



The World Bank

Third Additional Financing for Public Expenditures for Administrative Capacity Endurance (PEACE) in Ukraine (P179875)

Additional Financing Appraisal Environmental and
Social Review Summary
Appraisal Stage
(AF ESRS Appraisal Stage)

Date Prepared/Updated: 09/09/2022 | Report No: ESRSAFA474



BASIC INFORMATION

A. Basic Project Data

Country	Region	Borrower(s)	Implementing Agency(ies)
Ukraine	EUROPE AND CENTRAL ASIA	Ukraine	Ministry of Finance
Project ID	Project Name		
P179875	Third Additional Financing for Public Expenditures for Administrative Capacity Endurance (PEACE) in Ukraine		
Parent Project ID (if any)	Parent Project Name		
P178946	Public Expenditures for Administrative Capacity Endurance (PEACE) in Ukraine		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Governance	Investment Project Financing	9/12/2022	9/29/2022

Proposed Development Objective

To contribute to sustaining the government administrative and service delivery capacity to exercise core government functions at the national and regional levels

Financing (in USD Million)	Amount
Current Financing	2042.00
Proposed Additional Financing	0.00
Total Proposed Financing	0.00

B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

Yes

C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]



The project provides emergency support to Ukraine in the wake of the war and supports the priority themes under the World Bank Group Strategy for Fragility, Conflict, and Violence (FCV) 2020-2025 (Report No. 146551). In line with the World Bank's FCV Strategy, the Project focuses on Pillar II "Remaining engaged during conflicts and crisis situations" to build resilience, protect essential institutions and deliver critical services. In addition to mitigating the humanitarian crises and preserving development gains, maintaining core government functions would preserve Ukraine's institutional capacity for a recovery once the conflict ends. The ongoing war had fundamentally impacted the context for the current Country Partnership Framework FY17-FY21. However, by preserving capacity of the government it contributes to achieving all objectives of the CPF. Preserving government capacity to exercise functions and deliver services also limits negative impact on achievement of the Twin Goals, eliminating extreme poverty and boosting shared prosperity.

D. Environmental and Social Overview

D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]

The Russian invasion of Ukraine that began on February 24, 2022, has led to an abrupt and severe deterioration in the social, economic, and poverty conditions in the country. Undoing years of development gains, the ongoing war has battered the economy and could push well up to 70 per cent of the population into poverty by end of 2022. The human impact of the war is incalculable, the war is severely straining the public finances. Ensuring the continuity of Ukraine's government at the central and regional levels is important for ensuring the delivery of basic services. So far, the Ukrainian government is paying salaries to public sector employees, pensions, and social assistance; providing access to basic services including online and where feasible face-to-face schooling, supplying medicines, and restoring access to electricity/water in the areas where the services are disrupted by the war. The original project is a US\$1.492 billion Investment Project Financing (IPF), financed by a EUR 946.6 million (US\$1 billion equivalent) non-concessional IDA credit and EUR 465.96 million (US\$492 million equivalent) IBRD loan, guaranteed by the Netherlands, Latvia, Lithuania, and the United Kingdom. The Project reimbursed government expenditures for salaries of government and school employees. Two additional financing grants have been approved for a total amount of US\$5.8 billion. The First additional financing (AF) was approved on June 26, 2022, for US\$1.3 billion of grant funding and is fully disbursed. The Second AF was approved on August 2, 2022, for US\$4.5 billion of grant funding. The Second AF introduced support to additional types of expenditures incurred by the government to pay pensions, social assistance, wages of first responders and deliver healthcare services, and updated the economic, financial, technical analyses and results framework to fully reflect the impact of the new activities. Under the Second AF, US\$ 3 billion were disbursed on August 24, 2022. The PEACE project provides funding to cover the wage bill of non-security sector government employees, pensions, social payments, and education, emergency and healthcare services that are essential to ensure continuity of core government functions and mitigate the social and economic impact of the war. The proposed Third AF consists of an additional tranche of USD 530 million to sustain the activities of the project, extending the closing date by three months to June 30, 2023 and updating the economic, financial, and technical analysis. The Third AF will provide additional financing for eligible government expenditures incurred during September-October 2022. The Third AF will utilize existing ES instruments in place for the original project and the Stakeholder Engagement Plan and Environmental and Social Commitment Plan will undergo further review of the deliverables and timelines as the emergency context changes.

D. 2. Borrower's Institutional Capacity



The Implementing Agency for the project is Ministry of Finance of Ukraine that will monitor monthly on-time payments to civil servants and number of civil servants who were paid. The International Cooperation Department of the MoF (ICD MoF) will continue to provide reports based on the Treasury Data, which the World Bank team will review and confirm fulfillment of PBC. The MoF has designated environmental and social development focal points selected from among its personnel to oversee the preparation and implementation of the required ES measures for this operation. ES responsibilities for the investment projects in Ukrainian portfolio by the Bank are usually delegated to other governmental agencies-implementing agencies for the projects with MoF being in the coordination role as the Borrower's Representative. However, MoF ICD staff have completed ESF Deep Dive training in June 2021 and attended various capacity building ES workshops held by Bank's ES regional team, and have been trained to understand stakeholder engagement practices, function and importance of grievance redress mechanism and relevant labor conditions. The designated GRM Focal Point for the parent project has been appointed at the MoF and ensures provisions outlined in project SEP and ESCP are established and monitored regularly. The Bank's ES team provides continuous support, extensive supervision and on the job training to the ICD MoF during the project preparation and implementation. The Borrower's performance on E&S requirements implementation will be assessed by the Bank on a regular basis, informed by project reports and during implementation support missions.

II. SUMMARY OF ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)

Substantial

Environmental Risk Rating

Moderate

The AF3 will not support physical works or envisage any other kind of activities that may cause direct or indirect environmental impacts. The environmental rating is moderate given potential for community and worker health and safety incidents during the delivery of the social services supported by the AF and associated risks and impact.

Social Risk Rating

Substantial

The activities supported by the Project are not expected to have any direct adverse social risks or impacts but they take place within a highly volatile context beyond the immediate control of the implementing agency. The Third AF will use the design of the parent project and will be scale up of the existing types of the eligible expenditures such funding to the wage bill of non-security sector government employees and school employees who are integral for ensuring continuity of core government services (mainly public administration and education services) and preventing erosion of learning outcomes; further support of Guaranteed Minimum Income (GMI) program, which is Ukraine's anti-poverty program that provides monthly benefits to the poor families with children, calculated as the difference between the Subsistence Minimum for a family and monthly family income; the House Utility Subsidy program that is the largest means-tested program, which provides financial support for the payment of utility bills by capping how much households spend to cover a normative amount of consumption; social assistance for the disabled since childhood and children with disability under 18 years old; social assistance for the IDP's, pensions payments and first responded payroll. The proposed AF3 will partially cover the PMG by reimbursing the health workers' wage bill to sustain Government expenditures for the delivery of guaranteed health services to the population. The additional funding scale up will expand this support to cover pensions, social payments and health services that are essential to mitigate the social and economic impact of the war. The social risk remains substantial given the potential for community and worker health and safety incidents during the delivery of the social services supported by the AF and



associated risks and impacts. Some services will require participants to attend in person activities and would require essential workers to staff their places of employment or conduct outreach activities potentially increasing their risk of exposure to attack, especially in eastern parts of the country. This contextual risk also increases the likelihood that vulnerable groups and individuals who may be eligible to receive such services do not seek them out for fear of exposure to war fighting and bombing. These are highly contextual and beyond the immediate control of the project and not caused by the activities supported by the bank financing. Preventative measures, including the requirement for an Emergency Preparedness and Response Plan (ERPP), for the newly introduced AF activities under emergency conditions will be described in the project’s Environmental and Social Commitment Plan (ESCP) and Project Operations Manual (POM). These include principles for information disclosure and consultation, and grievance redress mechanism. The Stakeholder Engagement Plan (SEP) for the project will make a reference for the AF3 activities and define principles for information disclosure and opportunity for feedback and access to redress for complaints and concerns. Opportunities for further virtual consultations and outreach to project stakeholders will be explored as the changing emergency context permits.

Sexual Exploitation and Abuse/Sexual Harassment (SEA/SH) Risk Rating

Moderate

SEA/SH risk is known to be prevalent in areas where war fighting has occurred. It is beyond the immediate control of the project and not caused by the activities supported by the bank financing (civil servant salaries for existing positions paid against performance-based disbursement). There is limited possibility for the Client to conduct consultative process on those issues and specifically with the female representative groups due to the ongoing war in country. GBV referral mechanisms and support services are available in the country. However, access to such services may be limited due to the country situation. The project will disclose contact information on available survivor services in the POM and ensure that these are described in the project grievance mechanism.

B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

The proposed AF3 is a continuation of the original project to ensure the continuity of core government functions by financing the wage bill for government employees in the public administration, healthcare and education sector, first responders and healthcare payroll as well as provide social assistance payments, IDP support and pensions. Disbursement of financing will go through a Single Treasury Account hosted by the State Treasury Service, International Cooperation Department of the MoF will provide reports. No physical works or technical activities will be undertaken as part of the project and the finances will be disbursed into a network of salary payments, social assistance programs and pensions.

Environmental and social risks and impacts assessed for this operation are highly contextual, in that the financing is being disbursed during an active combat situation and civil servants who are enabled to perform their core functions as a result of the provision of salaries may be doing so under situations of extreme vulnerability and insecurity, social assistance payments continue to sustain the most vulnerable groups including IDP's and elderly. Whilst provision of salaries and social assistance payments does not directly pose or contribute to risks or impacts associated with civil service and service payments delivery in peacetime or in war, the extreme volatility of the situation means that there is some risk that salaries, social assistance payments, pensions are not paid on time or that financing is diverted for

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other purposes. A negative list of sectors and roles (e.g. military personnel including territorial defense units) that are not eligible for payroll support has been developed to ensure that only non-security functions are provided for. There is potential for community and worker health and safety incidents during the delivery of the social services supported by the AF and associated risks and impacts. Some services will require participants to attend in person activities and would require essential workers to staff their places of employment or conduct outreach activities potentially increasing their risk of exposure to attack, especially in eastern parts of the country. This contextual risk also increases the likelihood that vulnerable groups and individuals who may be eligible to receive such services do not seek them out for fear of exposure to war fighting and bombing. An Environmental and Social Commitment Plan (ESCP) will be prepared based on the previous AF commitments, disclosed and consulted on describing preventative measures to be further elaborated in the Project Operations Manual (POM). These measures will include a brief Stakeholder Engagement Plan, analyzing affected and interested stakeholder needs and laying out principles for information disclosure and opportunity for feedback and access to redress for complaints and concerns associated with the disbursement of salaries.

ESS10 Stakeholder Engagement and Information Disclosure

Key beneficiary stakeholders include civil servants, educational staff, first responders and healthcare workers who will receive payroll, and members of the broader community, particularly the most vulnerable, who will receive pensions, social payments and health services that are essential to mitigate the social and economic impact of the war. A Stakeholder Engagement Plan, analyzing affected and interested stakeholder needs and laying out principles for information disclosure and opportunity for feedback and access to redress for complaints and concerns associated with the disbursement of salaries, social assistance programs and pensions has been prepared and included within the project’s ESCP. Further steps of stakeholder engagement activities including establishment of the multi-channel, accessible project GRM are to be described in the POM. SEP has been disclosed at the official MoF website and updated during the course of the project implementation. Accessible grievance mechanism for the project has been established, publicized, maintained and operated in a transparent manner that is culturally appropriate and readily accessible to all Project-affected parties, at no cost and without retribution, including concerns and grievances filed anonymously, in a manner consistent with ESS10. The GRM enables stakeholders to channel concerns, questions, and complaints to the MoF ICD (and, where necessary, to other actors at the local level). A separate channel for confidential reporting for SEA/SH and gender-based violence (GBV) complaints is presented as part of the section on GRM in the SEP. SEP that has been prepared and disclosed in country by the Client will also cover AF3 activities. Prior to AF3 detailed discussions were held with the MoF and project representatives on overall responsibilities and resources required to implement the SEP and GRM. Measures to enhance the SEP include maintaining the existing national pension fund hotline and the update of information on the services financed by the project on the MoF website. The MoF has reported that the project GRM is functional and cited as evidence the receipt and resolution of complaints from two civil servants who did not receive their entitlements for their work roles prior to being called up for defense services. This is demonstrated evidence of the ability of the project ES focal points to liaise with relevant government agencies to identify and resolve stakeholder concerns. The current state of martial law and war fighting contexts means that there are extremely limited additional engagement and consultation options. It is inadvisable to encourage large in-person meetings of local stakeholders due to risk of aerial bombardment and virtual consultations will only reach a limited number of representative stakeholders. However, the technical stakeholder engagement meeting with all relevant ministries

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and agencies in virtual mode has been planned by the Client for the end of September. The SEP will be updated to reflect the recommendations and findings of the meeting.

B.2. Specific Risks and Impacts

A brief description of the potential environmental and social risks and impacts relevant to the Project.

ESS2 Labor and Working Conditions

The project involves the provision of payments in the form of wages for core public services, pensions and cash delivery for vulnerable groups under existing state programs. This involves a continuation of existing services by civil servants and others who are working in connection with these programmes but not hired directly by the implementing agency. These workers will continued to be covered under the conditions of their existing contractual arrangements. There is potential for safety incidents due to the indiscriminate or targeted aerial attacks during the delivery of the welfare and pension payments supported by the AF and associated risks and impacts. Some services will require participants to attend in person activities and would require essential workers to staff their places of employment or conduct outreach activities potentially increasing their risk of exposure to attack, especially in eastern parts of the country.

There continues to be a threat of a missile attack across the entire country. The country established national “Air raid alarm” alert transmitted by Ukraine’s National warning system in the case of an emergency caused by a military attack. It automatically transmits the message to evacuate to the nearest shelters.

Ukraine's Labor Code includes measures on equal opportunity and non-discrimination, regulates hiring and firing procedures, allows for collective organization and bargaining; Given the extraordinary circumstances, principles for protecting against harmful labor and ensuring occupational health and safety will be described in the ESCP, including ensuring access to service providers responding to sensitive incidents such as those related to Sexual Exploitation and Abuse/Sexual Harassment and other forms of violence that may be associated with the invasion context. Labor risks will be addressed through the Client’s commitment in the ESCP and clear guidance provided in the POM to comply with the relevant requirements of ESS2.

ESS3 Resource Efficiency and Pollution Prevention and Management

This standard is not relevant. Activities proposed under the project will not pose risks associated with resource efficiency or pollution.

ESS4 Community Health and Safety

There continues to be a threat of a missile attack across the entire country. There is potential for safety incidents due to the indiscriminate or targeted aerial attacks during the delivery of the social services supported by the AF3 and associated risks and impacts. Some services will require participants to attend in person activities and would require essential workers to staff their places of employment or conduct outreach activities potentially increasing their risk of exposure to attack. Emergency preparedness measures in response to community health and safety risks associated with the operating context including measures to promote community awareness were described in the ESCP by the all participating ministries and agencies and included in the POM. AF3 scale up will continue to rely on those



procedures that will undergo regular review under ESCP. In any war fighting context risk of SEA/SH and other forms of gender-based violence is heightened. In Ukraine SEA/SH has been documented as a weapon of war by invading soldiers and is most likely a risk in the immediate combat areas. It is unlikely to be directly associated with project financed activities. Information on availability of survivor-centric SEA/SH services available in country will be included in the POM.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

This standard is not relevant. Activities proposed under the project will not require land acquisition, restrictions on land use or involuntary resettlement.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

This standard is not relevant. Activities proposed under the project will not pose risks to protected areas, natural habitats or involve primary production of natural resources.

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

This standard is not relevant. No indigenous peoples who meet the definition of this standard reside in the territory of Ukraine.

ESS8 Cultural Heritage

This standard is not relevant. Activities proposed under the project will not pose risks to tangible or intangible cultural heritage.

ESS9 Financial Intermediaries

This standard is not relevant. Activities proposed under the project will not involve financial intermediation.

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways No

OP 7.60 Projects in Disputed Areas No

B.3. Reliance on Borrower’s policy, legal and institutional framework, relevant to the Project risks and impacts

Is this project being prepared for use of Borrower Framework? No

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Areas where “Use of Borrower Framework” is being considered:

N/A

IV. CONTACT POINTS

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Borrower/Client/Recipient

Borrower: Ukraine

Implementing Agency(ies)

Implementing Agency: Ministry of Finance

V. FOR MORE INFORMATION CONTACT

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VI. APPROVAL

Task Team Leader(s):	Ana Bellver Vazquez-Dodero, Oleksii Balabushko, Karlis Smits
Practice Manager (ENR/Social)	Varalakshmi Vemuru Cleared on 09-Sept-2022 at 09:23:35 GMT-04:00
Safeguards Advisor ESSA	null on

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