerjee</b>

<sup>1</sup> Since there has not been a CAS after 2004, the review period will cover the years from FY02 to FY07.

<sup>2</sup> Belarus CAS 00-04

#### 4. Relevance of IFC Objectives

**IFC's objectives in Belarus were in line with IFC strategic objectives and a good reflection of the difficult country conditions.** In particular, helping reform the business climate and strengthening weak institutions were important elements for private sector development. IFC's approach was to support high impact sectors such as financial markets and SMEs. However, the objectives might have been enhanced by setting a more integrated approach between IFC and WB with common goals to improve the business climate.

#### 5. IFC Activities During Period under Review

##### IFC Investment Operations

**IFC made its first investments in Belarus during the CAS period and committed US\$109m in eight investments to four clients between FY02 and FY07.**<sup>3</sup> Four investments were in two financial institutions, comprising 54% (or \$59m) of total commitments and four were in two agribusiness companies comprising 46% (or \$50m) of total commitments. The agribusiness investments were part of a regional investment of the Raiffeisen International Bank-Holding network. These eight investments led to an outstanding balance of US\$95.1m in FY07, from to zero base in FY01.

##### IFC Advisory Services

**Advisory services were focused mainly on improving the business enabling environment and helping small and medium enterprise development.** During the FY02-07 period, IFC carried out 5 advisory services projects, at a cost of approximately US\$5 million. Three of these projects were PEP-ECA initiatives, a wholesale approach to improve the business enabling environment of the SME sector and business associations, while the other two were company-level projects to improve access to finance and to provide assistance to SMEs. To date, two of the three PEP-ECA projects have been evaluated by IEG. The business association capacity building project was found to be successful and the SME development project was found to be partly unsuccessful as the main project component was not achieved.

#### 6. IFC Contribution to CAS objectives

##### **CAS Pillar A: Fostering Global Public Goods**

- **Financial markets.** Through its investments and advisory services in local financial institutions, IFC helped them strengthen their strategic planning, develop new lines of business, and build capacity, particularly in reaching the SME sector. However, (i) IFC's anticipated provision of trade finance to Belarus companies did not materialize during the CAS period, although a trade finance project was recently approved in FY08; and (ii) IFC's attempts to attract foreign banks to partner with local financial institutions were hindered in part due to slow government policy reform.

<sup>3</sup> Excluding Right issues

**CAS Pillar C: Fostering Private Sector Development**

- **Business climate.** IFC succeeded in building capacity among some business associations. A completed PEP-ECA project evaluated by IEG was found to have been successful in helping local business associations attract new members, raise revenues, and lobby national and local governments on reforms. However, it was not successful in the main project component, improving the overall business climate in Belarus<sup>4</sup>.
- **Support to SMEs.** Through its advisory services IFC provided a range of technical and legal support to SMEs. The SME development project (phase 1 and 2) conducted an SME survey and provided training to entrepreneurs, SMEs and government officials on business related issues and legal consultations. In the ongoing second phase of this initiative, IFC has conducted work with the government to streamline three key administrative processes: business registration, permits, and inspections. These efforts helped realize some business permits reform and according to Doing Business 2008 Belarus is one of the top ten performers in the Starting Business category. However, despite IFC's efforts for development of SMEs in areas such as getting credit, paying taxes and trading across borders, the business climate for SMEs remains difficult. The current situation in Belarus reveals that there are still numerous legal and administrative barriers that hinder SME development. According to the WB/IFC's 2005<sup>5</sup> survey, 54% of respondents believed that the business conditions deteriorated in 2004 compared to 2003 and 34% believed that it remained unchanged.
- **Post privatization support.** IFC continued providing post privatization support. Through its investment in Detroit Belarus Brewing Company (DBBC), IFC is contributing to the growth of a productive enterprise that has become one of the leading businesses in Belarus and is the largest employer in the town where it is operating. In addition, there is some evidence that DBBC's backward linkages with the rural sector is having positive effects, as local barley farmers are benefiting from the increase in the brewery's production.

**7. Lessons and Challenges from Experience**

***Evaluation of IFC projects in the FY02 to 07 period shows the critical adverse effect that slow policy reform and weak government commitment can have on limiting foreign investment.***

***Key challenges and lesson for IFC in the next Country Assistance Strategy period include:***

- **Establishing clear and specific objectives and benchmarks for improvement of the business environment in the CAS.**
- **Addressing obstacles in attracting strategic partners and reducing the state presence in Belarus companies through Advisory services and/or by clearly defining conditions of IFC investment (eg: through selection of strategic local or foreign partners or commitment to undergo an initial public offer process in an agreed upon time period).**

<sup>4</sup> See *PEP-ECA – Thematic Study*, Annex 7, table 12, p.106, IEG-IFC, July 2007.

<sup>5</sup> Source: WB/IFC survey report 'Business environment in Belarus' (2005)

**8. Annexes**

INVESTMENT OPERATIONS					
Project Count	Project ID	Project Short Name	Approval FY	IFC Sector Group	Orig Cmt-IFC Bal
1	011719	Priorbank	2003	Finance	14,000
1	020141	DBBC	2004	Agribusiness	10,000
1	022652	Belgazprombank	2005	Finance	5,000
1	023848	RZB Priorbank	2004	Finance	20,000
1	023851	BBC	2004	Agribusiness	0
1	024275	Priorbank II	2005	Finance	20,000
1	024583	BBC (Increased)	2006	Agribusiness	2,000
0	024921	BBC Increased 2	2006	Agribusiness	0
0	024995	DBBCRights Issue	2006	Agribusiness	517
1	025113	Detroit Invest	2007	Agribusiness	37,500
0	025447	DBJC	2007	Agribusiness	0
<b>8</b>	<b>TOTAL</b>				<b>109,017</b>

Source: MIS

ADVISORY SERVICES							
Project ID	Project Name	Status	Dept/Div - Name	IFC Region - Country	Business Line - Subarea	FY	Total Funding Approved US(000)
532983	Belarus Business Enabling Environment Project	Closed	CEUEP - Private Enterprise Partnership	Central and Eastern Europe - Belarus	Business Enabling Environment - BEE Policy, Regulation and Institutions;	2005	1,312
548425	Belarus Business Enabling Environment Phase 2	Active	CEUEP - Private Enterprise Partnership	Central and Eastern Europe - Belarus	Business Enabling Environment - BEE Diagnostic and M&E;BEE Policy, Regulation and Institutions;	2007	2,053
508134	Belarus BACBP	Closed	CEUEP - Private Enterprise Partnership	CEUEP - Central and Eastern Europe	Business Enabling Environment	2003	1,402
533086	Belgazprom Bank Strengthening	Closed	CEUR1 - Regional Mission in Moscow	Central and Eastern Europe - Belarus	Access To Finance - Banking;	2006	214



554787	HACCP DBJC Implementation	Active	CESI1 - Investment Support Group I	Central and Eastern Europe - Belarus	Value Addition to Firms - Direct Assistance to SMEs;	2007	50
<b>TOTAL</b>							<b>5,031</b>

**Source: IFC databases & TAAS reports**

**IFC Original Commitments FY02-07**

Year	FY02	FY03	FY04	FY05	FY06	FY07	Total
Value (\$m)	0	14	30	25	2.5	37.5	109
No. of projects	0	1	3	2	1	1	8

**IFC Original Commitments by sector**

Sector	FY99-01			FY02-07		
	\$m	n	Share	\$m	n	Total
Financial markets	0	0	0%	59	4	54%
Agribusiness	0	0	0%	50	4	46%
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0%</b>	<b>109</b>	<b>8</b>	<b>100%</b>

**IFC portfolio**

Year	FY01	FY07
Balance (\$m)	0	95.05
No. of projects	0	8